THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in **COSCO SHIPPING International (Hong Kong) Co., Ltd.**, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

COSCO SHIPPING

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 HELEN INSURANCE BROKERS LIMITED

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

BALLAS CAPITAL

A subsidiary of Crosby

A letter from the Independent Board Committee is set out on page 12 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 13 to 26 of this circular.

A notice convening the SGM to be held at 47/F., COSCO Tower, 183 Queen's Road Central, Hong Kong on Thursday, 28 December 2023 at 10:00 a.m. is set out on pages 52 to 53 of this circular. Whether or not you are able to attend and/or vote at the SGM in person, you are requested to complete the enclosed form of proxy and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong in accordance with the instructions printed thereon as soon as possible but in any event not less 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 enclosed 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 and in such event, the instrument appointing a proxy shall be deemed to be revoked.

6 December 2023

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

"Acquisition"	the acquisition of the entire issued share capital of the Target Company by the Company from the Vendor in accordance with the Share Transfer Agreement and the transactions contemplated thereunder;
"associate(s)"	has the meaning ascribed to it in the Listing Rules;
"Board"	the board of Directors;
"Business Day(s)"	a day (other than Saturday, Sunday, a public holiday as defined in the General Holidays Ordinance (Cap 149) of the laws of Hong Kong and a gale warning day or a black rainstorm warning day as defined in section 71(2) of the Interpretation and General Clauses Ordinance (Cap 1) of the laws of 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., a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 00517);
"Completion"	completion of the Acquisition under the Share Transfer Agreement;
"Completion Date"	within 3 Business Days after all Conditions are met and no later than 30 March 2024;
"Conditions"	the conditions precedent to Completion as set out under the paragraph headed "Conditions precedent" in this circular;
"connected person(s)"	has the meaning ascribed to it in the Listing Rules;
"COSCO SHIPPING"	中國遠洋海運集團有限公司 (China COSCO Shipping Corporation Limited*), a state-owned enterprise established in the PRC and the ultimate holding company of the Vendor and the Company;
"COSCO SHIPPING Development"	中遠海運發展股份有限公司 (COSCO SHIPPING Development Co., Ltd.*), a joint stock limited company established in the PRC, the H shares and A shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 02866) and the Shanghai Stock Exchange (Stock Code: 601866) respectively, and the immediate holding company of the Vendor;

"COSCO SHIPPING Group"	COSCO SHIPPING and its subsidiaries;
"COSCO SHIPPING (Hong Kong)"	COSCO SHIPPING (Hong Kong) Co., Limited, a company incorporated in Hong Kong with limited liability and the immediate holding company of the Company;
"Directors"	the directors of the Company;
"Group"	the Company and its subsidiaries;
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"Independent Board Committee"	an independent committee of the Board comprising Mr. Tsui Yiu Wa, Alec, Mr. Jiang, Simon X. and Mr. Kwong Che Keung, Gordon (all being independent non-executive Directors) to advise the Independent Shareholders, taking into account the recommendations of the Independent Financial Adviser, in relation to the Acquisition;
"Independent Financial Adviser"	Ballas Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, which has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the Acquisition;
"Independent Shareholders"	the Shareholders other than those who are required under the Listing Rules to abstain from voting at the SGM on the resolution approving the Acquisition;
"Independent Valuer"	中通誠資產評估有限公司 (China Tong Cheng Assets Appraisal Co., Ltd.*), an independent asset appraisal company in the PRC;
"Latest Practicable Date"	1 December 2023, 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;
"percentage ratio(s)"	has the meaning ascribed to it under the Listing Rules;
"PRC"	the People's Republic of China;
"RMB"	Renminbi, the lawful currency of the PRC;

"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
"SGM"	a special general meeting to be convened by the Company for the purpose of considering, and if thought fit, approving the Acquisition by the Independent Shareholders;
"Share Transfer Agreement"	the share transfer agreement dated 10 November 2023 entered into between the Company and the Vendor in relation to the Acquisition;
"Share(s)"	ordinary share(s) in the issued capital of the Company;
"Shareholder(s)"	holder(s) of Share(s) in the Company;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"subsidiary" or "subsidiaries"	has the meaning ascribed to it in the Listing Rules;
"Target Company"	Helen Insurance Brokers Limited, a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of the Vendor;
"Target Shares"	3,000,000 paid-up shares of HK$1.00 each representing the entire issued share capital of the Target Company;
"United States"	the United States of America, its territories and possessions, any state of the United States and the District of Columbia;
"US$"	United States dollars, the lawful currency of the United States;
"Valuation Report"	the valuation report of the Target Company prepared by the Independent Valuer using the market approach with 31 March 2023 as the appraisal reference date;
"Vendor"	COSCO SHIPPING Development (Hong Kong) Co., Limited, a company incorporated in Hong Kong with limited liability and the immediate holding company of the Target Company; and
"%"	per cent.

* *for identification purposes only*

In this circular, RMB has been converted to HK$ at the rate of RMB0.92 = HK$1.00 for illustration purpose only, and no representation is made that any amounts in RMB or HK$ have been, could have been or could be converted at the above rate or at any other rates or at all.

中遠海運國際(香港)有限公司
COSCO SHIPPING INTERNATIONAL (HONG KONG) CO., LTD.
(Incorporated in Bermuda with limited liability)
(Stock Code: 00517)

Executive Directors:
Mr. Zhu Changyu *(Chairman and Managing Director)*
Ms. Meng Xin

Non-executive Director:
Mr. Chen Dong

Independent Non-executive Directors:
Mr. Tsui Yiu Wa, Alec
Mr. Jiang, Simon X.
Mr. Kwong Che Keung, Gordon

Registered Office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and Principal Place of Business:
47th Floor, COSCO Tower
183 Queen's Road Central
Hong Kong

6 December 2023

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF HELEN INSURANCE BROKERS LIMITED

INTRODUCTION

Reference is made to the announcement of the Company dated 10 November 2023 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.

THE SHARE TRANSFER AGREEMENT

On 10 November 2023, the Company entered into the Share Transfer Agreement with the Vendor, pursuant to which the Company has agreed to purchase and the Vendor has agreed to sell the Target Shares at a consideration of HK$270,980,600.

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

Date

10 November 2023

Parties

(1) COSCO SHIPPING Development (Hong Kong) Co., Limited, as Vendor; and

(2) The Company, as purchaser.

Assets to be acquired

The Target Shares, being the entire issued share capital of the Target Company.

Consideration and payment terms

The consideration payable by the Company to the Vendor is HK$270,980,600, which is determined by the parties at arm's length with reference to the appraisal value of the Target Company and the dividends distributed subsequent to the appraisal reference date according to the management accounts of the Target Company.

Such consideration will be paid by the Company in cash and in full to the designated account of the Vendor from the Group's internal cash resources on the Completion Date. No financing will be obtained by the Group for the Acquisition.

Conditions precedent

Unless otherwise agreed in writing by the parties to the Share Transfer Agreement to waive any of the Conditions, Completion shall take place on the Completion Date and shall be conditional upon the following Conditions being satisfied:

(a) no significant adverse changes in the business, operations, assets, debts and other circumstances of the Target Company (except for those directly caused by matters which have been specifically disclosed to the Company in writing by the Vendor before entering into of the Share Transfer Agreement), and that all representations, warranties and undertakings made by the Vendor under the Share Transfer Agreement are true, accurate and continuously valid, without any breach of any clauses under the Share Transfer Agreement;

(b) the Vendor has completed the relevant approval procedures in connection with the Acquisition in accordance with its articles of association and the applicable laws, including obtaining all necessary consents, approvals, exemptions, orders or authorisations from all necessary regulatory authorities; completing all necessary registrations, declarations, or filings required by all necessary regulatory authorities; and complying with any procedures under the regulatory authorities; and

(c) the Company has obtained the relevant approval in connection with the Acquisition in accordance with its Bye-laws and the applicable regulations, including the approval of the Independent Shareholders for the Acquisition and satisfied the relevant requirements under the Listing Rules.

No parties to the Share Transfer Agreement intends to waive any of the foregoing Conditions. As at the Latest Practicable Date, save for condition (b), none of the foregoing Conditions are considered to have been fulfilled.

Completion

Completion shall, subject to the fulfilment of the Conditions, take place on the Completion Date.

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

REASONS FOR AND BENEFITS OF THE ACQUISITION

The provision of insurance brokerage is one of the core shipping services provided by the Group. Currently, the Group's insurance brokerage services business is primarily engaged in the insurance and reinsurance intermediary services of marine and non-marine insurance. For the six months ended 30 June 2023, the insurance brokerage segment had been a key contributor to the gross profit increase of the Group, with a significant increase in the segment's revenue (2023: HK$76,870,000 as compared with 2022: HK$56,453,000) and profit before income tax (2023: HK$57,861,000 as compared with 2022: HK$41,852,000), mainly attributable to the gradual expansion of business varieties, business expansion in the PRC, higher protection and indemnity insurance and war risks insurance premium rates, as well as expansion of new business development and new customers.

The Group has been engaged in the insurance brokerage business for nearly 20 years and having seen a steady growth, the business has become one of the Group's key businesses. The Group intends to further expand its insurance brokerage business and boost revenue growth through mergers and acquisitions (M&A). The Target Company has active business operations and sound financial positions, together with its marketing resources and customer base, the Acquisition can expand the business scale of the Group and create synergy with resource sharing to better achieve economies of scale and optimise the relevant operations of the Group. The Group has been keeping an eye on the development of the Target Company, identifying it as a potential M&A target in line with the Group's requirements for its business operations and long-term development direction, and has sounded the Vendor out on its desire to sell. The Vendor's refocusing of business direction and development strategy has provided an opportunity for the Acquisition for the Group.

The Acquisition is in line with the Group's business and development and will further expand its client base and market share and enhance commission income and revenue. By virtue of the Acquisition, the market share of the Group's insurance brokerage business will expand, which will help strengthen its influence and enhance its competitiveness in the industry. Overall, the Target Company's established operations once infused and reorganised into the Group could enhance the Group's existing business and enable cost savings by eliminating duplicate functions and streamlining its operations to create value. The Company does not currently anticipate any foreseeable drawback of the Acquisition to be likely for the Group.

As the consideration of the Acquisition will be settled by the Group's internal cash resources, and the Group will not obtain external financing for the Acquisition, it is expected that there would be no material impact on the gearing ratio and financial position of the Group following the Acquisition.

Based on the information provided by the Vendor during the due diligence process of the Acquisition, apart from the dividends distributed by the Target Company which has already been taken into account during the determination of the consideration, there is no substantial change in the circumstances of the Target Company after the appraisal reference date (i.e. 31 March 2023), and the Directors consider that the conclusion of the Valuation Report still fairly reflects the value of the Target Company, and that the terms of the Acquisition and the Share Transfer Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE PARTIES

The Group is principally engaged in the provision of shipping services and general trading. As at the Latest Practicable Date, the Company is indirectly held as to approximately 71.70% by COSCO SHIPPING, which is principally engaged in shipping, terminal, logistics, shipping finance, equipment manufacturing and shipping services etc..

The Vendor is principally engaged in vessel chartering and container leasing. As at the Latest Practicable Date, COSCO SHIPPING together with its associates are interested in approximately 45.85% equity interest in the Vendor.

INFORMATION ON THE TARGET COMPANY

The Target Company is a company incorporated in Hong Kong with limited liability and its principal business is provision of marine insurance brokerage services.

