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COSCO SHIPPING Development Co., Ltd.*

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

(Stock Code: 02866)

MAJOR TRANSACTIONS
EQUITY TRANSFER AGREEMENT
AND
PROPOSED MANDATE IN RELATION TO POTENTIAL CAPITAL INCREASE

THE EQUITY TRANSFER AGREEMENT

The Board is pleased to announce that on 10 December 2020, the Company and Chengtong Fund Management entered into the Equity Transfer Agreement, pursuant to which and subject to the terms thereof, Chengtong Fund Management (on behalf of Mixed Ownership Reform Fund) has agreed to acquire and the Company has agreed to sell 35.22% of the equity interest in COSCO SHIPPING Leasing held by the Company at the consideration of RMB1,800,000,000.

PROPOSED MANDATE IN RELATION TO POTENTIAL CAPITAL INCREASE

On 10 December 2020, the Board resolved to approve the Potential Capital Increase of COSCO SHIPPING Leasing by one strategic investor for at least RMB1,000,000,000 and no more than RMB3,000,000,000.

As the Company is a PRC state-owned enterprise and the equity interests in COSCO SHIPPING Leasing are regarded as state-owned assets, the Potential Capital Increase is subject to a public tender organized by an approved equity exchange in accordance with the relevant PRC laws and regulations. The Potential Capital Increase will be conducted by way of public tender on the SUAEE and the successful bidder and COSCO SHIPPING Leasing will enter into the Capital Increase Agreement in accordance with the relevant rules of the SUAEE.

IMPLICATIONS UNDER THE LISTING RULES

It is expected that upon completion of the Potential Capital Increase, there will be a decrease of the equity interest held by the Company in COSCO SHIPPING Leasing. Accordingly, the Potential Capital Increase constitutes a deemed disposal of the Group under Rule 14.29 of the Listing Rules.

As the Equity Transfer Agreement and the Potential Capital Increase are entered into within a 12 month period and are related, the transactions contemplated under the Equity Transfer Agreement and the Potential Capital Increase should be aggregated as a series of transactions under Rule 14.22 of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the disposal and deemed disposal of the equity interest in COSCO SHIPPING Leasing under the Equity Transfer Agreement and the Potential Capital Increase (on an aggregated basis) in accordance with the Listing Rules exceed 25% but are less than 75%, the Equity Transfer Agreement and the Potential Capital Increase and the transactions contemplated thereunder constitute major transactions of the Company which are subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

GENERAL

The EGM will be convened on Monday, 28 December 2020 at for the Shareholders to consider and, if thought fit, approve, among other things, the Equity Transfer Agreement and the Proposed Mandate and the transactions contemplated thereunder.

A circular containing, among other things, (i) further details of the Equity Transfer Agreement, the Proposed Mandate, the Potential Capital Increase and the transactions contemplated thereunder, (ii) other information as required under the Listing Rules; and (iii) a notice convening the EGM, is expected to be despatched to the Shareholders on or before 11 December 2020.

INTRODUCTION

The Board is pleased to announce that on 10 December 2020, the Company and Chengtong Fund Management entered into the Equity Transfer Agreement, pursuant to which and subject to the terms thereof, Chengtong Fund Management (on behalf of Mixed Ownership Reform Fund) has agreed to acquire and the Company has agreed to sell 35.22% of the equity interest in COSCO SHIPPING Leasing held by the Company at the consideration of RMB1,800,000,000.

Further, on 10 December 2020, the Board resolved to approve the Potential Capital Increase of COSCO SHIPPING Leasing by one strategic investor for at least RMB1,000,000,000 and no more than RMB3,000,000,000.

The Equity Transfer Agreement and the Potential Capital Increase are not inter-conditional upon each other.

THE EQUITY TRANSFER AGREEMENT

The principal terms of the Equity Transfer Agreement are set out as follows:

Date: 10 December 2020

Subject matter: Pursuant to the Equity Transfer Agreement and subject to the terms thereof, Chengtong Fund Management (on behalf of Mixed Ownership Reform Fund) has agreed to acquire and the Company has agreed to sell 35.22% of the equity interest in COSCO SHIPPING Leasing held by the Company at the consideration of RMB1,800,000,000.

Chengtong Fund Management undertakes that:

(i) the establishment of Mixed Ownership Reform Fund shall be completed within fifteen (15) working days after the date of the Equity Transfer Agreement; and

(ii) Mixed Ownership Reform Fund will confirm and agree to be bound by the terms of the Equity Transfer Agreement and perform the specific obligations under the Equity Transfer Agreement (in particular, the obligation in relation to payment of consideration).

Consideration: The consideration payable under the Equity Transfer Agreement shall be RMB1,800,000,000, which was determined after arm's length negotiations between the parties on normal commercial terms based on the appraised value of the total shareholders' equity in COSCO SHIPPING Leasing of approximately RMB5,109,545,900 as at the Valuation Benchmark Date of 31 December 2019 as set out in the Valuation Report.

As the Valuation Report is subject to the filing procedures in respect of state-owned assets in accordance with the relevant PRC laws and regulations, in the event of any adjustments to the valuation results during the filing procedures, the consideration payable under the Equity Transfer Agreement shall be adjusted accordingly.

Payment: The consideration of RMB1,800,000,000 shall be paid in cash to the designated bank account of the Company in the following manner:

(i) within five (5) working days after the effective date of the Equity Transfer Agreement, the first instalment of RMB540,000,000 (being 30% of the consideration payable) shall be paid by Chengtong Fund Management or Mixed Ownership Reform Fund; and

(ii) Chengtong Fund Management shall procure Mixed Ownership Reform Fund to pay the remaining balance of the consideration (being RMB1,260,000,000) within forty five (45) working days after the payment of the first instalment.

