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 Holdings Co., Ltd.**, 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).

中遠海運控股股份有限公司

COSCO SHIPPING Holdings Co., Ltd.*

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

(Stock Code: 1919)

MAJOR TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS

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

MESSIS 大有融資

A letter from the Board is set out on pages 10 to 50 of this circular. A letter from the Independent Board Committee to the Independent Shareholders is set out on page 51 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 52 to 90 of this circular.

A notice convening the EGM on Friday, 20 December 2019 at 10:00 a.m. at Conference Room, 47th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong and Ocean Hall, 5th Floor, Shanghai Ocean Hotel, No. 1171, Dong Da Ming Road, Shanghai, the PRC, together with the form of proxy and reply slip, were despatched to the Shareholders on Tuesday, 5 November 2019.

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

* *For identification purpose only*

5 December 2019

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

"Articles of Association"	the articles of association of the Company as amended, revised or supplemented from time to time
"associate(s)"	has the meaning ascribed to it under the Hong Kong 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)
"Company"	COSCO SHIPPING Holdings Co., Ltd.* (中遠海運控股股份有限公司), a joint stock limited company incorporated in the PRC with limited liability, the H shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1919) and the A shares of which are listed on the Shanghai Stock Exchange (Stock Code: 601919)
"COSCO"	China Ocean Shipping Co., Ltd. (中國遠洋運輸有限公司), a PRC state-owned enterprise, the controlling shareholder of the Company, and a wholly-owned subsidiary of COSCO SHIPPING
"COSCO Finance"	COSCO Finance Co., Ltd.* (中遠財務有限責任公司), which ceased to exist as a legal entity and became a branch of COSCO SHIPPING Finance after merger by absorption of COSCO Finance by CS Finance
"COSCO SHIPPING"	China COSCO Shipping Corporation Limited* (中國遠洋海運集團有限公司), a PRC state-owned enterprise and the indirect controlling shareholder of the Company
"COSCO SHIPPING Development"	COSCO SHIPPING Development Co., Ltd.* (中遠海運發展股份有限公司), a joint stock limited company incorporated in the PRC with limited liability, the H shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 2866) and the A shares of which are listed on the Shanghai Stock Exchange in the PRC (Stock Code: 601866)

"COSCO SHIPPING Finance"	COSCO SHIPPING Finance Company Limited* (中遠海運集團財務有限責任公司), a company established under the laws of the PRC with limited liability
"COSCO SHIPPING Group"	COSCO SHIPPING and its subsidiaries and associates
"COSCO SHIPPING Lines"	COSCO SHIPPING Lines Co, Ltd.* (中遠海運集裝箱運輸有限公司), a company established under the laws of the PRC and a subsidiary of the Company
"COSCO SHIPPING Master Agreements"	collectively, the Financial Services Agreement, the Master General Services Agreement, the Master Shipping Services Agreement, the Master Port Services Agreement, the Master Vessel and Container Asset Services Agreement and the Trademark Licence Agreement
"COSCO SHIPPING Ports"	COSCO SHIPPING Ports Limited, a company incorporated in Bermuda with limited liability, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 1199) and a non-wholly owned subsidiary of the Company
"CS Finance"	China Shipping Finance Company Limited* (中海集團財務有限責任公司), currently known as COSCO SHIPPING Finance
"Director(s)"	director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be held on Friday, 20 December 2019 to, among other things, consider and if thought fit, approve the Non-Exempt Continuing Connected Transactions
"Existing Agreements"	collectively, the Existing COSCO SHIPPING Agreements, the Existing PIL Shipping Services Master Agreement, the Existing PIL Master Vessel Time Charter Services Agreement, the Existing PIL Master Container Services Agreement and the Existing SIPG Shipping and Terminal Services Agreement

"Existing COSCO SHIPPING Agreements"	collectively, the Existing Master General Services Agreement, the Existing Master Vessel Services Agreement, the Existing Master Container Services Agreement, the Existing Master Seamen Leasing Agreement, the Existing Freight Forwarding Master Agreement, the Existing Master Port Services Agreement, the Existing Master Premises Leasing Agreement, the Existing Financial Services Agreement, the Existing Master Vessel and Container Asset Services Agreement, the Existing Trademark License Agreement and the Existing Shipping Services and Terminal Services Master Agreement, entered into between the Group and COSCO SHIPPING Group
"Existing Financial Services Agreement"	the financial services agreement dated 14 September 2016 between COSCO SHIPPING and the Company for the provision of certain financial services
"Existing Freight Forwarding Master Agreement"	the freight forwarding master agreement dated 14 September 2016 between the Company and COSCO SHIPPING in relation to mutual provision of freight forwarding services between the COSCO SHIPPING Group and the Group
"Existing Master Container Services Agreement"	the master container services agreement dated 14 September 2016 between the Company and COSCO SHIPPING in relation to mutual provision of container services between the Group and COSCO SHIPPING Group
"Existing Master General Services Agreement"	the master general services agreement dated 14 September 2016 between the Company and COSCO SHIPPING in relation to mutual provision of general services between the Group and the COSCO SHIPPING Group
"Existing Master Port Services Agreement"	the master port services agreement dated 14 September 2016 between the Company and COSCO SHIPPING in relation to provision of port services by the COSCO SHIPPING Group to the Group

"Existing Master Premises Leasing Agreement"	the master premises leasing agreement dated 14 September 2016 between COSCO SHIPPING and the Company in relation to the mutual leasing of premises between the Group and the COSCO SHIPPING Group
"Existing Master Seamen Leasing Agreement"	the master seamen leasing agreement dated 14 September 2016 entered into between the Company and COSCO SHIPPING in relation to mutual provision of seamen leasing services between the Group and the COSCO SHIPPING Group
"Existing Master Vessel and Asset Services Agreement"	the master vessel and container asset services agreement dated 14 September 2016 entered into between the Company and COSCO SHIPPING in relation to the provision of leasing of vessels and containers and the manufacture of containers to the Group from the COSCO SHIPPING Group
"Existing Master Vessel Services Agreement"	the master vessel services agreement dated 14 September 2016 between the Company and COSCO SHIPPING in relation to mutual provision of vessel services between the Group and the COSCO SHIPPING Group
"Existing PIL Master Container Services Agreement"	the master container services agreement dated 27 July 2018 entered into between the Company and Pacific International Lines in relation to the provision of container services by the Pacific International Lines Group to the Group
"Existing PIL Master Vessel Time Charter Services Agreement"	the master vessel time charter services agreement dated 29 March 2018 entered into between the Company and Pacific International Lines in relation to the mutual provision of vessel time charter services between the Group and the Pacific International Lines Group
"Existing PIL Shipping Services Master Agreement"	the shipping services master agreement dated 30 August 2017 entered into between the Company and Pacific International Lines in relation to provision of shipping services by the Group to the Pacific International Lines Group

"Existing Shipping Services and Terminal Services Master Agreement"	the shipping services and terminal services master agreement dated 22 November 2018 and entered into between the Company and COSCO SHIPPING in relation to the provision of shipping and terminal services by the Group to the COSCO SHIPPING Group
"Existing SIPG Shipping and Terminal Services Agreement"	the shipping and terminal services framework agreement dated 27 February 2019 in relation to provision of shipping services by the Group to SIPG Group and provision of terminal services by SIPG Group to the Group
"Existing Trademark Licence Agreement"	the trademark licence agreement dated 14 September 2016 entered into between the Company and COSCO SHIPPING in relation to the granting of the non-exclusive right to the members of the Company and its subsidiaries to use certain trademarks of COSCO SHIPPING
"Financial Services Agreement"	the financial services agreement dated 30 October 2019 entered into between COSCO SHIPPING and the Company for the provision of certain financial services by COSCO SHIPPING Finance to the Company and its subsidiaries
"Group"	the Company and its subsidiaries and associates
"Hong Kong"	Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Independent Board Committee"	the independent board committee of the Board consisting of all the independent non-executive Directors

"Independent Financial Adviser" or "Messis Capital"	Messis Capital Limited, a licensed corporation under the SFO to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the terms of the Non-exempt Master Agreements and the respective proposed annual caps for such transactions for each of the three years ending 31 December 2022
"Independent Shareholders"	the Shareholders other than the COSCO SHIPPING Group and its associates
"Latest Practicable Date"	29 November 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Lease Agreement"	the lease agreement dated 11 December 2015 entered into between the Company and COSCO SHIPPING Development in relation to provision of the leasing of vessels and containers by COSCO SHIPPING Development to the Company, details of which were disclosed in the announcement of the Company dated 11 December 2015 and the circular of the Company dated 30 December 2015
"Master Agreements"	collectively, the COSCO SHIPPING Master Agreements, the PIL Master Shipping and Terminal Services Agreement and the SIPG Shipping and Terminal Services Agreement
"Master General Services Agreement"	the master general services agreement dated 30 October 2019 entered into between the Company and COSCO SHIPPING in relation to mutual provision of general services between the Group and the COSCO SHIPPING Group
"Master Port Services Agreement"	the master port services agreement dated 30 October 2019 entered into between the Company and COSCO SHIPPING in relation to mutual provision of port services between the COSCO SHIPPING Group and the Group

"Master Shipping Services Agreement"	the master shipping services agreement dated 30 October 2019 entered into between the Company and COSCO SHIPPING in relation to mutual provision of shipping services between the Group and the COSCO SHIPPING Group
"Master Vessel and Container Asset Services Agreement"	the master vessel and container asset services agreement dated 30 October 2019 entered into between the Company and COSCO SHIPPING in relation to the leasing of vessels and containers by the Group from the COSCO SHIPPING Group and the sale of containers by COSCO SHIPPING Group to the Group
"Non-exempt Continuing Connected Transactions"	the continuing connected transactions under the Non-exempt Master Agreements
"Non-exempt Master Agreements"	collectively, (i) the Master Shipping Services Agreement, (ii) the Master Port Services Agreement, (iii) the Financial Services Agreement, and (iv) the Master Vessel and Container Asset Services Agreement
"OCEAN Alliance"	an alliance of shipping companies comprising COSCO SHIPPING Lines, CMA CGM, Evergreen Line and Orient Overseas Container Line
"OOIL"	Orient Overseas (International) Limited, a company incorporated in Bermuda with limited liability and listed on the Main Board of the Stock Exchange (Stock Code: 316) and a non-wholly owned subsidiary of the Company
"Pacific International Lines"	Pacific International Lines Pte Ltd, a limited liability company incorporated in Singapore
"Pacific International Lines Group"	Pacific International Lines and/or its subsidiaries and associates
"PBOC"	the People's Bank of China, the central bank of the PRC
"PIL Master Shipping and Terminal Services Agreement"	the master shipping and terminal services agreement dated 30 October 2019 entered into by the Company and Pacific International Lines in relation to the mutual provision of shipping services and terminal services between the Group and Pacific International Lines Group

"PRC"	the People's Republic of China which, for the purpose of this circular and for geographical reference only, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
"Qingdao Port International"	Qingdao Port International Co., Ltd. (青島港國際股份有限公司), a joint stock company established in the PRC with limited liability), the H shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 6198) and the A shares of which are listed on the Shanghai Stock Exchange (Stock Code: 601298)
"Qingdao Port International Group"	Qingdao Port International and its subsidiaries or associates
"Qingdao Port International Shipping and Terminal Services Framework Agreement"	the shipping and terminal services framework agreement dated 30 October 2019 in relation to provision of shipping services by the Group to Qingdao Port International Group and provision of terminal services by Qingdao Port International Group to the Group
"Restructuring Circular"	the circular of the Company dated 31 December 2015 in relation to certain asset restructuring activities of the Company involving, among other things, the entering into of the Lease Agreement
"RMB"	Renminbi yuan, the lawful currency of the PRC
"SASAC"	State-owned Assets Supervision and Administration Commission of the State Council of the PRC (國務院國有資產監督管理委員會)
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	the share(s) of the Company
"Shareholder(s)"	holder(s) of the share(s) of the Company
"SIPG"	Shanghai International Port (Group) Co., Ltd.* (上海國際港務(集團)股份有限公司), a company established in the PRC with limited liability and the shares of which are listed on the Shanghai Stock Exchange (Stock Code: 600018)

"SIPG Group"	SIPG and its subsidiaries or associates
"SIPG Shipping and Terminal Services Agreement"	the shipping and terminal services framework agreement dated 30 October 2019 in relation to provision of shipping services by the Group to SIPG Group and provision of terminal services by SIPG Group to the Group
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supervisor(s)"	supervisor(s) of the Company
"Trademark Licence Agreement"	the trademark licence agreement dated 30 October 2019 entered into between the Company and COSCO SHIPPING in relation to the granting of the non-exclusive right to the Company and its subsidiaries to use certain trademarks of COSCO SHIPPING
"US$"	United States dollars, the lawful currency of the United States of America
"%"	per cent

* *for identification purposes only*

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

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

(Stock Code: 1919)

Directors:
Mr. XU Lirong[1] *(Chairman)*
Mr. WANG Haimin[1] *(Vice Chairman)*
Mr. YANG Zhijian[1]
Mr. FENG Boming[1]
Mr. YANG, Liang Yee Philip[2]
Mr. WU Dawei[2]
Mr. ZHOU Zhonghui[2]
Mr. TEO Siong Seng[2]

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

Principal Place of Business:
48/F, COSCO Tower
183 Queen's Road Central
Hong Kong

5 December 2019

1 *Executive Director*
2 *Independent Non-executive Director*

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS

A. INTRODUCTION

Reference is made to the announcements of the Company dated 30 October 2019 and 26 November 2019 in relation to major transaction and continuing connected transactions.

* *For identification purpose only*

The purpose of this circular is to provide you with, among other things, (i) further details of the Non-exempt Continuing Connected Transactions and the respective proposed annual caps for such transactions for each of the three years ending 31 December 2022; (ii) a letter from the Independent Board Committee with its recommendation to the Independent Shareholders on the Non-Exempt Continuing Connected Transactions; (iii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders; and (iv) other information as required under the Hong Kong Listing Rules.

Reference is made to (i) the announcements of the Company dated 14 September 2016, 27 December 2017 and 22 November 2018 and the circular of the Company dated 29 October 2016 in relation to, among other things, certain continuing connected transactions between the Group and the COSCO SHIPPING Group under the Existing COSCO SHIPPING Master Agreements; (ii) the announcements of the Company dated 30 August 2017, 29 March 2018 and 27 July 2018, in relation to the continuing connected transactions between the Group and Pacific International Lines Group under the Existing PIL Shipping Services Master Agreement, the Existing PIL Master Vessel Time Charter Services Agreement and the Existing PIL Master Container Services Agreement respectively; and (iii) the announcement of the Company dated 27 February 2019 in relation to the continuing connected transactions between the Group and SIPG Group under the Existing SIPG Shipping and Terminal Services Agreement.

The Existing Agreements will expire on 31 December 2019. In light of the Company's intention to continue entering into transactions of a similar nature from time to time after such expiry date, on 30 October 2019:

(i) the Company and COSCO SHIPPING entered into the COSCO SHIPPING Master Agreements in respect of certain transactions, the nature of which is similar to the transactions under the Existing COSCO SHIPPING Agreements, for a term of three years from 1 January 2020 to 31 December 2022, which can be extended for further three years as agreed in writing by the parties upon the expiration of the term on the basis that the relevant requirements of the applicable listing rules are satisfied;

(ii) the Company and Pacific International Lines entered into the PIL Master Shipping and Terminal Services Agreement in relation to the mutual provision of shipping services and terminal services between the Group and Pacific International Lines Group for a term of three years from 1 January 2020 to 31 December 2022, which can be extended for further three years as agreed in writing by the parties upon the expiration of the term on the basis that the relevant requirements of the applicable listing rules are satisfied; and

(iii) the Company and SIPG entered into the SIPG Shipping and Terminal Services Agreement in relation to the mutual provision of shipping services and terminal services between the Group and SIPG Group for a term of three years from 1 January 2020 to 31 December 2022, which can be extended for further three years as agreed in writing by the parties upon the expiration of the term on the basis that the relevant requirements of the applicable listing rules are satisfied; and

Each of the COSCO SHIPPING Master Agreements, the PIL Master Shipping and Terminal Services Agreement and the SIPG Shipping and Terminal Services Agreement shall take effect subject to the approval of the relevant COSCO SHIPPING Master Agreement, the PIL Master Shipping and Terminal Services Agreement or the SIPG Shipping and Terminal Services Agreement and the proposed annual caps thereunder from relevant authoritative bodies (including at the meetings of the Board and the Shareholders' meetings, if required) in accordance with the articles of association of the relevant contracting parties, applicable laws, regulations and securities exchange rules.

During the term of each of the Master Agreements, relevant members of the Group may enter into definitive agreements with relevant members of the COSCO SHIPPING Group, Pacific International Lines Group or SIPG Group from time to time in respect of the provision and receipt of the relevant goods and services to and/or from the Group, subject to the terms and conditions in compliance with the relevant Master Agreement.

B. COSCO SHIPPING MASTER AGREEMENTS

(1) Financial Services Agreement

Parties:	(i) the Company; and (ii) COSCO SHIPPING
Nature of transaction:	Pursuant to the Financial Services Agreement, COSCO SHIPPING will procure COSCO SHIPPING Finance to provide the Company and its subsidiaries and associates with certain financial services, including the following: (i) deposit services; (ii) loan services; (iii) clearing services; (iv) foreign exchange services; and (v) any other services that COSCO SHIPPING Finance can engage in as permitted by the CBIRC.

The transaction terms of the services to be provided under the Financial Services Agreement shall be normal commercial terms and fair and reasonable, and shall not be less favourable to the Company and its subsidiaries than those offered by COSCO SHIPPING Finance to other members of the COSCO SHIPPING Group for the same type of services and shall not be less favourable than the terms offered by other financial institutions to the Company and its subsidiaries and associates for the same type of services.

Pricing policies:

The interest rates for deposits shall be determined with reference to:

(i) market interest rates, being interest rates determined by independent third party commercial banks providing the same type of deposit services in their ordinary course of business in the same or nearby service area and subject to normal commercial terms, and in accordance with the principle of fairness and reasonableness; and

(ii) the interest rate offered by COSCO SHIPPING Finance to other parties (i.e. other members of the COSCO SHIPPING Group) for the same type of deposits from other entities.

The interest rates for loans shall be determined with reference to:

(i) market interest rates, being interest rates determined by independent third party onshore commercial banks providing the same type of loan services in their ordinary course of business in the same or nearby service area and subject to normal commercial terms, and shall be in accordance with the principle of fairness and reasonableness; and

(ii) the interest rates charged by COSCO SHIPPING Finance to other parties (i.e. other members of the COSCO SHIPPING Group) on the same type of loans provided to other entities.

The clearing services provided by COSCO SHIPPING Finance to the Company and its subsidiaries and associates shall be free of charge for the time being.

The pricing policies for other financial services, including but not limited to foreign exchange services, shall be determined with reference to:

(i) the handling fees charged by independent third party onshore commercial banks to the Company and its subsidiaries and associates for the same type of services; and

(ii) the handling fees charged by COSCO SHIPPING Finance to other parties (i.e. others members of the COSCO SHIPPING Group) with the same credit rating for the same type of services.

To ensure that the pricing policies under the Financial Services Agreement are complied with, prior to conducting transactions under the Financial Services Agreement, the Company will enquire with independent third party commercial banks and other financial institutions about the interest rates for loans and deposits and the fees for provision of similar financial services in the same or nearby area for the same type of services, to compare with the interest rates for loans and deposits and the fees for other financial services offered by COSCO SHIPPING Finance. The Group will seek to obtain quotations from at least three independent third party commercial banks or other financial institutions in each case where practicable.

Historical transaction amounts:

The table below sets forth the historical transaction amounts of the financial services provided by COSCO SHIPPING Finance to the Company and its subsidiaries under the Existing Financial Services Agreement for the two years ended 31 December 2018 and the six months ended 30 June 2019 and the aggregate annual cap for the year ending 31 December 2019 under the Existing Financial Services Agreement:

	For the year ended 31 December 2017 *(RMB'000)*	**For the year ended 31 December 2018** *(RMB'000)*	**For the six months ended 30 June 2019** *(RMB'000)*	**Aggregate annual cap for the year ending 31 December 2019** *(RMB'000)*
Maximum daily outstanding balance of deposits (including accrued interest and handling fee) placed by the Company and its subsidiaries with COSCO SHIPPING Finance(1)	10,194,178	9,510,504	10,609,021	33,000,000
Maximum daily outstanding balance of loans (including accrued interest and handling fee) granted by COSCO SHIPPING Finance(1)	2,469,000	4,310,560	4,620,500	26,000,000

(1) Completion of the merger by absorption of COSCO Finance by CS Finance (both being the entities providing financial services to the Group under the Existing Financial Services Agreement) took place on 23 October 2018. Upon completion of the merger, (i) CS Finance continued as the surviving company and was renamed as COSCO SHIPPING Finance and (ii) COSCO Finance ceased to exist as a legal entity and became a branch of COSCO SHIPPING Finance, and the assets, liabilities, businesses and employees of which have been succeeded by COSCO SHIPPING Finance.

