
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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COSCO SHIPPING Ports Limited

中遠海運港口有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1199)

DISCLOSEABLE TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS – NEW FINANCIAL SERVICES MASTER AGREEMENT

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

ALTUS CAPITAL LIMITED

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

A letter from the Board is set out on pages 6 to 20 of this circular and a letter from the Independent Board Committee is set out on page 21 of this circular. A letter from Altus Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 22 to 36 of this circular.

A notice convening the SGM to be held at 47/F, COSCO Tower, 183 Queen’s Road Central, Hong Kong at 2:30 p.m. on Thursday, 1 December 2022 is set out on pages 45 to 47 of this circular. Whether or not you are able to attend the SGM, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company’s Hong Kong branch share registrar and transfer office, Tricor Secretaries Limited of 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event, not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting should you so wish.

Shareholders who are entitled to vote at the SGM are those whose names appear as Shareholders on the register of members of the Company as at the close of business on Thursday, 24 November 2022. In order to be entitled to attend and vote at the SGM, all completed transfer documents, accompanied by relevant share certificates, must be lodged with the Company’s Hong Kong branch share registrar and transfer office, Tricor Secretaries Limited of 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Thursday, 24 November 2022.

PRECAUTIONARY MEASURES FOR THE SGM

Please see page 1 of this circular for precautionary measures that will be implemented by the Company at the SGM to prevent the spreading of COVID-19:

- (1) Maintaining an appropriate social distancing between seats;
- (2) Conducting compulsory body temperature checks and requiring health declarations;
- (3) Compulsory wearing of surgical face mask; and
- (4) No refreshments will be provided and no corporate gifts will be distributed.

As permitted by law, the Company may, at its absolute discretion, deny the entry to the SGM of any attendee who (i) refuses to comply with the precautionary measures; or (ii) is subject to any prescribed quarantine by the Government of Hong Kong; or (iii) has close contact with any person under quarantine; or (iv) has any flu-like symptoms or is otherwise unwell.

For health and safety reasons, the Company strongly encourages Shareholders to appoint the Chairman of the SGM as their proxy as an alternative to attending the SGM in person.

21 September 2022

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This circular and the accompanying form of proxy, in both English and Chinese versions, are available on the Company's website at <https://ports.coscoshipping.com> (the "**Company Website**") and on the website of the Hong Kong Exchanges and Clearing Limited at <https://www.hkexnews.hk>. To the extent that there are any inconsistencies between the English version and the Chinese version of this circular, the English version shall prevail.

Shareholders who have chosen or have been deemed consented to receive the corporate communications of the Company (the "**Corporate Communications**") via the Company Website and who for any reason have difficulty in receiving or gaining access to the circular and the form of proxy posted on the Company Website will promptly upon request be sent the circular and the form of proxy in printed form free of charge. Shareholders may at any time change their choice of the means of receipt (either in printed form or via the Company Website) and/or language(s) (either English only or Chinese only or both languages) of Corporate Communications.

Shareholders may send their request to receive the circular and the form of proxy in printed form, and/or to change their choice of the means of receipt and/or language(s) of Corporate Communications by notice in writing to the Company's Hong Kong branch share registrar and transfer office, Tricor Secretaries Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong or by sending an email to the Company's Hong Kong branch share registrar and transfer office at coscoshipport-ecom@hk.tricorglobal.com.

Shareholders who have chosen to receive printed copy of the Corporate Communications in either English or Chinese version will receive both English and Chinese versions of this circular and the accompanying form of proxy since both languages are bound together into one booklet and sheet respectively.

PRECAUTIONARY MEASURES FOR THE SGM

In view of the ongoing COVID-19 pandemic and in compliance with the latest applicable directions issued by the Government of Hong Kong, the Company will implement necessary precautionary measures at the SGM to protect the attending Shareholders and other attendees from the risk of infection, including the following:

- (i) All attendees are required to fill in and sign a health declaration form before entering into the SGM venue. Any person, irrespective of nationality, who is subject to any prescribed quarantine measures of the Government of Hong Kong, will be denied entry into the SGM venue;
- (ii) Compulsory body temperature checks will be conducted for every attending Shareholder, proxy or other attendees at the entrance of the SGM venue. Any person with a body temperature of over 37 degrees Celsius or who has flu-like symptoms or is otherwise unwell or is subject to the mandatory quarantine order imposed by the Government of Hong Kong may be denied entry into the SGM venue or be required to leave the SGM venue;
- (iii) All attendees must sanitise his/her hands before entering the SGM venue;
- (iv) All attendees will be required to wear surgical face masks before they are permitted to enter the SGM venue, during the SGM and inside the SGM venue at all times, and to maintain a safe distance between seats. Please note that no surgical face mask will be provided at the SGM and all attendees should wear their own surgical face masks;
- (v) Seating at the SGM with appropriate social distance will be made to be in line with the guidance promulgated by the Government of Hong Kong. As a result, there will be limited capacity for the Shareholders to attend the SGM; and
- (vi) There will be no corporate gifts and no drinks and refreshments will be served.

Any attendee who (i) refuses to comply with the precautionary measures; or (ii) is subject to any prescribed quarantine by the Government of Hong Kong; or (iii) has close contact with any person under quarantine; or (iv) has any flu-like symptoms or is otherwise unwell may be denied entry to or be requested to leave the meeting venue. **For health and safety reasons, the Company strongly encourages Shareholders to appoint the Chairman of the SGM as their proxy as an alternative to attending the SGM in person.**

Due to the constantly evolving COVID-19 epidemic situation in Hong Kong, the Company may be required to change the SGM arrangements at short notice. Shareholders should check the website of the Company (<https://ports.coscoshipping.com>) for the latest announcements and updates on the SGM arrangements.

If Shareholders choosing not to attend the SGM in person have any questions about the resolution, or have any matters for communication with the Board, please contact the Company:

Email: ir.csp@coscoshipping.com
Tel: +852 2809 8188
Fax: +852 2907 6088

If Shareholders have any questions relating to the SGM, please contact Tricor Secretaries Limited, the Company's Hong Kong branch share registrar and transfer Office, address being 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong:

E-mail: is-enquiries@hk.tricorglobal.com
Tel: +852 2980 1333
Fax: +852 2890 9350

DEFINITIONS

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

“associate”	has the meaning ascribed to it under Chapter 14A of the Listing Rules
“Board”	the board of Directors
“CBIRC”	China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)
“Clearing Transactions”	the transactions to be conducted pursuant to the New Financial Services Master Agreement as disclosed under the section headed “Letter from the Board – 2. New Financial Services Master Agreement – (C) Clearing Transactions” of this circular
“Company”	COSCO SHIPPING Ports Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1199)
“connected person”	has the meaning ascribed to it under Chapter 14A of the Listing Rules
“COSCO SHIPPING”	China COSCO SHIPPING Corporation Limited* (中國遠洋海運集團有限公司), the ultimate controlling Shareholder and a state-owned enterprise in the PRC
“COSCO SHIPPING Finance”	COSCO SHIPPING Finance Co., Ltd.* (中遠海運集團財務有限責任公司), a limited liability company established in the PRC and a non-wholly owned subsidiary of COSCO SHIPPING
“COSCO SHIPPING Group”	COSCO SHIPPING and subsidiaries held by COSCO SHIPPING as to more than 51%, companies held by COSCO SHIPPING and such subsidiaries (individually or jointly) as to more than 20% (or as to less than 20% but with COSCO SHIPPING and such subsidiaries (individually or jointly) being the largest shareholder), and enterprise legal entities (事業單位法人) and social organisation legal entities (社會團體法人) under COSCO SHIPPING or such subsidiaries

DEFINITIONS

“COSCO SHIPPING Holdings”	COSCO SHIPPING Holdings Co., Ltd.* (中遠海運控股股份有限公司), a joint stock limited company incorporated in the PRC with limited liability, the H shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1919) and the A shares of which are listed on the Shanghai Stock Exchange in the PRC (Stock Code: 601919), and an intermediate controlling Shareholder and holding company of the Company
“Deposit Transactions”	the transactions to be conducted pursuant to the New Financial Services Master Agreement as disclosed under the section headed “Letter from the Board – 2. New Financial Services Master Agreement – (A) Deposit Transactions” of this circular
“Director(s)”	the director(s) of the Company
“discloseable transaction”	has the meaning ascribed to it under Chapter 14 of the Listing Rules
“Existing Financial Services Master Agreement”	the financial services master agreement dated 30 October 2019 entered into between the Company and COSCO SHIPPING for the provision of certain financial services by COSCO SHIPPING Finance to the Group for the period from 1 January 2020 to 31 December 2022
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board appointed to advise the Independent Shareholders in respect of the Deposit Transactions and the Proposed Deposit Transactions Caps, comprising Dr. FAN HSU Lai Tai, Rita, Mr. Adrian David LI Man Kiu, Mr. LAM Yiu Kin, Prof. CHAN Ka Lok and Mr. YANG Liang Yee Philip
“Independent Financial Adviser” or “Altus Capital”	Altus Capital Limited, a corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Deposit Transactions and the Proposed Deposit Transactions Caps

