THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in 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 accountants or other professional adviser.

If you have sold or transferred all your shares in COSCO SHIPPING Holdings Co., Ltd., you should at once hand this circular to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or the transfer was effected for transmission to the purchaser and transferee.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of COSCO SHIPPING Holdings Co., Ltd.

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)

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

Independent Financial Adviser to the Independent Board Committee and Independent Shareholders

PLATINUM
Securities

A letter from the Board is set out on pages 5 to 30 of this circular. A letter from the Independent Board Committee to the Independent Shareholders is set out on pages 31 to 32 of this circular. A letter from Platinum Securities Company Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 33 to 55 of this circular.

A notice convening the EGM and a notice convening the H Share Class Meeting to be held at 2:30 p.m. and immediately after the A Share Class Meeting respectively on Monday, 18 December 2017 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, People's Republic of China, together with the respective proxy forms and reply slips, were despatched to the Shareholders on 3 November 2017.

Whether or not you intend to attend the EGM and/or the H Share Class Meeting, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon. The proxy forms 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 and/or the H Share Class Meeting or any adjournment thereof. Completion and return of the proxy forms will not preclude you from attending and voting in person at the EGM and the H Share Class Meeting or at any adjourned thereof should you so wish.

* *For identification purpose only*

1 December 2017

CONTENTS

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

"A Share(s)"	the domestic share(s) in the ordinary share capital of the Company with a par value of RMB1.00 each, which are listed on the Shanghai Stock Exchange
"A Share Average Trading Price"	the average trading price of the A Shares during the 20 trading days immediately preceding the Price Determination Date, which is calculated by dividing the total turnover of the A Shares by the total trading volume of the A Shares during the 20 trading days immediately preceding the Price Determination Date
"A Share Class Meeting"	the class meeting of the A Shareholders to be convened to consider and, if thought fit, approve, among other things, (i) the Proposed Non-public Issuance of A Shares; (ii) the Proposed COSCO SHIPPING Subscription; and (iii) the Specific Mandate
"A Share Last Trading Day"	26 October 2017, being the day on which A Shares last traded on the Shanghai Stock Exchange immediately prior to the date of the Announcement
"A Shareholder(s)"	holder(s) of A Share(s)
"Announcement"	the announcement of the Company dated 30 October 2017 in relation to, among other things, (i) the Proposed Non-public Issuance of A Shares, (ii) the Proposed COSCO SHIPPING Subscription; and (iii) the Special Mandate
"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 thereto under the Listing Rules
"Benchmark Price"	being (i) 90% of the A Share Average Trading Price or (ii) the Floor Price, whichever is higher
"Board"	the board of Directors
"Board Resolutions Date"	the date of the resolutions of the Board approving the Proposed Non-public Issuance of A Shares, being 30 October 2017
"Business Day(s)"	a day on which banks in the PRC and Hong Kong are generally open for normal banking business

"Cap"	2,043,254,870 A Shares, being the maximum number of A Shares to be issued pursuant to the Proposed Non-public Issuance of A Shares
"Class Meetings"	collectively, the A Share Class Meeting and the H Share Class Meeting
"associate"	has the meaning ascribed to it under the Listing Rules
"close associates"	has the meaning ascribed to it under the Listing Rules
"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 Hong Kong Stock Exchange and the A shares of which are listed on the Shanghai Stock Exchange
"COSCO"	China Ocean Shipping (Group) Company* (中國遠洋運輸(集團)總公司), a Chinese state-owned enterprise, the direct controlling Shareholder and a wholly-owned subsidiary of COSCO SHIPPING
"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
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"COSCO SHIPPING Subscription Agreement"	the subscription agreement dated 30 October 2017 entered into between the Company and COSCO SHIPPING, pursuant to which COSCO SHIPPING has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue, 50% of the total number of A Shares to be issued under the Proposed Non-public Issuance of A Shares
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"Director(s)"	director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve, among other things, (i) the Proposed Non-public Issuance of A Shares; (ii) the Proposed COSCO SHIPPING Subscription; and (iii) the Special Mandate
"Floor Price"	the latest audited net asset value per Share before the issuance of A Shares under the Proposed Non-public Issuance of A Shares

"Group"	the Company and its subsidiaries as at the Latest Practicable Date
"H Share(s)"	the overseas listed foreign shares in the ordinary share capital of the Company with a par value of RMB1.00 each, which are listed on Main Board of the Hong Kong Stock Exchange
"H Share Class Meeting"	the class meeting of the H Shareholders to be convened to consider and, if thought fit, approve, among other things, (i) the Proposed Non-public Issuance of A Shares; (ii) the Proposed COSCO SHIPPING Subscription; and (iii) the Specific Mandate
"H Shareholder(s)"	holder(s) of H Share(s)
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Independent Board Committee"	the independent board committee of the Company comprising Mr. Yang, Liang Yee Philip, Mr. Wu Dawei, Mr. Zhou Zhonghui, Mr. Teo Siong Seng and Mr. Koo, Chee Kong Kenneth, being all the independent non-executive Directors, which is formed to advise the Independent Shareholders on the Proposed Non-public Issuance of A Shares, the Proposed COSCO SHIPPING Subscription and the Specific Mandate in accordance with the Listing Rules
"Independent Financial Adviser"	Platinum Securities Company Limited, a licensed corporation under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders on the Proposed Non-public Issuance of A Shares, the Proposed COSCO SHIPPING Subscription and the Specific Mandate in accordance with the Listing Rules
"Independent Shareholders"	Shareholders other than COSCO SHIPPING and its associates
"Issue Date"	the date of the registration of the shares issued under the Proposed Non-public Issuance of A Shares to the stock accounts in securities registration and settlement institutions of the target subscribers
"Latest Practicable Date"	27 November 2017, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular

"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"PRC"	the People's Republic of China
"Price Determination Date"	being the first day of the offering period of the Proposed Non-public Issuance of A Shares
"Proposed COSCO SHIPPING Subscription"	the proposed subscription of A Shares by COSCO SHIPPING pursuant to the COSCO SHIPPING Subscription Agreement
"Proposed Non-public Issuance of A Shares"	the proposed non-public issuance of not more than 2,043,254,870 A Shares by the Company to not more than 10 specific target subscribers, including COSCO SHIPPING
"RMB"	Renminbi, the lawful currency of the PRC
"SASAC"	State-owned Assets Supervision and Administration Commission of the State Council of the PRC (中國國務院國有資產監督管理委員會)
"Share(s)"	A Share(s) and H Share(s)
"Shareholder(s)"	holder(s) of Share(s)
"Specific Mandate"	the specific mandate to be sought from the Independent Shareholders at the EGM and the Class Meetings to issue the A Shares under the Proposed Non-public Issuance of A Shares
"Supervisor(s)"	supervisor(s) of the Company
"TEU"	twenty-foot equivalent unit, a standard unit of measurement of the volume of a container carried by a vessel
"trading day(s)"	a day on which the Shanghai Stock Exchange is open for dealing or trading in securities
"%"	per cent

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. WAN Min[2] *(Chairman)*
Mr. HUANG Xiaowen[1] *(Vice Chairman)*
Mr. XU Zunwu[1]
Mr. MA Jianhua[2]
Mr. WANG Haimin[2]
Mr. ZHANG Wei (張為)[1]
Mr. FENG Boming[2]
Mr. ZHANG Wei (張煒)[2]
Mr. CHEN Dong[2]
Mr. YANG, Liang Yee Philip[3]
Mr. WU Dawei[3]
Mr. ZHOU Zhonghui[3]
Mr. TEO Siong Seng[3]
Mr. KOO, Chee Kong Kenneth[3]

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

Head office and principal place of business in Hong Kong:
49th Floor
COSCO Tower
183 Queen's Road Central
Hong Kong

1 *Executive Director*

2 *Non-executive Director*

3 *Independent non-executive Director*

1 December 2017

* *For identification purpose only*

To the Shareholders

Dear Sir or Madam,

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

I. INTRODUCTION

Reference is made to (i) the Announcement, (ii) the notice of the EGM dated 3 November 2017 and (iii) the notice of the H Share Class Meeting dated 3 November 2017.

As disclosed in the Announcement, on 30 October 2017, the Board has approved the Proposed Non-public Issuance of A Shares, pursuant to which the Company will issue a maximum of 2,043,254,870 A Shares (subject to adjustment) to not more than 10 specific target subscribers (including COSCO SHIPPING), which would raise gross proceeds of up to RMB12,900,000,000.

As part of the Proposed Non-public Issuance of A Shares, on 30 October 2017, the Company and COSCO SHIPPING entered into the COSCO SHIPPING Subscription Agreement pursuant to which COSCO SHIPPING has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue, 50% of the total number of A Shares to be issued under the Proposed Non-public Issuance of A Shares.

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

(a) further details of the Proposed Non-public Issuance of A Shares, the Proposed COSCO SHIPPING Subscription and the Specific Mandate;

(b) the letter from the Independent Board Committee to the Independent Shareholders containing its recommendation in respect of the Proposed Non-public Issuance of A Shares, the Proposed COSCO SHIPPING Subscription and the Specific Mandate; and

(c) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders containing its recommendation in respect of the Proposed Non-public Issuance of A Shares, the Proposed COSCO SHIPPING Subscription and the Specific Mandate.

II. PROPOSED NON-PUBLIC ISSUANCE OF A SHARES

On 30 October 2017, the Board has approved the Proposed Non-public Issuance of A Shares, pursuant to which the Company will issue a maximum of 2,043,254,870 A Shares (subject to adjustment) to not more than 10 specific target subscribers (including COSCO SHIPPING), which would raise gross proceeds of up to RMB12,900,000,000.

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

Class and par value of Shares to be issued	:	A Shares with a par value of RMB1.00 each.
Method and time of issuance	:	The Proposed Non-public Issuance of A Shares will be carried out by way of non-public issue of A Shares to not more than 10 specific target subscribers, including COSCO SHIPPING. The Company will complete the Proposed Non-public Issuance of A Shares within six months after obtaining the approval from the CSRC. If there are changes in the relevant laws and regulations, administrative regulations or regulatory documents of the CSRC, the Company will adjust the Proposed Non-public Issuance of A Shares accordingly.
Number of A Shares to be issued	:	A maximum of 2,043,254,870 A Shares will be issued under the Proposed Non-public Issuance of A Shares, which represents: (i) approximately 26.76% of the existing issued A Shares and approximately 20.00% of the existing total issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 21.11% of the enlarged issued A Shares and approximately 16.67% of the enlarged total issued share capital of the Company upon completion of the Proposed Non-public Issuance of A Shares. The Cap will be adjusted if any ex-right or ex-dividend event (such as bonus issue, capitalization of capital reserves, additional issuance or rights issue of new Shares) occurs between the Board Resolutions Date and the Issue Date. The formula for the adjustment is set out below: $Q = Q_0 \times (1+N_1)$

where,

(i) Q is the Cap after adjustment for any ex-right or ex-dividend event between the Board Resolutions Date and the Issue Date;

(ii) Q_0 is the Cap; and

(iii) N_1 is the number of (a) Shares being issued upon capitalization of capital reserves for each Share, and/or (b) Shares being issued upon distribution of share dividend for each Share by the Company between the Board Resolutions Date and the Issue Date.

A distribution of dividend in cash would not trigger any adjustment of the Cap.

Pursuant to the Detailed Implementation Rules for the Non-Public Offering of Stocks of Listed Companies (2017) issued by the CSRC, where the board of a listed company resolves to issue shares by way of non-public issuance, the board resolution shall specify, among other things, the maximum proceeds to be raised from the non-public issuance, the specific use of the proceeds and whether the number of shares to be issued shall be adjusted if there occurs any ex-right or ex-dividend event between the date of board resolutions and the date of issue of the shares.

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

COSCO SHIPPING has undertaken to subscribe for 50% of the total number of A Shares to be issued under the Proposed Non-public Issuance of A Shares.

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

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

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

		As at the Latest Practicable Date, apart from the COSCO SHIPPING Subscription Agreement, the Company has not entered into any agreement with any potential subscribers in respect of the Proposed Non-public Issuance of A Shares. The Company currently expects that, with the exception of COSCO SHIPPING, the A Shares to be issued under the Proposed Non-public Issuance of A Shares will be issued to subscribers who and whose ultimate beneficial owners are third parties independent of the Company and its connected persons, and none of them will become substantial Shareholders upon completion of their respective subscriptions of the A Shares under the Proposed Non-public Issuance of A Shares.
Price Determination Date	:	The Price Determination Date of the Proposed Non-public Issuance of A Shares is the first day of the offering period of the Proposed Non-public Issuance of A Shares.
Issue price and pricing principles	:	The issue price shall not be lower than the Benchmark Price, being (i) 90% of the A Share Average Trading Price, or (ii) the Floor Price, whichever is higher. The final issue price will be determined by the Board and its authorized person(s) with the authorization by the Shareholders at the EGM and the Class Meetings and the sponsor (the lead underwriter) based on the price inquiry results in accordance with the price priority principle and applicable laws and regulations, after obtaining the approval documents issued by the CSRC in respect of the Proposed Non-public Issuance of A Shares.

Based on the annual report of the Company for the year ended 31 December 2016, the audited net asset value per Share as at 31 December 2016 was RMB1.79, which represents:

(i) a discount of approximately 75.06% to the closing price of RMB7.19 per A Share as quoted on the Shanghai Stock Exchange as at the A Share Last Trading Day;

(ii) a discount of approximately 49.13% to the closing price of HK$4.15 per H Share (equivalent to approximately RMB3.53) as quoted on the Hong Kong Stock Exchange as at the A Share Last Trading Day;

(iii) a discount of approximately 74.73% to the average closing price of RMB7.10 per A Share as quoted on the Shanghai Stock Exchange for the last five trading days up to and including the A Share Last Trading Day;

(iv) a discount of approximately 74.51% to the average closing price of RMB7.04 per A Share as quoted on the Shanghai Stock Exchange for the last ten trading days up to and including the A Share Last Trading Day.

The net asset value per Share will be adjusted if any ex-right or ex-dividend event (such as distribution of dividend, bonus issue, capitalization of capital reserves, additional issuance or rights issue of new Shares) occurs between the relevant balance sheet date and the Issue Date. The formula for the adjustment is set out below:

$BPS = (BPS_0 — Div)/(1 + N_2)$

where,

(i) BPS is the net asset value per Share after adjustment for any ex-right or ex-dividend event between the relevant balance sheet date and the Issue Date;

(ii) BPS_0 is the net asset value per Share before adjustment;

(iii) Div is the amount of cash dividend per Share in RMB distributed by the Company between the relevant balance sheet date and the Issue Date; and

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

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

The Benchmark Price will be adjusted if any ex-right or ex-dividend event (such as distribution of dividend, bonus issue, capitalization of capital reserves, additional issuance or rights issue of new Shares) occurs between the Price Determination Date and the Issue Date.

The formula for the adjustment is set out below:

$P = (P_0 — Div)/(1 + N_3)$

where,

(i) P is the Benchmark Price after adjustment for any ex-right or ex-dividend event between the Price Determination Date and the Issue Date;

(ii) P_0 is the Benchmark Price before adjustment;

(iii) Div is the amount of cash dividend per Share in RMB distributed by the Company between the Price Determination Date and the Issue Date; and

(iv) N_3 is the number of (a) Shares being issued upon capitalization of capital reserves for each Share, and/or (b) Shares being issued upon distribution of share dividend for each Share by the Company between the Price Determination Date and the Issue Date.

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

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

(i) the obtaining of the approval from the Shareholders at the EGM and the Class Meetings for the Proposed Non-public Issuance of A Shares;

(ii) the obtaining of the approval from the SASAC for the Proposed Non-public Issuance of A Shares; and

(iii) the obtaining of the approval from the CSRC for the Proposed Non-public Issuance of A Shares.

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

		As at the Latest Practicable Date, an application for the approval of the Proposed Non-public Issuance of A Shares had been submitted to the SASAC by the Company. No application for the approval of the Proposed Non-public Issuance of A Shares had been submitted to the CSRC by the Company. The Company will submit the application for approval to the CSRC following the approval by the SASAC and by the Independent Shareholders of the Proposed Non-public Issuance of A Shares at the EGM and the Class Meetings, in accordance with applicable laws and regulations of the PRC.
Lock-up period	:	COSCO SHIPPING shall not transfer the A Shares subscribed under the Proposed Non-public Issuance of A Shares within 36 months from the date of completion of the Proposed Non-public Issuance of A Shares. All other target subscribers shall not transfer the A Shares subscribed under the Proposed Non-public Issuance of A Shares within 12 months from the date of completion of the Proposed Non-public Issuance of A Shares.
Place of listing of the A Shares to be issued	:	The Company will apply to the Shanghai Stock Exchange for the listing of, and permission to deal in, the A Shares to be issued under the Proposed Non-public Issuance of A Shares. The A Shares to be issued under the Proposed Non-public Issuance of A Shares can be traded on the Shanghai Stock Exchange upon the expiration of the lock-up period.

Use of proceeds : The gross proceeds to be raised from the Proposed Non-public Issuance of A Shares will be not more than RMB12,900,000,000 (inclusive of the subscription by COSCO SHIPPING pursuant to the COSCO SHIPPING Subscription Agreement). The net proceeds from the Proposed Non-public Issuance of A Shares (after deducting all applicable costs and expenses incurred in connection with the Proposed Non-public Issuance of A Shares) are intended to be used for the payment of the consideration for 20 container vessels under construction as follows:

Project Name	Total Investment Amount	Amount Invested	Amount to be Invested from Use of Proceeds from Non-Public Issuance of A Shares (approximately)
Five 13,800 TEU container vessels under construction	RMB3,899,026,100	RMB542,632,900	RMB3,000,000,000
Four 14,568 TEU container vessels under construction	RMB3,281,283,400	RMB1,066,417,100	RMB2,000,000,000
Five 20,119 TEU container vessels under construction	RMB4,656,492,200	RMB1,249,894,200	RMB3,200,000,000
Six 21,237 TEU container vessels under construction	RMB5,611,631,700	RMB743,226,600	RMB4,700,000,000
Total	**RMB17,448,433,400**	**RMB3,602,170,800**	**RMB12,900,000,000**

		If the actual amount of proceeds raised (after deduction of issuance expenses) is not sufficient to satisfy the investment needs of the above projects, the shortfall will be covered by the Company through self-financing. Provided that there shall be no change in the use of proceeds, the Board may authorize the operation management to decide on the specific plans and implementation time of the above projects according to the actual conditions of the market and the Company.
Specific mandate to issue A Shares	:	The Company will issue the A Shares under the Specific Mandate to be sought from the Independent Shareholders at the EGM and the Class Meetings.
Distribution of profits	:	Upon completion of the Proposed Non-public Issuance of A Shares, the existing and new Shareholders will be entitled to share the Company's cumulative undistributed profits at the time of the Proposed Non-public Issuance of A Shares.
Rights of A Shares to be issued	:	The A Shares to be issued under the Proposed Non-public Issuance of A Shares, when fully paid and issued, will rank pari passu in all respects amongst themselves and with the A Shares in issue at the time of the issuance of such A Shares.
Validity period of the resolution	:	The resolutions regarding the Proposed Non-public Issuance of A Shares shall be valid for 12 months from the date of the passing of the resolutions at the EGM and the Class Meetings.

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

Pursuant to the Company Law of the PRC, the Securities Law of the PRC, the "Measure for Administration of the Issuance of Securities by Listed Companies" (《上市公司證券發行管理辦法》) and the "Implementation Rules for the Non-public Issuance of Shares by Listed Companies" (《上市公司非公開發行股票實施細則》), the Company, following self-examination and verification of the actual situation and relevant matters of the Company, considers that the Company satisfies all the criteria for non-public issuance of A Shares.

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

3. **Proposal in relation to the Proposed Non-public Issuance of A Shares**

Each of the following 10 resolutions in relation to the Proposed Non-public Issuance of A Shares will be submitted, by way of special resolutions, for the Independent Shareholders' consideration and approval at the EGM, the A Share Class Meeting and the H Share Class Meeting:

(i) class and par value of shares to be issue;

(ii) method and time of issuance;

(iii) target subscribers and subscription method;

(iv) Price Determination Date, issue price and pricing principles;

(v) number of A Shares to be issued;

(vi) lock-up period;

(vii) place of listing of the A Shares to be issued;

(viii) amount and use of proceeds;

(ix) arrangement of accrued undistributed profit of the Company prior to the Proposed Non-public Issuance of A Shares; and

(x) validity period of resolution.

4. **Proposal in relation to the "Proposal in respect of the Non-public Issuance of A Shares"**

The "Proposal in respect of the Non-public Issuance of A Shares", which was prepared in the Chinese language, was disclosed in the overseas regulatory announcement of the Company dated 30 October 2017. The full text of the English translation of the "Proposal in respect of the Non-public Issuance of A Shares" is set out in Appendix I to this circular. In the event of any discrepancy between the English translation and the Chinese version of the document, the Chinese version shall prevail.

The proposal in relation to the "Proposal in respect of the Non-public Issuance of A Shares" will be submitted, by way of special resolution, for the Independent Shareholders' consideration and approval at the EGM, the A Share Class Meeting and the H Share Class Meeting.

5. **Proposal in relation to the "Feasibility Report on the Use of Proceeds from the Non-public Issuance of A Shares"**

The "Feasibility Report on the Use of Proceeds from the Non-public Issuance of A Shares", which was prepared in the Chinese language, was disclosed in the overseas regulatory announcement of the Company dated 30 October 2017. The full text of the English translation of the "Feasibility Report on the Use of Proceeds from the Non-public Issuance of A Shares" is set out in Appendix II to this circular. In the event of any discrepancy between the English translation and the Chinese version of the document, the Chinese version shall prevail.

The proposal in relation to the "Feasibility Report on the Use of Proceeds from the Non-public Issuance of A Shares" will be submitted, by way of special resolution, for the Independent Shareholders' consideration and approval at the EGM.

6. **Proposal in relation to the exemption from the preparation of a report on the utilization of proceeds from previous fund raising**

The "Statement on the Exemption from the Preparation of a Report on the Utilization of Proceeds from Previous Fund Raising", which was prepared in the Chinese language, was disclosed in the overseas regulatory announcement of the Company dated 30 October 2017.

The proposal in relation to the exemption from the preparation of a report on the utilization of proceeds from previous fund raising will be submitted, by way of ordinary resolution, for the Shareholders' consideration and approval at the EGM.

7. **Proposal in relation to the Shareholders' Return Plan for the Years 2017-2019**

Pursuant to the Circular on Further Settling the Issues Concerning the Payment of Cash Dividends by Listed Companies (《關於進一步落實上市公司現金分紅有關事項的通知》) and No.3 Guidelines for the Supervision of Listed Companies — Cash Dividends of Listed Companies (《上市公司監管指引第3號— 上市公司現金分紅》) both issued by the CSRC, the Guidelines of Shanghai Stock Exchange on Cash Dividends of Listed Companies (《上海證券交易所上市公司現金分紅指引》) issued by the Shanghai Stock Exchange and the Articles of Association, the Board has formulated and proposes to adopt the "Shareholders' Return Plan for the Years 2017-2019".

The "Shareholders' Return Plan for the Years 2017-2019", which was prepared in the Chinese language, was disclosed in the overseas regulatory announcement of the Company dated 30 October 2017. The full text of the English translation of the "Shareholders' Return Plan for the Years 2017-2019" is set out in Appendix IV of this circular. In the event of any discrepancy between the English translation and the Chinese version of the document, the Chinese version shall prevail.

The proposal in relation to the "Shareholders' Return Plan for the Years 2017- 2019" will be submitted, by way of ordinary resolution, for the Shareholders' consideration and approval at the EGM.

8. **Proposal in relation to the "Remedial Measures Regarding Dilution on Current Returns and the Impact on the Company's Major Financial Indicators by the Non-public Issuance of A Shares"**

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

The "Remedial Measures Regarding Dilution on Current Returns and the Impact on the Company's Major Financial Indicators by the Non-public Issuance of A Shares", which was prepared in the Chinese language, was disclosed in the overseas regulatory announcement of the Company dated 30 October 2017. The full text of the English translation of "Remedial Measures Regarding Dilution on Current Returns and the Impact on the Company's Major Financial Indicators by the Non-public Issuance of A Shares" is set out in Appendix III to this circular. In the event of any discrepancy between the English translation and the Chinese version of the document, the Chinese version shall prevail.

The proposal in relation to the "Remedial Measures Regarding Dilution on Current Returns and the Impact on the Company's Major Financial Indicators by the Non-public Issuance of A Shares", will be submitted, by way of ordinary resolution, for the Shareholders' consideration and approval at the EGM.

9. **Proposal in relation to the undertakings by the Company's controlling shareholders, Directors and senior management with regards to the remedial measures regarding dilution on current returns by the Proposed Non-public Issuance of A Shares**

Pursuant to the requirements set out in the "Guidance Opinion on Matters Pertaining to Dilution of Return for the Current Period Resulting from Initial Offering and Refinancing or Material Asset Restructuring" (《關於首發及再融資、重大資產重組攤薄即期回報有關事項的指導意見》), each of (i) COSCO SHIPPING and (ii) the Directors and senior management of the Company has provided an undertaking to the Company to ensure the due implementation of the "Remedial Measures Regarding Dilution on Current Returns and the Impact on the Company's Major Financial Indicators by the Proposed Non-public Issuance of A Shares".

The form of the aforementioned undertakings was set out in the "Remedial Measures Regarding Dilution on Current Returns and the Impact on the Company's Major Financial Indicators by the Proposed Non-public Issuance of A Shares", which was prepared in the Chinese language and disclosed in the overseas regulatory announcement of the Company dated 30 October 2017. The full text of the English translation of "Remedial Measures Regarding Dilution on Current Returns and the Impact on the Company's Major Financial Indicators by the Proposed Non-public Issuance of A Shares" is set out in Appendix IV to this circular. In the event of any discrepancy between the English translation and the Chinese version of the document, the Chinese version shall prevail.

