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

If you have sold or transferred all your shares in COSCO SHIPPING International (Hong Kong) Co., Ltd., you should at once hand this circular, together with the enclosed 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 the transferee(s).

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中遠海運國際(香港)有限公司

COSCO SHIPPING INTERNATIONAL (HONG KONG) CO., LTD.

(Incorporated in Bermuda with limited liability)

(Stock Code: 00517)

CONTINUING CONNECTED TRANSACTIONS — REVISION OF ANNUAL CAPS OF NEW MASTER SUPPLY AGREEMENT

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

BALLAS
C A P I T A L

A letter from the Independent Board Committee is set out on page 13 of this circular.

A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 14 to 24 of this circular.

A notice convening the SGM to be held at 47/F, COSCO Tower, 183 Queen's Road Central, Hong Kong on Tuesday, 26 October 2021 at 10:00 a.m. is set out on pages 32 to 33 of this circular. Whether or not you are able to attend and/or vote at the SGM in person, you are requested to complete the enclosed form of proxy and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong in accordance with the instructions printed thereon as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from subsequently attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish.

PRECAUTIONARY MEASURES FOR THE SPECIAL GENERAL MEETING

Taking into account the recent development of the epidemic caused by novel coronavirus pneumonia (COVID-19), the Company will implement the following prevention and control measures at the SGM against the epidemic to protect the Shareholders from the risk of infection:

- (i) Compulsory body temperature check will be conducted;
- (ii) Every Shareholder or proxy is required to wear surgical face mask throughout the SGM;
- (iii) Every Shareholder or proxy is required to submit the health declaration form, which may be used for close contact tracing, if required;
- (iv) No refreshment will be served; and
- (v) Every Shareholder or proxy will be assigned a designated seat at the time of registration to ensure social distancing.

A Shareholder or proxy (a) who does not comply with any of the precautionary measures referred to in (i) to (iii) above; or (b) with a body temperature of over 37.3 degrees Celsius; or (c) who is subject to health quarantine prescribed by the Government of Hong Kong will not be given access to the meeting venue. The Company reminds the Shareholders or proxies that they should carefully consider the risks of attending the SGM, taking into account their own personal circumstances. For the health and safety of Shareholders, the Company would like to advise Shareholders to exercise their right to vote at the SGM by appointing the Chairman of the SGM as their proxy and to return their forms of proxy, by the time specified above, instead of attending the SGM in person.

The Company will keep the evolving COVID-19 situation under review and may implement additional measures which will be announced closer to the date of the SGM. Shareholders should check the Company's website at hk.coscoshipping.com for future announcements and updates of the Company.

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DEFINITIONS

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

“associate(s)”	the meaning ascribed to it in the Listing Rules;
“Board” or “Director(s)”	the board of directors of the Company;
“Bye-laws”	the bye-laws of the Company as may be amended from time to time;
“Caps”	for the purpose of Chapter 14A of the Listing Rules, means the original annual caps of the New Master Supply Agreement for each of the three financial years ending 31 December 2022 as set out in the Previous Announcement and the Previous Circular;
“close associate(s)”	the meaning ascribed to it in the Listing Rules;
“Company”	COSCO SHIPPING International (Hong Kong) Co., Ltd., a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange;
“connected person(s)”	the meaning ascribed to it in the Listing Rules;
“COSCO SHIPPING”	中國遠洋海運集團有限公司 (China COSCO Shipping Corporation Limited*), a PRC state-owned enterprise, the holding company of COSCO SHIPPING (Hong Kong) and the ultimate holding company of the Company;
“COSCO SHIPPING Group”	COSCO SHIPPING, COSCO SHIPPING (Hong Kong) and their subsidiaries and associates (other than the Group);
“COSCO SHIPPING (Hong Kong)”	COSCO SHIPPING (Hong Kong) Co., Limited, a company incorporated in Hong Kong with limited liability and the immediate holding company of the Company which is wholly-owned by COSCO SHIPPING;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;

DEFINITIONS

“Independent Board Committee”	an independent board committee of the Company comprising Messrs. Tsui Yiu Wa, Alec, Jiang, Simon X. and Kwong Che Keung, Gordon to advise the Independent Shareholders in relation to the Supplemental Agreement and the Revised Caps;
“Independent Financial Adviser”	Ballas Capital Limited, being a licensed corporation to carry out type 1 (Dealing in Securities) and type 6 (Advising on Corporate Finance) regulated activities as defined under the SFO;
“Independent Shareholder(s)”	Shareholder(s) other than COSCO SHIPPING, COSCO SHIPPING (Hong Kong) and any of their respective associates;
“Latest Practicable Date”	24 September 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information included in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“New Master Supply Agreement”	the master agreement entered into between the Company and COSCO SHIPPING (Hong Kong) dated 18 November 2019 in relation to (i) the provision of marine and general insurance brokerage services and other services; and (ii) the provision of shipping services and sale of shipping related and other materials and products by the Group to COSCO SHIPPING Group for the three financial years ending 31 December 2022, particulars of which are set out in the Previous Announcement and the Previous Circular;
“PRC”	the People’s Republic of China (for the purpose of this circular, excluding Hong Kong, Macau Special Administrative Region and Taiwan);
“Previous Announcement”	the announcement of the Company dated 18 November 2019 in relation to, among other things, the New Master Supply Agreement;
“Previous Circular”	the circular of the Company dated 9 December 2019 in relation to, among other things, the New Master Supply Agreement;

DEFINITIONS

“Revised Caps”	for the purpose of Chapter 14A of the Listing Rules, means the revised annual caps of the New Master Supply Agreement for the financial years ending 31 December 2021 and 2022 under the Supplemental Agreement;
“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 to approve the Supplemental Agreement and the Revised Caps;
“Share(s)”	the share(s) of the Company;
“Shareholder(s)”	the holder(s) of the Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Supplemental Agreement”	the supplemental agreement entered into between the Company and COSCO SHIPPING (Hong Kong) dated 6 September 2021 in respect of the Revised Caps;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“RMB”	Renminbi, the lawful currency of the PRC; and
“%”	per cent.

* *for identification purposes only*

LETTER FROM THE BOARD



中遠海運國際(香港)有限公司

COSCO SHIPPING INTERNATIONAL (HONG KONG) CO., LTD.

(Incorporated in Bermuda with limited liability)

(Stock Code: 00517)

Executive Directors:

Mr. Zhu Jianhui

(Chairman and Managing Director)

Mr. Ma Jianhua

Non-executive Directors:

Mr. Feng Boming

Mr. Chen Dong

Independent non-executive Directors:

Mr. Tsui Yiu Wa, Alec

Mr. Jiang, Simon X.

Mr. Kwong Che Keung, Gordon

Registered office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Head office and

Principal Place of Business:

47th Floor, COSCO Tower

183 Queen's Road Central

Hong Kong

28 September 2021

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS — REVISION OF ANNUAL CAPS OF NEW MASTER SUPPLY AGREEMENT

BACKGROUND

Reference is made to the announcement of the Company dated 6 September 2021 in relation to the Supplemental Agreement and the Revised Caps.

The purpose of this circular is to provide you with, among other things, (a) further information on the Supplemental Agreement and the Revised Caps; (b) the recommendation from the Independent Board Committee; (c) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (d) a notice of the SGM.