As far as the Directors are aware, the annual caps for the year ending 31 December 2019 had not been exceeded as at the Latest Practicable Date.

For each of the two years ended 31 December 2018 and the six months ended 30 June 2019, the transaction amount for other financial services provided by COSCO SHIPPING Finance to the Group was nil.

Proposed annual caps and basis of determination for annual caps:

The proposed annual caps for the transactions contemplated under the Financial Services Agreement for the three years ending 31 December 2022 and the basis of determination for such annual caps are set out as follows:

Deposit Services

	For the year ending 31 December 2020 *(RMB'000)*	**For the year ending 31 December 2021** *(RMB'000)*	**For the year ending 31 December 2022** *(RMB'000)*
Maximum daily outstanding balance of deposits (including accrued interest and handling fee) to be placed by the Company and its subsidiaries with COSCO SHIPPING Finance	29,000,000	29,000,000	29,000,000

The above proposed annual caps were determined with reference to:

(i) the historical transaction amounts;

(ii) the strategies of the capital management of the Company;

(iii) the potential demands for deposit services by OOIL, which has been a subsidiary of the Company since July 2018. The highest estimated transaction amount of the deposit services by OOIL for the three years ending 31 December 2022 are US$200,000,000, US$200,000,000 and US$200,000,000 (equivalent to approximately RMB1,400,000,000), respectively, which were determined by reference to by reference to (a) the historical cash flow movements of OOIL Group placed with the independent third party banks; and (b) the anticipated business plan of OOIL Group with a view to managing its financial risks effectively and reasonably;

(iv) the expected increase in the operating revenue of the Group due to growth of business volume of the Group; and

(v) the expected positive development in the shipping market.

Loan Services

	For the year ending 31 December 2020 *(RMB'000)*	For the year ending 31 December 2021 *(RMB'000)*	For the year ending 31 December 2022 *(RMB'000)*
Maximum daily outstanding balance of loans (including accrued interest and handling fee) to be granted by COSCO SHIPPING Finance to the Company and its subsidiaries	26,000,000	26,000,000	26,000,000

The above proposed annual caps were determined with reference to:

(i) the historical transaction amounts;

(ii) the capital management strategies of the Company;

(iii) the potential demands for loan services by OOIL, which has become a subsidiary of the Company since July 2018. The highest estimated transaction amount of the loan services to OOIL for the three years ending 31 December 2022 are US$100,000,000, US$100,000,000 and US$100,000,000 (equivalent to approximately RMB700,000,000), respectively, which were determined by reference to (a) the historical loan requirements of OOIL with independent third party banks; and (b) the anticipated business plan of OOIL Group with a view to managing its financial risks effectively and reasonably;

(iv) the anticipated increasing demands of the Group for loan services to be provided by COSCO SHIPPING Finance if financial costs for loan services provided by COSCO SHIPPING Finance are relatively lower than those provided by other commercial banks and financial institutions in the market; and

(v) the expected positive development in the shipping market and the expected increase in shipping capacity of the Group.

Other Financial Services

	For the year ending 31 December 2020 *(RMB'000)*	For the year ending 31 December 2021 *(RMB'000)*	For the year ending 31 December 2022 *(RMB'000)*
Other financial services (including clearing services, foreign exchange services and any other services that COSCO SHIPPING Finance can engage in as permitted by the CBIRC) to be provided by COSCO SHIPPING Finance to the Company and its subsidiaries	40,000	40,000	40,000

The above proposed annual caps were determined with reference to:

(i) historical transaction amounts of financial services with independent third parties;

(ii) the capital management strategies of the Company;

(iii) the potential demands for other financial services by OOIL, which has become a subsidiary of the Company since July 2018. The highest estimated transaction amount of other financial services by OOIL for the three years ending 31 December 2022 are US$1,000,000, US$1,000,000 and US$1,000,000 (equivalent to approximately RMB7,000,000), respectively, which were determined by reference to (a) the historical amount of financial services of OOIL Group placed with the independent third party banks; and (b) the anticipated business plan of OOIL Group with a view to managing its financial risks effectively and reasonably;

(iv) the anticipated increase in demand of the Group for other financial services as a result of its business growth; and

(v) the expected positive development in the shipping market.

Reasons for entering into the Financial Services Agreement:

The operations of COSCO SHIPPING Finance are subject to the guidelines and requirements issued by the PBOC and the supervision of the CBIRC. To the best of the Directors' knowledge and belief, COSCO SHIPPING Finance has been in compliance with all the major financial services rules and regulations and has sound internal control systems. As the intra-group financial services provider, COSCO SHIPPING Finance generally has better and more efficient communication with the Company and its subsidiaries compared with independent banks and financial institutions. COSCO SHIPPING Finance can provide financial services, including the foreign exchange deposits and lending services, based on the approval issued by the CBIRC. The Company and its subsidiaries may negotiate more favourable terms with COSCO SHIPPING Finance compared with other commercial banks.

Capital Risk Control Measures

Under the Financial Services 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) 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;

(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 two 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.

In addition, the Group has adopted risk management policy on transactions with COSCO SHIPPING Finance applicable to deposit services, including:

(i) COSCO SHIPPING Finance is required to comply with risk management protocols and guidelines promulgated by the CBIRC and the relevant laws and regulations;

(ii) COSCO SHIPPING Finance is required to provide the Company a copy of all relevant licenses;

(iii) COSCO SHIPPING Finance is required to report to the Company the financial ratios of COSCO SHIPPING Finance as set out in "the Interim Measures for the Assessment of Risk Supervision Indicators of Finance Company of Enterprise Group" (《企業集團財務公司風險監管指標考核暫行辦法》) issued by CBIRC within 15 business days after the end of each quarter;

(iv) COSCO SHIPPING Finance is required to provide the Company a copy of every regulatory report submitted by COSCO SHIPPING Finance to CBIRC; and

(v) COSCO SHIPPING Finance is required to provide to the Company a copy of the financial statements of COSCO SHIPPING Finance on a regular basis.

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.

(2) Master Shipping Services Agreement

On 14 September 2016, the Company and COSCO SHIPPING entered into (i) the Existing Master Vessel Services Agreement; (ii) the Existing Master Container Services Agreement; (iii) the Existing Master Seamen Leasing Agreement; and (iv) the Existing Freight Forwarding Master Agreement

As the all services contemplated under the Existing Master Vessel Services Agreement, Existing Master Container Services Agreement, Existing Master Seamen Leasing Agreement and the Existing Freight Forwarding Master Agreement are services provided in respect of the principal business of COSCO SHIPPING Lines and OOIL, the Company decided to combine the four agreements by entering into the new Master Shipping Services Agreement, the scope of which will cover the services contemplated under the Existing Master Vessel Services Agreement, Existing Master Container Services Agreement, Existing Master Seamen Leasing Agreement and the Existing Freight Forwarding Master Agreement.

Parties:	(i) the Company; and (ii) COSCO SHIPPING
Nature of transaction:	Mutual provision of the following shipping services between the Group and COSCO SHIPPING Group: (i) vessel fuel; (ii) vessel materials and related repairing services; (iii) vessel safety management, technical consultancy services for vessel and shipbuilding supervision technology services; (iv) vessel lubricants, paint for vessel and maintenance of paint and vessel parts; (v) vessel repairing and conversion services; (vi) radio communication equipment reservation, repairing and installation; (vii) provision and repairing of vessel equipment services; (viii) brokerage services in respect of vessel trade and vessel insurance and brokerage services;

(ix) container depot, towage, storage, repairing and disposal services;

(x) leasing of chassis vehicles and electricity generators;

(xi) seamen leasing, management, training and related services;

(xii) freight, slot booking, logistics, vessel agency, cargo canvassing, collections and payments of shipping freights and other related and ancillary services; and

(xiii) other vessels, containers and shipping-related services (relating to the day-to-day shipping services required for the operation of vessels, which does not involve lease of vessels and containers, which are separately covered under the Master Vessel and Container Asset Services Agreement).

Pricing policies: The services fees charged under the Master Shipping Services Agreement will be determined with reference to the prevailing market price, being the price charged by independent third party service providers providing similar types of services in their ordinary course of business in the same or nearby service area and subject to normal commercial terms, and in accordance with the principle of fairness and reasonableness.

To ensure that the pricing policies under the Master Shipping Services Agreement are complied with:

(i) In respect of fuel purchases (which account for approximately 80% of the transaction amounts for each of the three years ending 31 December 2022), prices will be determined based on (a) the market prices quoted by the two major suppliers in the tax-paid onshore marine bunker market, China Marine Bunker (Petrochina) Co., Ltd., whose equity interest is held as to 50% by each of COSCO and Petrochina, and China Shipping & Sinopec Suppliers Co., Ltd., whose equity interest is held as to 50% by each of COSCO SHIPPING and Sinopec, in respect of tax-paid onshore fuel purchases; and (b) the benchmark prices quoted on Platts (an independent provider of energy and commodities benchmark prices and information) in respect of offshore fuel and tax exempt onshore fuel purchases.

(ii) In respect of other purchases and provision of services, the Company will strictly comply with the supply and purchase management procedures, and reference will be made to the pricing guidance issued by the relevant industry association, or quotations from third parties will be solicited as comparison to ensure that the terms offered to or by the independent third parties are not more favorable to the Group than those offered to or by COSCO SHIPPING Group under the Master Vessel Services Agreement.

In addition, the Group has adopted an internal control policy on purchase of fuel from the COSCO SHIPPING Group. COSCO SHIPPING Group has set up a fuel purchase platform to centralise all purchases, which can achieve lower purchase costs as well as higher services quality from the relevant suppliers.

Historical transaction amounts:

The table below sets forth the historical transaction amounts of the transactions under the Existing Master Vessel Services Agreement, the Existing Master Container Services Agreement, the Existing Master Seamen Leasing Agreement and the Existing Freight Forwarding Master Agreement for the two years ended 31 December 2018 and the six months ended 30 June 2019 and the aggregate annual cap for the year ending 31 December 2019:

	For the year ended 31 December 2017 *(RMB'000)*	**For the year ended 31 December 2018** *(RMB'000)*	**For the six months ended 30 June 2019** *(RMB'000)*	**Aggregate annual cap for the year ending 31 December 2019** *(RMB'000)*
Purchase of shipping services from the COSCO SHIPPING Group under the Existing Master Vessel Services Agreement, the Existing Master Container Services Agreement, Existing Master Seamen Leasing Agreement and the Existing Freight Forwarding Master Agreement	10,924,772	17,411,910	7,942,365	34,600,000
Provision of shipping services to the COSCO SHIPPING Group under the Existing Master Vessel Services Agreement, the Existing Master Container Services Agreement, the Existing Master Seamen Leasing Agreement and the Existing Freight Forwarding Master Agreement	421,270	1,049,643	779,021	2,080,000

As far as the Directors are aware, the respective annual caps for the year ending 31 December 2019 under the Existing Master Vessel Services Agreement, Existing Master Container Services Agreement, Existing Master Seamen Leasing Agreement and the Existing Freight Forwarding Master Agreement had not been exceeded as at the Latest Practicable Date.

Proposed annual caps and basis of determination for annual caps:

The proposed annual caps for the transactions contemplated by the Master Shipping Services Agreement for the three years ending 31 December 2022 and the basis of determination for such annual caps are set out as follows:

	For the year ending 31 December 2020 *(RMB'000)*	**For the year ending 31 December 2021** *(RMB'000)*	**For the year ending 31 December 2022** *(RMB'000)*
Purchase of shipping services from COSCO SHIPPING Group	36,000,000	38,000,000	42,000,000
Provision of shipping services to COSCO SHIPPING Group	3,000,000	3,200,000	3,400,000

The above proposed annual caps in relation to the purchase of shipping services from COSCO SHIPPING Group were determined with reference to (i) the historical transaction amounts; (ii) the expected price and demand of fuel; (iii) the expected growth in the level of operations of the Group; and (iv) the exchange rate fluctuations.

With respect to the proposed annual caps for the purchase of shipping services, the purchase of fuel by the Group from the COSCO SHIPPING Group accounts for approximately 80% of the annual caps for each of the three years ending 31 December 2022, respectively. Based on the Group's historical purchase of fuel for the two years ended 31 December 2018 and the six months ended 30 June 2019, the average offshore fuel price and onshore fuel price was approximately US$463 per tonne and US$670 per tonne respectively. The estimated fuel price on which the proposed annual caps were based is approximately US$500 per tonne, US$550 per tonne and US$600 per tonne for each of the three years ending 31 December 2022 respectively, which are comparable to the historical average fuel price. In addition, the International Maritime Organisation announced that the effective date for the reduction of shipping fuel sulphur will be in 2020. Under the new global cap, vessels will be required to use shipping fuels with a sulphur content of no more than 0.5%, against the current limit of 3.5%, to reduce the amount of sulphur oxide. The price of low sulphur fuel is generally higher than that of the fuel with high sulphur content by approximately US$150 per tonne to US$250 per tonne. As such, with the 2020 sulphur emission cap taking effect, the fuel price is expected to increase further.

Based on the historical purchase of fuel by the Group, the amount of fuel purchased by the Group was approximately 4.7 million tonnes, 5.3 million tonnes and 2.5 million tonnes for the years ended 31 December 2017 and 2018 and the six months ended 30 June 2019, respectively. It is estimated that the demand for fuel of the Group from the COSCO SHIPPING Group will increase from approximately 5.3 million tonnes in 2020 to approximately 5.8 million tonnes in 2022. According to the 2019 interim report of the Company, as at 30 June 2019, the container fleet operated by the Group had 493 vessels, with the total shipping capacity reaching 2,896,881 TEUs, representing a growth of 5% as compared to the end of 2018. As such, the Directors are of the view that the increase in demand for fuel under which the proposed annual caps were based is in proportion to the estimated increase in fleet size.

In respect of the purchase of seamen services, demand is expected to increase in the next three years in line with the expected increase in fleet size as mentioned above.

For the remaining shipping services to be purchased from COSCO SHIPPING Group, having considered factors such as the potential fleet expansion of the Group in the next three years as discussed above, it is expected the demand for the other shipping materials and services by the Group and hence the demand for the shipping services under the Master Shipping Services Agreement will also increase.

The above proposed annual caps in relation to the provision of shipping services to COSCO SHIPPING Group were determined with reference to (i) the historical transaction amounts; (ii) the expected growth in the level of operations of the Group; and (iii) the expected increase in service charges.

The provision of freight forwarding services to the COSCO SHIPPING Group accounts for over 80% of the proposed annual caps for the provision of shipping services for each of the three years ending 31 December 2022, respectively. The fees charged by the Group for the provision of freight forwarding services are the service fees charged based on the number of containers to be ordered by the COSCO SHIPPING Group and the shipping agent service fees charged for cargo canvassing. A total of eight large container vessels with a total shipping capacity of 144,000 TEUs were delivered to the Group in the first half of 2019. As at 30 June 2019, the container fleet operated by the Group had 493 vessels, with the total shipping capacity reaching 2,896,881 TEUs, representing a growth of 5% as compared to the end of 2018. With the expected steady increase in the Group's shipping capacity and growth of fleet size as mentioned above, it is expected that the provision of shipping services to the COSCO SHIPPING Group will increase in the next three years.

Reasons for entering into the Master Shipping Services Agreement:

COSCO SHIPPING Group and the Group have been providing the necessary supporting shipping services to each other since the establishment of the Group. The shipping services, including, among others, vessel fuel, vessel materials and related repairing services, vessel safety management and technical consultancy services for vessels, are essential to the businesses and operations of each other.

The shipping services to be provided by COSCO SHIPPING Group to the Group are mainly purchases of vessel fuel, vessel repair and lubricants, insurance, seamen leasing, vessel agency and container repair services, etc., which are essential to the businesses and operations of the Group. These vessel services do not form a main part of the business of the Group. The Directors are of the view that COSCO SHIPPING Group owns professional companies which provide such vessel services, and therefore, securing the shipping services from COSCO SHIPPING Group, who is an experienced service provider in the shipping industry, will strengthen the competitiveness of the Group. On the other hand, the purchase of the above-mentioned shipping services from COSCO SHIPPING Group will improve the Group's operational efficiency and reduce the operation costs of the Group. Through the Master Shipping Services Agreement, the Group can leverage on the expertise and scale of the shipping services of the COSCO SHIPPING Group, and would be able to negotiate more favourable terms compared with other independent service providers.

The shipping services to be provided by the Group to COSCO SHIPPING Group mainly include freight forwarding, vessels management and vessel agency services. As certain members of the Group also provide such shipping services to the self-operated vessels of COSCO SHIPPING Group in certain domestic and overseas regions, the provision of shipping services to the COSCO SHIPPING Group in such areas will enhance the business scope by allowing the Group to diversify its service offerings to different areas, and reduce the operation costs of the Group and improve the operational efficiency through enhanced economies of scale by providing these services to the COSCO SHIPPING Group in addition to the provision of such services within the Group.

COSCO SHIPPING Group and the Group provide vessel agency services to each other, since COSCO SHIPPING Group and the Group each own agency companies in different geographical regions around the world.

(3) Master Port Services Agreement

On 14 September 2016, the Company and COSCO SHIPPING entered into the Existing Master Port Services Agreement in relation to the provision of port services by COSCO SHIPPING Group to the Group. On 22 November 2018, the Company and COSCO SHIPPING entered into the Existing Shipping Services and Terminal Services Master Agreement in relation to the provision of shipping and terminal services by the Group to the COSCO SHIPPING Group.

To facilitate the management of provision of port and other related services between the Group and COSCO SHIPPING Group, the Company decided to combine the two agreements by entering into the new Master Port Services Agreement, the scope of which will cover the services contemplated under the Existing Master Port Services Agreement and the Existing Shipping Services and Terminal Services Master Agreement.

Parties:	(i) the Company; and (ii) COSCO SHIPPING
Nature of transaction:	The mutual provision of the following port and other related services between COSCO SHIPPING Group and the Group: (i) containers and goods loading and unloading at port; (ii) container port and shipping services; (iii) port concession arrangements; (iv) leasing and electricity supply in relation to port coastline and port land; and (v) other port-related and ancillary services, including but not limited to handling, storage, stevedoring, transshipment, maintenance of cargoes and provision of container storage space and terminal facilities.
Pricing policy:	The services fees charged under the Master Port Services Agreement will be determined with reference to the prevailing market price, being the price charged by independent third party service providers providing similar types of services in their ordinary course of business in the same or nearby service area and subject to normal commercial terms, and in accordance with the principle of fairness and reasonableness.

To ensure that the pricing policies under the Master Port Services Agreement are complied with:

(i) in respect of the provision of port services by COSCO SHIPPING Group, the Company will (a) conduct market research to collect market service fees in the same industry; and (b) solicit at least three service providers to provide quotations if there are other appropriate service providers in the same or nearby area available, and selection will be made primarily based on price offered, but consideration will also be given to the efficiency of operation of ports, service levels and effectiveness of communication of the service providers.

(ii) in respect of the provision of other port-related and ancillary services by COSCO SHIPPING Group, the Group will centralize purchase to obtain discounts, and pricing will also be based on the reference rates published by the Ministry of Transport of the PRC, which the market commonly relies on.

(iii) in respect of the provision of port and other related services by the Group, the relevant personnel of the Group will compare the pricing of transactions with independent third parties for similar services in similar quantities and ensure that the terms offered to or by COSCO SHIPPING Group are no less favourable to the Group than those available to or from independent third parties.

Historical transaction amounts:

The table below sets forth the historical transaction amounts of the transactions under the Existing Master Port Services Agreement and the Existing Shipping Services and Terminal Services Master Agreement for the two years ended 31 December 2018 and the six months ended 30 June 2019 and the aggregate annual cap for the year ending 31 December 2019:

	For the year ended 31 December 2017 *(RMB'000)*	**For the year ended 31 December 2018** *(RMB'000)*	**For the six months ended 30 June 2019** *(RMB'000)*	**Aggregate annual cap for the year ending 31 December 2019** *(RMB'000)*
Purchase of services from COSCO SHIPPING Group under the Existing Master Port Services Agreement	1,887,490	1,982,610	1,244,431	4,500,000
Provision of services to COSCO SHIPPING Group under Existing Shipping Services and Terminal Services Master Agreement	–	–	73,196	300,000

As far as the Directors are aware, the annual caps for the year ending 31 December 2019 had not been exceeded as at the Latest Practicable Date.

Proposed annual caps and basis of determination for annual caps:

The proposed annual caps for the transactions contemplated by the Master Port Services Agreement for the three years ending 31 December 2022 and the basis of determination for such annual cap amounts are set out as follows:

	For the year ending 31 December 2020 *(RMB'000)*	For the year ending 31 December 2021 *(RMB'000)*	For the year ending 31 December 2022 *(RMB'000)*
Purchase of services from COSCO SHIPPING Group	3,200,000	3,500,000	3,800,000
Provision of services to COSCO SHIPPING Group	800,000	800,000	800,000

The above proposed annual caps in relation to the purchase of services from COSCO SHIPPING Group were determined by reference to (i) the historical transaction amounts; (ii) general inflation; (iii) exchange rate fluctuations; and (iv) the expected increase in the purchase of port services from COSCO SHIPPING Group.