The proposal in relation to the undertakings by the Company's controlling shareholders, Directors and senior management with regards to the remedial measures regarding dilution on current returns by the Proposed Non-public Issuance of A Shares, will be submitted, by way of ordinary resolution, for the Shareholders' consideration and approval at the EGM.

10. **Proposal in relation to the Specific Mandate**

The Company will issue the A Shares under the Proposed Non-public Issuance of A Shares pursuant to the Specific Mandate to be sought from the Independent Shareholders at the EGM and the Class Meetings.

In this connection, the Board proposes to seek the approval from the Independent Shareholders at the EGM and the Class Meetings for granting the Specific Mandate to the Board to issue not more than 2,043,254,870 A Shares at an issue price of not less than the Benchmark Price (subject to adjustments) to not more than 10 specific target subscribers, including COSCO SHIPPING, under the Proposed Non-public Issuance of A Shares (including the issue of such number of A Shares to COSCO SHIPPING pursuant to the COSCO SHIPPING Subscription Agreement).

The Cap, being 2,043,254,870 A Shares, represents (i) approximately 26.76% of the existing issued A Shares and approximately 20.00% of the existing total issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 21.11% of the enlarged issued A Shares and approximately 16.67% of the enlarged total issued share capital of the Company upon completion of the Proposed Non-public Issuance of A Shares.

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

11. **Proposal in relation to the authorization to the Board and any person authorized by the Board to handle all matters in connection with the Proposed Non-public Issuance of A Shares in accordance with applicable laws and regulations**

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

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

(ii) authorize the Board to supplement, review and adjust the specific proposals for the Proposed Non-public Issuance of A Shares in accordance with the requirements of relevant laws and regulations, changes in polices, changes in market conditions and requirements of relevant authorities;

(iii) authorize the Board to handle the filing and registration matters relating to the Proposed Non-public Issuance of A Shares, prepare, revise and submit the application materials for to the Proposed Non-public Issuance of A Shares in accordance with the requirements of the relevant securities regulatory authorities;

(iv) authorize the Board to determine and engage intermediaries such as the sponsor (lead underwriter), revise, supplement, sign, submit, report and execute all agreements and documents relating to the Proposed Non-public Issuance of A Shares, including without limited to, underwriting and sponsoring agreement, subscription agreement, material contracts involved in implementing the investment projects with the proceeds raised;

(v) authorize the Board to set up a designated account for the Proposed Non-public Issuance of A Shares which shall be used solely for depositing, management and use of the proceeds raised (and for no other purposes), and execute tripartite custodian agreement with the sponsor and the relevant commercial bank within one month after the proceeds become available;

(vi) authorize the Board to increase the registered capital of the Company, amend the Articles of Association and handle relevant registration and filing procedures in accordance with the results of the Proposed Non-public Issuance of A Shares;

(vii) authorize the Board to handle registration, lock-up and listing of the A Shares with the Shanghai Stock Exchange and the Shanghai branch of China Securities Depository and Clearing Co., Ltd. upon completion of the Proposed Non-public Issuance of A Shares;

(viii) authorize the Board to make adjustments to the specific arrangement on the use of the proceeds raised within the scope permitted in the Shareholders' resolutions;

(ix) if there is any new requirement under the law or by the securities regulatory authorities or if there is any change to the market condition, authorize the Board to adjust the Proposed Non-public Issuance of A Shares and the use of proceeds raised and continue to handle matters relating to the Proposed Non-public Issuance of A Shares (other than those matters requiring Shareholders' approval in accordance with the relevant laws, regulations or Articles of Association or as requested by the regulatory authorities) in accordance with the requirements of relevant laws and regulations, and by relevant governmental authorities and securities regulatory authorities;

(x) authorize the Board to handle the filing, listing and other relevant matters relating to the Proposed Non-public Issuance of A Shares within the scope permitted under the laws, regulations, normative documents and the Articles of Association;

(xi) authorize the Board to determine whether to continue with the Proposed Non-public Issuance of A Shares in the event of material change in market condition, polices or laws;

(xii) authorize the Board to handle all other matters in connection with the Proposed Non-public Issuance of A Shares not listed in (i) to (xi) above; and

(xiii) authorize the Board to authorize the chairman of the Company or any person authorized by him/her to exercise the authority granted to the Board herein (provided that the Board is duly authorized for the above matters), unless otherwise provided under the laws, regulations, normative documents and the Articles of Association.

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

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

III. CONNECTED TRANSACTION IN RELATION TO THE PROPOSED SUBSCRIPTION OF A SHARES BY COSCO SHIPPING

As part of the Proposed Non-public Issuance of A Shares, on 30 October 2017, the Company and COSCO SHIPPING entered into the COSCO SHIPPING Subscription Agreement, pursuant to which COSCO SHIPPING has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue, 50% of the total number of A Shares to be issued under the Proposed Non-public Issuance of A Shares.

1. **Principal terms of the COSCO SHIPPING Subscription Agreement**

Date	:	30 October 2017
Parties	:	The Company (as the issuer); and COSCO SHIPPING (as the subscriber).
Number of A Shares to be issued	:	The number of A Shares to be issued to COSCO SHIPPING under the COSCO SHIPPING Subscription Agreement shall be 50% of the total number of A Shares to be issued under the Proposed Non-public Issuance of A Shares.
Subscription price and pricing principles	:	The subscription price shall not be lower than the Benchmark Price, being (i) 90% of the A Share Average Trading Price, or (ii) the Floor Price, whichever is higher. The final subscription price will be determined by the Board and its authorized person(s) with the authorization by the Shareholders at the EGM and the Class Meetings and the sponsor (the lead underwriter) based on the price inquiry results in accordance with the price priority principle and applicable laws and regulations, after obtaining the approval documents issued by the CSRC in respect of the Proposed Non-public Issuance of A Shares. COSCO SHIPPING will not participate in the pricing exercise for the Proposed Non-public Issuance of A Shares, but will accept results of price inquiry and subscribe for the A Shares at the same subscription price as other target subscribers. The Benchmark Price will be adjusted if any ex-right or ex-dividend event (such as distribution of dividend, bonus issue, capitalization of capital reserves, additional issuance or placing of new Shares) occurs between the Price Determination Date and the Issue Date. The aggregate subscription price under the COSCO SHIPPING Subscription Agreement will be paid by COSCO SHIPPING to the Company in cash by bank transfer on the specific payment date as confirmed by the sponsor (the lead underwriter) in the notice of payment.

Conditions precedent	: The COSCO SHIPPING Subscription is conditional upon: (i) the obtaining of the approval from the Board and the Shareholders at the EGM and the Class Meetings for the Proposed Non-public Issuance of A Shares; (ii) the obtaining of the approval from the SASAC for the Proposed Non-public Issuance of A Shares; and (iii) the obtaining of the approval from the CSRC for the Proposed Non-public Issuance of A Shares. None of the conditions above may be waived by either party to the COSCO SHIPPING Subscription Agreement and therefore, if any of the conditions above is not satisfied, the Company will not proceed with the Proposed COSCO SHIPPING Subscription. As at the Latest Practicable Date, an application for the approval of the Proposed Non-public Issuance of A Shares had been submitted to the SASAC by the Company. No application for the approval of the Proposed COSCO SHIPPING Subscription had been submitted to the CSRC by the Company. The Company will submit the application for approval to the CSRC following the approval by the SASAC and the Independent Shareholders of the Proposed COSCO SHIPPING Subscription at the EGM and the Class Meetings, in accordance with applicable laws and regulations in the PRC.
Lock-up period	: Pursuant to the COSCO SHIPPING Subscription Agreement, COSCO SHIPPING shall not transfer the A Shares subscribed by it under the Proposed Non-public Issuance of A Shares within 36 months from the date of completion of the Proposed Non-public Issuance of A Shares.
Distribution of profits	: Upon completion of the Proposed COSCO SHIPPING Subscription, the existing Shareholders and COSCO SHIPPING will be entitled to share the Company's cumulative undistributed profits at the time of the issuance of the A Shares under the COSCO SHIPPING Subscription Agreement.

2. INFORMATION ON THE PARTIES TO THE COSCO SHIPPING SUBSCRIPTION AGREEMENT

The Company

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

COSCO SHIPPING

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

3. PROPOSAL IN RELATION TO THE COSCO SHIPPING SUBSCRIPTION AGREEMENT

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

4. PROPOSAL IN RELATION TO THE PROPOSED COSCO SHIPPING SUBSCRIPTION CONSTITUTING A CONNECTED TRANSACTION

As at the Latest Practicable Date, COSCO SHIPPING and its associates controlled or were entitled to exercise control over the voting rights in respect of 4,557,594,644 A Shares and 87,635,000 H Shares, representing approximately 45.47% of the total issued share capital of the Company. Accordingly, COSCO SHIPPING is an indirect controlling shareholder of the Company and the Proposed COSCO SHIPPING Subscription constitutes a connected transaction.

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

5. PROPOSAL IN RELATION TO THE WAIVER OF COSCO SHIPPING'S OBLIGATION TO MAKE A GENERAL OFFER OF THE SECURITIES OF THE COMPANY AS A RESULT OF THE PROPOSED COSCO SHIPPING SUBSCRIPTION UNDER PRC LAWS AND REGULATIONS

As at the Latest Practicable Date, COSCO SHIPPING and its associates controlled or were entitled to exercise control over the voting rights in respect of 4,557,594,644 A Shares and 87,635,000 H Shares, representing approximately 45.47% of the total issued share capital of the Company. Accordingly, COSCO SHIPPING is an indirect controlling shareholder of the Company.

Immediately after completion of the Proposed Non-public Issuance of A Shares (assuming that (i) the maximum number of A Shares up to the Cap is being issued under the Proposed Non-public Issuance of A Shares; (ii) COSCO SHIPPING subscribes for 50% of the maximum number of A Shares being issued; and (iii) there is no change in the total issued share capital of the Company since the Latest Practicable Date save for the issue of the A Shares pursuant to the Proposed Non-public Issuance of A Shares), the aggregate shareholding of COSCO SHIPPING and its associates in the Company will increase to approximately 46.22% of the then enlarged total issued share capital of the Company. Accordingly, COSCO SHIPPING will trigger the obligation to make a general offer of the securities of the Company to other Shareholders pursuant to the relevant requirements of "Administrative Measures for the Takeover of Listed Companies (Revised in 2014)" (《上市公司收購管理辦法（2014修訂）》) issued by the CSRC.

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

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

IV. EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the total issued share capital of the Company was 10,216,274,357 Shares, which comprised 7,635,674,357 A Shares and 2,580,600,000 H Shares.

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

Name of Shareholder	Class of Shares	Shareholding as the Latest Practicable Date			Shareholding immediately after completion of the Proposed Non-public Issuance of A Shares		
		Number of Shares	Approximate percentage of the issued A Share capital (%)	Approximate percentage of the total issued share capital (%)	Number of Shares	Approximate percentage of the issued A Share capital (%)	Approximate percentage of the total issued share capital (%)
COSCO and its wholly-owned subsidiary (Note 1)	A	4,557,594,644	59.69	44.61	4,557,594,644	47.08	37.18
	H	87,635,000	—	0.86	87,635,000	—	0.71
COSCO SHIPPING	A	—	—	—	1,021,627,435	10.56	8.33
Sub-total		4,645,229,644	59.69	45.47	5,666,857,079	57.64	46.22
Other subscribers (not more than 9)	—	—	—	—	1,021,627,435	10.56	8.33
Other A Shareholders	A	3,078,079,713	40.31	30.13	3,078,079,713	31.80	25.11
Other H Shareholders	H	2,492,965,000	—	24.40	2,492,965,000	—	20.33
Sub-total of other Shareholders		5,571,044,713	40.31	54.53	5,571,044,713	42.36	45.44
Total		10,216,274,357	100.00	100.00	12,259,529,227	100.00	100.00

Note:

(1) COSCO directly holds 4,557,594,644 A Shares, and holds 87,635,000 H Shares through Peaktrade Investments Ltd., a wholly-owned subsidiary of COSCO SHIPPING (Hong Kong) Co., Limited which is a wholly-owned subsidiary of COSCO. COSCO holds 4,645,229,644 Shares in aggregate, representing 45.47% in equity interest in the Company, and is a direct controlling shareholder of the Company.

(2) Based on the number of A Shares and H Shares held by public Shareholders, the Company will be able to continue to comply with the public float requirements under the Listing Rules upon the issuance of Shares under the Proposed Non-public Issuance of A Shares.

V. FUND-RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company had not conducted any equity fund-raising activities during the 12 months immediately preceding the Latest Practicable Date.

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

The Proposed Non-public Issuance of A Shares

The Proposed Non-public Issuance of A Shares and the capital raised will be used to settle the consideration payable for 20 container vessels under construction. The delivery and completion of the construction of the container vessels would enable the Company to further expand the scale of its business, further optimize the planning of its shipping capacity and strengthen supports for terminals of the Group along the routes under "the Belt and Road" initiative, which would enhance the Company's operating efficiency and its competitiveness in the global shipping industry.

The COSCO SHIPPING Subscription

The Proposed COSCO SHIPPING Subscription demonstrates the confidence COSCO SHIPPING places in the Company and COSCO SHIPPING's continuous support to the development and transformation of the business of the Company, which can assist the Company to further capitalize on the advantages of the large size and scale of its container fleet and to enhance the overall competitiveness of its fleet. The terms and conditions of the COSCO SHIPPING Subscription Agreement were agreed after arm's length negotiations between the Company and COSCO SHIPPING. As stated in the section headed "Implications under the Listing Rules" below, all the executive Directors and non-executive Directors have abstained from voting on the relevant Board resolutions approving the Proposed Non-public Issuance of A Shares and the Proposed COSCO SHIPPING Subscription.

The Board has considered various alternative fund raising methods without dilution to the Shareholders' interest such as debt financing, rights issue and open offer. The Board is of the view the Proposed Non-public Issuance of A Shares is the preferable method as it poses less uncertainties and associated risks to the Company and in terms of the PRC approval process.

Furthermore, the Board is of the view that equity financing would decrease the debt to equity ratio of the Company. The lock-up period under the Proposed Non-public Issuance of A Shares would cause less adverse effect on the Share price. The investment from qualified long term investors also demonstrates their recognition and confidence in the value of the Company.

VII. IMPLICATIONS UNDER THE LISTING RULES

As at the Latest Practicable Date, COSCO SHIPPING and its associates controlled or were entitled to exercise control over the voting rights in respect of 4,557,594,644 A Shares and 87,635,000 H Shares, representing approximately 45.47% of the total issued share capital of the Company. Accordingly, COSCO SHIPPING is an indirect controlling shareholder of the Company and therefore a connected person of the Company. The Proposed COSCO SHIPPING Subscription constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is therefore subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Wan Min, Mr. Huang Xiaowen, Mr. Xu Zunwu, Mr. Ma Jianhua, Mr. Wang Haimin, Mr. Zhang Wei (張為), Mr. Feng Boming, Mr. Zhang Wei (張偉) and Mr. Chen Dong, all being Directors nominated by COSCO, the direct controlling Shareholder and a wholly-owned subsidiary of COSCO SHIPPING, have abstained from voting on the relevant Board resolutions approving the Proposed Non-public Issuance of A Shares and the Proposed COSCO SHIPPING Subscription. Save as aforementioned, none of the other Directors has a material interest in the Proposed Non-public Issuance of A Shares and the Proposed COSCO SHIPPING Subscription and hence no other Director has abstained from voting on such Board resolutions.

VIII. EGM AND CLASS MEETINGS

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

A notice of the EGM and a notice of the H Share Class Meeting, together with the forms of proxy and reply slips, were despatched to the Shareholders on 3 November 2017.

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, People's Republic of China on Monday, 18 December 2017 at 2:30 p.m. The A Share Class Meeting will be held at the same venue immediately after the conclusion of the EGM and the H Share Class Meeting will be held at the same venue immediately after the conclusion of the A Share Class Meeting.

Whether or not you intend to attend the EGM and/or the H Share Class Meeting, you are requested to complete and return the proxy forms in accordance with the instructions printed thereon. The proxy forms 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 and/or the H Share Class Meeting or any adjournment thereof.

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

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of the Shareholders should be taken at a general meeting of the Company shall be taken by poll except where the Chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. An announcement of the poll result will be made by the Company after the EGM and the H Share Class Meeting in the manner prescribed under Rule 13.39(5) of the Listing Rules.

COSCO SHIPPING and its associates and those who are involved in or interested in the Proposed Non-public Issuance of A Shares, the Proposed COSCO SHIPPING Subscription and/or the Specific Mandate will be required to abstain from voting on the resolutions to be proposed at the EGM and/or the Class Meetings in relation to the Proposed Non-public Issuance of A Shares, the Proposed COSCO SHIPPING Subscription and the Specific Mandate. As at the Latest Practicable Date, COSCO SHIPPING and its associates controlled or were entitled to exercise control over the voting rights in respect of 4,557,594,644 A Shares and 87,635,000 H Shares, representing approximately 45.47% of the total issued share capital of the Company. In the event that a Shareholder becomes a subscriber under the Proposed Non-public Issuance of A Shares, such Shareholder will be required to abstain from voting at the EGM and/or the Class Meetings. Save as aforementioned, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no other Shareholder has a material interest in the Proposed Non-public Issuance of A Shares, the Proposed COSCO SHIPPING Subscription and the Specific Mandate and therefore no other Shareholder is required to abstain from voting at the EGM and/or the Class Meetings.

IX. RECOMMENDATION

You attention is drawn to (i) the letter from the Independent Board Committee set out on pages 31 to 32 of this circular, containing its recommendation in respect of the Proposed Non-public Issuance of A Shares, the Proposed COSCO SHIPPING Subscription and the Specific Mandate and (ii) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 33 to 55 of this circular, containing its recommendation in respect of the Proposed Non-public Issuance of A Shares, the Proposed COSCO SHIPPING Subscription and the Specific Mandate. The Independent Board Committee, after considering the advice from the Independent Financial Adviser, is of the view that while the Proposed Non-public Issuance of A Shares and the Proposed COSCO SHIPPING Subscription are not conducted in the ordinary and usual course of business of the Company, the entering into of the COSCO SHIPPING Subscription Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole, and the terms of the Proposed Non-public Issuance of A Shares, the COSCO SHIPPING Subscription Agreement and the Specific Mandate are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of all the resolutions to be proposed at the EGM and the Class Meetings to approve the Proposed Non-public Issuance of A Shares, the Proposed COSCO SHIPPING Subscription and the Specific Mandate.

X. ADDITIONAL INFORMATION

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

Yours faithfully,
By order of the Board
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)

1 December 2017

To the Independent Shareholders

Dear Sir or Madam,

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

We refer to the circular of the Company dated 1 December 2017 (the "**Circular**"), of which this letter forms part. Unless otherwise defined, capitalized terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders in respect of the Proposed Non-public Issuance of A Shares, the Proposed COSCO SHIPPING Subscription and the Specific Mandate, details of which are set out in the "Letter from the Board" in the Circular. Platinum Securities Company Limited has been appointed as the Independent Financial Adviser with our approval to advise the Independent Board Committee and the Independent Shareholders in this regards.

We wish to draw your attention to the "Letter from the Board" set out on pages 5 to 30 of the Circular and the "Letter from the Independent Financial Adviser" set out on pages 33 to 55 of the Circular and the additional information set out in the appendices of this Circular.

Having taken into account, among other things, the principal factors and reasons considered by, and the advice of, the Independent Financial Adviser as set out in the "Letter from the Independent Financial Adviser" in the Circular, we concur with the view of the Independent Financial Adviser and consider that while the Proposed Non-public Issuance of A Shares and the Proposed COSCO SHIPPING Subscription are not conducted in the ordinary and usual course of business of the Company, the entering into of the COSCO SHIPPING Subscription Agreement and the transactions

* *For identification purpose only*

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

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

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**	**Mr. KOO, Chee Kong Kenneth**

Independent non-executive Directors

The following is the text of the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders for the purpose of incorporation into this circular.

PLATINUM Securities Company Limited

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1 December 2017

To the Independent Board Committee and the Independent Shareholders

Dear Sir or Madam,

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

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Proposed Non-public Issuance of A Shares, the Proposed COSCO SHIPPING Subscription and the Specific Mandate. Details of the Proposed Non-public Issuance of A Shares and Proposed COSCO SHIPPING Subscription are contained in the letter from the Board (the "**Letter from the Board**") in the circular of the Company dated 1 December 2017 (the "**Circular**"). Capitalized terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

As at the Latest Practicable Date, COSCO SHIPPING and its associates controlled or were entitled to exercise control over the voting rights in respect of 4,557,594,644 A Shares and 87,635,000 H Shares, representing approximately 45.47% of the total issued share capital of the Company. Accordingly, COSCO SHIPPING is an indirect controlling shareholder of the Company and therefore is a connected person of the Company.

In our capacity as the Independent Financial Adviser, our role is to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Proposed Non-public Issuance of A Shares and Proposed COSCO SHIPPING Subscription are on normal commercial terms, in the ordinary and usual course of business of the Company, fair and reasonable, and in the interests of the Company and the Shareholders as a whole, and as to whether the Independent Shareholders should vote in favour of (i) the Proposed Non-public Issuance of A Shares; (ii) the Proposed COSCO SHIPPING Subscription and (iii) the Specific Mandate at the EGM.

We are independent from, and are not connected with the Company, any other party to the Proposed Non-public Issuance of A Shares and Proposed COSCO SHIPPING Subscription or any of their respective associates, connected persons or parties acting in concert with any of them and accordingly, we are considered eligible to give independent advice to the Independent Board Committee and the Independent Shareholders.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the information and facts supplied to us by the Company. We have reviewed, among other things: (i) COSCO SHIPPING Subscription Agreement; (ii) the announcement of the Company dated 30 October 2017; (iii) the audited annual report of the Group for the financial year ended 31 December 2016 (the "**2016 Annual Report**"); and (iv) the unaudited interim report of the Group for the six months ended 30 June 2017 (the "**2017 Interim Report**").

We have assumed that all information, facts, opinions and representations contained in the Circular and all information, statements and representations provided to us by the Company are true, complete, accurate and not misleading in all material respects as of the date hereof and we and the Independent Shareholders will be notified by the Company of any material changes thereof as soon as practicable. The Company has confirmed that they take full responsibility for the contents of the Circular and have made all reasonable inquiries that no material facts have been omitted from the information supplied to us.

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

We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy or completeness of the information of all facts as set out in the Circular and of the information and representations provided to us by the Company. Furthermore, we have no reason to suspect the reasonableness of the opinions and representations expressed by the Company and/or the Directors which have been provided to us. In line with normal practice, we have not, however, conducted a verification process of the information supplied to us, nor have we conducted any independent in-depth investigation into the business and affairs of the Company. We consider that we have reviewed sufficient information to enable us to reach an informed view and to provide a reasonable basis for our opinion regarding the Proposed Non-pubic Issuance of A shares and Proposed COSCO SHIPPING Subscription, and we consider that we have taken sufficient and necessary steps based on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

During the past two years, Mr. Li Lan, for and on behalf of Platinum Securities Company Limited, signed the opinion letter from the independent financial adviser contained in the Company's circular (i) dated 31 December 2015 in respect of the major and connected transactions — (1) disposal of all the equity interests in China COSCO Bulk Shipping (Group) Co., Ltd; (2) acquisition of equity interests in agency companies; (3) disposal of all the issued shares of Florens Container Holdings Limited; (4) acquisition of all the issued shares of China Shipping Ports Development Co., Limited; and (5) continuing connected transactions — leasing transactions; (ii) dated 29 October 2016 in respect of major and connected transactions — (1) financial services agreement; (2) master vessel services agreements; (3) master port services agreement; and (4) master vessel and container asset services agreement and (iii) dated 24 May 2017 in respect of the major and connected transaction — assignment of shipbuilding contracts. The past engagements were limited to provide independent advisory services to the Independent Board Committee and the Independent Shareholders of the Company pursuant to the Listing Rules. Under the past engagement, Platinum Securities Company Limited received normal professional fees from the Company. Notwithstanding the past engagement, as at the Latest Practicable Date, we were independent from, and were not associated with the Company or any other party to the Proposed Non-public Issuance of A Shares and Proposed COSCO SHIPPING Subscription, or their respective substantial shareholder(s) or connected person(s), as defined under the Listing Rules and accordingly, are considered eligible to give independent advice on the Proposed Non-public Issuance of A Shares and Proposed COSCO SHIPPING Subscription. We will receive a fee from the Company for our role as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Proposed Non-public Issuance of A Shares and Proposed COSCO SHIPPING Subscription. Apart from this normal professional fee payable to us in connection with this appointment, no arrangements exist whereby we will receive any fees or benefits from the Company or any other party to the Proposed Non-public Issuance of A Shares and Proposed COSCO SHIPPING Subscription or any of their respective substantial shareholder(s), associates, connected person(s), as defined under the Listing Rules.

The Independent Board Committee, comprising all of the independent non-executive directors of the Company, namely, Mr. YANG, Liang Yee Philip, Mr. WU Dawei, Mr. ZHOU Zhonghui, Mr. TEO Siong Seng and Mr. KOO, Chee Kong Kenneth, has been established to advise the Independent Shareholders in relation to the Proposed Non-public Issuance of A Shares, the Proposed COSCO SHIPPING Subscription and the Specific Mandate.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion in relation to the Proposed Non-public Issuance of A Shares, the Proposed COSCO SHIPPING Subscription and the Specific Mandate, and giving our independent financial advice to the Independent Board Committee and the Independent Shareholders, we have considered the following principal factors and reasons:

1. Background of the Proposed Non-public Issuance of A Shares and Proposed COSCO SHIPPING Subscription

On 30 October 2017, the Board has approved the Proposed Non-public Issuance of A Shares, pursuant to which the Company will issue a maximum of 2,043,254,870 A Shares (subject to adjustment) to not more than 10 specific target subscribers (including COSCO SHIPPING), which would raise gross proceeds of up to RMB12,900,000,000.