DEFINITIONS

“Independent Shareholders”	the Shareholders who are not prohibited from voting under the Listing Rules to approve the Deposit Transactions contemplated under the New Financial Services Master Agreement and the Proposed Deposit Transactions Caps at the SGM
“Latest Practicable Date”	16 September 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Transactions”	the transactions to be conducted pursuant to the New Financial Services Master Agreement as disclosed under the section headed “Letter from the Board – 2. New Financial Services Master Agreement – (B) Loan Transactions” of this circular
“New Financial Services Master Agreement”	the financial services master agreement dated 30 August 2022 entered into between the Company and COSCO SHIPPING Finance for the provision of certain financial services (including the Deposit Transactions, the Loan Transactions, the Clearing Transactions and the Other Financial Transactions) by COSCO SHIPPING Finance to the Group for the period from 1 January 2023 to 31 December 2025
“Other Financial Transactions”	the transactions to be conducted pursuant to the New Financial Services Master Agreement (other than the Deposit Transactions, the Loan Transactions and the Clearing Transactions) as disclosed under the section headed “Letter from the Board – 2. New Financial Services Master Agreement – (D) Other Financial Transactions” of this circular
“PBOC”	People’s Bank of China (中國人民銀行), the central bank of the PRC
“percentage ratios”	has the meaning ascribed to it under Rule 14.07 of the Listing Rules
“PRC”	the People’s Republic of China, which for the purpose of this circular and unless the context suggests otherwise, shall exclude Hong Kong, the Macau Special Administrative Region and Taiwan

DEFINITIONS

“Proposed Deposit Transactions Caps”	the proposed daily maximum aggregate amount of deposits to be placed by the Group with COSCO SHIPPING Finance (including the amount of any interest accrued thereon) for each of the three years ending 31 December 2025
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be held for considering and, if thought fit, approving the Deposit Transactions contemplated under the New Financial Services Master Agreement and the Proposed Deposit Transactions Caps
“Share(s)”	share(s) in the share capital of the Company
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent

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

LETTER FROM THE BOARD



COSCO SHIPPING Ports Limited
中遠海運港口有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1199)

Directors:

Mr. YANG Zhijian¹ (*Chairman*)
Mr. ZHU Tao¹ (*Managing Director*)
Mr. ZHANG Wei²
Mr. CHEN Dong²
Dr. WONG Tin Yau, Kelvin¹
Dr. FAN HSU Lai Tai, Rita³
Mr. Adrian David LI Man Kiu³
Mr. LAM Yiu Kin³
Prof. CHAN Ka Lok³
Mr. YANG Liang Yee Philip³

Registered Office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal Place of Business:

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

General Counsel & Company Secretary:

Ms. HUNG Man, Michelle

¹ Executive Director

² Non-executive Director

³ Independent Non-executive Director

21 September 2022

To Shareholders,

Dear Sir or Madam,

**DISCLOSEABLE TRANSACTION AND
CONTINUING CONNECTED TRANSACTIONS –
NEW FINANCIAL SERVICES MASTER AGREEMENT**

1. INTRODUCTION

Reference is made to the announcement of the Company dated 30 August 2022 of the entering into by the Company of the New Financial Services Master Agreement with COSCO SHIPPING Finance on 30 August 2022, pursuant to which COSCO SHIPPING Finance agreed to provide certain financial services to the Group for a term of 3 years from 1 January 2023 to 31 December 2025. In particular, the Deposit Transactions contemplated under the New Financial Services Master Agreement constitute a discloseable transaction as well as continuing connected transactions of the Company which are subject to the announcement requirements under Chapter 14 and Chapter 14A of the Listing Rules and the reporting, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

The purposes of this circular are:

- (a) to provide you with further details of the Deposit Transactions contemplated under the New Financial Services Master Agreement and the Proposed Deposit Transactions Caps;
- (b) to provide you with the letter of recommendation from the Independent Board Committee and the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Deposit Transactions and the Proposed Deposit Transactions Caps; and
- (c) to give the Shareholders the notice convening the SGM at which an ordinary resolution will be proposed to consider and approve, if appropriate, the Deposit Transactions and the Proposed Deposit Transactions Caps.

2. NEW FINANCIAL SERVICES MASTER AGREEMENT

The principal terms of the New Financial Services Master Agreement are set out below:

Date: 30 August 2022

Parties: (1) the Company; and
(2) COSCO SHIPPING Finance

Term: 1 January 2023 to 31 December 2025

Effective date: The New Financial Services Master Agreement will take effect upon the obtaining of the necessary approval of the New Financial Services Master Agreement, the Deposit Transactions and/or the Proposed Deposit Transactions Caps by all competent authorities (including the board of directors, and the general meetings of the shareholders) of the parties pursuant to the terms of the agreement, constitutional documents of the parties, applicable laws and regulations and the Listing Rules.

Based on the Proposed Deposit Transactions Caps, approval of the Independent Shareholders is required for the Deposit Transactions contemplated under the New Financial Services Master Agreement.

LETTER FROM THE BOARD

Subject matter: COSCO SHIPPING Finance will provide certain financial services to the Group, including the Deposit Transactions, the Loan Transactions, the Clearing Transactions and the Other Financial Transactions which COSCO SHIPPING Finance is permitted by the CBIRC to provide. The Group has the right to obtain financial services from other financial institutions (including major commercial banks), determine the transaction amount and when to withdraw deposits (other than fixed term deposits, early withdrawal of which may be subject to penalties such as forfeiture of accrued interest and bank charges) based on its own business needs.

Transactions and pricing principle:

The transaction terms of the financial services to be provided under the New Financial Services Master Agreement (including the interest receivable by the Group from COSCO SHIPPING Finance and the interest and service or handling fees payable by the Group to COSCO SHIPPING Finance) shall be on normal commercial terms, fair and reasonable and negotiated on arm's length basis, and shall be no less favourable to the Group than (a) the terms offered by other independent third party commercial banks and/or financial institutions to the Group for the same type of services and (b) the terms offered by COSCO SHIPPING Finance to other members of the COSCO SHIPPING Group with the same qualities in the same period of time, and in particular:

(A) *Deposit Transactions*

Transactions:

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

Pricing terms:

The rate of interest which will accrue on any such deposits shall:

- (a) be no lower than the benchmark rate for the same type of deposits for the same term stipulated by the PBOC from time to time;
- (b) make reference to market interest rates, being the interest rates offered by independent third party commercial banks and/or financial institutions providing the same type of deposit services on normal commercial terms in their ordinary course of business in the same or nearby service area, and in accordance with the principle of fairness and reasonableness; and
- (c) make reference to the interest rates offered by COSCO SHIPPING Finance to other members of the COSCO SHIPPING Group with the same qualities for the same type of deposit services in the same period of time.

LETTER FROM THE BOARD

Historical transaction amounts:

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

	For the financial year ended 31 December 2020 RMB million (approximately)	For the financial year ended 31 December 2021 RMB million (approximately)	For the seven months ended 31 July 2022 RMB million (approximately)
Highest daily aggregate deposits amount (including any interest accrued)	2,520	2,795	2,795

Proposed Deposit Transactions Caps and basis:

The estimated daily maximum aggregate amount of deposits to be placed by the Group with COSCO SHIPPING Finance (including the amount of any interest accrued thereon) for each of the financial years during the term of the New Financial Services Master Agreement and the basis of determination thereof are as follows:

	For the financial year ending 31 December 2023 RMB million	For the financial year ending 31 December 2024 RMB million	For the financial year ending 31 December 2025 RMB million
Proposed daily maximum aggregate deposits amount (including any interest accrued)	3,500	3,500	3,500

The Proposed Deposit Transactions Caps are determined with reference to:

- (a) the historical levels and changes in the Group's cash and bank deposits balances;
- (b) an anticipated increase in the level of cash of the Group arising from receipt of dividend income from investment during the term of the New Financial Services Master Agreement, including cash dividend expected to receive from the Group's shareholdings in publicly listed terminal companies and the Group's equity interests in unlisted terminal companies;

LETTER FROM THE BOARD

- (c) an anticipated increase in the number of members of the Group placing deposits with COSCO SHIPPING Finance, including new members following their acquisition by the Group according to the Group's business plans of expansion for the next 3 years involving acquisitions of equity interests in other terminal companies and businesses;
- (d) the anticipated cash flow demand based on the current scale and operation of the business of the Group and the business plans of expansion of the Group for the next 3 years referred to above;
- (e) the need to maintain necessary capital expenditures in order to meet the Group's needs arising from the expected year on year expansion of the scale and development of the business of the Group, which is anticipated to lead to a corresponding increase in demand for deposit services;
- (f) the expected increase in interest income generated from the Group's deposits balances with COSCO SHIPPING Finance in the next 3 years; and
- (g) the expected growing demand of the Group for deposit services provided by COSCO SHIPPING Finance as a result of its competitive edge over other financial services providers becoming more apparent arising from continuing improvement in its services which can better serve the development needs of the Group.

(B) Loan Transactions

Transactions:

COSCO SHIPPING Finance will provide loans to members of the Group, and no security over assets of the Group will be granted to secure such loans. Any loan which requires security over assets of the Group will fall outside the scope of the New Financial Services Master Agreement.

Pricing terms:

The rate of interest which will accrue on any loan shall:

- (a) be no higher than the maximum rate for the same type of loans stipulated by the PBOC from time to time;
- (b) make reference to market interest rates, being the interest rates charged by independent third party commercial banks and/or financial institutions providing the same type of loan services on normal commercial terms in their ordinary course of business in the same or nearby service area, and in accordance with the principle of fairness and reasonableness; and

LETTER FROM THE BOARD

- (c) make reference to the interest rates charged by COSCO SHIPPING Finance to other members of the COSCO SHIPPING Group with the same qualities for the same type of loan in the same period of time.

If any member of the Group is unable to repay the outstanding loans owing by the Group to COSCO SHIPPING Finance, COSCO SHIPPING Finance will have the right to offset such outstanding loans due from the Group against the deposits placed by the Group with COSCO SHIPPING Finance.

(C) Clearing Transactions

COSCO SHIPPING Finance will provide clearing services to members of the Group, for which no service fee will be charged for the time being.