Effectiveness of the Equity Transfer Agreement:

The Equity Transfer Agreement shall become effective upon satisfaction of the following conditions:

(i) Chengtong Fund Management having completed the establishment and first tranche fund raising of Mixed Ownership Reform Fund;

(ii) the parties having completed the relevant internal approval procedures in respect of the signing and implementation of the Equity Transfer Agreement in accordance with their articles of association and relevant internal decision-making requirements;

(iii) the internal decision-making body of COSCO SHIPPING Leasing having approved the transaction contemplated under the Equity Transfer Agreement; and

(iv) the transaction contemplated under the Equity Transfer Agreement having been approved by the appropriate state-owned regulatory authorities or their authorized departments.

Based on the information provided by Chengtong Fund Management, it is currently expected that the completion of the establishment and first tranche fund raising of Mixed Ownership Reform Fund will take place by the end of December 2020.

The internal approval procedures referred to in the condition as set out in sub-paragraph (ii) above include the approval of the Equity Transfer Agreement by the Independent Shareholders at the EGM.

None of the conditions above is waivable.

Completion:

Completion shall take place upon the full settlement of the consideration by Chengtong Fund Management and/or Mixed Ownership Reform Fund.

The change of industry and commerce registration in respect of Mixed Ownership Reform Fund as a shareholder of COSCO SHIPPING Leasing shall be completed within sixty (60) working days after the full settlement of the consideration.

Governance of COSCO SHIPPING Leasing: Following completion of the Equity Transfer Agreement:

(i) the articles of association of COSCO SHIPPING Leasing shall be amended such that Mixed Ownership Reform Fund and the Company will be entitled to the rights and be responsible for the obligations in accordance with their equity interests in COSCO SHIPPING Leasing pursuant to the Company Law of the PRC, other laws, regulations and departmental rules and the articles of association of COSCO SHIPPING Leasing; and

(ii) adjustments will be made to the board of directors and the supervisory committee of COSCO SHIPPING Leasing where, the board of directors shall comprise seven (7) members, two (2) of which shall be nominated by Chengtong Fund Management or Mixed Ownership Reform Fund, and the supervisory committee shall comprise three (3) members, one (1) of which shall be nominated by Chengtong Fund Management or Mixed Ownership Reform Fund.

Termination: The Equity Transfer Agreement may be terminated in the following circumstances:

(i) the parties terminate the Equity Transfer Agreement upon the occurrence of force majeure events;

(ii) the parties unanimously agree to terminate the Equity Transfer Agreement;

(iii) in the event of material breach of the Equity Transfer Agreement by one party rendering the purpose of the Equity Transfer Agreement being no longer achievable, the non-defaulting party shall be entitled to terminate the Equity Transfer Agreement;

(iv) if due to any objections raised by government authorities, securities transaction management authorities or judicial institutions in relation to the content and performance of the Equity Transfer Agreement, (a) the Equity Transfer Agreement is terminated, revoked or deemed invalid, or (b) the material principles and provisions contained therein cannot be fulfilled which materially affects the purpose of the signing of the Equity Transfer Agreement, any of the parties is entitled to terminate the Equity Transfer Agreement by written notice; and

(v) if (a) the occurrence of material changes to relevant laws, regulations and regulatory documents renders the principal terms of the Equity Transfer Agreement illegal, or (b) any of the parties is unable to perform its main obligations under the Equity Transfer Agreement due to national policies and orders, any of the parties is entitled to terminate the Equity Transfer Agreement by written notice.

Upon the termination of the Equity Transfer Agreement, the Company shall return any consideration paid without interest to Chengtong Fund Management.

Other terms: Following the establishment of Mixed Ownership Reform Fund, the parties and Mixed Ownership Reform Fund will enter into necessary documents so as to confirm that Mixed Ownership Reform Fund will be entitled to the rights and be responsible for the obligations in respect of the transfer of 35.22% of the equity interest in COSCO SHIPPING Leasing under the Equity Transfer Agreement.

Chengtong Fund Management acknowledges that COSCO SHIPPING Leasing propose to conduct the Potential Capital Increase by way of public tender and Chengtong Fund Management undertakes to procure Mixed Ownership Reform Fund (as an original shareholder of COSCO SHIPPING Leasing) to agree to and waive any pre-emptive right in respect of the Potential Capital Increase.

INFORMATION ON THE PARTIES TO THE EQUITY TRANSFER AGREEMENT

Information on the Group

The Company is a joint stock limited company established under the laws of the PRC with limited liability, the H Shares of which are listed on the Main Board of the Hong Kong Stock Exchange and the A Shares of which are listed on the Shanghai Stock Exchange.

The Group is principally engaged in shipping and industry-related leasing businesses, manufacturing of containers and provision of investment and financial services.

Information on Chengtong Fund Management and Mixed Ownership Reform Fund

Chengtong Fund Management is a company established under the laws of the PRC with limited liability and is a wholly-owned subsidiary of China Chengtong. Chengtong Fund Management is principally engaged in asset management and investment management and will be the manager of Mixed Ownership Reform Fund.

Based on the information provided by Chengtong Fund Management, the establishment of Mixed Ownership Reform Fund was approved by SASAC and China Chengtong takes the lead in such establishment. Mixed Ownership Reform Fund aims to introduce mixed ownership reforms and establish mixed ownership companies. Mixed Ownership Reform Fund will be principally engaged in equity investments and asset management, with majority of its investments being made to mixed ownership reform projects in emerging industries including, information technology, biotechnology, high-end equipment manufacturing, new energy, new materials, new energy cars, electricity supplies and energy conservation. The target size of Mixed Ownership Reform Fund is RMB200 billion. The proposed acquisition of 35.22% of the equity interest in COSCO SHIPPING Leasing for the consideration of RMB1.8 billion under the Equity Transfer Agreement is only a part of a wide range of investments to be made by Mixed Ownership Reform Fund. It is expected that the fund raising for Mixed Ownership Reform Fund will be completed in two years and the shareholders of Mixed Ownership Reform Fund will include PRC state-owned enterprises, financial institutions, social capital funds and other private enterprises in the PRC.