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

2. Information of the Company and COSCO SHIPPING

According to the Letter from the Board as contained in the Circular, the Company was established in the PRC on 3 March 2005. The Company, through its various subsidiaries, 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 company incorporated under the laws of the PRC, and is a state-owned enterprise wholly-owned and controlled by SASAC. The scope of business of COSCO SHIPPING includes international shipping, ancillary business in international maritime transportation, import and export of goods and technologies, international freight agency business, leasing of self-owned vessels, sales of vessels, containers and steel and maritime engineering.

Set out below are the financial highlights of the Company's consolidated financial statements extracted from the 2016 Annual Report and 2017 Interim Report:

	For the year ended 31 December		For the six months ended 30 June
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Revenues	55,148,297	69,833,164	43,445,690
Gross profit/(loss)	3,722,884	(549,681)	3,750,631
Profit/(loss) for the year/period from continuing operations	1,211,212	(5,962,509)	3,401,360
Profit/(loss) for the year/period attributable to the equity holders of the Company	469,302	(9,906,003)	1,863,467
Total assets	160,493,498	119,652,733	124,264,152
Total liabilities	107,322,423	82,103,864	82,662,781
Net assets	53,171,075	37,548,869	41,601,371
Cash and bank balances	33,897,143	32,188,572	24,698,678
Equity attributable to owners of the Company	28,559,549	18,323,296	20,372,771

The Group generated approximately RMB69,833.2 million of revenue in 2016, increased by approximately 26.6% of RMB14,684.9 million as compared with approximately RMB55,148.3 million in 2015. The revenues are mainly derived from the continuing operations of the Group including container shipping, container terminal and other related business. The Group recorded a gross loss of approximately RMB549.7 million in 2016, whereas a gross profit of approximately RMB3,722.9 million was recorded in 2015. The Group experienced a loss for the year attributable to the equity holders of the Company of approximately RMB9,906.0 million in 2016, whilst the profit for the year attributable to the equity holders of the Company amounted to approximately RMB469.3 million in 2015. We note that the loss for the Company in 2016 was mainly due to the increase in operating costs and other expenses given the expanded scale of business after the Group's restructuring. Nevertheless, we understand from the management of the Company that the efficiency of scale and cost synergies have been gradually achieved by the Group after the completion of Group's restructuring.

As at 30 June 2017, the total assets of the Group amounted to approximately RMB124,264.2 million, a slight increase of approximately 3.9% as compared to the year ended 31 December 2016 of approximately RMB119,652.7 million. The net asset value recorded approximately RMB41,601.4 million as at 30 June 2017, representing an increase of approximately 10.8% compared with 31 December 2016 of approximately RMB37,548.9 million, while the cash and bank balances as at 30 June 2017 was approximately RMB24,698.7 million which represents a decline of approximately 23.3% as compared with the cash and bank balances of approximately RMB32,188.6 million as at 31 December 2016.

3. **Industry overview of container shipping**

We understand that the container shipping sector is driven by the freight rates and global container throughput. Regarding the freight rate in the PRC, we have reviewed the China (Export) Containerized Freight Index (the "**CCFI**"), which was issued by the Ministry of Transport of the PRC. CCFI serves as the barometer of the shipping market and is formulated to reflect the transport market in terms of costs and market rates to ship containers from China to major destinations around the world. The latest CCFI as at 24 November 2017 was 785.20, representing an increase of approximately 1.03% compared with the same period of last year. The increase of the CCFI was mainly due to the recovery of the global economy and stronger demand for container shipping.

Another metric of the container shipping business is global container throughput. We have reviewed the Container Throughput Index of the RWI — Leibniz Institute for Economic Research and the Institute of Shipping Economics and Logistics (ISL) (the "**CTI**") and noted that since the first quarter of 2016, after the downturn in 2015, the CTI has been experiencing a rapid increase. We note that the CTI remained high and continued to rise strongly during the second quarter of 2017 and recorded a third highest of all-time of 130.7 in September 2017. As the CTI is an important indicator of global trade, we are of the view that such improvement in the CTI reflects a sustainable recovery in the global trading and economy.

In addition, China's real GDP growth in the second quarter of 2017 was 6.9%, the same growth rate in the first quarter of 2017. The International Monetary Fund ("**IMF**") recently has revised China's GDP growth projection at 6.7% for the full year of 2017 (previous forecast in April 2017 on China's GDP growth rate was 6.4%) to reflect continued external demand and the stronger than expected on first half year outcome of 2017. we understand that with the help from the Chinese Government actively promoting the supply-side structural reform, China has sustained its economic growth in recent years and the economic growth is expected to be maintained at such pace. Also, considering the new opportunities brought by the routes under the "One Belt One Road" initiative, we believe those would be positive factors to the development and strengthening of container shipping business of the Company along with the recovery in the global economy reflected in the significant increase in the trading activities in the developed economies such as European countries, Far East and the United States.

4. **Reasons for and benefits of the Proposed Non-public Issuance of A Shares and the COSCO SHIPPING Subscription**

(i) **The Proposed Non-public Issuance of A Shares**

After the completion of the restructuring of the Group in March 2016, the Company has discontinued operations on dry bulk shipping and related business and now mainly focuses on container shipping, terminal services and related business. As noted from the Letter from the Board, the Proposed Non-public Issuance of A Shares and the capital raised will be used to settle the consideration payable for 20 container vessels under construction. The management of the Company believe that the delivery and completion of the construction of the container vessels would enable the Company to further expand the scale of its business, further optimize the planning of its shipping capacity and strengthen supports for terminals of the Group along the routes under "the Belt and

Road" initiative, which would enhance the Company's operating efficiency and its competitiveness in the global shipping industry. The capacity of the 20 container vessels under construction ranges from 13,800 TEU to 21,237 TEU. We have reviewed the list of existing container vessels operated by the Company and understand that the capacity of the 20 container vessels are significantly larger than the average size of the Company's existing container vessels. We concur with the view of the management of the Company that the optimization of the fleet structure will enhance the advantages of large scale container vessels of the Company. In addition, it also helps to lower vessel-related operational costs and enhance the overall competitiveness of the fleet of the Group within the industry.

With reference to the Letter from the Board, the gross proceeds to be raised from the Proposed Non-public Issuance of A Shares will be not more than RMB12.9 billion (inclusive of the subscription by COSCO SHIPPING pursuant to the COSCO SHIPPING Subscription Agreement). The net proceeds from the Proposed Non-public Issuance of A Shares (after deducting all applicable costs and expenses incurred in connection with the Proposed Non-public Issuance of A Shares) are intended to be used for the payment of the consideration for 20 container vessels which are under construction as detailed in the section headed "Details of the Proposed Non-public Issuance of A Shares — Use of proceeds" in the Letter from the Board, which we consider to be consistent with the development of the Group's business strategies after the completion of the restructuring of the Group. For our due diligence purpose, we have also reviewed the feasibility report on the use of proceeds from the Non-public Issuance of A Shares (非公開發行A股股票募集資金使用的可行性分析報告) which was published by the Company on the Shanghai Stock Exchange's website on 31 October 2017 that the prospects of the Proposed Non-public Issuance of A Shares is positive.

Based on our discussion with the management of the Company, we note that the management of the Company had considered various other means of fund raising without dilution of Shareholders' interest, such as debt financing and equity financing (e.g. rights issue or open offer). However, after due and careful consideration by the Board, the Board is of the view that the Proposed Non-public Issuance of A Shares is the most preferable method as compared to debt financing and other equity financing methods, presenting less uncertainties and associated risks and in terms of PRC approval process. Furthermore, in addition to the interest-free nature of fund raising activity through equity financing, it would not place any financial burden on the Company. Taking into consideration the size of the Proposed Non-public Issuance of A Shares, we consider that the conduction of equity financing could decrease the debt to equity ratio of the Company, which we believe is in the interests of the Company and Shareholders as a whole. For more detailed assessments of the alternative fund raising methods, please refer to the section headed "Alternative Fund Raising Methods" in this letter.

We consider that the Proposed Non-public Issuance of A Shares, coupled with the relatively long lock-up period, will have less adverse effect on the Share price of the Company. Furthermore, the subscription by other qualified long term investors including securities investment and fund management companies, trust investment companies, finance companies, insurance institutional investors, etc in the Proposed Non-public Issuance of A Shares demonstrates the recognition of the value of the Company and the confidence that such investors place in the Company which may help stabilize the Share price of the Company.

(ii) **The COSCO SHIPPING Subscription**

As stated in the Letter from the Board, the management of the Company is of the view that the Proposed COSCO SHIPPING Subscription demonstrates the confidence COSCO SHIPPING places in the Company and COSCO SHIPPING's continuous support to the development and transformation of the business of the Company, which can assist the Company to further capitalize on the advantages of the large size and scale of its container fleet and to enhance the overall competitiveness of its fleet.

Having considered the above and based on our discussion with the management of the Company, we concur with the view of the Board that the Proposed Non-public Issuance of A Shares is in the interests of the Company and Shareholders as a whole to raise funds to be used to construct container vessels to strengthen and enhance the competitiveness of the Company within the industry and the COSCO SHIPPING Subscription may potentially increase investors' confidence in the Company.

5. **Terms of the Proposed Non-public Issuance of A Shares**

Independent Shareholders are advised to refer to the Letter from the Board for the full details of the terms in relation to the Proposed Non-public Issuance of A Shares and Proposed COSCO SHIPPING Subscription.

Class and par value of Shares to be issued

A Shares with a par value of RMB1.00 each.

Method and time of issuance

The Proposed Non-public Issuance of A Shares will be carried out by way of non-public issue of A Shares to not more than 10 specific target subscribers, including COSCO SHIPPING. The Company will complete the Proposed Non-public Issuance of A Shares within six months after obtaining the approval from the CSRC. If there are changes in the relevant laws and regulations, administrative regulations or regulatory documents of the CSRC, the Company will adjust the Proposed Non-public Issuance of A Shares accordingly.

Number of A Shares to be issued

A maximum of 2,043,254,870 A Shares will be issued under the Proposed Non-public Issuance of A Shares, which represents:

(i) approximately 26.76% of the existing issued A Shares and approximately 20.00% of the existing total issued share capital of the Company as at the Latest Practicable Date; and

(ii) approximately 21.11% of the enlarged issued A Shares and approximately 16.67% of the enlarged total issued share capital of the Company upon completion of the Proposed Non-public Issuance of A Shares.

The Cap will be adjusted if any ex-right or ex-dividend event (such as bonus issue, capitalization of capital reserves, additional issuance or rights issue of new Shares) occurs between the Board Resolutions Date and the Issue Date. The formula for the adjustment is set out below:

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

Where,

(i) Q is the Cap after adjustment for any ex-right or ex-dividend event between the Board Resolutions Date and the Issue Date;

(ii) Q_0 is the Cap; and

(iii) N_1 is the number of (a) Shares being issued upon capitalization of capital reserves for each Share, and/or (b) Shares being issued upon distribution of share dividend for each Share by the Company between the Board Resolutions Date and the Issue Date.

A distribution of dividend in cash would not trigger any adjustment of the Cap.

Pursuant to the Detailed Implementation Rules for the Non-Public Offering of Stocks of Listed Companies (2017) issued by the CSRC, where the board of a listed company resolves to issue shares by way of non-public issuance, the board resolution shall specify, among other things, the maximum proceeds to be raised from the non-public issuance, the specific use of the proceeds and whether the number of shares to be issued and the minimum issue price shall be adjusted if there occurs any ex-right or ex-dividend event between the date of determining the minimum issue price and the date of issue of the shares.

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

COSCO SHIPPING has undertaken to subscribe for 50% of the total number of A Shares to be issued under the Proposed Non-public Issuance of A Shares.

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

Target subscribers

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

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

As at the Latest Practicable Date, apart from the COSCO SHIPPING Subscription Agreement, the Company had not entered into any agreement with any potential subscribers in respect of the Proposed Non-public Issuance of A Shares. The Company currently expects that, with the exception of COSCO SHIPPING the A Shares to be issued under the Proposed Non-public Issuance of A Shares will be issued to subscribers who and whose ultimate beneficial owners are third parties independent of the Company and its connected persons, and none of them will become substantial Shareholders upon completion of their respective subscriptions of the A Shares under the Proposed Non-public Issuance of A Shares.

Price Determination Date

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

Issue price and pricing principles

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

Based on the annual report of the Company for the year ended 31 December 2016, the audited net asset value per Share as at 31 December 2016 was RMB1.79, which represents:

(i) a discount of approximately 75.06% to the closing price of RMB7.19 per A Share as quoted on the Shanghai Stock Exchange as at the A Share Last Trading Day;

(ii) a discount of approximately 49.13% to the closing price of HK$4.15 per H Share (equivalent to approximately RMB3.53) as quoted on the Hong Kong Stock Exchange as at the A Share Last Trading Day;

(iii) a discount of approximately 74.73% to the average closing price of RMB7.10 per A Share as quoted on the Shanghai Stock Exchange for the last five trading days up to and including the A Share Last Trading Day;

(iv) a discount of approximately 74.51% to the average closing price of RMB7.04 per A Share as quoted on the Shanghai Stock Exchange for the last ten trading days up to and including the A Share Last Trading Day.

The net asset value per Share will be adjusted if any ex-right or ex-dividend event (such as distribution of dividend, bonus issue, capitalization of capital reserves, and additional issuance or rights issue of new Shares) occurs between the relevant balance sheet date and the Issue Date. The formula for the adjustment is set out below:

$$BPS = (BPS_0 — Div)/(1 + N_2)$$

Where,

(i) BPS is the net asset value per Share after adjustment for any ex-right or ex-dividend event between the relevant balance sheet date and the Issue Date;

(ii) BPS_0 is the net asset value per Share before adjustment;

(iii) Div is the amount of cash dividend per Share in RMB distributed by the Company between the relevant balance sheet date and the Issue Date; and

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

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

The Benchmark Price will be adjusted if any ex-right or ex-dividend event (such as distribution of dividend, bonus issue, capitalization of capital reserves, additional issuance or rights issue of new Shares) occurs between the Price Determination Date and the Issue Date.

The formula for the adjustment is set out below:

$$P = (P_0 — Div)/(1 + N_3)$$

Where,

(i) P is the Benchmark Price after adjustment for any ex-right or ex-dividend event between the Price Determination Date and the Issue Date;

(ii) P_0 is the Benchmark Price before adjustment;

(iii) Div is the amount of cash dividend per Share in RMB distributed by the Company between the Price Determination Date and the Issue Date; and

(iv) N_3 is the number of (a) Shares being issued upon capitalization of capital reserves for each Share, and/or (b) Shares being issued upon distribution of share dividend for each Share by the Company between the Price Determination Date and the Issue Date.

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

Conditions precedent

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

(i) the obtaining of the approval from the Shareholders at the EGM and the Class Meetings for the Proposed Non-public Issuance of A Shares;

(ii) the obtaining of the approval from the SASAC for the Proposed Non-public Issuance of A Shares; and

(iii) the obtaining of the approval from the CSRC for the Proposed Non-public Issuance of A Shares.

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

As at the Latest Practicable Date, an application for the approval of the Proposed Non-public Issuance of A Shares had been submitted to the SASAC by the Company. No application for the approval of the Proposed Non-public Issuance of A Shares has been submitted to the CSRC by the Company. The Company will submit the application for approval to the CSRC following the approval by the SASAC and by the Independent Shareholders of the Proposed Non-public Issuance of A Shares at the EGM and the Class Meetings, in accordance with applicable laws and regulations of the PRC.

Lock-up period

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

Use of proceeds

The gross proceeds to be raised from the Proposed Non-public Issuance of A Shares will be not more than RMB12,900,000,000 (inclusive of the subscription by COSCO SHIPPING pursuant to the COSCO SHIPPING Subscription Agreement). The net proceeds from the Proposed Non-public Issuance of A Shares (after deducting all applicable costs and expenses incurred in connection with the Proposed Non-public Issuance of A Shares) are intended to be used for the payment for 20 container vessels under construction. Detailed information of the 20 container vessels are set out in the Letter from the Board.

If the actual amount of proceeds raised (after deduction of issuance expenses) is not sufficient to satisfy the investment needs of the above projects, the shortfall will be covered by the Company through self-financing. Provided that there shall be no change in the use of proceeds, the Board may authorize the operation management to decide on the specific plans and implementation time of the above projects according to the actual conditions of the market and the Company.

6. **Principal terms of the COSCO SHIPPING Subscription Agreement**

As part of the Proposed Non-public Issuance of A Shares, on 30 October 2017, the Company and COSCO SHIPPING entered into the COSCO SHIPPING Subscription Agreement pursuant to which COSCO SHIPPING has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue, 50% of the total number of A Shares to be issued under the Proposed Non-public Issuance of A Shares.

Below summarises the major terms of the COSCO SHIPPING Subscription Agreement, however, the Independent Shareholders are advised to refer to the Letter from the Board for the full details of the terms in relation to the COSCO SHIPPING Subscription Agreement.

Date

30 October 2017

Parties

(1) The Company as the issuer; and

(2) COSCO SHIPPING as the subscriber

Subscription Price and pricing principles

The subscription price shall not be lower than the Benchmark Price, being (i) 90% of the A Share Average Trading Price (being the average trading price of the A Shares during the 20 trading days immediately preceding the Price Determination Date, which is calculated by dividing the total turnover of the A Shares by the total trading volume of the A Shares during the 20 trading days immediately preceding the Price Determination Date) or (ii) the Floor Price (being the latest audited net asset value per Share before the issuance of A Shares under the Proposed Non-public Issuance of A Shares), whichever is higher.

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

COSCO SHIPPING will not participate in the pricing exercise for the Proposed Non-public Issuance of A Shares, but will accept results of price inquiry and subscribe for the A Shares at the same subscription price as other target subscribers.

We note that the subscription price was not fixed as at the date of the COSCO SHIPPING Subscription Agreement. We have inquired with the management of the Company and understood that the reason of using such pricing policy of the subscription price was due to the change of regulation and related rules regarding non-public issuance of A-Share in the earlier time of this year by CSRC. For our due diligence purpose, we have reviewed the related regulations (including《關於修改〈上市公司非公開發行股票實施細則〉的決定》(Decision on Amending Implementing Rules on〈Non-Public Issuance of Shares by Listed Companies〉*) published by CSRC and《發行監管問答 — 關於引導規範上市公司融資行為的監管要求》(the Issuance Regulatory Questions and Answers — Regulatory Requirements regarding Guiding and Regulating Listed Companies' Financing Activities*) (collectively, the "**New PRC Regulations**") published by the CSRC on 17 February 2017) and acknowledged that the basis is in compliance with the regulations of the PRC.

Accordingly, we have searched information on Cninfo (巨潮諮詢網, www.cninfo.com.cn, being a website designated by CSRC for the purpose of information disclosure) for companies listed on the Shanghai Stock Exchange to identify non-public A shares issuance proposal or revised non-public A shares issuance proposal as published from three months prior to, and including the date of the Announcement (the "**Comparables**"), for comparison purpose. We have identified 18 Comparables in considering whether the terms of the Proposed Non-public Issuance of A Shares are fair and reasonable. Despite that the businesses, operations, prospects and size of the fund raising of the relevant A Share issuance of the Company are not exactly the same as the subject companies of the Comparables, we consider that the Comparables are exhaustive, fair and representative as they demonstrate the prevailing market practice of the Shanghai Stock Exchange for non-public issuance of A Shares subsequent to the implementation of the New PRC Regulations and provide a reasonable reference to the Independent Shareholders. Summarised below is our relevant findings:

Company	Stock Code	Date of proposal/ latest revised proposal	Basis for A-share issue price
Sinopec Oilfield Service Corporation	600871.SH	30 October 2017	90% of the 20-day average trading price of the A-shares immediately preceding the price referencing date (i.e. the first day of the issuance period)

Company	Stock Code	Date of proposal/ latest revised proposal	Basis for A-share issue price
China Southern Airlines Company Limited	600029.SH	20 September 2017	90% of the 20-day average trading price of the A-shares immediately preceding the price referencing date (i.e. the first day of the issuance period); and the Floor Price, whichever is higher
Sichuan Expressway Company Limited	601107.SH	19 September 2017	90% of the 20-day average trading price of the A-shares immediately preceding the price referencing date (i.e. the first day of the issuance period); and the Floor Price, whichever is higher
Longjian Road & Bridge Co., Ltd.	600853.SH	19 September 2017	90% of the 20-day average trading price of the A-shares immediately preceding the price referencing date (i.e. the first day of the issuance period)
Beijing Capital Co., Ltd.	600008.SH	14 September 2017	90% of the 20-day average trading price of the A-shares immediately preceding the price referencing date (i.e. the first day of the issuance period)
V.GRASS Fashion Co, Ltd	603518.SH	8 September 2017	90% of the 20-day average trading price of the A-shares immediately preceding the price referencing date (i.e. the first day of the issuance period)

Company	Stock Code	Date of proposal/ latest revised proposal	Basis for A-share issue price
Guangdong Rongtai Industry Co., Ltd.	600589.SH	7 September 2017	90% of the 20-day average trading price of the A-shares immediately preceding the price referencing date (i.e. the first day of the issuance period)
Zhejiang Hisun Pharmaceutical Co., Ltd	600267.SH	31 August 2017	90% of the 20-day average trading price of the A-shares immediately preceding the price referencing date (i.e. the first day of the issuance period)
Changjiang & Jinggong Steel Building (Group) Co., Ltd.	600496.SH	29 August 2017	90% of the 20-day average trading price of the A-shares immediately preceding the price referencing date (i.e. the first day of the issuance period)
Guodian Nanjing Automation Co., Ltd.	600268.SH	26 August 2017	90% of the 20-day average trading price of the A-shares immediately preceding the price referencing date (i.e. the first day of the issuance period)
Thinker Agricultural Machinery Co., Ltd.	603789.SH	25 August 2017	90% of the 20-day average trading price of the A-shares immediately preceding the price referencing date (i.e. the first day of the issuance period)

Company	Stock Code	Date of proposal/ latest revised proposal	Basis for A-share issue price
Spring Airlines Co., Ltd.	601021.SH	24 August 2017	90% of the 20-day average trading price of the A-shares immediately preceding the price referencing date (i.e. the first day of the issuance period)
Huaneng Power International, Inc.	600011.SH	22 August 2017	90% of the 20-day average trading price of the A-shares immediately preceding the price referencing date (i.e. the first day of the issuance period)
China United Network Communications Limited	600050.SH	21 August 2017	90% of the 20-day average trading price of the A-shares immediately preceding the price referencing date (i.e. the first day of the issuance period)
Guangxi Nanning Waterworks Co., Ltd.	601368.SH	9 August 2017	90% of the 20-day average trading price of the A-shares immediately preceding the price referencing date (i.e. the first day of the issuance period)
Orient Securities Company Limited	600958.SH	8 August 2017	90% of the 20-day average trading price of the A-shares immediately preceding the price referencing date (i.e. the first day of the issuance period)

Company	Stock Code	Date of proposal/ latest revised proposal	Basis for A-share issue price
Yibin Paper Industry Co., Ltd."	600793.SH	2 August 2017	90% of the 20-day average trading price of the A-shares immediately preceding the price referencing date (i.e. the first day of the issuance period)
Inner Mongolia Eerduosi Resources Co., Ltd.	600295.SH	1 August 2017	90% of the 20-day average trading price of the A-shares immediately preceding the price referencing date (i.e. the first day of the issuance period)

As shown in the table above, the A-share issue price of the Comparables were not fixed as at the date of their relevant announcements and also not fixed at time of their related extraordinary general meeting or special general meeting. Moreover, we noted that (i) the basis of the subscription price is comparable to those of the Comparables; and (ii) the Pricing Benchmark Date and the price referencing dates of the Comparables will be the first day of the issuance period.

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

Lock-up period

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

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

7. **Alternative fund raising methods**

Based on our discussion with the Directors, we noted that apart from the Proposed Non-public Issuance of A Shares, the management of the Company had also considered certain alternative means of financing, including debt financing (such as bank borrowing or bond issuance) and equity financing (such as rights issue or open offer).

(i) **Debt financing**

Per our discussion with the Directors, the debt financing through bank borrowings or bond issuance would only increase the debt burden of the Group and result in higher future finance costs. It is also understood that the Company has been dedicated to reducing debt burden over the years, and in particular, the gearing ratio (being the ratio of net debts over Shareholder's equity) of the Company had been lowered noticeably over the past few years, being 98.88%, 67.07% and 66.52% for the financial year ended 2015 and 2016 and for the six months ended 30 June 2017, respectively. Therefore, considering equity financing is interest-free, we believe that it would not place any financial burden on the Company, and may to further decrease the debt to equity ratio of the Company, which we believe is in the interests of the Company and Shareholders as a whole. Therefore, we consider that debt financing is less ideal due to the adverse impact on the Company's financial position.

(ii) **Other equity financing**

Given that the issued H Share capital of the Company is significantly lower than the issued A Share capital, it is expected that the size of fund raising by rights issue, open offer or placing of H Shares will be less than RMB12.9 billion by way of the Proposed Non-public Issuance of A Shares. Based on the closing prices of the H Shares and A Shares on the Latest Practicable Date, the market capitalisation of H Shares and the A Shares were approximately HK$9.6 billion (equivalent to approximately RMB8.0 billion) and RMB62.4 billion, representing approximately 11.36% and 88.64% of the Company's total combined market capitalisation of approximately RMB70.4 billion. In addition, we understand that equity financing through rights issue and open offer of H Share would both require a longer period and are time consuming as well as need to be fully underwritten as required under the Listing Rules.