THE SUPPLEMENTAL AGREEMENT TO THE NEW MASTER SUPPLY AGREEMENT

Reference is made to the Previous Announcement and the Previous Circular in relation to, among other things, the New Master Supply Agreement.

LETTER FROM THE BOARD

As stated in the Previous Announcement and the Previous Circular, the Company and COSCO SHIPPING (Hong Kong) entered into the New Master Supply Agreement on 18 November 2019 in relation to (i) the provision of marine and general insurance brokerage services and other services; and (ii) the provision of shipping services and sale of shipping related and other materials and products by the Group to COSCO SHIPPING Group.

Revision of the Caps and basis of determination of the Revised Caps:

As disclosed in the Previous Announcement and the Previous Circular, the Caps are set out as follows:

	Caps for the year ending 31 December		
	2020	2021	2022
	HK\$	HK\$	HK\$
Aggregate amount receivable by the Group for transactions contemplated under the New Master Supply Agreement	1,600,000,000	1,690,000,000	1,780,000,000

Since the second half of 2020, the surge in the market's transportation demand has been spurring the growth of shipping services business of the Group with COSCO SHIPPING Group. It is expected that the Caps for the financial years ending 31 December 2021 and 2022 may be insufficient. Accordingly, the Company and COSCO SHIPPING (Hong Kong) entered into the Supplemental Agreement on 6 September 2021 to revise the Caps for the financial years ending 31 December 2021 and 2022 respectively as follows:

	Revised Caps for the year ending 31 December	
	2021	2022
	HK\$	HK\$
Aggregate amount receivable by the Group for transactions contemplated under the New Master Supply Agreement (as amended by the Supplemental Agreement)	2,150,000,000	2,420,000,000

Save for the Revised Caps, all other terms of the New Master Supply Agreement will remain unchanged and in full force and effect.

In determining the Revised Caps, the Company has (a) made reference to the historical transaction amounts of the relevant member(s) of the Group derived under the New Master Supply Agreement for the period from 1 January 2021 to 31 July 2021; (b) interviewed the management of the relevant member(s) of the Group to obtain opinion on the forecasts of the transactions

LETTER FROM THE BOARD

contemplated under the New Master Supply Agreement for the years 2021 and 2022; and (c) considered the growth trend of the relevant businesses, the market conditions and in particular the following factors:

- (i) the increase in particular in the first seven months of 2021 and expected growth in demand for marine equipment and spare parts business from members of COSCO SHIPPING Group;
- (ii) the expected demand for ship trading agency services from members of COSCO SHIPPING Group with consideration of recent price movement of the vessels and the trend of shipping market in the forthcoming years;
- (iii) the increase in particular in the first seven months of 2021 and expected growth in demand for insurance brokerage services from members of COSCO SHIPPING Group for marine and non-marine insurance products; and
- (iv) the increase in particular in the first seven months of 2021 and expected growth in demand for coatings from members of COSCO SHIPPING Group as a result of enlarged capacity in container manufacturing since fall of 2019.

The Revised Caps are arrived at based on the aggregation of individual proposed caps being projected transaction amounts mainly generated from (i) marine equipment and spare parts business with the context of provision of supply and installation, repair, logistics and agency services in relation to (a) ship facilities and accessories, which include equipment, materials, spare parts for vessels, oil drills, projects at sea or on land and ports, (b) radio communication, satellite communication, navigation equipment and other materials, and (c) construction materials and facilities, chemicals and information management systems; (ii) the sale of coatings (items (i) and (ii) collectively the “**Main Services**”); (iii) the provision of ship trading agency services; and (iv) the provision of insurance brokerage services.

The proposed caps for 2021 and 2022 relating to the provision of the Main Services by the Group represent approximately 90.2% and 89.4% of the Revised Caps for 2021 and 2022 respectively.

The proposed cap for 2021 in relation to the provision of the Main Services by the Group in 2021 is approximately equal to 101.9% of the annualized amount for the first seven months in 2021 and is determined after taking into account (i) the actual sales amount of the Main Services for the seven months ended 31 July 2021; and (ii) the projected demand from COSCO SHIPPING Group for the rest of 2021, which is expected to be on a similar level as that for the seven months ended 31 July 2021.

The proposed cap for 2022 for the provision of the Main Services is estimated to increase by approximately 11.6%, as compared to the proposed cap for 2021 after taking into account (i) the expected increase in demand for the Group’s coating products in view of the expected increase in container manufacturing as a result of the global container shortage caused by the congestion in the

LETTER FROM THE BOARD

global ports and supply chain due to the COVID-19 pandemic; (ii) the expected increase in the demand from COSCO SHIPPING Group for such services in view of the prospects of the shipping industry; (iii) possible rise in prices of raw materials, including but not limited to chemicals; and (iv) inflation.

Approximately 4.4% of the Revised Caps for 2021 is attributable to the estimated commission income from the provision of ship trading agency services by the Group. The proposed cap for 2021 attributable to such estimated commission income is approximately equal to 105.5% of the annualized transaction amount for the first seven months in 2021 and is determined after taking into account the expected number of new vessels ordered by or to be delivered to COSCO SHIPPING Group for the rest of 2021.

The proposed cap for 2022 for the commission income from the provision of ship trading agency services by the Group is estimated to remain the same level as that for 2021.

Approximately 4.0% of the Revised Caps for 2021 is attributable to the estimated income generated from provision of insurance brokerage services by the Group. The proposed cap for insurance brokerage income for 2021 is approximately equal to 106.9% of the annualized amount for the first seven months in 2021.

The proposed cap for 2022 for the provision of insurance brokerage services by the Group is estimated to increase by approximately 10% as compared to the proposed cap for 2021, which has mainly taken into account the expansion of different types of insurance to be provided by the Group, the expected increase in the demand from COSCO SHIPPING Group for insurance brokerage services in view of the prospects of the shipping industry and inflation.

Condition:

The Supplemental Agreement shall take effect from the date of approval of the Supplemental Agreement and the Revised Caps by the Independent Shareholders at the SGM.

Pricing policies:

As disclosed in the Previous Announcement and the Previous Circular, the amount of service fees payable by COSCO SHIPPING Group under the New Master Supply Agreement will be mainly determined by pre-determined formulae adopted by the Group (for example, insurance brokerage services and shipping agency services will be charged at certain fixed percentages of the value of the subject matter with reference to market price of comparable services).

The prices offered to COSCO SHIPPING Group for services provided by the Group and the sale of shipping related materials and products and sale of other materials and products in connection with the general trading business of the Group shall be at market rates or rates no less favourable to the relevant member(s) of the Group than those available to independent third party customers for comparable services and similar materials and products (based on similar amount and similar specifications) respectively.

LETTER FROM THE BOARD

For the purpose of determining the market rates for services fees and the prices for sale of materials and products, the Group will consider the certain fixed percentages of the value of the subject matter and prices offered to independent third party customers of comparable services and similar materials and products (based on similar amount and similar specifications) respectively and compare to those offered to COSCO SHIPPING Group. In particular, the relevant sales department of the related companies within the Group will compare the services fees and selling price offered to different customers (including COSCO SHIPPING Group and at least three independent third party customers) in respect of comparable service and a similar type of materials or products (based on similar amount and similar specifications) respectively.