(D) Other Financial Transactions

COSCO SHIPPING Finance will also provide foreign exchange services and other financial services which it is permitted by the CBIRC to provide to the Group (such as financial and financing advisory services, credit rating and related advisory and agency services, assistance in the settlement of transaction consideration, insurance agency services, provision of guarantees, arrangement of entrusted loans and entrusted investments, bill acceptance and discounting services, finance leasing and derivatives trading services). The charges for such services will:

- (a) be no higher than the fee standards prescribed by the PBOC or the CBIRC for the same type of financial services (where applicable);
- (b) make reference to the fees charged by independent third party commercial banks and/or financial institutions for the same type of financial services provided to the Group; and
- (c) make reference to the fees charged by COSCO SHIPPING Finance for the same type of financial services provided to other members of the COSCO SHIPPING Group with the same qualities.

Capital Risk Assessment and Control Measures

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

- (a) in order to ensure the security of the funds of the members of the Group, ensure that its funds management information system (i) operates safely; (ii) has passed the security test in respect of the interface with online banking of commercial banks; (iii) has attained the security standards for commercial banks in the PRC; and (iv) has adopted the certification authority security certificate mode;

LETTER FROM THE BOARD

- (b) operate strictly in compliance with the risk monitoring indicators guidelines for finance companies issued by the CBIRC, and ensure that its main regulatory indicators such as gearing ratio and liquidity ratio comply with the requirements of the CBIRC and other relevant PRC laws and regulations;
- (c) within 3 business days after submission of each regulatory report to the CBIRC, submit a copy of the same to the Company's senior management and executive Directors for review;
- (d) (i) submit monthly financial statements to the Company's senior management and executive Directors for review on the fifth business day of the following month; and (ii) provide the Company with sufficient information on its various financial indicators and semi-annual and annual financial statements to enable the Group to monitor and review its financial conditions;
- (e) cooperate with the Company when it exercises its right to assign specialised organisations and personnel to proactively assess and supervise the risk of the funds deposited with COSCO SHIPPING Finance, and to provide the Company's auditors with records of transactions under the New Financial Services Master Agreement on reasonable advance notice so as to enable the Company's auditors to report on the matters contemplated under the New Financial Services Master Agreement as required by the Listing Rules;
- (f) obtain the Company's prior written consent if COSCO SHIPPING Finance makes any long-term equity investment;
- (g) notify the Company within 2 business days upon occurrence of the following events of COSCO SHIPPING Finance and to take measures to prevent the occurrence or aggravation of loss:
 - (i) impending or anticipated bank runs, failure to pay debts when due, funds liquidity problems, large customer loan default or large advance on guarantee, serious computer system failure, robbery or fraud;
 - (ii) involvement of directors or senior management in criminal cases or similar material events;
 - (iii) material change in its equity or corporate structure or business operations that affects its normal business;
 - (iv) material operational risks which affect or may affect its normal operations;
 - (v) loans owing by its shareholders overdue by over 6 months;
 - (vi) serious payment crises experienced by COSCO SHIPPING Finance;
 - (vii) the loss of COSCO SHIPPING Finance in a given year exceeds 30% of its registered capital or exceeds 10% of its registered capital for 3 consecutive years;

LETTER FROM THE BOARD

- (viii) non-compliance with any gearing ratio requirement under the Measures for the Administration of Finance Companies of Enterprise Groups;
- (ix) material administrative penalty and orders for rectification imposed by the CBIRC or other regulatory authorities;
- (x) judicial, legal or regulatory proceedings or investigations which have a material impact on its financial position; or
- (xi) other matters which may affect or create concerns for the security of the deposits of members of the Group.

In such event, COSCO SHIPPING Finance shall actively adjust its balance sheet, cooperate with the Company's risk management requirements in a timely manner, and effectively control and eliminate the risks, in order to ensure the security of the relevant assets of members of the Group, and members of the Group shall have the right to adopt appropriate measures (including early withdrawal of deposits or suspension of the making of further deposits) to safeguard their assets. In addition, in the event of emergencies such as payment difficulties of COSCO SHIPPING Finance, pursuant to the Measures for the Administration of Finance Companies of Enterprise Groups and the articles of association of COSCO SHIPPING Finance, COSCO SHIPPING Finance shall ensure COSCO SHIPPING (as the parent company of COSCO SHIPPING Finance) will increase the capital of COSCO SHIPPING Finance in accordance with its actual needs for resolving its payment difficulties; and

- (h) if any member of the Group cannot withdraw the deposits placed with COSCO SHIPPING Finance, COSCO SHIPPING Finance shall agree to the Group offsetting such deposit amounts against any amounts of outstanding loan owing by the Group to COSCO SHIPPING Finance.

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

LETTER FROM THE BOARD

3. REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE NEW FINANCIAL SERVICES MASTER AGREEMENT

The Group requires deposit services, loan services, clearing services and other financial services in its ordinary course of business which are currently also provided by independent third party commercial banks and/or financial institutions. Since the transaction terms of the financial services to be provided by COSCO SHIPPING Finance under the New Financial Services Master Agreement (including the interest receivable by the Group from COSCO SHIPPING Finance and the interest and service or handling fees payable by the Group to COSCO SHIPPING Finance) will be no less favourable to the Group than the terms offered by other independent third party commercial banks and/or financial institutions to the Group for the same type of services, this represents cost savings to the Group by potentially reducing the amount of interest costs, finance fees and charges payable as well as potential increase in interest income. The financial services to be provided by COSCO SHIPPING Finance under the New Financial Services Master Agreement are also diversified and can meet the business needs of the Group.

In relation to the deposit transactions under the Existing Financial Services Master Agreement, the interest income received by the Group from COSCO SHIPPING Finance during the years of 2020 and 2021 and the six months ended 30 June 2022 was approximately RMB21.48 million, approximately RMB22.06 million and approximately RMB14.96 million respectively, and when comparing to deposit rates offered and published by other independent third party commercial banks, additional interest income of approximately RMB1.40 million, approximately RMB3.40 million and approximately RMB3.40 million respectively is estimated to have been achieved.

In relation to the loan transactions under the Existing Financial Services Master Agreement, the interest costs paid by the Group to COSCO SHIPPING Finance during the year 2021 and the six months ended 30 June 2022 were approximately RMB33,000 (outstanding loan principal amount as at 31 December 2021 was approximately RMB344 million) and approximately RMB16.40 million (outstanding principal amount as at 30 June 2022 was approximately RMB1,654 million, being the highest amount up to 30 June 2022, which was significantly higher than that as at 31 December 2021 as large drawdowns of loans were made during the first half of 2022) respectively, and when comparing to the lending rates offered by other independent third party commercial banks, interest cost savings of approximately RMB11,000 and approximately RMB3.39 million respectively are estimated to have been achieved.

According to the unaudited financial statements of COSCO SHIPPING Finance for the six months ended 30 June 2022 prepared in accordance with the Accounting Standards for Business Enterprises of the PRC, COSCO SHIPPING Finance had cash and cash equivalents (including deposits with PBOC) of approximately RMB80,475 million as at 30 June 2022 and net interest income, profit before tax and net profit after tax for the six months ended 30 June 2022 of approximately RMB1,545 million, approximately RMB520 million and approximately RMB393 million respectively. Based on such unaudited financial statements, as at 30 June 2022, COSCO SHIPPING Finance met the benchmarks of the following regulatory indicators set by CBIRC:

LETTER FROM THE BOARD

Regulatory indicator	Benchmark	COSCO SHIPPING Finance
capital adequacy ratio	≥10.5%	11.63% ^(Note)
liquidity ratio	≥25%	65.87%
non-performing assets ratio	≤4%	0%
non-performing loans ratio	≤5%	0%

Note: Calculated based on the registered capital of COSCO SHIPPING Finance as at 30 June 2022, i.e. RMB6,000 million. Reference is made to the announcement of COSCO SHIPPING Holdings dated 19 May 2022 in relation to, *inter alia*, the capital increase in COSCO SHIPPING Finance. It is expected that the registered capital of COSCO SHIPPING Finance will be increased by RMB13,500 million to RMB19,500 million upon satisfaction of certain conditions. After such increase of registered capital, the capital structure of COSCO SHIPPING Finance will be further strengthened and enhanced.

With COSCO SHIPPING Finance being a member of the COSCO SHIPPING Group, the Group is also expected to benefit from COSCO SHIPPING Finance's better understanding of the operation and business needs of the Group which will allow more expedient and efficient services than those rendered by independent third party commercial banks and/or financial institutions. Any interest amounts in respect of the Deposit Transactions will be automatically paid into the relevant deposit accounts. Any interest amounts and fees payable in respect of the Loan Transactions and Clearing Transactions (if any) will be paid out of the Group's designated COSCO SHIPPING Finance account(s). The time required for COSCO SHIPPING Finance to examine and approve loans to be provided to the Group is also expected to be shorter than that required by independent third party commercial banks and/or financial institutions. In addition, the dual functions of COSCO SHIPPING Finance in deposit taking from, and lending to, the members of the Group may also facilitate the allocation of financial resources from members of the Group with surplus deposits to members of the COSCO SHIPPING Group.

Furthermore, any risk of the Group associated with the placing of deposits with COSCO SHIPPING Finance will be minimised by the capital risk control measures as set out in the section headed "Letter from the Board – 2. New Financial Services Master Agreement – Capital Risk Assessment and Control Measures" in this circular.

The New Financial Services Master Agreement will provide the Group with additional means of financing and improve the efficiency of the use of its funds through favourable interest income and costs of financing. The New Financial Services Master Agreement will not preclude the Group from using the services of other financial institutions as it thinks fit and appropriate for the benefit of the Group. Where required, the Group will solicit other reference quotations, where available, from independent third party commercial banks and/or financial institutions in respect of similar transactions for comparison and consideration. In practice, the Group usually diversifies its cash deposits with a number of banks and financial institutions and obtains loans from different institutions for more competitive interest rates.

