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 **CHINA INTERNATIONAL MARINE CONTAINERS (GROUP) CO., LTD.**, you should at once hand this circular and the accompanying form of proxy and reply slip to the purchaser or transferee or to the bank, stockbroker, licensed securities dealer or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee.

CIMC 中集

CHINA INTERNATIONAL MARINE CONTAINERS (GROUP) CO., LTD.
中國國際海運集裝箱(集團)股份有限公司
(a joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 2039)

(1) PROPOSED REVISION OF ANNUAL CAPS OF CONTINUING CONNECTED TRANSACTIONS FOR 2018 AND 2019; (2) GENERAL MANDATE TO ISSUE SHARES; (3) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION; (4) PROPOSED AMENDMENTS TO THE RULES OF PROCEDURES FOR THE GENERAL MEETING; (5) PROPOSED ADJUSTMENT OF THE SUBSIDIES FOR INDEPENDENT NON-EXECUTIVE DIRECTORS; (6) PROPOSED FINAL DIVIDEND PAYMENT FOR 2017; AND (7) PROPOSED REGISTRATION AND ISSUANCE OF MEDIUM-TERM NOTES (INCLUDING PERPETUAL MEDIUM-TERM NOTES) AND SUPER & SHORT-TERM COMMERCIAL PAPERS

Independent Financial Adviser to
the Independent Board Committee and Independent Shareholders

Innovax Capital

IMPORTANT NOTICE: PLEASE NOTE THAT THE SOLE PURPOSE OF DISTRIBUTING THIS CIRCULAR IS TO PROVIDE THE SHAREHOLDERS OF CHINA INTERNATIONAL MARINE CONTAINERS (GROUP) CO., LTD. WITH INFORMATION REGARDING DETAILS OF (1) THE PROPOSED REVISION OF ANNUAL CAPS OF CONTINUING CONNECTED TRANSACTIONS FOR 2018 AND 2019; (2) THE GENERAL MANDATE TO ISSUE SHARES; (3) THE PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION; (4) THE PROPOSED AMENDMENTS TO THE RULES OF PROCEDURES FOR THE GENERAL MEETING; (5) THE PROPOSED ADJUSTMENT OF THE SUBSIDIES FOR THE INDEPENDENT NON-EXECUTIVE DIRECTORS; (6) THE PROPOSED FINAL DIVIDEND PAYMENT FOR 2017; AND (7) THE PROPOSED REGISTRATION AND ISSUANCE OF MEDIUM-TERM NOTES (INCLUDING PERPETUAL MEDIUM-TERM NOTES) AND SUPER & SHORT-TERM COMMERCIAL PAPERS SO THAT THE H SHAREHOLDERS OF CHINA INTERNATIONAL MARINE CONTAINERS (GROUP) CO., LTD. CAN MAKE INFORMED DECISIONS REGARDING THEIR VOTING ON THE RESOLUTIONS TO BE PROPOSED AT THE 2017 AGM.

The 2017 AGM will be held at CIMC R&D Centre, 2 Gangwan Avenue, Shekou, Nanshan District, Shenzhen, Guangdong, the PRC at 2:30 p.m. on Friday, 8 June 2018. Notice of the 2017 AGM setting out the resolutions to be considered and, if thought fit, approved at the 2017 AGM together with the form of proxy and reply slip were despatched to the Shareholders on 23 April 2018.

Whether or not you are able to attend the 2017 AGM, you are requested to complete and return the forms of proxy despatched to the Shareholders on 23 April 2017 in accordance with the instructions printed thereon, as soon as possible and in any event not less than 24 hours before the time appointed for the holding of the 2017 AGM (or any adjournment thereof). Completion and return of the form of proxy will not preclude you from attending and voting in person at the 2017 AGM (or any adjournment thereof) should you so wish.

18 May 2018

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

"2016 AGM"	the 2016 annual general meeting of the Company held at Ming Wah International Convention Centre, No. 8, Gui Shan Road, Shekou, Nanshan District, Shenzhen, Guangdong, the PRC on Friday, 9 June 2017;
"2017 AGM"	the 2017 annual general meeting of the Company to be held at CIMC R&D Centre, 2 Gangwan Avenue, Shekou, Nanshan District, Shenzhen, Guangdong, the PRC on Friday, 8 June 2018;
"2017 Annual Cap"	the agreed maximum total annual transaction amount of the Continuing Connected Transactions between the Group and the COSCO SHIPPING Group for the 12 months ended 31 December 2017 under the Framework Agreement, namely RMB450 million;
"2017 General Mandate"	the general mandate granted to the Board at the 2016 AGM;
"2018 General Mandate"	the general mandate to be granted to the Board at the 2017 AGM;
"Annual Cap(s)"	the annual cap(s) of transaction amounts of the Continuing Connected Transactions between the Group and the COSCO SHIPPING Group for each of the three years ending 31 December 2019;
"A Share(s)"	the domestic share(s) of the Company with a nominal value of RMB1.00 each, which are listed on the Shenzhen Stock Exchange and traded in RMB;
"A Shareholder(s)"	the holder(s) of the A Share(s);
"Articles of Association"	the articles of association of China International Marine Containers (Group) Co., Ltd.;
"Board"	the board of Directors;

"Company"	China International Marine Containers (Group) Co., Ltd. (中國國際海運集裝箱(集團)股份有限公司), a joint stock limited company established in the PRC with limited liability, the A Shares of which are listed on the Shenzhen Stock Exchange and the H Shares of which are listed on the Hong Kong Stock Exchange;
"connected person(s)"	having the meaning ascribed to it in the Hong Kong Listing Rules;
"Continuing Connected Transactions"	the transactions contemplated under the Framework Agreement and the Supplementary Agreement;
"COSCO SHIPPING"	COSCO SHIPPING Development Co., Ltd., a joint stock company with limited liability established under the laws of the PRC and known as China Shipping Container Lines Company Limited (中海集裝箱運輸股份有限公司) prior to 18 November 2016, the H shares of which are listed on the Hong Kong Stock Exchange and the A shares of which are listed on the Shanghai Stock Exchange;
"COSCO SHIPPING Group"	COSCO SHIPPING and its subsidiaries;
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會);
"Director(s)"	the director(s) of the Company;
"Framework Agreement"	the framework agreement dated 11 November 2016 entered into between the Company and COSCO SHIPPING in relation to the supply of commodities such as containers by the Group to the COSCO SHIPPING Group which commenced on 1 January 2017 and expires on 31 December 2019;
"FIL"	Florens International Co., Ltd., a subsidiary of COSCO SHIPPING;
"Group"	the Company and its subsidiaries;
"H Share(s)"	the overseas-listed foreign share(s) of the Company with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars;