Historical amounts:

The aggregate amounts recognised by the Group for the transactions contemplated under the New Master Supply Agreement in respect of the financial year ended 31 December 2020 and the seven months ended 31 July 2021 were HK\$1,554,506,726 and HK\$1,210,084,466 respectively. The existing Cap for 2021 had not been exceeded as at the Latest Practicable Date.

Reasons for and benefits of the Revised Caps:

The reasons for and benefits of entering into the New Master Supply Agreement have been set out in the Previous Announcement and the Previous Circular.

Along with the growth of shipping services business of the Group and the growth of the business of the members of COSCO SHIPPING Group, the demand from COSCO SHIPPING Group for shipping services provided by the Group will increase which will facilitate the Group's increase in sales and profit. As the anticipated total transaction amount between the Group and COSCO SHIPPING Group under the New Master Supply Agreement is expected to increase, it is necessary to enter into the Supplemental Agreement to increase the Caps for the financial years ending 31 December 2021 and 2022 under the terms of the New Master Supply Agreement.

The Directors (including the independent non-executive Directors) consider that the terms of the New Master Supply Agreement (as amended by the Supplemental Agreement) and the Revised Caps are fair and reasonable and the transactions contemplated thereunder are and will be entered into in the ordinary and usual course of business of the Group, on normal commercial terms and in the interest of the Company and the Shareholders as a whole.

While some of the Directors (none of whom is an independent non-executive Director) are also directors of COSCO SHIPPING (Hong Kong), the details of which are set out in the section headed "DISCLOSURE OF INTERESTS" in the Appendix to this circular, none of the Directors will be involved in the negotiation of the individual agreements contemplated under the New Master Supply Agreement (as amended by the Supplemental Agreement) nor derive personal gains from the Group entering into the transactions contemplated under the New Master Supply Agreement (as amended by the Supplemental Agreement). As such, none of the Directors has a material interest in the New Master Supply Agreement (as amended by the Supplemental

LETTER FROM THE BOARD

Agreement). Accordingly, none of them is required to abstain from voting on the relevant board resolutions to approve the execution of the Supplemental Agreement and the Revised Caps under the Bye-laws or the Listing Rules.

INTERNAL CONTROL PROCEDURES FOR THE GROUP

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 controls systems to ensure that the transactions between the Group and its connected persons are conducted in accordance with the pricing policy under the New Master Supply Agreement (as amended by the Supplemental Agreement), the Company will continue to implement the following internal control arrangements as set out in the Previous Announcement and the Previous Circular:

- (a) The Company has formulated "Connected Transaction Management Method" which was incorporated into the rules and regulations of the Company. All divisions of the Company and its subsidiaries must follow the requirements under "Connected Transaction Management Method".
- (b) The internal audit team of the Company will regularly examine the pricing of the connected transactions including reviewing the transaction records of the Company for the purchase or provision of similar goods or services from or to independent third parties.
- (c) Connected transaction coordination working team (the "**Working Team**"), comprising, among others, responsible persons of various functional divisions of the Company, was set up. Any proposed new connected transaction would be reported to the Working Team in order to carry out all necessary compliance procedures before entering into such connected transaction.
- (d) Connected transaction amounts incurred with 2 months forecast would be updated on monthly basis by the colleagues of subsidiaries of the Company and various functional divisions through an intranet system. Members of the Working Team are responsible for overseeing the connected transaction amounts incurred in a timely manner such that the transactions can be conducted within the annual caps.

The Directors are of the view that the above methods and procedures can ensure that the pricing and other contract terms for the Group's continuing connected transactions are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders and that the continuing connected transactions are conducted as agreed in the New Master Supply Agreement (as amended by the Supplemental Agreement) and in compliance with Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

INFORMATION ON THE GROUP AND THE CONNECTED PERSONS

The Group is principally engaged in the provision of shipping services and general trading.

Being the ultimate holding company and immediate holding company of the Company respectively, COSCO SHIPPING and COSCO SHIPPING (Hong Kong) together with their respective associates are connected persons of the Company. Accordingly, the New Master Supply Agreement (as amended by the Supplemental Agreement) and the transactions contemplated thereunder constitute continuing connected transactions of the Company.

COSCO SHIPPING Group is one of the largest shipowners in the world. COSCO SHIPPING is principally engaged in shipping, terminal, logistics, shipping finance, equipment manufacturing and shipping services etc..

COSCO SHIPPING (Hong Kong) is principally engaged in shipping services, expressways investment, property investment and management, information technology, industrial manufacturing and marine fuel oil trading, etc..

IMPLICATIONS OF THE LISTING RULES

Pursuant to the Listing Rules, if any listed issuer proposes to revise its annual caps for continuing connected transactions, such listed issuer has to re-comply with the provisions of Chapter 14A of the Listing Rules applicable to the relevant continuing connected transactions.

As the applicable percentage ratios for the Revised Caps are expected to be higher than 5% on an annual basis, the transactions contemplated under the New Master Supply Agreement (as amended by the Supplemental Agreement) and the Revised Caps are subject to the reporting, announcement, shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules. The SGM will be convened for the Independent Shareholders to approve the Supplemental Agreement and the Revised Caps by poll.

In view of the interests of COSCO SHIPPING and COSCO SHIPPING (Hong Kong) in the Company, COSCO SHIPPING, COSCO SHIPPING (Hong Kong) and their respective associates will abstain from voting in relation to the resolution to approve the Supplemental Agreement and the Revised Caps.

If the Supplemental Agreement and the Revised Caps are not approved by the Independent Shareholders at the SGM, the Supplemental Agreement shall automatically be terminated and of no further effect and the Revised Caps will not apply. In such circumstances, the New Master Supply Agreement and the original Caps shall remain unaffected and shall continue to have full force and effect in accordance with the terms and conditions of the New Master Supply Agreement.

As at the Latest Practicable Date, COSCO SHIPPING, COSCO SHIPPING (Hong Kong) and their respective associates were interested in, controlled and were entitled to exercise control over 1,051,183,486 Shares, representing approximately 68.57% of the issued share capital of the Company.

LETTER FROM THE BOARD

SGM

There is set out on pages 32 to 33 of this circular a notice convening the SGM to be held at 47/F, COSCO Tower, 183 Queen's Road Central, Hong Kong on Tuesday, 26 October 2021 at 10:00 a.m. at which ordinary resolution will be proposed for the approval of the Supplemental Agreement and the Revised Caps by the Independent Shareholders.

Whether or not you are able to attend the SGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong but in any event not later than forty-eight hours before the time appointed for the holding of the SGM or any adjournment thereof. The completion and return of the enclosed form of proxy will not preclude you from attending and voting at the SGM or any adjournment should you so wish.

Shareholders whose names appear in the share register of members of the Company as at the close of business on Wednesday, 20 October 2021 are entitled to attend and vote at the SGM. In order to be eligible to attend and vote at the meeting, all completed transfer documents accompanied by the relevant share certificate(s) must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 20 October 2021.

In compliance with the Listing Rules and pursuant to the Bye-laws, the votes to be taken at the SGM in respect of the Supplemental Agreement and the Revised Caps will be taken by poll, the results of which will be announced after the SGM.

Tricor Abacus Limited, the Company's branch share registrar and transfer office in Hong Kong, will serve as the scrutineer for the vote-taking.