The loading and discharging charges would account for more than 50% of such annual caps for each of the three years ending 31 December 2022. The container fleet operated by the Group had 493 vessels as at 30 June 2019, with the total shipping capacity reaching 2,896,881 TEUs, representing a growth of 5% as compared to the end of 2018. As such, it is expected the demand for loading and discharging services and other port services to be provided by the COSCO SHIPPING Group will increase, line with the estimated gradual increase in the fleet size of the Group. The above proposed annual caps in relation to the provision of services to COSCO SHIPPING Group were determined by reference to (i) the historical transaction amounts; (ii) the expanded scale and operations of the business of the Group taking into account the various acquisitions of new terminals completed as well as the new berths and newly developed terminals of the Group expected to come into operation in the next three years; (iii) the expected growth in fleet size and shipping capacity of COSCO SHIPPING Group as stated above; and (iv) the expected increase in COSCO SHIPPING Group's fleet calling at the terminals of the Group as a result of the synergies continuing to be achieved with COSCO SHIPPING Group and the OCEAN Alliance. It is expected that with the operation of OCEAN Alliance, the cooperation period of which would be at least five years from April 2017, the efficiency and throughput of the terminals of the Group will significantly increase. In addition, to further improve service quality, large-scale equipment will be put into operation at Xiamen Ocean Gate Terminal from 2020 onwards. In respect of the Quanzhou Port, as a result of the expected completion of berth numbers 5 and 6 in 2020 to 2021, it is expected that more large-sized vessels will be docked at Quanzhou Port. The Nansha Logistics Park is also expected to come into operation in 2020, as a result of which storage, handling and other value-added services to be provided by the Group would increase.

Reasons for entering into the Master Port Services Agreement

The purchase of services from COSCO SHIPPING Group under the Master Port Services Agreement is consistent with the business and commercial objectives of the Group. In light of the good relationship between COSCO SHIPPING and the Group, the Group had negotiated more favourable terms with COSCO SHIPPING compared with other suppliers historically and is expected to be able to continue to negotiate more favourable terms with COSCO SHIPPING compared with other suppliers. Therefore, the purchase of port services from COSCO SHIPPING Group can allow the Group to leverage on the expertise and scale of the port services offered by the COSCO SHIPPING Group, and reduce the operation costs of the Group.

The provision of services to COSCO SHIPPING Group under the Master Port Services Agreement are part of or related to the principal business activities of the Group and are expected to increase the revenue of the Group and provide the Group with overall business and operational convenience and synergy. The port services to be provided by COSCO SHIPPING Group to the Group primarily relate to ports owned by the COSCO SHIPPING Group in Long Beach, California, Los Angeles and Seattle in the United States of America, and Piraeus, Greece, whereas the port services to be provided by the Group to the COSCO SHIPPING Group primarily relate to ports owned by the Group in the PRC.

(4) Master Vessel and Container Asset Services Agreement

On 30 October 2019, the Company and COSCO SHIPPING entered into the Master Vessel and Container Asset Services Agreement in relation to, among other things, the leasing of vessels and containers by the Group from the COSCO SHIPPING Group and the sale of containers by the COSCO SHIPPING Group to the Group.

Parties:	(i) the Company; and
	(ii) COSCO SHIPPING
Nature of transaction:	COSCO SHIPPING Group shall provide the leasing of vessels and containers and manufacture of containers services to the Group.

Pricing policy: The fees payable by the Group under the Master Vessel and Container Asset Services Agreement shall be determined based on market rates determined by independent third parties providing similar types of products or services in their ordinary course of business in the same or nearby area and subject to normal commercial terms, and in accordance with the principle of fairness and reasonableness. In case of leasing of vessels and containers covered by the Lease Agreement, the fees shall be determined in accordance with the pricing policies set out in the Lease Agreement, which was determined with reference to the consultancy report issued by Drewry Shipping Consultant Ltd. in 2015, as further described in the Restructuring Circular.

To ensure that the pricing policies under the Master Vessel and Container Asset Services Agreement are complied with:

(i) In respect of the leasing of vessels, the Company will (a) regularly conduct market research to gauge the leasing rates in the vessel leasing market; and (b) refer to the pricing and estimates on the various types of vessels in the report prepared by Drewry Shipping Consultant Ltd. (a summary of which is disclosed in the Restructuring Circular).

(ii) In respect of the leasing of containers, based on the specific requirements of the Company, quotations will be solicited from the panel of approved suppliers of the Company (which currently comprises at least three independent third party suppliers and one supplier within the COSCO SHIPPING Group), and selection will be primarily based on pricing, and considering other factors such as principal terms offered.

(iii) In respect of the purchase of containers, the Group will solicit quotations in the open market normally from each of the four principal container manufacturers in the PRC, and selection shall be based on price, delivery schedule, delivery services and quality of containers based on historical transactions.

Historical transaction amounts:

The table below sets forth the historical transaction amounts of the leasing of vessels and containers and purchase of containers payable by the Group to the COSCO SHIPPING Group for the two years ended 31 December 2018 and the six months ended 30 June 2019 and the annual cap for the year ending 31 December 2019:

	For the year ended 31 December 2017 *(RMB'000)*	**For the year ended 31 December 2018** *(RMB'000)*	**For the six months ended 30 June 2019** *(RMB'000)*	**Annual cap for the year ending 31 December 2019** *(RMB'000)*
Aggregate amount payable by the Group in respect of leasing of vessels and containers and the purchase of containers	8,729,845	8,347,923	3,133,833	25,000,000

As far as the Directors are aware, the annual cap for the year ending 31 December 2019 had not been exceeded as at the Latest Practicable Date.

Proposed annual caps and basis of determination for annual caps:

The proposed annual caps for the transactions contemplated by the Master Vessel and Container Asset Services Agreement for the three years ending 31 December 2022 and the basis of determination for such annual caps are set out as follows:

	For the year ending 31 December 2020 *(RMB'000)*	**For the year ending 31 December 2021** *(RMB'000)*	**For the year ending 31 December 2022** *(RMB'000)*
Proposed annual caps	20,000,000	37,000,000	20,000,000

The above proposed annual caps consist of leasing of vessels and containers and the purchase of containers.

The above proposed annual caps in respect of leasing of vessels and containers and the purchase of containers were determined with reference to: (i) the historical transaction amounts; (ii) the average lease term in relation to the leasing of vessels; (iii) the benchmark lending rate; (iv) the expected demand for leasing of vessels and containers and the purchase of containers; (v) the expected fluctuations in the exchange rate of RMB against the US dollar; (vi) the expected fluctuations in rents in the vessel and container markets and purchase price in the container market; and (vii) the expansion of the business scale of the Group.

In respect of the leasing of vessels (excluding those short-term leases as further detailed in the paragraph below), the proposed annual caps were set on the total value of the right-of-use assets to be recognised under HKFRS 16, adopted by the Group since 1 January 2019, in respect of leases entered into for the respective period, which are determined based on the anticipated rental fees (determined based on historical rental fees and expected rental fees), the anticipated rental period of lease arrangements and the anticipated benchmark lending rate (determined with reference to LIBOR for the corresponding rental period). Service components included in vessels' time charter rates are not included as part of the lease liability. These costs will be recognized in the income statement as incurred.

Short-term leases of less than 12 months of vessels are exempted from the right-of-use asset recognition under HKFRS 16. In respect of the leasing of vessels, recognised as expenses, fees payable are determined based on the lease terms, vessels model and the years of operation of the vessels.

Low value leases of containers are exempted from the right-of-use asset recognition under HKFRS 16. In respect of the leasing of containers, (i) the fee charged for the leasing of containers ranged from US$0.1 per container per day to US$5.0 per container per day under the existing contracts for the leasing of containers entered into between the Group and COSCO SHIPPING Group; and (ii) the Group leased over 30,000 containers as at 30 June 2019. The estimated fees charged for the leasing of containers on which the proposed annual caps were based ranged from US$0.6 per container per day to US$5.0 per container per day for the three years ending 31 December 2022, which are comparable to the historical fees charged for the leasing of containers. In addition, as at the end of 2018 the Group operated a fleet comprising 477 container vessels with total shipping capacity of 2.76 million TEUs and had orders of nearly 180,000 TEUs in terms of shipping capacity. Therefore, it is estimated that the demand for the leasing of containers is expected to increase to 60,000 containers for each of the three years ending 31 December 2022.

In respect of the purchase of containers, the Group purchased containers of a total of 158,500 TEUs, 198,000 TEUs and 75,000 TEUs in capacity for the years ended 31 December 2017 and 31 December 2018 and the six months ended 30 June 2019, respectively. The estimated prices for the purchase of containers on which the proposed annual caps were based ranged from RMB15,438 per container to RMB20,619 per container, which were estimated based on historical prices and expected types and prices of the containers which may be purchased from COSCO SHIPPING Group in the next three years. Based on the anticipated increase in shipping capacity and increase in fleet size of the Group as mentioned above, it is expected that the purchase of containers may amount to approximately 300,000 TEUs for each of the three years ending 31 December 2022.

Reasons for entering into the Master Vessel and Container Asset Services Agreement

The Directors believe that the Master Vessel and Container Asset Services Agreement is in line with the business and commercial objective of the Company. In view of the rapid expansion and development of both international and domestic container transportation market, improving shipping route network layout as well as good corporate brand and creditworthiness of the COSCO SHIPPING Group, the Directors believe that the continuing long-term collaboration in respect of the vessel and container asset leasing and container purchasing service between the Group and the COSCO SHIPPING Group would decrease operating costs and achieve advantages complementation, as well as achieve synergy in the domestic and international shipping market. The Directors believe that the entering into the Master Vessel and Container Asset Services Agreement can provide flexibility to the Company's business operations as it enables the Company to react timely to demand for container shipping by being able to lease additional vessels and containers from COSCO SHIPPING Group.

(5) Master General Services Agreement

On 14 September 2016, the Company and COSCO SHIPPING entered into (i) the Existing Master General Services Agreement in relation to the mutual provision of general services between the Group and the COSCO SHIPPING Group; and (ii) the Existing Master Premises Leasing Agreement in relation to leasing of certain premises between COSCO SHIPPING Group and the Group.

As the services contemplated under the Existing Master General Services Agreement and the Existing Master Premises Leasing Agreement are all categorized as administrative and logistics services and in order to better facilitate the management of such services, the Company decided to combine the two agreements by entering into the new Master General Services Agreement, the scope of which will cover the services contemplated under the Existing Master Premises Leasing Agreement.

Parties:	(i) the Company; and (ii) COSCO SHIPPING
Nature of transaction:	Mutual provision of the following general services between the Group and the COSCO SHIPPING Group: (i) maintenance services of computer systems and related software; (ii) hotel, air tickets and conference services; (iii) business meals and staff lunch; (iv) labor products and labor protection products; (v) car repairing and maintenance services; (vi) repairing services of office equipment, property maintenance, back office and other services; (vii) property lease and leased properties related management services; (viii) printing services, printer repairing and maintenance and paper supply; (ix) assisting in handling of marine claims in the relevant jurisdiction; (x) delivery of groceries; (xi) medical services; (xii) providing training services; (xiii) express mail and greenery services; and (xiv) other related and ancillary services.

Pricing policies: The services fees charged under the Master General Services Agreement will be determined with reference to the prevailing market price, being the price charged by independent third party service providers providing similar types of services in their ordinary course of business in the same or nearby service area and subject to normal commercial terms, and in accordance with the principle of fairness and reasonableness.

Historical transaction amounts:

The table below sets forth the historical transaction amounts of the transactions under the Existing Master General Services Agreement and Existing Master Premises Leasing Agreement for the two years ended 31 December 2018 and the six months ended 30 June 2019 and the aggregate annual cap for the year ending 31 December 2019:

	For the year ended 31 December 2017 *(RMB'000)*	For the year ended 31 December 2018 *(RMB'000)*	For the six months ended 30 June 2019 *(RMB'000)*	Aggregate annual cap for the year ending 31 December 2019 *(RMB'000)*
Purchase of services from the COSCO SHIPPING Group under the Existing Master General Services Agreement and Existing Master Premises Leasing Agreement	159,117	163,809	93,920	460,000
Provision of services to the COSCO SHIPPING Group under Existing Master General Services Agreement and Existing Master Premises Leasing Agreement	3,423	11,544	3,419	90,000

As far as the Directors are aware, the respective annual caps for the year ending 31 December 2019 under the Existing Master General Services Agreement and Existing Master Premises Leasing Agreement had not been exceeded as at the Latest Practicable Date.

Proposed annual caps and basis of determination for annual caps:

The proposed annual caps for the transactions contemplated by the Master General Services Agreement for the three years ending 31 December 2022 and the basis of determination for such annual caps are set out as follows:

	For the year ending 31 December 2020	**For the year ending 31 December 2021**	**For the year ending 31 December 2022**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Purchase of services from COSCO SHIPPING Group	400,000	400,000	400,000
Provision of services to COSCO SHIPPING Group	90,000	90,000	90,000

The above proposed annual caps were determined with reference to (i) the historical transaction amounts; (ii) general inflation and (iii) the expected growth in the business of the Group.

Reasons for entering into the Master General Services Agreement:

The Directors consider the Master General Services Agreement to be consistent with the business and commercial objectives of the Company. The Group requires general services to support its operations. The services covered by the Master General Services Agreement are in great variety. In order to focus on its principal businesses, the Group relies on external service providers for such general services. COSCO SHIPPING owns professional companies which are able to provide the above supporting services to the Group. In light of the good relationship between COSCO SHIPPING and the Group, the Group had negotiated more favourable terms with COSCO SHIPPING compared with other suppliers historically and is expected to be able to continue to negotiate more favourable terms with COSCO SHIPPING compared with other suppliers.

Certain subsidiaries of the Company also provide general services, such as computer maintenance, premise leasing and property leasing management services, to the COSCO SHIPPING Group in certain domestic and overseas areas. Provision of such services to the COSCO SHIPPING Group will enhance the business scope and operational efficiency and reduce the operation costs of the Group.

(6) Trademark Licence Agreement

The Existing Trademark Licence Agreement will expire on 31 December 2019 and COSCO SHIPPING has agreed to renew the non-exclusive licence granted to the Company and its subsidiaries by COSCO SHIPPING for using certain trademarks owned by COSCO SHIPPING upon terms and conditions as similar to those set out in the Existing Trademark Licence Agreement. Therefore, on 30 October 2019, the Company (for itself and on behalf of its subsidiaries) and COSCO SHIPPING (for itself and on behalf of its subsidiaries (excluding the Company and its subsidiaries and other subsidiaries of COSCO SHIPPING which are listed on a stock exchange)) entered into the Trademark Licence Agreement, pursuant to which COSCO SHIPPING has granted a non-exclusive licence to the Company and its subsidiaries with the right to use certain trademarks at the rate of RMB1.00 per annum for a term from 1 January 2020 to 31 December 2022.

C. PIL MASTER SHIPPING AND TERMINAL SERVICES AGREEMENT

On 30 August 2017, 29 March 2018 and 27 July 2018, the Company and Pacific International Lines entered into the Existing PIL Shipping Services Master Agreement, the Existing PIL Master Vessel Time Charter Services Agreement and the Existing PIL Master Container Services Agreement, respectively.

As the services contemplated under the Existing PIL Shipping Services Master Agreement, the Existing PIL Master Container Services Agreement and the Existing PIL Master Vessel Time Charter Services Agreement are similar or related in nature and related to Pacific International Lines Group, the Company decided to combine the three agreements by entering into the PIL Master Shipping and Terminal Services Agreement, the scope of which will cover the services contemplated under the Existing PIL Shipping Services Master Agreement, the PIL Master Container Services Agreement and the Existing PIL Master Vessel Time Charter Services Agreement.

On 30 October 2019, the Company and Pacific International Lines entered into the PIL Master Shipping and Terminal Services Agreement.

Parties:	(i) the Company; and (ii) Pacific International Lines
Nature of transaction:	Mutual provision between the COSCO SHIPPING Group and Pacific International Lines Group of the following: (i) vessels leasing and cargo space rental services; (ii) terminal services;

(iii) container manufacturing, repairing, demurrage and transportation services; and

(iv) ancillary services relating to the shipping and terminal services.

Pricing policy: The pricing for the provision of the shipping services and terminal services shall be determined based on market price, being the price charged by independent third parties in respect of similar types of services in the ordinary course of business in the same or nearby service area and subject to normal commercial terms, and in accordance with the principles of fairness and reasonableness.

Historical transaction amounts:

The table below sets forth the historical transaction amounts of transactions under the Existing PIL Shipping Services Master Agreement, Existing PIL Master Container Services Agreement and Existing PIL Master Vessel Time Charter Services Agreement for the two years ended 31 December 2018 and six months ended 30 June 2019 and the aggregate annual cap for the year ending 31 December 2019:

	For the year ended 31 December 2017 *(RMB'000)*	**For the year ended 31 December 2018** *(RMB'000)*	**For the six months ended 30 June 2019** *(RMB'000)*	**Aggregate annual cap for the year ending 31 December 2019** *(RMB'000)*
Aggregate amount payable by the Group to the Pacific International Lines Group under the Existing PIL Shipping Services Master Agreement, Existing PIL Master Container Services Agreement and Existing PIL Master Vessel Time Charter Services Agreement	–	559,613	58,444	2,150,000

	For the year ended 31 December 2017 *(RMB'000)*	For the year ended 31 December 2018 *(RMB'000)*	For the six months ended 30 June 2019 *(RMB'000)*	Aggregate annual cap for the year ending 31 December 2019 *(RMB'000)*
Aggregate amount payable by the Pacific International Lines Group to the Group under the Existing PIL Shipping Services Master Agreement, Existing PIL Master Container Services Agreement and Existing PIL Master Vessel Time Charter Services Agreement	32,556	286,167	43,912	1,600,000

As far as the Directors are aware, the respective annual caps for the year ending 31 December 2019 under the Existing PIL Shipping Services Master Agreement, the Existing PIL Master Container Services Agreement and the Existing PIL Master Vessel Time Charter Services Agreement 2019 had not been exceeded as at the Latest Practicable Date.

Proposed annual caps and basis of determination for annual caps:

The proposed annual caps for the transactions contemplated by the PIL Master Shipping and Terminal Services Agreement for the three years ending 31 December 2022 and the basis of determination for such annual caps are set out as follows:

	For the year ending 31 December 2020 *(RMB'000)*	For the year ending 31 December 2021 *(RMB'000)*	For the year ending 31 December 2022 *(RMB'000)*
Aggregate amount payable by the Group to the Pacific International Lines Group	300,000	320,000	350,000
Aggregate amount payable by the Pacific International Lines Group to the Group	900,000	900,000	1,000,000

The above proposed annual caps for the transactions under the PIL Master Shipping and Terminal Services Agreement were determined with reference to (i) historical transaction amounts; (ii) expected demand by Pacific International Lines Group for the shipping and terminal services of the Group and the estimated terminal costs; and (iii) the expected demand of the Group for containers from Pacific International Lines Group and forecast unit price of containers.

Reasons for entering into the PIL Master Shipping and Terminal Services Framework Agreement

The Group is principally engaged in container shipping and terminal businesses, while the main businesses of Pacific International Lines are shipping, container manufacturing, freight forwarding, warehousing, logistics and yard etc.

The vessels from the Pacific International Lines Group have been and will be docked at terminals controlled by the Group. In addition, relevant services, including but not limited to handling, storage, stevedoring, transshipment, maintenance of cargos, provision of container storage space and terminal premises, will be provided to the Pacific International Lines Group. In addition, the Group purchases containers and container maintenance services from Pacific International Lines from time to time based on the actual operations of the Group in order to meet its own operational needs, which can reduce the operating costs of the Group.

D. SIPG SHIPPING AND TERMINAL SERVICES AGREEMENT

On 30 October 2019, the Company and SIPG entered into the SIPG Shipping and Terminal Services Agreement in relation to the provision of shipping services by the Group to the SIPG Group and provision of terminal services by the SIPG Group to the Group.

Parties:

(i) the Company; and

(ii) SIPG

Nature of transaction:

The Group shall provide shipping services and other related services to the SIPG Group, including:

(i) cargo transportation, cargo space rental and exchange;

(ii) logistics services, towing and depot services; and

(iii) ancillary services relating to the shipping services.

The SIPG Group shall provide terminal services and other related services to the Group, including:

(i) container terminal services, including but not limited to the handling of the berthing for the container vessels of the members of the Group and loading and unloading, depot, transsshipment, transportation and information and other services;

(ii) transfer of containers for international lines, containers for domestic lines and empty containers for members of the Group;

(iii) container vessels tug operations, piloting services, cargo handling services, and transhipment by sea of containers;

(iv) shipping agency, towing, depot and other services; and

(v) other terminal related ancillary services.