The average trading price of the H Shares during the 20 trading days immediately preceding the date of the Announcement was approximately HK$4.16 per Share (equivalent to approximately RMB3.45 per Share), which is significantly lower than that of the A Shares of approximately RMB7.03 per Share, representing a discount of approximately 50.9% to that of A Shares. We consider that the conduction of the Proposed Non-public Issuance of A Shares result in a better valuation of the Company, which we believe is favourable to the Company and Shareholders as a whole. Moreover, if the Company conducts the fund raising by way of issuance of new H Shares in Hong Kong with the same expected amount of proceeds as the Proposed Non-public Issuance of A Shares of not more than approximately RMB12.9 billion, assuming a pricing basis of not lower than 90% of the A Share Average Trading Price, the number of H Shares to be issued will be substantially more than that required for the Proposed Non-public Issuance of A Shares, which will result in a greater dilution effect to the shareholding of the existing Shareholders and will not be in the interests of the Independent Shareholders. In addition, as advised by the management of the Company, the Group mainly operates in the PRC with most of the transactions denominated in RMB, so such that it will be in the interests of the Company to issue A Shares to obtain the funding directly in RMB. In case if the Company conducts fund raising activities by way of issuance of new H Shares in Hong Kong, the Company may be required to convert the foreign currencies raised from such issue to RMB, as well as to go through relevant procedures and approvals as required by the relevant PRC rules and regulations to transfer the proceeds back to the PRC for the Group uses, which we consider that it will enhance the foreign exchange risk to the Company.

Taking into consideration (i) the financial position of the Company; (ii) time consuming and potentially more cost incurred for the Company if conducting equity financing through rights issue or open offer of H Share ; (iii) the higher valuation by issuance of A Shares and the greater dilution effect to the shareholding of the existing Shareholders if the Company conducts the fund raising by way of the issuance of new H Shares in Hong Kong with a same expected amount of proceeds as the Proposed Non-public Issuance of A Shares of not more than approximately RMB12.9 billion with the same pricing basis; and (iv) the foreign exchange risk by way of issuance of new H Shares, we are of the view that it is in the interests of the Company and the Shareholders as a whole to raise funds by way of Proposed Non-public Issuance of A Shares.

8. **Financial effects of the Proposed Non-public Issuance of A Shares**

8.1. **Effect on the net asset value (“NAV”)**

According to the 2016 Annual Report, the NAV of the Group attributable to the owners of the Company was approximately RMB18,323.3 million as at 31 December 2016. The NAV would increase upon completion of the Proposed Non-public Issuance of A Shares as total proceeds from the Proposed Non-public Issuance of A Shares are estimated to be no more than approximately RMB12.9 billion in cash will bring in additional funds to the Group.

8.2. **Effect on cash/working capital**

As disclosed in the 2017 Interim Report, the Group had current assets of approximately RMB39,210.2 million including cash and bank balances of approximately RMB24,698.7 million and current liabilities of approximately RMB40,015.5 million. As the gross proceeds to be raised from the Proposed Non-public Issuance of A Shares will be not more than RMB12.9 billion and the net proceeds tend to be fully used for the payment of the consideration for 20 container vessels under construction, we consider that the Proposed Non-public Issuance of A Shares will not have a material adverse impact on the cash/working capital of the Group.

8.3. **Effect on the gearing ratio**

As disclosed in the 2017 Interim Report, the Group reported a gearing ratio of 66.52% as at six months ended June 2017. Upon completion of the Proposed Non-public Issuance of A Shares, Group's debt to assets ratio will be decreased as the net proceeds will be brought to the Group without any increase in debt.

Based on the above, we are of the view that the Proposed Non-public Issuance of A Shares will have an overall positive effect on the Group's financial position and is in the interests of the Company and the Shareholders as a whole.

9. **Potential dilution to the shareholding of the existing public Shareholders**

As at the Latest Practicable Date, the total issued share capital of the Company was 10,216,274,357 Shares, which comprised 7,635,674,357 A Shares and 2,580,600,000 H Shares.

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

Name of Shareholder	Class of Shares	Shareholding as the Latest Practicable Date			Shareholding immediately after completion of the Proposed Non-public Issuance of A Shares		
		Number of Shares	Approximate percentage of the issued A Share capital (%)	Approximate percentage of the total issued share capital (%)	Number of Shares	Approximate percentage of the issued A Share capital (%)	Approximate percentage of the total issued share capital (%)
COSCO and its wholly-owned subsidiary (Note 1)	A	4,557,594,644	59.69	44.61	4,557,594,644	47.08	37.18
	H	87,635,000	—	0.86	87,635,000	—	0.71
COSCO SHIPPING	A	—	—	—	1,021,627,435	10.56	8.33
Sub-total		4,645,229,644	59.69	45.47	5,666,857,079	57.64	46.22
Other subscribers (not more than 9)		—	—	—	1,021,627,435	10.56	8.33%
Other A Shareholders	A	3,078,079,713	40.31	30.13	3,078,079,713	31.80	25.11
Other H Shareholders	H	2,492,965,000	—	24.40	2,492,965,000	—	20.33
Sub-total of other Shareholders		5,571,044,713	40.31	54.53	5,571,044,713	42.36	45.44
Total		10,216,274,357	100.00	100.00	12,259,529,227	100.00	100.00

Source: Letter from the Board

Note:

(1) COSCO directly holds 4,557,594,644 A Shares, and holds 87,635,000 H Shares through Peaktrade Investments Ltd., a wholly-owned subsidiary of COSCO SHIPPING (Hong Kong) Co., Limited which is a wholly-owned subsidiary of COSCO. COSCO holds 4,645,229,644 Shares in aggregate, representing 45.47% in equity interest in the Company, and is a direct controlling shareholder of the Company.

(2) Based on the number of A Shares and H Shares held by public Shareholders, the Company will be able to continue to comply with the public float requirements under the Listing Rules upon the issuance of Shares under the Proposed Non-public Issuance of A Shares.

Upon completion of the Proposed Non-public Issuance of A Shares (assuming there is no adjustment to the issue price of A Shares and no change in the total issued share capital of the Company since the Latest Practicable Date save for the issue of the Shares pursuant to the Proposed Non-public Issuance of A Shares), the shareholding of the public H Shareholders of the Company would be diluted by approximately 4.07%.

Although there will be a dilution effect to the shareholding interest of existing public shareholders of H Shares as a result of the Proposed Non-public Issuance of A shares, we have, however taken into account:

(i) the reasons for and benefits of the Proposed Non-public Issuance of A Shares and the COSCO SHIPPING Subscription;

(ii) the principal terms of the COSCO SHIPPING Subscription Agreement being fair and reasonable so far as the Independent Shareholders are concerned;

(iii) the alternative fund raising methods as set out in the section headed “Alternative Fund Raising Methods” in this letter; and

(iv) the determination of the subscription price is on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

We consider that the Proposed Non-public Issuance of A Shares is an acceptable method of fund raising by the Company and the dilution to the shareholding interests of the existing public Shareholders is acceptable.

RECOMMENDATION

We have considered the above principal factors and reasons and in particular, have taken into account the following factors in arriving at our opinion:

(i) the Proposed Non-public Issuance of A Shares is in the interests of the Shareholders and the Company as a whole;

(ii) the COSCO SHIPPING Subscription Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned;

(iii) the determination of the subscription price is on normal commercial terms, as well as in line with recent PRC market practice based on the New PRC Regulations, and fair and reasonable so far as the Independent Shareholders are concerned;

(iv) the Proposed Non-public Issuance of A Shares is of better interests to the Company and Shareholders as a whole to raise funds through the Proposed Non-public Issuance of A Shares when compared against other fund raising alternatives;

(v) the Proposed Non-public Issuance of A Shares would have an overall positive effect on the financial position of the Group and is in the interests of the Company and the Shareholders as a whole;

(vi) the potential shareholding dilution to the shareholding interests of the existing public Shareholders is acceptable.

We are of the opinion that (1) although the Proposed Non-public Issuance of A Shares and the COSCO SHIPPING Subscription are not in the ordinary and usual course of the business of the Group, the entering into the COSCO SHIPPING Subscription Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole; (2) the terms of the Proposed Non-public Issuance of A Shares, the COSCO Subscription Agreement and the Specific Mandate are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders and we recommend the Independent Shareholders to vote in favour of the resolutions in respect of the (i) the Proposed Non-public Issuance of A Shares; (ii) the Proposed COSCO SHIPPING Subscription and (iii) the Specific Mandate at the EGM and the Class Meetings.

Yours faithfully,
For and on behalf of
Platinum Securities Company Limited

Li Lan
Director and Co-head of Corporate Finance

Mr. Li Lan is a licensed person registered with the Securities and Futures Commission and as a responsible officer of Platinum Securities Company Limited to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and has over ten years of experience in corporate finance industry

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

A-share Stock code: 601919.SH Stock Name of A Shares: 中遠海控

H-share Stock code: 01919.HK Stock Name of H Shares: COSCO SHIP HOLD

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

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

PROPOSAL IN RESPECT OF THE NON-PUBLIC ISSUANCE OF A SHARES

October 2017

STATEMENT OF THE COMPANY

1. The Company and all members of the board of directors (the "Board") warrant the truthfulness, accuracy and completeness of the information herein without any false representations, misleading statements or material omissions.

2. Following the completion of the Non-public Issuance of A Shares described herein, the Company shall be responsible for any of its changes in operation and profits, and the investors shall be responsible for investment risks caused by the Non-public Issuance of A Shares.

3. The Proposal is the representation made by the Board for the Non-public Issuance of A Shares, and any statement against the information herein shall be deemed as misrepresentation.

4. Any information herein shall not represent judgment, confirmation or approval of competent authorities for the Non-public Issuance of A Shares herein. The effectiveness and completion of any matters relevant to Non-public Issuance of A Shares have not yet been approved or verified by the competent authorities.

5. In case of any doubts, the investors shall consult their own stock brokers, lawyers, professional accountants or other professional advisers.

SPECIAL NOTES

1. The matters relevant to the Non-public Issuance of A Shares were approved at the fifth meeting of the fifth session of the Board of the Company. The Non-public Issuance of A Shares is subject to verification and approval by the State-owned Assets Supervision and Administration Commission of the State Council ("SASAC"), approval at the general meeting, A shares class meeting and H shares class meeting, and verification and approval by the China Securities Regulatory Commission ("CSRC").

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

   In addition to COSCO SHIPPING, other target subscribers include securities investment fund management companies, securities companies, trust investment companies, finance companies, insurance institutional investors, qualified offshore institutional investors and other qualified investors that meet the provisions of laws and regulations in compliance with the provisions of the CSRC. A securities investment fund management company subscribing through over two funds managed by it will be regarded as one target subscriber. Trust investment companies may only pay the subscription price with their own funds. (In case of other provisions on the target subscribers under laws, administrative regulations, administrative rules of the CSRC or normative documents, such provisions shall prevail.)

3. COSCO SHIPPING, the target subscriber of the Non-public Issuance, is the indirect controlling shareholder of the Company. Therefore, the Non-public Issuance constitutes a connected transaction and needs to be considered and approved by the general meeting, A share class meeting and H share class meeting of the Company. When relevant proposals are considered by the Board, connected directors shall abstain from voting and non-connected directors shall approve such proposals. When relevant proposals are submitted to the general meeting for approval, connected shareholders shall also abstain from voting.

4. The pricing benchmark date of the Non-public Issuance of A Shares is the first day of the Issuance. In compliance with relevant provisions of the Measures for Administration of the Issuance of Securities by Listed Companies (《上市公司證券發行管理辦法》), the issuance price under the Non-public Issuance of A Shares will be not less than 90% of the average trading price of A shares of the Company over the 20 trading days preceding the pricing benchmark date, also not less than the latest audited net assets per share at the time of the Issuance of the Company (in cases of ex-dividend or ex-right matters during the period from the balance sheet date to the Issuance Date, net assets per share shall be adjusted accordingly). (Note: the average trading price of A shares over the 20 trading days preceding the pricing benchmark date = the total turnover of A shares over the 20 trading days preceding the pricing benchmark date/the total trading volume of A shares over 20 trading days preceding the pricing benchmark date.)

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

5. The number of A shares under the Non-public Issuance shall be no more than 2,043,254,870 shares, and the approved number of issued shares by CSRC shall prevail. To the extent of the Issuance mentioned above, the final number of shares to be issued shall be determined by the Board and its authorized persons as authorized by the general meeting after consultation with the sponsor (lead underwriter) based on the total amount of proceeds and actual circumstances of the subscription.

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

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

6. All of the shares under the Non-public Issuance of A Shares to be subscribed by COSCO SHIPPING shall not be transferred within 36 months from the completion of the Issuance; and the shares to be subscribed by other target subscribers shall not be transferred within 12 months from the completion of the Issuance. From the date when the Non-public Issuance of A Shares ends to the date when restrictions on share trading are lifted, target subscribers shall submit themselves to the aforesaid provisions if they increase their shareholdings in the Company due to the bonus issue or conversion of capital reserve into share capital of the Company for the purpose of the A shares subscribed for by them under the Non-public Issuance.

7. The gross proceeds from the Non-public Issuance shall not exceed RMB12.9 billion. Deducting issuance expenses, the net proceeds will be used to provide funds for the container vessels under construction.

8. Upon completion of the Non-public Issuance, the proportion of shares of the Company held by the public shall not be less than 10%. Thus, the Non-public Issuance will not cause any share distribution of the Company which fails to meet the listing requirements.

9. The Non-public Issuance will not cause changes in the controlling shareholder or beneficial controller of the Company.

10. The undistributed accumulated profits of the Company before the Issuance shall be shared by the existing and new shareholders upon completion of the Issuance.

11. Investors shall pay attention to the details on the Company's existing profit distribution policy, specific implementation of cash dividend and profit distribution for the last three years and the Shareholders' Return Plan for the Next Three Years (2017-2019) under "Section V Profit Distribution" herein.

CONTENTS

DEFINITIONS

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

COSCO SHIPPING Holdings/Issuer/Company	COSCO SHIPPING Holdings Co., Ltd., formerly known as "China COSCO Holdings Company Limited"
COSCO SHIPPING	China COSCO Shipping Corporation Limited
COSCO Group	China Ocean Shipping (Group) Company
China Shipping	China Shipping (Group) Company
COSCO SHIPPING Ports	COSCO SHIPPING Ports Limited
Orient Overseas	Orient Overseas (International) Ltd.
Clarkson	Clarkson Plc
Drewry	Drewry Shipping Consultants Ltd
Liner Company	a shipping company which uses its self-owned or self-operated vessels to provide liner shipping services among international ports and is established in accordance with laws
TEU	a unit which is used to measure a vessel's capability to carry containers
Container	a type of constituent tool which can load packaged or unpackaged goods for transportation and helps mechanical equipment with transportation and handling
Non-public Issuance of A Shares/Non-public Issuance/Issuance	the Non-public Issuance and listing of A shares of COSCO Shipping Holdings Co., Ltd
Plan	Plan on the Non-public Issuance of A Shares by COSCO Shipping Holdings Co., Ltd
Pricing Benchmark Date	the first date in the period of Non-public Issuance of A Shares
Issuance Date	the date when shares issued in the Non-public Issuance of A Shares are registered in the share accounts opened by target subscribers with securities registration and settlement institutions
General Meeting	general meeting of the Issuer
Board	board of directors of the Issuer

Board Meeting	the fifth meeting of the fifth session of the Board of the Directors of the Issuer
Articles of Association	the Articles of Association of COSCO SHIPPING Holdings Co., Ltd as formulated and amended from time to time by the Issuer
Share Subscription Agreement	the Share Subscription Agreement between COSCO SHIPPING Holdings Co., Ltd. and China COSCO Shipping Corporation Limited entered into by the Issuer and China COSCO on 30 October 2017
CSRC	China Securities Regulatory Commission
SSE	The Shanghai Stock Exchange
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
SASAC	State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)
Company Law	the Company Law of the People's Republic of China
Securities Law	the Securities Law of the People's Republic of China
Listing Rules	the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange (2014 Revision)
Issuance Administration Measures	the Measures for Administration of the Issuance of Securities by Listed Companies (上市公司證券發行管理辦法)
Implementation Rules	Implementing Rules on Non-public Issuance of Shares by Listed Companies (上市公司非公開發行股票實施細則)
A Shares	ordinary shares that are issued to domestic investors with the approval of CSRC and listed in the domestic stock exchanges, and denominated, subscribed and transacted in Renminbi
H Shares	ordinary shares that are issued to domestic investors with the approval of CSRC and approved by the Hong Kong Stock Exchange for listing, and denominated, subscribed and transacted in Hong Kong dollar
RMB, RMB10,000 and RMB100 million	Renminbi 1 Yuan, Renminbi 10,000 Yuan, Renminbi 100 million Yuan, respectively

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

SECTION I SUMMARY OF THE PROPOSAL FOR THE NON-PUBLIC ISSUANCE OF A SHARES

I. **Basic Information of the Issuer**

Legal name: 中遠海運控股股份有限公司

English name: COSCO SHIPPING Holdings Co., Ltd

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

Office address: 8/F, No. 658 Dong Da Ming Road, Shanghai, the PRC
Listing venue of A shares: The Shanghai Stock Exchange

Abbreviation for A shares: COSCO SHIP HOLD

Code of A shares: 601919

Listing venue of H shares: The Stock Exchange of Hong Kong Limited

Abbreviation for H shares: COSCO SHIP HOLD

Code of A shares: 01919

Legal representative: Wan Min

Incorporation (Business Registration) date: 3 March 2005

Postal code: 200080

Tel: 021-60298619

Fax: 021-60298618

Company website: www.chinacosco.com

E-mail: investor@chinacosco.com

II. Background and Purpose of the Non-public Issuance

(I) *Background of the Non-public Issuance*

1. *"The Belt and Road" initiative provides new opportunity and puts forward new requirements for port shipping enterprises*

At the critical stage for deepening economic globalization, accelerating the regional economic integration, deeply adjusting the global trade and investment layout, several national ministries jointly issued the Vision and Actions on Jointly Building the Silk Road Economic Belt and the 21st-Century Maritime Silk Road in March 2015, which proposed the overall framework concept of building "the Silk Road Economic Belt" and "the 21st-Century Maritime Silk Road", namely "One Belt One Road". The proposal for "the Belt and Road" initiative is beneficial for economic prosperity of the countries along the route and regional economic cooperation and also provides new business opportunities for port shipping enterprises. COSCO Shipping Holdings actively implements "the Belt and Road" initiative by accelerating the layout of the global shipping network and port hubs, facilitating the construction of the maritime trade route, and strengthening the comprehensive logistic service capability and is committed to providing more diversified, convenient and reliable services and products.

2. *Global economic recovery trend is gradually clear, which is favorable for the improvement of the container transportation cycle*

On 10 October 2017, the International Monetary Fund (IMF) raised the global economic growth forecast in 2017 and 2018 by 0.1 percentage to 3.6% and 3.7%, respectively, as compared to that in July. Meanwhile, IMF raised the growth forecast of the major economies including the PRC. It is expected that 75% of the global economies will accelerate their growth in 2017, which is the biggest growth range of global economy in ten years.

Benefiting from the gradual recovery of the global economy and trade activities, the container transportation industry has shown a trend of recovery from its bottom. According to Drewry, global container freight volume in the first half of 2017 was approximately 99.30 million TEU, representing an increase of 3.7% as compared to the same period in 2016. In addition, the average of China Containerized Freight Composite Index in the first half of 2017 was 828 points, representing an increase of 19.8% as compared to the same period in 2016. Under this context, the announced results of the listed port shipping enterprises since 2017 have been generally improved as compared to the same period.

In the long run, due to its safety and high efficiency, economic convenience and "door-to-door" transportation mode, the market demand for container vessels transportation will continue.

3. *COSCO SHIP HOLD intends to actively promote its strategies after the reorganization, whereby the Company's position and strengths will be further enhanced*

As an important constituent part of the core operations of China COSCO, COSCO SHIP HOLD is committed to becoming a first-class container transport and terminal service provider in the world after the reorganization. Its leading industry position and brand effect continue to strengthen, development strategies are strongly carried out and synergies continue to realize. The Company's container vessels under construction are not only an important carrier for improving customer service capability and diversifying services and products, but also a resource guarantee for keeping abreast of the development trend of the industry and reducing production cost, which play a significant role in strengthening the overall competitiveness of the Company.

(II) ***Purposes of the Non-public Issuance***

1. *Strengthening the Company's presence along "the Belt and Road" and further enhancing the operational capacity of the listed company*

In the container shipping segment, COSCO SHIP HOLD had a self-owned container fleet comprising 342 container vessels with a carrying capacity of 1,764,565 TEU as of 30 June 2017, ranking the fourth place in the world in terms of fleet size. Meanwhile, COSCO SHIP HOLD has 31 orders for container vessels, representing a total of 534,730 TEU. The Company's container shipping vessels have anchors in 267 ports covering 85 countries and regions all over the world with 221 international shipping routes (including international branch routes), 39 Chinese coastal routes and 86 branch routes in Pearl River Delta and Yangtze River Delta. The container shipping volume completed by the Company from January to June 2017 reached 99,977.45 million TEU.

Upon completion of the projects to be funded by the proceeds from the Non-public Issuance, the scale of COSCO SHIP HOLD's container transport business will be enlarged, which will assist the Company in enhancing its core competitiveness and strengthen the Company's capacity layout along "the Belt and Road" and the support for terminals along "the Belt and Road". It will be beneficial for the listed company to improve its competitiveness in the container shipping market and enhance the Company's speaking right, thereby further improving the operational capability and operational results of the listed company.

2. *Further optimizing vessel type and aging structure to build a global leading container transportation fleet*

As the container transportation industry continuously develops, the economy of scale resulting from large vessels becomes prominent and "large-scale" container vessels have become a general trend in the industrial development. The proceeds from the Non-public Issuance will be used to pay the consideration for 20 container vessels under construction, which are expected to be successively delivered for use during the period from 2018 to

2019. The Company's container vessels under construction are not only an important carrier for improving customer service capability and diversifying services and products, but also a resource guarantee for keeping abreast of the development trend of the industry and reducing production cost, which play a significant role in strengthening the overall competitiveness of the Company. Upon complete delivery, such vessels can effectively increase the proportion of capacity of the Company's self-owned vessels, further lower the average age of the fleet, optimize the Company's fleet layout and improve the vessel asset structure.

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

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

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

The target subscribers of the Non-public Issuance of A Shares are no more than ten specific subscribers including COSCO SHIPPING, the indirect controlling shareholder of the Company. In addition to COSCO SHIPPING, other target subscribers include securities investment fund management companies, securities companies, trust investment companies, finance companies, insurance institutional investors, qualified foreign institutional investors and other qualified investors that meet the provisions of laws and regulations in compliance with the provisions of the CSRC. A securities investment fund management company subscribing with over two funds managed by it will be regarded as one subscriber. As target subscribers, trust investment companies may only subscribe with their own funds. (If otherwise prescribed in laws, administrative regulations, administrative rules and regulative documents of the CSRC with respect to the target subscribers, those relevant provisions shall prevail.)

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

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

COSCO SHIPPING, the indirect controlling shareholder of the Company, undertakes to subscribe for 50% of A shares to be issued under the Non-Public Issuance. Upon completion of the Non-public Issuance, there will be no changes in the beneficial controller of the Company.

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

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

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

(II) ***Method of issuance and date of issue***

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

(III) ***Target subscribers and ways of subscription***

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

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

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

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

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

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

(V) ***Number of shares to be issued***

Not more than 2,043,254,870 A shares will be issued under the Non-Public Issuance and the number of shares to be issued are subject to the final approval by the CSRC. To the extent of the above Issuance, the Board and its authorized representative(s) shall determine the final number of the A shares to be issued in accordance with the authorization granted by the Shareholders at the general meeting and based on the total amount of funds raised and the actual subscription condition after consultation with the sponsor (lead underwriter).

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

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

(VI) ***Arrangement of lock-up period***

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

From the date when the Non-public Issuance of A Shares ends to the date when restrictions on share trading were lifted, target subscribers shall submit themselves to the aforesaid provisions if they increase their shareholdings in the Company due to the bonus issue or conversion of capital reserve into share capital of the Company for the purpose of the A shares subscribed for by them under the Non-public Issuance.

(VII) ***Place of listing***

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

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

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

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

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

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

The total proceeds raised from the Non-Public Issuance of A Shares is expected to be not more than RMB1.29 million. The net proceeds after deducting issuance fees and expenses will be used for payment of the consideration for container vessels under construction.

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

Before the Issuance, COSCO SHIPPING who proposes to participate in the subscription was the indirect controlling shareholder of the Company, and indirectly held 45.47% equity interest in the Shares of the Company via COSCO Group and its wholly-owned subsidiaries. Thus, the Issuance will constitute a connected transaction. The Company will strictly comply with relevant regulations to fulfill the procedures for reviewing the connected transaction and consider and approve that connected shareholders should abstain from voting at the extraordinary general meeting, the A Share Class Meeting and the H Share Class Meeting in relation to the Issuance.

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

Before the Issuance, COSCO SHIPPING held a total of 45.47% equity interest in the shares of the Company via COSCO Group and its wholly-owned subsidiaries and thus was an indirect controlling shareholder of the Company. According to the proposal of the Non-Public Issuance, and assuming that 2,043,254,870 A shares are to be issued under the Non-public Issuance by COSCO SHIPING Holdings and of which 50% are subscribed by COSCO SHIPPING, the shareholding of COSCO SHIPPING in the Company, directly or indirectly, will increase to 46.22% upon the completion of the Issuance, and will remain to be the indirect controlling shareholder of the Company. Meanwhile, the SASAC shall remain as the beneficial controller of the Company. Therefore, the Issuance will not result in the change in control of the Company.