"H Shareholder(s)"	the holder(s) of H Share(s);
"H Share Registrar"	Computershare Hong Kong Investor Services Limited;
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Independent Board Committee"	an independent committee of the Board comprising Mr. PAN Chengwei, Mr. PAN Zhengqi and Mr. WONG Kwai Huen, Albert, all being independent non-executive Directors;
"Independent Shareholders"	Shareholders who are not required to abstain from voting on the relevant resolutions to be considered at the 2017 AGM;
"Innovax Capital" or "Independent Financial Adviser"	Innovax Capital Limited, a licensed corporation under the SFO to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities and appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the proposed revision of Annual Caps of the Continuing Connected Transactions for 2018 and 2019;
"Latest Practicable Date"	16 May 2018, being the latest practicable date for the purpose of ascertaining information in this circular prior to its printing;
"Long Honour"	Long Honour Investments Limited, a company incorporated in the British Virgin Islands in 1998 and a substantial shareholder of the Company as of the Latest Practicable Date;
"PRC"	the People's Republic of China excluding, for the purposes of this circular, except where to the context required, Hong Kong, the Macau Special Administrative Region and Taiwan;

"Proposed Issuance of H Shares"	the proposed issuance of the maximum number of 343,315,321 H shares to be allotted and issued under the 2017 General Mandate as stated in the announcement of the Company dated 12 March 2018;
"Proposed Revision Caps"	the proposed increase in the Annual Caps for 2018 and 2019 under the Supplementary Agreement from RMB550 million and RMB600 million to RMB4.60 billion and RMB5.00 billion, respectively, by the Company and COSCO SHIPPING;
"Proposed Registration and Issuance"	the Proposed Registration and Issuance by the Company of the medium-term notes no more than RMB6 billion, perpetual medium-term notes (also known as "perpetual mid-term notes") no more than RMB4 billion, and super & short-term commercial papers no more than RMB8 billion;
"Rules of Procedures for the General Meeting"	the Rules of Procedures for the General Meeting of China International Marine Containers (Group) Co., Ltd.;
"Shenzhen Listing Rules"	the Rules Governing the Listing of Stocks on Shenzhen Stock Exchange;
"Supplementary Agreement"	the supplementary agreement entered into between the Company and COSCO SHIPPING on 29 March 2018 in relation to the revision of the Annual Caps for 2018 and 2019 under the Framework Agreement;
"TEU"	twenty-foot equivalent unit;
"RMB"	Renminbi yuan, the lawful currency of the PRC;
"SFO"	Securities and Futures Ordinance of Hong Kong (Chapter 571 of the Laws of Hong Kong);
"Share(s)"	the share(s) of the Company, including the A Share(s) and the H Share(s);
"Shareholder(s)"	the holder(s) of Share(s) of the Company, including A Shareholder(s) and H Shareholder(s);
"Supervisor(s)"	the supervisor(s) of the Company; and
"%"	per cent.

	2018
Latest time for lodging transfers of the H Shares to qualify for attendance and voting at the 2017 AGM	4:30 p.m. on Tuesday, 8 May
H Share register closed	From Wednesday, 9 May to Friday, 8 June (both days inclusive)
Latest date for lodging reply slips for the 2017 AGM	Friday, 18 May
Latest time for lodging the forms of proxy for the 2017 AGM	2:30 p.m. on Thursday, 7 June
2017 AGM	2:30 p.m. on Friday, 8 June
H Share register re-open	Monday, 11 June

CHINA INTERNATIONAL MARINE CONTAINERS (GROUP) CO., LTD.
中國國際海運集裝箱(集團)股份有限公司

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

(Stock Code: 2039)

Board of Directors:
Non-executive Directors
Mr. WANG Hong *(Chairman)*
Mr. WANG Yuhang *(Vice Chairman)*
Mr. HU Xianfu
Mr. LIU Chong

Executive Director
Mr. MAI Boliang

Independent non-executive Directors
Mr. PAN Chengwei
Mr. PAN Zhengqi
Mr. WONG Kwai Huen, Albert

Legal address, registered address and address of head office:
8th Floor,
CIMC R&D Centre,
2 Gangwan Avenue,
Shekou, Nanshan District,
Shenzhen,
Guangdong, the PRC

18 May 2018

To the Shareholders

Dear Sirs

**(1) PROPOSED REVISION OF ANNUAL CAPS OF CONTINUING CONNECTED TRANSACTIONS FOR 2018 AND 2019;
(2) GENERAL MANDATE TO ISSUE SHARES;
(3) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION;
(4) PROPOSED AMENDMENTS TO THE RULES OF PROCEDURES FOR THE GENERAL MEETING;
(5) PROPOSED ADJUSTMENT OF THE SUBSIDIES FOR INDEPENDENT NON-EXECUTIVE DIRECTORS;
(6) PROPOSED FINAL DIVIDEND PAYMENT FOR 2017; AND
(7) PROPOSED REGISTRATION AND ISSUANCE OF MEDIUM-TERM NOTES (INCLUDING PERPETUAL MEDIUM-TERM NOTES) AND SUPER & SHORT-TERM COMMERCIAL PAPERS**

I. INTRODUCTION

References are made to (1) the announcement of the Company regarding the resolutions of the sixth meeting in 2018 of the eighth session of the Board dated 27 March 2018 in relation to, among other things, the proposed annual profit distribution and proposed dividend payment for 2017 and the general mandate to issue shares; (2) the announcement of the Company dated 27 March 2018 in relation to (i) the proposed amendments to the Articles of Association; (ii) the proposed amendments to the Rules of Procedures for the General Meeting; and (iii) the proposed adjustment of the subsidies for the independent non-executive Directors; (3) the announcement of the Company dated 29 March 2018 in relation to the proposed revision of the Annual Caps for 2018 and 2019; and (4) the notice of the 2017 AGM of the Company dated 23 April 2018.

The purpose of this circular is to provide you with further details of (1) the proposed revision of the Annual Caps for 2018 and 2019; (2) the general mandate to issue Shares; (3) the proposed amendments to the Articles of Association; (4) the proposed amendments to the Rules of Procedures for the General Meeting; (5) the proposed adjustment of the subsidies for independent non-executive Directors; (6) the proposed final dividend payment for 2017; and (7) the Proposed Registration and Issuance of medium-term notes (including perpetual medium-term notes) and super & short-term commercial papers and other information, so that you can make informed decisions regarding your voting on the resolutions to be proposed at the 2017 AGM.

II. PROPOSED REVISION OF ANNUAL CAPS OF CONTINUING CONNECTED TRANSACTIONS FOR 2018 AND 2019

BACKGROUND

Reference is made to the announcement of the Company dated 11 November 2016 in relation to the Framework Agreement entered into by the Company and COSCO SHIPPING; and the announcement dated 27 March 2018 in relation to the actual transaction amount for the year ended 31 December 2017 under the Continuing Connected Transactions exceeding the 2017 Annual Cap.

