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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 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 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)

**DISCLOSEABLE AND CONNECTED TRANSACTION
ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL
OF CSHT MARINE**

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



上銀國際有限公司
BOSC International Company Limited

Capitalised terms used in this cover page shall bear the same meanings as those defined in the section headed "DEFINITIONS" in this circular.

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 22 of this circular.

A notice convening the SGM to be held at 47th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong on Friday, 30 December 2016 at 10:15 a.m. (or as soon as after the special general meeting of the Company to be held at the same place and on the same date at 10:00 a.m. shall have been concluded or adjourned) is set out on pages 28 to 29 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 accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong 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.

Shareholders who are entitled to attend and 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, 22 December 2016. In order to be eligible to attend and vote at the SGM, 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 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 22 December 2016.

12 December 2016

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DEFINITIONS

In this circular, the following expressions have the meaning set out below unless the context otherwise requires:

“Acquisition”	the acquisition of the Sale Shares pursuant to the Share Purchase Agreement
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Audited Completion Accounts”	the audited balance sheet of CSHT Marine as at the Completion Date
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday or a Sunday) on which banks are open for business in Hong Kong
“Bye-laws”	the bye-laws of the Company as may be amended from time to time
“Company”	COSCO SHIPPING International (Hong Kong) Co., Ltd. (中遠海運國際(香港)有限公司), a company incorporated in Bermuda with limited liability, the Shares of which are listed on the main board of the Stock Exchange
“Completion”	the completion of the Acquisition
“Completion Date”	30 December 2016 (or any such other date to be mutually agreed by the parties to the Share Purchase Agreement in writing)
“Conditions”	the conditions precedent to the Share Purchase Agreement as set out under the paragraph headed “Conditions precedent” in the section headed “LETTER FROM THE BOARD” in this circular
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“COSCO SHIPPING”	中國遠洋海運集團有限公司 (China COSCO Shipping Corporation Limited*), a company established in the PRC and the intermediate holding company of COSCO SHIPPING (Hong Kong) and the ultimate controlling shareholder of the Company

DEFINITIONS

“COSCO SHIPPING Financial”	COSCO SHIPPING Financial Holdings Co., Limited (中遠海運金融控股有限公司), a company incorporated in Hong Kong with limited liability, one of the Sellers
“COSCO SHIPPING Financial Consideration”	the consideration for the COSCO SHIPPING Financial Shares in the amount of HK\$59,200,000
“COSCO SHIPPING Financial Shares”	5,000,000 issued ordinary shares of CSHT Marine, representing 50% of the issued share capital of CSHT Marine
“COSCO SHIPPING (Hong Kong)”	COSCO SHIPPING (Hong Kong) Co., Limited (中遠海運(香港)有限公司), a company incorporated in Hong Kong with limited liability, an intermediate controlling shareholder of the Company
“CSHT Marine”	CSHT Marine Machinery Suppliers Limited (中海通船舶供應有限公司), a company incorporated in Hong Kong with limited liability
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hoi Tung”	China Merchants Hoi Tung Trading Company Limited (招商局海通貿易有限公司), a company incorporated in Hong Kong with limited liability, an Independent Third Party and one of the Sellers
“Hoi Tung Consideration”	the consideration for the Hoi Tung Shares in the amount of HK\$59,200,000
“Hoi Tung Shares”	5,000,000 issued ordinary shares of CSHT Marine, representing 50% of the issued share capital of CSHT Marine

DEFINITIONS

“Independent Board Committee”	an independent committee of the Board established by the Board comprising Mr. Tsui Yiu Wa, Alec, Mr. Jiang, Simon X. and Mr. Alexander Reid Hamilton (all being independent non-executive Directors) to make recommendations to the Independent Shareholders in relation to the fairness and reasonableness of the Acquisition
“Independent Financial Adviser”	BOSC International Company Limited, being a corporation licensed to carry out Type 1 (Dealing in Securities), Type 4 (Advising on Securities), Type 6 (Advising on Corporate Finance) and Type 9 (Asset Management) regulated activities under the SFO and being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition
“Independent Shareholders”	the Shareholders other than those who are required under the Listing Rules to abstain from voting at the SGM in respect of the Acquisition
“Independent Third Party/Parties”	a person or persons which is or are independent of, and not connected with, any directors, chief executive or substantial shareholders (within the meaning under the Listing Rules) of the Company or any of its subsidiaries or any of their respective associate(s)
“Latest Practicable Date”	8 December 2016, 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
“Management Accounts”	the unaudited financial statements of CSHT Marine which comprise the balance sheet as at the Completion Date and the income statement for the period commencing from 1 October 2016 and ended on the Completion Date
“percentage ratio(s)”	has the meaning ascribed to it under the Listing Rules
“PRC”	the People’s Republic of China