Pricing policy: The pricing for the provision of the shipping services and terminal services shall be determined based on market price, being the price charged by independent third parties in respect of similar types of services in the ordinary course of business in the same or nearby service area and subject to normal commercial terms, and in accordance with the principles of fairness and reasonableness.

Historical transaction amounts:

The table below sets forth the historical transaction amounts of transactions under the Existing SIPG Shipping and Terminal Services Agreement for the six months ended 30 June 2019 and the annual cap for the year ending 31 December 2019:

	For the six months ended 30 June 2019 *(RMB'000)*	**Annual cap for the year ending 31 December 2019** *(RMB'000)*
Aggregate amount payable by the Group to the SIPG Group for the terminal services	495,136	3,000,000
Aggregate amount payable by the SIPG Group to Group for the shipping services	79	800,000

As far as the Directors are aware, the annual caps for the year ending 31 December 2019 had not been exceeded as at the Latest Practicable Date.

Proposed annual caps and basis of determination for annual caps:

The proposed annual caps for the transactions contemplated by the SIPG Shipping and Terminal Services Agreement for the three years ending 31 December 2022 and the basis of determination for such annual caps are set out as follows:

	For the year ending 31 December 2020 *(RMB'000)*	**For the year ending 31 December 2021** *(RMB'000)*	**For the year ending 31 December 2022** *(RMB'000)*
Aggregate amount payable by the Group to SIPG Group for the terminal services	3,000,000	3,200,000	3,500,000
Aggregate amount payable by SIPG Group to Group for the shipping services	500,000	500,000	500,000

The above proposed annual caps annual caps for the transactions under the SIPG Shipping and Terminal Services Agreement were determined with reference to the current cooperation between COSCO SHIPPING Lines Co., Ltd. and OOIL, being subsidiaries of the Company, and SIPG Group, taking into account the future allocation of the shipping capacity and anticipated growth of the relevant businesses of the Group.

Reasons for entering into the SIPG Shipping and Terminal Services Framework Agreement

The Group has extensive experience and offers comprehensive services and a comprehensive management system in respect of shipping services, whereas the SIPG Group has extensive experience, and offers comprehensive services and a comprehensive management system in respect of terminal services. The terminal services to be provided by SIPG Group are requisite complementary services to the core businesses of the Group, and the shipping services to be provided by the Group are requisite complementary services to the core businesses of the SIPG Group. Therefore, the parties have agreed to enter into the SIPG Shipping and Terminal Services Agreement for the provision of the shipping services and terminal services, leveraging on their respective strengths in such businesses.

E. INFORMATION ON THE PARTIES TO THE CONTINUING CONNECTED TRANSACTIONS

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

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

COSCO SHIPPING Finance is a company established in the PRC, and is a non-bank financial institution approved and regulated by the PBOC and the CBIRC. It was established by way of joint capital contribution by COSCO SHIPPING and its subsidiaries (15 in total) as members, with COSCO SHIPPING being the de facto controller. It is principally engaged in providing financial services to the abovementioned members.

Pacific International Lines is a company incorporated in Singapore with limited liability. Its principal business activities are to carry out activities in respect of vessels owned or operated by Pacific International Lines and related businesses, including but not limited to soliciting cargo, issuing bills of landing, shipping, settling freight charges and entering into service contracts.

SIPG is a company incorporated under the laws of the PRC with limited liability and the shares of which are listed on the Shanghai Stock Exchange (Stock Code: 600018). SIPG is principally engaged in port-related businesses, including international and domestic loading and unloading (with transfer), storage, transshipment and waterway and land transport of goods (including containers); devanning or consolidating containers, cleaning, maintenance, manufacturing and leasing of containers.

F. IMPLICATIONS UNDER THE HONG KONG LISTING RULES

COSCO SHIPPING is the indirect controlling Shareholder and therefore members of the COSCO SHIPPING Group are connected persons of the Company under Chapter 14A of the Hong Kong Listing Rules. Accordingly, the transactions contemplated under the Non-Exempt Master Agreements constitute connected transactions of the Company.

Mr. Teo Siong Seng (an independent non-executive Director), together with his family members (as defined in Rule 14A.12(2)(a) of the Hong Kong Listing Rules), is able to control the composition of the majority of the board of directors of Pacific International Lines. Accordingly, Pacific International Lines is a connected person of the Company and the transactions under the PIL Master Shipping and Terminal Services Agreement constitute connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

As at the Latest Practicable Date, SIPG held 20% of the equity interests in Shanghai Pan Asia, a non-wholly subsidiary of the Company. Therefore, SIPG is a substantial shareholder of Shanghai Pan Asia and a connected person of the Company at the subsidiary level. Accordingly, the entering into of the SIPG Shipping and Terminal Services Agreement and the transactions contemplated thereunder constitute connected transactions of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules. The Board has approved the transactions contemplated under the SIPG Shipping and Terminal Services Agreement; and the independent non-executive Directors have confirmed that the terms of the transactions under the SIPG Shipping and Terminal Services Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Therefore, the transactions under the SIPG Shipping and Terminal Services Agreement and the proposed annual caps for such transactions are subject to the reporting, annual review and announcement requirements but are exempt from the circular, independent financial advice and independent shareholders' approval requirements pursuant to Rule 14A.101 of the Hong Kong Listing Rules.

As one or more of the applicable percentage ratios of the proposed annual caps in respect of the transactions contemplated under the Master Ports Services Agreement, the Master Shipping Services Agreement and the Master Vessel and Container Asset Services Agreement exceed 5%, such transactions and the respective proposed annual caps for such transactions for each of the three years ending 31 December 2022 are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

As one or more of the applicable percentage ratios of the proposed annual caps in respect of the transactions contemplated under each of the Master General Services Agreement and the PIL Master Shipping and Terminal Services Agreement exceed 0.1% but are all less than 5%, such transactions and the respective proposed annual caps for such transactions for each of the three years ending 31 December 2022 are subject to the reporting, annual review and announcement requirements but are exempt from independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

As one or more of the applicable percentage ratios of the proposed annual caps for the leasing of vessels and containers and purchase of containers under the Master Vessel and Container Asset Services Agreement exceed 25% but are all less than 100%, such transactions also constitute a major transaction for the Company under Chapter 14 of the Hong Kong Listing Rules.

As one or more of the applicable percentage ratios of the proposed annual caps for the deposit transactions under the Financial Services Agreement exceed 25%, such transactions constitute continuing connected transactions and a major transaction for the Company subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14 and Chapter 14A of the Hong Kong Listing Rules.

As the loan transactions under the Financial Services Agreement will be conducted on normal commercial terms and will not be secured by the assets of the Group, such loan transactions will be fully exempt from the reporting, annual review, announcement and shareholder approval requirements under Chapter 14A of the Hong Kong Listing Rules.

As all of the applicable percentage ratios of the proposed annual caps in respect of the transactions contemplated under the Trademark Licence Agreement and the other financial services under the Financial Services Agreement are below 0.1%, such transactions are exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

G. 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 Hong Kong Listing Rules, as part of the Group's internal controls systems to ensure that the transactions between the Group and its connected persons are conducted in accordance with the pricing policy under the Master Agreements, the Company will implement the following internal control arrangements:

(i) The Company will regularly examine the pricing of transactions under the Master Agreements to ensure that the continuing connected transactions under the Master Agreements are conducted in accordance with the pricing terms thereof, including reviewing the transaction records of the Company for the purchase or provision of similar goods or services from or to independent third parties, as the case may be. The pricing terms for the purchase or provision of similar goods or services from or to independent third parties would be determined by the Group based on arm's length commercial negotiations between the parties, which are generally determined with reference to market prices and conditions and through price enquiries. The transaction records would include documents obtained through price enquiries from independent third parties.

(ii) The Company may request for written documents to be provided by the connected persons under the Master Agreements to demonstrate that their transaction pricing complies with the pricing terms as stipulated in the Master Agreements and that the prices offered to or received from the Group are not less favorable to the Group than the prices offered to or received from other independent third parties for similar types of services or goods.

(iii) The legal and risk management department, the financial management department and the supervision and audit department of the Company will regularly convene meetings, generally at least every six months, to discuss issues in the transactions under the Master Agreements and recommendations for improvement. The issues to be discussed at the meetings would include the usage of annual caps under the relevant Master Agreements.

(iv) The legal and risk management department of the Company will summarize the transaction amounts incurred under the Master Agreements regularly on a monthly basis and submit reports to the management of the Company. The management and the competent departments of the Company can be informed of the status of the continuing connected transactions in a timely manner such that the transactions can be conducted within the annual caps. In the event the actual transaction amount reaches 80% of the relevant annual cap, a re-assessment will be conducted. If it is determined after such re-assessment that the annual cap may be exceeded, the legal and risk management department of the Company would initiate the procedures for a board meeting and/or shareholders meeting (as and when required) to increase the annual cap as soon as practicable.

The Board is of the view that the above methods and procedures can ensure that the pricing and other contract terms for the Group's continuing connected transactions are on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders and that the continuing connected transactions are conducted as agreed in the relevant Master Agreement and in compliance with Chapter 14A of the Hong Kong Listing Rules.

H. DIRECTORS' CONFIRMATION

Mr. Xu Lirong, Mr. Wang Haimin, Mr. Yang Zhijian and Mr. Feng Boming, who are Directors nominated by COSCO, have abstained from voting on the resolutions of the Board approving the transactions under the Non-exempt Master Agreements pursuant to the Articles of Association. Other than the above mentioned Directors, the remaining Directors are the independent non-executive Directors.

Save as disclosed above, none of the Directors has a material interest in the transactions under the Non-exempt Master Agreements and was required to abstain from voting on the relevant resolutions.

I. REQUIREMENTS UNDER THE SHANGHAI LISTING RULES

Pursuant to the Shanghai Listing Rules, (i) transaction amounts of all types of related party transactions entered into between the Company and the same related party within a 12-month period shall be aggregated (save for those which have complied with the relevant approval and/or disclosure procedures); (ii) transaction amounts of related party transactions of related categories entered into between the Company and different related parties within a 12-month period shall be aggregated (save for those which have complied with the relevant approval and/or disclosure procedures); and (iii) if the total aggregated transaction amount is more than RMB30 million and exceeds 5% of the latest audited net asset value of the Company and its subsidiaries, such related party transactions shall be presented to a general meeting for independent shareholders' approval. As the continuing connected transactions under the COSCO SHIPPING Master Agreements also constitute related party transactions of the Company under the Shanghai Listing Rules and were all entered into between the Company and COSCO SHIPPING, all the proposed annual caps in respect of the continuing connected transactions under the COSCO SHIPPING Master Agreements shall be aggregated pursuant to the requirements under the Shanghai Listing Rules. As the continuing connected transactions under the Master Shipping Services Agreement, the Master Port Services Agreement, the PIL Master Shipping and Terminal Services Agreement and the SIPG Shipping and Terminal Services Agreement constitute related party transactions with related subject entered into between the Company and different related parties under the Shanghai Listing Rules, all the proposed annual caps in respect of the continuing connected transactions under the Master Shipping Services Agreement, the Master Port Services Agreement, the PIL Master Shipping and Terminal Services Agreement and the SIPG Shipping and Terminal Services Agreement shall be aggregated pursuant to the requirements under the Shanghai Listing Rules. It is expected that such aggregated amount for the year ending 31 December 2020 would exceed 5% of the net asset value of the Company and its subsidiaries as at 31 December 2019. Accordingly, despite that only the Non-exempt Master Agreements and the proposed annual caps thereunder are required to be approved by the Shareholders under the Hong Kong Listing Rules, ordinary resolutions will be proposed at the EGM for the Shareholders to consider and, if thought fit, approve all the continuing connected transactions under the COSCO SHIPPING Master Agreements, the PIL Master Shipping and Terminal Services Agreement and the SIPG Shipping and Terminal Services Agreement and the proposed annual caps contemplated thereunder.

For the reasons as disclosed in the section headed "G. Approval of the Existing SIPG Shipping and Terminal Services Agreement and the Annual Caps for 2019" in the announcement of the Company dated 30 October 2019, pursuant to the requirements of the Shanghai Listing Rules, a resolution will also be proposed at the EGM for the Shareholders to consider, and if thought fit, approve and ratify the Existing SIPG Shipping and Terminal Services Agreement and the annual caps thereunder for the year ending 31 December 2019.

In addition, for the reasons as disclosed in the section headed "(2) Related Party Transactions – Qingdao Port International Shipping and Terminal Services Framework Agreement" in the announcement of the Company dated 30 October 2019, pursuant to the requirements of the Shanghai Listing Rules, a resolution will also be proposed at the EGM for the Shareholders to consider and if thought fit, approve the Qingdao Port International Shipping and Terminal Services Framework Agreement and the annual caps thereunder for the three years ending 31 December 2022.

J. EGM

The EGM will be held at Conference Room, 47th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong and Ocean Hall, 5th Floor, Shanghai Ocean Hotel, No.1171, Dong Da Ming Road, Shanghai, the PRC on Friday, 20 December 2019 at 10:00 a.m. A notice convening the EGM, together with the form of proxy and reply slip, were despatched to the Shareholders on Tuesday, 5 November 2019.

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

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

COSCO SHIPPING and its associates, being connected persons of the Company and having a material interest in the transactions under the COSCO SHIPPING Master Agreements, controlled or were entitled to exercise control over the voting rights in respect of 5,579,222,079 A Shares and 87,635,000 H Shares, representing approximately 46.22% of the total issued share capital of the Company as at the Latest Practicable Date. In accordance with the Hong Kong Listing Rules, they will abstain from voting at the EGM on the resolutions to approve the transactions under the COSCO SHIPPING Master Agreements.

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

K. RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on page 51 of this circular and the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 52 to 90 of this circular in connection with the continuing connected transactions contemplated under the Non-exempt Master Agreements, their respective proposed annual caps, and the principal factors and reasons considered by the Independent Financial Adviser in arriving at such advice.

The Independent Board Committee, having considered the terms of the Non-exempt Master Agreements and the advice of the Independent Financial Adviser, are of the opinion that: (i) the transactions under the Non-exempt Master Agreements are entered into in the ordinary and usual course of business of the Company on normal commercial terms; (ii) the terms of the Non-exempt Master Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (iii) the proposed annual caps for such transactions for each of the three years ending 31 December 2022 are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolutions to approve Non-exempt Master Agreements and their proposed annual caps.

Based on the information as set out in this circular, the Board is of the view the terms of the Master Agreements, the Qingdao Port International Shipping and Terminal Services Framework Agreement and the Existing SIPG Master Shipping and Terminal Services Agreement and their respective annual caps are fair and reasonable and in the interests of the Shareholders as a whole. Therefore, the Board recommends the Shareholders to vote in favour of all the resolutions to be proposed at the EGM to approve the aforementioned matters.

L. ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

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

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

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

5 December 2019

To the Independent Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of the Company dated 5 December 2019 (the "**Circular**") of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed by the Board to advise the Independent Shareholders as to whether (i) the transactions contemplated under the Non-exempt Master Agreements are entered into in the ordinary and usual course of business of the Company on normal commercial terms; (ii) the terms of the Non-exempt Master Agreements are fair and reasonable and in the interests of the Shareholders as a whole; and (iii) the proposed annual caps for such transactions for each of the three years ending 31 December 2022 are fair and reasonable and in the interests of the Shareholders as a whole.

Having considered the terms of the Non-exempt Master Agreements and the advice of the Independent Financial Adviser, we are of the opinion that (i) the transactions under the Non-exempt Master Agreements are entered into in the ordinary and usual course of business of the Company on normal commercial terms; (ii) the terms of the Non-exempt Master Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (iii) the proposed annual caps for such transactions for each of the three years ending 31 December 2022 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 relevant resolutions to be proposed at the EGM to approve the Non-exempt Master Agreements and their respective proposed annual caps.

Yours faithfully,
For and on behalf of the Independent Board Committee

Mr. YANG, Liang Yee Philip	**Mr. WU Dawei**	**Mr. ZHOU Zhonghui**	**Mr. TEO Siong Seng**

Independent non-executive Directors

* *For identification purpose only*

The following is the full text of the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Non-exempt Master Agreements and the proposed annual caps for the purpose of inclusion in this circular.

MESSIS 大有融資

5 December 2019

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

Dear Sir or Madam,

MAJOR TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Non-exempt Master Agreements, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company to the Shareholders dated 5 December 2019 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

Reference is made to the announcements of the Company dated 14 September 2016, 27 December 2017 and 22 November 2018 and the circular of the Company dated 29 October 2016 in relation to, among other things, certain continuing connected transactions between the Group and the COSCO SHIPPING Group under the Existing COSCO SHIPPING Master Agreements. The Existing COSCO SHIPPING Master Agreements will expire on 31 December 2019. In light of the Company's intention to continue to enter into transactions of a similar nature from time to time after such expiry date, on 30 October 2019, the Company and COSCO SHIPPING entered into the COSCO SHIPPING Master Agreements in respect of certain transactions, the nature of which is similar to the transactions under the Existing COSCO SHIPPING Master Agreements, for a term of three years from 1 January 2020 to 31 December 2022, which can be extended for further three years as agreed in writing by the parties upon the expiration of the term on the basis that the relevant requirements of the applicable listing rules are satisfied.

COSCO SHIPPING is the indirect controlling Shareholder and therefore members of the COSCO SHIPPING Group are connected persons of the Company under Chapter 14A of the Hong Kong Listing Rules. Accordingly, the transactions contemplated under the Non-exempt Master Agreements constitute connected transactions of the Company.

As one or more of the applicable percentage ratios of the proposed annual caps in respect of the transactions contemplated under the Master Shipping Services Agreement, the Master Ports Services Agreement and the Master Vessel and Container Asset Services Agreement exceed 5%, such transactions and the respective proposed annual caps for such transactions for each of the three years ending 31 December 2022 are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

As one or more of the applicable percentage ratios of the proposed annual caps in respect of the transactions contemplated under each of the Master General Services Agreement and the PIL Master Shipping and Terminal Services Agreement exceed 0.1% but are all less than 5%, such transactions and the respective proposed annual caps for such transactions for each of the three years ending 31 December 2022 are subject to the reporting, annual review and announcement requirements but are exempt from independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

As one or more of the applicable percentage ratios of the proposed annual caps for the leasing of vessels and containers and the purchase of containers under the Master Vessel and Container Asset Services Agreement exceed 25% but are all less than 100%, such transactions also constitute a major transaction for the Company under Chapter 14 of the Hong Kong Listing Rules.

As one or more of the applicable percentage ratios of the proposed annual caps for the deposit transactions under the Financial Services Agreement exceed 25%, such transactions constitute continuing connected transactions and a major transaction for the Company subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14 and Chapter 14A of the Hong Kong Listing Rules.

As the loan transactions under the Financial Services Agreement will be conducted on normal commercial terms and 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, such loans and clearing transactions will be fully exempt from the reporting, annual review, announcement and shareholder approval requirements under Chapter 14A of the Hong Kong Listing Rules.

As all of the applicable percentage ratios of the proposed annual caps in respect of the transactions contemplated under the Trademark Licence Agreement and the other financial services under the Financial Services Agreement are below 0.1%, such transactions are exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

Mr. Xu Lirong, Mr. Wang Haimin, Mr. Yang Zhijian and Mr. Feng Boming, who are Directors nominated by COSCO, have abstained from voting on the resolutions of the Board approving the transactions under the Non-exempt Master Agreements pursuant to the Articles of Association. Other than the above mentioned Directors, the remaining Directors are the independent non-executive Directors. Save as disclosed above, none of the Directors has a material interest in the transactions under the Non-exempt Master Agreements and was required to abstain from voting on the relevant resolutions.

The Independent Board Committee (comprising Mr. Yang, Liang Yee Philip, Mr. Wu Dawei, Mr. Zhou Zhonghui, and Mr. Teo Siong Seng who are the independent non-executive Directors) has been formed in accordance with Chapter 14A of the Hong Kong Listing Rules to advise the Independent Shareholders as to whether the terms of transactions contemplated under the Non-exempt Master Agreements and the respective proposed annual caps for such transactions for each of the three years ending 31 December 2022 are fair and reasonable and in the interests of the Company and the Shareholders as a whole. We, Messis Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in these regards.