NATURE OF THE TRANSACTION

Pursuant to the Framework Agreement, the Group agreed to supply commodities (including containers and container wood floor boards) to the COSCO SHIPPING Group. Subject to the provisions of the Framework Agreement, relevant members of the COSCO SHIPPING Group will enter into specific agreements separately with relevant members of the Group to set out the specific terms and conditions in respect of the supply of commodities.

KEY TERMS OF THE SUPPLEMENTARY AGREEMENT

Taking into account the actual transaction amount for 2017 exceeding the 2017 Annual Cap and the increase in COSCO SHIPPING's demand for commodities of the Group for 2018 and 2019 driven by the growth of the global international trade and container transportation industry, the Company and COSCO SHIPPING anticipate that the original Annual Caps for 2018 and 2019 under the Framework Agreement will not be able to meet the future transaction needs of the parties. To this end, as considered and approved at the sixth meeting of the Board for 2018, the Company entered into a Supplementary Agreement with COSCO SHIPPING on 29 March 2018, key terms of which are set out below:

Date:

29 March 2018

Parties:

The Company (for itself and on behalf of its subsidiaries), as the supplier; and

COSCO SHIPPING (for itself and on behalf of its subsidiaries), as the purchaser.

Fundamental principles:

(1) The Supplementary Agreement aims to make amendments and changes to the specific terms of the Framework Agreement based on amiable negotiation between the parties. Matters not covered under the Supplementary Agreement shall be subject to the Framework Agreement.

(2) The parties agreed that any transactions conducted under the Framework Agreement and the Supplementary Agreement must comply with the Shenzhen Listing Rules, the Hong Kong Listing Rules and other requirements of applicable laws (including any limits on total annual transaction amounts).

(3) The terms and conditions of commodities provided by the Group for the COSCO SHIPPING Group, including but not limited to prices, must be determined on fair and reasonable normal commercial terms on an arm's length basis. The quality of commodities provided by the Group should meet the requirements agreed by the parties. Each party has the right to choose the terms and conditions that are most favourable to itself based on the consideration and comparison of all of the terms and conditions offered by the other and any independent third parties.

Revision of Annual Caps for 2018 and 2019:

Based on the actual transaction amount of the parties for 2017 and the forecast of the future market trends, the parties increased the Annual Caps for the two years ending 31 December 2018 and 31 December 2019 under the Framework Agreement:

Unit: RMB in thousand

	For the year ending 31 December 2018		For the year ending 31 December 2019	
	Existing annual cap	Proposed revised annual cap	Existing annual cap	Proposed revised annual cap
Total transaction amount of the sale of commodities to the COSCO SHIPPING Group	550,000	4,600,000	600,000	5,000,000

Others:

The Supplementary Agreement, which is a supplement to the Framework Agreement, and the Framework Agreement together constitute a complete agreement and has equal legal effect as the Framework Agreement.

BASIS FOR DETERMINING THE ANNUAL CAPS FOR 2018 AND 2019 UNDER THE PROPOSED REVISION

Taking into account all of the following factors, the Group negotiated the Proposed Revision Caps and determined the Annual Caps of the Continuing Connected Transactions for 2018 and 2019 with the COSCO SHIPPING Group: (1) the actual procurement of containers by the COSCO SHIPPING Group from the Group for 2017 exceeded the 2017 Annual Cap by approximately RMB335 million; (2) the estimated increase in the demand for commodities of the Group for 2018 and 2019 driven by the expected growth of the global economy, international trade and container transportation industry as well as the business development planning of the COSCO SHIPPING Group and the Group; in particular, pursuant to the procurement plan of FIL, driven by the growth in the global container scale and the retirement and replacement of containers due to aging of containers, the COSCO SHIPPING Group's total procurement of containers is anticipated to increase by approximately 633% from 2017 to 2018 and further increase by approximately 8% from 2018 to 2019, in terms of TEU. Under these circumstances, the COSCO SHIPPING Group's procurement of the Group's containers is anticipated to increase by approximately 788% from 2017 to 2018, and further increase by approximately 4% from 2018 to 2019, in terms of TEU; (3) the substantial fluctuation of historical price and potential price increase, after taking into account of the historical prices of commodities such as containers, which ranged from approximately US$1,300/TEU and US$2,950/TEU since 2010; (4) the expected increase in the demand for containers and the needs of the Company to flexibly address the sudden increase in the demands for the relevant commodities under the Framework Agreement; and (5) the fluctuation in foreign currency exchange rates, etc.

HISTORICAL TRANSACTION AMOUNTS

For the years ended 31 December 2017, the actual transaction amount under the Framework Agreement was RMB785,052,000. In January and February 2018, the cumulative amount of the Continuing Connected Transactions under the Framework Agreement was RMB376,425,000.

PRICING POLICIES

Pursuant to the Framework Agreement, the pricing policies and principles of the Continuing Connected Transactions between the Group and the COSCO SHIPPING Group are as follows: (1) where the bidding process is required, the bidding price shall prevail. Such pricing policy is used in the supply of container wood floor boards and containers by the Group to the CSCL Group when a bidding process is adopted by the CSCL Group and where members of the Group may be invited by the CSCL Group to participate in the bidding process; (2) where there is no bidding process, the price shall be determined with reference to the market price. Such pricing policy is mainly used in the supply of containers by the Group to the CSCL Group when no bidding process is adopted by the CSCL Group; or (3) where neither of the above prices is applicable or where it is not practicable to apply the above pricing policies, the Group will negotiate with the COSCO SHIPPING Group on arm's length basis after considering the cost, technology, quality and volume of the commodities purchased and the historical prices of the relevant commodities, and the terms will not be less favorable to the Group than those offered by the Group for similar commodities to independent third parties:

(1) Where the bidding process is required, the bidding price shall prevail.

Such pricing policy is used in the supply of commodities by the Group to the COSCO SHIPPING Group when a bidding process is adopted by the COSCO SHIPPING Group and where members of the Group may be invited by the COSCO SHIPPING Group to participate in the bidding process. In general, not less than three suppliers are invited for each bidding process and factors including pricing, product quality, level of services and qualification of suppliers are comprehensively considered by the COSCO SHIPPING Group in selecting the successful supplier(s).

The bidding price is proposed by the business department of the relevant Group member, as bidder, with reference to factors such as the historical prices and future trends of relevant commodities, prices of similar commodities offered to third party customers, production cost, raw material prices and production capacity, subject to its management's approval.