DEFINITIONS

“Receivable Records”	the internal records of CSHT Marine showing the state of the trade receivables of CSHT Marine as at a particular date
“Sale Shares”	an aggregate of 10,000,000 ordinary shares of CSHT Marine representing the entire issued share capital of CSHT Marine
“Sellers”	COSCO SHIPPING Financial and Hoi Tung
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	a special general meeting of the Company to be held at 47th Floor, COSCO Tower, 183 Queen’s Road Central, Hong Kong on Friday, 30 December 2016 at 10:15 a.m. (or as soon as after the special general meeting of the Company to be held at the same place and on the same date at 10:00 a.m. shall have been concluded or adjourned) for the purpose of considering, and if thought fit, approving the Acquisition by the Independent Shareholders
“Share(s)”	the ordinary share(s) of HK\$0.1 each of the Company
“Share Purchase Agreement”	the share purchase agreement dated 28 November 2016 and entered into among the Sellers and the Company in relation to the Acquisition
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary” or “subsidiaries”	has the meaning ascribed to it under the Listing Rules
“Total Consideration”	the COSCO SHIPPING Financial Consideration and the Hoi Tung Consideration
“True Smart”	True Smart International Limited, a company incorporated in the British Virgin Islands with limited liability, a controlling shareholder of the Company
“%”	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. Ye Weilong (*Chairman*)
Mr. Zhu Jianhui (*Vice Chairman*)
Mr. Liu Gang (*Managing Director*)
Mr. Liu Xianghao

Registered Office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Non-executive Director:

Mr. Wang Wei

*Head Office and Principal Place
of Business:*

47th Floor, COSCO Tower
183 Queen's Road Central
Hong Kong

Independent non-executive Directors:

Mr. Tsui Yiu Wa, Alec
Mr. Jiang, Simon X.
Mr. Alexander Reid Hamilton

12 December 2016

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF CSHT MARINE

INTRODUCTION

On 28 November 2016, the Company announced that the Company entered into the Share Purchase Agreement with COSCO SHIPPING Financial and Hoi Tung in relation to the Acquisition.

The purpose of this circular is (i) to provide you with further information regarding the details of the Acquisition; (ii) to set out the recommendation of the Independent Board Committee to the Independent Shareholders; (iii) to set out the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) to give the Shareholders the notice of the SGM and other information as required under the Listing Rules.

LETTER FROM THE BOARD

THE SHARE PURCHASE AGREEMENT

The principal terms of the Share Purchase Agreement are set out below:

Date

28 November 2016

Parties

- (1) COSCO SHIPPING Financial, as one of the Sellers
- (2) Hoi Tung, as one of the Sellers
- (3) the Company, as the purchaser

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiry, Hoi Tung and its ultimate beneficial owners are Independent Third Parties.

Assets to be acquired

The assets to be acquired comprise the Sale Shares, being 10,000,000 ordinary shares of CSHT Marine, representing the entire issued share capital of CSHT Marine as at the date of the Share Purchase Agreement.

Consideration

The Total Consideration payable by the Company to the Sellers under the Share Purchase Agreement is HK\$118,400,000 which comprises (i) the COSCO SHIPPING Financial Consideration in the amount of HK\$59,200,000; and (ii) the Hoi Tung Consideration in the amount of HK\$59,200,000.

The Total Consideration shall be payable in cash and shall be satisfied by the Company in full within 10 Business Days from (i) the date of fulfilment (or waiver) of the Conditions; or (ii) the Completion Date (whichever is earlier).

The Group intends to fund the Total Consideration by internal resources of the Group. The Total Consideration was arrived at after an arm's length negotiation between the Sellers and the Company, and was determined with reference to the audited net asset value of CSHT Marine as at 30 September 2016 in the amount of HK\$116,962,923. The Total Consideration represents a 1.2% premium over the audited net asset value of CSHT Marine as at 30 September 2016.

LETTER FROM THE BOARD

Adjustments

The Total Consideration will be subject to the following adjustments (if any):

- (a) a decrease of an amount equivalent to the total amount of the trade receivables of CSHT Marine which are due to be paid on or before 30 September 2016 but had not been paid as at the Completion Date based on the Management Accounts and the Receivable Records as at the Completion Date (the “**Unpaid Trade Receivables**”).

If any portion of the Unpaid Trade Receivables is subsequently recovered by CSHT Marine (the “**Subsequent Recovered Trade Receivables**”), on the condition that the Total Consideration has been adjusted in accordance with the Share Purchase Agreement, CSHT Marine shall remit the Subsequent Recovered Trade Receivables to the Sellers within one month from such recovery;

- (b) an increase of an amount equivalent to the difference between (i) the net assets value of CSHT Marine as shown in the audited financial statements of CSHT Marine for the period from 1 January 2016 to 30 September 2016 (the “**2016 Net Assets Value**”); and (ii) the net assets value of CSHT Marine as shown in the Audited Completion Accounts (the “**Completion Net Assets Value**”), if the Completion Net Assets Value exceeds the 2016 Net Assets Value; and
- (c) a decrease of an amount equivalent to the difference between (i) the 2016 Net Assets Value; and (ii) the Completion Net Assets Value, if the 2016 Net Assets Value exceeds the Completion Net Assets Value.

Conditions precedent

Completion is conditional upon the following Conditions:

- (a) the passing of an ordinary resolution of the Company at a general meeting approving the Share Purchase Agreement and the transactions contemplated under it by the Independent Shareholders in accordance with the Listing Rules;
- (b) all the warranties given by each of the Sellers being true and correct in every respects and remaining so from the date of the Share Purchase Agreement until Completion and there is no breach by each of the Sellers of any of its obligations under the Share Purchase Agreement;
- (c) the Company notifying the Sellers in writing that it is satisfied with the results of the due diligence on CSHT Marine;

LETTER FROM THE BOARD

- (d) COSCO SHIPPING Financial and/or its associates has fully repaid CSHT Marine the other receivables, deposits and prepayments owed by COSCO SHIPPING Financial and/or its associates to CSHT Marine as shown in the Management Accounts (other than the trade receivables); and
- (e) CSHT Marine has fully repaid COSCO SHIPPING Financial and/or its associates the other payables and receipt in advance owed by CSHT Marine to COSCO SHIPPING Financial and/or its associates as shown in the Management Accounts (other than the trade payables).