As at the Latest Practicable Date, we did not have any relationships with or interests in the Company and any other parties that could reasonably be regarded as relevant to our independence. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser, no arrangement exists whereby we will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. During the past two years, we did not have any business engagements with the Company. During the past two years, we were appointed as an independent financial adviser for COSCO SHIPPING Energy Transportation Co., Ltd. (stock code: 1138), a connected person of the Company, on five occasions, details of which are set out in its circulars dated (i) 4 December 2017 in relation to the proposed non-public issuance of A shares; (ii) 30 November 2018 in relation to the extension resolutions; (iii) 30 November 2018 in relation to major and continuing connected transactions; (iv) 5 July 2019 in relation to the amendment to the terms of the proposed non-public issuance of A shares; and (v) 25 November 2019 in relation to the further extension resolutions. During the past two years, we were also appointed as an independent financial adviser for COSCO SHIPPING Development Co., Ltd. (stock code: 2866), another connected person of the Company, on five occasions, details of which are set out in its circulars dated (i) 10 May 2018 in relation to the extension of validity period of resolutions regarding the revised proposed non-public issuance of A Shares; and (ii) 4 September 2018 in relation to continuing connected transactions and (iii) 10 May 2019 in relation to further extension of validity period of resolutions regarding the revised proposed non-public issuance of A Shares; and (iv) 5 August 2019 in relation to continuing connected transactions; and (v) its announcement dated 31 October 2019 in relation to renewal of continuing connected transactions. Notwithstanding the above, the previous engagements with the Company's connected persons would not affect our independence from the Company and we are independent from the Company pursuant to Rule 13.84 of the Listing Rules, in particular that we did not serve as a financial adviser to (i) the Company, (ii) COSCO

SHIPPING Group, and (iii) any core connected person of the Company within 2 years prior to 5 November 2019, being the date of making our independence declaration to the Hong Kong Stock Exchange pursuant to Rule 13.85(1) of the Listing Rules.

BASIS OF OUR OPINION

In arriving at our recommendations, we have reviewed, amongst others, (i) the Non-exempt Master Agreements; (ii) the annual report of the Company for the year ended 31 December 2017 ("**2017 Annual Report**"); (iii) the annual report of the Company for the year ended 31 December 2018 ("**2018 Annual Report**"); (iv) the interim report of the Company for the six months ended 30 June 2019 ("**2019 Interim Report**"); and (v) other information as set out in this letter.

We have relied on the statements, information and representations contained in the Circular and the information and representations provided to us by the Company, the Directors and the management of the Company. We have assumed that all information, representations and opinions contained or referred to in the Circular and all information and representations which have been provided by the Company, the Directors and the management of the Company for which they are solely and wholly responsible, are true and accurate at the time they were made and will continue to be accurate as at the Latest Practicable Date. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the management of the Company.

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

We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any material facts or circumstances which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information provided by the Company, the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs of the Group and any parties in relation to the Non-exempt Master Agreements.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the terms of the Non-exempt Master Agreements and their respective proposed annual caps. Except for its inclusion in the Circular, this letter is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinions and recommendations, we have taken into consideration the following principal factors and reasons:

1. Background Information on the Group

The Company is a joint stock company established under the laws of the PRC with limited liability, the H shares of which are listed on the Main Board of the Hong Kong Stock Exchange and the A shares of which are listed on the Shanghai Stock Exchange. The Group provides a wide range of container shipping and terminal services covering the whole shipping value chain for both international and domestic customers.

1.1 Financial performance of the Group

Set out below is a summary of the consolidated statements of profit or loss of the Group for each of the three years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2018 and 2019, which are extracted from the 2019 Interim Report, the 2018 Annual Report and the 2017 Annual Report.

	Six months ended 30 June		**Year ended 31 December**		
	2019	**2018**	**2018**	**2017**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	*(unaudited)*	*(audited)*	*(audited)*	*(audited)*
Continuing operations					
Revenue (from external customers)	71,762,486	45,041,047	120,342,284	90,399,078	69,833,164
– *Container shipping and related business*	68,904,298	42,364,738	114,753,097	86,742,268	66,577,484
– *Container terminal and related business*	2,858,188	2,676,309	5,503,726	3,656,810	3,251,104
– *Corporate and other operations*	–	–	85,461	–	4,576
Costs of services and inventories sold	(64,400,210)	(42,186,575)	(110,725,942)	(82,761,870)	(70,382,845)
Gross profit/(loss)	7,362,276	2,854,472	9,616,342	7,637,208	(549,681)
Profit/(loss) for the year from continuing operations	1,864,149	769,138	2,830,406	4,830,685	(5,962,509)

Revenue of the Group increased from approximately RMB69.8 billion for the year ended 31 December 2016 to approximately RMB90.4 billion for the year ended 31 December 2017, representing a year-on-year increase of approximately RMB20.6 billion or 29.5%. The Group recorded a gross profit of approximately RMB7.6 billion for the year ended 31 December 2017 as compared with a gross loss of approximately RMB0.5 billion for the year ended 31 December 2016 as a result of the increase in the Group's revenue of approximately RMB20.6 billion or 29.5% which have offset the increase in the Group's costs of services and inventories sold of approximately RMB12.4 billion or 17.6% during the respective period. According to the 2017 Annual Report, the increase in revenue was mainly attributable to (i) the increase in revenue from the container shipping business and related business of approximately 30.3% to approximately RMB86.7 billion for the year ended 31 December 2017, which was mainly due to the continued market recovery and the improvement of operating conditions in the container shipping industry on one hand, and the substantial increase in the shipping capacity of COSCO SHIPPING Lines, the further improvement in shipping routes deployment as a result of the completion of business reorganisation and integration and the increase in the delivery of new vessels on the other hand; and (ii) the increase in the revenue from the container terminal and related business of approximately 12.5% to approximately RMB3.7 billion for the year ended 31 December 2017, which mainly due to the increase in throughput of both terminals with controlling stakes and controlled bulk terminals as compared to 2016.

In addition, the Group recorded a one-off gain in the amount of approximately RMB1.9 billion during the year ended 31 December 2017 as a result of the disposal of 20% equity interests in Qingdao Qianwan Container Terminal Co., Ltd., a then joint venture company of the Group. Based on the foregoing, the Group recorded a profit from continuing operations of approximately RMB4.8 billion for the year ended 31 December 2017 as compared to a loss of approximately RMB6.0 billion for the year ended 31 December 2016.

Revenue of the Group increased from approximately RMB90.4 billion for the year ended 31 December 2017 to approximately RMB120.3 billion for the year ended 31 December 2018, representing a year-on-year increase of approximately RMB29.9 billion or 33.1%. The Group's gross profit increased from approximately RMB7.6 billion for the year ended 31 December 2017 to approximately RMB9.6 billion for the year ended 31 December 2018. The Group's gross profit margin for the years ended 31 December 2017 and 2018 remain stable of approximately 8.4% and 8.0%, respectively. According to the 2018 Annual Report, the increase in revenue was mainly attributable to (i) the increase in revenue from the container shipping business and related business of approximately 32.3% to approximately RMB114.8 billion for the year ended 31 December 2018, which was mainly due to the increase in revenue generated from COSCO SHIPPING Lines and the increase in the average revenue per TEU generated from both international routes and domestic routes; and (ii) the increase in the revenue from the container terminal and related business of approximately 50.5% to approximately RMB5.5 billion for the year ended 31 December 2018, which mainly due to the growth of terminal business benefitting from the increased berthing by the Ocean Alliance and the increase in amount of containers from its newly acquired terminals and the total throughput increased by 17.1% to 117,365,360 TEU in 2018 as compared to 2017.

The Group recorded a profit from continuing operations for the year ended 31 December 2018 of approximately RMB2.8 billion as compared to approximately RMB4.8 billion for the year ended 31 December 2017. The decrease was mainly due to a one-off gain in the total amount of approximately RMB1.9 billion as a result of the disposal of 20% equity interests in Qingdao Qianwan Container Terminal Co., Ltd., which was recorded in 2017.

Revenue of the Group increased from approximately RMB45.0 billion for the six months ended 30 June 2018 to approximately RMB71.8 billion for the six months ended 30 June 2019, representing a period-to-period increase of approximately RMB26.8 billion or 59.3%. The Group's gross profit increased from approximately RMB2.9 billion for the six months ended 30 June 2018 to approximately RMB7.4 billion for the six months ended 30 June 2019 as a result of the increase in the Group's revenue, which have offset the increase in the Group's cost of services and inventories sold by approximately RMB22.2 billion or 52.7%. According to the 2019 Interim Report, the increase in revenue was mainly attributable to (i) the increase in revenue from the container shipping business and related business of approximately 62.6% to approximately RMB68.9 billion for the six months ended 30 June 2019, which was mainly due to the growth of the container fleet operated by the Group which had 493 vessels, with the total shipping capacity reached 2,896,881 TEUs as at 30 June 2019; and (ii) the increase in the revenue from the container terminal and related business of approximately 6.8% to approximately RMB2.9 billion for the six months ended 30 June 2019, as COSCO SHIPPING Ports recorded the total throughput of 59,764,000 TEUs, representing an increase of 5.4% as compared to the same period of last year.

As a result of the above, the Group recorded an increase in profit from continuing operations for the six months ended 30 June 2019 to approximately RMB1.9 billion from approximately RMB0.8 billion for the six months ended 30 June 2018.

1.2 Financial position of the Group

	As at 30 June 2019	As at 31 December 2018	2017	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	*(audited)*	*(audited)*	*(audited)*
Non-Current Assets	189,646,596	168,127,801	93,783,168	74,290,268
Current Assets	66,348,462	60,016,004	39,406,837	45,362,465
Total Assets	255,995,058	228,143,805	133,190,005	119,652,733
Non-Current Liabilities	113,960,407	82,936,955	45,917,863	48,548,546
Current Liabilities	79,226,946	88,853,961	43,561,562	33,555,318
Total Liabilities	193,187,353	171,790,916	89,479,425	82,103,864
Net Current (Liabilities)/ Assets	(12,878,484)	(28,837,957)	(4,154,725)	11,807,147
Net Assets	62,807,705	56,352,889	43,710,580	37,548,869

As at 31 December 2017, the Group's total liabilities amounted to approximately RMB89.5 billion, representing an increase of approximately RMB7.4 billion or 9.0% from the end of 2016 as a result of the increase in short-term borrowings. As at 31 December 2018, the total liabilities of the Group increased significantly by approximately RMB82.3 billion or 92.0% to RMB171.8 billion as compared to the end of 2017, which was mainly due to increase in borrowings as a result of the acquisition of 68.7% interests of OOIL being completed in the second half of 2018. As at 30 June 2019, the total liabilities of the Group amounted to approximately RMB193.2 billion, representing an increase of approximately RMB21.4 billion or 12.5% from the end of 2018.

As at 31 December 2017, the Group's total assets amounted to approximately RMB133.2 billion, representing an increase of approximately RMB13.5 billion or 11.3% from the end of 2016. As at 31 December 2018, the total assets of the Group amounted to approximately RMB228.1 billion, representing a year-to-year increase of approximately RMB95.0 billion or 71.3% from the end of 2017 mainly due to the financial statements of OOIL was consolidated to the Group since 1 July 2018. As at 30 June 2019, the total assets of the Group amounted to approximately RMB256.0 billion, representing an increase of approximately RMB27.9 billion or 12.2% from the end of 2018.

1.3 Recent business development of the Group

Container shipping business

According to the 2019 Interim Report, a total of eight large container vessels were delivered, with a total shipping capacity of 144,000 TEUs. As at 30 June 2019, the container fleet operated by the Group had 493 vessels, with the total shipping capacity reached 2,896,881 TEUs, representing a growth of 5% as compared to the end of 2018.

Terminal business

According to the 2018 Annual Report, benefitting from the increased berthing by the OCEAN Alliance and the amount of containers from its newly acquired terminals, the total throughput increased by 17.1% to 117,365,360 TEU in 2018 (2017: 100,202,185 TEU), the growth rate of which exceeds that of the industry. Throughput of Qingdao Port International has been included since May 2017; the throughput (excluding Qingdao Port International) increased by 11.5% to 98,045,360 TEU in 2018 on a comparable basis. Throughput from the Group's controlled terminals increased by 29.7% to 22,507,686 TEU in 2018 (2017: 17,353,422 TEU), accounting for 19.2% of the Group's total throughput. Throughput from the Group's non-controlled terminals increased by 14.5% to 94,857,674 TEU in 2018 (2017: 82,848,763 TEU).

Total throughput of COSCO SHIPPING Ports increased by 15.8% to 37,062,172 TEU in 2018 (2017: 31,999,491 TEU). Excluding Qingdao Port International, equity throughput increased by 12.7% to 33,505,360 TEU in 2018. Throughput from the Group's controlled terminals of COSCO SHIPPING Ports increased by 28.7% to 14,230,256 TEU in 2018 (2017: 11,053,112 TEU), accounting for 38.4% of its total equity throughput. Throughput from the Group non-controlled terminals of COSCO SHIPPING Ports increased by 9.0% to 22,831,916 TEU in 2018 (2017: 20,946,379 TEU). Driven by the increased container shipping volume from controlled terminals, excluding newly acquired terminals, throughput from COSCO SHIPPING Ports increased by 7.8% to 94,158,905 TEU in 2018, which exceeded the industry's average growth rate of 4.2%.

According to the 2019 Interim Report, OOIL was consolidated into the Group's combined financial statements since 1 July 2018. As such, the total throughput of the container terminal business of the Group was the combined throughput of the terminal businesses of COSCO SHIPPING Ports and OOIL in the first half year of 2019. The total throughput of COSCO SHIPPING Ports amounted to 59,764,100 TEU, representing an increase of 5.4% as compared to the same period of last year. The throughput of controlled terminals amounted to 12,445,300 TEU, representing an increase of 14.56% as compared to the same period of last year and the throughput of non-controlled terminals amounted to 47,318,800 TEU, representing an increase of 3.21% as compared to the same period of last year.

2. Background Information on COSCO SHIPPING

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

3. Background Information on COSCO SHIPPING Finance

COSCO SHIPPING Finance is a company established in the PRC, and is a non-bank financial institution approved and regulated by the PBOC and the CBIRC. It was established by way of joint capital contribution by COSCO SHIPPING and its subsidiaries (15 in total) as members, with COSCO SHIPPING being the de facto controller. COSCO SHIPPING Finance is principally engaged in provision of financial services to COSCO SHIPPING Group.

4. The Deposit Services Under The Financial Services Agreement

4.1 Background to and reasons for the Financial Services Agreement

The Existing Financial Services Agreement will expire on 31 December 2019. In light of the Company's intention to continue to enter into transactions of the same nature from time to time after the expiry date, on 30 October 2019, the Company and COSCO SHIPPING entered into the Financial Services Agreement, which the provision of services is the same to that of the transactions under the Existing Financial Services Agreement, for a term of three years from 1 January 2020 to 31 December 2022.

We have discussed with the management of the Company and understand that the transactions contemplated under the Financial Services Agreement are expected to be occurred on a continuing basis in the ordinary and usual course of business of the Group. The Group maintains deposits with and engages commercial banks for financial services from time to time as part of its treasury activities and to satisfy its business needs. As advised by the management of the Company, the Group has established long-term business relationships with COSCO SHIPPING Finance. The Directors are of the view that as the intra-group financial services provider, COSCO SHIPPING Finance generally has better and more efficient communication with the Company and its subsidiaries compared with independent banks and financial institutions. COSCO SHIPPING Finance can provide a wide range of financial services, including the deposit services, loan services, clearing services, foreign exchange services and any other services that COSCO

SHIPPING can engage in as permitted by the CBIRC, based on the approval issued by the CBIRC. The Group may negotiate more favourable terms with COSCO SHIPPING Finance as compared with other commercial banks.

As set out in the Letter from the Board, the operations of COSCO SHIPPING Finance are subject to the guidelines and requirements issued by the PBOC and the supervision of CBIRC. To the best of the Directors' knowledge and belief, COSCO SHIPPING Finance has been in compliance with all the major financial services rules and regulations and has sound internal control systems. In order to understand the financial position of COSCO SHIPPING Finance, we have reviewed its financial information for the year ended 31 December 2018 and the six months ended 30 June 2019. We noted that COSCO SHIPPING Finance recorded net assets of approximately RMB5.0 billion and RMB5.0 billion as at 31 December 2018 and 30 June 2019 respectively. We have also obtained and reviewed the regulatory report for the year ended 31 December 2018 ("**2018 Regulatory Report**") prepared by COSCO SHIPPING Finance which, among others, summarise the current financial positions of COSCO SHIPPING Finance. We noted from the 2018 Regulatory Report that various financial ratios of COSCO SHIPPING Finance met the requirements as set out in "the Interim Measures for the Assessment of Risk Supervision Indicators of Finance Company of Enterprise Group" (《企業集團財務公司風險監管指標考核暫行辦法》) issued by CBIRC. In particular, (i) the capital adequacy ratio of COSCO SHIPPING Finance was approximately 12.69% as at 31 December 2018, which was better than the basic requirement of 10% for finance companies as required by CBIRC; (ii) non-performing asset ratio of COSCO SHIPPING Finance was 0.10% as at 31 December 2018, which was better than the basic requirement of 4% for finance companies as required by CBIRC; and (iii) bad loan ratio of COSCO SHIPPING Finance was 0% as at 31 December 2018, which was better than the basic requirement of 5% for finance companies as required by CBIRC. Based on the current financial position of COSCO SHIPPING Finance, we concur with Directors' view that the Group would not be exposed to high credit risks for depositing with COSCO SHIPPING Finance.

In addition, the Group is not restricted under the Financial Services Agreement to choose any bank or financial institution to satisfy its financial service needs. Therefore, the Group may, but is not obliged to, continue to use COSCO SHIPPING Finance's services if the service quality provided continues to be competitive. Having considered such flexibility afforded under the Financial Services Agreement, the Group will be able to enjoy the benefit to manage its working capital and cashflow position should the terms offered by the COSCO SHIPPING Finance is better than that of the independent banks or financial institutions. As such, the Directors are of the view that there is no material disadvantage in making deposits to COSCO SHIPPING Finance under the term of the Financial Services Agreement and the entering into the Financial Services Agreement is in the interests of the Company and the Shareholders as a whole.

Based on the above, in particular that (i) it is in the ordinary and usual course of business of the Company to maintain deposits with different financial institutions; (ii) the background and the healthy financial position of COSCO SHIPPING Finance; and (iii) the Group would enjoy the flexibility to choose the deposit services from any bank or financial institution to satisfy its financial service needs, we concur with the view of the Directors that the deposit services under the Financial Services Agreement are in the ordinary and usual course of business of the Group and that the entering of the Financial Services Agreement is in the interests of the Company and the Shareholders as a whole.

4.2 Principal terms of the Financial Services Agreement

Under the Financial Services Agreement, COSCO SHIPPING will procure COSCO SHIPPING Finance to provide the Company and its subsidiaries and associates with certain financial services. The key terms thereof are set out below:

Parties	:	(i) the Company; and (ii) COSCO SHIPPING
Nature of transaction	:	Pursuant to the Financial Services Agreement, COSCO SHIPPING will procure COSCO SHIPPING Finance to provide the Company and its subsidiaries and associates with certain financial services, including the following: (i) deposit services; (ii) loan services; (iii) clearing services; (iv) foreign exchange services; and (v) any other services that COSCO SHIPPING Finance can engage in as permitted by the CBIRC. The transaction terms of the services to be provided under the Financial Services Agreement shall be normal commercial terms and fair and reasonable, and shall not be less favourable to the Company and its subsidiaries than those offered by COSCO SHIPPING Finance to other members of the COSCO SHIPPING Group for the same type of services and shall not be less favourable than the terms offered by other financial institutions to the Company and its subsidiaries and associates for the same type of services.

Pricing policies : The interest rates for deposits shall be determined with reference to:

(i) market interest rates, being interest rates determined by independent third party onshore commercial banks providing the same type of deposit services in their ordinary course of business in the same or nearby service area and subject to normal commercial terms, and in accordance with the principle of fairness and reasonableness; and

(ii) the interest rate offered by COSCO SHIPPING Finance to other parties (i.e. other members of the COSCO SHIPPING Group) for the same type of deposits from other entities.

The interest rates for loans shall be determined with reference to:

(i) market interest rates, being interest rates determined by independent third party onshore commercial banks providing the same type of loan services in their ordinary course of business in the same or nearby service area and subject to normal commercial terms, and shall be in accordance with the principle of fairness and reasonableness; and

(ii) the interest rates charged by COSCO SHIPPING Finance to other parties (i.e. other members of the COSCO SHIPPING Group) on the same type of loans provided to other entities.

The clearing services provided by COSCO SHIPPING Finance to the Company and its subsidiaries and associates shall be free of charge for the time being.

The pricing policies for other financial services, including but not limited to foreign exchange services, shall be determined with reference to:

(i) the handling fees charged by independent third party onshore commercial banks to the Company and its subsidiaries and associates for the same type of services; and

(ii) the handling fees charged by COSCO SHIPPING Finance to other parties (i.e. other members of the COSCO SHIPPING Group) with the same credit rating for the same type of services.

To ensure that the pricing policies under the Financial Services Agreement are complied with, prior to conducting transactions under the Financial Services Agreement, the Company will enquire with independent third party commercial banks and other financial institutions about the interest rates for loans and deposits and the fees for provision of similar financial services in the same or nearby area for the same type of services, to compare with the interest rates for loans and deposits and the fees for other financial services offered by COSCO SHIPPING Finance. The Group will seek to obtain quotations from at least three independent third party commercial banks or other financial institutions in each case where practicable.