*(2) **Where there is no bidding process, the price shall be determined with reference to the market price***

Such pricing policy is mainly used in the supply of commodities by the Group to the COSCO SHIPPING Group when no bidding process is adopted by the COSCO SHIPPING Group. The parties will negotiate and determine the relevant commodity price with reference to the comparable market price (such as the comparable local, domestic or international market price) based on the commodity's type and quality. In this regard, the business department of the Group updates the comparable market prices from time to time by collecting (i) market information published by independent industry authorities and institutes, such as China Container Industry Association (中國集裝箱行業協會), Shanghai Shipping Freight Exchange Co., Ltd. (上海航運運價交易有限公司), Chinese Shipping.com (中華航運網) and Clarksons, and (ii) publicly disclosed pricing information of the Group's competitors, and reports the market prices to its management as a pricing determination reference. In addition, the operation department of the Group reviews the profit contribution of different customers by carrying out periodic comprehensive analysis in respect of the profitability of similar commodities provided to different customers (including the COSCO SHIPPING Group and independent third party customers). The result of such analysis will be obtained by the business department as a reference when adjusting pricing determination. Since 2017 and as of the Latest Practicable Date, commodities under the Framework Agreement supplied by the Group to the COSCO SHIPPING Group have all been priced using this method.

*(3) **Where neither of the above prices is applicable or where it is not practicable to apply the above pricing policies, the Group will negotiate with the COSCO SHIPPING Group on arm's length basis***

In the less probable event where it is not practicable to offer a bidding process and where comparable market price is not available, the Group will negotiate with the COSCO SHIPPING Group on arm's length basis after considering the costs of major raw materials (such as steel and paint), manufacturing technology, product quality, product volume and the historical prices of the relevant commodities. In such cases, the Group will conduct customer analysis to compare and evaluate the prices and terms of similar commodities supplied to different customers (including the COSCO SHIPPING Group and other independent third parties) to ensure that the prices and terms of the commodities supplied to the COSCO SHIPPING Group will not be less favourable to the Group than those of similar commodities offered by the Group to independent third parties.

For the Continuing Connected Transactions, payments will be made in accordance with provisions in the specific agreements to be entered into between relevant members of the COSCO SHIPPING Group and the relevant members of the Group under the Framework Agreement. In general, the Group offers customers credit terms in the range of 30 days to 90 days, with majority of the commodities being supplied with a credit term of 60 days, from inspection upon delivery, but may from time to time adjust such terms taking into account generally accepted market terms. As of the Latest Practicable Date, commodities under the Framework Agreement have been supplied to the COSCO SHIPPING Group with a credit term of 60 days. Payments shall be made by telegraphic transfer, bank draft or other payment methods generally acceptable in the industry. The Company is of the view that such pricing terms to the COSCO SHIPPING Group are in line with and no better than those offered to our independent third party customers.

The Group adopts the same above-mentioned pricing and payment policies when supplying commodities to the COSCO SHIPPING Group and to other independent third party customers. To ensure the Continuing Connected Transactions will be conducted on normal commercial terms, at prices and terms no less favourable to the Group than those of similar commodities offered by the Group to independent third parties, and are fair and reasonable and in the interests of the Group and the Shareholders as a whole, the Group regularly reviews and monitors the gross profit margins and payment terms of the commodities supplied by the Group to different customers (including the COSCO SHIPPING Group) and compares them against the industry's norm. In particular, the Group reviews the profitability of commodities supplied to the COSCO SHIPPING Group on a monthly basis and conducts trend analysis on the profitability of commodities supplied to the COSCO SHIPPING Group against those supplied to other independent third parties on a quarterly basis. The Group also regularly reviews the account receivables from the COSCO SHIPPING Group against its other customers on a monthly basis.

No changes to the pricing policies and principles were made in the Supplementary Agreement. The Continuing Connected Transactions between the Group and the COSCO SHIPPING Group for 2018 and 2019 will continue to be carried out on the basis of the aforesaid pricing policies and principles.

INTERNAL CONTROL MEASURES

The Company has established a set of measures and policies, including contract policies, connected transaction management rules and internal control management rules, aiming to ensure that Continuing Connected Transactions will be conducted in accordance with the Framework Agreement and the Supplementary Agreement. The Company's auditing and monitoring department will conduct random internal testing on the internal control measures of the Company to ensure that the internal control measures in respect of the Continuing Connected Transactions remain complete and effective. Testing results will be reported to the audit committee of the Board, the Board and the supervisory committee of the Company. The Company's external auditors will conduct an annual audit on the Company's internal control measures, and an annual review on the Continuing Connected Transactions pursuant to the requirements under the Hong Kong Listing Rules. The Group will strengthen the monitoring of the Continuing Connected Transactions, improve the reporting and document filing mechanisms, enhance monitoring efficiency of the underlying transactions and shorten the interval of pre-estimate on the Continuing Connected Transactions to once every month as opposed to once every quarter previously after negotiation with COSCO SHIPPING, with an aim to monitor the transaction amounts of the Continuing Connected Transactions in a timely manner.

REASONS FOR AND BENEFITS OF ENTERING INTO THE SUPPLEMENTARY AGREEMENT

COSCO SHIPPING is principally engaged in diversified leasing businesses such as vessel leasing, container leasing and other sector-related leasing as well as manufacturing of containers and financial investments. The Group has established long-term reliable business relationships with the COSCO SHIPPING Group, including FIL. Entering into the Framework Agreement and the Supplementary Agreement and continuing to carry out the Continuing Connected Transactions are in line with the actual needs for the operation and development of the Group's principal businesses, including the container manufacturing business, which will not prejudice the interests of the Company and the Shareholders, especially the minority Shareholders, nor adversely affect the independence of the Company. Conducting such transactions will not give rise to reliance of the principal businesses of the Company on related parties. The price and terms with respect to the commodities supplied by the Group to the COSCO SHIPPING Group under the Framework Agreement and the Supplementary Agreement shall be determined under a fair and reasonable basis and not be less favorable than those of similar commodities supplied by the Group to independent third parties. The Directors (including the independent non-executive Directors, but excluding Mr. WANG Yuhang and Mr. LIU Chong who, both being Directors who hold positions in COSCO SHIPPING and its associates, shall abstain from voting) consider that the Framework Agreement and the Supplementary Agreement were entered into on normal commercial terms on an arm's length basis in the ordinary and usual course of business of the Group, and their terms (including the Annual Caps for 2018 and 2019 under the proposed revision) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

COSCO SHIPPING is an indirect holding company of Long Honour and COSCO Container Industries Limited, holding 22.72% of the issued share capital of the Company as at the Latest Practicable Date through Long Honour and COSCO Container Industries Limited, both being substantial shareholders which collectively held 245,842,181 H Shares and 423,171,843 A Shares, respectively, representing 8.24% and 14.48% of the total issued share capital of the Company, respectively, as at the Latest Practicable Date. Therefore, under Chapter 14A of the Hong Kong Listing Rules, COSCO SHIPPING and its subsidiaries, each being an associate of Long Honour and COSCO Container Industries Limited, are connected persons of the Company and the Continuing Connected Transactions constitute continuing connected transactions of the Company.