As at the date of this announcement, Mixed Ownership Reform Fund has not been established. Based on the information provided by Chengtong Fund Management, Mixed Ownership Reform Fund will initially have a registered capital of RMB70.7 billion upon its establishment and there will be twenty (20) initial shareholders of Mixed Ownership Reform Fund, which are various PRC state-owned enterprises and other private enterprises, with further details as follows:

Initial shareholders	**Amount of capital contribution** *(RMB)*	**Corresponding approximate percentage of equity interest initially** *(%)*
China Chengtong	24 billion	33.95
CNBM United Investment	6 billion	8.49
China Reform Holdings	6 billion	8.49
Yangtze Three Gorges Investment Management	6 billion	8.49
COSCO SHIPPING	5 billion	7.07
Southern Power Grid Capital Holdings	5 billion	7.07
14 other shareholders *(Note 1)*	18.7 billion	26.45
TOTAL	**70.7 billion**	**100.00**

Note 1: Each of those other 14 shareholders is a PRC state-owned enterprise or a private enterprise in the PRC, who is a third party independent of the Company and its connected persons, and will hold less than 5% of the equity interest in Mixed Ownership Refund Fund initially.

The percentage of equity interests held by the abovementioned proposed shareholders of Mixed Ownership Reform Fund (including COSCO SHIPPING) is expected to be diluted as a result of further fund raising of Mixed Ownership Reform Fund in the future.

China Chengtong is a company established under the laws of the PRC with limited liability and a PRC state-owned enterprise. It is principally engaged in asset management, investment holdings and provision of integrated logistics services.

CNBM United Investment is a company established under the laws of the PRC with limited liability and a PRC state-owned enterprise. It is principally engaged in investment management, asset management and investment consultancy.

China Reform Holdings is a company established under the laws of the PRC with limited liability and a PRC state-owned enterprise. It is principally engaged in state-owned capital operation.

Yangtze Three Gorges Investment Management is a company established under the laws of the PRC with limited liability and a PRC state-owned enterprise. It is principally engaged in investment and asset management.

COSCO SHIPPING is a company incorporated under the laws of the PRC, and is a state-owned enterprise wholly-owned and controlled by SASAC and an indirect controlling shareholder of the Company.

Southern Power Grid Capital is a company established in the PRC with limited liability and a PRC state-owned enterprise. It is principally engaged in financial investments and investment management.

Save as disclosed above, to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, Chengtong Fund Management, Mixed Ownership Reform Fund, the abovementioned proposed shareholders of Mixed Ownership Reform Fund and their ultimate beneficial owners are third parties independent of the Company and its connected persons, and there is no other relationship among the foregoing parties.

Save for the abovementioned proposed holding of approximately 7.07% equity interest of COSCO SHIPPING in Mixed Ownership Reform Fund upon its establishment, there is no participation or involvement of COSCO SHIPPING in Mixed Ownership Reform Fund and in the negotiation of the Equity Transfer Agreement between Chengtong Fund Management and the Company.

PROPOSED MANDATE IN RELATION TO POTENTIAL CAPITAL INCREASE

On 10 December 2020, the Board resolved to approve the Potential Capital Increase of COSCO SHIPPING Leasing by one strategic investor for at least RMB1,000,000,000 and no more than RMB3,000,000,000.

As the Company is a PRC state-owned enterprise and the equity interests in COSCO SHIPPING Leasing are regarded as state-owned assets, the Potential Capital Increase is subject to a public tender organized by an approved equity exchange in accordance with the relevant PRC laws and regulations. The Potential Capital Increase will be conducted by way of public tender on the SUAEE and the successful bidder and COSCO SHIPPING Leasing will enter into the Capital Increase Agreement in accordance with the relevant rules of the SUAEE.

The principal terms of the Proposed Mandate and the Potential Capital Increase are set out as follows:

Subject matter: It is proposed that COSCO SHIPPING Leasing will conduct a capital increase by one strategic investor for at least RMB1,000,000,000 and no more than RMB3,000,000,000.

Consideration: Pursuant to the Measures for the Supervision and Administration of the Transactions of State-Owned Assets of Enterprises (《企業國有資產交易監督管理辦法》) and other relevant PRC laws and regulations, the minimum bidding price in respect of the Potential Capital Increase shall be the appraised value of the total shareholders' equity in COSCO SHIPPING Leasing of approximately RMB5,109,545,900 as at the Valuation Benchmark Date of 31 December 2019 as set out on Valuation Report. As the Valuation Report is subject to the filing procedures in respect of state-owned assets in accordance with the relevant PRC laws and regulations, in the event of any adjustments to the valuation results during the filing procedures, the minimum bidding price shall be adjusted accordingly.

Assuming that the final amount of capital increase under the Potential Capital Increase will be RMB3,000,000,000 and the final bidding price will be the minimum bidding price (being the appraised value of the total shareholders' equity in COSCO SHIPPING Leasing of approximately RMB5,109,545,900), following completion of the Potential Capital Increase, the successful bidder will hold approximately 36.99% of the equity interest in COSCO SHIPPING Leasing, which is calculated in accordance with the formula below:

> Final percentage of the equity interest held by the successful bidder in COSCO SHIPPING Leasing = final amount of capital increase/(final amount of capital increase + final bidding price)

The successful bidder will make a capital contribution to COSCO SHIPPING Leasing equivalent to the final amount of capital increase for the Potential Capital Increase to the registered capital (the amount of which shall correspond to the final percentage of the equity interest held by the successful bidder in COSCO SHIPPING Leasing) and the capital reserves of COSCO SHIPPING Leasing.

Qualification requirements of potential bidders:

Set out below are the qualification requirements of the potential bidder:

(i) The potential bidder shall be a Chinese-funded enterprise which is legally registered and validly subsisting in the PRC.