As set out in the Letter from the Board, the interest rates for deposits shall be determined with reference to (i) market interest rates, being interest rates determined by independent third party onshore commercial banks providing the same type of deposit services in their ordinary course of business in the same or nearby service area and subject to normal commercial terms, and in accordance with the principle of fairness and reasonableness; and (ii) the interest rate offered by COSCO SHIPPING Finance to other parties (i.e. other members of the COSCO SHIPPING Group) for the same type of deposits from other entities.

In assessing the fairness and reasonableness on the interest rate chargeable under the Financial Services Agreement, we have obtained and reviewed the interest rates offered by COSCO SHIPPING Finance with the interest rates offered by independent commercial banks in the PRC for similar type of deposits for the two years ended 31 December 2018 and the six months ended 30 June 2019 (the "**Review Period**"). We noted that (i) the interest rate offered by independent commercial banks in the PRC to the Group ranged from 0.3% to 0.35%; and (ii) the interest rate offered by COSCO SHIPPING Finance to the Group ranged from 0.35% to 0.385% during the Review Period. The interest rates offered by COSCO SHIPPING Finance were therefore no less favourable than those offered by independent commercial banks in the PRC and the relevant rates stipulated by the PBC for similar type of deposits. Furthermore, we have reviewed the 2017 Annual Report and the 2018 Annual Report and noted that both the auditors and the independent non-executive Directors confirmed that, among others, the terms of the deposit services, was conducted on normal commercial terms and in accordance with the relevant pricing policies of the Group.

As advised by the Directors, the Group has adopted risk management policy on transactions with COSCO SHIPPING Finance which are applicable to all deposit services. Such policy includes the following: (i) COSCO SHIPPING Finance is required to comply with risk management protocols and guidelines promulgated by the CBIRC and the relevant laws and regulations; (ii) COSCO SHIPPING Finance is required to provide the Company a copy of all relevant licenses; (iii) COSCO SHIPPING Finance is required to report to the Company the financial ratios of COSCO SHIPPING Finance as set out in "the Interim Measures for the Assessment of Risk Supervision Indicators of Finance Company of Enterprise Group" (《企業集團財務公司風險監管指標考核暫行辦法》) issued by CBIRC within 15 business days after the end of each quarter; (iv) COSCO

SHIPPING Finance is required to provide the Company a copy of every regulatory report submitted by COSCO SHIPPING Finance to CBIRC; and (v) COSCO SHIPPING Finance is required to provide to the Company a copy of the financial statements of COSCO SHIPPING Finance on a regular basis. In addition, the auditors of the Company will report on the continuing connected transactions and provide a letter to the Board confirming whether anything has come to their attention that causes them to believe that the transactions: (i) have not been approved by the Board; (ii) were not entered into, in all material respects, in accordance with the Financial Services Agreement; and (iii) have exceeded the proposed caps under the Financial Services Agreement; we concur with the Directors' view that, with the aforementioned internal control measures being taken place, the Group is able to ensure that the deposit services are to be provided on normal commercial terms or better and the Group's interests can be sufficiently safeguarded.

Having considered the above, we concur with the view of the Directors that (i) the transactions contemplated under the Financial Services Agreement are in ordinary and usual course of the Group; (ii) the entering into the Financial Services Agreement is in the interests of the Company and the Shareholders as a whole; and (iii) the terms of the deposit services under the Financial Services Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

4.3 Proposed annual caps for the deposit services

The following table sets out the historical transaction amounts of the deposit services provided by COSCO SHIPPING Finance to the Company and its subsidiaries under the Existing Financial Services Agreement for the two years ended 31 December 2018 and the six months ended 30 June 2019 and the aggregate annual cap for the year ending 31 December 2019 under the Existing Financial Services Agreement:

	For the year ended 31 December 2017 *(RMB'000)*	**For the year ended 31 December 2018** *(RMB'000)*	**For the six months ended 30 June 2019** *(RMB'000)*	**Aggregate annual cap for the year ending 31 December 2019** *(RMB'000)*
Maximum daily outstanding balance of deposits (including accrued interest and handling fee) placed by the Company and its subsidiaries with COSCO SHIPPING Finance *(Note)*	10,194,178	9,510,504	10,609,021	33,000,000

Note: Completion of the merger by absorption of COSCO Finance by CS Finance (both being the entities providing financial services to the Group under the Existing Financial Services Agreement) took place on 23 October 2018. Upon completion of the merger, (i) CS Finance continued as the surviving company and was renamed as COSCO SHIPPING Finance and (ii) COSCO Finance ceased to exist as a legal entity and became a branch of COSCO SHIPPING Finance, and the assets, liabilities, businesses and employees of which have been succeeded by COSCO SHIPPING Finance.

The proposed annual caps for the deposit services contemplated under the Financial Services Agreement for the three years ending 31 December 2022 are as follows:

	For the year ending 31 December 2020 *(RMB'000)*	**For the year ending 31 December 2021** *(RMB'000)*	**For the year ending 31 December 2022** *(RMB'000)*
Maximum daily outstanding balance of deposits (including accrued interest and handling fee) to be placed by the Company and its subsidiaries with COSCO SHIPPING Finance	29,000,000	29,000,000	29,000,000

As advised by the Directors, the above proposed annual caps for deposit services under the Financial Services Agreement were determined with reference to (i) the historical transaction amounts; (ii) the capital management strategies of the Company; (iii) the potential demands for deposit services by OOIL, which has been a subsidiary of the Company since July 2018. The highest estimated transaction amount of the deposit services by OOIL for the three years ending 31 December 2022 are US$200,000,000, US$200,000,000 and US$200,000,000 (equivalent to approximately RMB1,400,000,000), respectively, which were determined by reference to (a) the historical cash flow movements of OOIL Group placed with the independent third party banks; and (b) the anticipated business plan of OOIL Group with a view to managing its financial risks effectively and reasonably; (iv) the expected increase in the operating revenue of the Group due to growth of business volume of the Group; and (v) the expected positive development in the shipping market.

In order to assess the fairness and reasonableness of the proposed annual caps for the deposit services under the Financial Services Agreement, we have obtained and reviewed the calculations of the proposed annual caps for the deposit services and discussed with the management of the Company regarding the bases and assumptions in arriving the proposed annual caps for the deposit services. As set out in the table above, the historical figures of the aggregate maximum daily outstanding balance of deposits (including accrued interest and handling fee) placed by the Group with COSCO SHIPPING Finance for the two years ended 31 December 2017 and 2018 and the six months ended 30 June 2019 amounted to approximately RMB10,194 million, RMB9,511 million and RMB10,609 million, respectively. We noted that the aggregate maximum daily outstanding balance deposit of RMB10,609 million accounted for approximately 36.6% of the proposed annual cap of RMB29,000 million for the three years ending 31 December 2022.

We have reviewed the 2017 Annual Report and 2018 Annual Report and noted that there was significant cash inflow and/or outflow from its operating activities, investing activities and financing activities. During the year ended 31 December 2017, the net cash inflow from operating activities and financing activities amounted to approximately RMB7,092.04 million and RMB2,796.97 million respectively while the net cash outflow from investing activities amounted to approximately RMB15,233.05 million. During the year ended 31 December 2018, the net cash inflow from operating activities and financing activities amounted to approximately RMB8,130.78 million and RMB37,566.70 million respectively while the net cash outflow from investing activities amounted to approximately RMB39,343.55 million. The high volume of cash inflow and outflow demonstrates the high demand on financial services from financial institutions (including COSCO SHIPPING Finance) to support its normal operations. Moreover, as at 30 June 2019, the cash and bank balances of the Group reached approximately RMB31,869.84 million, which have exceeded the proposed annual cap of the maximum daily outstanding balance of deposits for the three years ending 31 December 2022.

We have also reviewed the annual report of OOIL for the year ended 31 December 2018 and noted that there was significant cash inflow and/or outflow from its operating activities, investing activities and financing activities. During the year ended 31 December 2018, the net cash inflow from operating activities of OOIL amounted to approximately USD452.66 million while net cash used in investing activities and financing activities of OOIL amounted to approximately USD451.16 million and USD297.91 million respectively. Moreover, as at 31 December 2018, the cash and bank balances of OOIL reached approximately US$1,584.47 million. The Directors are of the view that there would be demand for deposit services from OOIL in the next three years.

In light of the above, we are of the view that the proposed annual caps for the deposit services under the Financial Services Agreement for the three years ending 31 December 2022 are determined based on reasonable estimation and after due and careful consideration and they are fair and reasonable so far as the Independent Shareholders are concerned.

5. The Master Shipping Services Agreement

5.1 Background to and reasons for the Master Shipping Services Agreement

On 14 September 2016, the Company and COSCO SHIPPING entered into (i) the Existing Master Vessel Services Agreement; (ii) the Existing Master Container Services Agreement; (iii) the Existing Master Seamen Leasing Agreement; and (iv) the Existing Freight Forwarding Master Agreement. The Existing Master Vessel Services Agreement, the Existing Master Container Services Agreement, the Existing Master Seamen Leasing Agreement and the Existing Freight Forwarding Master Agreement will expire on 31 December 2019. As the services contemplated under the Existing Vessel Services Agreement, Existing Master Container Services Agreement, Existing Master Seamen Leasing Agreement and the Existing Freight Forwarding Master Agreement are services provided in respect of the principal business of COSCO SHIPPING Lines and OOIL, the Company decided to combine the four agreements by entering into the new Master Shipping Services Agreement, the scope of which will cover the services contemplated under the Existing Master Vessel Services Agreement, Existing Master Container Services Agreement, Existing Master Seamen Leasing Agreement and the Existing Freight Forwarding Master Agreement. On 30 October 2019, the Company and COSCO SHIPPING entered into the Master Shipping Services Agreement for a term of three years from 1 January 2020 to 31 December 2022.

We have discussed with the management of the Company and understand that the transactions contemplated under the Master Shipping Services Agreement are expected to occur on a continuing basis and in the ordinary and usual course of business of the Group. As set out in the Letter from the Board, the COSCO SHIPPING Group and the Group have been providing the necessary supporting shipping services to each other since the establishment of the Group.

The shipping services to be provided by COSCO SHIPPING Group to the Group are mainly purchases of vessel fuel, vessel repair and lubricants, insurance, seamen leasing, vessel agency and container repair services, etc. These vessel services do not form a main part of the business of the Group. The Directors are of the view that COSCO SHIPPING Group owns professional companies which provide such vessel services. Therefore securing the shipping services from the COSCO SHIPPING Group, who is an experienced service provider in the shipping industry, will strengthen the competitiveness of the Group. On the other hand, the purchase of shipping services from COSCO SHIPPING Group will improve the Group’s operational efficiency and reduce the operation costs of the Group. Through the Master Shipping Services Agreement, the Group can leverage on the expertise and scale of the shipping services of the COSCO SHIPPING Group, and would be able to negotiate more favourable terms as compared with other independent service providers.

The shipping services to be provided by the Group to COSCO SHIPPING Group mainly include freight forwarding, vessels management and vessel agency services. As advised by the management of the Company, certain members of the Group also provide such shipping services to the Group’s self-operated vessels in certain domestic and overseas regions. The provision of shipping services to the COSCO SHIPPING Group in such regions will enhance the business scope by allowing the Group to diversify its service offerings to different areas and reduce the operation costs of the Group. On the other hand, the purchase of shipping services from the COSCO SHIPPING Group will improve the Group’s operational efficiency through enhanced economies of scale by providing these services to the COSCO SHIPPING Group in addition to the provision of such services within the Group. COSCO SHIPPING Group and the Group provide vessel agency services to each other, since COSCO SHIPPING Group and the Group each own agency companies in different geographical regions around the world.

Based on the above, in particular (i) the shipping services, including, among others, vessel fuel, vessel materials and related repairing services, vessel safety management and technical consultancy services for vessels, are essential to the businesses and operations of the Group; (ii) the experience of the COSCO SHIPPING Group in providing shipping services in the shipping industry; (iii) the purchase of shipping services from COSCO SHIPPING Group will improve the Group's operational efficiency and reduce the operation costs of the Group; and (iv) the provision of shipping services to the COSCO SHIPPING Group in regions where the Group's self-operated vessels operating will enhance the business scope by allowing the Group to diversify its service offerings to different areas and reduce the operation costs of the Group, we concur with the view of the Directors that the transactions contemplated under the Master Shipping Services Agreement are in the ordinary and usual course of business of the Group and that the entering of the Master Shipping Services Agreement is in the interests of the Company and the Shareholders as a whole.

5.2 Principal terms of the Master Shipping Services Agreement

Under the Master Shipping Services Agreement, COSCO SHIPPING Group and the Group will mutually provide shipping services to each other. The key terms thereof are set out below:

Parties	:	(i) the Company; and (ii) COSCO SHIPPING
Nature of transaction	:	Mutual provision of the following shipping services between the Group and the COSCO SHIPPING Group: (i) vessel fuel; (ii) vessel materials and related repairing services; (iii) vessel safety management and technical consultancy services for vessel and shipbuilding supervision technology services; (iv) vessel lubricants, paint for vessel and maintenance of paint and vessel parts; (v) vessel repairing and conversion services;

(vi) radio communication equipment reservation, repairing and installation;

(vii) provision and repairing of vessel equipment services;

(viii) brokerage services in respect of vessel trade and vessel insurance and brokerage services;

(ix) container depot, towage, storage, repairing and disposal services;

(x) leasing of chassis vehicles and electricity generators;

(xi) seamen leasing, management, training and related services;

(xii) freight, slot booking, logistics, vessel agency, cargo canvassing, collections and payments of shipping freights and other related and ancillary services; and

(xiii) other vessels, containers and shipping-related services (relating to the day-to-day shipping services required for the operation of vessels, which does not involve lease of vessels and containers, which are separately covered under the Master Vessel and Container Services Agreement).

Pricing policies : The services fees charged under the Master Shipping Services Agreement will be determined with reference to the prevailing market price, being the price charged by independent third party service providers providing similar types of services in their ordinary course of business in the same or nearby service area and subject to normal commercial terms, and in accordance with the principle of fairness and reasonableness.

As set out in the Letter from the Board, the services fees charged under the Master Shipping Services Agreement will be determined with reference to the prevailing market price, being the price charged by independent third party service providers providing similar types of services in their ordinary course of business in the same or nearby service area and subject to normal commercial terms, and in accordance with the principle of fairness and reasonableness.

In respect of fuel purchases (which is expected to account for approximately 80% of the transaction amounts for each of the three years ending 31 December 2022), prices will be determined based on (a) the market prices quoted by the two major suppliers in the tax-paid onshore marine bunker market, China Marine Bunker (Petrochina) Co., Ltd., whose equity interest is held as to 50% by each of COSCO and Petrochina, and China Shipping & Sinopec Suppliers Co., Ltd., whose equity interest is held as to 50% by each of COSCO SHIPPING and Sinopec, in respect of tax-paid onshore fuel purchases; and (b) the benchmark prices quoted on Platts (an independent provider of energy and commodities benchmark prices and information) in respect of offshore fuel and tax exempt onshore fuel purchases. In respect of other purchases and provision of services, the Company will strictly comply with the supply and purchase management procedures, and reference will be made to the pricing guidance issued by the relevant industry association, or quotations from third parties will be solicited as comparison to ensure that the terms offered to or by the independent third parties are not more favorable to the Group than those offered to or by COSCO SHIPPING Group under the Master Vessel Services Agreement.

As advised by the management of the Company, it is estimated that the purchase of fuel by the Group from the COSCO SHIPPING Group would account for majority of the annual caps for each of the three years ending 31 December 2020, 31 December 2021 and 31 December 2022, respectively. We are given to understand from the management of the Company that the two major suppliers in the tax-paid onshore marine market, namely China Marine Bunker (Petrochina) Co., Ltd., and China Shipping & Sinopec Suppliers Co., Ltd. who together supply majority of onshore fuel that the fuel price set by them is commonly adopted by the onshore fuel market for the purchase of tax-paid onshore fuel. In respect of the offshore fuel and tax-exempt onshore fuel purchases, the Company will follow the benchmark price quoted by Platts (an independent provider of energy and commodities benchmark prices and information). We have obtained and reviewed samples of quotations from China Marine Bunker (Petrochina) Co., Ltd., and China Shipping & Sinopec Suppliers Co., Ltd. for tax-paid onshore fuel and report from the independent provider for tax exempt onshore fuel and offshore fuel, and we note that the Company had followed the guidelines when determining the fuel price.

As advised by the Directors, the Group has adopted internal control policy on purchase of fuel from the COSCO SHIPPING Group. We have obtained and reviewed the relevant internal control policy and we are given to understand that the COSCO SHIPPING Group has set up a fuel purchase platform to centralise all the purchases which can achieve lower purchase costs as well as higher services quality from the relevant suppliers. In addition, the auditors of the Company will report on the continuing connected transactions and provide a letter to the Board confirming whether anything has come to their attention that causes them to believe that the transactions: (i) have not been approved by the Board; (ii) were not entered into, in all material respects, in accordance with the Master Shipping Services Agreement; and (iii) have exceeded the proposed caps under the Master Shipping Services Agreement; we concur with the Directors' view that, with the abovementioned internal control measure being taken place, the Group is able to ensure the relevant services by the Group from the COSCO SHIPPING Group and/or its associates under the Master Shipping Services Agreement are to be provided on normal commercial term or better and the Group's interest can be sufficiently safeguarded.

Having considered the above, we concur with the view of the Directors that (i) the transactions contemplated under the Master Shipping Services Agreement are in the ordinary and usual course of business of the Group; (ii) the entering into the Master Shipping Services Agreement is in the interests of the Company and its Shareholders as a whole; and (iii) the terms of the shipping services under the Master Shipping Services Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

5.3 Proposed annual caps for the shipping services

The following table sets out the aggregate historical transaction amounts for the transactions contemplated under the Existing Master Vessel Services Agreement, the Existing Master Container Services Agreement, the Existing Master Seamen Leasing Agreement and the Existing Freight Forwarding Master Agreement for the two years ended 31 December 2018 and the six months ended 30 June 2019 and the aggregate annual cap for the year ending 31 December 2019:

	For the year ended 31 December 2017 *(RMB'000)*	**For the year ended 31 December 2018** *(RMB'000)*	**For the six months ended 30 June 2019** *(RMB'000)*	**Aggregate annual cap for the year ending 31 December 2019** *(RMB'000)*
Purchase of shipping services from the COSCO SHIPPING Group under the Existing Master Vessel Services Agreement, Existing Master Container Services Agreement, Existing Master Seamen Leasing Agreement and the Existing Freight Forwarding Master Agreement	10,924,772	17,411,910	7,942,365	34,600,000
Provision of shipping services to the COSCO SHIPPING Group under the Existing Master Vessel Services Agreement, Existing Master Container Services Agreement, Existing Master Seamen Leasing Agreement and the Existing Freight Forwarding Master Agreement	421,270	1,049,643	779,021	2,080,000

The proposed annual caps for the transactions contemplated under the Master Shipping Services Agreement for the three years ending 31 December 2022 are as follows:

	For the year ending 31 December 2020 *(RMB'000)*	**For the year ending 31 December 2021** *(RMB'000)*	**For the year ending 31 December 2022** *(RMB'000)*
Purchase of shipping services from the COSCO SHIPPING Group	36,000,000	38,000,000	42,000,000
Provision of shipping services to the COSCO SHIPPING Group	3,000,000	3,200,000	3,400,000

(a) Proposed annual caps in relation to the purchase of shipping services from the COSCO SHIPPING Group

As set out in the Letter from the Board, the proposed annual caps in relation to the purchase of shipping services from the COSCO SHIPPING Group were determined with reference to (i) the historical transactions amounts; (ii) the expected price and demand of fuel; (iii) the expected growth in the level of operations of the Group; and (iv) the exchange rate fluctuations.

The proposed annual caps for the purchase of shipping services from the COSCO SHIPPING Group contemplated under the Master Shipping Services Agreement are RMB36,000 million, RMB38,000 million and RMB42,000 million for the year ending 31 December 2020, 31 December 2021 and 31 December 2022 respectively, which represents an increase by approximately 5.55% to 10.53% year-on-year.

In assessing the fairness and reasonableness of the proposed annual caps for the purchase of shipping services under the Master Shipping Services Agreement, we have obtained and reviewed the relevant calculations and discussed with the management of the Company regarding the bases and assumptions in arriving the proposed annual caps for the purchase of shipping services, in particular the purchase of fuel as it is estimated that the purchase of fuel by the Group from the COSCO SHIPPING Group would account for approximately 80% of the annual caps for each of the years ending 31 December 2020, 31 December 2021 and 31 December 2022, respectively.