Specific indemnities

The Share Purchase Agreement contains, among others, the following specific indemnities:

- (a) the Sellers shall jointly and severally indemnify and hold the Company harmless against and pay to the Company an amount equal to any liabilities, losses, costs, expenses or damages incurred by the Company or CSHT Marine arising from, or in connection with, any unsettled tax liabilities, including without limitation, any underpaid or unpaid real estate tax, business tax, local levies, withholding tax and stamp duty, of CSHT Marine incurred or accrued before the Completion; and
- (b) the Sellers shall jointly and severally indemnify and hold the Company harmless against and pay to the Company an amount equal to any liabilities, losses, costs, expenses or damages incurred or to be incurred by the Company or CSHT Marine arising from, or in connection with, the deed of indemnity, charge over deposit(s) and set-off dated 27 August 2012 executed by CSHT Marine in favour of Bank of China (Hong Kong) Limited.

Completion

Completion shall, subject to the fulfillment (or waiver) of the Conditions, take place on the Completion Date.

Upon Completion, CSHT Marine will become a direct wholly-owned subsidiary of the Company.

LETTER FROM THE BOARD

Post-Completion obligations and undertakings

The Share Purchase Agreement contains the following post-Completion obligations and undertakings:

- (a) to the extent that the trade receivables as shown in the Audited Completion Accounts is not fully recovered by CSHT Marine within nine months from the Completion Date (the “**Unrecovered Trade Receivables**”) based on the then management accounts of CSHT Marine and the Receivable Records as at 30 September 2017, the Sellers shall fully indemnify CSHT Marine an amount equivalent to the Unrecovered Trade Receivables on or before 31 October 2017. If any portion of the Unrecovered Trade Receivables is subsequently recovered by CSHT Marine (the “**Post-Completion Recovered Trade Receivables**”), on the condition that the Sellers have fully indemnified the Company the Unrecovered Trade Receivables in accordance with the Share Purchase Agreement, CSHT Marine shall remit the Post-Completion Recovered Trade Receivables to the Sellers within one month from such recovery; and
- (b) the Sellers shall (i) provide a release to the deed of indemnity, charge over deposit(s) and set-off dated 27 August 2012 executed by CSHT Marine in favour of Bank of China (Hong Kong) Limited (the “**Charge**”); and (ii) use their best endeavours to procure Bank of China (Hong Kong) Limited to file a notification of payment/satisfaction of debt, release from charge, etc. (Form NM2) in relation to the Charge with the Companies Registry of Hong Kong, on or before 30 June 2017.

REASONS AND BENEFITS OF THE ACQUISITION

The Directors consider that the Acquisition is in line with the Group’s strategic direction in developing the shipping services industrial cluster. The Acquisition will also be a horizontal integration of the Group’s marine equipment and spare parts business segment, which on one hand significantly expands the size of business, and on the other hand facilitates synergy creation through economies of scale and cost reduction.

The Directors (including the independent non-executive Directors) consider that the terms of the Acquisition and the entering into of the Share Purchase Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As none of the Directors has a material interest in the Acquisition, none of them is required to abstain from voting on the relevant board resolutions to approve the Acquisition and the transactions contemplated under it under the Bye-laws or the Listing Rules.

INFORMATION ON THE GROUP

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

LETTER FROM THE BOARD

INFORMATION ON CSHT MARINE

CSHT Marine is a company incorporated in Hong Kong with limited liability. CSHT Marine is principally engaged in trading of marine equipment, spare parts, ship supply and general merchandise.

INFORMATION ON COSCO SHIPPING FINANCIAL

COSCO SHIPPING Financial is a company incorporated in Hong Kong with limited liability and is a non-listed overseas investment platform for COSCO SHIPPING.

INFORMATION ON HOI TUNG

Hoi Tung is a company incorporated in Hong Kong with limited liability. As at the latest Practicable Date, the ultimate holding company of Hoi Tung was China Merchants Group Limited (招商局集團有限公司). Hoi Tung is principally engaged in trading and sales of marine equipment, port machinery, navigation equipment as well as parts and other ship material supply. It is also engaged in food trading, ship trading and bulk commodity trading.

FINANCIAL INFORMATION OF CSHT MARINE

According to the audited financial statements of CSHT Marine for the period from 1 January 2016 to 30 September 2016 provided by the Sellers, the audited net asset value of CSHT Marine as at 30 September 2016 was HK\$116,962,923.

According to the audited financial statements of CSHT Marine for the financial year ended 31 December 2014 and 31 December 2015 provided by the Sellers, the audited profit before tax and net profit after tax of CSHT Marine for the financial year ended 31 December 2014 and 31 December 2015 prepared in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants are set out below:

	For the financial year ended	
	31 December	
	2014	2015
	<i>HK\$</i>	<i>HK\$</i>
Profit before tax	13,177,394	18,742,860
Net profit after tax	11,106,933	15,824,940

COSCO SHIPPING Financial subscribed the COSCO SHIPPING Financial Shares in 2004. The original subscription cost of the COSCO SHIPPING Financial Shares paid by COSCO SHIPPING Financial was approximately HK\$5,000,000.