(ii) The registered capital of the potential bidder shall not be less than RMB1 billion (based on the business license).

(iii) The potential bidder shall have sound financial status and the ability to pay, and shall participate in the subscription in cash in RMB.

(iv) The sources of capital of the potential bidder shall be lawful, with the potential bidder not having engaged in material illegal and unlawful conduct nor having received penalty from relevant PRC authorities or industry associations for illegal or dishonest conduct.

(v) The public tender for the Potential Capital Increase is not open to joint investment entities.

(vi) The qualifications of the potential bidder shall meet the requirements of the PRC laws and regulations.

Public tender procedures:

After obtaining the Shareholders' approval for the Proposed Mandate at the EGM, the Group will commence the formal process of public tender for the Potential Capital Increase by submission of the tender application to the SUAEE on or around 29 December 2020 which sets out, among other things, (i) the minimum bidding price for the Potential Capital Increase; (ii) the principal terms of the tender; and (iii) qualification requirements of potential bidders.

The tender period shall be a period of forty (40) working days from the date of disclosure of the tender on the SUAEE. In the event that no qualified tender is received, the tender period shall be extended for each subsequent period of five (5) working days, subject to the maximum tender period of one year.

Upon the completion of the tender period and the receipt of qualified tender, COSCO SHIPPING Leasing will consider the tender and confirm the successful bidder. In the event that more than one qualified tenders are received, COSCO SHIPPING Leasing will choose the successful bidder based on the highest bidding price submitted and if the bidding prices submitted are on the same level, COSCO SHIPPING Leasing will conduct competitive negotiations with the potential bidders and determine the successful bidder taking into account, among other things, overall capability of the potential bidders, potential synergy with the potential bidders and industry and prior experience in the financing industry of the potential bidders.

Within five (5) working days after confirming to be the successful bidder, the successful bidder shall enter into the Capital Increase Agreement with COSCO SHIPPING Leasing.

Further announcement(s) will be made by the Company in relation to, among other things, the identity of the successful bidder and the Capital Increase Agreement as and when appropriate.

Undertakings of potential bidders: The potential bidder shall agree to and give written undertakings in respect of the following:

(i) the potential bidder shall not engage in business that may be in competition with the principal business of COSCO SHIPPING Leasing;

(ii) the potential bidder does not have any economic interest with COSCO SHIPPING Leasing's board of directors, members of management or their immediate family members or other relationships to be avoided pursuant to the PRC laws and regulations;

(iii) COSCO SHIPPING Leasing may adjust the amount of subscription of the registered capital of the potential bidder after submission of the tender application; and

(iv) the potential bidder shall agree to the legal governance structure and relevant rules of procedure of COSCO SHIPPING Leasing after its mixed ownership reform, including but not limited to, board arrangements and management structure.

Use of proceeds: The proceeds to be raised from the Potential Capital Increase are intended to be used for the replenishment of the capital of COSCO SHIPPING Leasing for its future business development.

Pursuant to the relevant rules of the SUAEE, once the successful bidder is identified, COSCO SHIPPING Leasing will become unconditionally obliged to enter into the Capital Increase Agreement with such successful bidder for the Potential Capital Increase and, subject to the terms and conditions thereunder, complete the Potential Capital Increase. Accordingly, the Board would like to seek the advance approval of the Proposed Mandate from the Shareholders at the EGM to authorize the Board and its authorized persons to deal with all matters in connection with the Potential Capital Increase, including but not limited to:

1. authorize the Board to handle and determine specific matters relating to the Potential Capital Increase including but not limited to, confirming the successful bidder from the public tender process, the investment amount, the corporate governance structure of COSCO SHIPPING Leasing after the capital increase, and the signing of the Capital Increase Agreement, in accordance with the laws, regulations, regulatory documents and resolutions of the Shareholders, regulatory opinions of the Shanghai Stock Exchange and the Hong Kong Stock Exchange, and the approval by state-owned regulatory authorities or their authorized departments;

2. authorize the Board to handle all administrative approvals in relation to the Potential Capital Increase, submit the tender application to the SUAEE and handle the change of industry and commerce registration and the change of ownership procedures; and

3. authorize the Board to take all necessary actions to determine and handle other matters relating to the Potential Capital Increase.

The Proposed Mandate shall be effective for twelve (12) months from date of the approval by the Shareholders at the EGM. After obtaining the Shareholders' approval for the Proposed Mandate at the EGM, the Group will commence the formal process of public tender for the Potential Capital Increase by submission of the tender application to the SUAEE on or around 29 December 2020, if the tender application is not submitted on or before 30 December 2020, a revised valuation report with a revised valuation benchmark date will be required for the Potential Capital Increase and separate approval of the Shareholders will be sought by the Company accordingly.

INFORMATION ON COSCO SHIPPING LEASING

COSCO SHIPPING Leasing is a company established under the laws of the PRC with limited liability and a wholly-owned subsidiary of the Company. It is principally engaged in financial leasing, commercial factoring and the provision of related financial services across various fields, including the medical sector, education, energy, construction, industrial equipment, electronic information, transportation and logistics, and automobile financing.

Based on the financial statements of the COSCO SHIPPING Leasing Group prepared in accordance with the China Accounting Standards for Business Enterprises, the financial information of the COSCO SHIPPING Leasing Group for the two years ended 31 December 2018 and 2019 and the six months ended 30 June 2020 was approximately as follows:

	For the year ended 31 December		**For the six months ended**
	2018	**2019**	**30 June 2020**
	(audited)	(audited)	(unaudited)
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Profit before taxation	321,542	605,119	160,500
Profit after taxation	239,979	453,015	109,954

The unaudited net assets of the COSCO SHIPPING Leasing Group as at 30 June 2020 were approximately RMB5,143,492,000.

PROFIT FORECAST UNDER THE VALUATION REPORTS

As the appraised values of the total shareholders' equity of COSCO SHIPPING Leasing as set out in the Valuation Reports were determined based on the income approach, which involved the calculation of discounted cash flow method, such valuation in the Valuation Reports constitutes a profit forecast under Rule 14.61 of the Listing Rules.