On 27 March 2018, the sixth meeting of the Board for 2018 considered and approved the Resolutions on Adjustment of Continuing Connected Transactions/ Ordinary Related Transactions with COSCO SHIPPING and Authorization to Enter into the Supplementary Agreement. As Mr. WANG Yuhang and Mr. LIU Chong, both being non-executive Directors, hold positions in COSCO SHIPPING and its associates, they have abstained from voting on the relevant resolutions. Save as disclosed above, none of the Directors has a material interest in the approval of the Continuing Connected Transactions (including the Proposed Revision Caps under the Supplementary Agreement).

As the applicable ratios calculated for the Annual Caps for 2018 and 2019 under the proposed revision exceed 5% but are lower than 25%, the Proposed Revision Caps shall be subject to, among others, the relevant reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. The 2017 AGM will be held on Friday, 8 June 2018 to consider the related resolutions. As Long Honour and COSCO Container Industries Limited are wholly-owned subsidiaries of COSCO SHIPPING, they have a material interest in the relevant resolutions on the Proposed Revision Caps and therefore will abstain from voting on the relevant resolutions at the 2017 AGM. Save as disclosed above, none of the parties has a material interest in the approval of the Continuing Connected Transactions (including the Proposed Revision Caps under the Supplementary Agreement).

GENERAL INFORMATION OF THE PARTIES TO THE CONTINUING CONNECTED TRANSACTIONS

The Company is one of the leading equipment and solution providers in the logistics and energy industries in the PRC, primarily providing products and services such as containers, energy, chemical and food equipment, offshore engineering equipment, and airport facilities.

COSCO SHIPPING is a joint stock company with limited liability established under the laws of the PRC, the H shares of which are listed on the Hong Kong Stock Exchange and the A shares of which are listed on the Shanghai Stock Exchange. COSCO SHIPPING is principally engaged in diversified leasing businesses such as vessel leasing, container leasing and other sector-related leasing as well as manufacturing of containers and financial investments.

III. PROPOSED GENERAL MANDATE TO ISSUE SHARES

At the 2016 AGM, the Board was granted the 2017 General Mandate to issue Shares to exercise the general power of the Company to allot, issue and otherwise deal with the Shares not exceeding 20% of the aggregate nominal amount of its share capital in issue as at the date of the 2016 AGM. The 2017 General Mandate will lapse upon expiration of the 12-month period from the date of approval of relevant resolution at the 2016 AGM unless renewed. On 12 March 2018, as approved by the Board, the Company proposed to allot, and issue not more than 343,315,321 H shares under the 2017 General Mandate. As at the Latest Practicable Date, the Proposed Issuance of H Shares has not been completed.

In order to ensure flexibility and to give discretion to the Directors in the event that it becomes desirable to issue any shares, a special resolution will be proposed at the 2017 AGM to grant the unconditional general mandate to the Board that during the relevant period under the general mandate, to separately or concurrently issue, allot and deal with additional A Shares and H Shares of not more than 20% of each of its existing A Shares and H Shares in issue as at the date of the relevant resolution to be proposed and passed at the 2017 AGM.

As at the Latest Practicable Date, the Company's issued share capital comprised 1,716,576,609 H Shares and 1,268,140,027 A Shares. Therefore, (1) subject to the granting of the 2018 General Mandate to be approved and assuming that the Proposed Issuance of H Shares has not been completed and no additional Shares will be issued prior to the 2017 AGM, the Board will be entitled to issue a maximum of 343,315,321 H Shares and 253,628,005 A Shares; (2) subject to the granting of the 2018 General Mandate to be approved and assuming that the proposed issuance of H Share has been completed (in aggregate 343,315,321 H Shares) and no additional Shares will be issued prior to the 2017 AGM, the Board will be entitled to issue a maximum of 411,978,386 H Shares and 253,628,005 A Shares.

The 2018 General Mandate, upon approval at the 2017 AGM, will remain in effect until the earliest of; (i) the conclusion of the next annual general meeting of the Company following the passing of this resolution; (ii) the expiration of the 12-month period following the passing of this resolution at the 2017 AGM; or (iii) the date on which the 2018 General Mandate set out in this resolution is revoked or varied by a special resolution of the Shareholders at a general meeting.

The Board shall comply with pertinent provisions of the Hong Kong Listing Rules, the Articles of Association and applicable PRC laws and regulations when exercising powers pursuant to the 2018 General Mandate. Notwithstanding the granting of the 2018 General Mandate, the Company is still required to seek the Shareholders' approval at the general meeting for the issuance of any A Shares according to pertinent PRC laws and regulations, but exempt from Shareholders' approvals at the class meeting of A Shareholders and the class meeting of H Shareholders.

IV. PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

On 27 March 2018, at the sixth meeting in 2018 of the Board, the Board considered and approved the "Resolution Regarding the Amendments to the Articles of Association of China International Marine Containers (Group) Co., Ltd.". Pursuant to the relevant rules and regulations of the Opinions of the General Office of the State Council on Further Strengthening the Protection of Lawful Interests of Small and Medium Investors in the Capital Market (Guo Ban Fa [2013] No. 110) (國務院辦公廳關於進一步加強資本市場中小投 資者合法權益保護工作的意見), Guidelines for the Articles of Association of Listed Companies (2016 Revision) (CSRC Announcement No. 23 [2016]), etc., listed companies are prohibited from setting requirement of the minimum shareholding ratio when soliciting shareholders' voting rights. In order to comply with the related regulations, the Company proposes to make amendment to the relevant provision of the Articles of Association as follows:

No.	Existing Article	Proposed Revised Article
1.	Article 116. The Board, independent Directors and qualified Shareholders have the right to solicit voting rights from Shareholders.	Article 116. The Board, independent Directors and qualified Shareholders have the right to solicit voting rights from shareholders. In doing so, information such as voting intention shall be sufficiently disclosed to the Shareholders from whom voting rights are being solicited. Provision of consideration or de facto consideration is prohibited in soliciting Shareholders' voting rights. The Company is prohibited from setting requirement of the minimum shareholding ratio when soliciting Shareholders' voting rights."

Apart from the above amendment, the other terms and conditions of the Articles of Association remain unchanged. The above amendment to the terms of the Articles of Association shall come into effect upon consideration and approval at the 2017 AGM.