LETTER FROM THE BOARD

IMPLICATIONS UNDER THE LISTING RULES

Discloseable transaction

As the relevant percentage ratio(s) under the Listing Rules in respect of the Acquisition exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction of the Company under the Listing Rules.

Connected transaction

COSCO SHIPPING Financial is a subsidiary of COSCO SHIPPING, the indirect holding company of True Smart and the ultimate controlling shareholder of the Company. Therefore, COSCO SHIPPING Financial is an associate of COSCO SHIPPING and also a connected person of the Company under the Listing Rules. The acquisition of the COSCO SHIPPING Financial Shares from COSCO SHIPPING Financial constitutes a connected transaction of the Company under Rule 14A.25 of the Listing Rules. In addition, COSCO SHIPPING, the holding company of COSCO SHIPPING Financial, is a controlling shareholder of the Company and hence a controller of the Company. Therefore, the acquisition of the Hoi Tung Shares from Hoi Tung, an Independent Third Party, constitutes a connected transaction of the Company under Rule 14A.28 of the Listing Rules. As the relevant percentage ratio(s) (other than the profits ratio) under the Listing Rules in respect of the Acquisition exceeds 5%, the Acquisition is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

True Smart, being a controlling shareholder of the Company interested in the Acquisition, and its associates will abstain from voting at the SGM. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiry, save for True Smart and its associates, no Shareholder (or its associates) has any material interest in the Acquisition.

As at the Latest Practicable Date, True Smart and its associates were interested in, controlled and were entitled to exercise control over 1,013,641,486 Shares, representing approximately 66.12% of the issued share capital of the Company.

SGM

A notice convening the SGM to be held at 47th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong on Friday, 30 December 2016 at 10:15 a.m. (or as soon as after the special general meeting of the Company to be held at the same place and on the same date at 10:00 a.m. shall have been concluded or adjourned) at which ordinary resolution will be proposed to consider and, if thought fit, to be approved by the Independent Shareholders, the entering into of the Share Purchase Agreement and transactions contemplated under it is set out on pages 28 to 29 of this circular.

LETTER FROM THE BOARD

Whether or not you are able to attend and/or vote at the SGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong 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.

In compliance with the Listing Rules and pursuant to the Bye-laws, the votes to be taken at the SGM in respect of the entering into of the Share Purchase Agreement and the transactions contemplated under it 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 entering into of the Share Purchase Agreement and the transactions contemplated under it are in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. 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 entering into of the Share Purchase Agreement and the transactions contemplated under it.

ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee as set out on page 13 of this circular, the letter from Independent Financial Adviser as set out on pages 14 to 22 of this circular and the general information as set out in the appendix to this circular.

By Order of the Board
COSCO SHIPPING International (Hong Kong) Co., Ltd.
Liu Gang
Managing Director



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)

12 December 2016

To the Independent Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION
ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL
OF CSHT MARINE**

We refer to the circular dated 12 December 2016 (the “**Circular**”), of which this letter forms part, issued by the Company. Terms defined in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to consider the Acquisition and to advise the Independent Shareholders as to the fairness and reasonableness of the Acquisition. The Independent Financial Adviser, BOSC International Company 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 5 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 Acquisition, as set out on pages 14 to 22 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 Acquisition has been entered into on normal commercial terms and is in the interests of the Company and the Shareholders as a whole and the terms of the Acquisition are fair and reasonable so far as the Company and Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the entering into of the Share Purchase Agreement and the transactions contemplated under it.

Yours faithfully,
Tsui Yiu Wa, Alec
Jiang, Simon X.
Alexander Reid Hamilton
Independent Board Committee

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER



34/F, Champion Tower
3 Garden Road, Central
Hong Kong

12 December 2016

*To the Independent Board Committee and
the Independent Shareholders*

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF CSHT MARINE

INTRODUCTION

We refer to our engagement as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, 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 12 December 2016, 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.

On 28 November 2016, the Board announced that the Company entered into the Share Purchase Agreement with COSCO SHIPPING Financial and Hoi Tung, pursuant to which (i) the Company conditionally agreed to acquire, and COSCO SHIPPING Financial conditionally agreed to sell, the COSCO SHIPPING Financial Shares at the COSCO SHIPPING Financial Consideration of HK\$59,200,000; and (ii) the Company conditionally agreed to acquire, and Hoi Tung conditionally agreed to sell, the Hoi Tung Shares at the Hoi Tung Consideration of HK\$59,200,000. The aggregate of the COSCO SHIPPING Financial Consideration and the Hoi Tung Consideration amounted to HK\$118,400,000. The aggregate of the COSCO SHIPPING Financial Shares and the Hoi Tung Shares represent the entire issued share capital of CSHT Marine. Upon Completion, CSHT Marine will become a direct wholly-owned subsidiary of the Company.

As at the Latest Practicable Date, COSCO SHIPPING Financial is a subsidiary of COSCO SHIPPING (being the indirect holding company of True Smart and the ultimate controlling shareholder of the Company), and hence, is an associate of COSCO SHIPPING and also a connected person of the Company under the Listing Rules. The acquisition of the COSCO SHIPPING Financial Shares from COSCO SHIPPING Financial constitutes a connected transaction of the Company under Rule 14A.25 of the Listing Rules. In addition, COSCO

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

SHIPPING, the holding company of COSCO SHIPPING Financial, is a controlling shareholder of the Company and hence a controller of the Company, and therefore, the acquisition of the Hoi Tung Shares from Hoi Tung, an Independent Third Party, constitutes a connected transaction of the Company under Rule 14A.28 of the Listing Rules. As the relevant percentage ratio(s) (other than the profits ratio) under the Listing Rules in respect of the Acquisition exceeds 5%, the Acquisition is subject to the reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Further, as the relevant percentage ratio(s) under the Listing Rules in respect of the Acquisition exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction for the Company under the Listing Rules.