The principal assumptions upon which each of the Valuation Reports has been prepared are set out below:

General assumptions

1. It is assumed that there are no material changes in current related national laws regulations and policies, as well as national macroeconomic situation; no material changes in the local political, economic and social environment of such regions where parties to the transaction are based.

2. It is assumed that COSCO SHIPPING Leasing will operate on a going concern basis according to the actual conditions of assets on the Valuation Benchmark Date.

3. It is assumed that there are no material changes in interest rates, exchange rates, tax bases, tax rates and policy-based levies related to the evaluated entity after the Valuation Benchmark Date.

4. It is assumed that the management of COSCO SHIPPING Leasing is accountable, stable and competent to perform their duties after the Valuation Benchmark Date.

5. It is assumed that COSCO SHIPPING Leasing fully complies with all relevant laws and regulations, unless otherwise stated.

6. It is assumed that there is no force majeure event which may materially and adversely affect COSCO SHIPPING Leasing after the Valuation Benchmark Date.

Specific assumptions

1. It is assumed that the accounting policies adopted by COSCO SHIPPING Leasing after the Valuation Benchmark Date are consistent with the accounting policies adopted when preparing the Valuation Report in all material aspects.

2. It is assumed that the scope of business and the mode of operation of COSCO SHIPPING Leasing after the Valuation Benchmark Date are consistent with the current ones based on the existing management mode and management level.

3. It is assumed that COSCO SHIPPING Leasing will have balance cash inflows and cash outflows after the Valuation Benchmark Date.

4. It is assumed that the products or services of COSCO SHIPPING Leasing will stay competitive on current market after the Valuation Benchmark Date.

5. It is assumed that the financing channels, financing costs and fund resources of COSCO SHIPPING Leasing would remain unchanged under the status quo subsequent to the Valuation Benchmark Date.

6. It is assumed that the value-added tax policy to which COSCO SHIPPING Leasing is entitled and that tax refund is returned as soon as it is imposed would continue to be implemented within a projected period subsequent to the valuation benchmark date.

7. It is assumed that the core management and marketing personnel of COSCO SHIPPING Leasing will remain relatively stable and no material changes that affect the development and profit realization of COSCO SHIPPING Leasing will happen during the period of forecast.

Confirmations

Ernst & Young, the auditor of the Company, has reviewed the arithmetical accuracy of the calculations of the discounted cash flow forecast on which the Valuation Reports were based.

The Directors have reviewed the bases and assumptions of the Valuation Reports and confirm that the profit forecasts in the Valuation Reports have been made after due and careful enquiry.

The report from Ernst & Young and the letter from the Board are set out in Appendices I and II to this announcement respectively.

The qualifications of the experts who have provided their opinions and advice, which are included in this announcement, are set out as follows:

Name	Qualification	Date of opinion or advice given
Beijing CEA	PRC qualified valuer	10 December 2020
Ernst & Young	Certified Public Accountants	10 December 2020

Each of the abovementioned experts has given and has not withdrawn its written consent to the issue of this announcement with the inclusion of its letter or opinion and/or the reference to its name (including its qualification) and opinions in this announcement in the form and context in which they respectively appear.

As at the date of this announcement, each of the abovementioned experts did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in any member of the Group.

REASONS FOR AND BENEFITS OF THE EQUITY TRANSFER AGREEMENT AND THE POTENTIAL CAPITAL INCREASE

The Group is principally engaged in shipping and industry-related leasing businesses, manufacturing of containers and provision of investment and financial services. As a shipping financing platform, the Group will integrate premium resources and give full play to its advantages in the shipping industry. Synergic development will be pursued for various financial businesses in an attempt to become China's leading and the world's first-class integrated supply chain financial service provider with distinct shipping logistics features.

COSCO SHIPPING Leasing is principally engaged in financial leasing, commercial factoring and the provision of related financial services across various fields other than the shipping industry. The disposal under the Equity Transfer Agreement will facilitate the Group's focus on the strategic development objective as a shipping financing platform, whereby the Group can make use of the proceeds from the disposal to acquire additional vessels and/or containers for the purpose of conducting lease transactions as lessor so as to expand its shipping and industry-related leasing business. Further, the liabilities to assets ratio of COSCO SHIPPING Leasing as at 31 December 2019 and 30 June 2020 was approximately 85.15% and approximately 85.55% respectively. The Equity Transfer Agreement and the Potential Capital Increase, which will lead to the deconsolidation of COSCO SHIPPING Leasing from the financial statements of the Group, will lower the overall level of debt and optimize the asset structure of the Group.

The Potential Capital Increase, if materialized, will facilitate the future business development of COSCO SHIPPING Leasing as the operation of the provision of financial leasing, commercial factoring and related financial services of COSCO SHIPPING Leasing is capital intensive and the additional equity capital from the Potential Capital Increase will improve the financial conditions and the capital structure of COSCO SHIPPING Leasing (particularly in light of the level of its liabilities to assets ratio). As such, it will be beneficial to the Group in the long run as the Group will continue to retain a substantial interest in COSCO SHIPPING Leasing.