RECOMMENDATION

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the terms of the transactions contemplated under the New Master Supply Agreement (as amended by the Supplemental Agreement) are fair and reasonable so far as the Independent Shareholders are concerned and such transactions are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. The Independent Board Committee therefore recommends the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Supplemental Agreement and the Revised Caps.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is drawn to the letters from the Independent Board Committee and from the Independent Financial Adviser which are respectively set out on page 13 and pages 14 to 24 of this circular. Additional information is also set out in the Appendix to this circular for your information.

By Order of the Board

COSCO SHIPPING International (Hong Kong) Co., Ltd.

Zhu Jianhui

Chairman and Managing Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



中遠海運國際(香港)有限公司

COSCO SHIPPING INTERNATIONAL (HONG KONG) CO., LTD.

(Incorporated in Bermuda with limited liability)

(Stock Code: 00517)

28 September 2021

To the Independent Shareholders

Dear Sir or Madam,

REVISION OF ANNUAL CAPS OF THE NEW MASTER SUPPLY AGREEMENT

We refer to the circular dated 28 September 2021 issued by the Company (the “**Circular**”) of which this letter forms part. Terms defined in the Circular shall have the same meanings herein unless the context otherwise requires.

We have been appointed as the members of the Independent Board Committee to consider the Supplemental Agreement and the Revised Caps and to advise the Independent Shareholders as to the fairness and reasonableness of the same. The Independent Financial Adviser, Ballas Capital Limited, has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

RECOMMENDATION

We wish to draw your attention to the letter from the Board, as set out on pages 4 to 12 of the Circular, and the letter from the Independent Financial Adviser which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the Supplemental Agreement and the Revised Caps as set out on pages 14 to 24 of the Circular.

After taking into consideration the advice from the Independent Financial Adviser, we concur with the views of the Independent Financial Adviser and consider that the terms of the transactions contemplated under the New Master Supply Agreement (as amended by the Supplemental Agreement) are fair and reasonable so far as the Independent Shareholders are concerned and such transactions are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Supplemental Agreement and the Revised Caps.

Yours faithfully,
Tsui Yiu Wa, Alec
Jiang, Simon X.
Kwong Che Keung, Gordon
Independent Board Committee



Unit 1802, 18/F
1 Duddell Street
Central
Hong Kong

28 September 2021

*To the Independent Board Committee and
the Independent Shareholders*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS —
REVISION OF ANNUAL CAPS OF NEW MASTER SUPPLY AGREEMENT**

INTRODUCTION

We refer to our engagement (the “**Engagement**”) as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Supplemental Agreement and the Revised Caps, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company (the “**Circular**”) to the Shareholders dated 28 September 2021, of which this letter forms part. Capitalized terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

Since the second half of 2020, the surge in the market’s transportation demand has been spurring the growth of shipping services business of the Group with COSCO SHIPPING Group. It is expected that the Caps of the transactions contemplated under the New Master Supply Agreement for the financial years ending 31 December 2021 and 2022 may be insufficient. Accordingly, the Company and COSCO SHIPPING (Hong Kong) entered into the Supplemental Agreement on 6 September 2021 to revise such Caps for the financial years ending 31 December 2021 and 2022.

Being the ultimate holding company and immediate holding company of the Company respectively, COSCO SHIPPING and COSCO SHIPPING (Hong Kong) together with their respective associates are connected persons of the Company. Accordingly, the New Master Supply Agreement (as amended by the Supplemental Agreement) and the transactions contemplated thereunder constitute continuing connected transactions of the Company. Pursuant to the Listing Rules, if any listed issuer proposes to revise its annual caps for continuing connected transactions, such listed issuer has to re-comply with the provisions of Chapter 14A of the Listing Rules applicable to the relevant continuing connected transactions.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As the applicable percentage ratios for the Revised Caps are expected to be higher than 5% on an annual basis, the transactions contemplated under the New Master Supply Agreement (as amended by the Supplemental Agreement) and the Revised Caps are subject to the reporting, announcement, shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules. A special general meeting of the Company will be convened for the Independent Shareholders to approve the Supplemental Agreement and the Revised Caps by poll.

In view of the interests of COSCO SHIPPING and COSCO SHIPPING (Hong Kong) in the Company, COSCO SHIPPING, COSCO SHIPPING (Hong Kong) and their respective associates will abstain from voting in relation to the resolution to approve the Supplemental Agreement and the Revised Caps.

The independent board committee comprising all independent non-executive Directors, namely Mr. Tsui Yiu Wa, Alec, Mr. Jiang, Simon X. and Mr. Kwong Che Keung, Gordon, has been appointed to advise the Independent Shareholders on, among other things, whether or not the Supplemental Agreement and the Revised Caps are in the interest of the Company and are fair and reasonable so far as the Independent Shareholders are concerned.

BASIS OF OUR OPINION

In formulating our recommendation, we have relied on the information and facts contained or referred to in the Circular as well as the representations made or provided by the Directors and the senior management of the Company. The Directors have declared in a responsibility statement set out in the Appendix to the Circular that they collectively and individually accept full responsibility for the accuracy of the information contained and representations made in the Circular. We have also assumed that the information and the representations made by the Directors as contained or referred to in the Circular were true and accurate at the time they were made and continue to be so up to the date of the SGM. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the senior management of the Company. We have also been advised by the Directors and believe that no material facts have been omitted from the Circular.

We have reviewed documents including but not limited to the Company's internal procedures on continuing connected transactions, transaction documents of the Group's historical transactions with COSCO SHIPPING Group and independent third parties, underlying calculations of the proposed caps, latest orders on hand for new vessels and the corresponding estimated delivery schedule of vessels. We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have not, however, conducted an independent verification of the information nor have we conducted any form of in-depth investigation into the businesses and affairs or the prospects of the Company, COSCO SHIPPING (Hong Kong) or COSCO SHIPPING or any of their respective subsidiaries or associates.

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Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of Ballas Capital Limited (“**Ballas Capital**”) is to ensure that such information has been correctly extracted from the relevant sources.

INDEPENDENCE DECLARATION

Within two years prior to the Engagement, Ballas Capital was engaged as (i) the independent financial adviser of the Company in respect of the continuing connected transactions and major transaction as set out in the circular of the Company dated 9 December 2019; and (ii) the independent financial adviser of the Company in respect of the continuing connected transaction and discloseable transaction as set out in the circular of the Company dated 15 June 2020 (together, the “**Previous Engagements**”). Other than the professional fees received under the Previous Engagements which were negotiated between the Company and Ballas Capital on an arm’s length basis, Ballas Capital has not received any other professional fees from the Company within two years prior to the Engagement.

As the Previous Engagements were for the role of an independent financial adviser to the Company, the Previous Engagements would not affect the independence of Ballas Capital for acting as the independent financial adviser to the Company in respect of the Supplemental Agreement and the Revised Caps. As at the Latest Practicable Date, we are not aware of any relationships or interests between Ballas Capital and the Company or any other parties that could be reasonably regarded as a hindrance to Ballas Capital’s independence as defined under Rule 13.84 of the Listing Rules to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Supplemental Agreement and the Revised Caps.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and advice, we have considered the following principal factors and reasons:

A. Background and reasons for the revision of annual caps

Information on the Group and the connected persons

The Group is principally engaged in the provision of shipping services and general trading. The Company operates through six segments. Coatings segment is engaged in the production and sale of coatings. Marine equipment and spare parts segment is engaged in the trading and supply of marine equipment and spare parts. Ship trading agency segment is engaged in the provision of agency services related to shipbuilding, ship trading and chartering businesses. Insurance brokerage segment is engaged in the provision of insurance brokerage services. Marine fuel and other products segment is engaged in the trading and supply of marine fuel and other related products. General trading segment is engaged in the trading, storage, processing and supply of asphalt and other products.