True Smart, being a controlling shareholder of the Company interested in the Acquisition, and its associates will abstain from voting at the SGM. To the best of the knowledge information and belief of the Directors, having made all reasonable enquiry, save for True Smart and its associates, no Shareholder (or its associates) has any material interest in the Acquisition.

The Independent Board Committee comprising all independent non-executive Directors, namely Mr. Tsui Yiu Wa, Alec, Mr. Jiang, Simon X. and Mr. Alexander Reid Hamilton, has been formed to advise the Independent Shareholders in respect of the Acquisition.

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, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or the Circular misleading. 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 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 Financial, Hoi Tung, CSHT Marine, or any of their respective subsidiaries or associates.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

INDEPENDENCE DECLARATION

BOSC International Company Limited (“**BOSC International**”) had acted as an independent financial adviser to the Company within two years immediately preceding the Latest Practicable Date. We consider that such relationship between BOSC International and the Company does not carry any hindrance to BOSC International’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 Acquisition.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and advice in relation to the Acquisition, we have considered the following principal factors and reasons.

A. Background and reasons for entering into the Share Purchase Agreement

(i) Information on the Group

The Group is principally engaged in the provision of shipping services and general trading, comprising (i) its core business of shipping services, which include ship trading agency services, marine insurance brokerage services, supply of marine equipment and spare parts, production and sale of coatings and trading and supply of marine fuel and related products; and (ii) its general trading business for asphalt and related products. The Group aims to offer diversified and specialized shipping related services and products to customers such as shipping companies, shipyards, and container manufacturers.

As noted from the annual report of the Company for the financial year ended 31 December 2015 (“**FY2015**”) and the interim report of the Company for the six months ended 30 June 2016 (“**1H2016**”) (the “**2016 Interim Report**”), the supply of marine equipment and spare parts forms part of the principal businesses of the Group and it accounted for approximately 18.3% and 19.6% of the Group’s revenue for FY2015 and 1H2016, respectively.

As at 30 June 2016, the Group’s equity attributable to equity holders of the Company amounted to approximately HK\$7,720.5 million and total assets amounted to approximately HK\$9,378.0 million, among which, current deposits and cash and cash equivalents amounted to approximately HK\$6,142.8 million (representing approximately 65.5% of its total assets).

(ii) Reasons for and benefits of the Acquisition

As stated in the Letter from the Board, the Directors consider that the Acquisition is in line with the Group’s strategic direction in developing the shipping services industrial cluster. The Acquisition will also be a horizontal integration of the Group’s marine equipment and spare parts business segment, which on one hand significantly expands the Group’s size of business, and on the other hand facilitates synergy creation through economies of scale and cost reduction.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As noted from the 2016 Interim Report, facing the complicated and challenging operational environment, the Group adhered to focusing on development and further refined its development strategies. With the opportunity presented by the business reorganization of COSCO SHIPPING (being the ultimate controlling shareholder of the Company) and the substantial support from COSCO SHIPPING, the Company will be committed to establishing a “shipping services industrial cluster” in line with the development strategy of COSCO SHIPPING and will make use of the assets consolidation opportunity of COSCO SHIPPING to reorganize and consolidate the businesses such as supply and trading of marine equipment and spare parts.

It is noted that the business environment of the international shipping industry has been challenging in recent years. We have discussed with the management of the Company in this regard and understood that the international shipping industry has been cyclical and subject to the global political, economic and/or regulatory changes. The purpose of the acquisition of CSHT Marine (which mainly operates trading of marine equipment and spare parts (being part of the Group’s core business of shipping services)) is to expand the Group’s trading of marine equipment and spare parts business, which is in line with the Group’s business strategy.

Given the above and the fact that the trading of marine equipment and spare parts business forms one of the principal business segments of the Group, we concur with the view of the Company that the Acquisition is in line with the Group’s business strategy (that is focusing on development so as to establish the Group as a “shipping services industrial cluster”).

Based on the above, together with our analysis on the Total Consideration as set out in the sub-section headed “B. Major terms of the Share Purchase Agreement – (i) Consideration” in our letter below, we concur with the view of the Company that the Acquisition is in the interests of the Company and the Shareholders as a whole.

(iii) Information on CSHT Marine

CSHT Marine is a company incorporated in Hong Kong with limited liability, and is principally engaged in trading of marine equipment, spare parts, ship supply and general merchandise. Based on the information provided by the Company, it is noted that CSHT Marine mainly provided services to state-owned enterprises (including members of COSCO SHIPPING) for the financial year ended 31 December 2014 (“FY2014”) and FY2015.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the selected financial information of CSHT Marine based on the audited financial statements of CSHT Marine for FY2014 and FY2015 provided by the Sellers and prepared in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants.