The Directors (including the independent non-executive Directors) consider that the terms of the Equity Transfer Agreement, which were negotiated on an arm's length basis, and the terms of the Potential Capital Increase, which will be conducted by way of public tender on the SUAEE, are fair and reasonable and that the Equity Transfer Agreement and the Proposed Mandate and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

Mr. Wang Daxiong, Mr. Liu Chong and Mr. Xu Hui, all being executive Directors, and Mr. Huang Jian, Mr. Liang Yanfeng and Mr. Ip Sing Chi, all being non-executive Directors, hold directorship(s) or act as senior management in COSCO SHIPPING and/or its associates, and were nominated by COSCO SHIPPING to the Board. As COSCO SHIPPING will hold approximately 7.07% of the equity interests in Mixed Ownership Reform Fund upon its establishment and is therefore regarded to have a material interest in the Equity Transfer Agreement and the transactions contemplated thereunder, Mr. Wang Daxiong, Mr. Liu Chong, Mr. Xu Hui, Mr. Huang Jian, Mr. Liang Yanfeng and Mr. Ip Sing Chi have therefore abstained from voting on the relevant Board resolution approving the Equity Transfer Agreement and the transactions contemplated thereunder. Save as aforementioned, none of the other Directors has a material interest in the Equity Transfer Agreement and the Proposed Mandate and the transactions contemplated thereunder. Therefore, no other Director has abstained from voting on the relevant Board resolutions.

FINANCIAL EFFECTS OF THE EQUITY TRANSFER AGREEMENT AND THE POTENTIAL CAPITAL INCREASE

As at the date of this announcement, COSCO SHIPPING Leasing is a wholly-owned subsidiary of the Company.

Upon completion of the Equity Transfer Agreement (and without considering the effect of the Potential Capital Increase), the equity interest held by the Company in COSCO SHIPPING Leasing will decrease from 100% to approximately 64.78% and COSCO SHIPPING Leasing will become a non-wholly owned subsidiary of the Company.

Upon completion of the Potential Capital Increase, assuming that the final amount of capital increase under the Potential Capital Increase will be RMB3,000,000,000 and the final bidding price will be the minimum bidding price as further set out in the section headed "Proposed Mandate in relation to Potential Capital Increase – Consideration" (and without considering the effect of the Equity Transfer Agreement), the equity interest held by the Company in COSCO SHIPPING Leasing will decrease from 100% to approximately 63.01% and COSCO SHIPPING Leasing will become a non-wholly owned subsidiary of the Company.

Upon completion of the Equity Transfer Agreement and the Potential Capital Increase, assuming that the final amount of capital increase under the Potential Capital Increase will be RMB3,000,000,000 and the final bidding price will be the minimum bidding price as further set out in the section headed "Proposed Mandate in relation to Potential Capital Increase – Consideration", it is expected that the equity interest held by the Company in COSCO SHIPPING Leasing will decrease from 100% to approximately 40.82%, and the Company will retain such equity interests and remain the largest shareholder of COSCO SHIPPING Leasing. COSCO SHIPPING Leasing will cease to be a subsidiary of the Company and the assets and liabilities and financial results of the COSCO SHIPPING Leasing Group will no longer be consolidated into the consolidated financial statements of the Group. COSCO SHIPPING Leasing will be accounted for as an associate of the Company under the equity method of accounting in the consolidated financial statements of the Group.

As the Equity Transfer Agreement will not result in the Company's loss of control over COSCO SHIPPING Leasing, completion of the Equity Transfer Agreement alone will not result in the recognition of any gain or loss in the Company's consolidated income statement.

As the Potential Capital Increase will not result in the Company's loss of control over COSCO SHIPPING Leasing, completion of the Potential Capital Increase alone will not result in the recognition of any gain or loss in the Company's consolidated income statement.

Assuming that completion of the Equity Transfer Agreement and the Potential Capital Increase had taken place on 30 June 2020, it is estimated that the Group will recognise a gain before taxation attributable to the Shareholders of approximately RMB11,708,000, which is calculated based on the difference between (a) the sum of (i) the estimated fair value of the 40.82% equity interest held by the Company in COSCO SHIPPING Leasing upon completion of approximately RMB3,355,200,000, which is calculated by (1) the estimated fair value of COSCO SHIPPING Leasing as at 30 June 2020 of approximately RMB8,219,500,000 (being the sum of (x) the appraised value of the total shareholders' equity as at 31 December 2019 of approximately RMB5,109,546,000; (y) the unaudited profit after tax of COSCO SHIPPING Leasing (on the basis of parent company only) for the six months ended 30 June 2020 of approximately RMB109,954,000; and (z) the Potential Capital Increase of RMB3,000,000,000), times (2) the percentage of the equity interest held by the Company in COSCO SHIPPING Leasing upon completion of approximately 40.82%; and (ii) the consideration received from the Equity Transfer Agreement of approximately RMB1,800,000,000; and (b) the carrying amount of the net asset value of COSCO SHIPPING Leasing of approximately RMB5,143,492,000, which was included in the consolidated financial statements of the Group as at 30 June 2020.

The Group intends to apply the net proceeds from disposal under the Equity Transfer Agreement for the replenishment of the working capital for the shipping and industry-related leasing business of the Group, whereby the Group can make use of such funds to acquire additional vessels and/or containers for the purpose of conducting lease transactions as lessor. It is currently expected that such proceeds will be utilized by the Group by 31 December 2022.

The net proceeds from the Potential Capital Increase are intended to be used by COSCO SHIPPING Leasing for replenishment of its capital for future business development in the provision of financial leasing, commercial factoring and related financial services, the operation of which is capital intensive. The additional equity capital will improve the financial conditions and the capital structure of COSCO SHIPPING Leasing. It is currently expected that such proceeds will be utilized by COSCO SHIPPING Leasing by 30 September 2021.

IMPLICATIONS UNDER THE LISTING RULES

It is expected that upon completion of the Potential Capital Increase, there will be a decrease of the equity interest held by the Company in COSCO SHIPPING Leasing. Accordingly, the Potential Capital Increase constitutes a deemed disposal of the Group under Rule 14.29 of the Listing Rules.