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COSCO SHIPPING Group is one of the largest ship owners in the world. COSCO SHIPPING is principally engaged in shipping, terminal, logistics, shipping finance, equipment manufacturing and shipping services etc..

COSCO SHIPPING (Hong Kong) is principally engaged in shipping services, expressways investment, property investment and management, information technology, industrial manufacturing and marine fuel oil trading, etc..

The New Master Supply Agreement and the Supplemental Agreement

Pursuant to the New Master Supply Agreement, the Group will supply products and provide services to COSCO SHIPPING Group as set out below from 1 January 2020 to 31 December 2022 (both dates inclusive):

1. provision of marine and general insurance brokerage services and other services by the relevant member(s) of the Group to the relevant member(s) of COSCO SHIPPING Group; and
2. provision of shipping services, sale of shipping related materials and products and sale of other materials and products in connection with the general trading business of the Group by the relevant member(s) of the Group to the relevant member(s) of COSCO SHIPPING Group, including without limitation:
 - (a) the provision of ship trading agency services in relation to shipbuilding, ship trading, chartering businesses and the sale and purchase of marine equipment and other related services;
 - (b) the provision of supply and installation, repair, logistics and agency services in relation to (i) ship facilities and accessories, which include equipment, materials, spare parts for vessels, oil drills, projects at sea or on land and ports, (ii) radio communication, satellite communication, navigation equipment and other materials, and (iii) construction materials and facilities, chemicals and information management systems; and
 - (c) the sale of coatings.

Save for the Revised Caps, all other terms of the New Master Supply Agreement will remain unchanged and in full force and effect.

Given the above, in particular the nature of the transactions as contemplated under the New Master Supply Agreement (as amended by the Supplemental Agreement), the principal business of the Group as stated above and our analysis on the major terms of the said agreement (as elaborated below), we concur with the view of the management of the Company that the entering into of the Supplemental Agreement falls within the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

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B. Major terms of New Master Supply Agreement and the Supplemental Agreement

As disclosed in the Letter from the Board, the amount of service fees payable by COSCO SHIPPING Group under the New Master Supply Agreement will be mainly determined by pre-determined formulae adopted by the Group (for example, insurance brokerage services and shipping agency services will be charged at certain fixed percentages of the value of the subject matter with reference to market price of comparable services).

The prices offered to COSCO SHIPPING Group for services provided by the Group and the sale of shipping related materials and products and sale of other materials and products in connection with the general trading business of the Group shall be at market rates or rates no less favourable to the relevant member(s) of the Group than those available to independent third party customers for comparable services and similar materials and products (based on similar amount and similar specifications) respectively.

For the purpose of determining the market rates for services fees and the prices for sale of materials and products, the Group will consider certain fixed percentages of the value of the subject matter and prices offered to independent third party customers of comparable services and similar materials and products (based on similar amount and similar specifications) respectively and compare to those offered to COSCO SHIPPING Group. In particular, the relevant sales department of the related companies within the Group will compare the services fees and selling price offered to different customers (including COSCO SHIPPING Group and at least three independent third party customers) in respect of comparable service and a similar type of materials or products (based on similar amount and similar specifications) respectively.

Save for the Revised Caps, all other terms of the New Master Supply Agreement will remain unchanged and in full force and effect.

We have discussed with the Company and understood that the Group has in place internal procedures to ensure the relevant continuing connected transactions as contemplated under the New Master Supply Agreement will be (i) conducted on normal commercial terms; (ii) negotiated on an arm's length basis; and (iii) at market rates or rates no less favourable to the relevant member(s) of the Group than those available to or from (as appropriate) independent third parties. We have obtained and reviewed the written internal procedures of the Company with respect to the continuing connected transactions of the Company, in which it is stipulated that the continuing connected transactions are to be (i) conducted on normal commercial terms; (ii) negotiated on an arm's length basis; and (iii) at market rates or rates no less favourable to the relevant member(s) of the Group than those available to or from (as appropriate) independent third parties. In addition, we have obtained from the Company and reviewed the transaction documents of nine selected samples relating to the Group's historical transactions for each of (i) the provision of supply and installation, repair, logistics and agency services in relation to (a) ship facilities and accessories, which include equipment, materials, spare parts for vessels, oil drills, projects at sea or on land and ports, (b) radio communication, satellite communication, navigation equipment and other materials, and (c) construction materials and facilities, chemicals and information management systems; (ii) the sale of coatings; (iii) the provision of ship trading agency services; and (iv) the provision of insurance

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brokerage services, for the financial years ended 31 December 2019 and 2020 and the seven months ended 31 July 2021 and those with independent third parties for the comparable services or products. Based on our review, we note that there was a market reference to determine the pricing terms offered by the Group to COSCO SHIPPING Group being fair and reasonable to the Group and on normal commercial terms. Therefore, based on our review of the written internal procedures of the Company and the transaction documents, we are of the view that the Group has in place appropriate procedures to ensure that the pricings are determined on normal commercial terms.

Given the above, we concur with the view of the Directors that the terms of the New Master Supply Agreement (as amended by the Supplemental Agreement) are on normal commercial terms, fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

C. The Caps

The Revised Caps

Set out below are the details of (i) the historical transaction amounts of the transactions contemplated under the New Master Supply Agreement for the financial year ended 31 December 2020 and the seven months ended 31 July 2021; (ii) the previously approved caps for the transactions contemplated under the New Master Supply Agreement for each of the two financial years ending 31 December 2022; and (iii) the proposed Revised Caps for the transactions contemplated under the New Master Supply Agreement (as amended by the Supplemental Agreement) for each of the two financial years ending 31 December 2022:

(i) *Historical transaction amounts*

	For the financial year ended 31 December 2020 HK\$	For the seven months ended 31 July 2021 HK\$
Aggregate amount recognised by the Group for the transactions contemplated under the New Master Supply Agreement	1,554,506,726	1,210,084,466

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(ii) *Revised Caps*

	For the financial year ending 31 December	
	2021	2022
	<i>HK\$</i>	<i>HK\$</i>
Previously approved caps	1,690,000,000	1,780,000,000
Revised Caps	2,150,000,000	2,420,000,000

As stated in the Letter from the Board, in determining the above Revised Caps, the Company has (a) made reference to the historical transaction amounts of the relevant member(s) of the Group derived under the New Master Supply Agreement for the period from 1 January 2021 to 31 July 2021; (b) interviewed the management of the relevant member(s) of the Group to obtain opinion on the forecasts of the transactions contemplated under the New Master Supply Agreement for the years 2021 and 2022; and (c) considered the growth trend of the relevant businesses, the market conditions and in particular the following factors:

- (i) the increase in particular in the first seven months of 2021 and expected growth in demand for marine equipment and spare parts business from members of COSCO SHIPPING Group;
- (ii) the expected demand for ship trading agency services from members of COSCO SHIPPING Group with consideration of recent price movement of the vessels and the trend of shipping market in the forthcoming years;
- (iii) the increase in particular in the first seven months of 2021 and expected growth in demand for insurance brokerage services from members of COSCO SHIPPING Group for marine and non-marine insurance products; and
- (iv) the increase in particular in the first seven months of 2021 and expected growth in demand for coatings from members of COSCO SHIPPING Group as a result of enlarged capacity in container manufacturing since fall of 2019.