	FY2015 (audited) <i>HK\$</i>	FY2014 (audited) <i>HK\$</i>
Revenue	330,761,844	323,805,393
Profit before tax	18,742,860	13,177,394
Net profit after tax	15,824,940	11,106,933

CSHT Marine has been profitable for each of FY2014 and FY2015. Net profit after tax of CSHT Marine increased by approximately 42.5% from approximately HK\$11.1 million for FY2014 to approximately HK\$15.8 million for FY2015. As advised by the management of the Company, such increase was mainly attributable to the cost-saving policies implemented by CSHT Marine which led to a decrease in its distribution costs and administrative expenses.

According to the audited financial statements of CSHT Marine for the nine months ended 30 September 2016 provided by the Sellers, the audited net assets value of CSHT Marine as at 30 September 2016 was HK\$116,962,923.

(iv) Our view

Having taken into consideration the above, in particular, (i) the Acquisition is in line with the principal business and the business strategy of the Group and enables the Group to further expand its marine equipment and spare parts segment, which forms part of the Group's core shipping services business; and (ii) our analysis on the major terms of the Share Purchase Agreement (with details set out in the section headed "B. Major terms of the Share Purchase Agreement" in our letter below), we consider that the Acquisition is in the interests of the Company and the Shareholders as a whole.

B. Major terms of the Share Purchase Agreement

The following is our analyses and views on major terms of the Share Purchase Agreement.

(i) Consideration

The Share Purchase Agreement stipulates that the Total Consideration for the Acquisition is HK\$118,400,000, comprising (i) the COSCO SHIPPING Financial Consideration in the amount of HK\$59,200,000; and (ii) the Hoi Tung Consideration in the amount of HK\$59,200,000. The Total Consideration shall be subject to adjustments as below.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As referred to in the Letter from the Board, the Total Consideration was arrived at after an arm's length negotiation between the Sellers and the Company, and was determined with reference to the audited net assets value of CSHT Marine as at 30 September 2016 (the "2016 Net Assets Value") in the amount of HK\$116,962,923. The Total Consideration represents a 1.2% premium over the 2016 Net Assets Value.

There are three commonly adopted valuation methodologies in assessing the value of a business, being (i) the income approach; (ii) the cost approach; and (iii) the market approach. In respect of the valuation assessment on the Acquisition, the income approach was not adopted due to the lack of future cash flow data available on CSHT Marine, and the cost approach was not adopted because this approach is considered appropriate mainly for asset based businesses. Thus, in assessing the fairness and reasonableness of the Total Consideration, given that CSHT Marine was making profit for FY2014 and FY2015, we have adopted the price-to-earnings ratio (the "P/E") approach which is considered as the most suitable and commonly adopted method to evaluate companies with recurring profit track record.

In light that CSHT Marine is principally engaged in supply of marine equipment and spare parts, we have conducted a research, on a best effort basis, on companies which (i) are listed on the stock exchanges of developed regions in Asia Pacific; and (ii) are principally engaged in supply of marine equipment and spare parts and were profit making in the last 12 months. Based on the criteria above, we have identified one comparable company with details set out in the table below.

Company name	Stock code	Principal business	Market capitalization (Note 1) (HK\$' million)	P/E (Note 1) (approximately times)
Furuno Electric Co., Ltd.	6814.JP	Manufacture and sale of marine electronic equipment and industrial electronic equipment	1,763.7	8.2
Implied P/E ratio of the Acquisition				7.5 (Note 2)

Source: Bloomberg

Notes:

1. Data as at 28 November 2016, being the date of the Share Purchase Agreement
2. Calculated by dividing the Total Consideration of HK\$118,400,000 by the audited net profit after tax of CSHT Marine of HK\$15,824,940 for FY2015

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The implied P/E ratio of the Acquisition is comparable to the P/E ratio of the comparable company.

In addition, although for the six months ended 30 June 2016, only approximately 20% of the Group's revenue was derived from supply of marine equipment and spare parts, the remaining approximately 80% of the Group's revenue was derived from providing of ship trading agency services, marine insurance brokerage services, production and sale of coatings and trading and supply of marine fuel and related products, which are all shipping related services. And thus, we consider the business nature of the Group is also comparable to that of CSHT Marine. Information of the market capitalization and P/E of the Company is set out in the table below.

Company name	Stock code	Principal business	Market capitalization (Note 1) (HK\$' million)	P/E (Note 1) (approximately times)
Company	517.HK	Provision of shipping services and general trading	5,763.9	20.6
Implied P/E ratio of the Acquisition				7.5 (see Note 2 above)

Source: Bloomberg and the website of the Stock Exchange

Note:

1. Data as at 28 November 2016, being the date of the Share Purchase Agreement

The implied P/E ratio of the Acquisition is lower than the respective P/E ratio of the comparable company and the Company.

Based on the above, we therefore consider that the Total Consideration is fair and reasonable so far as the Company and the Independent Shareholders are concerned.

(ii) Adjustments to the Total Consideration

The Total Consideration for the Sale Shares shall be subject to the following adjustments (if any):

- (a) a decrease of an amount equivalent to the total amount of the trade receivables of CSHT Marine which are due to be paid on or before 30 September 2016 but had not been paid as at the Completion Date based on the Management Accounts and the Receivable Records as at the Completion Date (the “**Unpaid Trade Receivables**”).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

If any portion of the Unpaid Trade Receivables is subsequently recovered by CSHT Marine (the “**Subsequent Recovered Trade Receivables**”), on the condition that the Total Consideration has been adjusted in accordance with the Share Purchase Agreement, CSHT Marine shall remit the Subsequent Recovered Trade Receivables to the Sellers within one month from such recovery;

- (b) an increase of an amount equivalent to the difference between (i) the 2016 Net Assets Value; and (ii) the net assets value of CSHT Marine as shown in the Audited Completion Accounts (the “**Completion Net Assets Value**”), if the Completion Net Assets Value exceeds the 2016 Net Assets Value; and
- (c) a decrease of an amount equivalent to the difference between (i) the 2016 Net Assets Value; and (ii) the Completion Net Assets Value, if the 2016 Net Assets Value exceeds the Completion Net Assets Value.