As the Equity Transfer Agreement and the Potential Capital Increase are entered into within a 12 month period and are related, the transactions contemplated under the Equity Transfer Agreement and the Potential Capital Increase should be aggregated as a series of transactions under Rule 14.22 of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the disposal and deemed disposal of the equity interest in COSCO SHIPPING Leasing under the Equity Transfer Agreement and the Potential Capital Increase (on an aggregated basis) in accordance with the Listing Rules exceed 25% but are less than 75%, the Equity Transfer Agreement and the Potential Capital Increase and the transactions contemplated thereunder constitute major transactions of the Company which are subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

GENERAL

The EGM will be convened on Monday, 28 December 2020 at for the Shareholders to consider and, if thought fit, approve, among other things, the Equity Transfer Agreement and the Proposed Mandate and the transactions contemplated thereunder.

As COSCO SHIPPING will hold approximately 7.07% of the equity interests in Mixed Ownership Reform Fund upon its establishment and is therefore regarded to have a material interest in the Equity Transfer Agreement and the transactions contemplated thereunder, COSCO SHIPPING and its associates will be required to abstain from voting on the resolution in relation to the Equity Transfer Agreement and the transactions contemplated thereunder. Save as aforementioned, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder had a material interest in the Equity Transfer Agreement and the Proposed Mandate and the transactions contemplated thereunder and therefore no Shareholder is required to abstain from voting at the EGM for the relevant resolutions.

A circular containing, among other things, (i) further details of the Equity Transfer Agreement, the Proposed Mandate, the Potential Capital Increase and the transactions contemplated thereunder, (ii) other information as required under the Listing Rules; and (iii) a notice convening the EGM, is expected to be despatched to the Shareholders on or before 11 December 2020.

DEFINITIONS

Unless the context requires otherwise, terms used in this announcement shall have the meanings as follows:

"A Share(s)"	the domestic share(s) in the ordinary share capital of the Company with a par value of RMB1.00 each, which are listed on the Shanghai Stock Exchange
"associate"	has the meaning ascribed to it under the Listing Rules
"Beijing CEA"	Beijing China Enterprise Appraisals Co., Ltd. (北京中企華資產評估有限責任公司), a PRC qualified valuer
"Board"	the board of directors of the Company
"Capital Increase Agreement"	the capital increase agreement to be entered into between COSCO SHIPPING Leasing and the successful bidder in relation to the Potential Capital Increase
"Chengtong Fund Management"	Chengtong Mixed Reform Equity Investment Fund Management Co., Ltd.# (誠通混改股權投資基金管理有限公司), a company established in the PRC with limited liability and the manager of Mixed Ownership Reform Fund
"China Chengtong"	China Chengtong Holdings Group Ltd.# (中國誠通控股集團有限公司), a company established in the PRC with limited liability and a PRC state-owned enterprise
"China Reform Holdings"	China Reform Holdings Co., Ltd.# (中國國新控股有限責任公司), a company established in the PRC with limited liability and a PRC state-owned enterprise
"China Shipping"	China Shipping (Group) Company Limited# (中國海運集團有限公司), a PRC state-owned enterprise and the controlling shareholder of the Company
"Company"	COSCO SHIPPING Development Co., Ltd.* (中遠海運發展股份有限公司), a joint stock limited company established in the PRC, the H Shares and the A Shares of which are listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 02866) and the Shanghai Stock Exchange (Stock Code: 601866), respectively
"Computershare"	Computershare Hong Kong Investor Services Limited, the H Share registrar of the Company

"COSCO SHIPPING"	China COSCO SHIPPING Corporation Limited# (中國遠洋海運集團有限公司), a PRC state-owned enterprise and an indirect controlling shareholder of the Company
"COSCO SHIPPING Leasing"	COSCO SHIPPING Leasing Co., Ltd.# (中遠海運租賃有限公司), a company established under the laws of the PRC with limited liability and a wholly-owned subsidiary of the Company as at the Latest Practicable Date
"COSCO SHIPPING Leasing Group"	COSCO SHIPPING Leasing and its subsidiaries
"CNBM United Investment"	CNBM United Investment Co., Ltd.# (中建材聯合投資有限公司), a company established in the PRC with limited liability and a PRC state-owned enterprise
"controlling shareholder"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be convened on Monday, 28 December 2020 to consider and, if thought fit, approve, among other things, the Equity Transfer Agreement and the Proposed Mandate and the transactions contemplated thereunder
"Equity Transfer Agreement"	the equity transfer agreement dated 10 December 2020 entered into between Chengtong Fund Management (on behalf of Mixed Ownership Reform Fund) and the Company in relation to the disposal of 35.22% equity interest in COSCO SHIPPING Leasing held by the Company
"Group"	the Company and its subsidiaries
"H Share(s)"	the overseas listed foreign shares in the ordinary share capital of the Company with a par value of RMB1.00 each, which are listed on the Main Board of the Hong Kong Stock Exchange
"H Shareholder(s)"	the holder(s) of H Share(s)
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Independent Shareholders"	the Shareholders other than (i) COSCO SHIPPING and its associates and (ii) all other parties (if any) who are involved or interested in the Equity Transfer Agreement and the transactions contemplated thereunder

"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Mixed Ownership Reform Fund"	China State-owned Enterprises Mixed Ownership Reform Fund Co., Ltd. (中國國有企業混合所有制改革基金有限公司), a company to be established under the laws of the PRC with limited liability
"percentage ratios"	has the meaning ascribed to such term under the Listing Rules
"Potential Capital Increase"	the proposed capital increase of COSCO SHIPPING Leasing by one strategic investor for at least RMB1,000,000,000 and no more than RMB3,000,000,000
"PRC"	the People's Republic of China, and for the purpose of this circular only, excluding Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"Proposed Mandate"	the general mandate to be granted in advance by the Shareholders to the Group to conduct the Potential Capital Increase by way of public tender
"RMB"	Renminbi, the lawful currency of the PRC
"SASAC"	the State-owned Assets Supervision and Administration Commission of the State Council of the PRC
"Share(s)"	A Share(s) and H Shares(s)
"Shareholder(s)"	holder(s) of the Share(s)
"Southern Power Grid Capital"	Southern Power Grid Capital Holdings Co., Ltd.# (南方電網資本控股有限公司), a company established in the PRC with limited liability and a PRC state-owned enterprise
"SUAEE"	Shanghai United Assets and Equity Exchange (上海聯合產權聯交所)
"Valuation Benchmark Date"	the valuation benchmark date adopted in the Valuation Reports, being 31 December 2019
"Valuation Reports"	collectively, the two assessment reports issued by Beijing CEA in relation to the Equity Transfer Agreement and the Potential Capital Increase