In assessing the fairness and reasonableness of the Revised Caps, we have discussed with the management of the Company to understand the principal basis and assumptions in the determination of the relevant caps, and reviewed the calculations of the caps provided by the Company. We understand that the Revised Caps are arrived at based on the aggregate estimated income mainly generated from (i) the provision of supply and installation, repair, logistics and agency services in relation to (a) ship facilities and accessories, which include equipment, materials, spare parts for vessels, oil drills, projects at sea or on land and ports, (b) radio communication, satellite communication, navigation equipment and other materials, and (c) construction materials and facilities, chemicals and information management systems; (ii) the sale of coatings (items (i) and (ii) collectively the “**Main Services**”); (iii) the provision of ship trading agency services; and (iv) the provision of insurance brokerage services.

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Based on the cap calculations provided by the Company, we note that among the four categories of transactions as described above, the proposed caps for 2021 and 2022 relating to the provision of the Main Services by the Group represent approximately 90.2% and 89.4% of the Revised Caps for 2021 and 2022 respectively.

We note that the transaction amount in relation to the provision of the Main Services by the Group in 2021 is projected to be in line with the annualized amount for 2021. We have discussed with the Company and were advised that such projection in 2021 is determined after taking into account (i) the annualized sales amount of the Main Services for the seven months ended 31 July 2021, and (ii) the projected demand from COSCO SHIPPING Group for the rest of 2021, which is expected to be on a similar level as that for the seven months ended 31 July 2021.

The cap amount for 2022 for the provision of the Main Services is estimated to increase by approximately 11.6%, as compared to the cap of the Main Services for 2021. We have discussed with the Company and were advised that such projected growth in 2022 is determined after taking into account (i) the expected increase in demand for the Group's coating products in view of the expected increase in container manufacturing as a result of the global container shortage caused by the congestion in the global ports and supply chain due to the COVID-19 pandemic; (ii) the expected increase in the demand from COSCO SHIPPING Group for such services in view of the prospects of the shipping industry; (iii) possible rise in prices of raw materials, including but not limited to chemicals; and (iv) inflation. In this regard, we note that (i) the container throughput of the PRC recorded a year-over-year growth of 12.4% for July 2021, according to the data published by the ministry of transport of the PRC (中華人民共和國交通運輸部); and (ii) the growth rate of estimated gross domestic product amounts of the PRC of in current prices in 2022 (being approximately RMB122.6 trillion) as compared to 2021 (being approximately RMB113.6 trillion) is 7.9%, based on the statistics set out in the April 2021 edition of the International Monetary Fund's World Economic Outlook Database.

Based on the above, we are satisfied that the basis and assumptions used in determining the proposed caps for the provision of the Main Services by the Group is fair and reasonable.

Approximately 4.4% of the Revised Caps for 2021 is attributable to the estimated commission income from the provision of ship trading agency services by the Group. We note that the proposed cap for 2021 represents an increase of approximately 5.5% to the annualized transaction amount for 2021. We have discussed with the Company and understand that the proposed cap for 2021 is determined taking into account the expected number of new vessels ordered by or to be delivered to COSCO SHIPPING Group for the rest of 2021. In this regard, we obtained and reviewed the latest orders on hand for new vessels and the corresponding estimated delivery schedule of vessels and note that the number of new vessels ordered by or to be delivered to COSCO SHIPPING Group in the second half of 2021 is more than that in the first half of 2021.

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The cap amount for 2022 for the commission income from the provision of ship trading agency services by the Group is estimated to remain the same as compared to the cap for 2021.

Based on the above, we are satisfied that the basis and assumptions used in determining the proposed caps for the provision of ship trading agency services by the Group is fair and reasonable.

Approximately 4.0% of the Revised Caps for 2021 is attributable to the estimated income generated from provision of insurance brokerage services by the Group. We note that the proposed cap for insurance brokerage income for 2021 represents an increase of approximately 6.9% as compared to the annualized amount for 2021. In this regard, we reviewed a research report published by a research firm which provides data and intelligence for global shipping and is an independent third party to the Company, and noted that the annual cap growth rate is in line with the expected growth rate in container trade volumes.

The cap amount for 2022 for the provision of insurance brokerage services by the Group is estimated to increase by approximately 10.0% as compared to the cap for 2021, which, as advised by the Company, has mainly taken into account the expansion of different types of insurance to be provided by the Group, the expected increase in the demand from COSCO SHIPPING Group for insurance brokerage services in view of the prospects of the shipping industry and inflation. This is consistent with the Company's interim results announcement for the six months ended 30 June 2021 that, the Group will, among others, deeply explore the new needs and new business within and outside COSCO SHIPPING Group, innovate service products and broaden its service scope for the insurance brokerage services.

Based on the above, we are satisfied that the basis and assumptions used in determining the proposed caps for the provision of insurance brokerage services by the Group is justifiable.

Given the above, we are of the view that the basis for determining the Revised Caps for each of the two financial years ending 31 December 2022 is fair and reasonable.

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D. Requirements by the Listing Rules regarding the transactions contemplated under the New Master Supply Agreement (as amended by the Supplemental Agreement)

Pursuant to Rules 14A.55 to 14A.59 of the Listing Rules, the transactions contemplated under the New Master Supply Agreement (as amended by the Supplemental Agreement) are subject to the following annual review requirements:

- (a) each year the independent non-executive Directors must review the transactions contemplated under the New Master Supply Agreement (as amended by the Supplemental Agreement) and confirm in the annual report that the transactions have been entered into:
 - in the ordinary and usual course of business of the Company;
 - on normal commercial terms or better; and
 - according to the agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.
- (b) each year the auditors of the Company must provide a letter to the Board (with a copy provided to the Stock exchange at least 10 business days prior to the bulk printing of the Company's annual report) confirming that the transactions contemplated under the New Master Supply Agreement (as amended by the Supplemental Agreement):
 - have received the approval of the Board;
 - are, in all material respects, in accordance with the pricing policies of the Company if the transactions involve provision of goods or services by the Company;
 - have been entered into, in all material respects, in accordance with the relevant agreement governing the continuing connected transactions; and
 - have not exceeded the Revised Caps.
- (c) the Company must allow, and ensure that the relevant counterparty to the New Master Supply Agreement (as amended by the Supplemental Agreement) allow, the Company's auditors sufficient access to their records for the purpose of reporting on the transactions. The Board must state in the annual report whether its auditors have confirmed the matters stated in paragraph (b) above; and
- (d) the Company must promptly notify the Stock Exchange and publish an announcement in accordance with the Listing Rules if it knows or has reason to believe that the independent non-executive Directors and/or the auditors of the Company cannot confirm the matters set out in paragraphs (a) and/or (b) above respectively.