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

The Non-Public Issuance have been considered and approved at the fifth meeting of the fifth session of the Board of the Company. The Non-public Issuance is still subject to the fulfillment of following the procedures:

1. The Non-public Issuance shall be subject to the approval of the SASAC;

2. The Non-public Issuance shall be subject to approval of the general meeting, the A Share Class Meeting and the H Share Class Meeting of the Company; and

3. The Non-public Issuance shall be subject to the approval of the CSRC.

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

The Non-public Issuance of A Shares are proposed to be issued to no more than ten specific subscribers (including COSCO SHIPPING). In addition to COSCO SHIPPING, the target subscribers are securities investment fund management companies, securities companies, trust investment companies, finance companies, insurance institutional investors, qualified foreign institutional investors that meet the requirements of the CSRC and other qualified investors that meet the requirements of laws and regulations. A securities investment fund management company subscribing through over two funds managed by it will be regarded as one subscriber. Trust investment companies may only pay the subscription price with their own funds. If the laws, administrative regulations, administrative rules or normative documents of the CSRC have other provisions on the target subscribers at the time of issuance, such provisions shall prevail.

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

I. Basic Information of COSCO SHIPPING

(I) *Profile of COSCO SHIPPING*

Company name: China COSCO Shipping Corporation Limited

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

Legal representative: Xu Lirong

Registered capital: RMB11,000,000,000

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

Date of establishment: 5 February 2016

Unified creditability code: 91310000MA1FL1MMXL

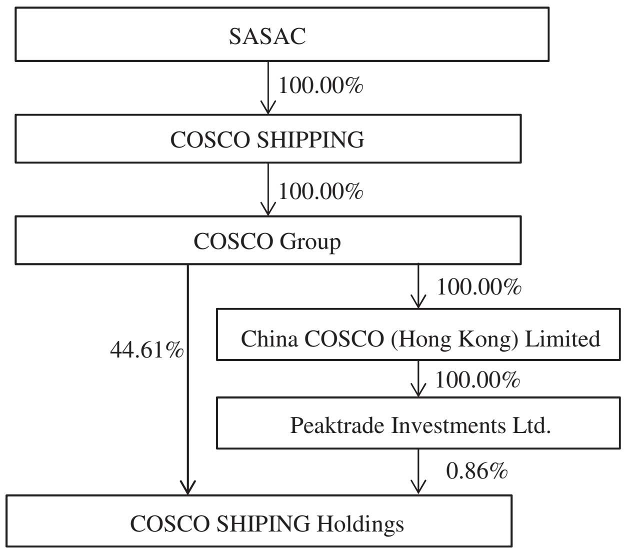
The scope of business includes international shipping, ancillary business in international maritime transportation; engagement in import and export of goods and technologies; maritime, land, air freight agency business; leasing of self-owned vessels; sales of vessels, containers and steel; design of maritime engineering equipment; investment in docks and ports, sales of communication equipment, information and technology services; warehousing (other than hazardous chemicals); engagement in technological development, transfer of technology, technological consultancy, technological services in relation to shipping, spare parts and related fields, equity investment funds. (Projects that are subject to the approval in accordance with applicable laws shall carry out operating activities only after the approval by relevant authorities).

(II) ***Shareholding and control***

As of 30 June 2017, COSCO Group directly held 4,557,594,644 A Shares of COSCO SHIPPING Holdings, and held 87,635,000 H Shares through Peaktrade Investments Ltd., the wholly-owned subsidiary of its wholly-owned subsidiary COSCO (Hong Kong) Group Limited, such 87,635,000 H Shares were included in the shareholdings of HKSCC NOMINEE LIMITED. COSCO Group held in total of 4,645,229,644 Shares of the Listed Company, representing 45.47% of its total share capital and is the direct controlling shareholder of the Issuer.

The sole shareholder of COSCO Group is COSCO SHIPPING. As of 30 June 2017, COSCO SHIPPING indirectly held 45.47% of the equity interests in the shares of the issuer through holding 100% of the equity interests in COSCO Group. COSCO SHIPPING is affiliated to the SASAC, and is a central enterprise directly managed by the SASAC. The SASAC is the only investor and beneficial controller of COSCO SHIPPING.

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



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

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

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

(IV) ***Brief financial statements in the latest year of COSCO SHIPPING***

The brief consolidated financial statements figures (audited) in the latest year of COSCO SHIPPING are as follows:

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

Unit: RMB10,000

Items	**Consolidated statements**
Total assets	65,875,709.18
Total liabilities	42,046,665.66
Owner's equity	23,829,043.51

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

Unit: RMB10,000

Items	**Consolidated statements**
Total operating revenue	19,759,362.05
Total operating costs	21,658,777.49
Total profit	1,607,179.71
Net profit	398,750.64

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

Unit: RMB10,000

Items	**Consolidated statements**
Net cash flow generated from business activities	548,892.78
Net cash flow generated from investing activities	-3,989,988.45
Net cash flow generated from financing activities	4,083,862.08
Net increase in cash and cash equivalents	1,125,917.74

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

COSCO SHIPPING and its key management personnel (including directors, supervisors and senior management) strictly comply with relevant laws and regulations of the People's Republic of China, and have neither been subject to administrative punishments and criminal punishments in respect of the Non-public Issuance or securities markets that have an effect on COSCO SHIPING Holdings, nor involved in any major civil suit or arbitration in relation to economic disputes, as well as failure to repay large debts on schedule, failure to fulfill its commitments or being publicly condemned by stock exchanges in the last five years.

(VI) ***Horizontal competition and connected transactions***

1. *Horizontal competition*

The principal businesses of the COSCO SHIPING Holdings and its subsidiaries are container shipping business and port business. There is no directly or indirectly horizontal competition between the current principle businesses of COSCO Group, the immediate controlling shareholder of COSCO SHIPING Holdings, and COSCO SHIPPING and its subsidiaries (excluding the Company and its subsidiaries), the indirect controlling shareholder of COSCO SHIPING Holdings, and the principle business of the Company and its subsidiaries.

This Issuance represents the Non-public Issuance of A Shares by COSCO SHIPING Holdings to not more than ten specific subscribers (including COSCO SHIPPING). The net proceeds after deducting issuance fees and expenses will be used for payment of the consideration for container vessels under construction. Therefore, no horizontal competition or potential horizontal competition among COSCO SHIPING Holdings and COSCO Group and COSCO SHIPPING and its subsidiaries (its immediate and indirect controlling shareholders, excluding the Company and its subsidiaries) will take place as a result of the Issuance.

2. *Connected transaction*

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

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

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

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

II. **Summary of Share Subscription Agreement**

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

(I) ***Parties and Date***

Issuer: COSCO SHIPPING Holdings Co., Ltd.

Subscriber: China COSCO Shipping Corporation Limited

Date: 30 October 2017

(II) ***Issuance of Shares***

If all the conditions precedent as required in this agreement are satisfied, COSCO SHIPING Holdings agrees to issue A shares to COSCO SHIPPING through Non-public issuance and COSCO SHIPING agrees to subscribe for the same issued by COSCO SHIPING Holdings.

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

Both parties agree that, COSCO SHIPING Holdings will issue A shares at an issue price of not less than 90% of the average trading price of A shares for the 20 trading days preceding the pricing benchmark date of the Non-public Issuance (the average trading price of A shares over the 20 trading days preceding the Pricing Benchmark Date = total turnover of shares over the 20 trading days preceding the Pricing Benchmark Date/the total trading volume of shares over 20 trading days preceding the Pricing Benchmark Date) and not less than the issuance price of the latest audited net assets per share to COSCO SHIPPING (subject to adjustment according to ex-dividend or ex-right events during the period from the balance date to the date of the Issuance). The final issuance price of the Non-public Issuance shall be determined by the Board and its authorized persons of COSCO SHIPING Holdings upon obtaining the approval documents in relation to the Issuance from the CSRC, who accept enquiry on the basis of Benchmark Price as determined in the abovementioned paragraph according to relevant provisions under the Implementation Rules, and the sponsor (lead underwriter) in accordance with the authorization granted by the general meeting of the Company based on the bid prices offered by the subscribers from the price inquiry results and according to the price priority principle. COSCO SHIPPING will not participate in price inquiry exercise in the form of market auction but will accept the price inquiry results, and its subscription price is the same as the other issuance targets. The Benchmark Price of the Non-public Issuance will be adjusted accordingly in cases of ex-right or ex-dividend matters of A shares of COSCO SHIPPING Holdings such as distribution of dividend, bonus issue, conversion of capital reserve into share capital, issuance of new shares or placement of shares during the period from the Pricing Benchmark Date to the date of the Issuance.

COSCO SHIPPING agrees to subscribe for the A shares from COSCO SHIPPING Holdings in cash at the final determined price.

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

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

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

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

(III) ***Conditions Precedent***

The Non-public issuance shall be conditional upon:

1. Internal approval of COSCO SHIPPING Holdings. The Non-public Issuance has been effectively approved by the board of directors, extraordinary general meeting, A Shares class meeting and H Shares class meeting of COSCO SHIPING Holdings.

2. Approval of the SASAC. Relevant matters concerning the Non-public Issuance have been approved by the SASAC.

3. Approval of the CSRC. Relevant matters concerning the Non-public Issuance have been approved by the CSRC.

(IV) ***Method of payment***

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

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

COSCO SHIPING Holdings will designate a certified public accountant firm with qualifications for securities and futures trading to verify the subscription capital paid by COSCO SHIPPING.

(V) ***Arrangement for the undistributed accumulated profits***

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

(VI) ***Responsibility for breach of the agreement***

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

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

When the agreement comes into force, if COSCO SHIPPING expressly disclaims any subscription or fails to pay the Subscription amount within 30 days upon receipt of the notice demanding the subscription money issued by COSCO SHIPING Holdings, COSCO SHIPING Holdings shall have the right to cancel the agreement unilaterally by written notice without any responsibility, and the agreement will be cancelled on the next day from the date of the said written notice to terminate the Agreement issued by COSCO SHIPING Holdings. COSCO SHIPPING shall pay an overdue fine to COSCO SHIPING Holdings for its delayed payment as well as a penalty equivalent to 1.5% of the Subscription amount under the agreement. Also, COSCO SHIPPING shall compensate COSCO SHIPING Holdings for all the losses suffered or incurred by COSCO SHIPING Holdings as a result of such default (including but not limited to the underwriting fees, attorneys' fees and auditors' fees paid by COSCO SHIPING Holdings for the Non-Public Issuance).

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

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

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

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

The total proceeds to be raised from the Non-public Issuance shall be no more than RMB12.9 billion and will be used for the following purposes after deducting the cost of Issuance:

Unit: RMB10,000

No.	Project name	Total investment	Amount of investment	The amount of proceeds to be used in the project
1	Payment of the consideration for 5 container vessels under construction (with capacity of 13,800 TEU each)	389,902.61	54,263.29	300,000.00
2	Payment of the consideration for 4 container vessels under construction (with capacity of 14,568 TEU each)	328,128.34	106,641.71	200,000.00
3	Payment of the consideration for 5 container vessels (with capacity of 20,119 TEU each)	465,649.22	124,989.42	320,000.00
4	Payment of the consideration for 6 container vessels (with capacity of 21,237 TEU each)	561,163.17	74,322.66	470,000.00
Total		**1,744,843.33**	**360,217.08**	**1,290,000.00**

Note: Total consideration for 20 container vessels under construction to be paid amounts to USD2,629,003,500 (approximately RMB17,448,433,300). The exchange rate at which USD amounts are translated into RMB amounts is based on the median price of the exchange rate of USD against RMB announced by the People's Bank of China on 30 September 2017: USD1=RMB6.6369

Before receiving the proceeds raised from the Issuance, the Company will, depending on its needs and the actual progress of the investment projects, finance these projects by its self-raised fund which shall be replaced once the proceeds have been received in accordance with the procedures required by relevant regulations. If the actual amount of proceeds (after deduction of issuance costs) is insufficient to meet the investment needs of the aforesaid project, the Company will make up for the shortfall through its self-raised fund. Provided that the usage of the proceeds raised from the Issuance is not changed, the Board of the Company may authorize the management to decide specific plans and implementation timetable for the aforesaid projects according to market conditions and the Company's actual situation.

II. **Analysis on the Feasibility of the Proceeds Raised in the Issuance**

1. ***Basic information of the Project***

In order to optimize the Company's ship structure, improve the Company's operation and management efficiency and further enhance the overall competitiveness of Company's fleet, the Company intends to utilize the proceeds raised from the Issuance for the payment of the consideration for 20 container vessels under construction, including 5 container vessels with a capacity of 13,800 TEU each, 4 container vessels with a capacity of 14,568 TEU each, 5 container vessels with a capacity of 20,119 TEU each and 6 container vessels with a capacity of 21,237 TEU each, of which, the construction plans for container vessels with a capacity of 13,800 TEU each and a capacity of 21,237 TEU each have been approved at the 37th meeting of the fourth session of the Board as well as the first extraordinary general meeting of 2017 of the Company; the construction plan for container vessels with a capacity of 14,568 TEU each has been approved at the third meeting of the fourth session of the Board as well as the second extraordinary general meeting of 2014 of the Company; the construction plan for container vessels with a capacity of 20,119 TEU each has been approved at the 15th meeting of the fourth session of the Board as well as the first extraordinary general meeting of 2015 of the Company. The Company's wholly-owned subsidiary has signed the ship construction contracts with the shipyard for the above construction plans.

2. ***Analysis of the necessity of the Project***

(1) *"The Belt and Road" initiative provides new opportunity and puts forward new requirements for port shipping enterprises*

At the critical stage for deepening economic globalization, accelerating the regional economic integration, deeply adjusting the global trade and investment layout, several national ministries jointly issued the Vision and Actions on Jointly Building the Silk Road Economic Belt and the 21st-Century Maritime Silk Road in March 2015, which proposed the overall framework concept of building "the Silk Road Economic Belt" and "the 21st-Century Maritime Silk Road", namely "the Belt and Road". The proposal for "the Belt and Road" initiative is beneficial for economic prosperity of the countries along the route and regional economic cooperation and also provides new business opportunities for port shipping enterprises. COSCO Shipping Holdings actively implements "the Belt and Road" initiative by accelerating the layout of the global shipping network and port hubs, facilitating the construction of the maritime trade route, and strengthening the comprehensive logistic service capability and is committed to providing more diversified, convenient and reliable services and products.

(2) *Further optimizing vessel type and aging structure to build a global leading container transportation fleet*

As the container transportation industry continuously develops, the economy of scale resulting from large vessels becomes prominent and "large-scale" container vessels have become a general trend in the industrial development. The proceeds from the Non-public Issuance will be used to payment of the consideration for 20 container vessels under construction, which are expected to be successively delivered for use during the period from 2018 to 2019. The Company's container vessels under construction are not only an important carrier for improving customer service capability and diversifying services and products, but also resource guarantee for keeping abreast of the development trend of the industry and reducing production cost, which play a significant role in strengthening the overall competitiveness of the Company. Upon complete delivery, such vessels can effectively increase the proportion of capacity of the Company's self-owned vessels, further lower the average age of the fleet, optimize the Company's fleet layout and improve the vessel asset structure.

(3) *Seizing opportunities to build a world-leading container transportation fleet*

All of the container vessels under construction have adopted advanced design concepts, which allow them to reasonably control vessel size and increase their adaptability to ports and channels. Having full regard to varieties of trade lanes and actual needs for stowage operations, such vessels will have greater stowage flexibility and improve the effective loading capacity of cold containers, hazardous goods containers, loaded containers and high cube containers. On the premise that sufficient loading capacity is maintained and the demand for vessel usage is met and according to actual operating conditions, the shipyard will repeatedly optimize hull lines, reasonably select technical parameters and equipment configuration, conform to the development concept of energy-saving and emission reduction and environmental protection, reduce the level of oil consumption and emission and substantially enhance fuel economy. The installation of equipment and facilities such as super long stroke energy-saving machines, full-balanced helms, high-efficient propellers, auxiliary waste gas machines, ballast water disposal devices, low-sulfur fuel systems, high-voltage shore-based electricity systems and energy efficiency management system of ships provide new vessels with effective designed efficiency indicator (EDDI) which is more than 40% lower than the reference value, meeting the targeted indicator for 2030 as required by International Maritime Organization in advance.

3. ***Feasibility analysis of the Project***

(1) *Global economic recovery trend is gradually clear, which is favorable for the improvement of the container transportation cycle*

On 10 October 2017, the International Monetary Fund (IMF) raised the global economic growth forecast in 2017 and 2018 by 0.1 percentage to 3.6% and 3.7%, respectively, as compared to that in July. Meanwhile, IMF raised the growth forecast of the major economies including the PRC. It is expected that 75% of the global economies will accelerate their growth in 2017, which is the biggest growth range of global economy in ten years.

Benefiting from the gradual recovery of the global economy and trade activities, the container transportation industry has shown a trend of recovery from its bottom. According to Drewry, global container freight volume in the first half of 2017 was approximately 99.30 million TEU, representing an increase of 3.7% as compared to the same period in 2016. In addition, the average of China Containerized Freight Composite Index in the first half of 2017 was 828 points, representing an increase of 19.8% as compared to the same period in 2016. Under this context, the announced results of the listed port shipping enterprises since 2017 have been generally improved as compared to the same period.

In the long run, due to its safe and high efficiency, economic convenience and "door-to-door" transportation mode, the market demand for container vessels transportation will continue.

(2) *The healthy development of the shipping industry is in line with national strategies*

On 3 September 2014, the State Council issued the Certain Opinions Concerning the Promotion of the Healthy Development of Marine Industry (《關於促進海運業健康發展的若干意見》). On the 31 October 2014, the Ministry of Communications issued the Plan for Implementation of the Certain Opinions of the State Council Concerning the Promotion of the Healthy Development of Marine Industry (《貫徹落實<國務院關於促進海運業健康發展的若干意見>的實施方案》). The aforesaid policies play an important role in shoring up the confidence in maritime transport, creating synergies, deepening reform and speeding up the construction of a powerful maritime and shipping country.

The national development strategies such as "the Belt and Road" initiative, "Beijing — Tianjin — Hebei Collaborative Development" and the "Yangtze River Economic Belt" inject vigor for a new round of development of the Chinese economy and society, and also represent a rare historic opportunity for China's shipping industry to transform and upgrade and grow bigger and stronger.

(3) *The Company has developed a large-scale container shipping team which has its own advantages*

Being capital-intensive and highly professional, the shipping industry has high requirements for corporate operation scale, management standards and management team. As a world-class company specializing in the container shipping and terminal businesses, the Company has a large operation scale and industry-leading management standards and management team.

As of 30 June 2017, COSCO SHIPPING Lines, a subsidiary of the Company, had a self-owned container fleet comprising 342 container vessels with a carrying capacity of 1,764,565 TEU, ranking the fourth place in the world in terms of fleet size. Administrative, business and technical management personnel of the Company's container vessels possess solid and comprehensive expertise, extensive industry experience and remarkable professional dedication. Good management systems established by the Company provide important assurance for the safety production and operation and market competitiveness of the Company's fleet. The Company has many years of experience in vessel management, an experienced management team and extensive experience in lean management, crew management and operational arrangement.

4. ***Total Investment and financing arrangement for the Project***

Total payment of the consideration for 20 container vessels under construction amounts to US$2,629.003.5 million (equivalent to RMB17,448.4333 million). It is intended that the funds required by the Project will be financed by the proceeds from the Non-Public Issuance of RMB12.9 billion. The shortfall shall be settled by the Company through its self-raised fund.

5. ***Economic benefits analysis of the Project***

According to our calculation, the internal return rate on the acquisition or construction of 5 container vessels with a capacity of 13,800 TEU each is 8.17%, the static investment payback period is 10.60 years and the dynamic investment payback period is 16.72 years; the internal return rate on the acquisition or construction of 4 container vessels with a capacity of 14,568 TEU each is 10.69%, the static investment payback period is 8.65 years and the dynamic investment payback period is 12.57 years; the internal return rate on the acquisition or construction of 5 container vessels with a capacity of 20,119 TEU each is 8.02%, the static investment payback period is 10.75 years and the dynamic investment payback period is 17.75 years; the internal return rate on the acquisition or construction of 6 container vessels with a capacity of 21,237 TEU each is 10.32%, the static investment payback period is 8.54 years and the dynamic investment payback period is 12.56 years. Basic assumptions for the above calculation are as follows: discount rate of 6%, depreciable life of 25 years, residual value rate of 5% and operation period of 25 years.

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

(I) ***Impact of the Non-public Issuance on the Company's business***

Proceeds from the Non-Public Issuance will be fully used for payment of the consideration for 20 container vessels under construction, which is in line with national policies and industry development trend. It is expected that when the projects to be funded by the proceeds are implemented, the Company's business scale, fleet strength and operation efficiency will be further improved, the Company's core competitive strength will be further enhanced and the Company's anti-risk capability will be further effectively strengthened. This is of significant strategic meaning to the long-term sustainable development of the Company.

(II) ***Impact of the Non-public Issuance on the Company's financial position***

Following completion of the Non-public Issuance, the Company's capacity structure will be optimized and its gearing ratio will be lowered, which will help to lower the financial risks of the Company. In addition, due to the gradual implementation of the projects to be funded by the proceeds, the Company' revenue from principal businesses is expected to grow steadily and its profitability will be further improved, which will help to advance the Company's strategies and further consolidate the Company's leading position in the shipping market.

The implementation of the investment project with proceeds raised from the Non-public Issuance is beneficial to improve the capital structure and reduce the financial risk of the Company, and to facilitate the Company to comprehensively utilize all kinds of financing instruments in the future on the condition of controlling financial risk and maintaining sound and controllable financial structure in order to make reasonable and proper financing arrangement.

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

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

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

Through material asset restructuring, COSCO SHIPPING Holdings is expected to experience a strategic transformation, and transform from mainly engaged in container shipping, dry bulk shipping and terminal business into a listed platform for developing container shipping service supply chain, which focus on the container shipping and terminal operation business. Upon completion of the Non-Public Issuance, the container shipping business capability of the Company will be further consolidated and improved, and its core competitiveness will be enhanced with principal business unchanged. Therefore, the Issuance will not have a material impact on the business and assets of the Company.

(II) ***Impact on the Articles of Association***

The number of Shares to be issued under the Non-Public Issuance will be not more than 2,043,254,870 Shares. The issuer's share capital will be increased correspondingly upon completion of the Non-Public Issuance. The issuer will make necessary amendments to the terms with respect to provisions relevant to share capital and others relating to the Issuance under the Articles of Association based on the actual circumstances of the Issuance and register the change thereof with the industry and business administration.

(III) ***Impact on the shareholding structure***

Before the Non-Public Issuance, as of 30 June 2017, COSCO Group directly held 4,557,594,644 A Shares of COSCO SHIPPING Holdings, and held 87,635,000 H Shares through Peaktrade Investments Ltd., the wholly-owned subsidiary of its wholly-owned subsidiary COSCO (Hong Kong) Group Limited, such 87,635,000 H Shares were included in the shareholdings of HKSCC NOMINEE LIMITED. COSCO Group held in total of 4,645,229,644 Shares of the Listed Company, representing 45.47% of its total share capital and is the direct controlling shareholder of the Issuer. COSCO SHIPPING is the sole shareholder of COSCO Group. As of 30 June 2017, COSCO SHIPPING indirectly held 45.47% of equity interests in the shares of the Issuer through holding 100% of equity interests in COSCO Group and is an indirect controlling shareholder of the Issuer. In addition, the SASAC is the beneficial controller of the Issuer.

Assuming 2,043,254,870 A Shares are issued under the Non-Public Issuance by COSCO SHIPPING Holdings, of which, 50% will be subscribed by COSCO SHIPPING. The particulars of change in the shareholding structure of COSCO SHIPPING Holdings before and after the Issuance will be as follows:

Shareholder's name	**Shareholding before the Non-public Issuance**		**Shareholding after the Non-public Issuance**	
	Number of shares held	**Shareholding proportion**	**Number of shares held**	**Shareholding proportion**
COSCO Group and its indirect wholly-owned subsidiary Peaktrade Investments Ltd.	4,645,229,644	45.47%	4,645,229,644	37.89%
COSCO SHIPPING	—	—	1,021,627,435	8.33%
Total of shares directly and indirectly held by COSCO SHIPPING	4,645,229,644	45.47%	5,666,857,079	46.22%
Other investors (no more than nine investors)	—	—	1,021,627,435	8.33%
Other public shareholders	5,571,044,713	54.53%	5,571,044,713	45.44%
Total share capital	10,216,274,357	100.00%	12,259,529,227	100.00%

Note: The above estimates are based on the share capital structure of COSCO SHIPPING Holdings as of 30 June 2017; number of shares held by other public shareholders includes the numbers of A shares and H shares held by public shareholders.

Based on the above assumptions, COSCO SHIPPING will, directly and indirectly, hold a total of 5,666,857,079 Shares of COSCO SHIPPING Holdings upon the completion of the Non-Public Issuance, representing 46.22% of the total share capital of COSCO SHIPPING Holdings, thus remaining as the indirect controlling shareholder of the Company. Meanwhile, COSCO Group shall remain as the direct controlling shareholder and the SASAC shall remain as the actual controller of the Company. Therefore, the Issuance will not result in the change in control of the Company.

(IV) ***Impact on the structure of the senior management***

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

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

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

(I) ***Impact on financial position***

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

(II) ***Impact on profitability***

Upon completion of the Non-public Issuance, capital strength of the Company will enhance, financial cost will be controlled and its subsequent financing capability will greatly improve. All of the proceeds will be used for payment of the consideration for container vessels under construction, which will promote the Company’s competitiveness in the industry in the future.

(III) ***Impact on cash flow***

Upon completion of the Non-public Issuance, cash inflow from financing activities of the Company will increase excessively. All of the proceeds from the Non-public Issuance will be used for payment of the consideration for container vessels under construction. After the proceeds are in place and put into use, the cash outflow of the Company generated from investment activities will increase to some extent. When the project generates revenue, cash flow from operating activities of the Company will be improved.