V. PROPOSED AMENDMENTS TO THE RULES OF PROCEDURES FOR THE GENERAL MEETING

On 27 March 2018, at the sixth meeting in 2018 of the Board, the Board considered and approved the "Resolution Regarding the Amendments to the Rules of Procedures for the General Meeting of China International Marine Containers (Group) Co., Ltd.". Pursuant to the relevant rules and regulations of the Opinions of the General Office of the State Council on Further Strengthening the Protection of Lawful Interests of Small and Medium Investors in the Capital Market (Guo Ban Fa [2013] No. 110)(國務院辦公廳關於進一步加強資本市場中小投資者合法權益保護工作的意見) and Guidelines for the Articles of Association of Listed

Companies (2016 Revision) (CSRC Announcement No. 22 [2016]), listed companies are prohibited from setting requirement of the minimum shareholding ratio when soliciting shareholders' voting rights. In order to comply with the related regulations, the Company proposes to make amendment to the relevant provision of the Rules of Procedures for the General Meeting as follows:

No.	Existing Article	Proposed Revised Article
1.	Article 69. The Board, independent Directors and qualified Shareholders have the right to solicit voting rights from Shareholders.	Article 69. The Board, independent Directors and qualified Shareholders have the right to solicit voting rights from Shareholders. In doing so, information such as voting intention shall be sufficiently disclosed to the Shareholders from whom voting rights are being solicited. Provision of consideration or de facto consideration is prohibited in soliciting Shareholders' voting rights. The Company is prohibited from setting requirement of the minimum shareholding ratio when soliciting Shareholders' voting rights."

Apart from the above amendment, the other terms and conditions of the Rules of Procedures for the General Meeting remain unchanged. The above amendment to the terms of the Rules of Procedures for the General Meeting shall come into effect upon consideration and approval at the 2017 AGM.

VI. PROPOSED ADJUSTMENT OF THE SUBSIDIES FOR INDEPENDENT NON-EXECUTIVE DIRECTORS

The Board currently comprises three independent non-executive Directors, namely Mr. PAN Chengwei, Mr. PAN Zhengqi and Mr. WONG Kwai Huen, Albert. The three independent non-executive Directors have acquired competent academic and professional qualifications and ample industry experience in shipping, finance, legal and management. Among them, Mr. PAN Chengwei has appropriate accounting and financial management expertise. They perform their duties vigorously according to the Articles of Association and the relevant requirements under the applicable laws and regulations, and do not hold other positions in the Company.

Having regard to our current position in the industry, the contribution of the non-executive Directors to our business development, together with future business development and actual condition, the Company intends to adjust the subsidies for the independent non-executive Directors from RMB200,000 per year to RMB240,000 from 1 January 2018.

The proposed adjustment has been considered and approved by the Remuneration and Appraisal Committee under the Board of the Company, approved at the sixth meeting in 2018 of the eighth session of the Board, and shall come into effect upon consideration and approval at the 2017 AGM.

VII. PROPOSED FINAL DIVIDEND PAYMENT FOR 2017

The Board has resolved to recommend payment of a cash dividend of RMB0.27 (tax inclusive) per Share for the year ended 31 December 2017 to the A Shareholders and H Shareholders whose names appear on the register of members of the Company at the close of business on the respective record dates subject to the Shareholders' approval at the 2017 AGM as an ordinary resolution. The proposed dividend is expected to be payable around 20 July 2018. For further details on the final dividend for 2017, please refer to the Company's announcement dated 27 March 2018. Further announcement(s) regarding the respective record dates for A Shareholders and H Shareholders will be made by the Company in due course.

VIII. PROPOSED REGISTRATION AND ISSUANCE OF MEDIUM-TERM NOTES (INCLUDING PERPETUAL MEDIUM-TERM NOTES) AND SUPER & SHORT-TERM COMMERCIAL PAPERS

The Company proposed to apply for registration and issuance of medium-term notes no more than RMB6 billion, perpetual medium-term notes (also known as "perpetual mid-term notes") no more than RMB4 billion and super & short-term commercial papers no more than RMB8 billion, for the purpose of broadening financing channels, meeting production and operation needs, and fostering sound development of the Company. The Proposed Registration and Issuance has been considered and approved at the eighth meeting in 2018 of the eighth session of the Board held on 23 April 2018, and shall be submitted for consideration and approval at the 2017 AGM. Details are as follows:

Plan for Issuance of Medium-Term Notes (Including Perpetual Medium-term Notes):

Proposed Registration and Issuance size:	To propose registration and issuance of no more than RMB6 billion of medium-term notes and RMB4 billion of perpetual medium-term notes.
Term of proposed issuance:	Subject to the requirements of regulatory authorities and market conditions before issuance.
Interest rate under the proposed issuance:	Subject to the market pricing.
Use of proceeds:	To replenish the Company's working capital, repay bank loans of the Company, and finance other expenses as permitted under the regulations of medium-term notes (including perpetual medium-term notes).
Proposed issuance date:	Subject to the market conditions.

Plan for Issuance of Super & Short-term Commercial Papers:

Proposed Registration and Issuance size:	To propose registration and issuance of no more than RMB8 billion of super & short-term commercial papers.
Term of proposed issuance:	Subject to the requirements of the regulatory authorities and market conditions before issuance.
Interest rate under the issuance:	Subject to the market pricing.
Use of proceeds:	To replenish the Company's working capital, repay bank loans of the Company, and finance other expenses as permitted under the regulations of super & short-term commercial papers
Proposed issuance date:	Subject to market conditions.

AUTHORISATION MATTERS

To ensure that the Proposed Registration and Issuance can be carried out in a legal, efficient and orderly manner, the Board has submitted for consideration and approval at the 2017 AGM to authorise Mr. MAI Boliang (as CEO and President) or his delegate to determine specific terms and carry out relevant transactions with respect to the Proposed Registration and Issuance according to the opinions of the competent authorities and the requirements under relevant laws and regulations, including but not limited to, determination of the size, interest rate, and terms with respect to the Proposed Registration and Issuance subject to the actual needs of the Company and the actual market conditions, and execution of the relevant legal documents.

APPROVAL PROCEDURES

The Proposed Registration and Issuance has been approved at the eighth meeting of the eighth session of the Board of the Company in 2018, pending submission to the 2017 AGM of the Company for consideration and approval. It is subject to the registration with the National Association of Financial Market Institutional Investors. The Company is not a party subject to liabilities for dishonesty.

IX. 2017 AGM AND CLOSURE OF H SHARE REGISTER

The 2017 AGM will be held at 2:30 p.m. on Friday, 8 June 2018 at CIMC R&D Centre, 2 Gangwan Avenue, Shekou, Nanshan District, Shenzhen, Guangdong, the PRC to consider and, if thought fit, pass, among others, (i) the proposed revision of the Annual Caps of the Continuing Connected Transactions for 2018 and 2019; (ii) the general mandate to issue shares; (iii) the proposed amendments to the Articles of Association; (iv) the proposed amendments to the Rules of Procedures for the General Meeting; (v) the proposed adjustment of the subsidies for independent non-executive Directors; (vi) the proposed final dividend payment for 2017; and (vii) the proposed registration and issuance of medium-term notes (including perpetual medium-term notes) and super & short-team commercial papers. The notice of the 2017 AGM containing the proposed resolutions has been despatched to the Shareholders on 23 April 2018.

The reply slip and proxy form for use at the 2017 AGM were despatched to the H Shareholders on 23 April 2018 together with the notice of the 2017 AGM. The relevant notice, reply slip and proxy form were also published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk). If you intend to attend the 2017 AGM, you are requested to complete and return the reply slips in accordance with the instructions printed on the reply slip not later than Friday, 18 May 2018.