FINANCIAL INFORMATION OF THE TARGET COMPANY

According to the audited financial statements of the Target Company for the respective financial years ended 31 December 2020, 31 December 2021 and 31 December 2022 provided by the Vendor, the financial highlights of the Target Company are set out below:

	For the year ended 31 December		
	2022	**2021**	**2020**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)
Profit before tax	34,036	28,866	23,688
Profit after tax	28,648	24,112	19,768

The audited book net asset value of the Target Company as at 31 December 2022 amounted to approximately HK$32,133,200. According to the Valuation Report, the entire equity of the Target Company was appraised at HK$299,630,600 as at 31 March 2023 using the market approach. The dividends distributed by the Target Company subsequent to the appraisal reference date amounted to HK$28,650,000 according to its latest unaudited accounts for the nine months ended 30 September 2023.

The Vendor acquired the entire issued share capital of the Target Company in 2016 at the original acquisition cost of approximately RMB162,347,300 (equivalent to approximately HK$176,464,457).

VALUATION OF THE TARGET COMPANY

The Valuation Report was prepared by the Independent Valuer with conclusion made based on the market approach. However, as there is a mandatory requirement for the use of two different valuation approaches according to applicable PRC laws and regulations, both income approach and market approach were referenced in the Valuation Report, which may constitute as "profit forecast" under Rule 14.61 of the Listing Rules. Accordingly, the Company has applied for, and obtained from the Stock Exchange waivers from strict compliance with the requirements under the Rules 14.62, 14A.68(7), 14A.70(13) and paragraph 29(2) of Appendix 1B of the Listing Rules, on the following grounds:

(1) the consideration was determined by reference to the conclusion of the Valuation Report, i.e. the appraisal value of the Target Company concluded on the market approach and the dividends distributed subsequent to the appraisal reference date, and income approach or any basis and assumption therein was irrelevant in such determination by the Company;

(2) the Independent Valuer was jointly appointed by the Company and the Vendor. Apart from such joint appointment, the Company was not involved in any other part of the preparation of the Valuation Report and has not participated in the estimation of the appraisal value of the Target Company or the making of any assumptions in the Valuation Report;

(3) reason for adopting an additional valuation approach, in this instance the income approach, was to comply with applicable PRC laws and regulations rather than pursuant to the Listing Rules;

(4) the PRC laws have stringent controls on the fairness of the valuation process and the decision to conclude on a particular valuation approach was made solely by the Independent Valuer; and

(5) the summary of the Valuation Report as set out in Appendix I to this circular contains clear and express statement addressing which valuation approach was being adopted to determine the appraisal value such that there would be no confusion for the Shareholders.

Please refer to the summary of the Valuation Report as set out in Appendix I to this circular, which includes, inter alia, further details on the reasons for the adoption of the market approach adopted by the Independent Valuer, the scope of the valuation and the valuation result.

The Directors have reviewed the experience and qualification of the Independent Valuer and considered that the Independent Valuer has sufficient experience and qualification to perform the valuation of the Target Company. The Directors also noted that the Independent Valuer has confirmed its independence as set out in the summary of the Valuation Report in Appendix I to this circular.

The Directors have considered the methodology, key assumptions and parameters adopted in the valuation of the Target Company, including:

(i) the Target Company is engaged in marine insurance brokerage business. The market approach was used to benchmark the enterprise value with comparable companies and appropriate adjustments have been conducted, price-to-earnings ratio was selected as the value multiple as it is commonly used to benchmark similar business with stable earnings, as such, the Directors considered such methodology to be objective and appropriate;

(ii) the Directors have reviewed the key assumptions adopted in the valuation of the Target Company as set out in Appendix I to this circular, including the Target Company's going concern status, stable regulatory and operational environment and marketability of its shares, which are common business valuation assumptions, and consider them to be fair and appropriate in the circumstances; and

(iii) the Directors have reviewed the Independent Valuer's selection of the comparable companies as set out in Appendix I to this circular, which consisted of companies operating in the same industry with publicly available information, and considered such parameters to be objective and appropriate.

In view of the above, the Directors considered that the methodology, key assumptions and parameters adopted in the valuation of the Target Company are fair and reasonable.

LISTING RULES IMPLICATIONS

Discloseable transaction

As the relevant percentage ratio(s) calculated under Chapter 14 of the Listing Rules in respect of the Acquisition exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Connected transaction

Being the ultimate holding company and immediate holding company of the Company respectively, COSCO SHIPPING and COSCO SHIPPING (Hong Kong) together with their respective associates are connected persons of the Company under the Listing Rules. In addition, as at the Latest Practicable Date, COSCO SHIPPING together with its associates are interested in approximately 45.85% equity interest in COSCO SHIPPING Development, both COSCO SHIPPING Development and the Vendor (a direct wholly-owned subsidiary of COSCO SHIPPING Development) are therefore associates of COSCO SHIPPING and also connected persons of the Company as defined in the Listing Rules. Accordingly, the Acquisition also constitutes a connected transaction of the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

None of the Directors is considered to have any material interest in the Acquisition or required to abstain from voting on the relevant board resolution approving the Acquisition. For good corporate governance practices, Mr. Chen Dong, the non-executive Director, has voluntarily chosen to abstain from voting in view of his concurrent position as a general manager of the finance and accounting division of COSCO SHIPPING.

SGM

A SGM will be convened by the Company for the Independent Shareholders to approve the Acquisition by poll.

In view of the interests of COSCO SHIPPING and COSCO SHIPPING (Hong Kong) in the Company, COSCO SHIPPING, COSCO SHIPPING (Hong Kong) and their respective associates will abstain from voting in relation to the resolution to approve the Acquisition. Save as disclosed above, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, there is no other Shareholder who has a material interest in the Acquisition and is required to abstain from voting on the resolution to be proposed at the SGM.

As at the Latest Practicable Date, COSCO SHIPPING, COSCO SHIPPING (Hong Kong) and their respective associates were interested in, controlled and were entitled to exercise control over 1,051,183,486 Shares, representing approximately 71.70% of the issued share capital of the Company.

There is set out on pages 52 to 53 of this circular a notice convening the SGM to be held at 47/F, COSCO Tower, 183 Queen's Road Central, Hong Kong on Thursday, 28 December 2023 at 10:00 a.m. at which an ordinary resolution will be proposed to consider and, if thought fit, to be approved by the Independent Shareholders, the Share Transfer Agreement and the transactions contemplated under it.

Whether or not you are able to attend and/or vote at the SGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong but in any event not later than forty-eight (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 enclosed 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 and in such event, the instrument appointing a proxy shall be deemed to be revoked.

Shareholders whose names appear in the register of members of the Company as at the close of business on Thursday, 21 December 2023 are entitled to attend and vote at the SGM. In order to be eligible to attend and vote at the meeting, all completed transfer documents accompanied by the relevant share certificate(s) must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Thursday, 21 December 2023.

In compliance with the Listing Rules and pursuant to the Bye-laws, the votes to be taken at the SGM in respect of the Share Transfer 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 Directors (including the independent non-executive Directors, having taken into account the advice of the Independent Financial Adviser), consider that the provision of insurance brokerage, being the principal business of the Target Company, is one of the core shipping services provided by the Group and is in the ordinary and usual course of business of the Group. Although the Acquisition is not in the ordinary and usual course of business of the Group, the terms of the Acquisition contemplated under the Share Transfer Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole. The Directors therefore recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Share Transfer 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 12 of this circular, the letter from the Independent Financial Adviser as set out on pages 13 to 26 of this circular and the additional information as set out in the appendices to this circular.

By order of the Board
COSCO SHIPPING International (Hong Kong) Co., Ltd.
Zhu Changyu
Chairman and 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)

6 December 2023

To the Independent Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF HELEN INSURANCE BROKERS LIMITED

We refer to the circular dated 6 December 2023 issued by the Company (the "**Circular**") of which this letter forms part. Terms defined in the Circular shall have the same meanings herein unless the context otherwise requires.

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

RECOMMENDATION

We wish to draw your attention to the letter from the Board, as set out on pages 4 to 11 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 Share Transfer Agreement and the transactions contemplated under it as set out on pages 13 to 26 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 provision of insurance brokerage, being the principal business of the Target Company, is one of the core shipping services provided by the Group and is in the ordinary and usual course of business of the Group. Although the Acquisition is not in the ordinary and usual course of business of the Group, the terms of the Acquisition contemplated under the Share Transfer Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Share Transfer Agreement and the transactions contemplated under it.

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

The following is the text of the letter of advice from Ballas Capital Limited as dated below, the Independent Financial Adviser, to the Independent Board Committee and the Independent Shareholders in relation to the Share Transfer Agreement and the transactions contemplated under it prepared for the purpose of incorporation in this circular.

BALLAS CAPITAL
A subsidiary of Crosby

5/F Capital Centre
151 Gloucester Road
Wanchai, Hong Kong

6 December 2023

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 HELEN INSURANCE BROKERS LIMITED

INTRODUCTION

We refer to our engagement as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Share Transfer Agreement and the transactions contemplated thereunder, 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 6 December 2023, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 10 November 2023, the Company entered into the Share Transfer Agreement with the Vendor, pursuant to which the Company has agreed to purchase and the Vendor has agreed to sell the Target Shares at a consideration of approximately HK$271.0 million. Upon Completion, the Target Company will become a direct wholly-owned subsidiary of the Company.

Being the ultimate holding company and immediate holding company of the Company respectively, COSCO SHIPPING and COSCO SHIPPING (Hong Kong) together with their respective associates are connected persons of the Company under the Listing Rules. In addition, as at the Latest Practicable Date, COSCO SHIPPING together with its associates are interested in approximately 45.85% equity interest in COSCO SHIPPING Development, both COSCO SHIPPING Development and the Vendor (a direct wholly-owned subsidiary of COSCO SHIPPING Development) are therefore associates of COSCO SHIPPING and also connected persons of the Company as defined in the Listing Rules. Accordingly, the Acquisition constitutes a connected transaction of the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. As the relevant percentage ratio(s) calculated under Chapter 14 of the Listing

Rules in respect of the Acquisition exceeds 5% but is less than 25%, the Acquisition also constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders with respect to the Share Transfer Agreement and the transactions contemplated thereunder.

INDEPENDENCE DECLARATION

We are not associated or connected with the Company, the counterparties of the Share Transfer Agreement or their respective core connected persons or associates. In the two years immediately preceding the Latest Practicable Date, save for (i) the appointment as the independent financial adviser in relation to certain continuing connected transactions as disclosed in the circular of the Company dated 14 November 2022; and (ii) this appointment as the independent financial adviser in respect of the Share Transfer Agreement and the transactions contemplated thereunder (collectively, the "**IFA Engagements**"), we did not have any other relationship with or interests in the Company, the counterparties of the Share Transfer Agreement or their respective core connected persons or associates nor had we acted as an independent financial adviser to other transactions of the Company that could reasonably be regarded as hindrance to our independence as defined under the Listing Rules. Furthermore, our remuneration for the IFA Engagements represented normal professional fees and did not affect our independence. Accordingly, we consider we are eligible to give independent advice on the Share Transfer Agreement and the transactions contemplated thereunder.