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

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

For details of the change in the connected transactions and industry competition, please refer to "(VI) Horizontal competition and connected transactions" of "I. Basic Information of COSCO SHIPPING" under "Section II Particulars of the target subscribers of the non-public issuance and summary of the share subscription agreement" in this proposal. Except that the Non-public Issuance itself constitutes a connected transaction, no new horizontal competition or connected transactions among the Company and the direct and indirect controlling shareholders as well as its associates will take place as a result of the Non-public Issuance.

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

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

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

As of 30 June 2017, the debt-to-asset ratio of the Company in the consolidated statements was 66.52%. Calculated based on the financial information of the Company as of 30 June 2017, and without considering the costs of issuance and other factors, upon receipt of the proceeds, the debt-to-asset ratio of the Company in the consolidated financial statements with assets and liabilities will be reduced to 58.93%. The Non-public Issuance will not cause increase in the liabilities (including contingent liabilities) of the Company. The capital structure of the Company will improve due to the Non-public Issuance, thus increasing the anti-risk and sustainable operating capacities.

VI. Risks Related to the Issuance of Shares

(I) *Risks Relating to the Non-public issuance of A Shares*

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

(II) ***Risks Relating to the Market***

1. *Risks relating to the fluctuation in macro-economy*

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

2. *Risks relating to industry fluctuation*

The growth in expansion of shipping capacity for global container transport market peaked in 2015 with more idle shipping capacity appeared in the market. Meanwhile, due to weak demands for cargo shipping, cargo shipping companies reduce its shipping freight to compete for market resources. Facing with the price downturn of container shipping and pressure of idle shipping capacity, all the container shipping companies that ranked top in the industry recorded losses in 2016, and various container shipping companies starts to adjust their long-term operating strategies to cope with the market environment. Under this macro environment, the Company suffered from larger operation pressure and recorded net losses in 2016. Although the container shipping markets show clear recovery since the second half of 2016, however, if the future industry market and competition landscapes further deteriorate, it may render some operation risk to Listed Company.

3. *Risks relating to exchange rate*

The consideration of purchasing the container vessels by the Company are paid in US dollars, while the consolidated financial statements of the Listed Company are denominated in Renminbi. Therefore, change in exchange rate of Renminbi against US dollars will result in the exchange rate risk exposure of the Listed Company to some extent. Meanwhile, since the Listed Company operates its business around the globe, settlement currencies are US dollars or other currencies in the course of the transaction. Therefore, fluctuation in exchange rate will have an impact on the revenue of certain business of the Company.

(III) ***Risks relating to business and operation***

1. *Management risks with respect to business integration*

The Company announced that it offered to acquire OOIL on 9 July 2017. Although the principal business of OOIL (the subject company) is also container shipping, however, the assets and business of OOIL are mainly located in Asia, Europe and USA, and there is difference between the Listed Company and OOIL in operating management environments such as laws and regulations, accounting taxation system, commercial practices, company management systems and enterprise cultures. The above differences may result in the cost increase for mutual communication and management. It is uncertain whether both parties will finish the integration successfully and produce synergy effects upon the completion of this transaction. If the business integration effect of both parties fails to meet the expectation upon the completion of this transaction and could not give full play to the synergy effect, there may be some uncertain and adverse impact on the future operating results of the Listed Company.

2. *Periodic risks*

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

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

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

4. *Risks relating to shipping safety*

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

(IV) ***Risk related to acquisition of OOIL***

1. *Risk related to approval and filling of this transaction*

Since the acquisition transaction of OOIL involved acquiring overseas assets, it is still subject to the completion of approval or filling procedures related to overseas investment. There is uncertainty about whether the approvals for this transaction will be successful obtained and the exact time for final approval, which results in the uncertainty about whether this transaction will be completed and implemented before the deadline as required in the Offer. If the relevant approvals for this transaction are not obtained, leading to no offer made before the deadline or the offer went lapsed, this transaction may be suspended, recessed or cancelled.

2. *Risk related to termination of this transaction*

Since this transaction is still subject to the approval from relevant regulators, it is uncertain about the time of approval and is possible to incur unpredictable events of significant influence during the transaction process, parties to the transaction may need to adjust and improve the transaction proposal according to the actual conditions and latest regulation requirement. If parties to the transaction fail to reach a consensus on the adjustment and improvement of the proposal, each party to the transaction of the material asset reorganization may elect to terminate this transaction.

3. *Risk relating to laws and policies*

In this transaction, COSCO Shipping Holdings is a company that listed on Shanghai Stock Exchange and Hong Kong Stock Exchange and OOIL (the subject company) is a company incorporated in Bermuda and listed on Hong Kong Stock Exchange, therefore, this transaction must comply with relevant laws and policies in China Mainland and Hong Kong regarding overseas M&A and acquisition of listed companies. There is a risk that local governments and regulators will formulate laws and policies or take investigate actions against the transaction.

(V) ***Risks relating to the proceeds investment project***

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

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

After the material assets restructuring in 2015, the principal business of the Company transforms from container shipping, dry bulk shipping and terminal business into a listed platform for developing container shipping service supply chain, which focus on the container shipping and terminal operation business. Results of the above-mentioned business transformation have not yet materialized and are subject to market risks, business and operation risks, risks relating to the projects to be invested with proceeds and other factors. Operating results of the Company are still subject to fluctuation.

(VII) ***Other Risks***

1. *Risks of approval*

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

2. *Risks about share price*

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

3. *Risks on the dilution in earnings per Share and return on asset*

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

In response to the above circumstance, the Company will truly, accurately, timely, completely and fairly disclose material information that may affect the price of the Company's shares to investors, in accordance with the requirements of the Company Law, Securities Law, and Measures for Administration of Information Disclosure by Listed

Companies and the Listing Rules, as well as other relevant laws and regulations. The information disclosed supplies a reference for investors to make investment decisions. Meanwhile, investors are advised to note that there may be risks of share price volatility in the stock market at present and in the future.

SECTION V PROFIT DISTRIBUTION

I. Existing Profit Distribution Policy of the Company

In order to standardize and enhance the transparency of cash dividends distribution of the Company, the Resolution Regarding Amendments to the Articles of Association was considered and approved at the second extraordinary general meeting on 25 August 2016 in accordance with the Company Law, Securities Law, Guidance on the Articles of Association of Listed Companies (revised in 2016) (《上市公司章程指引》(2016修訂)), Notice Regarding Further Implementation of Cash Dividend Distribution of Listed Companies (《關於進一步落實上市公司現金分紅有關事項的通知》), Listed Companies Regulatory Guidance No. 3 — Cash Dividends Distribution of Listed Companies (《上市公司監管指引第3號— 上市公司現金分紅》) and other relevant laws, regulations and normative documents and based on the actual situation of the Company. Pursuant to the amended Articles of Association, the profit distribution policy of the Company is as follows:

Article 193 The profit distribution policy of the Company is as follows:

(I) Principles：The Company should implement vigorous profit distribution policies and value investors' reasonable investment return and the Company's sustainable development to maintain the continuity and stability of profit distribution policies. The cumulative profit distribution in cash by the Company in the last three years should not in principle be less than 30% of the average annual distributable profits in the last three years.

(II) Intervals: In principle, the Company distributes profit once per year. Under permitted circumstances, the Board of Directors of the Company may recommend the Company to distribute interim cash dividend according to the earnings and capital requirement of the Company.

(III) Decision-making mechanisms and procedures: The profit distribution proposal of the Company shall be formulated and reviewed by the Board of Directors and submitted to the shareholders' general meeting for approval. In proposing a profit distribution plan, the Board shall take into consideration the opinions of relevant stakeholders, especially independent directors and minority shareholders. Independent directors shall express clearly their opinions in regard to the profit distribution proposal. The Supervisory Board shall supervise the implementation of the profit distribution proposal.

(IV) In case of no proposal of profit distribution in cash being made at any profitable year with available distributable profit of the Company, the Board of Directors shall explain the reasons and the independent directors shall express their opinions clearly. Disclosure in this regard shall be made in a timely manner by independent directors. Upon the approval by the Board of Directors, it shall be submitted to the shareholders' general meetings for review and the Board of Directors shall provide explanation at the shareholders' general meeting.

(V) When determining the particulars of the cash dividend proposal of the Company, the Board of Directors shall study and discuss the timing, conditions as well as the minimum ratio of the cash dividend, conditions on adjustments and other factors as required for making the decisions. The independent directors shall express clearly their opinions. The independent directors may solicit opinions of minority shareholders, put forth profit distribution proposals and submit it directly to the Board for consideration and approval. Before considering the particulars of the profit distribution proposal at a general meeting, the Company shall communicate with the shareholders proactively, especially the minority shareholders, through various channels (including but not limited to hotlines, mailbox to the Secretary of the Board of Directors and inviting minority investors to attend the meeting), in order to gather sufficient opinions from the minority shareholders and respond to their concerns in a timely manner.

(VI) Adjustments to cash dividend policy: The Company shall strictly implement the cash dividend policy stipulated in the Articles of Association of the Company and the cash dividend proposal considered and approved at the shareholders' general meetings. Necessary adjustments or amendments to the cash dividend policy stipulated in the Articles of Association of the Company shall only be made after detailed discussion and the corresponding decision-making procedure according to the Articles of Association of the Company and approval shall be obtained by more than two thirds of the total voting rights present at the shareholders' general meeting.

(VII) The Company shall disclose in detail in its annual report the formulation and implementation of the cash dividend policy, and state the following matters, including: 1. whether the policy is in compliance with the requirements of the Articles of Association or the resolutions passed at the shareholders' general meeting; 2. whether the basis and ratio of the distribution of dividends are clear; 3. whether the relevant decision-making procedures and systems are sound; 4. whether the independent directors have duly performed their duties; 5. whether there are enough channels for minority shareholders to express their opinions and concerns, and whether their legal interests are sufficiently protected. If the cash dividend policy is to be adjusted or amended, it shall be disclosed in detail whether the conditions and procedures of such adjustments or amendment is in compliance with laws and transparent.

The Company's Board of Directors must complete the distribution of dividends (in cash or in the form of shares) within two months after the resolution approving the relevant profit distribution proposal has been passed at a shareholders' general meeting.

Article 195 The Company may distribute the dividends in the following manners:

(I) Cash;

(II) Shares;

(III) combination of cash and shares.

If the Company satisfies the conditions for cash dividends, priority shall be given to profit distribution by means of cash dividends.

Conditions of distributing dividends in cash: If the Company has made a profit for that year, and after compensating for losses in previous years and withdrawing reserves according to law, the cumulative undistributed profits is positive, and auditors issue an audit report with no qualified opinion for the Company's financial report for the year, the Company shall distribute dividends in cash in priority. If the Company distributes dividend in cash, it shall follow the rules below:

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

2. Where the Company is in a developed stage with substantial capital expenditure arrangements, the dividend distributed in the form of cash shall not be less than 40% of the total profit distribution;

3. Where the Company is in a developing stage with substantial capital expenditure arrangements, the dividend distributed in the form of cash shall not be less than 20% of the total profit distribution.

Where it is difficult to identify the development stage of the Company but there is substantial capital expenditure arrangement, dividend distribution may be dealt with in accordance with the preceding provisions. Significant capital expenditure refers to: the proposed external investment, acquisition of assets (including land use rights) or purchase of equipment by the Company in the coming twelve months with accumulated expenses amounting to or exceeding 10% of the latest audited net assets of the Company.

Conditions of distributing dividends in shares: After taking into account of the distributable profits, common reserve fund and cash flow status, the Company may distribute dividends in the form of shares for profit distribution, provided that there is sufficient liquidity for cash dividend distribution and a reasonable shareholding structure, and the Board considers that distributing dividends in shares will be in the interest of all Shareholders of the Company as a whole. The dividend payout ratio shall be submitted to the shareholders' general meeting for consideration and approval after being reviewed and adopted by the Board of Directors.

The amount of dividends to be distributed shall be determined based on the lower of the after-tax profits set out in the audited financial statements prepared pursuant to China Accounting Standards for Business Enterprises and Hong Kong Financial Reporting Standards.

Article 198 Staying consistent with the Article of Association herein, the board may decide the distributing of the interim or special dividend upon approval or authorization by the shareholders' general meeting.

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

Cash dividend for the last three years of the Company:

Unit: RMB10'000

Year	Amount of cash dividends (tax inclusive)	Net profit attributable to shareholders of the listed company in annual consolidated statements of dividends	Proportion in net profit attributable to shareholders of the listed company in consolidated statements（%）
2014	—	36,252.86	—
2015	—	46,930.18	—
2016	—	-990,600.36	—

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

III. Shareholders' Return Plan for the Next Three Years (2017-2019)

To further increase the transparency of the profit distribution policy, perfect and improve the decision-making and supervision system of profit distribution, ensure the continuity and stability of profit distribution, generate reasonable returns on investment for investors, practically safeguard the legitimate interests of minority shareholders and steer investors towards long-term and reasonable investment, COSCO Shipping Holdings formulates the Shareholders' Return Plan for the Next Three Years (2017-2019) of COSCO Shipping Holdings Co., Ltd. pursuant to the Notice Regarding Further Implementation of Cash Dividends Distribution by Listed Companies (《關於進一步落實上市公司現金分紅有關事項的通知》) (Zheng Jian Fa [2012] No. 37), the Guideline on the Distribution of Cash Dividends by Listed Companies of the Shanghai Stock Exchange (《上海證券交易所上市公司現金分紅指引》) and the Listed Companies Regulatory Guidance No. 3 — Cash Dividends Distribution of Listed Companies (《上市公司監管指引第3號—上市公司現金分紅》) (CSRC Announcement [2013]

No. 43), and the Articles of Association, taking into account the Company's profitability, operating growth plan, return to shareholders, social capital costs and external financing environment. The plan is subject to consideration and approval at the general meeting of the Company. Particulars are as follows:

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

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

(II) ***Principles for formulation of the plan***

The Company shall implement a continuous and stable profit distribution policy and give comprehensive consideration to the reasonable return on investment for investors and long-term development of the Company. The Company will mainly distribute dividends in cash in the next three years (2017-2019). The plan was formulated in accordance with provisions on profit distribution under the relevant laws, regulations and the Articles of Association on the basis of maintaining the continuity and stability of profit distribution policy.

(III) ***Specific plan on shareholders' return of the Company for the next three years (2017-2019)***

1. Profit shall be distributed in the following manner:

   The Company may distribute dividends: (1) in cash; (2) in shares; (3) in a combination of both cash and shares.

   The Company shall give priority to dividend distribution in cash subject to fulfillment of the conditions for cash dividends. The Company shall in principle distribute profit each year. When conditions permit, the Board of the Company may propose interim cash distribution with reference to the Company's profitability and capital requirements.

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

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

(1) If the Company has made a profit for that year, and after compensating for losses in previous years and withdrawing reserves according to the laws, the cumulative undistributed profits is positive and liquidity is adequate, the Company may distribute dividend in cash provided that the subsequent ongoing operation of the Company shall not be undermined;

(2) Auditors issue an audit report with no qualified opinion for the Company's financial report for the year, and the Company shall give priority to dividend distribution in cash.

The Company shall distribute dividend in cash in accordance with the proportion:

The Company shall implement positive profit distribution policies and value investors' reasonable investment return and the Company's sustainable development to maintain the continuity and stability of profit distribution policy. The cumulative profit distribution in cash by the Company in the last three years shall in principle not be less than 30% of the average annual distributable profits of the Company for the same period.

The Company shall distribute dividend in cash in accordance with the rules below:

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

(2) Where the Company is in a developed stage with substantial capital expenditure arrangements, the dividend distributed in the form of cash shall not be less than 40% of the total profit distribution;

(3) Where the Company is in a developing stage with substantial capital expenditure arrangements, the dividend distributed in the form of cash shall not be less than 20% of the total profit distribution.

In the case that it is difficult to distinguish the Company's stage of development but the Company has significant capital expenditure arrangements, the profit distribution may be dealt with pursuant to the preceding provisions. Significant capital expenditure refers to the accumulated expenses amounting to or exceeding 10% of the latest audited net assets of the Company for the proposed external investment, acquisition of assets (including land use rights) or purchase of equipment in the next twelve months.

3. Specific conditions of distributing dividends in shares are as follows:

After taking into account of the accumulative distributable profits, common reserve fund and cash flow status, the Company may distribute dividends in the form of shares for profit distribution, provided that there is sufficient liquidity for cash dividend distribution and a reasonable shareholding structure, and the Board considers that distributing dividends in shares will be in the interest of all Shareholders of the Company as a whole. The dividend payout ratio shall be submitted to the general meeting for consideration and approval after being reviewed and adopted by the Board.

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

1. The profit distribution proposal of the Company shall be formulated and reviewed by the Board and submitted to the general meeting for approval. The Board shall gather opinions from each party, especially the independent directors and minority shareholders when formulating dividend distribution proposal. Independent directors shall express their opinions clearly in regard to the profit distribution proposal. The Supervisory Committee shall supervise the implementation of the profit distribution proposal.

2. In case of no proposal of profit distribution in cash being made at any profitable year with available distributable profit of the Company, the Board shall explain the reasons and the independent directors shall express their opinions clearly. Disclosure in this regard shall be made in a timely manner by independent directors. Upon the approval by the Board, it shall be submitted to the general meetings for review and the Board shall provide explanation at the general meeting.

3. When determining the particulars of the cash dividend proposal of the Company, the Board shall study and discuss on, among others, the timing, conditions as well as the minimum ratio, conditions of adjustments and other factors as required for making the decisions. The independent directors shall express their opinions clearly and may gather opinions from minority shareholders, present dividend proposals and directly submit them to the general meeting for consideration. When considering the particulars of the profit distribution proposal at the general meeting, the Company shall communicate with the Shareholders, especially the minority shareholders, through various channels (including but not limited to hotlines, mailbox of Secretary to the Board and inviting minority investors to attend the meeting), in order to gather opinions from the minority shareholders and respond to their concerns in a timely manner.

4. The Company shall strictly implement the cash dividend policy stipulated in the Articles of Association and the particulars of the cash dividend proposal considered and approved at the general meeting. Adjustments or amendments to the cash dividend policy stipulated in the Articles of Association shall only be made after detailed discussion and corresponding decision-making procedure according to the Articles of Association and approval shall be obtained from shareholders holding more than two thirds of the total voting rights present at the general meeting.

(V) ***Period for formulating the plan and relevant adjustment mechanism***

The Company shall review the Shareholders' Return Plan for the Next Three Years of the Company at least every three years. The Company shall evaluate and make necessary amendments to the prevailing profit distribution policy and determine the shareholders' return plan of the Company for such period, after considering opinions of the shareholders (minority shareholders in particular), independent directors and supervisors. The Board shall submit a proposal for approval at the general meeting on the Shareholders' Return Plan for the Next Three Years of the Company, in respect of which the independent directors shall give their independent opinions for consideration at the general meeting. The proposal shall be approved by more than two-thirds of the voting rights held by the shareholders present at such general meeting.

(VI) ***Information disclosure on the profit distribution of the Company***

1. The Company shall disclose in detail in its annual reports the formulation and implementation of the cash dividend distribution policy, and make special explanations on the following matters including: (1) the compliance with relevant provisions of the Articles of Association or resolutions at the general meeting(s); (2) the accuracy and clarity of the standard and proportion of profit distribution; (3) the completeness of relevant decision-making procedures and mechanisms; (4) the fulfillment of obligations and contributions of the independent directors; (5) whether or not the minority shareholders have the chance to voice their opinions and demands and whether or not the legal rights of the minority shareholders have been fully protected. Where the cash dividend policy is adjusted or amended, it is also required to explain in detail whether the conditions and procedures for such adjustment or amendment are compliant and transparent.

2. For any adjustment or amendment to cash dividend distribution policy, it is also required to explain in detail whether the conditions and procedures for such adjustment or amendment are compliant and transparent.

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

(VII) ***Supplementary provisions***

Any matters not covered herein shall be handled in accordance with the requirements of relevant laws and regulations as well as normative documents and the Articles of Association. The Board is responsible for the interpretation of the plan which will be effective from the date of approval at the general meeting of the Company. The same shall apply for amendments of the plan.

SECTION VI ANALYSIS AND REMEDIAL MEASURES REGARDING DILUTION ON CURRENT RETURNS BY THE NON-PUBLIC ISSUANCE OF A SHARES

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

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

The Company intends to raise up to RMB12.9 billion through the Non-public Issuance of up to 2,043,254,870 shares. The Company has conducted relevant analysis for the impact of the Non-public Issuance on the main financial indicators of the Company for the corresponding year, with details set forth as follows:

(I) **Assumption for the analysis**

The analysis is based on the following assumptions:

1. That the Non-public Issuance shall be completed by the end of June 2018 and 2,043,254,870 shares shall be issued under the Non-public Issuance. Such assumption is only used to calculate the impact of the Non-public Issuance on the earnings per share of the Company, and is not indicative of the judgment of the Company on the actual time of completion of the Non-public Issuance and the number of shares to be issued, which are subject to the final approval of the CSRC;

2. That there are no material adverse changes in the macro-economic environment and conditions of the stock market as well as the operating environment of the Company;

3. That the net profit attributable to the shareholders of the listed company net of non-recurring gains or losses for January to June in 2017, is RMB750.0368 million; and the net profit attributable to the shareholders of the listed company net of non-recurring gains or losses for January to June in 2016, is RMB-4,820.9249 million; which record a turn from loss into profit in the first half of 2017 as compared to the same period last year. Assuming

that the net profit attributable to the shareholders of the listed company net of non-recurring gains or losses for the second half of 2017 keeps stable with that for the first half of 2017, the net profit attributable to the shareholders of the listed company net of non-recurring gains or losses for 2017 will be RMB 1,500.0736 million. The net profit of the Company for 2018 will be calculated based on the following 3 assumptions (which are not indicative of the judgment of the Company on its operating results and development for 2018 and does not constitute a profit forecast of the Company):

Scenario 1: assuming that the net profit attributable to the shareholders of the listed company net of non-recurring gains or losses for 2018, is 10% lower than the net profit attributable to the shareholders of the listed company for 2017, net of non-recurring gains or losses;

Scenario 2: assuming that the net profit attributable to the shareholders of the listed company net of non-recurring gains or losses for 2018, is the same as the net profit attributable to the shareholders of the listed company for 2017, net of non-recurring gains or losses;

Scenario 3: assuming that the net profit attributable to the shareholders of the listed company net of non-recurring gains or losses for 2018, is 10% higher than the net profit attributable to the shareholders of the listed company for 2017, net of non-recurring gains or losses;

4. Without taking into account the impact of the proceeds from the Non-public Issuance on the production and operation as well as the financial conditions, such as operating income, financial costs and investment profits, of the Company;

5. That there has been no provident fund converted to share capital or distribution of stock dividends, which have an impact on the number of shares in 2018.

(II) **Impact on earnings per share of the Company**

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

Item	2017	2018 Prior to the issuance	2018 After the issuance
Total number of shares (10,000 shares)	1,021,627	1,021,627	1,225,953
Scenario 1: assuming that the net profit attributable to the shareholders of the listed company net of non-recurring gains or losses for 2018, is 10% lower than the net profit attributable to the shareholders of the listed company for 2017, net of non-recurring gains or losses			
Net profit attributable to the shareholders of the listed company, net of non-recurring gains or losses (RMB10,000)	150,007.36	135,006.62	135,006.62
Basic earnings per share, net of non-recurring gains or losses (RMB per share)	0.15	0.13	0.11
Diluted earnings per share, net of non-recurring gains or losses (RMB per share)	0.15	0.13	0.11
Scenario 2: assuming that the net profit attributable to the shareholders of the listed company net of non-recurring gains or losses for 2018, is the same as the net profit attributable to the shareholders of the listed company for 2017, net of non-recurring gains or losses			
Net profit attributable to the shareholders of the listed company, net of non-recurring gains or losses (RMB10,000)	150,007.36	150,007.36	150,007.36
Basic earnings per share, net of non-recurring gains or losses (RMB per share)	0.15	0.15	0.12
Diluted earnings per share, net of non-recurring gains or losses (RMB per share)	0.15	0.15	0.12
Scenario 3: assuming that the net profit attributable to the shareholders of the listed company net of non-recurring gains or losses for 2018, is 10% higher than the net profit attributable to the shareholders of the listed company for 2017, net of non-recurring gains or losses			
Net profit attributable to the shareholders of the listed company, net of non-recurring gains or losses (RMB10,000)	150,007.36	165,008.10	165,008.10
Basic earnings per share, net of non-recurring gains or losses (RMB per share)	0.15	0.16	0.13
Diluted earnings per share, net of non-recurring gains or losses (RMB per share)	0.15	0.16	0.13

Notes:

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

2. Basic earnings per share = current net profit attributable to the holders of the ordinary shares of the Company/weighted average of the number of ordinary shares in issue; weighted average of the number of ordinary shares in issue = number of ordinary shares in issue at beginning of the period + number of new ordinary shares in issue in the period * period of issuance/reporting period — number of ordinary shares repurchased * period of repurchase/reporting period.

From the above table, we can conclude that there is a risk of dilution for the earnings per share of the Company for 2018 upon completion of the Non-public Issuance.

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

Upon completion of the Non-public Issuance, after the proceeds have been received, the Company's total share capital will increase. Based on the above calculation, the Non-public Issuance may lead to a decrease in earnings per share for the corresponding year compared with that prior to the Issuance. In 2018, with the proceeds in place, there is a risk of short-term dilution of the current returns of the Company. Investors are hereby advised to make sensible decisions and be aware of the risks.