"Yangtze Three Gorges Investment Management"	Yangtze Three Gorges Investment Management Co., Ltd.# (長江三峽投資管理有限公司), a company established in the PRC with limited liability and a PRC state-owned enterprise
"%"	per cent

By order of the Board
COSCO SHIPPING Development Co., Ltd.*
Cai Lei
Joint Company Secretary

Shanghai, the People's Republic of China
10 December 2020

As at the date of this announcement, the Board comprises Mr. Wang Daxiong, Mr. Liu Chong and Mr. Xu Hui, being executive directors of the Company, Mr. Huang Jian, Mr. Liang Yanfeng and Mr. Ip Sing Chi, being non-executive directors of the Company, and Mr. Cai Hongping, Ms. Hai Chi Yuet, Mr. Graeme Jack, Mr. Lu Jianzhong and Ms. Zhang Weihua, being independent non-executive directors of the Company.

* *The Company is a registered non-Hong Kong company as defined in the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and it is registered under its Chinese name and under the English name "COSCO SHIPPING Development Co., Ltd.".*

\# *For identification purposes only.*

APPENDIX I

The following is the text of a report received from the Company's auditors, Ernst & Young, Certified Public Accountants, Hong Kong, for inclusion in this announcement.

REPORT FROM AUDITORS ON THE DISCOUNTED CASH FLOW FORECAST IN CONNECTION WITH THE VALUATION OF COSCO SHIPPING LEASING CO., LTD. IN RELATION TO THE EQUITY TRANSFER AGREEMENT AND THE POTENTIAL CAPITAL INCREASE

10 December 2020

To the Directors of COSCO SHIPPING Development Co., Ltd.

We have been engaged to report on the arithmetical accuracy of the calculations of the discounted cash flow forecast (the "**Forecast**") on which the valuation dated 10 December 2020, prepared by Beijing China Enterprise Appraisal Co., Ltd. in respect of COSCO SHIPPING Leasing Co., Ltd. (the "**Target**") as at 31 December 2019 is based. The valuation is set out in the announcement of COSCO SHIPPING Development Co., Ltd. (the "**Company**") dated 10 December 2020 (the "**Announcement**") in connection with the Target in relation to the Equity Transfer Agreement and the Potential Capital Increase. The valuation based on the Forecast is regarded by The Stock Exchange of Hong Kong Limited as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

Directors' responsibilities

The directors of the Company (the "**Directors**") are solely responsible for the Forecast. The Forecast has been prepared using a set of bases and assumptions (the "**Assumptions**"), the completeness, reasonableness and validity of which are the sole responsibility of the Directors. The Assumptions are set out in pages 13 to 14 of the Announcement.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' responsibilities

Our responsibility is to express an opinion on the arithmetical accuracy of the calculations of the Forecast based on our work. The Forecast does not involve the adoption of accounting policies.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the HKICPA. This standard requires that we plan and perform our work to obtain reasonable assurance as to whether, so far as the arithmetical accuracy of the calculations are concerned, the Directors have properly compiled the Forecast in accordance with the Assumptions adopted by the Directors. Our work consisted primarily of checking the arithmetical accuracy of the calculations of the Forecast prepared based on the Assumptions made by the Directors. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

We are not reporting on the appropriateness and validity of the Assumptions on which the Forecast are based and thus express no opinion whatsoever thereon. Our work does not constitute any valuation of the Target. The Assumptions used in the preparation of the Forecast include hypothetical assumptions about future events and management actions that may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Forecast and the variation may be material. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work.

Opinion

Based on the foregoing, in our opinion, so far as the arithmetical accuracy of the calculations of the Forecast is concerned, the Forecast has been properly compiled in all material respects in accordance with the Assumptions adopted by the Directors.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

10 December 2020

Listing Division
The Stock Exchange of Hong Kong Limited
12/F, Two Exchange Square
8 Connaught Place, Central, Hong Kong

Dear Sirs,

MAJOR TRANSACTIONS – EQUITY TRANSFER AGREEMENT AND PROPOSED MANDATE IN RELATION TO POTENTIAL CAPITAL INCREASE

We refer to the announcement (the "**Announcement**") of COSCO SHIPPING Development Co. Ltd.* (中遠海運發展股份有限公司) (the "**Company**") dated 10 December 2020 in relation to, among other things, the Equity Transfer Agreement and the Proposed Mandate in relation to Potential Capital Increase. Unless otherwise defined, capitalized terms used herein shall have the same meanings as those defined in the Announcement.

As the income approach, which involved the calculation of discounted cash flows method, was adopted by Beijing CEA in preparing the Valuation Reports, the valuations in the Valuation Reports constitute profit forecasts under Rule 14.61 of the Listing Rules.

The Board has reviewed the bases and assumptions of the valuations and has discussed the same with Beijing CEA and Ernst & Young, the auditor of the Company (the "**Auditor**"). The Board has also considered the reports dated 10 December 2020 from the Auditor in relation to the calculations of the profit forecasts on which the Valuation Reports were based, as set out in Appendix I to the Announcement.

Based on the foregoing, the Board confirmed that the profit forecasts in the Valuation Reports have been made after due and careful enquiry.

Yours faithfully,
For and on behalf of the Board
中遠海運發展股份有限公司
COSCO SHIPPING Development Co., Ltd.*
LIU Chong
Director

* *The Company is a registered non-Hong Kong company as defined in the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and it is registered under its Chinese name and under the English name "COSCO SHIPPING Development Co., Ltd.".*