The H Shareholders who intend to appoint proxies to attend the 2017 AGM are requested to complete and return the proxy forms in accordance with the instructions printed thereon and return the same to the H Share Registrar at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong no later than 24 hours before the time appointed for holding the meetings or any adjourned meetings thereof (as the case may be). Completion and return of the proxy form will not preclude you from attending and voting in person at the 2017 AGM or any adjournment thereof should you so wish.

Closure of H Share Register

The register of members of H Shares is closed from Wednesday, 9 May 2018 to Friday, 8 June 2018 (both days inclusive), during which no transfers of H Shares will be effected. The H Shareholders who intend to attend the 2017 AGM must deliver the Shares and registration documents to the H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong no later than 4:30 p.m. on Tuesday, 8 May 2018. The H Shareholders whose names appear on the register of members of the Company at the close of business on Monday, 4 June 2018 are entitled to attend and vote at the 2017 AGM upon completion of the registration.

Voting by Poll

Pursuant to Rule 13.39(4) of the Hong Kong Listing Rules and Article 124 of the Articles of Association, all votes of the Shareholders at the 2017 AGM must be taken by poll.

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on the reasonableness and fairness in respect of the proposed revision of the Annual Caps of the Continuing Connected Transactions for 2018 and 2019. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders on the above matters. The text of the letter from the Independent Board Committee is set out on pages 22 to 23 of this circular and the text of the letter from the Independent Financial Adviser containing its advice is set out on pages 24 to 35 of this circular.

X. RECOMMENDATIONS

The non-connected Directors (including the independent non-executive Directors) are of the view that the resolutions in respect of, among other things, (i) the proposed revision of the Annual Caps of the Continuing Connected Transactions for 2018 and 2019; (ii) the general mandate to issue shares; (iii) the proposed amendments to the Articles of Association; (iv) the proposed amendments to the Rules of Procedures for the General Meeting; (v) the proposed adjustment of the subsidies for independent non-executive Directors; (vi) the proposed final dividend payment for 2017; and (vii) the Proposed Registration and Issuance of medium-term notes (including perpetual medium-term notes) and super & short-term commercial papers to be put forward at the 2017 AGM are in the best interests of the Company and the Shareholders as a whole. Accordingly, the non-connected Directors recommend that the Independent Shareholders should vote at the 2017 AGM in favour of the resolutions contained in the notice thereof.

XI. ADDITIONAL INFORMATION

Your attention is drawn to the Statutory and General Information set out in the appendix to this circular.

Yours faithfully,
On behalf of the Board
CHINA INTERNATIONAL MARINE CONTAINERS (GROUP) CO., LTD.
WANG Hong
Chairman

The following is the text of the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in connection with the proposed revision of Annual Caps of the Continuing Connected Transactions for 2018 and 2019 for inclusion in this circular.

CIMC 中集

CHINA INTERNATIONAL MARINE CONTAINERS (GROUP) CO., LTD.
中國國際海運集裝箱(集團)股份有限公司
(a joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 2039)

To the Independent Shareholders

Dear Sir or Madam,

Continuing Connected Transaction – Proposed Revision of Annual Caps of the Continuing Connected Transactions for 2018 and 2019

We refer to the circular of the Company dated 18 May 2018 (the "**Circular**"), of which this letter forms part. Unless otherwise stated, terms defined in the Circular have the same meaning when used in this letter.

The Independent Board Committee has been formed to advise the Independent Shareholders as to whether, in its opinion, the proposed revision of Annual Caps of the Continuing Connected Transactions for 2018 and 2019 are on normal commercial terms and in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to recommend whether or not the Independent Shareholders should vote in favour of the ordinary resolutions to be proposed at the AGM to approve for the proposed revision of Annual Caps of the Continuing Connected Transactions for 2018 and 2019. Innovax Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the proposed revision of Annual Caps of the Continuing Connected Transactions for 2018 and 2019.

We wish to draw your attention to the letter from the Board, as set out on pages 6 to 21 of the Circular and the text of a letter of advice from the Independent Financial Adviser, as set out on pages 24 to 35 of the Circular, both of which provide details of the proposed revision of Annual Caps of the Continuing Connected Transactions for 2018 and 2019.

Having considered (i) the advice of Innovax Capital, and (ii) the relevant information contained in the letter from the Board, we are of the opinion that the proposed revision of Annual Caps of the Continuing Connected Transactions for 2018 and 2019 are on normal commercial terms and in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the 2017 AGM to approve the proposed revision of Annual Caps of the Continuing Connected Transactions for 2018 and 2019.

Yours faithfully,
For and on behalf of
The Independent Board Committee
CHINA INTERNATIONAL MARINE CONTAINERS (GROUP) CO., LTD.
Mr. PAN Chengwei **Mr. PAN Zhengqi** **Mr. WONG Kwai Huen, Albert**
Independent non-executive Directors

The following is the full text of a letter of advice from Innovax Capital Limited to the Independent Board Committee and the Independent Shareholders prepared for the purpose of inclusion in this circular.

Innovax Capital

18 May 2018

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

REVISION OF ANNUAL CAPS OF CONTINUING CONNECTED TRANSACTIONS FOR 2018 AND 2019

I. INTRODUCTION

We refer to our engagement as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Supplementary Agreement for the proposed revision of annual caps of continuing connected transactions for 2018 and 2019, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in this circular (the "**Circular**") dated 18 May 2018 issued by the Company, of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

Reference is made to announcements of the Company dated (i) 11 November 2016 in relation to the Framework Agreement entered into by the Company and COSCO SHIPPING in respect of the Continuing Connected Transactions; (ii) dated 27 March 2018 in relation to the actual transaction amount for the year ended 31 December 2017 under the Continuing Connected Transactions exceeding the 2017 Annual Cap; and (iii) dated 29 March 2018 in relation to the Supplementary Agreement entered into by the Company and COSCO SHIPPING, in light of the increase in COSCO SHIPPING's demand for commodities of the Group for 2018 and 2019 driven by the growth of global international trade and container transportation industry, for the revision of Annual Caps of the Continuing Connected Transactions for 2018 and 2019 in order to comply with the relevant requirements under the Hong Kong Listing Rules.