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 Circular that they collectively and individually accept full responsibility for the accuracy of the information contained and representations made in the Circular and that there are no other matters the omission of which would make any statement in 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. The documents we reviewed included (i) the annual reports of the Company for the years ended 31 December 2021 and 2022; (ii) the interim report of the Company for the six months ended 30 June 2023; (iii) the Share Transfer Agreement; (iv) the audited financial statements of the Target Company for the two years ended 31

December 2022 and for the three months ended 31 March 2023; (v) the valuation report of the Target Company dated 16 October 2023; and (vi) the Circular. 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, the counterparties of the Share Transfer Agreement, or any of their respective subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and advice to the Independent Board Committee and the Independent Shareholders, we have considered the following principal factors and reasons:

1. Background and reasons of the Share Transfer Agreement

On 10 November 2023, the Company entered into the Share Transfer Agreement with the Vendor, pursuant to which the Company has agreed to purchase and the Vendor has agreed to sell the Target Shares at a consideration of approximately HK$271.0 million. The consideration payable by the Company to the Vendor is approximately HK$271.0 million, which is determined by the parties at arm's length with reference to the appraisal value of the Target Company and the dividends distributed subsequent to the appraisal date according to the management accounts of the Target Company.

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

2. Information of the purchaser and the Group

2.1. Background of the purchaser

The Company, as the purchaser of the Acquisition, was incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 00517.HK). As at the Latest Practicable Date, the Company is indirectly held as to approximately 71.70% by COSCO SHIPPING, which is principally engaged in shipping, terminal, logistics, shipping finance, equipment manufacturing and shipping services etc..

2.2. Background of the Group

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

2.3. Historical financial performance of the Group

Set out below is a summary of the financial results of the Group for the two years ended 31 December 2021 ("**FY2021**") and 2022 ("**FY2022**") and the six months ended 30 June 2022 ("**6M2022**") and 2023 ("**6M2023**") as extracted from the Company's respective annual reports and interim report.

	FY2021	**FY2022**	**6M2022**	**6M2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(unaudited)	(unaudited)
Revenue				
— Shipping services				
Coatings	1,685,183	1,067,153	528,020	428,884
Marine equipment and spare parts	1,578,889	1,669,821	897,724	907,067
Ship trading agency	103,772	85,413	34,072	36,370
Insurance brokerage	102,152	114,584	56,453	76,870
— General trading	1,063,553	1,025,568	287,656	171,421
Total revenue	**4,533,549**	**3,962,539**	**1,803,925**	**1,620,612**
Gross profit	769,373	660,612	316,357	343,129
Profit attributable to equity holders	**288,341**	**347,062**	**165,587**	**335,917**

6M2023 vs 6M2022

As disclosed in the interim report of the Company for 6M2023, the Group recorded revenue of approximately HK$1.6 billion for 6M2023, representing a decrease of 10.2% as compared to that of approximately HK$1.8 billion for 6M2022. The decrease was mainly due to the decline in sales volume in respect of the sale of coatings and general trading. The Group's gross profit recorded an 8.5% increase to approximately HK$343.1 million for 6M2023 as compared to that of approximately HK$316.4 million for 6M2022 as a result of the increase in gross profit margin of coatings segment and increase in revenue from insurance brokerage segment. The Group's gross margin ratio increased from 17.5% for 6M2022 to 21.2% for 6M2023 was mainly attributable to a significant increase in gross profit margin of coatings segment resulting from lower costs of materials. The Group's net profit attributable to equity holders amounted to approximately HK$335.9 million for 6M2023, representing an increase of 102.9% as compared to that of approximately HK$165.6 million for 6M2022. The increase was mainly due to the significant increase in interest income and the share of profit of a joint venture. We also note that the insurance brokerage segment is one of the principal businesses of the Group. Its revenue increased from approximately HK56.5 million for 6M2022 to approximately HK$76.9 million for 6M2023 and its profit before income tax increased from approximately HK$41.9 million for 6M2022 to approximately HK$57.9 million for 6M2023, which were mainly attributable to the gradual expansion of business varieties, business expansion in the PRC, higher protection and indemnity insurance and war risks insurance premium rates, as well as new business development and gaining new customers.

FY2022 vs FY2021

As disclosed in the annual report of the Company for FY2022, due to the shrinking demand of certain businesses and the pandemic situation in Hong Kong and the PRC remained volatile, the Group recorded a decrease in revenue of 12.6% from approximately HK$4.5 billion for FY2021 to approximately HK$4.0 billion for FY2022, mainly attributable to the drop in revenue from coatings and ship trading agency segments. Whilst the gross profit margin remained stable at 17.0% and 16.7% for FY2021 and FY2022, respectively, the Group recorded a 14.1% decrease in gross profit to approximately HK$660.6 million in FY2022 as compared to that of approximately HK$769.4 million in FY2021 as a result of the decrease in revenue in FY2022. Despite the decrease in gross profit, the Group's net profit attributable to equity holders increased by 20.4% to approximately HK$347.1 million for FY2022, which was contributed by the decrease in selling expenses, increase in finance income and increase in share of profits of joint ventures. The revenue from insurance brokerage segment increased from approximately HK102.2 million for FY2021 to approximately HK$114.6 million for FY2022 and its profit before income tax increased from approximately HK$69.4 million for FY2021 to approximately HK$81.4 million for FY2022, which were mainly attributable to the gradual expansion of business varieties and business expansion in the Mainland China.

2.4. Financial position of the Group

Set out below is a summary of the financial position of the Group as at 30 June 2023 as extracted from the interim report of the Company for 6M2023.

	As at 30 June 2023 *HK$'000* (unaudited)
Non-current assets	1,291,906
Current assets	7,866,523
Non-current liabilities	72,718
Current liabilities	865,464
Net assets	**8,220,247**

As at 30 June 2023, total assets of the Group amounted to approximately HK$9.2 billion, which mainly comprised (i) bank balances and cash of approximately HK$6.1 billion; (ii) trade and other receivables of approximately HK$1.5 billion; and (iii) investments in joint ventures of approximately HK$0.5 billion.

As at 30 June 2023, total liabilities of the Group amounted to approximately HK$938.2 million, which mainly comprised (i) trade and other payables of approximately HK$666.4 million; and (ii) contract liabilities of approximately HK$170.0 million.

As at 30 June 2023, the Group recorded net assets of approximately HK$8.2 billion.

3. Information of the Target Company

3.1. Information of the Target Company

The Target Company is a company incorporated in Hong Kong with limited liability and its principal business is provision of marine insurance brokerage services.

3.2. Historical financial performance of the Target Company

Set out below is a summary of the financial information of the Target Company for FY2021 and FY2022 and for the three months ended 31 March 2023 ("**3M2023**") as extracted from the audited financial statements of the Target Company.

	FY2021	**FY2022**	**3M2023**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)
Revenue	51,294	53,074	15,462
Profit before tax	28,866	34,036	12,281
Profit after tax	24,112	28,648	10,310

Revenue of the Target Company amounted to approximately HK$51.3 million and HK$53.1 million for FY2021 and FY2022, respectively, which were mainly generated from the brokerage commission income for marine insurance and reinsurance such as hull insurance, protection and indemnity insurance and war risk insurance. The profit before and after taxation of the Target Company increased from approximately HK$28.9 million and approximately HK$24.1 million for FY2021 to approximately HK$34.0 million and approximately HK$28.6 million for FY2022, respectively. The increase in revenue and profit is mainly attributable to organic business growth and rates increase due to the 2022 Russia-Ukraine conflict.

The Target Company recorded a revenue and profit after taxation of approximately HK$15.5 million and approximately HK$10.3 million, respectively, for 3M2023. Based on the Target Company's management account for the nine months ended 30 September 2023, the Target Company recorded a revenue and profit before taxation of approximately HK$43.6 million and approximately HK$34.6 million, respectively, representing an increase of approximately 5.0% and approximately 12.0%, respectively, as compared to the corresponding period in FY2022.

3.3. Financial position of the Target Company

Set out below is a summary of the financial position of the Target Company as at 31 March 2023.

	As at 31 March 2023 *HK$'000* (audited)
Non-current assets	4,441
Current assets	250,222
Current liabilities	210,691
Non-current liabilities	1,503
Net assets	**42,469**

As at 31 March 2023, the total assets of the Target Company amounted to approximately HK$254.7 million, which mainly comprised (i) bank balances and cash of approximately HK$191.4 million; and (ii) trade and other receivables of approximately HK$58.8 million. The total liabilities of the Target Company amounted to approximately HK$212.2 million, which mainly comprised (i) contract liabilities of approximately HK$54.0 million; (ii) trade payables of approximately HK$150.5 million; and (iii) other payables of approximately HK$4.3 million. The net assets of the Target Company amounted to approximately HK$42.5 million.

Subsequent to 31 March 2023, we note that the Target Company had declared and paid dividends of approximately HK$28.7 million to the Vendor.

Based on the management account of the Target Company for the nine months ended 30 September 2023, the net assets of the Target Company amounted to approximately HK$32.3 million.

4. Information of the Vendor

The Vendor is a company incorporated in Hong Kong with limited liability and the immediate holding company of the Target Company. It is principally engaged in vessel chartering and container leasing.

5. Reasons for and benefits of the Acquisition

As set out in the Letter from the Board, the provision of insurance brokerage is one of the core shipping services provided by the Group. Currently, the Group's insurance brokerage services business is primarily engaged in the insurance and reinsurance intermediary services of marine and non-marine insurance. For the six months ended 30 June 2023, the insurance brokerage segment had been a key contributor to the gross profit increase of the Group, with a significant increase in the segment's revenue (6M2023: HK$76.9 million as compared with 6M2022: HK$56.5 million) and profit before income tax (6M2023: HK$57.9 million as compared with 6M2022: HK$41.9 million), mainly attributable to the gradual expansion of business varieties, business expansion in the PRC, higher protection and indemnity insurance and war risks insurance premium rates, as well as expansion of new business development and new customers. The Group has been engaged in the insurance brokerage business for nearly 20 years and having seen a steady growth, the business has now become one of the Group's core businesses. The Group intends to further expand its insurance brokerage business and boost revenue growth through mergers and acquisitions (M&A). The Target Company has active business operations and sound financial positions, together with its marketing resources and customer base, the Acquisition can expand the business scale of the Group and create synergy with resource sharing to better achieve economies of scale and optimise the relevant operations of the Group.

The Acquisition is in line with the Group's business and development and will further expand its client base and market share and enhance commission income and revenue. By virtue of the Acquisition, the market share of the Group's insurance brokerage business will expand, which will help strengthen its influence and enhance its competitiveness in the industry. Overall, the Target Company's established operations once infused and reorganised into the Group could enhance the Group's existing business and enable cost savings by eliminating duplicate functions and streamlining its operations to create value. There is no foreseeable disadvantage of the Acquisition for the Company.

Our view

Having considered:

(a) that the insurance brokerage segment is one of the principal activities of the Group and a key profit contributor to the Group. The Acquisition is expected to (i) further expand the Group's client base, market share and enhance commission income; (ii) expand the business scale of the Group; (iii) strengthen its influence and enhance its competitiveness in the industry; and (iv) enable the cost savings by eliminating duplicate functions and streamlining its operations to create value; and

(b) our analysis on the principal terms of the Share Transfer Agreement as discussed in the sections below;

we concur with the view of the Directors that the provision of insurance brokerage, being the principal business of the Target Company, is one of the core shipping services provided by the Group and is in the ordinary and usual course of business of the Group. Although the Acquisition is not in the ordinary and usual course of business of the Group, the terms of the Acquisition contemplated under the Share Transfer Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole.