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

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

(I) The completion of major asset reorganization of COSCO SHIPPING Holdings desire for long-term capital support

COSCO SHIPPING Holdings underwent major asset reorganization in the end of 2015. Before the Reorganization, the primary businesses of COSCO SHIPPING Holdings are container shipping, dry bulk shipping and terminal business. Upon completion of the Reorganization, COSCO SHIPPING Holdings stripped off the sluggish dry bulk shipping business in recent years, acquired equity interest of 33 shipping companies like Dalian Shipping (大連集運) through its subsidiaries and leased the container vessels and containers owned or operated by COSCO SHIPPING Development, meanwhile purchased ports assets from the original subsidiaries of China Shipping and China Shipping Development through COSCO SHIPPING Ports, the subsidiary of COSCO SHIPPING Holdings, which enable the Company to focus on the container shipping and terminal investment and operation business.

COSCO SHIPPING Holdings is the most important part of the core industries of COSCO SHIPPING Group and the listed platform for container shipping service supply chain. The Reorganization made COSCO SHIPPING Holdings become the world's fourth largest container liner operator (expected to be the world's 3rd largest after acquisition of OOIL) that focus on container shipping service chain and the world's largest container terminal operators in terms of operational throughput, however, in terms of container shipping and terminal operation, there are still some distances between COSCO SHIPPING Group and leading companies. According to the predication of Clarksons, the global newly built vessels to be delivered for each kind of container vessels in 2017 will reach about 1.30 million TEU in total, representing a 41% increase than the delivery of 0.9 million TEU in 2016, showing the further improvement in the industry capacity. Under the context of increasing concentration in shipping industry and more prominent economy of scale, COSCO SHIPPING Holdings desires for more long-term capital support to strengthen and expand its current market shares and increase the discourse power.

(II) **Larger capital needs resulting from vessel type adjustment**

Since the financial crisis in 2008, the economy recovery in Europe and US is slow, and the freight rate level of the global container shipping markets remains distressed due to oversupply. However, with the recovery in the growth of China's exportation and the increase in the bargaining power as a result of the increasing industry concentration, the shipping industry shows recovery signs, which are favorable for the development of shipping enterprises, while there is still uncertainty in the development trend due to the downside risk such as the Trump Trade Protectionist and the increase in oil price. In the long run, container vessels shipping still plays an important role in the shipping industry. Due to its safe and high efficiency, economic convenience and "door-to-door" transportation mode, the market demand for container vessels transportation will continue.

In the short term, given that large-scale container vessels still represent a general trend, and the large-scale container vessels can reduce the unit transportation cost for cargoes, the global leading shipping enterprises are making efforts on the layout of larger container vessel shipping market, despite that the container shipping market in the future will maintain the growth at a lower level. In order to keep abreast of the trend of large-scale container vessels, constantly optimize the fleet structure and enhance its own core competitiveness, COSCO SHIPPING Holdings shall make adjustment to the container vessels fleet structure by increasing the percentage of large-scale vessels, therefore facing greater capital needs.

(III) The recovery of shipping markets and emergence of the Company's profitability

Benefiting from the gradual recovery of the global economy and trade activities, the shipping industry, particularly the container shipping industry, has shown a trend of recovery at present. During the first three quarters in 2017, the global economy continued its recovery, each of major economies was gradually back on track, and the container shipping market presents a healthy growth trend. The rally in bulk commodities prices made the emerging economies step out of recession, driving the growth of cargo volume.

According to Drewry, the global container shipping volume in the first half of 2017 is about 99.30 million TEU, representing a 3.7% increase than the same period in 2016. In addition, the average CCFI composite index for the same period is 828 points, representing a 19.8% increase than the same period last year. Under such background, COSCO SHIPPING Holdings achieved excellent results of increase in both price and volume for container shipping business in the first year of 2017, and the net profit attributable to parent reached 1.86 billion in aggregate in the first year of 2017. With the industry recovery, the synergy effect after the Company's Reorganization and emergence of the profitability, the Non-public Issuance launched by the Company will be recognized by the market, which will facilitate the successful issuance.

(IV) Optimize asset structure through Non-public Issuance to improve the high gearing ratio of COSCO SHIPPING Holdings

As at 30 June 2017, the gearing ratio of COSCO SHIPPING Holdings based on the consolidated statements is 66.52%. According to the public available pro forma stimulated statements, after completion of acquisition of OOIL, the gearing ratio of COSCO SHIPPING Holdings for the same period will reach 76.53%. Through the Non-public Issuance, COSCO SHIPPING Holdings can obtain equity capital and reduce the level of gearing ratio, which make the capital structure of the Company more reasonable, provide more spaces for the follow-up debt financing of COSCO SHIPPING Holdings and further reduce the cost of subsequent debt financing to some extent, therefore strengthening the risk-resistance capability and sustained operation capability of the Company.

IV. RELATIONSHIP BETWEEN THE INVESTMENT PROJECTS AND THE COMPANY'S EXISTING BUSINESSES AND RESERVES ON THE COMPANY'S TALENT, TECHNOLOGY AND MARKET RESOURCES FOR THE INVESTMENT PROJECTS

(I) Relationship between the investment projects through the Non-public Issuance and the Company's existing business

The Company mainly engages in container shipping and terminal business and is the listed platform for container shipping service supply chain. The shipbuilding project will help to improve the Company's existing operating capacity and the competitive position in the container shipping market, which will further facilitate the Company to adapt to the new competitive landscape and development trend in the shipping industry and capture the opportunity of "the Belt and Road" initiative implemented by China to improve its competitiveness.

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

(1) ***Human resources reserve***

By the end of 2016, the parent and major subsidiaries of COSCO SHIPPING Holdings have 20,790 staffs in total, among others, there are 3,962 production staffs, and 10,141 sales, technology, finance and administrative staffs in total. The Company has gathered many production and management staffs with profound industry background and extensive industry experience in the container shipping industry. In addition, the Company will provide regular trainings plans for staffs to continuously improve the technical level and comprehensive quality of the team, so as to fully ensure the successful implementation of shipbuilding projects.

(2) ***Technical reserve***

As at 30 June 2017, the number of the self-owned vessels for container shipping of COSCO SHIPPING Holdings is 342, representing an increase of 30 vessels than the beginning of 2017; the capacity of self-owned vessels reached 1,764.6 thousand TEU, representing an increase of 115.8 thousand TEU than the beginning of 2017, and the fleet size ranks fourth in the world. The container shipping volume completed in the first half of 2017 reached 9,997.7 thousand TEU, representing an increase of 34.86% than the same period last year. The Company has accumulated rich technical experience in the container shipping industry, which is sufficient to ensure the normal and robust operation of shipbuilding projects.

(3) ***Market reserve***

Through the Reorganization, COSCO SHIPPING Holdings will have more intensive shipping routes covering the whole world. The routes covered COSCO SHIPPING Ports, the subsidiary of COSCO SHIPPING Holdings, include all top five ports in China and expand its oversea layouts to Turkey, South Korea, Singapore and Rotterdam to build up a globalized terminal network, which plays an important role in enhancing the Company's bargaining power. With the comprehensive market layout, COSCO SHIPPING Holdings can speak louder in the container shipping market and lay a good foundation for the business expansion in the future.

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

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

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

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

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

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

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

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

The proceeds raised from the Issuance will mainly be used for payment of the consideration for container vessels under construction. After receiving the proceeds upon the Issuance, the Company will speed up the construction and operation of investment projects financed by the proceeds raised, actively allocate resources, arrange the progress of the projects in a reasonable and comprehensive manner, strive to realize the expected benefits from the projects as soon as possible, expand the returns of the shareholders in subsequent years, and mitigate the risk of dilution of current returns as a result of the Issuance.

3. ***Constantly improve corporate governance to provide institutional guarantee for the Company's development***

The Company will strictly follow the Company Law, Securities Law and other laws, regulations and regulatory documents, and constantly improve the corporate governance structure to ensure that Shareholders can fully exercise their rights, to ensure that the Board exercise their powers and responsibilities in accordance with laws, regulations and the Articles of Association, to make a scientific business decisions, to ensure that independent directors earnestly perform their duties, and safeguard the overall interests of the Company, especially the legitimate interests of minority Shareholders, to ensure that the Supervisory Committee can independently and effectively exercise supervision and inspection rights to directors, senior management and corporate finance, and provide institutional guarantee for the development of the Company.

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

According to the requirements of the Notice Regarding Further Implementation of Cash Dividends Distribution by Listed Companies and the Listed Companies Regulatory Guidance No. 3 — Cash Dividends Distribution of Listed Companies issued by the CSRC, the Company further improved and refined the profit distribution policy. By fully considering the investment on the return for the shareholders and for the growth and development of the Company, the Company formulated the Plan for Shareholders' Return Plan for the Next Three Years (2017-2019) of COSCO SHIPPING Holdings. The formulation and perfection of the aforesaid system further clarifies the decision-making procedures and mechanism of dividend distribution and the specific proportion of bonus shares to be issued of the Company, which will effectively guarantee the reasonable investment return of all shareholders. In the future, the Company will continue to strictly implement its dividend policy and optimize the investment return mechanism to ensure that the interests of its shareholders, especially the minority shareholders, can be protected.

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

To ensure that the remedial measures for dilution of current returns by the Non-public Issuance of A Shares of the Company are implemented, and to protect the legitimate interests of the Company and all its shareholders, each of the directors, senior management of the Company, COSCO shipping Group have issued their respective Letters of Undertaking in accordance with the requirements of the applicable laws, regulations and regulatory documents including the Several Opinions of the State Council on Further Promoting the Healthy Development of the Capital Markets (《國務院關於進一步促進資本市場健康發展的若干意見》) (Guo Fa [2014] No. 17) and the Opinions of the General Office of the State Council on Further Strengthening the Protection of Small and Medium Investors'

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

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

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

1. I hereby undertake not to transfer benefits to other entities or individuals with no consideration or under unfair terms, and shall not damage the Company's interests in any other ways.

2. I hereby undertake to constrain the consumption behavior in relation to my work duty.

3. I hereby undertake not to use the Company's assets for investments or consumption activities that are unrelated to the engagement and performance of my work duties.

4. I hereby undertake that the remuneration system formulated by the board of directors or the remuneration committee will be linked with the implementation of the Company's remedial measures in relation to the returns of the Company.

5. I hereby undertake that the vesting conditions for the proposed share incentive scheme (if any) of the Company will be linked with the implementation of the Company's remedial measures in relation to returns of the Company.

6. From the date of making these undertakings until completion of the Non-public Issuance of A Shares, I undertake to make supplemental undertakings in accordance with the latest regulations imposed by the China Securities Regulatory Commission, which renders the aforementioned undertakings that are inadequate to satisfy such regulatory requirements.

7. I hereby undertake to perform these undertakings. If I violate these undertakings and cause losses to the Company or the investors, I shall be liable to indemnify the Company or the investors for their losses in accordance with the law.

(II) **Undertakings by COSCO SHIPPING**

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

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

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

COSCO SHIPPING Holdings Co., Ltd.
Board of Directors
30 October 2017

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

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

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

FEASIBILITY REPORT ON THE USE OF PROCEEDS FROM THE NON-PUBLIC ISSUANCE OF A SHARES

October 2017

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

The total proceeds to be raised from the Non-public Issuance shall be no more than RMB12.9 billion and will be used for the following purposes after deducting the cost of Issuance:

Unit: RMB10,000

No.	Project name	Total investment	Amount of investment	The amount of proceeds to be used in the Project
1	Payment of the consideration for 5 container vessels under construction (with capacity of 13,800 TEU each)	389,902.61	54,263.29	300,000.00
2	Payment of the consideration for 4 container vessels under construction (with capacity of 14,568 TEU each)	328,128.34	106,641.71	200,000.00
3	Payment of the consideration for 5 container vessels (with capacity of 20,119 TEU each)	465,649.22	124,989.42	320,000.00
4	Payment of the consideration for 6 container vessels (with capacity of 21,237 TEU each)	561,163.17	74,322.66	470,000.00
	Total	1,744,843.33	360,217.08	1,290,000.00

Note: Total consideration for 20 container vessels under construction to be paid amounts to USD2,629,003,500 (approximately RMB17,448,433,300). The exchange rate at which USD amounts are translated into RMB amounts is based on the median price of the exchange rate of USD against RMB announced by the People's Bank of China on 30 September 2017: USD1=RMB6.6369

Before receiving the proceeds raised from the Issuance, the Company will, depending on its needs and the actual progress of the investment projects, finance these projects by its self-raised fund which shall be replaced once the proceeds have been received in accordance with the procedures required by relevant regulations. If the actual amount of proceeds (after deduction of issuance costs) is insufficient to meet the investment needs of the aforesaid project, the Company will make up for the shortfall through its self-raised fund. Provided that the usage of the proceeds raised from the Issuance is not changed, the Board of the Company may authorize the management to decide specific plans and implementation timetable for the aforesaid projects according to market conditions and the Company's actual situation.

II. Analysis on the Feasibility of the Proceeds Raised in the Issuance

1. Basic information of the Project

In order to optimize the Company's ship structure, improve the Company's operation and management efficiency and further enhance the overall competitiveness of Company's fleet, the Company intends to utilize the proceeds raised from the Issuance for the payment of the consideration for 20 container vessels under construction, including 5 container vessels with a capacity of 13,800 TEU each, 4 container vessels with a capacity of 14,568 TEU each, 5 container vessels with a capacity of 20,119 TEU each and 6 container vessels with a capacity of 21,237 TEU each, of which, the construction plans for container vessels with a capacity of 13,800 TEU each and a capacity of 21,237 TEU each have been approved at the 37th meeting of the fourth session of the Board as well as the first extraordinary general meeting of 2017 of the Company; the construction plan for container vessels with a capacity of 14,568 TEU each has been approved at the third meeting of the fourth session of the Board as well as the second extraordinary general meeting of 2014 of the Company; the construction plan for container vessels with a capacity of 20,119 TEU each has been approved at the 15th meeting of the fourth session of the Board as well as the first extraordinary general meeting of 2015 of the Company. The Company's wholly-owned subsidiary has signed the ship construction contracts with the shipyard for the above construction plans.

2. Analysis of the necessity of the Project

(1) "The Belt and Road" initiative provides new opportunity and puts forward new requirements for port shipping enterprises

At the critical stage for deepening economic globalization, accelerating the regional economic integration, deeply adjusting the global trade and investment layout, several national ministries jointly issued the Vision and Actions on Jointly Building the Silk Road Economic Belt and the 21st-Century Maritime Silk Road in March 2015, which proposed the overall framework concept of building "the Silk Road Economic Belt" and "the 21st-Century Maritime Silk Road", namely "the Belt and Road". The proposal for "the Belt and Road" initiative is beneficial for economic prosperity of the countries along the route and regional economic cooperation and also provides new business opportunities for port shipping enterprises. COSCO Shipping Holdings actively implements "the Belt and Road" initiative by accelerating the layout of the global shipping network and port hubs, facilitating the construction of the maritime trade route, and strengthening the comprehensive logistic service capability and is committed to providing more diversified, convenient and reliable services and products.

(2) Further optimizing vessel type and aging structure to build a global leading container transportation fleet

As the container transportation industry continuously develops, the economy of scale resulting from large vessels becomes prominent and "large-scale" container vessels have become a general trend in the industrial development.

The proceeds from the Non-public Issuance will be used to payment of the consideration for 20 container vessels under construction, which are expected to be successively delivered for use during the period from 2018 to 2019. The Company's container vessels under construction are not only an important carrier for improving customer service capability and diversifying services and products, but also resource guarantee for keeping abreast of the development trend of the industry and reducing production cost, which play a significant role in strengthening the overall competitiveness of the Company. Upon complete delivery, such vessels can effectively increase the proportion of capacity of the Company's self-owned vessels, further lower the average age of the fleet, optimize the Company's fleet layout and improve the vessel asset structure.

(3) Seizing opportunities to build a world-leading container transportation fleet

All of the container vessels under construction have adopted advanced design concepts, which allow them to reasonably control vessel size and increase their adaptability to ports and channels. Having full regard to varieties of trade lanes and actual needs for stowage operations, such vessels will have greater stowage flexibility and improve the effective loading capacity of cold containers, hazardous goods containers, loaded containers and high cube containers. On the premise that sufficient loading capacity is maintained and the demand for vessel usage is met and according to actual operating conditions, the shipyard will repeatedly optimize hull lines, reasonably select technical parameters and equipment configuration, conform to the development concept of energy-saving and emission reduction and environmental protection, reduce the level of oil consumption and emission and substantially enhance fuel economy. The installation of equipment and facilities such as super long stroke energy-saving machines, full-balanced helms, high-efficient propellers, auxiliary waste gas machines, ballast water disposal devices, low-sulfur fuel systems, high-voltage shore-based electricity systems and energy efficiency management system of ships provide new vessels with effective designed efficiency indicator (EDDI) which is more than 40% lower than the reference value, meeting the targeted indicator for 2030 as required by International Maritime Organization in advance.

3. **Feasibility analysis of the Project**

(1) Global economic recovery trend is gradually clear, which is favorable for the improvement of the container transportation cycle

On 10 October 2017, the International Monetary Fund (IMF) raised the global economic growth forecast in 2017 and 2018 by 0.1 percentage to 3.6% and 3.7%, respectively, as compared to that in July. Meanwhile, IMF raised the growth forecast of the major economies including the PRC. It is expected that 75% of the global economies will accelerate their growth in 2017, which is the biggest growth range of global economy in ten years.

Benefiting from the gradual recovery of the global economy and trade activities, the container transportation industry has shown a trend of recovery from its bottom. According to Drewry, global container freight volume in the first half of 2017 was approximately 99.30 million TEU, representing an increase of 3.7% as compared to the same period in 2016. In addition, the average of China Containerized Freight Composite Index in the first half of 2017 was 828 points, representing an increase of 19.8% as compared to the same period in 2016. Under this context, the announced results of the listed port shipping enterprises since 2017 have been generally improved as compared to the same period.

In the long run, due to its safe and high efficiency, economic convenience and "door-to-door" transportation mode, the market demand for container vessels transportation will continue.

(2) The healthy development of the shipping industry is in line with national strategies

On 3 September 2014, the State Council issued the Certain Opinions Concerning the Promotion of the Healthy Development of Marine Industry (《關於促進海運業健康發展的若干意見》). On the 31 October 2014, the Ministry of Communications issued the Plan for Implementation of the Certain Opinions of the State Council Concerning the Promotion of the Healthy Development of Marine Industry (《貫徹落實<國務院關於促進海運業健康發展的若干意見>的實施方案》). The aforesaid policies play an important role in shoring up the confidence in maritime transport, creating synergies, deepening reform and speeding up the construction of a powerful maritime and shipping country.

The national development strategies such as "the Belt and Road" initiative, "Beijing — Tianjin — Hebei Collaborative Development" and the "Yangtze River Economic Belt" inject vigor for a new round of development of the Chinese economy and society, and also represent a rare historic opportunity for China's shipping industry to transform and upgrade and grow bigger and stronger.

(3) The Company has developed a large-scale container shipping team which has its own advantages

Being capital-intensive and highly professional, the shipping industry has high requirements for corporate operation scale, management standards and management team. As a world-class company specializing in the container shipping and terminal businesses, the Company has a large operation scale and industry-leading management standards and management team.

As of 30 June 2017, COSCO SHIPPING Lines, a subsidiary of the Company, had a self-owned container fleet comprising 342 container vessels with a carrying capacity of 1,764,565 TEU, ranking the fourth place in the world in terms of fleet size.

Administrative, business and technical management personnel of the Company's container vessels possess solid and comprehensive expertise, extensive industry experience and remarkable professional dedication. Good management systems established by the Company provide important assurance for the safety production and operation and market competitiveness of the Company's fleet. The Company has many years of experience in vessel management, an experienced management team and extensive experience in lean management, crew management and operational arrangement.

4. **Total Investment and financing arrangement for the Project**

Total payment of the consideration for 20 container vessels under construction amounts to US$2,629.003.5 million (equivalent to RMB17,448.4333 million). It is intended that the funds required by the Project will be financed by the proceeds from the Non-Public Issuance of RMB12.9 billion. The shortfall shall be settled by the Company through its self-raised fund.

5. **Economic benefits analysis of the Project**

According to our calculation, the internal return rate on the acquisition or construction of 5 container vessels with a capacity of 13,800 TEU each is 8.17%, the static investment payback period is 10.60 years and the dynamic investment payback period is 16.72 years;

the internal return rate on the acquisition or construction of 4 container vessels with a capacity of 14,568 TEU each is 10.69%, the static investment payback period is 8.65 years and the dynamic investment payback period is 12.57 years; the internal return rate on the acquisition or construction of 5 container vessels with a capacity of 20,119 TEU each is 8.02%, the static investment payback period is 10.75 years and the dynamic investment payback period is 17.75 years; the internal return rate on the acquisition or construction of 6 container vessels with a capacity of 21,237 TEU each is 10.32%, the static investment payback period is 8.54 years and the dynamic investment payback period is 12.56 years. Basic assumptions for the above calculation are as follows: discount rate of 6%, depreciable life of 25 years, residual value rate of 5% and operation period of 25 years.

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

(I) Impact of the Non-public Issuance on the Company's business

Proceeds from the Non-Public Issuance will be fully used for payment of the consideration for 20 container vessels under construction, which is in line with national policies and industry development trend. It is expected that when the projects to be funded by the proceeds are implemented, the Company's business scale, fleet strength and operation efficiency will be further improved, the Company's core competitive strength will be further enhanced and the Company's anti-risk capability will be further effectively strengthened. This is of significant strategic meaning to the long-term sustainable development of the Company.

(II) Impact of the Non-public Issuance on the Company's financial position

Following completion of the Non-public Issuance, the Company's capacity structure will be optimized and its gearing ratio will be lowered, which will help to lower the financial risks of the Company. In addition, due to the gradual implementation of the projects to be funded by the proceeds, the Company' revenue from principal businesses is expected to grow steadily and its profitability will be further improved, which will help to advance the Company's strategies and further consolidate the Company's leading position in the shipping market.

The implementation of the investment project with proceeds raised from the Non-public Issuance is beneficial to improve the capital structure and reduce the financial risk of the Company, and to facilitate the Company to comprehensively utilize all kinds of financing instruments in the future on the condition of controlling financial risk and maintaining sound and controllable financial structure in order to make reasonable and proper financing arrangement.

IV. CONCLUSION

In view of the above, investment with proceeds raised from the Non-public Issuance is in line with relevant national industrial policy relating to the industry and industry development trend, has promising market prospect and conforms to the strategic targets of the Company, which will help to promote the sustainable development and core competitiveness of the Company. Meanwhile, implementation of the Project is beneficial for the Company to strengthen its sustainability, enlarge its fleet size, improve its market position and anti-risk capability and improve its profitability in the middle to long run. We conclude that the Project is feasible.

COSCO SHIPPING Holdings Co., Ltd.
Board of Directors

30 October 2017

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

Stock name: COSCO SHIP HOLD Stock code: 601919 Announcement No.：Lin 2017-073

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

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

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

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

The Company intends to raise up to RMB12.9 billion through the Non-public Issuance of up to 2,043,254,870 shares. The Company has conducted relevant analysis for the impact of the Non-public Issuance on the main financial indicators of the Company for the corresponding year, with details set forth as follows:

(I) Assumption for the analysis

The analysis is based on the following assumptions:

1. That the Non-public Issuance shall be completed by the end of June 2018 and 2,043,254,870 shares shall be issued under the Non-public Issuance. Such assumption is

only used to calculate the impact of the Non-public Issuance on the earnings per share of the Company, and is not indicative of the judgment of the Company on the actual time of completion of the Non-public Issuance and the number of shares to be issued, which are subject to the final approval of China Securities Regulatory Commission ("CSRC");

2. That there are no material adverse changes in the macro-economic environment and conditions of the stock market as well as the operating environment of the Company;

3. That the net profit attributable to the shareholders of the listed company net of non-recurring gains or losses for January to June in 2017, is RMB750.0368 million; and the net profit attributable to the shareholders of the listed company net of non-recurring gains or losses for January to June in 2016, is RMB-4,820.9249 million; which record a turn from loss into profit in the first half of 2017 as compared to the same period last year. Assuming that the net profit attributable to the shareholders of the listed company net of non-recurring gains or losses for the second half of 2017 keep stable with that for the first half of 2017, the net profit attributable to the shareholders of the listed company net of non-recurring gains or losses for 2017 will be RMB 1,500.0736 million. The net profit of the Company for 2018 will be calculated based on the following 3 assumptions (which are not indicative of the judgment of the Company on its operating results and development for 2018 and does not constitute a profit forecast of the Company):

   Scenario 1: assuming that the net profit attributable to the shareholders of the listed company net of non-recurring gains or losses for 2018, is 10% lower than the net profit attributable to the shareholders of the listed company for 2017, net of non-recurring gains or losses;

   Scenario 2: assuming that the net profit attributable to the shareholders of the listed company net of non-recurring gains or losses for 2018, is the same as the net profit attributable to the shareholders of the listed company for 2017, net of non-recurring gains or losses;

   Scenario 3: assuming that the net profit attributable to the shareholders of the listed company net of non-recurring gains or losses for 2018, is 10% higher than the net profit attributable to the shareholders of the listed company for 2017, net of non-recurring gains or losses;

4. Without taking into account the impact of the proceeds from the Non-public Issuance on the production and operation as well as the financial conditions, such as operating income, financial costs and investment profits, of the Company;

5. That there has been no provident fund converted to share capital or distribution of stock dividends, which have an impact on the number of shares in 2018.