LETTER FROM THE BOARD

4. INTERNAL CONTROL PROCEDURES OF THE CONTINUING CONNECTED TRANSACTIONS UNDER THE NEW FINANCIAL SERVICES MASTER AGREEMENT

In addition to the annual review by the auditors and independent non-executive Directors pursuant to the requirements of Chapter 14A of the Listing Rules, as part of the Group's internal control systems to ensure that the relevant continuing connected transactions between the Group and its connected persons are conducted in accordance with the terms of the New Financial Services Master Agreement, the Company will implement the following internal control arrangements:

- (a) The Finance Department of the Company will periodically monitor the market interest rates with independent third parties in respect of comparable types of financial services. In addition, before entering into any agreement for Deposit Transactions, the Group will compare at least three other contemporaneous transactions or quotations for similar transactions with independent third party commercial banks and/or financial institutions where practicable to ascertain the market interest rates.
- (b) The Finance Department of the Company and each member of the Group has a designated person to record the entering into of continuing connected transactions.
- (c) The Finance Department of the Company will prepare a "Summary for Continuing Connected Transactions" each quarter and organise meetings regularly to review and assess whether the relevant continuing connected transactions are conducted in accordance with the terms of their respective continuing connected transaction master agreements. After the "Summary for Continuing Connected Transactions" is reviewed by the relevant departments of the Company and the management, it will be submitted to the Audit Committee of the Company and the Board for further review on a quarterly basis.
- (d) The Audit and Supervision Department will check the accounting records and supporting documents from time to time to ensure the prices are in compliance with the pricing principle under the New Financial Services Master Agreement.
- (e) Each relevant member of the Group shall monitor its own utilisation of the portion of the annual transaction cap amount allocated to it by the Company (the "**Designated Amount**"). If the annual transaction amount of a relevant member of the Group reaches 80% of its Designated Amount, or is expected to exceed its Designated Amount within 3 months, such member shall inform the relevant personnel in the Finance Department and Legal Department of the Company immediately and the Company shall determine the appropriate actions to be taken, such as (i) require such member not to enter any further transactions which would cause the Designated Amount to be exceeded; (ii) increase the Designated Amount allocated to such member by reducing the Designated Amount(s) allocated to other member(s); or (iii) if the accumulative annual transaction amount of the Group will exceed the relevant

LETTER FROM THE BOARD

annual cap, the relevant member(s) of the Group shall provide sufficient reasons and cooperate with the Company to revise the annual cap and comply with the relevant requirements of the Listing Rules.

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

5. IMPLICATIONS UNDER THE LISTING RULES

The Company

As COSCO SHIPPING is the ultimate controlling Shareholder indirectly holding 1,733,294,265 Shares (representing approximately 51.23% of the total number of the Shares in issue as at the Latest Practicable Date) and COSCO SHIPPING Finance is a subsidiary of COSCO SHIPPING, COSCO SHIPPING Finance is a connected person of the Company. Accordingly, the transactions contemplated under the New Financial Services Master Agreement (including the Deposit Transactions, the Loan Transactions, the Clearing Transactions and the Other Financial Transactions) will constitute continuing connected transactions of the Company.

Non-exempt continuing connected transactions and discloseable transaction

As the highest applicable percentage ratio calculated based on the Proposed Deposit Transactions Caps for the Deposit Transactions (which constitute provision of financial assistance under Rule 14.04(1)(e) of the Listing Rules) exceeds 5% but is less than 25%, the Deposit Transactions will also constitute a discloseable transaction of the Company. Accordingly, the Deposit Transactions and the Proposed Deposit Transactions Caps will be subject to the announcement requirements under Chapter 14 and Chapter 14A of the Listing Rules and the reporting, annual review, circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Fully-exempt continuing connected transactions

As the Loan Transactions will be conducted on normal commercial terms or better and any loan granted by COSCO SHIPPING Finance to the Group under the New Financial Services Master Agreement will not be secured by assets of the Group, and no service fee will be charged by COSCO SHIPPING Finance in relation to the Clearing Transactions, the Loan Transactions and the Clearing Transactions will be fully exempt from the requirements under Chapter 14A of the Listing Rules pursuant to Rules 14A.90 and 14A.76(1) of the Listing Rules respectively. Relevant disclosures are included herein to keep the Shareholders apprised only.

LETTER FROM THE BOARD

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

COSCO SHIPPING Holdings

As COSCO SHIPPING is also the ultimate controlling shareholder of COSCO SHIPPING Holdings, which is in turn an intermediate controlling Shareholder and holding company of the Company, COSCO SHIPPING Finance is also a connected person of COSCO SHIPPING Holdings and accordingly the transactions under the New Financial Services Master Agreement will also constitute continuing connected transactions of COSCO SHIPPING Holdings, which will fall under the scope of COSCO SHIPPING Holdings' own financial services master agreement with COSCO SHIPPING Finance which covers transactions of COSCO SHIPPING Holdings and its subsidiaries with COSCO SHIPPING Finance.

It is understood that entering into or renewal of financial services master agreement between COSCO SHIPPING Holdings and COSCO SHIPPING Finance may have to be approved by the independent shareholders of COSCO SHIPPING Holdings under the Listing Rules and the Rules Governing the Listing of Stocks on Shanghai Stock Exchange. However, the New Financial Services Master Agreement is not conditional upon COSCO SHIPPING Holdings' obtaining of its independent shareholders' approval. Whether or not such approval is obtained by COSCO SHIPPING Holdings, the Group will cooperate with COSCO SHIPPING Holdings to assist its compliance with the Listing Rules and the Rules Governing the Listing of Stocks on Shanghai Stock Exchange in relation to the transactions under the New Financial Services Master Agreement (including adherence to any applicable limits or annual caps which may apply to transactions of COSCO SHIPPING Holdings and its subsidiaries with COSCO SHIPPING Finance).

6. DIRECTORS' INTERESTS

None of the Directors has a material interest in the New Financial Services Master Agreement and none of them was required to abstain from voting on the relevant Board resolutions of the Company. Nevertheless, Mr. YANG Zhijian has voluntarily abstained from voting on the relevant Board resolutions of the Company for the reason that he is an employee director of COSCO SHIPPING.

7. INDEPENDENT BOARD COMMITTEE

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

LETTER FROM THE BOARD

8. PRINCIPAL ACTIVITIES OF THE PARTIES

The Company and the Group

The principal business of the Company is investment holding. The Group is principally engaged in the businesses of managing and operating terminals, and related businesses.

COSCO SHIPPING Finance

COSCO SHIPPING Finance is a non-bank financial institution approved and regulated by the PBOC and the CBIRC and is principally engaged in providing financial services to the COSCO SHIPPING Group in accordance with the laws and regulations regulating finance companies of enterprise groups. It is a non-wholly owned subsidiary of COSCO SHIPPING. COSCO SHIPPING is a company incorporated under the laws of the PRC, and is a state-owned enterprise wholly-owned and controlled by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC. The scope of business of COSCO SHIPPING and its subsidiaries includes international shipping, ancillary business in international maritime transportation, import and export of goods and technologies, international freight agency business, leasing of self-owned vessels, sales of vessels, containers and steel and maritime engineering.

9. SGM

Given that COSCO SHIPPING Finance is a subsidiary of COSCO SHIPPING, in view of the interests of COSCO SHIPPING in the Deposit Transactions, China COSCO (Hong Kong) Limited and COSCO Investments Limited, both being indirect subsidiaries of COSCO SHIPPING and together holding 1,733,294,265 Shares (representing approximately 51.23% of the total number of the Shares in issue as at the Latest Practicable Date), are required to abstain from voting on the resolution to be proposed at the SGM to approve the New Financial Services Master Agreement in respect of the Deposit Transactions and the Proposed Deposit Transactions Caps. Save as disclosed above, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the New Financial Services Master Agreement in respect of the Deposit Transactions that is required to abstain from voting on the resolution to be proposed at the SGM to approve the New Financial Services Master Agreement in respect of the Deposit Transactions and the Proposed Deposit Transactions Caps.

A notice convening the SGM to be held at 2:30 p.m. on Thursday, 1 December 2022, at 47/F, COSCO Tower, 183 Queen's Road Central, Hong Kong is set out on pages 45 to 47 of this circular. A resolution will be proposed at the SGM to approve the New Financial Services Master Agreement in respect of the Deposit Transactions and the Proposed Deposit Transactions Caps.

LETTER FROM THE BOARD

Shareholders who are entitled to vote at the SGM are those whose names appear as Shareholders on the register of members of the Company as at the close of business on Thursday, 24 November 2022. In order to be entitled to vote at the SGM, all completed transfer documents, accompanied by relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Secretaries Limited of 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Thursday, 24 November 2022.

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

10. RECOMMENDATION

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

Accordingly, the Board recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Deposit Transactions contemplated under the New Financial Services Master Agreement and the Proposed Deposit Transactions Caps.

11. ADDITIONAL INFORMATION

Your attention is drawn to:

- (a) the letter from the Independent Board Committee, the text of which is set out on page 21 of this circular;
- (b) the letter from the Independent Financial Adviser, the text of which is set out on pages 22 to 36 of this circular; and
- (c) the additional information set out in the appendix of this circular.