6. Principal terms of the Acquisition

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

Date

10 November 2023

Parties

(i) COSCO SHIPPING Development (Hong Kong) Co., Limited, as Vendor; and

(ii) The Company, as purchaser

Assets to be acquired

The Target Shares, being the entire issued share capital of the Target Company.

Consideration of the Acquisition and payment terms

The consideration payable by the Company to the Vendor is approximately HK$271.0 million, which is determined by the parties at arm's length with reference to the appraisal value of the Target Company and the dividends distributed subsequent to the appraisal date according to the management accounts of the Target Company.

Such consideration will be paid by the Company in cash and in full to the designated account of the Vendor from the Group's internal cash resources on the Completion Date. No financing will be obtained by the Group for the Acquisition.

Conditions precedent

Completion of the Acquisition is conditional upon the fulfilment of the Conditions as set out in the paragraph headed "***Condition precedent***" in the Letter from the Board.

Completion

Completion shall, subject to the fulfilment of the Conditions, take place on the Completion Date. Upon Completion, the Target Company will become a direct wholly-owned subsidiary of the Company.

7. Fairness and reasonableness of the considerations of the Acquisition

The consideration (the "**Consideration**") for the Acquisition is approximately HK$271.0 million, which is determined by the parties at arm's length with reference to the appraisal value of the Target Company and the dividends distributed subsequent to the appraisal date according to the management accounts of the Target Company. The Company and the Vendor have appointed China Tong Cheng Assets Appraisal Co., Ltd. (the "**Valuer**") to appraise the value of the Target Company. The valuation report of the Target Company is disclosed in Appendix I of the Circular (the "**Valuation Report**"). In assessing the fairness and reasonableness of the Consideration, we have not relied on the Valuation Report but have performed our own valuation analysis on the Target Company, details of which are set out below. Whilst we did not rely on the Valuation Report to form our opinion, as part of our independent work performed, we have discussed with the Valuer to understand the methodologies and assumptions used by the Valuer to derive the value of the Target Company. Based on our discussion and independent work performed, we did not note any irregularities nor had any disagreements on the methodologies and assumptions used by the Valuer except that we have expanded the selection criteria for the comparable companies under the valuation methodology of market approach (as explained below) in order to have a larger population and more representative market consensus in appraising the value of the Target Company.

(i) Valuation methodology of the Target Company

In appraising the value of the Target Company, we have adopted a market approach, which is one of the most commonly used valuation methodologies in the market. We consider that market approach is objective and appropriate as publicly available data is used that reflects the market consensus and taking into account that there is publicly available data on comparable companies of the Target Company which reflects market consensus of pricing of similar assets.

(ii) Selection of valuation multiples

Having considered that the Target Company is engaged in insurance brokerage business which does not have high levels of depreciation and amortization and has generated positive net income in its latest financial years, we are of the view that net profit is the most bottom level of the financial line item that reflects different level of expenses and overall financial performance of the Target Company, as compared to other financial figures (e.g. Sales, EBITDA) and hence price to earnings multiple (the "**P/E Multiple(s)**") which is an indicator on the relationship of return on equity and the value of a company, facilitating a reasonable assessment of the subject value based on its earnings capability is considered as the appropriate valuation multiple.

(iii) Comparable companies selection

In identifying comparable companies, we have conducted research on comparable companies which (i) are publicly listed company; (ii) are classified under the insurance agents, brokers and services industry and over 50% of their revenues are derived from insurance brokerage based on their latest published annual reports; (iii) recorded positive net income in their latest financial year; and (iv) sufficient data, such as the P/E Multiple, can be obtained from public sources. Based on our research result, we find that although there is no comparable company listed in Hong Kong, there are eight comparable companies (the "**Comparables**") listed on other major stock exchanges, with details set out below. We consider that the Comparables represent the exhaustive list of comparable companies under the relevant criteria above.

Company name	**Stock code**	**Principal business activities**	**Market capitalisation as at the Latest Practicable Date (USD'million)**(1)	**P/E Multiples (times)**(2)
Willis Towers Watson Plc	WTW US Equity	Providing a range of insurance brokerage, reinsurance, and risk management consulting services	25,341.1	20.0
Arthur J. Gallagher & Co.(3)	AJG US Equity	Providing insurance brokerage, risk management, employee benefit, and other related services	53,543.2	36.8(3)
AON PLC-Class A	AON US Equity	Providing risk and insurance brokerage consulting services	65,424.7	24.8
Fanhua Inc.	FANH US Equity	Providing insurance agency services, pre-underwriting survey services, claim adjusting services, disposal of residual value services, loading and unloading supervision services and consulting services	374.4	6.6
Goosehead Insurance, Inc.	GSHD US Equity	Providing insurance agency services	2,738.8	131.5(3)
Brown & Brown Inc.	BRO US Equity	Providing insurance agency, wholesale brokerage and insurance related services	21,100.1	27.9
Marsh & Mclennan Companies, Inc.	MMC US Equity	Providing risk management, insurance and reinsurance broking and consulting services	97,332.5	25.4
AUB Group Ltd	AUB AU Equity	Providing insurance broking and advisory services	2,063.5	44.9(3)
			Average	20.9
			Maximum	27.9
			Minimum	6.6

Source: Bloomberg and the annual reports of the relevant Comparables

Notes:

1. Data regarding the market capitalisation are sourced from Bloomberg as at 1 December 2023, being the Latest Practicable Date.

2. P/E Multiples of the Comparables as of 1 December 2023 are sourced from Bloomberg.

3. Arthur J. Gallagher & Co., Goosehead Insurance Inc., and AUB Group Ltd are considered as outliers due to the fact that their respective P/E Multiples are exceptionally high, which may provide an abnormal average value and hence excluded from the above analysis.

Given that the Comparables (i) are classified under the insurance agents, brokers and services industry, which is the same industry as the Target Company's; (ii) listed in major stock exchanges which represent open and established markets; (iii) the P/E Multiples of the Comparables represent the market collective view on the valuation of the insurance agency and brokerage industry, we consider that the Comparables are fair and representative comparable companies to the Target Company.

(iv) Calculation of the valuation of the Target Company

The appraisal value of the Target Company (the "**Appraisal Value**") is derived at by applying the P/E Multiple of the Comparables to the net profit of the Target Company for the year ended 31 December 2022 and further adjusted by a discount for a lack of marketability ("**DLOM**").

The tables below set out the Appraisal Value at the P/E Multiples of the Comparables.

		Minimum	**Maximum**	**Average**
a	P/E Multiple of the Comparables (times)	6.6	27.9	20.9
b	Net profit of the Target Company for the year ended 31 December 2022 *(HK$'000)*	28,648	28,648	28,648
c=a*b	Valuation of the Target Company before DLOM *(HK$'000)*	189,076.8	799,279.2	598,743.2
d	Adjusted for DLOM at 25.9%	(1–25.9%)	(1–25.9%)	(1–25.9%)
e=c*d	Appraisal Value of the Target Company	140,105.9	592,265.9	443,668.7

Since the Target Company is a private entity and not traded in the open market, we consider it is appropriate to apply a discount for lack of marketability (i.e. the DLOM) to discount the Appraisal Value for lack of ability of converting shares into immediate cash. The DLOM was determined at 25.9% with reference to the study on the marketability discount (the "**Study**") prepared by CVSource private equity investment database of Wind Financial Terminal. We note that the Study has arrived at various DLOM for a total of 20 industries. Given that the nature of business of the Target Company falls into the category of other financial industry, we have obtained and reviewed the Study and note that DLOM for other financial industry is 25.9%, which was derived by comparing the average P/E Multiples of 18 non-public companies' merger and acquisition transactions to the average P/E Multiples of eight publicly listed companies in the same period under other financial industry. Given that (a) the discount of lack of marketability reflects the principle that ownership interests in private companies are not as marketable as compared to ownership interests in publicly listed companies; (b) the applied DLOM of 25.9% represents the average marketability discount on other financial industry category, which classifies the nature of the Target Company's business; and (c) the DLOM is a commonly adopted valuation parameter and is generally accepted to be derived by such quantitative research, we are of the view that the DLOM of 25.9% is relevant in determining the Appraisal Value and fair and reasonable.

Our view

The Consideration of approximately HK$271.0 million falls within the range of the Appraisal Values of approximately HK$140.1 million to approximately HK$592.3 million and is below the average Appraisal Value of approximately HK$443.7 million based on the P/E Multiples of the Comparables. As the Consideration represents a discount of approximately 38.9% to the average Appraisal Value, we concur with the view of the Directors that the Consideration is fair and reasonable.

8. Financial impact on the Group

Based on our discussion with and the representation from the Directors, we understand from the Directors that they have taken into account the following factors when they considered the potential impact of the Acquisition on the financial positions of the Group, where the Target Company will become direct wholly-owned subsidiary of the Company and the financial results of the Target Company will be consolidated into the consolidated financial statements of the Company upon Completion.

Earnings

According to the annual report for FY2022, the Group's net profit attributable to equity holders was approximately HK$347.1 million. Based on the Target company's management accounts for the nine months to 30 September 2023, the Acquisition would increase the revenue of the Group's insurance brokerage segment and it is expected that the Acquisition shall have a positive effect on the profitability of the Group's insurance brokerage segment. Also, the Consideration will be settled by the Company in cash upon Completion and no dilution effect will be resulted in the earnings per share of the Company.

Net assets

As at 30 June 2023, the unaudited consolidated net assets of the Group were approximately HK$8.2 billion. It is expected that the Acquisition would not have material adverse impact on the net assets of the Group upon Completion.

Cash flow

As disclosed in the Letter from the Board, the Consideration shall be payable by the Company to the Vendor in cash upon the Completion, which will be financed by internal cash resources of the Group. As referred to the interim report of the Company for 6M2023, the Group had bank balances and cash of approximately HK$6.1 billion as at 30 June 2023. It is expected that the Acquisition will not have material negative cash flow impact to the Group and the Company shall have sufficient financial resources to satisfy the Consideration.

CONCLUSION AND RECOMMENDATION

Based on the above principal factors and reasons, in particular the following (which should be read in conjunction with and interpreted in the full context of this letter):

(a) the insurance brokerage segment is one of the principal activities of the Group and a key profit contributor to the Group. The Acquisition is expected to (i) further expand the Group's client base, market share and enhance commission income; (ii) expand the business scale of the Group; (iii) strengthen its influence and enhance its competitiveness in the industry; and (iv) enable the cost savings by eliminating duplicate functions and streamlining its operations to create value;

(b) based on our independent analysis on the Appraisal Value, the Consideration falls within the range of the Appraisal Values based on the P/E Multiples of the Comparables and represents a discount of approximately 38.9% to the average Appraisal Value and hence we consider the Consideration is fair and reasonable;

(c) the provision of insurance brokerage, being the principal business of the Target Company, is one of the core shipping services provided by the Group, and is in the ordinary and usual course of business of the Group; and

(d) although the Acquisition is not in the ordinary and usual course of business of the Group, the terms of the Acquisition contemplated under the Share Transfer Agreement represent normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole,

we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Share Transfer Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Ballas Capital Limited
Alex Lau — *Managing Director*
Michelle Tse — *Director*

Note: Mr. Alex Lau has been a responsible officer of Type 6 (advising on corporate finance) regulated activity since 2004 and Miss Michelle Tse has been a licensed representative of Type 6 (advising on corporate finance) regulated activity from 2010 to 2015 and since 2019.