We consider that the adjustment related to the Unpaid Trade Receivables provides additional protection to the Company as the Total Consideration will be reduced by the same amount of the Unpaid Trade Receivables, and the adjustment related to the changes in net assets value of CSHT Marine during the period from 30 September 2016 (being the latest audited balance sheet date of CSHT Marine) to the Completion Date is customary for similar transactions. Therefore, we consider that the above adjustments are fair and reasonable to the Company.

(iii) Post-Completion obligations and undertakings

We also noted that, as stipulated in the Share Purchase Agreement, to the extent that the trade receivables as shown in the Audited Completion Accounts is not fully recovered by CSHT Marine within nine months from the Completion Date (the “**Unrecovered Trade Receivables**”) based on the then management accounts of CSHT Marine and the Receivable Records as at 30 September 2017, the Sellers shall fully indemnify CSHT Marine an amount equivalent to the Unrecovered Trade Receivables on or before 31 October 2017. If any portion of the Unrecovered Trade Receivables is subsequently recovered by CSHT Marine (the “**Post-Completion Recovered Trade Receivables**”), on the condition that the Sellers have fully indemnified the Company the Unrecovered Trade Receivables in accordance with the Share Purchase Agreement, CSHT Marine shall remit the Post-Completion Recovered Trade Receivables to the Sellers within one month from such recovery.

We consider that the post-Completion obligations and undertakings explained above provide additional protection to the Company and is to the benefit of the Company and the Shareholders as a whole.

Our view

Having considered the above, in particular (i) the implied P/E ratio of the Acquisition is lower than the respective P/E ratio of the comparable company and the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Company; and (ii) the adjustments to the Total Consideration and the Sellers' post-Completion obligations provide additional protection to the Company and are fair and reasonable to the Company, we are of the view that the major terms of the Share Purchase Agreement are normal commercial terms and are 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. Possible financial effects of the Acquisition

(i) *Accounting treatment upon completion of the Acquisition*

As stated in the Letter from the Board, upon Completion, CSHT Marine will become a direct wholly-owned subsidiary of the Company. As such, the financial results of CSHT Marine will be consolidated to the financial results of the Group upon Completion.

(ii) *Working capital*

As stated in the Letter from the Board, the Total Consideration will be funded by the internal resources of the Group. Given that the Group had current deposits and cash and cash equivalents of approximately HK\$6,142.8 million as at 30 June 2016 as disclosed in the 2016 Interim Report, the Directors consider that the Group will have sufficient resources to fulfill its payment obligation under the Share Purchase Agreement.

RECOMMENDATION

Having considered the principal factors and reasons referred to above, we are of the opinion that the Acquisition is on normal commercial terms and in the interests of the Company and the Shareholders as a whole, and the terms thereof are fair and reasonable so far as the Company 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 ordinary resolution to be proposed at the SGM to approve the Share Purchase Agreement and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of

BOSC International Company Limited

Alex Lau

Lily Li

Managing Director

Associate Director

Corporate Finance

Corporate Finance

Investment Banking

Investment Banking

Note: Mr. Alex Lau of BOSC International Company Limited has been a responsible officer of Type 6 (Advising on Corporate Finance) regulated activity since 2003, and Ms. Lily Li of BOSC International Company Limited has been a responsible officer of Type 6 (Advising on Corporate Finance) regulated activity since 2016.

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) Directors’ interests in the long positions in the shares of associated corporation

Name of Director	Name of associated corporation	Capacity	Nature of interest	Number of ordinary shares of associated corporation held at the Latest Practicable Date	Approximate percentage of the relevant class of the total issued shares of associated corporation as at the Latest Practicable Date
Mr. Zhu Jianhui	China COSCO Holdings Company Limited (“China COSCO”)*	Interest of spouse	Family	20,000 (A Shares)	0.0003%
	China Shipping Container Lines Company Limited [#]	Interest of spouse	Family	10,000 (A Shares)	0.0001%
Mr. Liu Gang	China COSCO*	Beneficial owner	Personal	10,900 (H Shares)	0.0004%

* China COSCO is now known as COSCO SHIPPING Holdings Co., Ltd.

[#] China Shipping Container Lines Company Limited is now known as COSCO SHIPPING Development Co., Ltd.

(ii) Directors' interests in share appreciation rights granted by associated corporation

Name of Director	Name of associated corporation	Exercise price (HK\$)	Units of share appreciation rights of associated corporation held as at the Latest Practicable Date	H shares of associated corporation as at the Latest Practicable Date	Approximate percentage of total number of issued H shares of associated corporation as at the Latest Practicable Date	Notes
Mr. Ye Weilong	China COSCO*	9.54	480,000		0.019%	(1), (2)
Mr. Wang Wei	China COSCO*	9.54	60,000		0.002%	(1), (2)

* China COSCO is now known as COSCO SHIPPING Holdings Co., Ltd.