Yours faithfully,
For and on behalf of
COSCO SHIPPING Ports Limited
YANG Zhijian
Chairman



COSCO SHIPPING Ports Limited
中遠海運港口有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1199)

21 September 2022

To the Independent Shareholders

Dear Sir or Madam,

**DISCLOSEABLE TRANSACTION AND
CONTINUING CONNECTED TRANSACTIONS –
NEW FINANCIAL SERVICES MASTER AGREEMENT**

The Independent Board Committee has been established to advise you in connection with the Deposit Transactions contemplated under the New Financial Services Master Agreement and the Proposed Deposit Transactions Caps, details of which are set out in the letter from the Board contained in the circular to the Shareholders dated 21 September 2022 (the “**Circular**”), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein, unless the context otherwise requires.

Having considered the terms of the Deposit Transactions contemplated under the New Financial Services Master Agreement and the Proposed Deposit Transactions Caps and the advice of Altus Capital in relation thereto as set out on pages 22 to 36 of the Circular, we are of the opinion that the Deposit Transactions contemplated under the New Financial Services Master Agreement are and will be on normal commercial terms and in the ordinary and usual course of business of the Group, and their terms and the Proposed Deposit Transactions Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Deposit Transactions contemplated under the New Financial Services Master Agreement and the Proposed Deposit Transactions Caps for the period from 1 January 2023 to 31 December 2025.

Yours faithfully,
Independent Board Committee of
COSCO SHIPPING Ports Limited

FAN HSU Lai Tai, Rita

Adrian David LI Man Kiu

LAM Yiu Kin

CHAN Ka Lok

YANG Liang Yee Philip

Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice from Altus Capital to the Independent Board Committee and the Independent Shareholders in respect of the Deposit Transactions and the Proposed Deposit Transactions Caps, which has been prepared for the purpose of incorporation in the Circular.

ALTUS.

Altus Capital Limited
21 Wing Wo Street
Central, Hong Kong

21 September 2022

To the Independent Board Committee and the Independent Shareholders

COSCO SHIPPING Ports Limited

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

Dear Sirs,

DISCLOSEABLE TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS – NEW FINANCIAL SERVICES MASTER AGREEMENT

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Deposit Transactions as contemplated under the New Financial Services Master Agreement and the Proposed Deposit Transactions Caps, details of the which are set out in the “Letter from the Board” contained in the circular dated 21 September 2022 (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

Reference is made to the announcement of the Company dated 30 August 2022. As the Existing Financial Services Master Agreement is due to expire, the Company entered into the New Financial Services Master Agreement with COSCO SHIPPING Finance on 30 August 2022, pursuant to which COSCO SHIPPING Finance will continue to provide certain financial services (including the Deposit Transactions, the Loan Transactions, the Clearing Transactions and the Other Financial Transactions) to the Group from time to time for a term of three years commencing on 1 January 2023 and ending on 31 December 2025.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

LISTING RULES IMPLICATIONS

As COSCO SHIPPING is the ultimate controlling Shareholder indirectly holding 1,733,294,265 Shares (representing approximately 51.23% of the total number of the Shares in issue as at the Latest Practicable Date) and COSCO SHIPPING Finance is a subsidiary of COSCO SHIPPING, COSCO SHIPPING Finance is a connected person of the Company. Accordingly, the transactions contemplated under the New Financial Services Master Agreement (including the Deposit Transactions, the Loan Transactions, the Clearing Transactions and the Other Financial Transactions) will constitute continuing connected transactions of the Company.

As the highest applicable percentage ratio calculated based on the Proposed Deposit Transactions Caps for the Deposit Transactions (which constitute provision of financial assistance under Rule 14.04(1)(e) of the Listing Rules) exceeds 5% but is less than 25%, the Deposit Transactions will also constitute a discloseable transaction of the Company. Accordingly, the Deposit Transactions and the Proposed Deposit Transactions Caps will be subject to the announcement requirements under Chapter 14 and Chapter 14A of the Listing Rules and the reporting, annual review, circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the Loan Transactions will be conducted on normal commercial terms or better and any loan granted by COSCO SHIPPING Finance to the Group under the New Financial Services Master Agreement will not be secured by assets of the Group, and no service fee will be charged by COSCO SHIPPING Finance in relation to the Clearing Transactions, the Loan Transactions and the Clearing Transactions will be fully exempt from the requirements under Chapter 14A of the Listing Rules pursuant to Rules 14A.90 and 14A.76(1) of the Listing Rules respectively. As each of the applicable percentage ratios in respect of the Other Financial Transactions is expected to be less than 0.1%, the Other Financial Transactions constitute de minimis transactions pursuant to Rule 14A.76(1) of the Listing Rules and will be fully exempt from the requirements under Chapter 14A of the Listing Rules.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee consisting of all the independent non-executive Directors namely Dr. FAN HSU Lai Tai, Rita, Mr. Adrian David LI Man Kiu, Mr. LAM Yiu Kin, Prof. CHAN Ka Lok and Mr. YANG Liang Yee Philip, has been established to advise the Independent Shareholders as to (i) whether the Deposit Transactions are in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole; (ii) whether the terms of the Deposit Transactions are on normal commercial terms and are fair and reasonable; (iii) whether the Proposed Deposit Transactions Caps are fair and reasonable and are in the interests of the Company and the Shareholders as a whole; and (iv) how to vote in respect of the resolution to be proposed at the SGM.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

THE INDEPENDENT FINANCIAL ADVISER

As the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to (i) whether the Deposit Transactions are in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole; (ii) whether the terms of the Deposit Transactions are on normal commercial terms and are fair and reasonable; (iii) whether the Proposed Deposit Transactions Caps are fair and reasonable and are in the interests of the Company and the Shareholders as a whole; and (iv) how the Independent Shareholders should vote in respect of the resolution to be proposed at the SGM.

We have not acted as an independent financial adviser or financial adviser for the Company's other transactions in the last two years prior to the date of the Circular. Pursuant to Rule 13.84 of the Listing Rules, and given that remuneration for our engagement to opine on the Deposit Transactions and the Proposed Deposit Transactions Caps is at market level and not conditional upon successful passing of the resolution to be proposed at the SGM, and that our engagement is on normal commercial terms, we are independent of the Company.

BASIS OF OUR ADVICE

In formulating our opinion, we have reviewed, amongst others, (i) the New Financial Services Master Agreement; (ii) the Existing Financial Services Master Agreement; (iii) the annual report of the Company for the year ended 31 December 2021 (the “**2021 Annual Report**”); and (iv) other information as set out in the Circular.

We have also relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company, the Directors and the management of the Company (the “**Management**”). We have assumed that all the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us were true, accurate and complete at the time they were made and will continue to be so up to the date of SGM. The Directors collectively and individually accept full responsibility, including particulars given in compliance with the Listing Rules for the purpose of giving information with regards to the Group. 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 facts the omission of which would make any statement in the Circular misleading.

We have no reason to believe that any statements, information, opinions or representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the statements, information, opinions or representations provided to us untrue, inaccurate or misleading.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We consider that we have been provided with, and have reviewed, sufficient information to reach an informed view and provide a reasonable basis for our opinion. We have not, however, conducted an independent investigation into the business, financial conditions and affairs or future prospects of the Group. The Company will notify the Shareholders of any material change after the Latest Practicable Date and after the despatch of the Circular.

PRINCIPAL FACTORS AND REASONS CONSIDERED

1. Background

1.1. Principal businesses of the Group, COSCO SHIPPING and COSCO SHIPPING Finance

Background information of the Group

The Group is principally engaged in the businesses of managing and operating terminals and related businesses. Its terminal portfolio covers the five main port regions in China, Southeast Asia, the Middle East, Europe, South America and the Mediterranean. According to the 2021 Annual Report, as at 31 December 2021, the Group operated and managed 367 berths at 37 ports globally, of which 220 were for containers with an annual handling capacity of approximately 122 million TEU (Twenty-foot Equivalent Unit).

Background information of COSCO SHIPPING

COSCO SHIPPING is the Company's ultimate controlling Shareholder and is a company incorporated under the laws of the PRC, and is a state-owned enterprise wholly-owned and controlled by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC. The scope of business of COSCO SHIPPING and its subsidiaries includes international shipping, ancillary business in international maritime transportation, import and export of goods and technologies, international freight agency business, leasing of self-owned vessels, sales of vessels, containers and steel and maritime engineering.

Background information of COSCO SHIPPING Finance

COSCO SHIPPING Finance is a non-wholly owned subsidiary of COSCO SHIPPING and is a non-bank financial institution approved and regulated by the PBOC and the CBIRC and is principally engaged in providing financial services to the COSCO SHIPPING Group in accordance with the laws and regulations regulating finance companies of enterprise groups.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

1.2. The previous financial services master agreement

To afford the Group with the flexibility and access to utilise financial services provided by COSCO SHIPPING Finance as part of its treasury management, the Company has procured financial services from COSCO SHIPPING Finance since November 2014 with consecutive renewals. The most recent agreement is the Existing Financial Services Master Agreement.

As the Existing Financial Services Master Agreement will expire on 31 December 2022, the Company entered into the New Financial Services Master Agreement with COSCO SHIPPING Finance on 30 August 2022. Subject to the approval by the Independent Shareholders at the SGM, the term of the New Financial Services Master Agreement is expected to commence on 1 January 2023 and be valid until 31 December 2025.

2. The New Financial Services Master Agreement

2.1. Reasons for and benefits of the Deposit Transactions

As stated in the paragraph headed “1.1. Principal businesses of the Group, COSCO SHIPPING and COSCO SHIPPING Finance” above, COSCO SHIPPING Finance is principally engaged in providing financial services to the COSCO SHIPPING Group.