The following is an English-translated summary of the Valuation Report in Chinese dated 16 October 2023 prepared and confirmed by the Independent Valuer in connection with its valuation of the Target Company as at 31 March 2023, for the purpose of, among others, inclusion in this circular.

Helen Insurance Brokers Limited

SUMMARY

I. ECONOMIC BEHAVIOR CORRESPONDING TO THIS VALUATION

The corresponding economic behavior of this valuation is that COSCO SHIPPING Development (Hong Kong) Co., Limited proposed to transfer 100% of its equity interests in Helen Insurance Brokers Limited ("**Helen Insurance**") to COSCO SHIPPING International (Hong Kong) Co., Ltd.

II. PURPOSE OF VALUATION

The purpose of this valuation is to provide a value reference basis for the economic behavior which COSCO SHIPPING Development (Hong Kong) Co., Limited proposed to transfer 100% of its equity interests in Helen Insurance to COSCO SHIPPING International (Hong Kong) Co., Ltd.

III. TARGET AND SCOPE OF VALUATION

(i) Valuation Target

The valuation target is the entire equity interests in Helen Insurance held by COSCO SHIPPING Development (Hong Kong) Co., Limited.

(ii) Valuation Scope

The valuation scope covers all assets and liabilities declared by Helen Insurance on the appraisal reference date.

The corresponding accounting statements of the assets and liabilities on the balance sheet declared by the enterprise have been audited by ShineWing Certified Public Accountants LLP (Special General Partner). An audit report (No. XYZH/2023SHAA3B0252) was issued on 15 May 2023 with standardised unqualified opinion.

IV. TYPE OF VALUE

The type of value adopted in this valuation is market value.

V. APPRAISAL REFERENCE DATE

The appraisal reference date of this project is 31 March 2023.

VI. VALUATION APPROACH

Market approach and income approach have been referenced for the valuation. The valuation result of the market approach has been chosen as the final valuation conclusion.

(i) Income Approach

The income approach in the valuation of enterprise value refers to the valuation method for determining the value of the valuation target by capitalising or discounting its expected income. The specific methods commonly used in the income approach include the dividend discount method and the discounted cash flow method.

This valuation adopted the discounted future income method by way of cash flow, namely Discounted Cash Flow method (DCF), among which, the cash flow adopts the Free Cash Flow of Firm (FCFF). The specific method involves using the Weighted Average Cost of Capital (WACC) as discount rate, the value of the entire equity interest of shareholders is calculated by adding the discounted expected FCFF for each of the coming years to obtain the value of the operating asset values, after deducting the value of interest-bearing debt, further adding the value of surplus assets and non-operating assets, and less the non-operating liabilities.

(ii) Market Approach

The market approach in the valuation of enterprise value refers to the valuation method of determining the value of the valuation target by comparing the valuation target with comparable listed companies or comparable transaction cases. Since it is difficult to collect the data of transaction cases and it is impossible to know whether non-market value factors of transaction cases exist, comparable transaction cases method is not adopted in this valuation. As the operational and financial data of comparable listed companies are more transparent and objective, which makes such method more operable, and considering the target of this valuation, purpose of this valuation and data collected by the valuers, the listed company comparison method is opted for in this valuation.

The listed company comparison method under the market approach is to determine the fair market value of the appraised enterprise by comparing the fair market value of the listed companies in the same industry with the appraised enterprise. In application, the listed companies in the same industry with the appraised enterprise and with active stock trading are usually selected as the comparable companies first, and then the market value of the comparable companies will be calculated based on the trading share price, followed by selecting one or more income, asset or special parameters of the comparable companies such as Earnings Before Interest and Taxes (EBIT) as "analysis parameters" to calculate the proportional relation between the market value of the comparable companies and the selected analysis parameters, the above value multiples will be applied to the corresponding analysis parameters of the appraised enterprise to derive the market value of the valuation target.

By calculating the market value and analysis parameters of the comparable companies, we may obtain their value multiples of income-based, asset-based, etc.. Through the value multiple coefficient modification method, the relevant value multiples of each comparable subject is modified, and an appropriate method is comprehensively selected to estimate the value multiples of the appraised enterprise, then one or more value multiples are selected among the value multiples of the appraised enterprise and applied to the appraised enterprise, to calculate the value of the appraised enterprise being: Final appraised results of equity value = (Value multiples of equity investment × Corresponding parameters of the appraised enterprise) × (1 – Discount for lack of marketability).

Helen Insurance is an insurance brokerage company, which differs from an insurance financial company in terms of its business model. An insurance company is an underwriter in the insurance market, its main duties are to design insurance products, charge insurance premiums and assume insurance liability; whereas Helen Insurance, as an insurance brokerage company, is an intermediary in the insurance market that provides customers with whole-process services such as insurance consultancy and customised solutions, and assistance with claim settlement, and is not liable for claims. There are essential differences between these two kinds of businesses, the insurance brokerage company can be regarded as a company that provides intermediary services for commission income and agency fees as earnings. As enterprise value is influenced by profitability, adopting value multiples of profit and loss can better reflect the enterprise value in the circumstances. Helen Insurance is engaged in insurance brokerage industry, and Price-to-Earnings Ratio (P/E) is mainly used to measure an enterprise's ability to generate cash flows from such principal business. Various value multiples were considered during the valuation, including the income-based value multiples, asset-based value multiples, profitability value multiples, and the P/E under the profitability value multiples is considered to be the most appropriate indicator, as it is the most relevant and the most commonly used value multiple for profit-making business, and earnings is one of the most direct drivers of equity value. Therefore, enterprise value multiple P/E is selected as the value multiple.

Description of Valuation Process of the Market Approach

1. *Selection of the capital market*

As an insurance brokerage company, Helen Insurance mainly serves large shipping companies worldwide, with a global presence of business operation. Helen Insurance is incorporated in Hong Kong. The main listing locations for international insurance brokerage companies are the New York Stock Exchange, Nasdaq, etc., so the capital market selected for this valuation exercise is the United States securities market.

2. Selection of potentially comparable companies

The principal business of the Helen Insurance is primarily in Hong Kong. Among the listed companies in Hong Kong stock market, no insurance brokerage companies with a similar business nature to Helen Insurance were found. Since both United States stocks and Hong Kong stocks belong to highly open and established markets, comparable companies listed in the United States were selected instead. We have collected publicly available information of insurance brokerage and marine insurance listed companies on the United States securities market, and have selected the listed companies with similar business category and business scope to Helen Insurance as potentially comparable companies. All financial information cited in the valuation report is obtained from Bloomberg terminal. No other sources are used.

3. Selection of comparable companies

We have conducted appropriate screening of potentially comparable companies to determine suitable comparable companies. In identifying comparable companies, we have conducted research through Bloomberg terminal on comparable companies which are categorised as under insurance brokerage and marine insurance industry on the United States securities market and with an active trading status, and managed to shortlist a total of 23 companies. We then reviewed the financial information of the 23 shortlisted companies and excluded 14 companies with abnormal or negative P/E values. After that, we looked at the proportion of insurance brokerage and marine insurance business over the entire business of the remaining 9 companies, and picked 3 companies with over 90% of their revenues derived from insurance brokerage and marine insurance based on their latest published annual reports, namely FANH US Equity, WTW US Equity and CB US Equity. In terms of proportion of insurance brokerage and marine insurance business over its entire business, the percentage for FANH US Equity and WTW US Equity were both at 100%, whereas that of CB US Equity was at 93.57%, all being relatively high level. We consider that the 3 comparable companies as the most comparable companies based on the selection criteria mentioned above.

Set out below are the information of the 3 comparable companies:

No.	**Stock Code**	**Stock Name**
1	FANH US Equity	FANHUA Inc.
2	WTW US Equity	Willis Towers Watson Public Limited Company
3	CB US Equity	Chubb Limited

4. Collecting, analysing and adjusting relevant financial reporting data of comparable companies

After selecting comparable listed companies, relevant financial data of comparable companies will be collected and adjusted in order to establish a relatively comparable basis for the financial data of comparable companies and Helen Insurance. Adjustments mainly include: (1) accounting policy adjustments; and (2) adjustments to non-operating assets/liabilities, surplus assets/liabilities and non-operating profits and losses.

In this valuation, the comparable companies are listed companies operating in the same industry with few differences in accounting policies, and no further adjustments are required. Other non-principal business operating assets/liabilities and surplus assets are not subject to financial statements adjustments due to inability to obtain detailed data of comparable companies.

5. Selecting and calculating value multiples for each comparable company

Since market approach requires determination of the value multiples of the appraised enterprise by analysing the ratio between the value multiples of comparable companies' equity interests or fully-invested capital market value and various indicators, and then to estimate the value of its equity interests or fully-invested capital market value based on parameters of the valuation target. Therefore, the value multiples are the basis for comparative analysis under market approach.

This valuation by market approach, adopts the net profit information of Helen Insurance for the Trailing Twelve Months (TTM) upto March 2023 as the base for calculation, and the TTM net profit of Helen Insurance is HK$26,230,100.

Considering the differences between Helen Insurance and the comparable companies in certain aspects, quantitative adjustments (with details as stated below) are needed to be conducted for the difference in financial position between Helen Insurance and comparable companies. During the valuation process, we compared the relevant financial indicators such as profitability, asset quality, debt risk and business growth of Helen Insurance with that of comparable companies, and conducted comparative analysis with Helen Insurance in combination with the data of each financial indicator in 2022 of each comparable listed company, to determine the indicator scores of each comparable company. At the same time, individual factors such as transaction mode, transaction pricing time index, business structure and business model, corporate scale, asset allocation and utilisation, as well as the operating stage of the enterprise were compared and modified, and relevant indicators were quantified into modified indicators and served as adjustment coefficients for P/E.

A modified indicator is an indicator used to reflect differences between comparable companies and Helen Insurance. First, set a score of 100 to Helen Insurance, and then the scores of each comparable company are determined by analysing and judging all aspects of the situation. If the comparable company is determined to be better than Helen Insurance in a particular aspect, it will be given a mark higher than 100 in such particular aspect. Then, calculate the modified indicator being:

A modified indicator = 100/scores achieved by each comparable company.

Correspondingly, by applying the abovementioned formula, the corresponding modified indicator will be smaller than 1 for the comparable company which is determined to be better than Helen Insurance in a particular aspect.