(II) **Impact on earnings per share of the Company**

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

Item	2017	2018	
		Prior to the issuance	After the issuance
Total number of shares ('0,000 shares)	1,021,627	1,021,627	1,225,953
Scenario 1: assuming that the net profit attributable to the shareholders of the listed company net of non-recurring gains or losses for 2018, is 10% lower than the net profit attributable to the shareholders of the listed company for 2017, net of non-recurring gains or losses			
Net profit attributable to the shareholders of the listed company, net of non-recurring gains or losses (RMB'0,000)	150,007.36	135,006.62	135,006.62
Basic earnings per share, net of non-recurring gains or losses (RMB per share)	0.15	0.13	0.11
Diluted earnings per share, net of non-recurring gains or losses (RMB per share)	0.15	0.13	0.11
Scenario 2: assuming that the net profit attributable to the shareholders of the listed company net of non-recurring gains or losses for 2018, is the same as the net profit attributable to the shareholders of the listed company for 2017, net of non-recurring gains or losses			
Net profit attributable to the shareholders of the listed company, net of non-recurring gains or losses (RMB'0,000)	150,007.36	150,007.36	150,007.36
Basic earnings per share, net of non-recurring gains or losses (RMB per share)	0.15	0.15	0.12
Diluted earnings per share, net of non-recurring gains or losses (RMB per share)	0.15	0.15	0.12
Scenario 3: assuming that the net profit attributable to the shareholders of the listed company net of non-recurring gains or losses for 2018, is 10% higher than the net profit attributable to the shareholders of the listed company for 2017, net of non-recurring gains or losses			
Net profit attributable to the shareholders of the listed company, net of non-recurring gains or losses (RMB'0,000)	150,007.36	165,008.10	165,008.10
Basic earnings per share, net of non-recurring gains or losses (RMB per share)	0.15	0.16	0.13
Diluted earnings per share, net of non-recurring gains or losses (RMB per share)	0.15	0.16	0.13

Notes:

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

2. Basic earnings per share = current net profit attributable to the holders of the ordinary shares of the Company/weighted average of the number of ordinary shares in issue; weighted average of the number of ordinary shares in issue = number of ordinary shares in issue at beginning of the period + number of new ordinary shares in issue in the period * period of issuance/reporting period — number of ordinary shares repurchased * period of repurchase/reporting period.

From the above table, we can conclude that there is a risk of dilution for the earnings per share of the Company for 2018 upon completion of the Non-public Issuance.

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

Upon completion of the Non-public Issuance, after the proceeds have been received, the Company's total share capital will increase. Based on the above calculation, the Non-public Issuance may lead to a decrease in earnings per share for the corresponding year compared with that prior to the Issuance. In 2018, with the proceeds in place, there is a risk of short-term dilution of the current returns of the Company. Investors are hereby advised to make sensible decisions and be aware of the risks.

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

III. EXPLANATIONS FOR THE NECESSITY AND RATIONALITY OF THE NONPUBLIC ISSUANCE BY THE BOARD OF DIRECTORS

(I) "The Belt and Road" initiative provides new opportunity and puts forward new requirements for port shipping enterprises

At the critical stage for deepening economic globalization, accelerating the regional economic integration, deeply adjusting the global trade and investment layout, several national ministries jointly issued the Vision and Actions on Jointly Building the Silk Road Economic Belt and the 21st-Century Maritime Silk Road in March 2015, which proposed the overall framework concept of building "the Silk Road Economic Belt" and "the 21st-Century Maritime Silk Road", namely "the Belt and Road".

The proposal for "the Belt and Road" initiative is beneficial for economic prosperity of the countries along the route and regional economic cooperation and also provides new business opportunities for port shipping enterprises. COSCO Shipping Holdings actively implements "the Belt and Road" initiative by accelerating the layout of the global shipping network and port hubs, facilitating the construction of the maritime trade route, and strengthening the comprehensive logistic service capability and is committed to providing more diversified, convenient and reliable services and products.

(II) Global economic recovery trend is gradually clear, which is favorable for the improvement of the container transportation cycle

On 10 October 2017, the International Monetary Fund (IMF) raised the global economic growth forecast in 2017 and 2018 by 0.1 percentage to 3.6% and 3.7%, respectively, as compared to that in July. Meanwhile, IMF raised the growth forecast of the major economies including the PRC. It is expected that 75% of the global economies will accelerate their growth in 2017, which is the biggest growth range of global economy in ten years.

Benefiting from the gradual recovery of the global economy and trade activities, the container transportation industry has shown a trend of recovery from its bottom. According to Drewry, global container freight volume in the first half of 2017 was approximately 99.30 million TEU, representing an increase of 3.7% as compared to the same period in 2016. In addition, the average of China Containerized Freight Composite Index in the first half of 2017 was 828 points, representing an increase of 19.8% as compared to the same period in 2016. Under this context, the announced results of the listed port shipping enterprises since 2017 have been generally improved as compared to the same period.

In the long run, due to its safe and high efficiency, economic convenience and "door-to-door" transportation mode, the market demand for container vessels transportation will continue.

(III) The healthy development of the shipping industry is in line with national strategies

On 3 September 2014, the State Council issued the Certain Opinions Concerning the Promotion of the Healthy Development of Marine Industry (《關於促進海運業健康發展的若干意見》). On the 31 October 2014, the Ministry of Communications issued the Plan for Implementation of the Certain Opinions of the State Council Concerning the Promotion of the Healthy Development of Marine Industry (《貫徹落實<國務院關於促進海運業健康發展的若干意見>的實施方案》). The aforesaid policies play an important role in shoring up the confidence in maritime transport, creating synergies, deepening reform and speeding up the construction of a powerful maritime and shipping country.

The national development strategies such as "the Belt and Road" initiative, "Beijing — Tianjin — Hebei Collaborative Development" and the "Yangtze River Economic Belt" inject vigor for a new round of development of the Chinese economy and society, and also represent a rare historic opportunity for China's shipping industry to transform and upgrade and grow bigger and stronger.

(IV) Further optimizing vessel type and aging structure to build a global leading container transportation fleet

As the container transportation industry continuously develops, the economy of scale resulting from large vessels becomes prominent and "large-scale" container vessels have become a general trend in the industrial development.

The proceeds from the Non-public Issuance will be used to payment of the consideration for 20 container vessels under construction, which are expected to be successively delivered for use during the period from 2018 to 2019. The Company's container vessels under construction are not only an important carrier for improving customer service capability and diversifying services and products, but also resource guarantee for keeping abreast of the development trend of the industry and reducing production cost, which play a significant role in strengthening the overall competitiveness of the Company. Upon complete delivery, such vessels can effectively increase the proportion of capacity of the Company's self-owned vessels, further lower the average age of the fleet, optimize the Company's fleet layout and improve the vessel asset structure.

(V) Seizing opportunities to build a world-leading container transportation fleet

All of the container vessels under construction have adopted advanced design concepts, which allow them to reasonably control vessel size and increase their adaptability to ports and channels. Having full regard to varieties of trade lanes and actual needs for stowage operations, such vessels will have greater stowage flexibility and improve the effective loading capacity of cold containers, hazardous goods containers, loaded containers and high cube containers. On the premise that sufficient loading capacity is maintained and the demand for vessel usage is met and according to actual operating conditions, the shipyard will repeatedly optimize hull lines, reasonably select technical parameters and equipment configuration, conform to the development concept of energy-saving and emission reduction and environmental protection, reduce the level of oil consumption and emission and substantially enhance fuel economy. The installation of equipment and facilities such as super long stroke energy-saving machines, full-balanced helms, high-efficient propellers, auxiliary waste gas machines, ballast water disposal devices, low-sulfur fuel systems, high-voltage shore-based electricity systems and energy efficiency management system of ships provide new vessels with effective designed efficiency indicator (EDDI) which is more than 40% lower than the reference value, meeting the targeted indicator for 2030 as required by International Maritime Organization in advance.

(VI) The Company has developed a large-scale container shipping team which has its own advantages

Being capital-intensive and highly professional, the shipping industry has high requirements for corporate operation scale, management standards and management team. As a world-class company specializing in the container shipping and terminal businesses, the Company has a large operation scale and industry-leading management standards and management team.

As of 30 June 2017, COSCO SHIPPING Lines, a subsidiary of the Company, had a self-owned container fleet comprising 342 container vessels with a carrying capacity of 1,764,565 TEU, ranking the fourth place in the world in terms of fleet size.

Administrative, business and technical management personnel of the Company's container vessels possess solid and comprehensive expertise, extensive industry experience and remarkable professional dedication. Good management systems established by the Company provide important assurance for the safety production and operation and market competitiveness of the Company's fleet. The Company has many years of experience in vessel management, an experienced management team and extensive experience in lean management, crew management and operational arrangement.

IV. RELATIONSHIP BETWEEN THE INVESTMENT PROJECTS THROUGH NONPUBLIC ISSUANCE AND THE COMPANY'S EXISTING BUSINESSES AND RESERVES ON THE COMPANY'S TALENT, TECHNOLOGY AND MARKET RESOURCES FOR THE INVESTMENT PROJECTS

(I) Relationship between the investment projects and the Company's existing business

The Company mainly engages in integrated container shipping and terminal business and is the listed platform for container shipping service supply chain. The shipbuilding project will help to improve the Company's existing operating capacity and the competitive position in the integrated container shipping market, which will further facilitate the Company to adapt to the new competitive landscape of development trend in the shipping industry and capture the opportunity of "the Belt and Road" initiative implemented by China to improve its competitiveness.

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

(1) ***Human resources reserve***

By the end of 2016, the parent and major subsidiaries of COSCO SHIPPING Holdings have 20,790 staffs in total, among others, there are 3,962 production staffs, and 10,141 sales, technology, finance and administrative staffs in total. The Company has gathered many production and management staffs with profound industry background and extensive industry experience. In addition, the Company will provide regular trainings plans for staffs to continuously improve the technical level and comprehensive quality of the team, so as to fully ensure the successful implementation of shipbuilding projects.

(2) ***Technical reserve***

As at 30 June 2017, the number of the self-owned vessels for container shipping of COSCO SHIPPING Holdings is 342, representing an increase of 30 vessels than the beginning of 2017; the capacity of self-owned vessels reached 1,764.6 thousand TEU, representing an increase of 115.8 thousand TEU than the beginning of 2017, the fleet size ranks fourth in the world. The container shipping volume completed in the first half of 2017 reached 9,997.7 thousand TEU, representing an increase of 34.86% than the same period last year. The Company has accumulated rich technical experience in the container shipping industry, which is sufficient to ensure the normal and robust operation of shipbuilding projects.

(3) ***Market reserve***

Through Reorganization, COSCO SHIPPING Holdings will have more intensive shipping routes covering the whole world. The routes covered COSCO SHIPPING Ports, the subsidiary of COSCO SHIPPING Holdings, include all top five ports in China and expand its oversea layouts to Turkey, South Korea, Singapore and Rotterdam to build up a globalized terminal network, which plays an important role in enhancing the Company's bargaining power. With the comprehensive market layout, COSCO SHIPPING Holdings can speak louder in the container shipping market and lay a good foundation for the business expansion in the future.

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

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

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

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

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

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

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

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

   The proceeds raised from the Issuance are all used to pay the shipbuilding amounts for the on-built container vessels. After receiving the proceeds upon the Issuance, the Company will speed up the construction and operation of investment projects financed by the proceeds raised, actively allocate resources, arrange the progress of the projects in a reasonable and comprehensive manner, strive to realize the expected benefits from the projects as soon as possible, expand the returns of the shareholders in subsequent years, and mitigate the risk of dilution of current returns as a result of the Issuance.

3. Continuing to improve corporate governance to facilitate the development of the Company

   The Company will strictly follow the Company Law, Securities Law and other laws, regulations and regulatory documents, and constantly improve the corporate governance structure to ensure that Shareholders can fully exercise their rights, to ensure that the Board exercise their powers and responsibilities in accordance with laws, regulations and the Articles of Association, to make a scientific business decisions, to ensure that independent directors earnestly perform their duties, and safeguard the overall interests of the Company, especially the legitimate interests of minority Shareholders, to ensure that the Supervisory Committee can independently and effectively exercise supervision and inspection rights to directors, senior management and corporate finance, and lay a foundation for the development of the Company.

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

   According to the requirements of the Notice Regarding Further Implementation of Cash Dividends Distribution by Listed Companies and the Listed Companies Regulatory Guidance No. 3 — Cash Dividends Distribution of Listed Companies issued by the CSRC, the Company further improved and refined the profit distribution policy. By fully considering the investment on the return for the shareholders and for the growth and development of the Company, the Company formulated the Plan for Shareholders' Return Plan for the Next Three Years (2017-2019) of COSCO SHIPPING Holdings Co., Ltd. The formulation and perfection of the aforesaid system further clarifies the decision-making procedures and mechanism of dividend distribution and the specific proportion of bonus shares to be issued of the Company, which will effectively guarantee the reasonable investment return of all shareholders. In the future, the Company will continue to strictly implement its dividend policy and optimize the investment return mechanism to ensure that the interests of its shareholders, especially the minority shareholders, can be protected.

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

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

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

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

1. I hereby undertake not to transfer benefits to other entities or individuals with no consideration or under unfair terms, and shall not damage the Company's interests in any other ways.

2. I hereby undertake to constrain the consumption behavior in relation to my work duty.

3. I hereby undertake not to use the Company's assets for investments or consumption activities that are unrelated to the engagement and performance of my work duties.

4. I hereby undertake that the remuneration system formulated by the board of directors or the remuneration committee will be linked with the implementation of the Company's remedial measures in relation to the returns of the Company.

5. I hereby undertake that the vesting conditions for the proposed share incentive scheme (if any) of the Company will be linked with the implementation of the Company's remedial measures in relation to returns of the Company.

6. From the date of making these undertakings until completion of the Proposed Non-public Issuance of A Shares, I undertake to make supplemental undertakings in accordance with the latest regulations imposed by the China Securities Regulatory Commission, which renders the aforementioned undertakings that are inadequate to satisfy such regulatory requirements.

7. I hereby undertake to perform these undertakings. If I violate these undertakings and cause losses to the Company or the investors, I shall be liable to indemnify the Company or the investors for their losses in accordance with the law.

(II) UNDERTAKINGS BY COSCO SHIPPING

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

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

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

Announcement is hereby given.

COSCO SHIPPING Holdings Co., Ltd.

30 October 2017

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

Shareholders' Return Plan of COSCO Shipping Holdings Co., Ltd. for the Next Three Years (2017-2019)

To further increase the transparency of the profit distribution policy, perfect and improve the decision-making and supervision system of profit distribution, ensure the continuity and stability of profit distribution, generate reasonable returns on investment for investors, practically safeguard the legitimate interests of minority shareholders and steer investors towards long-term and reasonable investment, COSCO Shipping Holdings Co., Ltd. ("**COSCO Shipping Holdings" or the "Company**") formulates the Shareholders' Return Plan for the Next Three Years (2017-2019) of COSCO Shipping Holdings Co., Ltd. pursuant to the Notice Regarding Further Implementation of Cash Dividends Distribution by Listed Companies (《關於進一步落實上市公司現金分紅有關事項的通知》) (Zheng Jian Fa [2012] No. 37), the Guideline on the Distribution of Cash Dividends by Listed Companies of the Shanghai Stock Exchange (《上海證券交易所上市公司現金分紅指引》) and the Listed Companies Regulatory Guidance No. 3 — Cash Dividends Distribution of Listed Companies (《上市公司監管指引第3號—上市公司現金分紅》) (CSRC Announcement [2013] No. 43), and the Articles of Association, taking into account the Company's profitability, operating growth plan, return to shareholders, social capital costs and external financing environment. The plan is subject to consideration and approval at the general meeting of the Company. Particulars are as follows:

I. Factors considered by the Company in formulating the plan

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

II. Principles for formulation of the plan

The Company shall implement a continuous and stable profit distribution policy and give comprehensive consideration to the reasonable return on investment for investors and long-term development of the Company. The Company will mainly distribute dividends in cash in the next three years (2017-2019). The plan was formulated in accordance with provisions on profit distribution under the relevant laws, regulations and the Articles of Association on the basis of maintaining the continuity and stability of profit distribution policy.

III. **Specific plan on shareholders' return of the Company for the next three years (2017-2019)**

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

The Company may distribute dividends: 1. in cash; 2. in shares; 3. in a combination of both cash and shares.

The Company shall give priority to dividend distribution in cash subject to fulfillment of the conditions for cash dividends. The Company shall in principle distribute profit once a year. When conditions permit, the Board of the Company may propose interim cash distribution with reference to the Company's profitability and capital requirements.

(II) Specific conditions and proportions of cash dividend are as follows:

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

1. If the Company has made a profit for that year, and after compensating for losses in previous years and withdrawing reserves according to the laws, the cumulative undistributed profits is positive and liquidity is adequate, the Company may distribute dividend in cash provided that the subsequent ongoing operation of the Company shall not be undermined;

2. Auditors issue an audit report with no qualified opinion for the Company's financial report for the year, and the Company shall give priority to dividend distribution in cash.

The Company shall distribute dividend in cash in accordance with the proportion:

The Company shall implement positive profit distribution policies and value investors' reasonable investment return and the Company's sustainable development to maintain the continuity and stability of profit distribution policy. The cumulative profit distribution in cash by the Company in the last three years shall in principle not be less than 30% of the average annual distributable profits of the Company for the same period.

The Company shall distribute dividend in cash in accordance with the rules below:

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

2. Where the Company is in a developed stage with substantial capital expenditure arrangements, the dividend distributed in the form of cash shall not be less than 40% of the total profit distribution;

3. Where the Company is in a developing stage with substantial capital expenditure arrangements, the dividend distributed in the form of cash shall not be less than 20% of the total profit distribution.

In the case that it is difficult to distinguish the Company's stage of development but the Company has significant capital expenditure arrangements, the profit distribution may be dealt with pursuant to the preceding provisions. Significant capital expenditure refers to the accumulated expenses amounting to or exceeding 10% of the latest audited net assets of the Company for the proposed external investment, acquisition of assets (including land use rights) or purchase of equipment in the next twelve months.

(III) Specific conditions of distributing dividends in shares are as follows:

After taking into account of the accumulative distributable profits, common reserve fund and cash flow status, the Company may distribute dividends in the form of shares for profit distribution, provided that there is sufficient liquidity for cash dividend distribution and a reasonable shareholding structure, and the Board considers that distributing dividends in shares will be in the interest of all Shareholders of the Company as a whole. The dividend payout ratio shall be submitted to the general meeting for consideration and approval after being reviewed and adopted by the Board.

IV. **Decision-making procedures and mechanism of profit distribution**

(I) The profit distribution proposal of the Company shall be formulated and reviewed by the Board and submitted to the general meeting for approval. The Board shall gather opinions from each party, especially the independent directors and minority shareholders when formulating dividend distribution proposal. Independent directors shall express their opinions clearly in regard to the profit distribution proposal. The Supervisory Committee shall supervise the implementation of the profit distribution proposal.

(II) In case of no proposal of profit distribution in cash being made at any profitable year with available distributable profit of the Company, the Board shall explain the reasons and the independent directors shall express their opinions clearly. Disclosure in this regard shall be made in a timely manner by independent directors. Upon the approval by the Board, it shall be submitted to the general meetings for review and the Board shall provide explanation at the general meeting.

(III) When determining the particulars of the cash dividend proposal of the Company, the Board shall study and discuss on, among others, the timing, conditions as well as the minimum ratio, conditions of adjustments and other factors as required for making the decisions. The independent directors shall express their opinions clearly and may gather opinions from minority shareholders, present dividend proposals and directly submit them to the general meeting for consideration. When considering the particulars of the profit distribution proposal at the general meeting, the Company shall communicate with the Shareholders, especially the minority shareholders, through various channels (including but not limited to hotlines, mailbox of Secretary to the Board and inviting minority investors to attend the meeting), in order to gather opinions from the minority shareholders and respond to their concerns in a timely manner.

(IV) The Company shall strictly implement the cash dividend policy stipulated in the Articles of Association and the particulars of the cash dividend proposal considered and approved at the general meeting. Adjustments or amendments to the cash dividend policy stipulated in the Articles of Association shall only be made after detailed discussion and corresponding decision-making procedure according to the Articles of Association and approval shall be obtained from shareholders holding more than two thirds of the total voting rights present at the general meeting.

V. Period for formulating the plan and relevant adjustment mechanism

The Company shall review the Shareholders' Return Plan for the Next Three Years of the Company at least every three years. The Company shall evaluate and make necessary amendments to the prevailing profit distribution policy and determine the shareholders' return plan of the Company for such period, after considering opinions of the shareholders (minority shareholders in particular), independent directors and supervisors. The Board shall submit a proposal for approval at the general meeting on the Shareholders' Return Plan for the Next Three Years of the Company, in respect of which the independent directors shall give their independent opinions for consideration at the general meeting. The proposal shall be approved by more than two-thirds of the voting rights held by the shareholders present at such general meeting.

VI. Information disclosure on the profit distribution of the Company

(I) The Company shall disclose in detail in its annual reports the formulation and implementation of the cash dividend distribution policy, and make special explanations on the following matters including: 1. the compliance with relevant provisions of the Articles of Association or resolutions at the general meeting(s); 2. the accuracy and clarity of the standard and proportion of profit distribution; 3. the completeness of relevant decision-making procedures and mechanisms; 4. the fulfillment of obligations and contributions of the independent directors; 5. whether or not the minority shareholders have the chance to voice their opinions and demands and whether or not the legal rights of the minority shareholders have been fully protected. Where the cash dividend policy is adjusted or amended, it is also required to explain in detail whether the conditions and procedures for such adjustment or amendment are compliant and transparent.

(II) For any adjustment or amendment to cash dividend distribution policy, it is also required to explain in detail whether the conditions and procedures for such adjustment or amendment are compliant and transparent.

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

VII. **Supplementary provisions**

Any matters not covered herein shall be handled in accordance with the requirements of relevant laws and regulations as well as normative documents and the Articles of Association. The Board is responsible for the interpretation of the plan which will be effective from the date of approval at the general meeting of the Company. The same shall apply for amendments of the plan.

COSCO SHIPPING Holdings Co., Ltd.
Board of Directors

30 October 2017

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

(a) Directors' interests or short positions in the Shares

Save as disclosed in this section, as at the Latest Practicable Date, none of the Directors, Supervisors and chief executives of the Company had any interests or short positions 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 required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of Part XV of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange.

(i) ***Long positions in the Shares, underlying Shares and debentures of the Company***

Name of Director	Capacity	Nature of interests	Number of Shares of the Company	Approximate percentage of total issued share capital of the relevant class of shares	Approximate percentage of total issued share capital of the Company
WAN Min	Beneficial owner	Personal	2,500 H Shares	0.00010%	0.00002%
	Beneficial owner	Personal	35,000 A Shares	0.00046%	0.00034%
	Beneficial owner	Spouse	12,000 A Shares	0.00016%	0.00012%

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

Name of associated corporation	Name of Director	Capacity	Nature of interests	Number of ordinary shares	Approximate percentage of total issued share capital
COSCO SHIPPING Development Co., Ltd.	FENG Boming	Beneficial owner	Personal	29,100	0.00025%
COSCO SHIPPING Ports Limited	ZHANG Wei (張煒)	Beneficial owner	Personal	30,000	0.00099%

(b) **Substantial Shareholders' interests or short positions in the Shares**

As at the Latest Practicable Date, so far as was known to the Directors, the following persons (other than the Directors) had interest or short positions in the Shares and/or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name	Nature of interest/Capacity	Number of relevant class of Shares	Approximate percentage of the relevant class of Shares	Approximate percentage of the total issued Shares
COSCO	Beneficial interest	4,557,594,644 A Shares	59.69%	45.47%
	Interest of controlled corporation	87,635,000 H Shares	3.40%	
COSCO SHIPPING[1]	Interest of controlled corporation	4,557,594,644 A Shares	59.69%	45.47%
		87,635,000 H Shares	3.40%	

Note:

(1) As at the Latest Practicable Date, COSCO was directly wholly-owned by COSCO SHIPPING, which was deemed to be interested in all the Shares held by COSCO.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors, no other person (other than the Directors) had interest or short positions in the Shares and/or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

As at the Latest Practicable Date, so far as was known to the Directors, the following Directors were directors or employees of the substantial Shareholders set out above:

Name of Director	Position held in COSCO	Position held in COSCO SHIPPING
WAN Min	Director	Director and president
HUANG Xiaowen	N/A	Executive vice president
FENG Boming	N/A	General manager of the strategic and corporate management department
ZHANG Wei (張煒)	N/A	General manager of the operational management department
CHEN Dong	N/A	General manager of the financial management department

(c) **Competing Interests**

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 Listing Rules.

3. SERVICE CONTRACTS

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

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse changes in the financial or trading position of the Group since 31 December 2016 (being the date to which the latest published audited consolidated financial statements of the Group were made up).

5. LITIGATION

So far as the Directors are aware, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or arbitration of material importance was pending or threatened against any member of the Group as at the Latest Practicable Date.

6. DIRECTORS' AND SUPERVISORS' INTEREST

None of the Directors or Supervisors has any direct or indirect interest in any assets which have been, since 31 December 2016, the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to, or which are proposed to be acquired or disposed of by, or leased to, any member of the Group.

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

7. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the expert who have given their opinion or advices which are contained in this circular:

Name	Qualification
Platinum Securities Company Limited	a licensed corporation under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, the above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter or opinion and reference to its name in the form and context in which they respectively appear.

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

As at the Latest Practicable Date, the above expert did not have any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group, or was proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2016 (being the date to which the latest published audited statements of the Group were made up).

8. MISCELLANEOUS

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

(e) 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 49/F, COSCO Tower, 183 Queen's Road Central, Hong Kong.

(f) The Hong Kong H 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.

9. DOCUMENTS FOR INSPECTION

Copies of the following documents will be made available for inspection during normal business hours at the Company's principal place of business in Hong Kong at 49th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong from the date of the circular and up to and including the date of the EGM and the Class Meetings:

(a) the COSCO SHIPPING Subscription Agreement;

(b) the letter from the Board, the text of which is set out in the section headed "Letter from the Board" in this circular;

(c) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out in the section headed "Letter from the Independent Board Committee" in this circular;

(d) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out in the section headed "Letter from the Independent Financial Adviser" in this circular;

(e) the written consents referred to in the paragraph headed "Qualification and Consent of Expert" in this Appendix; and

(f) this circular.