We concur with the Management that it would be in the interests of the Company and the Shareholders as a whole for the Group to have the option to utilise the financial services provided by COSCO SHIPPING Finance (including the Deposit Transactions), as:

- (i) COSCO SHIPPING Finance provides its services in accordance and in compliance with rules and operational requirements of the PBOC and the CBIRC, being the same regulatory bodies of other commercial banks in the PRC. In addition, as further elaborated in the paragraph headed “2.3. Capital risk assessment and control measures” below, the capital risk assessment and control measures will provide safeguard to minimise any potential risks of the Group associated with the placing of deposits with COSCO SHIPPING Finance. As such, making a deposit with COSCO SHIPPING Finance is not expected to expose the Group to additional material risks, which enters into similar depositary arrangements with other commercial banks as part of its treasury management from time to time;
- (ii) the Group expects to benefit from COSCO SHIPPING Finance’s better understanding of the operations of the Group which will allow expedient and efficient delivery of services; and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(iii) the New Financial Services Master Agreement will enable the Group to flexibly select different kinds of financial services (including deposits) provided by COSCO SHIPPING Finance and independent third parties to satisfy financial needs for its normal business operations. The New Financial Services Master Agreement will only serve as an additional option for the Group on a non-exclusive basis. The internal controls of the Group, as further elaborated in the paragraph headed “2.4. Internal control procedures” below, will ensure that the financial services provided by COSCO SHIPPING Finance, including the Deposit Transactions, will only be employed when the terms are no less favourable to the Group than that provided by independent third parties.

We have also considered that given the rising uncertainty in the macro environment, it would be beneficial for the Group to have access to services contemplated under the New Financial Services Master Agreement (including the Deposit Transactions), which provides flexibility to support the Group’s financing and treasury management needs, and in turn, business activities. Given that the Group had obtained such services in the past, to continue to have such access can maintain the Group’s financial flexibility.

2.2. Principal terms of the New Financial Services Master Agreement

The principal terms of the New Financial Services Master Agreement are summarised below. For details, please refer to paragraph headed “2. New Financial Services Master Agreement” in the “Letter from the Board” of the Circular.

Date:	30 August 2022
Parties:	(1) the Company; and (2) COSCO SHIPPING Finance
Term:	1 January 2023 to 31 December 2025
Subject matter:	COSCO SHIPPING Finance will provide certain financial services to the Group, including the Deposit Transactions, the Loan Transactions, the Clearing Transactions and the Other Financial Transactions which COSCO SHIPPING Finance is permitted by the CBIRC to provide. The Group has the right to obtain financial services from other financial institutions (including major commercial banks), determine the transaction amount and when to withdraw deposits (other than fixed term deposits, early withdrawal of which may be subject to penalties such as forfeiture of accrued interest and bank charges) based on its own business needs.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Transactions and pricing principle:

The transaction terms of the financial services to be provided under the New Financial Services Master Agreement (including the interest receivable by the Group from COSCO SHIPPING Finance and the interest and service or handling fees payable by the Group to COSCO SHIPPING Finance) shall be on normal commercial terms, fair and reasonable and negotiated on arm's length basis, and shall be no less favourable to the Group than (a) the terms offered by other independent third party commercial banks and/or financial institutions to the Group for the same type of services; and (b) the terms offered by COSCO SHIPPING Finance to other members of the COSCO SHIPPING Group with the same qualities in the same period of time.

Deposit Transactions

As stated in the "Letter from the Board" of the Circular, COSCO SHIPPING Finance will accept deposits from members of the Group. The rate of interest which will accrue on any such deposits shall:

- (a) be no lower than the benchmark rate for the same type of deposits for the same term stipulated by the PBOC from time to time;
- (b) make reference to market interest rates, being the interest rates offered by independent third party commercial banks and/or financial institutions providing the same type of deposit services on normal commercial terms in their ordinary course of business in the same or nearby service area, and in accordance with the principle of fairness and reasonableness; and
- (c) make reference to the interest rates offered by COSCO SHIPPING Finance to other members of the COSCO SHIPPING Group with the same qualities for the same type of deposit services in the same period of time.

We understand that the Group has established internal control mechanisms to ensure the pricings and terms offered by COSCO SHIPPING Finance are fair, reasonable and no less favourable than those (i) offered by other independent third party commercial banks and/or financial institutions; and (ii) offered by COSCO SHIPPING Finance to other members of the COSCO SHIPPING Group. In this regard, we have obtained the full list of deposit transactions entered into between the Group and COSCO SHIPPING Finance during the two years ended 31 December 2021 and the seven months ended 31 July 2022 and selected a total of 41 samples of deposit transactions for review (the "**Deposit Samples**"). The Deposit Samples are selected based on (i) top ten deposit transactions (in terms of deposit amount and relevant term); and (ii) five randomly selected deposit transactions (i.e. whereby each

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transaction has an equal probability of being chosen) covering various types of deposit services and deposit amounts, for each of the two years ended 31 December 2021 and the seven months ended 31 July 2022 respectively. The coverage of the Deposit Samples in terms of aggregate monetary amount of deposit transactions entered into between the Group and COSCO SHIPPING Finance are approximately 44.8%, 44.5% and 63.0% for each of the two years ended 31 December 2021 and the seven months ended 31 July 2022 respectively. We have compared the interest rates of the Deposit Samples with the deposit interest rates offered by five other independent third party commercial banks in the PRC provided by the Company, all of which were at relevant time and for the same type of deposit services. The ranges of deposit interest rates of the Deposit Samples and those offered by the five other independent third party commercial banks are summarised below.

	Deposit interest rates range
Deposit Samples	0.385%–1.950%
Five other independent third party commercial banks	0.300%–1.550%

We noted that the interest rates offered by COSCO SHIPPING Finance to the Group were no less favourable than those offered by other independent third party commercial banks. Further, we have compared the interest rates table provided by COSCO SHIPPING Finance with the interest rates of the Deposit Samples and noted that the interest rates offered by COSCO SHIPPING Finance to the Group are the same as those offered to other members of the COSCO SHIPPING Group with same qualities. Lastly, we have also compared the interest rates of the Deposit Samples with the latest benchmark interest rates for RMB deposits promulgated by the PBOC on 24 October 2015, and noted that the interest rates offered by COSCO SHIPPING Finance to the Group were not lower than the relevant benchmark interest rates for the same term of deposits. Considering the Deposit Samples obtained and reviewed cover the period of the Existing Financial Services Master Agreement as well as various types of deposit services and deposit amount and that the findings are in line with that of the independent non-executive Directors and auditors during the annual review as elaborated in the paragraph headed “2.4. Internal control procedures” below, we believe the sample size is sufficient to illustrate that the Group’s internal control has been adhered to and comply with the aforementioned pricing terms for the deposit transactions conducted with COSCO SHIPPING Finance. We also believe there exist procedures to ensure the Deposit Transactions will be continuously carried out on normal commercial terms and with reference to the aforementioned pricing terms and accordingly, fair and reasonable.

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In addition, we have also considered the fact that the Deposit Transactions contemplated under the New Financial Services Master Agreement do not create any obligation on the part of the Group to utilise services of COSCO SHIPPING Finance. Other than time deposits which have specified deposit terms, the Group may at any time withdraw the funds deposited with COSCO SHIPPING Finance without incurring any penalty. As such, the Group will have flexibility to opt for other service providers if terms are more favourable than those offered by COSCO SHIPPING Finance.

In light of the above, we consider the terms of the Deposit Transactions are on normal commercial terms and are fair and reasonable.

2.3. Capital risk assessment and control measures

As stated in the paragraph headed “Capital risk assessment and control measures” in the “Letter from the Board” of the Circular, under the New Financial Services Master Agreement, COSCO SHIPPING Finance shall:

- (a) in order to ensure the security of the funds of the members of the Group, ensure that its funds management information system (i) operates safely; (ii) has passed the security test in respect of the interface with online banking of commercial banks; (iii) has attained the security standards for commercial banks in the PRC; and (iv) has adopted the certification authority security certificate mode;
- (b) operate strictly in compliance with the risk monitoring indicators guidelines for finance companies issued by the CBIRC, and ensure that its main regulatory indicators such as gearing ratio and liquidity ratio comply with the requirements of the CBIRC and other relevant PRC laws and regulations;
- (c) within three business days after submission of each regulatory report to the CBIRC, submit a copy of the same to the Company’s senior management and executive Directors for review;
- (d) (i) submit monthly financial statements to the Company’s senior management and executive Directors for review on the fifth business day of the following month; and (ii) provide the Company with sufficient information on its various financial indicators and semi-annual and annual financial statements to enable the Group to monitor and review its financial conditions;
- (e) cooperate with the Company when it exercises its right to assign specialised organisations and personnel to proactively assess and supervise the risk of the funds deposited with COSCO SHIPPING Finance, and to provide the Company’s auditors with records of transactions under the New Financial Services Master Agreement on reasonable advance notice so as to enable the Company’s auditors to report on the matters contemplated under the New Financial Services Master Agreement as required by the Listing Rules;

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- (f) obtain the Company's prior written consent if COSCO SHIPPING Finance makes any long-term equity investment;
- (g) notify the Company within two business days upon occurrence of the events of COSCO SHIPPING Finance as detailed in the paragraph headed "Capital risk assessment and control measures" in the "Letter from the Board" of the Circular and to take measures to prevent the occurrence or aggravation of loss.