The modified indicators in this valuation are as follows:

a) Modified indicators for financial indicators

The financial indicators of each comparable companies and Helen Insurance, are as follows:

Relevant indicator		FANH US Equity	WTW US Equity	CB US Equity	Helen Insurance
Profitability Status	Return on Equity (ROE) *(%)*	10.91	10.33	9.54	96.14
	Return on Asset (ROA) *(%)*	5.68	3.37	2.62	19.92
Debt Risk Status	Debt-to-Asset Ratio *(%)*	8.59	17.11	7.59	79.82
	Interest-bearing Debt/ Total Invested Capital Ratio *(%)*	30.81	5.28	0.00	0.00
Business Growth Status	Total Operating Revenue (year-on-year growth rate) *(%)*	20.59	3.89	16.59	3.35
	Total Profit (year-on-year growth rate) *(%)*	-61.68	66.39	-3.12	18.81

As for profitability, Helen Insurance's overall level of return on equity and return on asset are obviously superior to that of the other 3 comparable companies, and the difference among the 3 comparable companies is relatively small. Therefore, the score and modified indicator for the profitability of each company are determined as follows:

Items	FANH US Equity	WTW US Equity	CB US Equity	Helen Insurance
Score on profitability	96	96	96	100
The modified indicator for profitability	1.04	1.04	1.04	1.00

The debt-to-asset ratio is an essential reference to measure the solvency of enterprises. The higher the debt-to-asset ratio, the more significant the proportion of debts an enterprise bears and the higher the risk on debt. Helen Insurance has the highest debt-to-asset ratio, FANH US Equity and CB US Equity are similar in level, and WTW US Equity is the lowest among the comparable companies, so the score and the modified indicator for solvency of each company are determined as follows:

Items	FANH US Equity	WTW US Equity	CB US Equity	Helen Insurance
Score on solvency	103	101	103	100
The modified indicator for solvency	0.97	0.99	0.97	1.00

The business growth mainly refers to year-on-year growth rate of total operating revenue and total profit. The total profit of FANH US Equity has significantly decreased, while CB US Equity's revenue growth rate is relatively optimistic but the total profit presents a downward trend; WTW US Equity and Helen Insurance have an upward trend both in revenue and total profit, and WTW US Equity has a significant increase in total profit. Therefore, the score and the modified indicator for business growth of each company are determined as follows:

Items	FANH US Equity	WTW US Equity	CB US Equity	Helen Insurance
Score on business growth	95	104	98	100
The modified indicator for business growth	1.05	0.96	1.02	1.00

b) Modified indicators for transaction mode

This considers the factors of transaction value deviation caused by trading market, transaction mode, trading purpose and other reasons. In this valuation, all comparable companies are listed companies, and Helen Insurance is a non-listed company, however, such difference has already been taken into account of in the marketability adjustment in section 6 below. Thus, no adjustment is needed for the difference in transaction mode, and the modified indicator for the difference in transaction mode of each company is determined to be 1.

c) Modified indicators for transaction pricing time

This considers the variations caused by the different timing of the transactions. For this valuation, the valuation date for each comparable company and Helen Insurance is both 31 March 2023. Thus, no adjustment is needed for the difference in transaction pricing time, and the modified indicator for the difference in transaction pricing time of each company is determined to be 1.

d) Modified indicators for business structure/business model

This considers the variations between comparable companies and Helen Insurance arising from differences in their principal business scope and business models. In this valuation, FANH US Equity, WTW US Equity and Helen Insurance are primarily engaged in insurance brokerage and marine insurance business and their business models are generally the same, whereas CB US Equity has other business.

Business structure	**FANH US Equity**	**WTW US Equity**	**CB US Equity**	**Helen Insurance**
Proportion of principal business	100.00%	100.00%	93.57%	100.00%
Others	0.00%	0.00%	6.43%	0.00%

The score and the modified indicator for the business structure/business model of each company are determined as follows:

Items	**FANH US Equity**	**WTW US Equity**	**CB US Equity**	**Helen Insurance**
Score on business structure/ business model	100	100	99	100
The modified indicator for business structure/business model	1.00	1.00	1.01	1.00

e) Modified indicators for corporate scale

Scale indicators are selected to analyse the comparability between comparable companies and Helen Insurance including total assets, owner's equity attributable to parent company and total operating income. The scale indicators of each of the comparable companies and Helen Insurance are as follows:

Unit: US$ millions

Scale Indicator	FANH US Equity	WTW US Equity	CB US Equity	Helen Insurance
Total assets as at 31 December 2022	447.85	31,769.00	199,144.00	20.70
Owner's equity attributable to parent company as at 31 December 2022	235.32	10,016.00	50,540.00	4.18
Total operating income (year of 2022)	426.62	8,950.00	43,166.00	6.90

As the scale of Helen Insurance is relatively smaller than the comparable companies, the scale indicators scores for the comparable companies are all higher than that of Helen Insurance. However, factors such as profitability, business growth status and operating stage of an enterprise are also related to corporate scale, which have already been modified (as stated in sub-sections a) above and g) below), and taking into account the fact that the aspect of corporate scale is considered to have immaterial impact on the P/E, the score and modified indicator for corporate scale of each company are determined as follows:

Items	FANH US Equity	WTW US Equity	CB US Equity	Helen Insurance
Score on the corporate scale	101	101	102	100
Modified indicator for corporate scale	0.99	0.99	0.98	1.00

f) Modified indicators for asset allocation and utilisation

Analysis is conducted regarding the differences of asset allocation and utilisation between comparable companies and Helen Insurance. The asset allocation and utilisation of each of the comparable companies and Helen Insurance, are as follows:

Unit: US$ millions

Asset allocation Indicator	FANH US Equity	WTW US Equity	CB US Equity	Helen Insurance
Current assets	332.47	15,835.00	34,090.00	20.05
Non-current assets	115.38	15,934.00	165,054.00	0.65
Including: Long-term equity investment	0.58	—	—	—
Other non-current financial assets	—	—	113,551.00	—
Fixed assets	35.30	1,304.00	607.00	0.03
Intangible assets	15.94	2,273.00	—	0.16
Others	63.56	12,357.00	50,896.00	0.46

After reviewing the announcements of the comparable companies, we confirmed that the assets of each company are under normal usage, and that there is no suspected violation or restrictions to the use of the assets of the comparable companies due to any regulatory factors. Through calculating and comparing the proportions of current and non-current assets to the total assets of each company, and taking into account the fact that the aspect of asset allocation is considered to have immaterial impact on the P/E, the scores and modified indicator for asset allocation of each company are determined as follows:

Items	FANH US Equity	WTW US Equity	CB US Equity	Helen Insurance
Proportion of current assets to the total assets	74.24%	49.84%	17.12%	96.86%
Proportion of non-current assets to the total assets	25.76%	50.16%	82.88%	3.14%
Score on asset allocation	101	102	103	100
Modified indicator for asset allocation	0.99	0.98	0.97	1.00

g) Modified indicators for operating stage of the enterprise

The operating stage factors of the comparable companies and Helen Insurance are as follows:

	FANH US Equity	WTW US Equity	CB US Equity	Helen Insurance
Date of Incorporation	1982	1981	1939	2007
Date of Listing	1 April 2020	5 June 2002	6 March 2002	N/A

The difference is mainly analysed through the incorporation time of comparable companies and Helen Insurance. The longer the company operates, the more stable and reliable it is. Both Helen Insurance and comparable companies have been established for a relatively long time and entered into a relatively stable operating stage compared to the start-up companies, therefore, the overall modification is not significant. CB US Equity has been established for the longest time, and the score and modified indicator for the operating stage of each company are determined as follows:

Items	FANH US Equity	WTW US Equity	CB US Equity	Helen Insurance
Score on the operating stage	101	101	102	100
Modified indicator for the operating stage	0.99	0.99	0.98	1.00

The calculation of adjusted P/E:

The adjustment coefficients are derived from the product of the above modified indicators. The P/E is adjusted based on the adjustment coefficients, i.e., the adjusted P/E = P/E × adjustment coefficients. The P/E as at the appraisal reference date is calculated by multiplying appropriate ratio according to the analysis of the comparable listed companies overall situation by their adjusted P/E. The calculation details are as followings:

Comparative indicators	FANH US Equity	WTW US Equity	CB US Equity
P/E	16.13	18.29	12.49
Adjustment coefficients	1.0332	0.9531	0.9727
Adjusted P/E	16.67	17.43	12.15

Note: Only two decimal places are disclosed in the report for the modified indicators, so the difference between the adjustment coefficients and the products of modified indicators is the trailing difference.

Therefore, the average adjusted P/E of the 3 comparable companies above is 15.42, i.e. (16.67+17.43+12.15)/3.

6. Marketability adjustment

This valuation adopted the listed company comparison method. Some valuation analysts in the United States believe that research on pre-IPO discount rate for lack of marketability, compared to transactions of restricted stock research, can provide more reliable data on the discount rate for lack of marketability for non-listed companies. The reason is that pre-IPO equity transactions of companies are more similar to equity transactions of non-listed companies in actual valuation, so the discount rate for lack of marketability obtained from pre-IPO research is more appropriate for the situation of non-listed companies in actual valuation.

The basic idea of estimating the discount rate for lack of marketability by adopting method of comparing P/E of merger and acquisition of non-listed companies with that of listed companies, is to compile and analyse the P/E of merger and acquisition cases of non-listed companies and then compare and analyse them with the P/E of listed companies in the same period. The discount rate for lack of marketability is estimated by the difference between the two types of P/E. The merger and acquisition cases of both non-listed companies and listed companies were selected based on their business nature. Among various kinds of industries, we have selected the one which is considered to include the insurance brokers and services industry, which is the similar industry as that of Helen Insurance. Through compiling, comparing and analysing of minority equity transaction merger and acquisition cases of 18 non-listed companies and P/E data of 8 listed companies from 2010 to 2022, the discount rate for lack of marketability of other financial sectors is 25.9%. The 18 and 8 merger and acquisition cases of non-listed companies and listed companies were selected respectively, and such form an exhaustive list of companies based on the aforementioned selection criteria.

7. Appraised value of entire equity interests of shareholder(s)

Based on above calculations, the calculation process of valuation by market approach for the entire equity interests of Helen Insurance is as follows:

Market approach valuation = Net profit of appraised enterprise × Adjusted comparable company P/E × (1 – Discount for marketability) = HK$26,230,100 × 15.42 × (1–25.9%) = HK$299,630,600 (only two decimal places are disclosed for the adjusted comparable company P/E, so the difference between the market approach valuation and the result of the above formula is the trailing difference).

VII. VALUATION CONCLUSION, RATIONALE FOR THE SELECTION AND ITS VALIDITY

(i) Valuation based on Income Approach

The appraised value of all equity interests of shareholders of Helen Insurance was HK$295,812,400, representing an appreciation of HK$253,343,400 over the book value of all shareholders' equity interests of HK$42,469,000 with an appreciation rate of 596.54%.

(ii) Valuation based on Market Approach

The appraised value of all equity interests of shareholders of Helen Insurance was HK$299,630,600, representing an appreciation of HK$257,161,600 over the book value of all shareholders' equity interests of HK$42,469,000 with an appreciation rate of 605.53%.

(iii) Analysis and Explanation on the Selection of the Valuation Conclusion

According to the Practice Guidelines for Asset Valuation — Enterprise Value* (《資產評估執業準則 — 企業價值》), when performing appraisal for determining the enterprise value, the suitability of the three fundamental methods, namely the income approach, the market approach and the asset-based approach shall be analysed based on the relevant circumstances, including purpose of valuation, the valuation target, the type of value, information gathering, etc. in its selection of valuation methods.

1. Market approach

Helen Insurance is principally engaged in insurance brokerage business. The valuer is able to obtain the indicators of operational and financial data of listed companies in the same or similar industries as the valuation target, and to conduct comparative analysis of such value multiples or economic indicators with those of Helen Insurance for the valuation. Therefore, the market approach was adopted in this valuation.

2. Income approach

The income approach assesses the asset value from the aspect of expected profitability of the asset, which serves as the essential basis for determining the prevailing fair market value of the asset, conforming to the basic definition of an asset. The technical route of such approach involves determining the market value of the valuation target by capitalising or discounting its expected future income of the valuation target. Helen Insurance, which is engaged in marine insurance brokerage business by mainly providing vessel-related insurance brokerage services to customers within and outside 中國遠洋海運集團有限公司 (China COSCO Shipping Corporation Limited*) and its subsidiaries ("**COSCO SHIPPING Group**"), has independent profitability. As Helen Insurance already has an operating history, there is financial information available to conduct a discounted cash flow calculation. Therefore, the income approach was also adopted in this valuation.