In assessing the fairness and reasonableness on the expected fuel price to be offered by the COSCO SHIPPING Group to the Group, we have obtained and reviewed the summary of the Group's historical purchase of fuel during the Review Period. We noted that the average offshore fuel price and onshore fuel price offered by the COSCO SHIPPING Group to the Group was approximately US$463 per tonne and US$670 per tonne respectively during the Review Period. The estimated fuel price to be offered by the COSCO SHIPPING Group to the Group amounted to approximately US$500 per tonne, US$550 per tonne and US$600 per tonne for the three years ending 31 December 2020, 31 December 2021 and 31 December 2022 respectively, are comparable to the historical average fuel price offered by the COSCO SHIPPING Group to the Group during the Review Period. In addition, the International Maritime Organisation announced that the effective date for the reduction of shipping fuel sulphur will be in 2020. Under the new global cap, ships will have to use shipping fuels with a sulphur content of no more than 0.5% against the current limit of 3.5% to reduce the amount of sulphur oxide. As advised by the management of the Company, the price of low sulphur fuel is generally higher than that of the fuel with high sulphur content by approximately US$150 per tonne to US$250 per tonne. As such, with the 2020 sulphur emission cap taking effect, the fuel price is expected to increase further.

In assessing the fairness and reasonableness on the expected demand of fuel of the Group, we have obtained and reviewed the summary of historical purchase of fuel of the Group from the COSCO SHIPPING Group during the Review Period and noted that the amount of fuel purchased by the Group from the COSCO SHIPPING Group amounted to approximately 4.7 million tonnes, 5.3 million tonnes and 2.5 million tonnes for the years ended 31 December 2017 and 31 December 2018 and the six months ended 30 June 2019, respectively. We are given to understand from the management of the Company that the estimated demand for fuel of the Group from the COSCO SHIPPING Group will increase from approximately 5.3 million tonnes in 2020 to approximately 5.8 million tonnes in 2022. According to the 2019 Interim Report, as at 30 June 2019, the container fleet operated by the Group had 493 vessels, with the total shipping capacity reached 2,896,881 TEUs, representing a growth of 5% as compared to the end of 2018. As such, the Directors are of the view that the increase in demand for fuel is in proportion to the estimated increase in fleet size.

Given the expected increase in fleet size of the Group, there will be an increase in demand for seamen. We are given to understand from the management of the Company that the COSCO (Cayman) Mercury Co., Ltd., COSCO SHIPPING Lines and Shanghai Ocean Shipping Co., Ltd., which are subsidiaries of the Company, currently own 80 vessels, 16 vessels and 1 vessel respectively and it is expected that there will be 13 additional vessels in the next three years. Along with the increase in fleet size of the Group, we concur with the view of the Directors that the demand for the seaman services is expected to increase in the next three years. In assessing the fairness and reasonableness on the seaman cost, we have obtained and reviewed sample of seaman services agreement and noted that the lump-sum charge of seamen services is RMB9.88 million per vessel per annum, which is the standard rate offered by the COSCO SHIPPING Group. The lump-sum charge of seaman adopted in considering the annual caps for the three years ending 31 December 2022 is RMB9.88 million per vessel per annum which is identical to the standard rate offered by the COSCO SHIPPING Group.

For the remaining shipping services to be purchased from the COSCO SHIPPING Group, having considered the potential fleet expansion of the Group in the next three years as discussed above, it is expected the demand for the other shipping materials and services will increase and hence the demand for the shipping services will also increase.

In light of the above, we are of the view that the proposed annual caps for the purchase of shipping services from the COSCO SHIPPING Group under the Master Shipping Services Agreement for the three years ending 31 December 2022 are determined based on reasonable estimation and after due and careful consideration and they are fair and reasonable so far as the Independent Shareholders are concerned.

(b) Proposed annual caps in relation to the provision of shipping services to the COSCO SHIPPING Group

As set out in the Letter from the Board, the proposed annual caps in relation to the provision of shipping services to the COSCO SHIPPING Group were determined with reference to (i) the historical transaction amounts; (ii) the expected growth in the level of operations of the Group; and (iii) the expected increase in service charges.

As set out in the table above, the historical figures of the provision of shipping services to the COSCO SHIPPING Group for the two years ended 31 December 2017 and 2018 and the six months ended 30 June 2019 amounted to approximately RMB421.3 million, RMB1,049.6 million and RMB779.0 million, respectively. We noted that (i) the provision of shipping services to the COSCO SHIPPING Group for the year ended 31 December 2018 has been increased by approximately 149.2% as compared to that in 2017; and (ii) the provision of shipping services to the COSCO SHIPPING Group for the six months ended 30 June 2019 has already contributed to approximately 74.2% of that provided for the year ended 31 December 2018.

As advised by the management of the Company, the provision of freight forwarding services to the COSCO SHIPPING Group contributed to over 80% of the proposed annual caps for the provision of shipping services. The fees charged for the provision of freight forwarding services is the service fees charged on the number of containers ordered by the COSCO SHIPPING Group and the shipping agent service fee charged for cargo canvassing. According to the 2019 Interim Report, a total of eight large container vessels were delivered, with total shipping capacity of 144,000 TEUs in the first half year of 2019. As at 30 June 2019, the container fleet operated by the Group had 493 vessels, with the total shipping capacity reached 2,896,881 TEUs, representing a growth of 5% as compared to the end of 2018. Along with the expected increase in the Group's shipping capacity, in particular the Company's fleet size was in steady growth, it is expected that the provision of shipping services to the COSCO SHIPPING Group will increase in the next three years.

In light of the above, we are of the view that the proposed annual caps for the provision of shipping services to the COSCO SHIPPING Group under the Master Shipping Services Agreement for the three years ending 31 December 2022 are determined based on reasonable estimation and after due and careful consideration and they are fair and reasonable so far as the Independent Shareholders are concerned.

6. The Master Port Services Agreement

6.1 Background to and reasons for the Master Port Services Agreement

On 14 September 2016, the Company and COSCO SHIPPING entered into the Existing Master Port Services Agreement in relation to the provision of port services by COSCO SHIPPING Group to the Group. On 22 November 2018, the Company and COSCO SHIPPING entered into the Existing Shipping Services and Terminal Services Master Agreement in relation to the provision of shipping and terminal services by the Group to the COSCO SHIPPING Group. As each of the Company and COSCO SHIPPING Ports entered into a shipping and terminal services agreement with COSCO SHIPPING Group in relation to, provision of port and other related services to and/or by COSCO SHIPPING Group for a term from 1 January 2019 to 31 December 2019, to facilitate the management of provision of port and other related services between the Group and COSCO SHIPPING Group, the Company decided to combine the two agreements by entering into the Master Port Services Agreement, the scope of which will cover the services contemplated under the Existing Master Port Services Agreement and the Existing Shipping Services and Terminal Services Master Agreement. Therefore, the Company and COSCO SHIPPING entered into the Master Port Services Agreement in relation to the provision of port and other related services for a term of three years from 1 January 2020 to 31 December 2022.

We have discussed with the management of the Company and understand that the transactions contemplated under the Master Port Services Agreement are expected to be occurred on a continuing basis in the ordinary and usual course of business of the Group. As advised by the management of the Company, the port services contemplated under the Master Port Services Agreement are consistent with the business and commercial objectives of the Group. In light of the established business relationship between COSCO SHIPPING and the Group, the Group was able to negotiate more favourable terms with COSCO SHIPPING compared with other suppliers historically and is expected to be able to continue to negotiate more favourable terms with COSCO SHIPPING compared with other suppliers. The provision of services to COSCO SHIPPING Group under the Master

Port Services Agreement are part of or related to the principal business activities of the Group and are expected to increase the revenue of the Group and provide the Group with overall business and operational convenience and synergy. The port services to be provided by COSCO SHIPPING Group to the Group primarily relate to ports owned by the COSCO SHIPPING Group in Long Beach, California, Los Angeles and Seattle in the United States of America, and Piraeus, Greece, whereas the port services to be provided by the Group to the COSCO SHIPPING Group primarily relate to ports owned by the Group in the PRC.

According to the 2018 Annual Report, COSCO SHIPPING Ports will continue to improve the global terminal network layout and devote to create a meaningful holding network for users around the world and create a win-win and shared platform for the upstream and downstream industries of the shipping business. The Company will continue to stick to its five-year strategic plan to strengthen its global terminal network, take advantage of the synergies between the fleet of its parent company and OCEAN Alliance, enhance the management and efficiency of the port and terminal operation and become a world class port operator. As advised by the Directors, the purchase of port services from COSCO SHIPPING Group can reduce the operation costs of the Company. The management of the Company are of the view that through the Master Port Services Agreement, the Group can leverage on the expertise and scale of the port services of the COSCO SHIPPING Group and may be able to negotiate more favourable terms compared with other independent service providers.

Based on the above, in particular that (i) the port services contemplated under the Master Port Services Agreement are consistent with the business and commercial objectives of the Group; and (ii) the Group can leverage on the expertise and scale of the port services through the entering of the Master Port Services Agreement, we concur with the view of the Directors that the transactions contemplated under the Master Port Services Agreement are in the ordinary and usual course of business of the Group and the entering of the Master Port Services Agreement is in the interests of the Company and the Shareholders as a whole.

6.2 Principal terms of the Master Port Services Agreement

Under the Master Port Services Agreement, COSCO SHIPPING will provide to the Group of the following port and other related services. The key terms thereof are set out below:

Parties	:	(i) the Company; and (ii) COSCO SHIPPING
Nature of transaction	:	The mutual provision of the following port and other related services between COSCO SHIPPING Group and the Group: (i) containers and goods loading and unloading at port; (ii) container port and shipping services; (iii) port concession arrangements; (iv) leasing and electricity supply in relation to port coastline and port land; and (v) other port-related and ancillary services, including but not limited to handling, storage, stevedoring, transhipment, maintenance of cargoes and provision of container storage space and terminal facilities.
Pricing policies	:	The service fees charged under the Master Port Services Agreement will be determined with reference to the prevailing market price, being the price charged by independent third party service providers providing similar types of services in their ordinary course of business in the same or nearby service area and subject to normal commercial terms, and in accordance with the principle of fairness and reasonableness.

As set out in the Letter from the Board, the service fees charged under the Master Port Services Agreement will be determined with reference to the prevailing market price, being the price charged by independent third party service providers providing similar types of services in their ordinary course of business in the same or nearby service area and subject to normal commercial terms, and in accordance with the principle of fairness and reasonableness.

In respect of the provision of port services by COSCO SHIPPING Group, the Company will (a) conduct market research to collect market service fees in the same industry; and (b) solicit at least three service providers to provide quotations if there are other appropriate service providers in the same or nearby area available, and selection will be made primarily based on price offered, but consideration will also be given to the efficiency of operation of ports, service levels and effectiveness of communication of the service providers. In respect of the provision of other port-related and ancillary services by COSCO SHIPPING Group, the Group will centralise purchase to obtain discounts, and pricing will also be based on the reference rates published by the Ministry of Transport of the PRC, which the market commonly relies on. In respect of the provision of port and other related services by the Group, the relevant personnel of the Group will compare the pricing of transactions with independent third parties for similar services in similar quantities and ensure that the terms offered to or by COSCO SHIPPING Group are no less favourable to the Group than those available to or from independent third parties.

In assessing the fairness and reasonableness of the key terms of the Master Port Services Agreement, we have obtained and reviewed samples of existing port services contracts entered into between the COSCO SHIPPING Group and the Group and the "Port Tariff Calculation Regulation" (港口收費計費辦法) jointly implemented by MOT Bureaus and Department (交通運輸部) and National Development and Reform Committee (國家發展改革委員會) published in 2017 (the "**2017 Port Tariff Calculation Regulation**"), which was subsequently superseded by the new "Port Tariff Calculation Regulation" (港口收費計費辦法) effective from 1 April 2019 ("**2019 Port Tariff Calculation Regulation**"). We note that the service fees set under the existing port services contracts were determined with reference to the service fee standard set under the 2017 Port Tariff Calculation Regulation. In addition, we have obtained and reviewed samples of existing port services contracts entered into between the COSCO SHIPPING Group and an independent third party and note that the service fee charged by the COSCO SHIPPING Group to this independent third party is comparable to the service fee charged to the Group.

Having considered the above, we concur with the view of the Directors that (i) the transactions contemplated under the Master Port Services Agreement are in the ordinary and usual course of business of the Group; (ii) the entering into the Master Port Services Agreement is in the interest of the Company and its Shareholders as a whole; and (iii) the terms of the purchase of port services under the Master Port Services Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

6.3 Proposed annual caps for the port services

The following table sets out the historical transaction amounts for the transactions contemplated under the Existing Master Port Services Agreement and the Existing Shipping Services and Terminal Services Master Agreement for the two years ended 31 December 2018 and the six months ended 30 June 2019 and the aggregate annual cap for the year ending 31 December 2019:

	For the year ended 31 December 2017	For the year ended 31 December 2018	For the six months ended 30 June 2019	Aggregate annual cap for the year ending 31 December 2019
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Purchase of services from the COSCO SHIPPING Group	1,887,490	1,982,610	1,244,431	4,500,000

The proposed annual caps for the transactions contemplated under the Master Port Services Agreement for the three years ending 31 December 2022 are as follows:

	For the year ending 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Purchase of services from the COSCO SHIPPING Group	3,200,000	3,500,000	3,800,000

As set out in the Letter from the Board, the proposed annual caps for the purchase of port services from the COSCO SHIPPING Group were determined with reference to (i) the historical transactions amounts; (ii) general inflation; (iii) exchange rate fluctuations; and (iv) the expected increase in the purchase of port services from the COSCO SHIPPING Group.

The proposed annual caps for the purchase of port services under the Master Port Services Agreement are RMB3,200 million, RMB3,500 million and RMB3,800 million for the year ending 31 December 2020, 31 December 2021 and 31 December 2022, respectively.

As set out above, the historical figures of the purchase of port services for the two years ended 31 December 2018 and the six months ended 30 June 2019 were approximately RMB1,887 million, RMB1,983 million and RMB1,244 million, respectively. We noted that (i) the purchase of port services for the year ended 31 December 2018 has been increased by approximately 5.1% as compared to that in 2017; and (ii) the purchase of port services for the six months ended 30 June 2019 has already contributed to approximately 62.7% of that provided for the year ended 31 December 2018.

In assessing the fairness and reasonableness of the proposed annual caps for the purchase of port services contemplated under the Master Port Services Agreement, we have obtained and reviewed the relevant calculations of the proposed annual caps for the purchase of port services and discussed with the management of the Company regarding the bases and assumptions in arriving at the proposed annual caps of the purchase of port services. As advised by the management of the Company, the proposed annual caps for the purchase of port services were determined based on the historical figures of the purchase of port services and general inflation.

As advised by the management of the Company, the 2019 Port Tariff Calculation Regulation effective from 1 April 2019 for a period of five years will supersede the 2017 Port Tariff Calculation Regulation. Under the 2019 Port Tariff Calculation Regulation, the cargo port dues, port facilities security charges, pilotage charges and tug service charges was reduced by 15%, 20%, 10% and 5%, respectively. The services fees of the purchase of port services for PRC ports under the Master Port Services Agreement should be charged according to the 2019 Port Tariff Calculation Regulation.

As advised by the management of the Company, the loading and discharging charge would account for over 50% of the proposed annual caps for the purchase of loading and unloading services and other port services for each of the three years ending 31 December 2022. As discussed above, the container fleet operated by the Group had 493 vessels as at 30 June 2019, with the total shipping capacity reached 2,896,881 TEUs, representing a growth of 5% as compared to the end of 2018. Moreover, after the acquisition of OOIL in July 2018, the fleet size of the Group further increased. As such, it is expected that the demand of loading and unloading services and other port services from the COSCO SHIPPING Group will increase in proportion to the estimated increase in fleet size of the Group.

In light of the above, we are of the view that the proposed annual caps for the purchase of port services from the COSCO SHIPPING Group under the Master Port Services Agreement for the three years ending 31 December 2022 are determined based on reasonable estimation and after due and careful consideration and they are fair and reasonable so far as the Independent Shareholders are concerned.

7. The Master Vessel and Container Asset Services Agreement

7.1 Background to and reasons for the Master Vessel and Container Asset Services Agreement

The Existing Master Vessel and Container Asset Services Agreement will expire on 31 December 2019. The Company intends to continue to enter into transactions of a similar nature from time to time after the expiry date. On 30 October 2019, the Company and COSCO SHIPPING entered into the Master Vessel and Container Asset Services Agreement in relation to, among other things, the leasing of vessels and containers and the sale of containers by the COSCO SHIPPING Group to the Group.

We have discussed with the management of the Company and understand that the transactions contemplated under the Master Vessel and Container Asset Services Agreement are expected to be occurred on a continuing basis in the ordinary and usual course of business of the Group. The Group has a long-established business relationship with COSCO SHIPPING for the leasing of vessels and containers and manufacture and sales of services. As advised by the management of the Company, they are of the view that the transactions contemplated under the Master Vessel and Container Asset Services Agreement are in line with the business and commercial objective of the Company.

In view of the rapid expanding and development of both the international and domestic container transportation market, improving the shipping route network layout as well as good corporate brand and creditworthiness of COSCO SHIPPING, the Directors believe that the continuing long-term collaboration in respect of the vessel and container asset leasing and container manufacturing service between the Group and the COSCO SHIPPING Group would decrease operating costs and achieve advantages complementation, as well as achieve synergy in the domestic and international shipping market. As advised by the Directors, the entering into the Master Vessel and Container Asset Services Agreement can provide flexibility to the Company's business operations as it enables the Company to react timely to demand for container shipping by being able to lease additional vessels and containers.

Based on the above, in particular that (i) the transactions contemplated under the Master Vessel and Container Asset Services Agreement are in line with the business and commercial objective of the Company; and (ii) the continuing long-term collaboration in respect of the vessel and container asset leasing and container manufacturing service between the Group and the COSCO SHIPPING Group would decrease operating costs and achieve advantages complementation, as well as achieve synergy in the domestic and international shipping market, we concur with the view of the Directors that the transactions contemplated under the Master Vessel and Container Asset Services Agreement are in the ordinary and usual course of business of the Group and that the entering of the Master Vessel and Container Asset Services Agreement is in the interests of the Company and the Shareholders as a whole.

7.2 Principal terms of the Master Vessel and Container Asset Services Agreement

Under the Master Vessel and Container Asset Services Agreement, COSCO SHIPPING Group shall provide the leasing of vessels and containers and manufacture of containers services to the Group. The key terms thereof are set out below:

Parties	:	(i) the Company; and (ii) COSCO SHIPPING
Nature of transaction	:	COSCO SHIPPING Group shall provide the leasing of vessels and containers and manufacture of containers services to the Group.
Pricing policies	:	The fees payable by the Group under the Master Vessel and Container Asset Services Agreement shall be determined based on market rates determined by independent third parties providing similar types of products or services in their ordinary course of business in the same or nearby area and subject to normal commercial terms, and in accordance with the principle of fairness and reasonableness. In case of leasing of vessels and containers covered by the Lease Agreement, the fees shall be determined in accordance with the pricing policies set out in the Lease Agreement, which was determined with reference to the consultancy report issued by Drewry Shipping Consultant Ltd. in 2015, as further described in the Restructuring Circular.

To ensure that the pricing policies under the Master Vessel and Container Asset Services Agreement are complied with:

(i) In respect of the leasing of vessels, the Company will (a) regularly conduct market research to gauge the leasing rates in the vessel leasing market; and (b) refer to the pricing and estimates on the various types of vessels in the report prepared by Drewry Shipping Consultant Ltd. (a summary of which is disclosed in the Restructuring Circular).

(ii) In respect of the leasing of containers, based on the specific requirements of the Company, quotations will be solicited from the panel of approved suppliers of the Company (which currently comprises at least three independent third party suppliers and one supplier within the COSCO SHIPPING Group), and selection will be primarily based on pricing, and considering other factors such as principal terms offered.

(iii) In respect of the purchase of containers, the Group will solicit quotations in the open market normally from each of the four principal container manufacturers in the PRC, and selection shall be based on price, delivery schedule, delivery services and quality of containers based on historical transactions.

As set out in the Letter from the Board, the fees payable by the Group under the Master Vessel and Container Asset Services Agreement shall be determined based on market rates determined by independent third parties providing similar types of products or services in their ordinary course of business in the same or nearby area and subject to normal commercial terms, and in accordance with the principle of fairness and reasonableness.

In assessing the fairness and reasonableness of the key terms of the Master Vessel and Container Asset Services Agreement, we have considered the followings:

(i) Fees payable by the Group for the leasing of vessels

As advised by the management of the Company, it is often difficult to obtain independent quotations of the leasing of vessels that are of similar specifications as market comparable. As such, the management of the Company believes that it is reasonable to determine the fees payable by the Group for the leasing of vessels (i) based on the prevailing market rates, lease terms, vessel model and the years of operation of the vessels and (ii) rely on the consultancy report issued by Drewry Shipping Consultant Ltd, an industry expert.

(ii) Fees payable by the Group for the leasing of containers

In assessing the fairness and reasonableness on the fee payable by the Group for the leasing of containers, we have obtained and reviewed the summary of the leasing of containers during the Review Period and noted that the fees charged for the leasing of containers ranged from USD0.6 per container per day to USD5.0 per container per day. We have also obtained and reviewed the quotations for the leasing of containers from the independent third party suppliers and noted that the price offered by the COSCO SHIPPING Group is comparable with the price offered by the independent third party suppliers.