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In light of the reporting requirements attached to the New Master Supply Agreement (as amended by the Supplemental Agreement), in particular, (i) the restriction of the value of the relevant transactions by way of the Revised Caps; and (ii) the ongoing review by the independent non-executive Directors and the auditors of the Company on the terms of the New Master Supply Agreement (as amended by the Supplemental Agreement) and the Revised Caps not being exceeded, we are of the view that appropriate measures are in place to govern the conduct of the New Master Supply Agreement (as amended by the Supplemental Agreement) and safeguard the interests of the Independent Shareholders.

RECOMMENDATION

Having considered the principal factors and reasons referred to above, we are of the opinion that the transactions contemplated under the New Master Supply Agreement (as amended by the Supplemental Agreement) are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Group and the Shareholders as a whole, and the terms thereof as well as the Revised Caps are fair and reasonable so far as the Group and the Independent Shareholders are concerned.

Accordingly, we advise the Independent Shareholders and the Independent Board Committee to recommend the Independent Shareholders to vote in favor of the resolution to be proposed at the SGM to approve the Supplemental Agreement and the Revised Caps.

Yours faithfully,
For and on behalf of
Ballas Capital Limited
Alex Lau **Cathy Leung**
Managing Director *Director*

Note: Mr. Alex Lau of Ballas Capital Limited has been a responsible officer of Type 6 (advising on corporate finance) regulated activities since 2003, and Ms. Cathy Leung of Ballas Capital Limited has been a responsible officer of Type 6 (advising on corporate finance) regulated activities since 2019.

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

As at the Latest Practicable Date, the interests and short positions of each Director and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were 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 and short positions which the Director or chief executive of the Company was taken or deemed to have under such provisions of the SFO) or 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, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules (the “**Model Code**”), to be notified to the Company and the Stock Exchange were as follows:

(i) **Director’s interests in the long position in underlying shares of equity derivatives of the Company**

Share Options

Name of Director	Capacity	Nature of interest	Exercise price (HK\$)	Aggregate long position in the underlying shares of the Company as at the Latest Practicable Date	Approximate percentage of total number of issued shares of the Company as at the Latest Practicable Date
Mr. Zhu Jianhui	Beneficial owner	Personal	2.26	1,000,000	0.06%
Mr. Ma Jianhua	Beneficial owner	Personal	2.26	1,000,000	0.06%

Notes:

These share options were granted by the Company on 28 April 2020 (“**Date of Grant**”) pursuant to the share option incentive scheme adopted by the Company on 9 April 2020 (the “**Share Option Incentive Scheme**”). Pursuant to the Share Option Incentive Scheme, these share options are exercisable at HK\$2.26 per share from 28 April 2022 to 27 April 2026 subject to the fulfillment of the relevant conditions in the stipulated proportion as following:

- (a) 33.3% of the share options can be exercised during the period from the first trading day after 24 months (the second anniversary) from the Date of Grant to the last trading day of the 36 months from the Date of Grant.
- (b) 33.3% of the share options can be exercised during the period from the first trading day after 36 months (the third anniversary) from the Date of Grant to the last trading day of the 48 months from the Date of Grant.
- (c) 33.4% of the share options can be exercised during the period from the first trading day after 48 months (the fourth anniversary) from the Date of Grant to the last trading day of the 72 months from the Date of Grant.

(ii) Directors’ interests in the long positions in the shares of associated corporations

Name of Director	Name of associated corporation	Capacity	Nature of interest	Approximate percentage of the relevant class of total	
				Number of ordinary shares of associated corporation held as at the Latest Practicable Date	issued shares of associated corporation as at the Latest Practicable Date
Mr. Zhu Jianhui	COSCO SHIPPING Holdings Co., Ltd.	Interest of spouse	Family	26,000 (A shares)	0.0002%
	China Shipping Container Lines Company Limited (now known as COSCO SHIPPING Development Co., Ltd.)	Interest of spouse	Family	10,000 (A shares)	0.0001%
Mr. Feng Boming	COSCO SHIPPING Development Co., Ltd.	Beneficial owner	Personal	22,100 (A shares)	0.0002%
	COSCO SHIPPING Ports Limited	Beneficial owner	Personal	32,379	0.0009%
	COSCO SHIPPING Holdings Co., Ltd.	Interest of spouse	Family	149,370 (A shares)	0.0011%
Mr. Kwong Che Keung, Gordon	COSCO SHIPPING Ports Limited	Beneficial owner	Personal	250,000	0.0075%

(iii) Directors' interests in the long positions in the underlying shares of equity derivatives of associated corporation

Share Options

Name of Director	Name of associated corporation	Capacity	Nature of interest	Exercise price (RMB)	Aggregate long position in the underlying shares of associated corporation as at the Latest Practicable Date	Approximate percentage of total number of issued A shares of associated corporation as at the Latest Practicable Date
Mr. Feng Boming	COSCO SHIPPING Holdings Co., Ltd.	Interest of spouse	Family	3.15	461,630 ^{Note 1, 3}	0.0036%
		Beneficial Owner	Personal	2.69	1,216,800 ^{Note 2, 3}	0.0096%

Notes:

- These share options were granted by COSCO SHIPPING Holdings Co., Ltd. (“**COSCO SHIPPING Holdings**”) on 3 June 2019 pursuant to the A share option incentive scheme adopted by COSCO SHIPPING Holdings on 30 May 2019. Pursuant to the implementation plan of capitalization of capital reserve of COSCO SHIPPING Holdings for 2020, the exercise price of these share options was adjusted to RMB3.15 per A share and the number of the underlying shares was adjusted accordingly. The statutory registration procedures on such adjustments were completed on 16 July 2021.
- These share options were granted by COSCO SHIPPING Holdings on 29 May 2020 pursuant to the A share option incentive scheme adopted on 30 May 2019 and revised scheme approved on 18 May 2020 by COSCO SHIPPING Holdings. Pursuant to the implementation plan of capitalization of capital reserve of COSCO SHIPPING Holdings for 2020, the exercise price of these share options was adjusted to RMB2.69 per A share and the number of the underlying shares was adjusted accordingly. The statutory registration procedures on such adjustments were completed on 24 August 2021.
- These share options will vest after 24 months from the date of grant (“**Vesting Period**”). Subject to the fulfilment of the relevant 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.

Save as disclosed herein, as at the Latest Practicable Date:

- (i) none of the Directors nor chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Director or chief executive of the Company was taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered in the register of the Company referred to therein or were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange;
- (ii) none of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group taken as a whole;
- (iii) none of the Directors had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to, or which were proposed to be acquired or disposed of by or leased to, any member of the Group since 31 December 2020, being the date up to which the latest published audited consolidated financial statements of the Group were made; and
- (iv) Mr. Zhu Jianhui, being a Director, is also a director, president and chairman of COSCO SHIPPING (Hong Kong). Mr. Ma Jianhua, being a Director, is also a director and vice president of COSCO SHIPPING (Hong Kong). Mr. Feng Boming, being a Director, is also a director of COSCO SHIPPING (Hong Kong). Mr. Chen Dong being a Director, is also general manager of Finance and Accounting Division of COSCO SHIPPING and a director of COSCO SHIPPING (Hong Kong). COSCO SHIPPING (Hong Kong) has and COSCO SHIPPING is deemed to have, an interest in the Shares 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' SERVICE CONTRACTS

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

4. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at the Latest Practicable Date, the following Directors (including their respective close associates) were considered to have interests in businesses which competed or were likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules, particulars of which are set out below:

Name of Directors	Name of the entities which were considered to compete or likely to compete with the businesses of the Group	Description of businesses of the entities which were considered to compete or likely to compete with the businesses of the Group	Nature of Director's interest in the entities
Mr. Zhu Jianhui	Company controlled by COSCO SHIPPING	Shipping services	director
Mr. Ma Jianhua	Company controlled by COSCO SHIPPING	Shipping services	director
Mr. Feng Boming	Companies controlled by COSCO SHIPPING	Shipping services	director
Mr. Chen Dong	Companies controlled by COSCO SHIPPING	Shipping services	director

As the Board is independent from the board of directors of the aforesaid companies, and as none of the above Directors control the Board, the Group is capable of carrying on its businesses independently of, and at arm's length from, the businesses of these companies.