* *for identification purposes only*

3. Asset-based approach

The asset-based approach reflects the value of an asset from the perspective of its acquisition by determining the value of assets and liabilities separately to determine the net asset value. The valuation target, Helen Insurance, is engaged in marine insurance brokerage business, which mainly provides vessel-related insurance brokerage services to customers within and outside the COSCO SHIPPING Group. In addition to tangible resources such as fixed assets and working capital, the main resources on which the operation relies on also include important intangible resources such as the sales team, management team and customer resources. As the value of the intangible assets of Helen Insurance, such as customer or supplier relationships, in Helen Insurance cannot be reflected. Thus, it is not appropriate to adopt the asset-based approach for conducting the valuation.

The income approach is to appraise the enterprise value through capitalisation or discount of the expected income of the appraised enterprise from the perspective of making judgment on the profitability of assets, which can comprehensively reflect the value of non-carrying asset, such as corporate brands and goodwill. The revenue generated from group companies of Helen Insurance from 2021 to 2022 accounted for approximately 63% of the total revenue, which accounts for a relatively high proportion. Such factor will lead to a greater degree of uncertainty in the income approach forecast because, according to the on-site interviews, Helen Insurance highly relies on intra-group business and it is difficult to transfer this impact to downstream insurance companies. Under such circumstances, there is factor of uncertainty regarding the level of Helen Insurance's profits. In addition, Helen Insurance's operations are greatly affected by macroeconomic and political factors, whereas the shipping market has been changing considerably in recent years, with vessel prices and freight rates subject to greater volatility throughout, which also increases the uncertainty of the income forecast.

The market approach adopts the listed company comparison method, in which P/E indicator is selected as the value multiple, and the enterprise value is measured by comparison, analysis and adjustment with comparable enterprises, which can better reflect the market value of the enterprise on the appraisal reference date. The market approach is characterised by direct valuation perspective and valuation channel, intuitive valuation process, direct market-based valuation information and convincing valuation results. Currently, insurance companies are facing environmental changes such as the deepening of the marketisation of the financial industry. The market approach, an asset valuation method, takes into account not only the financial position and the business structure of Helen Insurance, but also the future development of the industry, which overcomes the limitations of other valuation methods to a certain extent, and is capable of reasonably reflecting the economic and social value of Helen Insurance.

In view of the objectives of this valuation, both market approach and income approach were considered in this valuation, with market approach being adopted to determine the valuation conclusion.

(iv) Valuation Conclusion

The valuation concluded that the appraised value of the entire shareholders' equity interests of Helen Insurance as at the appraisal reference date, being 31 March 2023, was HK$299,630,600.

The valuation report revealed that the validity of the valuation conclusion shall be one year from the appraisal reference date, being 31 March 2023, to 30 March 2024.

VIII. SPECIAL MATTERS AFFECTING VALUATION CONCLUSION

(i) Significant Use of Expert Work and Related Reports

The corresponding accounting statements of the assets and liabilities declared by the enterprise have been audited by ShineWing Certified Public Accountants LLP (Special General Partnership), and an audit report was issued on 15 May 2023. The audit opinion is as follows: "We believe that the enclosed financial statements have been prepared in accordance with the aforementioned basis of preparation in all material respects and can give a fair view of Helen Insurance's financial position as of 31 March 2023 and the operating results and cash flows for the period from January to March 2023." The audited book values were adopted as the book values of the valuation.

(ii) The Nature and Amount of Guarantees, Leases and its Contingent Liabilities (Contingent Assets) and Their Relationship with the Valuation Target

Helen Insurance leased the 51st floor of COSCO Tower, 183 Queen's Road Central, Hong Kong. The agreed rent amounted to HK$162,888 per month for the tenure from 3 December 2021 to 2 December 2024.

During the valuation process with reference to income approach, we have considered the effects of the aforementioned lease matters.

(iii) Other matters subject to explanation

On 18 April 2023, according to the "Board Minutes of the Third Board Meeting 2023" of Helen Insurance, the "Resolution(s) for 2022 Profit Distribution of Helen Insurance" was considered and approved with the profit distributed amounting to HK$28,650,000. This valuation conclusion does not take into account such post-reference date profit distribution.

No other special matters on the valuation target need to be disclosed.

The above contents are summary of the valuation report.

ASSUMPTIONS OF VALUATION

This valuation report and the valuation conclusion are based on the following valuation assumptions:

(I) Basic Assumptions

1. Transaction assumption — the transaction assumption refers to assuming that all assets to be evaluated are already in the process of transaction, and the valuers carry out a valuation based on the transaction conditions of the assets to be evaluated in a comparable market.

2. Open market assumption — the open market assumption refers to assuming that the assets can be traded freely in a highly competitive market and the price of which is determined based on the judgment of both independent buyer and seller over the value of assets under certain supply and demand conditions in the market. An open market refers to a market which is highly competitive with various buyers and sellers, who are on equal footing and have the opportunity and time to access adequate market information, and the trading behaviors of buyers and sellers are conducted voluntarily and rationally and under non-compelled or unrestricted conditions.

3. Going concern assumption — the going concern assumption refers to assuming that an operating entity can continue its operating activities, and such entity will not suspend or terminate its operating activities in foreseeable future.

4. In-use and continue-to-use assumption — the in-use and continue-to-use assumption is to assume that the assets to be appraised in use would continue to be used in accordance with its current purposes and manner after the change in property rights or the occurrence of asset business.

(II) Specific Assumptions

1. There is no significant change in the relevant prevailing laws, regulations and policies as well as macro-economic conditions of the country, and there is no significant change in the political, economic and social environment of the region in which the parties to the transaction are located, or material adverse effects arising from other unforeseeable and force majeure factors.

2. It is assumed that the enterprise operates on a going concern basis based on the actual condition of the assets at the appraisal reference date.

3. It is assumed that the operators of the company are responsible and the management of the company are competent in discharging their duties.

4. Unless otherwise stated, it is assumed that the company is in full compliance with all relevant laws and regulations.

5. It is assumed that the accounting policies to be adopted by the company in the future are basically consistent with those adopted during the preparation of the report in all material aspects.

6. It is assumed that operation scope and business model of the company is consistent with the current direction on the basis of its existing management model and standards.

7. It is assumed that the research and development capability and the technological advancement of the appraised enterprise will remain at the current level after the appraisal reference date.

8. It is assumed that after the appraisal reference date, cash inflow of the appraised enterprise is an average inflow, and cash outflow is an average outflow.

9. It is assumed that the contracts entered into by the appraised enterprise in previous and current years are valid and enforceable.

10. It is assumed that there is no significant change in respect of the interest rates, exchange rates, taxation bases and tax rates, and policy-based levies, etc..

11. It is assumed that the team of core management and technical staff of the appraised enterprise remains relatively stable during the forecast period, and that there are no significant changes that would affect development of the enterprise and realisation of its income.

12. It is assumed that there will be no material adverse impact on the appraised enterprise caused by other force majeure and unforeseeable factors in the future.

According to the requirements of the asset valuation, these assumptions are deemed to be valid on the appraisal reference date. We will not be responsible for any different valuation conclusion resulting from any changes in these assumptions when economic environment evolves significantly in the future.

IX. BASIS OF VALUATION

(i) Basis of Economic Behavior

The economic behavior has been approved by 中國遠洋海運集團有限公司 (China COSCO Shipping Corporation Limited*) and such is based on the "Approval of the Integration Plan for the Group's Overseas Insurance Brokerage Companies" issued by it.

(ii) Basis of Laws and Regulations

1. The Asset Valuation Law of the People's Republic of China (《中華人民共和國資產評估法》);

2. The Law on State-owned Assets of Enterprises of the People's Republic of China (《中華人民共和國企業國有資產法》);

3. The Securities and Futures Ordinance;

4. The Hong Kong Code on Takeovers and Mergers;

5. The Implementation Rules of the Administrative Measures of State-owned Assets Valuation (Guo Zi Ban Fa [1992] No. 36 issued by the former State-owned Assets Administration) (《國有資產評估管理辦法實施細則》(原國家國有資產管理局發佈的國資辦發[1992]36號));

6. The Notice on Opinions about Reforming the Executive Administration of State-owned Assets Valuation and Strengthening Supervision and Administration of State-owned Assets Valuation (Guo Ban Fa [2001] No. 102) (《關於改革國有資產評估行政管理方式加強資產評估監督管理工作意見的通知》(國辦發[2001]102號));

7. The Regulations on Issues Concerning the Administration of Valuation of State-owned Assets (Order No. 14 of the Ministry of Finance) (《國有資產評估管理若干問題的規定》(財政部第14號令));

8. Circular of the Ministry of Finance on the Issuance of Administrative Measures for Approval of State-owned Asset Valuation (Cai Qi [2001] No. 801) (《財政部關於印發《國有資產評估項目核准管理辦法》的通知》(財企[2001]801號));

9. Circular of the Ministry of Finance on the Issuance of Administrative Measures for the Recordal of State-owned Asset Appraisals (Cai Qi [2001] No. 802) (《財政部關於印發《國有資產評估項目備案管理辦法》的通知》(財企[2001]802號));

10. The Provisional Regulations on the Supervision and Administration of State-owned Assets of Enterprises (Order No. 378 of 2003 of State Council, as amended on 2 March 2019) (《企業國有資產監督管理暫行條例》(國務院2003年378號令，2019年3月2日修正));

* *for identification purposes only*

11. Decision of State Council on Repealing and Amending Certain Administrative Regulations (Order No. 588 of State Council) (《國務院關於廢止和修改部分行政法規的決定》(國務院令第588號));

12. The Measures for the Supervision and Administration of the Trading of State-owned Assets of Enterprises (Order No. 32 of State-owned Assets Supervision and Administration Commission (SASAC), Ministry of Finance) (《企業國有資產交易監督管理辦法》(國資委、財政部第32號令));

13. The Interim Measures for the Administration of Valuation of State-owned Assets of Enterprises (Order No. 12 of 2005 of SASAC, State Council) (《企業國有資產評估管理暫行辦法》(2005年國務院國資委第12號令));

14. The Notice on Strengthening the Administration of State-owned Assets Valuation of Enterprises (Guo Zi Wei Chan Quan [2006] No. 274) (《關於加強企業國有資產評估管理工作有關問題的通知》(國資委產權[2006]274號));

15. The Notice on Relevant Matters Concerning the Examination of Valuation Reports on State-owned Assets of Enterprises (Guo Zi Chan Quan [2009] No. 941) (《關於企業國有資產評估報告審核工作有關事項的通知》(國資產權[2009]941號));

16. The Notice on Issuance of the Operating Guidelines for the Approval of Central Enterprises' Assets Valuation (Guo Zi Fa Chan Quan [2010] No. 71) (《關於印發《中央企業資產評估項目核准工作指引》的通知》(國資發產權[2010]71號));

17. The Operating Guidelines for the Recordal of Enterprises' State-owned Assets Valuation (Guo Zi Fa Chan Quan [2013] No. 64) (《企業國有資產評估項目備案工作指引》(國資發產權[2013]64號));

18. Circular on Matters Relating to Promotion of Transfer of Property Rights of Enterprises' State-owned Assets (《關於促進企業國有產權流轉有關事項的通知》(國資發產權[2014]95號)).