In such event, COSCO SHIPPING Finance shall actively adjust its balance sheet, cooperate with the Company's risk management requirements in a timely manner, and effectively control and eliminate the risks, in order to ensure the security of the relevant assets of members of the Group, and members of the Group shall have the right to adopt appropriate measures (including early withdrawal of deposits or suspension of the making of further deposits) to safeguard their assets. In addition, in the event of emergencies such as payment difficulties of COSCO SHIPPING Finance, pursuant to the Measures for the Administration of Finance Companies of Enterprise Groups and the articles of association of COSCO SHIPPING Finance, COSCO SHIPPING Finance shall ensure COSCO SHIPPING (as the parent company of COSCO SHIPPING Finance) will increase the capital of COSCO SHIPPING Finance in accordance with its actual needs for resolving its payment difficulties; and

- (h) if any member of the Group cannot withdraw the deposits placed with COSCO SHIPPING Finance, COSCO SHIPPING Finance shall agree to the Group offsetting such deposit amounts against any amounts of outstanding loan owing by the Group to COSCO SHIPPING Finance.

As stated in the paragraph headed "2.1. Reasons for and benefits of the Deposit Transactions" above, considering COSCO SHIPPING Finance is, as with other commercial banks in the PRC, regulated by the PBOC and the CBIRC, making a deposit with COSCO SHIPPING Finance should not expose the Group to additional material risks. In this regard, we have performed independent research on recent continuing connected transactions conducted by companies listed on the Main Board of the Stock Exchange of similar nature to the Deposit Transactions and noted that some of them contain similar capital risk assessment and control measures. To this end, considering the abovementioned capital risk assessment and control measures can provide safeguard to the Group when placing deposits with COSCO SHIPPING Finance, whereby the Management can be informed and notified in a timely manner of any material risks that may adversely affect the recoverability of the deposits the Group placed with COSCO SHIPPING Finance, it is in the interests of the Company and the Shareholders as a whole and therefore is fair and reasonable.

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2.4. Internal control procedures

We have obtained and reviewed the Group's internal control procedures in relation to the New Financial Services Master Agreement. As noted in the "Letter from the Board" of the Circular, to ensure that the relevant continuing connected transactions entered into between the Group and COSCO SHIPPING Finance are conducted in accordance with the terms of the New Financial Services Master Agreement, the Company has the following internal control arrangements.

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

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In addition, the auditors and the independent non-executive Directors will also conduct annual review pursuant to the requirements of Chapter 14A of the Listing Rules.

As mentioned in the paragraph headed “2.2. Principal terms of the New Financial Services Master Agreement” above, we have obtained and reviewed a total of 41 Deposit Samples which are selected based on top ten deposit transactions (in terms of deposit amount and relevant term) and five randomly selected deposit transactions for each of the two years ended 31 December 2021 and the seven months ended 31 July 2022 respectively. We noted that the interest rates offered by COSCO SHIPPING Finance to the Group were (i) no less favourable than those offered by other independent third party commercial banks; (ii) the same as those offered to other members of the COSCO SHIPPING Group; and (iii) not lower than the benchmark interest rates as stipulated by the PBOC. As such, we consider the Group’s internal control has been adhered to and comply with the pricing terms for the deposit transactions conducted with COSCO SHIPPING Finance. Further, we also noted from the 2021 Annual Report that the independent non-executive Directors and auditors had conducted annual review of the continuing connected transactions of the Company (including the deposit transactions under the Existing Financial Services Master Agreement) and there were no findings under such annual review.

In view of the above, we concur with the Management’s view that the Group’s internal control procedures in relation to the New Financial Services Master Agreement is effective and sufficient.

2.5. Proposed caps for the Deposit Transactions

2.5.1. Existing caps and historical variances

The following table summarises (i) the historical highest daily aggregate amount of deposits placed by the Group with COSCO SHIPPING Finance (including the amount of any interest accrued thereon) pursuant to the Existing Financial Services Master Agreement; and (ii) the corresponding existing caps approved, for each of the two years ended 31 December 2021 and the seven months ended 31 July 2022 respectively.

	For the year ended		For the seven
	31 December		months ended
	2020	2021	31 July
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
	(approximately)	(approximately)	(approximately)
Highest daily aggregate deposits amount (including any interest accrued)	2,520	2,795	2,795
Approved cap	3,000	3,000	3,000
Utilisation rate	84.0%	93.2%	93.2%

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As shown in the above table, the utilisation rates of historical annual caps were relatively high at approximately 84.0%, 93.2% and 93.2% for the two years ended 31 December 2021 and the seven months ended 31 July 2022 respectively.

Given the Group would benefit from having the flexibility to choose to avail itself of the deposit services offered by COSCO SHIPPING Finance, which serves as an additional option for the Group when required, we do not consider the historical utilisation of annual caps relating to the Existing Financial Services Master Agreement relevant to our assessment of the fairness and reasonableness of the Proposed Deposit Transactions Caps.

2.5.2. Proposed Deposit Transactions Caps

	For the year ending 31 December		
	2023	2024	2025
	RMB million	RMB million	RMB million
Proposed daily maximum aggregate deposits amount (including any interest accrued)	3,500	3,500	3,500

In determining the above Proposed Deposit Transactions Caps, we understand from the Management that the Company has taken into consideration:

- (a) the historical levels and changes in the Group's cash and bank deposits balances;
- (b) an anticipated increase in the level of cash of the Group arising from receipt of dividend income from investment during the term of the New Financial Services Master Agreement, including cash dividend expected to receive from the Group's shareholdings in publicly listed terminal companies and the Group's equity interests in unlisted terminal companies;
- (c) an anticipated increase in the number of members of the Group placing deposits with COSCO SHIPPING Finance, including new members following their acquisition by the Group according to the Group's business plans of expansion for the next three years involving acquisitions of equity interests in other terminal companies and businesses;
- (d) the anticipated cash flow demand based on the current scale and operation of the business of the Group and the business plans of expansion of the Group for the next three years referred to above;
- (e) the need to maintain necessary capital expenditures in order to meet the Group's needs arising from the expected year on year expansion of the scale and development of the business of the Group, which is anticipated to lead to a corresponding increase in demand for deposit services;

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- (f) the expected increase in interest income generated from the Group's deposits balances with COSCO SHIPPING Finance in the next three years; and
- (g) the expected growing demand of the Group for deposit services provided by COSCO SHIPPING Finance as a result of its competitive edge over other financial services providers becoming more apparent arising from continuing improvement in its services which can better serve the development needs of the Group.

In assessing the fairness and reasonableness of the Proposed Deposit Transactions Caps, we have discussed with the Management and obtained the relevant working for review, which shows amongst others, the calculation basis of the Proposed Deposit Transactions Caps. We noted that the calculation basis is in line with the factors illustrated above as considered by the Management. In particular, we noted that in accordance to the Company's announcement dated 26 February 2021 and the 2021 Annual Report, the Group had entered into an agreement on 26 February 2021 to acquire 34.99% equity interest in Tianjin Port Container Terminal Co., Ltd.* (天津港集裝箱碼頭有限公司) ("TCT"). Subsequent to the completion in December 2021, the Group is interested in 51.00% of equity interest in TCT and accordingly, TCT becomes a subsidiary of the Company. As TCT, the newly acquired subsidiary of the Group, is expected to utilise the Deposit Transactions according to its business plan as advised by the Management, such will in turn contribute to the expected increase in daily maximum aggregate deposit amount to be placed with COSCO SHIPPING Finance. Further, the Management also advised that the Group's expected business growth and receipt of dividend income from its investments, *inter alia*, will also contribute to the expected increase in demand for deposit services.

In addition to the above, considering (i) the fact that the Group's consolidated cash balances as at 31 December 2020 and 2021 respectively were higher than the Proposed Deposit Transactions Caps of RMB3,500 million; (ii) the Group would benefit from the flexibility afforded by the availability of deposit services to be provided by COSCO SHIPPING Finance; (iii) the Group is not obliged under the New Financial Services Master Agreement to utilise such services; and (iv) there exists internal control procedures to ensure the Group would only utilise such services when the terms are no less favourable to the Group than (a) the terms offered by other independent third party commercial banks and/or financial institutions to the Group for the same type of services; and (b) the terms offered by COSCO SHIPPING Finance to other members of the COSCO SHIPPING Group with the same qualities during the same period of time, we are of the view that the Proposed Deposit Transactions Caps are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

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RECOMMENDATIONS

Having considered the above principal factors, we are of the view that (i) the Deposit Transactions are in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole; (ii) the terms of the Deposit Transactions are on normal commercial terms and are fair and reasonable; and (iii) the Proposed Deposit Transactions Caps are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the resolution to be proposed at the SGM to approve the Deposit Transactions contemplated under the New Financial Services Master Agreement and the Proposed Deposit Transactions Caps.

Yours faithfully,
For and behalf of
Altus Capital Limited

Arnold Ip
Executive Director

Charlotte Khoo
Executive Director

Mr. Arnold Ip (“Mr. Ip”) is a Responsible Officer of Altus Capital Limited licensed to carry on Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and permitted to undertake work as a sponsor. He is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Mr. Ip has over 30 years of experience in banking, corporate finance advisory and investment management. In particular, he has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance advisory transactions.