Notes:

- (1) These share appreciation rights (“**Share Appreciation Rights**”) were granted by China COSCO in units with each unit representing one H share of China COSCO on 4 June 2007 pursuant to the share appreciation rights plan adopted by China COSCO (the “**Plan**”). Under the Plan, no share will be issued. These Share Appreciation Rights can be exercised at HK\$9.54 per unit according to its terms between 4 June 2009 and 3 June 2017.
- (2) These Share Appreciation Rights represent personal interest held by the relevant participants as beneficial owners. The beneficial owners of these Share Appreciation Rights are entitled to the premium of the price of the issued shares of China COSCO over the exercise price of the Share Appreciation Rights.

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 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 2015, being the date up to which the latest published audited consolidated financial statements of the Group were made up; and
- (iv) Mr. Ye Weilong, being a Director, was also an executive vice president of COSCO SHIPPING. Mr. Zhu Jianhui, being a Director, was also a director and the president of COSCO SHIPPING (Hong Kong). Mr. Liu Gang, being a Director, was also the vice president of COSCO SHIPPING (Hong Kong) and a director of True Smart. Mr. Liu Xianghao, being a Director, was also a vice president, chief legal consultant and financial controller of COSCO SHIPPING (Hong Kong) and a director of True Smart. Mr. Wang Wei, being a Director, was also a vice president of COSCO SHIPPING (Hong Kong). True Smart had, and COSCO SHIPPING (Hong Kong) and COSCO SHIPPING were 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 Director	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 interests in the entities
Mr. Ye Weilong	Companies controlled by COSCO SHIPPING	Shipping Services	director

Name of Director	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 interests in the entities
Mr. Zhu Jianhui	Companies controlled by COSCO SHIPPING	Shipping Services	director
Mr. Liu Gang	Companies controlled by COSCO SHIPPING	Shipping Services	director
Mr. Liu Xianghao	Companies controlled by COSCO SHIPPING	Shipping Services	director
Mr. Wang Wei	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 controls 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 competes 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 2015, being the date to which the latest published audited consolidated financial statements of the Group were made up.

6. QUALIFICATION AND CONSENT TO EXPERT

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

Name	Qualification
BOSC International Company Limited	a corporation licensed to carry out Type 1 (Dealing in Securities), Type 4 (Advising on Securities), Type 6 (Advising on Corporate Finance) and Type 9 (Asset Management) regulated activities 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 2015, being 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 12 December 2016 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. DOCUMENT AVAILABLE FOR INSPECTION

A copy of the Share Purchase Agreement is available for inspection at the office of Norton Rose Fulbright Hong Kong at 38/F Jardine House, 1 Connaught Place, 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.

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 SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting of COSCO SHIPPING International (Hong Kong) Co., Ltd. (the “**Company**”) will be held at 47th Floor, COSCO Tower, 183 Queen’s Road Central, Hong Kong on Friday, 30 December 2016 at 10:15 a.m. (or as soon as after the special general meeting of the Company to be held at the same place and on the same date at 10:00 a.m. shall have been concluded or adjourned) or at any adjournment thereof for the purposes of considering and, if thought fit, passing the following resolution, with or without modifications, as ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT** the entering into of the Share Purchase Agreement as defined in the circular of the Company dated 12 December 2016 (the “**Circular**”), a copy of the Circular marked “A” together with a copy of the Share Purchase Agreement marked “B” being tabled before the meeting and initialed by the chairman of the meeting for identification purpose, and the transactions contemplated under it be and are hereby approved, confirmed and ratified, and the directors of the Company (the “**Directors**”) be and are hereby authorised, for and on behalf of the Company, to take all steps and do all acts and things as they consider to be necessary, appropriate or expedient in connection with and to implement or give effect to the Share Purchase Agreement and the transactions contemplated under it, and to execute all such other documents, instruments and agreements (including the affixation of the Company’s common seal) deemed by them to be incidental to, ancillary to, or in connection with, the Share Purchase Agreement and the transactions contemplated under it.”

By Order of the Board

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

Chiu Shui Suet

Company Secretary

Hong Kong, 12 December 2016

NOTICE OF THE SGM

Notes:

1. The ordinary resolution(s) to be considered at the meeting 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.
2. A member of the Company who is entitled to attend and vote at the meeting 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.
3. 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.
4. To be valid, the form of proxy in the prescribed form, 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 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof (as the case may be) and in default thereof the form of proxy shall not be treated as valid.
5. Shareholders of the Company who are entitled to attend and vote at the meeting are those whose names appear as shareholders of the Company on the register of members of the Company as at the close of business on Thursday, 22 December 2016. 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 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 22 December 2016.
6. Where there are joint holders of any share of the Company, any one of such joint holders may vote at the meeting, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at the meeting in person 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.
7. The Chinese version of the resolution set out in this notice is for reference only. If there is any inconsistency between the English and the Chinese versions, the English version shall prevail.
8. As at the date of this notice, the board of Directors (the "**Board**") comprises eight Directors with Mr. Ye Weilong (Chairman), Mr. Zhu Jianhui (Vice Chairman), Mr. Liu Gang (Managing Director) and Mr. Liu Xianghao as executive Directors; Mr. Wang Wei as non-executive Director and Mr. Tsui Yiu Wa, Alec, Mr. Jiang, Simon X. and Mr. Alexander Reid Hamilton as independent non-executive Directors.