(iii) Basis of Valuation Standards

1. Basic Asset Valuation Standards (Cai Zi [2017] No. 43) (《資產評估基本準則》(財資[2017]43號));

2. Professional Code of Ethics for Asset Valuation (Zhong Ping Xie [2017] No. 30) (《資產評估職業道德準則》(中評協[2017]30號));

3. Practice Guidelines for Asset Valuation — Asset Valuation Procedures (Zhong Ping Xie [2018] No. 36) (《資產評估執業準則 — 資產評估程式》(中評協[2018]36號));

4. Practice Guidelines for Asset Valuation — Asset Valuation Report (Zhong Ping Xie [2018] No. 35) (《資產評估執業準則 — 資產評估報告》(中評協[2018]35號));

5. Practice Guidelines for Asset Valuation — Asset Valuation Methods (Zhong Ping Xie [2019] No. 35) (《資產評估執業準則 — 資產評估方法》(中評協[2019]35號));

6. Practice Guidelines for Asset Valuation — Asset Valuation Engagement Contract (Zhong Ping Xie [2017] No. 33)《資產評估執業準則 — 資產評估委託合同》(中評協[2017]33號);

7. Practice Guidelines for Asset Valuation — Enterprise Value (Zhong Ping Xie [2018] No. 38) (《資產評估執業準則 — 企業價值》(中評協[2018]38號));

8. Practice Guidelines for Asset Valuation — Machinery and Equipment (Zhong Ping Xie [2017] No. 39) (《資產評估執業準則 — 機器設備》(中評協[2017]39號));

9. Practice Guidelines for Asset Valuation — Asset Valuation Files (Zhong Ping Xie [2018] No. 37) (《資產評估執業準則 — 資產評估檔案》(中評協[2018]37號));

10. Guidelines for Valuation Reports of State-owned Assets of Enterprises (Zhong Ping Xie [2017] No. 42) (《企業國有資產評估報告指南》(中評協[2017]42號));

11. Guidelines for Business Quality Control of Asset Valuation Organisations (Zhong Ping Xie [2017] No. 46) (《資產評估機構業務質量控制指南》(中評協[2017]46號));

12. Guiding Opinions on Types of Value under Asset Valuation (Zhong Ping Xie [2017] No. 47) (《資產評估價值類型別指導意見》(中評協[2017]47號));

13. Practice Guidelines for Asset Valuation — Use of Expert Work and Related Reports (Zhong Ping Xie [2017] No. 35) (《資產評估執業準則 — 利用專家工作及相關報告》(中評協[2017]35號));

14. Guiding Opinions on Legal Ownership of Asset Valuation Target (Zhong Ping Xie [2017] No. 48) (《資產評估對象法律權屬指導意見》(中評協[2017]48號).

(iv) Proof of Ownership

Invoices of equipment purchases.

(v) Pricing Basis

1. Financial, accounting and operational information provided by the enterprise;

2. Information related to inquiry for quotation, parameter, etc. collected by the valuation firm;

3. Information on profit forecast provided by the enterprise.

X. CAPACITY, QUALIFICATIONS AND INDEPENDENCE OF THE VALUER

As commissioned by the Company, 中通誠資產評估有限公司 (China Tong Cheng Assets Appraisal Co. Ltd.*) has conducted a valuation on the entire equity interests of the shareholders of Helen Insurance in relation to the proposed transfer of the entire equity interests of Helen Insurance by COSCO SHIPPING Development (Hong Kong) Co., Limited. The valuation was carried out as of 31 March 2023, which is the appraisal reference date, resulting in an asset valuation report. The asset valuers are 方煒 (Fang Wei) and 馬德印 (Ma Deyin). Both asset valuers are professionally qualified with necessary qualification as members of the China Appraisal Society.

中通誠資產評估有限公司 (China Tong Cheng Assets Appraisal Co. Ltd.*) is a valuer independent of the relevant parties to the proposed transaction together with their respective connected persons, and it has neither an existing or expected stake in the success of the proposed transaction, nor an existing or expected stake with the relevant parties, and has no prejudice against the relevant parties. Pursuant to the relevant requirements under Article 14 of the "Notice of the Ministry of Finance on Improving the Administration of the Filing of Asset Valuation Organisations" (Cai Zi [2017] No.26) (《財政部關於做好資產評估機構備案管理工作的通知》 (財資(2017)26號)), 中通誠資產評估有限公司 (China Tong Cheng Assets Appraisal Co. Ltd.*) is an asset valuation firm which meets the conditions set out in Article 15 of the Asset Valuation Law (《資產評估法》), and they have undertaken that: they possess corresponding qualifications to practice; the valuation target and the scope of valuation are consistent with those stipulated in the commission contract for the asset valuation; necessary verification of the valuation target and the assets involved has been carried out; the valuation methods are selected in accordance with the standards of the asset valuation; due consideration has been given to the factors affecting the appraised value; the valuation conclusion is reasonable; and the valuation has been conducted independently without unlawful interference.

16 October 2023

* *for identification purposes only*

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 DIRECTORS' INTERESTS

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

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

Share Options

Name of Director	Capacity	Nature of interest	Exercise price (HK$)	Aggregate long position in the underlying shares of the Company as at the Latest Practicable Date	Approximate percentage of total number of issued shares of the Company as at the Latest Practicable Date	Exercisable period
Ms. Meng Xin	Beneficial owner	Personal	2.26	156,510	0.01%	28/04/2023–27/04/2024
			2.26	156,980	0.01%	28/04/2024–27/04/2026

Note:

These share options were granted by the Company on 28 April 2020 pursuant to the share option incentive scheme adopted by the Company on 9 April 2020 (the "**Share Option Incentive Scheme**"). Pursuant to the Share Option Incentive Scheme, these share options are exercisable at HK$2.26 per share from 28 April 2022 to 27 April 2026 subject to the fulfillment of the relevant conditions.

(ii) Director's 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. Kwong Che Keung, Gordon	COSCO SHIPPING Ports Limited	Beneficial owner	Personal	250,000	0.0075%

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

(i) none of the Directors nor chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Director or chief executive of the Company was taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered in the register of the Company referred to therein or were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange;

(ii) none of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group taken as a whole;

(iii) none of the Directors had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to, or which were proposed to be acquired or disposed of by or leased to, any member of the Group since 31 December 2022, being the date to which the latest published audited consolidated financial statements of the Group were made up; and

(iv) Mr. Zhu Changyu being a Director, is also a director and president of COSCO SHIPPING (Hong Kong). Mr. Chen Dong being a Director, is also the general manager of the finance and accounting division of COSCO SHIPPING and a director of COSCO SHIPPING (Hong Kong). COSCO SHIPPING (Hong Kong) has and COSCO SHIPPING is deemed to have, an interest in the Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. DIRECTORS' SERVICE CONTRACTS

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

4. DIRECTOR'S INTERESTS IN COMPETING BUSINESS

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

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

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

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

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2022, being the date to which the latest published audited consolidated financial statements of the Group were made up.

6. EXPERT

The followings are the qualifications of the experts who has each given its opinion or advice which are included in this circular:

Name	Qualification
中通誠資產評估有限公司 (China Tong Cheng Assets Appraisal Co., Ltd.*)	Independent Valuer
Ballas Capital Limited	A licensed corporation to carry out Type 1 (Dealing in Securities) and Type 6 (Advising on Corporate Finance) regulated activities as defined under the SFO

* *for identification purposes only*

As at the Latest Practicable Date, each of the Independent Financial Adviser and the Independent Valuer:

(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 2022, 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.

7. MISCELLANEOUS

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

8. DOCUMENTS ON DISPLAY

Copy of the following documents will be published on the Stock Exchange's website at www.hkexnews.hk and the Company's website at hk.coscoshipping.com from the date of this circular up to and including the date of the SGM:

(a) the Share Transfer Agreement;

(b) the Letter from the Independent Board Committee, the full text of which is set out on page 12 of this circular;

(c) the Letter from the Independent Financial Adviser, the full text of which is set out on pages 13 to 26 of this circular;

(d) the summary of the Valuation Report, the full text of which is set out in Appendix I to this circular;

(e) the written consent referred to in the section headed "6. Expert" of this appendix; and

(f) this circular.

中遠海運國際(香港)有限公司
COSCO SHIPPING INTERNATIONAL (HONG KONG) CO., LTD.
(Incorporated in Bermuda with limited liability)
(Stock Code: 00517)

NOTICE OF THE SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting of COSCO SHIPPING International (Hong Kong) Co., Ltd. (the "**Company**") will be held on Thursday, 28 December 2023 at 10:00 a.m. at 47/F, COSCO Tower, 183 Queen's Road Central, Hong Kong or at any adjournment thereof for the purposes of considering and, if thought fit, to pass with or without amendments, the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT** the Share Transfer Agreement as defined in the circular of the Company dated 6 December 2023 (the "**Circular**"), a copy of the Circular marked "A" together with a copy of the Share Transfer Agreement marked "B" being tabled before the meeting and initialled by the chairman of the meeting for identification purpose, and the transactions contemplated under it be and are hereby approved, confirmed and ratified, and any director(s) of the Company 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 Transfer 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 Transfer Agreement and the transactions contemplated under it."

By order of the Board
COSCO SHIPPING International (Hong Kong) Co., Ltd.
Zhu Changyu
Chairman and Managing Director

Hong Kong, 6 December 2023

Notes:

(1) The ordinary resolution to be considered at the SGM will be determined by poll. On voting by poll, each member shall have one vote for each fully paid or credited as fully paid share held in the Company.

(2) A member of the Company who is entitled to attend and vote at the SGM is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares of the Company may appoint more than one proxy. A proxy need not be a member of the Company.

(3) A form of proxy for use at the SGM of the Company is enclosed herewith. Whether or not a member of the Company intends to attend the SGM in person, he or she is urged to complete and return the form of proxy in accordance with the instruction printed thereon.

(4) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his or her 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.

(5) To be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be returned to the Company's branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not less than 48 hours before the time appointed for holding the SGM or any adjourned meeting thereof (as the case maybe) and in default thereof the form of proxy shall not be treated as valid.

(6) Shareholders whose names appear in the register of members of the Company as at the close of business on Thursday, 21 December 2023 are entitled to attend and vote at the SGM. 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Thursday, 21 December 2023.

(7) Completion and return of form of proxy appointing a proxy shall not preclude a member of the Company from attending and voting in person at the SGM or on the poll concerned and in such event, the instrument appointing a proxy shall be deemed to be revoked.

(8) Where there are joint holders of any share of the Company, any one of such joint holders may vote at the SGM, either personally or by proxy, in respect of such share as if he or she were solely entitled thereto, but if more than one of such joint holders is present at the SGM personally or by proxy, that one of the said joint holders so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.

(9) The Chinese version of the resolution set out in this notice is for reference only. If there is any inconsistency between the English and Chinese versions, the English version shall prevail.

(10) As at the date of this notice, the board of directors of the Company consists of Mr. Zhu Changyu[1] (Chairman and Managing Director), Mr. Chen Dong[2], Ms. Meng Xin[1], Mr. Tsui Yiu Wa, Alec[3], Mr. Jiang, Simon X.[3] and Mr. Kwong Che Keung, Gordon[3].

[1] *Executive Director*
[2] *Non-executive Director*
[3] *Independent non-executive Director*