Ms. Charlotte Khoo (“Ms. Khoo”) is a Responsible Officer of Altus Capital Limited licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and permitted to undertake work as a sponsor. Ms. Khoo has over 10 years of experience in corporate finance and advisory in Hong Kong, in particular, she has participated in sponsorship work for initial public offerings and acted as financial adviser and independent financial adviser in various corporate finance transactions. Ms. Khoo is a certified public accountant of the Hong Kong Institute of Certified Public Accountants.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS OF DIRECTORS

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

(i) Long position in the Shares of the Company

<u>Name of Director</u>	<u>Capacity</u>	<u>Nature of interests</u>	<u>Number of Shares held as at the Latest Practicable Date</u>	<u>Percentage of total number of issued Shares as at the Latest Practicable Date</u>
Mr. ZHU Tao	Beneficial owner	Personal	8,000	0.0002%
Mr. ZHANG Wei	Beneficial owner	Personal	30,000	0.001%
Dr. WONG Tin Yau, Kelvin	Beneficial owner	Personal	1,418,505	0.042%

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

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

Name of Director	Capacity	Nature of interests	Exercise price (HK\$)	Number of share options outstanding as at the Latest Practicable Date	Percentage of total number of issued Shares as at the Latest Practicable Date	Exercisable period	Note
Mr. ZHU Tao	Interest of spouse	Family	7.27	557,097	0.016%	19.06.2020 – 18.06.2023	(1)
Dr. WONG Tin Yau, Kelvin	Beneficial owner	Personal	7.27	1,200,000	0.035%	19.06.2020 – 18.06.2023	(1)

Note:

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

(iii) Long positions in the shares of associated corporations

<u>Name of associated corporation</u>	<u>Name of Director</u>	<u>Capacity</u>	<u>Nature of interest</u>	<u>Number of shares held as at the Latest Practicable Date</u>	<u>Percentage of total number of issued shares of the relevant class of the relevant associated corporation as at the Latest Practicable Date</u>
COSCO SHIPPING Holdings Co., Ltd. (“CSH”)	Mr. YANG Zhijian	Beneficial owner	Personal	130,000 H shares	0.004%
				401,544 A shares	0.003%
	Mr. ZHU Tao	Beneficial owner	Personal	447,966 A shares	0.004%
	Mr. ZHANG Wei	Beneficial owner	Personal	323,466 A shares	0.003%
COSCO SHIPPING Development Co., Ltd.	Mr. YANG Zhijian	Beneficial owner	Personal	400,000 H shares	0.004%
	Mr. ZHU Tao	Beneficial owner	Personal	108,100 A shares	0.001%
				65,000 H shares	0.002%
COSCO SHIPPING Energy Transportation Co., Ltd.	Mr. ZHU Tao	Beneficial owner	Personal	10,000 H shares	0.0008%
	Mr. Adrian David LI Man Kiu	Beneficial owner	Personal	508,000 H shares	0.04%

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

Name of associated corporation	Name of director	Capacity	Nature of interest	Exercise Price (RMB)	Number of share options as at the Latest Practicable Date	Percentage of total number of issued shares of the relevant class of the relevant associated corporation as at the Latest Practicable Date	Notes
CSH	Mr. YANG Zhijian	Beneficial owner	Personal	1.82	815,256	0.006%	(1), (2), (3)
	Mr. ZHU Tao	Beneficial owner	Personal	1.82	656,734	0.005%	(1), (2), (3)
	Mr. ZHANG Wei	Beneficial owner	Personal	1.82	656,734	0.005%	(1), (2), (3)

Notes:

- (1) Such share options were granted on 29 May 2020 pursuant to the A-shares share option incentive scheme of CSH adopted on 30 May 2019 and amended on 18 May 2020 by the shareholders of CSH (“**CSH Share Option Scheme**”) and can be exercised during the period from 30 May 2022 to 28 May 2027.
- (2) Such share options have been or will be vested after 24 months from the date of grant (the “**Vesting Period**”). Subject to the fulfilment of the relevant vesting conditions, such share options will be vested in three batches after the Vesting Period, i.e. (a) 33% of the share options can be exercised during the first trading day after 24 months from the date of grant to the last trading day within 36 months from the date of grant; (b) 33% of the share options can be exercised during the first trading day after 36 months from the date of grant to the last trading day within 48 months from the date of grant; and (c) 34% of the share options can be exercised during the first trading day after 48 months from the date of grant to the last trading day within 84 months from the date of grant.
- (3) On 10 June 2022, the board of CSH resolved to adjust its reserved A share options’ exercise price from RMB2.69 to RMB1.82 per A share following the 2021 dividend distribution plan approved at its annual general meeting held on 27 May 2022. The registration with China Securities Depository and Clearing Corporation Limited for such adjustment was completed.

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

COSCO SHIPPING

Name of Director	Position
Mr. YANG Zhijian	Employee representative director
Mr. CHEN Dong	General manager of financial management department

CSH

Name of Director	Position
Mr. YANG Zhijian	Executive director, general manager and party secretary
Mr. ZHANG Wei	Deputy general manager

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

3. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, the Directors namely Mr. YANG Zhijian, Mr. ZHANG Wei and Mr. CHEN Dong held directorships or senior management positions in the associates of COSCO SHIPPING and/or other companies which have interests in terminals operation and management business.

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

4. DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any asset which had been, since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

5. DIRECTORS' INTERESTS IN CONTRACTS

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

6. DIRECTORS' INTERESTS IN SERVICE CONTRACTS

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

7. EXPERT AND CONSENT

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

Name	Qualification
Altus Capital	a corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO

- (b) As at the Latest Practicable Date, Altus Capital was not interested in the share capital of any member of the Group, or had any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- (c) As at the Latest Practicable Date, Altus Capital did not have any direct or indirect interest in any assets which had been, since 31 December 2021 (being the date to which the latest published audited consolidated financial statements of the Company were made up), acquired or disposed of by, or leased to, or were proposed to be acquired or disposed of by, or leased to, any member of the Group.
- (d) Altus Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter dated 21 September 2022 (as set out on pages 22 to 36 of this circular) and references to its name in the form and context in which it respectively appears.

8. MATERIAL ADVERSE CHANGE

The Directors confirm that, as at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Company were made up.

9. DOCUMENT ON DISPLAY

Copy of the New Financial Services Master Agreement will be published on the websites of the Stock Exchange (<https://www.hkexnews.hk>) and the Company (<https://ports.coscshipping.com>) from the date of this circular up to and including the date of the SGM.

10. GENERAL

- (a) The General Counsel & Company Secretary of the Company is Ms. HUNG Man, Michelle, a practising solicitor in Hong Kong. She is also qualified in England and Wales.
- (b) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
- (c) The Hong Kong branch share registrar and transfer office of the Company is Tricor Secretaries Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

NOTICE OF THE SGM



COSCO SHIPPING Ports Limited

中遠海運港口有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1199)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting of COSCO SHIPPING Ports Limited (the “**Company**”) will be held at 47/F, COSCO Tower, 183 Queen’s Road Central, Hong Kong on Thursday, 1 December 2022 at 2:30 p.m. for the purpose of considering and, if thought fit, passing with or without modifications the following as an ordinary resolution of the Company:

ORDINARY RESOLUTION

1. “**THAT:**

- (a) the entering into of the agreement dated 30 August 2022 (the “**New Financial Services Master Agreement**”) between the Company and COSCO SHIPPING Finance Co., Ltd.* (中遠海運集團財務有限責任公司)(“**COSCO SHIPPING Finance**”) in relation to, *inter alia*, the acceptance of deposits by COSCO SHIPPING Finance from the Company and its subsidiaries (the “**Group**”) (the “**Deposit Transactions**”) for a term of three years from 1 January 2023 to 31 December 2025 as described in the circular of the Company dated 21 September 2022 (the “**Circular**”) (a copy of the New Financial Services Master Agreement and a copy of the Circular have been produced to the meeting marked “A” and “B” respectively and initialed by the chairman of the meeting for identification purpose) and the Deposit Transactions be and are hereby approved, ratified and confirmed;
- (b) the proposed daily maximum aggregate amount of deposits to be placed by the Group with COSCO SHIPPING Finance (including the amount of any interest accrued thereon) under the New Financial Services Master Agreement for each of the three years ending 31 December 2025 (the “**Proposed Deposit Transactions Caps**”) as set out in the Circular be and are hereby approved; and

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- (c) the director(s) of the Company be and are hereby authorized for and on behalf of the Company to, amongst other matters, sign, execute and deliver or to authorize the signing, execution and delivery of all such documents and to do all such things as they may in their absolute discretion consider necessary, expedient or desirable to implement and/or to give effect to or otherwise in connection with the New Financial Services Master Agreement, the Deposit Transactions contemplated thereunder and the Proposed Deposit Transactions Caps and to be in the interests of the Company.”

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

Hong Kong, 21 September 2022

Registered Office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal Place of Business

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

Notes:

1. Shareholders of the Company who are entitled to vote at the meeting are those whose names appear as shareholders on the register of members of the Company as at the close of business on Thursday, 24 November 2022. In order to be entitled to vote at the meeting, all completed transfer documents, accompanied by relevant share certificates, must be lodged with the Company’s Hong Kong branch share registrar and transfer office, Tricor Secretaries Limited of 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Thursday, 24 November 2022.
2. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more (if the relevant member holds more than one share) proxies to attend and vote instead of him. A proxy need not be a member of the Company but must be present in person to represent the member.
3. To be valid, the form of proxy together with power of attorney or other authority (if any) under which it is signed or a certified copy of such power or authority must be deposited at the Company’s Hong Kong branch share registrar and transfer office, Tricor Secretaries Limited, not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
4. Completion and return of the form of proxy will not preclude a shareholder of the Company from attending and voting in person at the meeting or any adjourned meeting thereof if the shareholder of the Company so wish, and in such event, the form of proxy will be deemed to be revoked.

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5. Where there are joint holders of any shares in the Company, any one of such joint holders may vote at the meeting, either in person or by proxy, in respect of such shares as if he were solely entitled thereto, but if more than one of such joint holders be present at the meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
6. Subject to the development of COVID-19 pandemic and the requirements or guidelines of the Government of Hong Kong and/or regulatory authorities, the Company may announce further updates of the meeting arrangements on the website of the Company (<https://ports.coscoshipping.com>) as and when appropriate.
7. For the purposes of this notice, any English name with an asterisk (*) is an unofficial English transliteration or translation and is for identification purposes only.