Save as disclosed herein, none of the Directors and their respective close associates had any interest in a business which competed or may compete with the business of the Group as at the Latest Practicable Date.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2020, being the date to which the latest published audited consolidated financial statements of the Group were made up.

6. EXPERT

The following is the qualification of the expert who has given its opinion or advice which is contained in this circular:

Name	Qualification
Ballas Capital Limited	A licensed corporation to carry out type 1 (Dealing in Securities) and type 6 (Advising on Corporate Finance) regulated activities as defined under the SFO

As at the Latest Practicable Date, the Independent Financial Adviser:

- (a) did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;
- (b) did not have any direct or indirect interest in any assets which have been acquired or disposed of by or leased to, or which were proposed to be acquired or disposed of by or leased to, any member of the Group since 31 December 2020, the date up to which the latest published audited consolidated financial statements of the Group were made up; and
- (c) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of and references to its name and letter in the form and context in which they respectively appear.

The letter of advice given by the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders was made on 28 September 2021 for incorporation in this circular.

7. MISCELLANEOUS

The English text of this circular shall prevail over the Chinese text in the case of inconsistency.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copy of the following documents is available for inspection at the office of Messrs. Sit, Fung, Kwong & Shum of 9/F., York House, The Landmark, 15 Queen's Road Central, Hong Kong during normal business hours on any business day from the date of this circular up to and including the date of the SGM:

- (i) the New Master Supply Agreement;
- (ii) the Supplemental Agreement;

- (iii) the consent letter issued by the Independent Financial Adviser referred to in paragraph headed “EXPERT” in this Appendix;
- (iv) the letter from the Independent Board Committee dated 28 September 2021; and
- (v) the letter from the Independent Financial Adviser dated 28 September 2021.

NOTICE OF THE SGM



中遠海運國際(香港)有限公司

COSCO SHIPPING INTERNATIONAL (HONG KONG) CO., LTD.

(Incorporated in Bermuda with limited liability)

(Stock Code: 00517)

NOTICE OF THE SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (“SGM”) of COSCO SHIPPING International (Hong Kong) Co., Ltd. (the “**Company**”) will be held on Tuesday, 26 October 2021 at 10:00 a.m. at 47/F, COSCO Tower, 183 Queen’s Road Central, Hong Kong or at any adjournment thereof for the purpose of considering and, if thought fit, to pass with or without amendments, the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT** the Supplemental Agreement and the Revised Caps, each as defined and described in the circular of the Company dated 28 September 2021 (the “**Circular**”), a copy of the Circular marked “A” together with a copy of the Supplemental Agreement marked “B” being tabled before the meeting and initialed by the chairman of the meeting for identification purpose, and all transactions contemplated thereunder and in connection therewith and any other ancillary documents be and are hereby approved, confirmed and ratified and any one director of the Company be and is hereby authorised for and on behalf of the Company to execute all such other documents and agreements and to do all such acts or things deemed by him to be incidental to, ancillary to or in connection with the matters contemplated under the Supplemental Agreement.”

By Order of the Board

COSCO SHIPPING International (Hong Kong) Co., Ltd.

Chiu Shui Suet

Company Secretary

28 September 2021

Notes:

1. Taking into account the recent development of the epidemic caused by novel coronavirus pneumonia (COVID-19), the Company will implement the following prevention and control measures at the SGM against the epidemic to protect the Shareholders from the risk of infection:
 - (i) Compulsory body temperature check will be conducted;
 - (ii) Every Shareholder or proxy is required to wear surgical face mask throughout the SGM;
 - (iii) Every Shareholder or proxy is required to submit the health declaration form, which may be used for close contact tracing, if required;
 - (iv) No refreshment will be served; and
 - (v) Every Shareholder or proxy will be assigned a designated seat at the time of registration to ensure social distancing.

NOTICE OF THE SGM

A Shareholder or proxy (a) who does not comply with any of the precautionary measures referred to in (i) to (iii) above; or (b) with a body temperature of over 37.3 degrees Celsius; or (c) who is subject to health quarantine prescribed by the Government of HKSAR will not be given access to the meeting venue. The Company reminds the Shareholders or proxies that they should carefully consider the risks of attending the SGM, taking into account their own personal circumstances. For the health and safety of Shareholders, the Company would like to advise Shareholders to exercise their right to vote at the SGM by appointing the Chairman of the SGM as their proxy and to return their proxy forms by the time specified above, instead of attending the SGM in person.

The Company will keep the evolving COVID-19 situation under review and may implement additional measures which will be announced closer to the date of the SGM. Shareholders should check the Company's website at hk.coscoshipping.com for future announcements and updates of the Company.

2. The ordinary resolution to be considered at the SGM will be determined by poll. On voting by poll, each member shall have one vote for each fully paid or credited as fully paid share held in the Company.
3. A member of the Company who is entitled to attend and vote at the SGM is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares of the Company may appoint more than one proxy. A proxy need not be a member of the Company.
4. A form of proxy for use at the SGM is enclosed herewith. Whether or not a member of the Company intends to attend the SGM in person, he or she is urged to complete and return the form of proxy in accordance with the instruction printed thereon.
5. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.
6. To be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be returned to the Company's branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time appointed for holding the SGM or any adjourned meeting thereof (as the case maybe) and in default thereof the form of proxy shall not be treated as valid.
7. Shareholders whose names appear in the share register of members of the Company as at the close of business on Wednesday, 20 October 2021 are entitled to attend and vote at the meeting. In order to be eligible to attend and vote at the meeting, all completed transfer documents accompanied by the relevant share certificate(s) must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 20 October 2021.
8. Completion and return of form of proxy appointing a proxy shall not preclude a member of the Company from attending and voting in person at the SGM or on the poll concerned and in such event, the instrument appointing a proxy shall be deemed to be revoked.
9. Where there are joint holders of any share of the Company, any one of such joint holders may vote at the SGM, either personally or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders is present at the SGM personally or by proxy, that one of the said joint holders so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
10. The Chinese version of the resolution set out in this notice is for reference only. If there is any inconsistency between the English and Chinese versions, the English version shall prevail.
11. As at the date of this notice, the board of the Company comprises seven Directors with Mr. Zhu Jianhui (Chairman and Managing Director) and Mr. Ma Jianhua as executive directors, Mr. Feng Boming and Mr. Chen Dong as non-executive directors and Mr. Tsui Yiu Wa, Alec, Mr. Jiang, Simon X. and Mr. Kwong Che Keung, Gordon as independent non-executive directors.