(iii) Fees payable by the Group for the manufacture and sale of containers

In assessing the fairness and reasonableness on the fees payable by the Group to the COSCO SHIPPING Group for the manufacture and sale of containers, we have obtained and reviewed the summary of the sale of containers during the Review Period and samples of existing contracts for the sale of containers entered into between the COSCO SHIPPING Group and the Group and noted that the price of containers charged by the COSCO SHIPPING Group to the Group ranged from approximately RMB12,500 per container to RMB45,980 per container. We have also obtained and reviewed samples of existing contracts for the sale of containers entered into between the Group and independent third party suppliers and noted that the price offered by the COSCO SHIPPING Group is comparable with the price offered by the independent third party suppliers.

Having considered the above, we concur with the view of the Directors that (i) the entering into of the Master Vessels and Container Asset Services Agreement is in the ordinary and usual course of business of the Group; (ii) the entering into the Master Vessels and Container Asset Services Agreement is in the interests of the Company and its Shareholders as a whole; and (iii) the terms of the relevant services under the Master Vessels and Container Asset Services Agreement are on normal commercial terms and are fair and reasonable and so far as the Independent Shareholders are concerned.

7.3 Proposed annual caps for the vessel and container asset services

The table below sets out the historical transaction amounts of the leasing of vessels and containers and purchase of containers payable by the Group to the COSCO SHIPPING Group for the two years ended 31 December 2018 and the six months ended 30 June 2019 and the annual cap for the year ending 31 December 2019:

	For the year ended 31 December 2017 *(RMB'000)*	**For the year ended 31 December 2018** *(RMB'000)*	**For the six months ended 30 June 2019** *(RMB'000)*	**Annual cap for the year ending 31 December 2019** *(RMB'000)*
Aggregate amount payable by the Group in respect of leasing of vessels and containers and the purchase of containers	8,729,845	8,347,923	3,133,833	25,000,000

The proposed annual caps for the transactions contemplated under the Master Vessel and Container Asset Services Agreement for the three years ending 31 December 2022 are as follows:

	For the year ending 31 December 2020 *(RMB'000)*	For the year ending 31 December 2021 *(RMB'000)*	For the year ending 31 December 2022 *(RMB'000)*
Proposed annual caps	20,000,000	37,000,000	20,000,000

As advised by the Directors, the above proposed annual caps in respect of leasing of vessels and containers and the purchase of containers were determined with reference to (i) the historical transaction amounts; (ii) the average lease term in relation to the leasing of vessels; (iii) the benchmark lending rate; (iv) the expected demand for leasing of vessels and containers and the purchase of containers; (v) the expected fluctuations in the exchange rate of RMB against the US dollar; (vi) the expected fluctuations in rents in the vessel and container markets and purchase price in the container market; and (vii) the expansion of the business scale of the Group.

As set out in the Letter from the Board, in respect of the leasing of vessels (excluding those short-term leases as further detailed in paragraph below), the proposed annual caps were set on the total value of the right-of-use assets to be recognised under HKFRS 16, adopted by the Group since 1 January 2019, in respect of leases entered into for the respective period, which are determined based on the anticipated rental fees (determined based on historical rental fees and expected rental fees), the anticipated rental period of lease arrangements and the anticipated benchmark lending rate (determined with reference to LIBOR for the corresponding rental period). Service components included in vessels' time charter rates are not included as part of the lease liability. These costs will be recognised in the income statement as incurred.

Short-term leases of less than 12 months of vessels are exempted from the right-of-use asset recognition under HKFRS 16. In respect of the leasing of vessels, recognised as expenses, fees payable are determined based on the lease terms, vessels model and the years of operation of the vessels. Low value leases of containers are exempted from the right-of-use asset recognition under HKFRS 16.

The proposed annual caps in respect of leasing of vessels and containers and the purchase of containers contemplated under the Master Vessel and Container Asset Services Agreement are RMB20,000 million, RMB37,000 million and RMB20,000 million for the year ending 31 December 2020, 31 December 2021 and 31 December 2022 respectively. The increase in proposed annual caps from RMB20,000 million for the year ending 31 December 2020 to RMB37,000 million for the year ending 31 December 2021 is mainly due to the impact of the adoption of HKFRS 16 in respect of the leasing of vessels.

In assessing the fairness and reasonableness of the proposed annual caps for the leasing of vessels and containers and the purchase of containers under the Master Vessel and Container Asset Services Agreement, we have obtained and reviewed the relevant calculations of the proposed annual caps for the leasing of vessels and containers as well as the purchase of containers and discussed with the management of the Company regarding the bases and assumptions in arriving the proposed annual caps for the leasing of vessels and containers services and the purchase of containers.

As set out in the Letter from the Board, the fees payable by the Group under the Master Vessel and Container Asset Services Agreement shall be determined based on the market rates determined by independent third parties providing similar types of products or services in their ordinary course of business in the same or nearby area and subject to normal commercial terms, and in accordance with the principle of fairness and reasonableness. In assessing the fairness and reasonableness on the fees charged and the expected demand for the leasing of vessels, we have obtained and reviewed the summary of the leasing of vessels and samples of existing contracts for the leasing of vessels entered into between the COSCO SHIPPING Group and the Group. We noted that the fee charged by the COSCO SHIPPING Group to the Group for the leasing of vessels ranged from USD5,000 per vessel per day to USD54,430 per vessel per day under the existing contracts for the leasing of vessels. As advised by the management of the Company, the estimated fee charged by the COSCO SHIPPING Group to the Group for the leasing of vessels ranging from USD7,500 per vessel per day to USD54,430 per vessel per day for the three years ending 31 December 2022 is comparable with the historical fee charged for the leasing of vessels. We also noted that the Company is expected to renew 71 existing lease agreements and 3 existing lease agreements for the years ending 31 December 2021 and 31 December 2022, respectively.

In assessing the fairness and reasonableness on the fee payable by the Group for the leasing of containers, we have obtained and reviewed the summary of the leasing of containers. We noted that (i) the fee charged by the COSCO SHIPPING Group to the Group for the leasing of containers ranged from USD0.1 per container per day to USD5.0 per container per day; and (ii) the Group have leased over 30,000 containers as at 30 June 2019. As advised by the management of the Company, the estimated fees charged by the COSCO SHIPPING Group to the Group for the leasing of containers ranged from USD0.6 per container per day to USD5.0 per container per day for the three years ending 31 December 2022 is comparable with the historical fee charged for the leasing of containers.

In assessing the fairness and reasonableness on the fee payable by the Group and expected demand for the purchase of containers, we have obtained and reviewed the summary of the purchase of containers by the Group from the COSCO SHIPPING Group during the Review Period. We noted that (i) the fees payable by the Group to the COSCO SHIPPING Group for the purchase of containers ranged from approximately RMB12,500 per container to RMB45,980 per container; and (ii) the Group have purchased 158,500 TEU, 198,000 TEU and 75,000 TEU for the years ended 31 December 2017 and 31 December 2018 and the six months ended 30 June 2019. We are given to understand from the management of the Company that the purchase price of one container model ("**Container Model A**") ranged from RMB45,780 per container to RMB45,980 per container during the Review Period, which was relatively higher than the purchase price of the rest of the container models which ranged from RMB12,500 to RMB27,882. As advised by the management of the Company, the Group does not have any plan to purchase Container Model A from the COSCO SHIPPING Group in the next three years. Thus, the estimated purchase price of containers ranged from RMB15,438 per container to RMB20,619 per container is comparable with the historical purchase price of containers. As discussed above, the Group operated a fleet comprising 477 container vessels with total shipping capacity of 2.76 million TEU and had orders of nearly 180,000 TEU in terms of shipping capacity as at the end of 2018. Moreover, after the acquisition of OOIL in July 2018, the fleet size of the Group further increased. As such, the estimated increase in demand for (i) the leasing of containers to reach 60,000 containers by the end of 2022; and (ii) the purchase of containers amounting to approximately 300,000 TEU for each of the three years ending 31 December 2022 is consistent with the estimated increase in fleet size.

In light of the principal factors as discussed above, we are of the view that the bases and assumptions adopted by the Group in arriving the proposed annual caps for the leasing of vessels and containers and the purchase of containers from the COSCO SHIPPING Group under the Master Vessel and Container Asset Services Agreement for the three years ending 31 December 2022 are determined based on reasonable estimation and after due and careful consideration and they are fair and reasonable so far as the Independent Shareholders are concerned.

RECOMMENDATION

Having taken into account the above-mentioned principal factors and reasons, we are of the view that (i) the transactions contemplated under the Non-exempt Master Agreements have been conducted and will continue to be conducted in the ordinary and usual course of business of the Group and the proposed annual caps are determined based on reasonable estimation and after due and careful consideration and are fair and reasonable; (ii) the entering into of the Non-exempt Master Agreements are in the interests of the Company and the Shareholders as a whole; and (iii) the terms of the Non-exempt Master Agreements are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the ordinary resolutions in relation to the Non-exempt Master Agreements and the proposed annual caps thereof to be proposed at the EGM.

* *For identification purpose only*

Yours faithfully,
For and on behalf of
Messis Capital Limited

Vincent Cheung
Managing Director

Mr. Vincent Cheung is a licensed person registered with the Securities and Futures Commission and regarded as a responsible officer of Messis Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 12 years of experience in corporate finance industry.

1. CONSOLIDATED FINANCIAL STATEMENTS

The unaudited condensed consolidated financial information of the Group for the six months ended 30 June 2019 (the "**2019 Interim Financial Information**") are set out from pages 38 to 92 in the Interim Report 2019 of the Company, which was published on 24 September 2019. The Interim Report 2019 is also posted on the Company's website http://hold.coscoshipping.com. Please also see below a quick link to the Interim Report 2019:

https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0924/2019092400463.pdf

The audited consolidated financial statements of the Group for the year ended 31 December 2018 (the "**2018 Financial Statements**") are set out from pages 137 to 276 in the Annual Report 2018 of the Company, which was published on 24 April 2019. The Annual Report 2018 is also posted on the Company's website http://hold.coscoshipping.com. Please also see below a quick link to the Annual Report 2018:

https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0424/ltn20190424870.pdf

The audited consolidated financial statements of the Group for the year ended 31 December 2017 (the "**2017 Financial Statements**") are set out from pages 131 to 264 in the Annual Report 2017 of the Company, which was published on 26 April 2018. The Annual Report 2017 is also posted on the Company's website http://hold.coscoshipping.com. Please also see below a quick link to the Annual Report 2017:

https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0426/ltn201804262207.pdf

The audited consolidated financial statements of the Group for the year ended 31 December 2016 (the "**2016 Financial Statements**") are set out from pages 130 to 259 in the Annual Report 2016 of the Company, which was published on 26 April 2017. The Annual Report 2016 is also posted on the Company's website http://en.chinacosco.com. Please also see below a quick link to the Annual Report 2016:

https://www1.hkexnews.hk/listedco/listconews/sehk/2017/0426/ltn201704261097.pdf

The 2019 Interim Financial Information, the 2018 Financial Statements, the 2017 Financial Statements and the 2016 Financial Statements (but not any other part of the annual reports and interim report of the Company in which they appear) are incorporated by reference into this circular and form part of this circular.

2. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

In the first three quarters of 2019, global economy and trade faced relatively severe challenges and increased uncertainties, and the growth in demand for container shipping was slowing down. However, during the period, pressure on the supply of shipping capacity in the industry eased, newly delivered shipping capacity decreased and scrapped capacity increased as compared to the same period of the previous year.

In the first three quarters of 2019, the average China Containerized Freight Index (CCFI) was 826 points, an increase of 2.0% as compared to that of the same period of the previous year. In the third quarter, the average CCFI was 822 points, representing a decrease of 1.7% year-on-year and an increase of 2.2% quarter-on-quarter.

During the first three quarters of 2019, the Company focused on improving the quality of shipping services, swiftly responded to the changes of market environment, flexibly adjusted the global capacity network, fully leveraged the advantages of scale and synergies after the acquisition of OOIL, and have achieved relatively good results. In the first three quarters, the Company had achieved revenue of RMB111.6 billion, representing an increase of 35.9% year-on-year, and recorded net profit attributable to equity holders of the Company of RMB2.1 billion, representing a significant increase of 145.3% year-on-year.

The Company actively optimized the global routes network and upgraded the OCEAN Alliance route products. The Company also enhanced its shipping capacity and service input in the markets such as Europe, Southeast Asia, Middle East, West Asia, Latin America and South Africa, and stepping up its effort in the construction of feeder service network in intra-regional markets. Taking an active part in the “Belt and Road” development, the Company expanded its services further to emerging markets and regional markets. The cargo volume in non-China routes maintained steady growth and the distribution of shipping capacity was more globalized and balanced. As of 30 September 2019, the fleet capacity of the Company reached 502 vessels and 2,975,968 TEUs, ranking third in the world.

Looking ahead, the Company will continue to follow its strategies, further accelerate globalization and implement the “dual brand” strategy to improve the quality of shipping services. In the meantime, the Company will advance the customer-centered application of new technologies such as blockchain and artificial intelligence, speed up the building of digitalization in shipping and strengthen end-to-end services so as to enhance customer experience and operational efficiency. In addition, the Company will actively support and respond to the International Convention’s initiative on environmental protection, fully fulfill its social responsibility and undertake preparatory work before IMO2020 coming into effect to ensure compliance once it is officially effective, thus promoting the sound and sustainable development of core business.

3. FINANCIAL EFFECTS

The deposits to be placed with COSCO SHIPPING Finance under the Financial Services Agreement for each of the three years ending 31 December 2022 are expected to not exceed RMB29,000,000,000 per year. The Company expects that the interest income to be earned from the deposits will be affected by the level of interest rates. However, taking into account the prevailing interest rates for deposits in the PRC, the potential interest income to be earned from the deposit services for the three years ending 31 December 2022 is expected to represent an insignificant portion of the Group's earnings and assets. As such, the Company anticipates that such potential interest income to be earned from the deposit services under the Financial Services Agreement for the three years ending 31 December 2022 will not have any material impact on the Group's earnings, assets and liabilities.

4. INDEBTEDNESS OF THE GROUP

As at 31 October 2019, being the latest practicable date for the purpose of preparing this statement of indebtedness prior to the printing of this circular, the Group had total borrowings of approximately RMB121,512 million. Details of the total indebtedness are summarised below:

	The Group
	RMB million
Bank loans – secured	37,405
Bank loans – unsecured	52,771
Loans from COSCO SHIPPING Finance – secured	57
Loans from COSCO SHIPPING Finance – unsecured	3,000
Notes/bonds – unsecured	19,602
Loans from non-controlling shareholders of subsidiaries – unsecured	1,294
Loan from COSCO Shipping (HK) Co., Ltd. – unsecured	7,053
Other loans – unsecured	330
Total	121,512

Apart from notes with carrying amounts of RMB7,013 million and RMB2,109 million which were guaranteed by an irrevocable standby letter of credit issued by Bank of China Limited, Beijing Branch and COSCO SHIPPING Ports respectively, and bank loans of RMB24,123 million, RMB4,548 million, RMB3,386 million and RMB25,537 million, which were guaranteed by COSCO SHIPPING, the Company, COSCO SHIPPING Ports and OOIL respectively, all other borrowings were unguaranteed.

Lease liabilities

As at 31 October 2019, being the latest practicable date for the purpose of preparing this statement of indebtedness prior to the printing of this circular, the Group had total lease liabilities of approximately RMB31,581 million.

Pledge of assets

As at the close of business on 31 October 2019, the Group pledged the following assets for obtaining financing arrangements from banks:

(i) first legal mortgages over certain vessels, property, plant and equipment with aggregate net book value of approximately RMB55,282 million;

(ii) assignment of the charter, rental income and earnings, requisition compensation, insurance relating to certain container vessels;

(iii) shares of certain subsidiaries;

(iv) a financial asset at fair value through other comprehensive income of approximately RMB257 million; and

(v) restricted bank deposits with total carrying amounts of approximately RMB511 million.

Contingent liabilities and financial guarantee

The Group was also involved in a number of claims and lawsuits, including but not limited to claims and lawsuits arising from damage to vessels during transportation, damage to goods, delay in delivery, collision of vessels, early termination of vessel chartering contracts and dispute in pledge supervision (where the Group was responsible for supervising certain assets pledged by its customers in favour of third party banks). As at 31 October 2019, the Group was unable to ascertain the likelihood and amounts of the above-mentioned claims. However, based on the information available to the Group, the Directors are of the opinion that the related claims amounts should not be material to the Group as a whole.

Disclaimer

Save as disclosed above and apart from intra-group liabilities and normal trade payables in the ordinary course of business of the Group, as at 31 October 2019, the Group did not have any debt securities issued and outstanding, and authorised or otherwise created but unissued, term loans, other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptance (other than normal trade bills), acceptance credits, hire purchase commitments, mortgages, charges or other material contingent liabilities or guarantees.

5. WORKING CAPITAL

The Directors are of the opinion that, after due and careful enquiry, taking into account the financial resources available to the Group, including internally generated funds and the available banking facilities, the Group has sufficient working capital to meet its present requirements for at least the next 12 months from the date of this circular.

1. RESPONSIBILITY STATEMENT

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

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

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

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

Name of Director	Capacity	Number of Shares held as at the Latest Practicable Date	Percentage of total number of the relevant class of Shares	Percentage of total number of issued Shares
Mr. YANG Zhijian	Beneficial owner	100,000 H Shares	0.00388%	0.00082%
Mr. FENG Boming[1]	Interest of spouse	530,000 A Shares	0.00548%	0.00432%
Mr. TEO Siong Seng	Beneficial owner	161,000 H Shares	0.00624%	0.00131%

Note:

1. As at the Latest Practicable Date, the spouse of Mr. Feng Boming held 530,000 A share options under the A share option incentive scheme of the Company. Mr. Feng Boming is therefore deemed to be interested in such share options of the Company.

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

Name of associated corporation	Name of Director/ Supervisor	Capacity	Number of shares held	Percentage of total number of issued shares of the relevant class of the relevant associated corporation
COSCO SHIPPING Development	Mr. YANG Zhijian	Beneficial owner	400,000 H shares	0.01088%
	Mr. FENG Boming	Beneficial owner	29,100 A shares	0.00079%
	Mr. TEO Siong Seng	Beneficial owner	200,000 A shares	0.00172%
	Mr. DENG Huangjun	Interest of spouse	38,000 A shares	0.00033%
COSCO SHIPPING Ports	Mr. DENG Huangjun[1]	Beneficial owner	1,251,059 ordinary shares	0.040%

Note:

1. As at the Latest Practicable Date, Mr. DENG Huangjun was interested in 51,059 shares and 1,200,000 share options of COSCO SHIPPING Ports.

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

Name of Director	Position held in COSCO SHIPPING
XU Lirong	Chairman of the board of directors and party secretary
WANG Haimin	Deputy general manager and a party committee member
YANG Zhijian	Employee representative director

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

3. DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

4. DIRECTORS' AND SUPERVISORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors or Supervisors 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' AND SUPERVISORS' INTERESTS IN CONTRACTS

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

6. DIRECTORS' AND SUPERVISORS' INTERESTS IN SERVICE CONTRACTS

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

7. EXPERT AND CONSENT

The following is the qualification of the expert who has been named in this circular and whose opinion or advice is contained in this circular:

Name	Qualification
Messis Capital	A corporation licensed to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, Messis Capital was not beneficially interested in the share capital of any member of the Group, and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Messis Capital did not have 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.

Messis Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter or opinion and references to its name in the form and context in which they respectively appear.

8. LITIGATION

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

9. MATERIAL CONTRACTS

The Group has not entered into any material contract (not being contracts entered into in the ordinary course of business of the Group) within the two years immediately preceding the date of this circular.

10. 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.

11. MISCELLANEOUS

(a) The company secretary of the Company is Dr. GUO Huawei, who is a senior economist.

(b) The registered office of the Company is located at 2nd Floor, 12 Yuanhang Business Centre, Central Boulevard and East Seven Road Junction, Tianjin Airport Economic Zone, Tianjin, the PRC. The head office and principal place of business of the Company in Hong Kong is located at 48/F, COSCO Tower, 183 Queen's Road Central, Hong Kong.

(c) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited located at Shops 1712 to 1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

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

12. DOCUMENTS AVAILABLE FOR INSPECTION

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

(a) the Articles of Association;

(b) the Master Agreements;

(c) the Qingdao Port International Shipping and Terminal Services Framework Agreement;

(d) the Existing SIPG Shipping and Terminal Services Agreement;

(e) the letter from Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Non-exempt Continuing Connected Transactions;

(f) the letter from the Independent Board Committee to the Independent Shareholders in respect of the Non-exempt Continuing Connected Transactions;

(g) the annual reports of the Company for each of the two financial years ended 31 December 2017 and 2018 and the interim report of the Company for the six months ended 30 June 2019;

(h) the written consent from Messi Capital referred to in the section headed "7. Expert and Consent" in this Appendix;

(i) the circular of the Company dated 18 September 2019 in relation to possible discloseable and connected transaction; and

(j) this circular.