As stated in the Letter from the Board, COSCO SHIPPING is an indirect holding company of Long Honour and COSCO Container Industries Limited, holding in aggregate 22.72% of the issued share capital of the Company as at the Latest Practicable Date through Long Honour and COSCO Container Industries Limited, both being substantial shareholders which collectively held 245,842,181 H Shares and 432,171,843 A Shares, respectively representing 8.24% and 14.48% of the total issued share capital of the Company, respectively as at the Latest Practicable Date. Therefore, COSCO SHIPPING and its subsidiaries, each being an associate of Long Honour and COSCO Container Industries Limited, are connected persons of the Company and the transactions under the Framework Agreement and Supplementary Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. Since the applicable percentage ratios as defined under the Hong Kong Listing Rules in respect of the Proposed Revision Caps exceed 5%, but are lower than 25%, the Proposed Revision Caps shall subject to, among others, the relevant reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

The Independent Board Committee, comprising all of the three independent non-executive Directors, namely Mr. PAN Chengwei, Mr. PAN Zhengqi and Mr. WONG Kwai Huen, Albert, has been formed to advise the Independent Shareholders as to whether, in its opinion, the Proposed Revision Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to recommend whether or not the Independent Shareholders should vote in favour of the ordinary resolutions to be proposed at the 2017 AGM to approve for such revision of annual caps. In our capacity as the Independent Financial Adviser, our role is to provide the Independent Board Committee and the Independent Shareholders with an independent opinion and recommendation in this regard.

The 2017 AGM will be convened on 8 June 2018. The COSCO SHIPPING and its associates are required to abstain from voting in respect of the proposed resolutions approving the Proposed Revision Caps.

We have not provided any other services to the Company in the last two years prior to the date of the Circular. As at the Latest Practicable Date, we are not connected with the Directors, chief executive and substantial shareholders of the Company or COSCO SHIPPING or any of their respective subsidiaries or associates and are therefore considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders. Apart from normal professional fees payable to us by the Company in connection with this appointment, no arrangement exists whereby we have received or will receive any fees or benefits from the Company or the directors, chief executive and substantial shareholders of the Company or COSCO SHIPPING or any of their respective subsidiaries or associates or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Hong Kong Listing Rules.

II. BASIS OF OUR OPINION

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Circular and have assumed that all information and representations made or referred to in the Circular were true, accurate and complete in all material respects at the time they were made and continue to be true, accurate and complete in all material respects at the date of this Circular. We have also relied on our discussion with the management of the Company (the "**Management**") and its representatives regarding the Group, the Continuing Connected Transactions and the Proposed Revision Caps, including the information and representations contained in the Circular. We have also assumed that all statements of belief, opinion and intention made by the Management and its representatives respectively in the Circular were reasonably made after due enquiry.

We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the Management and its representatives. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Group, COSCO SHIPPING or their respective associates, nor have we carried out any independent verification of the information supplied.

III. PRINCIPAL FACTORS AND REASONS CONSIDERED FOR THE PROPOSED REVISION OF ANNUAL CAPS OF THE CONTINUING CONNECTED TRANSACTIONS FOR 2018 AND 2019

In arriving at our opinion and recommendations on the proposed revision of the Annual Caps of the Continuing Connected Transactions for 2018 and 2019, we have taken the following principal factors and reasons into considerations:

A. Background information of the Group

The Group is an equipment and solution provider in the logistics and energy industries and is principally engaged in the manufacture of containers, road transportation vehicles, energy, chemical and liquid food equipment, offshore engineering equipment and airport facilities equipment as well as the provision of relevant services, including the design and manufacture of international standard dry containers, reefer containers, regional special containers, tank containers, road tank trucks, natural gas equipment and static tanks, road transportation vehicles, heavy trucks, jack-up drilling platforms, semi-submersible drilling platforms, special vessels, passenger boarding bridges, air cargo handling systems, ground vehicles with specific purpose and automatic parking system and the provision of relevant services.

The following table summarises the financial information of the Group for the published audited results for the two years ended 31 December 2016 and 2017 respectively prepared in accordance with China Accounting Standards for Business Enterprises (the "**Group's 2017 Annual Results Announcement**").

	For the year ended 31 December		
	2016	**2017**	**Year change**
	RMB million	*RMB million*	*%*
Revenue	51,111.7	76,299.9	49.3
– Container Manufacturing Business	11,067.0	25,046.7	126.3
– Others	40,044.7	51,253.2	28.0
Profit for the year	735.0	3,158.4	329.7

According to the Group's 2017 Annual Results Announcement, the Group's revenue increased from RMB51,111.7 million in 2016 to RMB76,299.9 million in 2017, representing an increase of 49.3%. The Group's profit for the year also recorded significant growth, which increased from RMB735.0 million in 2016 to RMB3,158.4 million in 2017, representing an increase of 329.7%. Such increases were mainly due to the recovery of global and domestic economy, international trade and industrial production. Particularly, the revenue from the Group's container manufacturing business segment recorded a more significant growth in 2017 as compared to total revenue, amounting to 126.3%. Such growth was mainly caused by growth in shipping volume and increase in production costs due to environmental measures and increase in raw materials costs which in turn increased the container prices.

B. Background information of the COSCO SHIPPING Group

COSCO SHIPPING Group is principally engaged in diversified leasing businesses such as vessel leasing, container leasing and other sector-related leasing as well as manufacturing of containers and financial investments.

The following table summarises the financial information of the COSCO SHIPPING Group for the published audited results for the two years ended 31 December 2016 and 2017 respectively prepared in accordance with Hong Kong Financial Reporting Standards (the "**COSCO SHIPPING Group's 2017 Annual Results Announcement**").

	For the year ended 31 December		
	2016	**2017**	**Year change**
	RMB million	*RMB million*	*%*
Revenue	15,527.9	16,260.6	4.7
– Shipping and industry-related leasing	10,040.6	10,380.4	3.4
– Container manufacturing	1,484.4	5,466.7	268.3
– Others	4,002.9	413.5	868.1
Profit for the year	393.1	1,534.3	290.3

According to the COSCO SHIPPING Group's 2017 Annual Results Announcement, the COSCO SHIPPING Group's revenue increased from RMB15,527.9 million in 2016 to RMB16,260.6 million in 2017, representing an increase of 4.7%. Benefit from the recovery of global economy, the COSCO SHIPPING Group's profit for the year recorded significant growth, which increased from RMB393.1 million in 2016 to RMB1,534.3 million in 2017, representing an increase of 290.3%.

C. The Continuing Connected Transactions contemplated under the Supplementary Agreement

1. Background of the Continuing Connected Transactions and the Supplementary Agreement

On 11 November 2016, the Company and COSCO SHIPPING entered into the Framework Agreement, pursuant to which the Company agreed to from time to time supply commodities (including but not limited to containers) to the COSCO SHIPPING Group, for a term commencing from 1 January 2017 to 31 December 2019 (both dates inclusive). The annual caps in respect of the transaction contemplated under the Framework Agreement for the years ending 31 December 2017, 31 December 2018 and 31 December 2019 were set as RMB450.0 million, RMB550.0 million and RMB600.0 million, respectively. When reviewing the Company's historical transaction data, the Company noted that the actual transaction amount of supplies to COSCO SHIPPING under relevant Continuing Connected Transactions totaled approximately RMB785.1 million for the year ended 31 December 2017, exceeding the annual cap of RMB450.0 million previously set by the Company for 2017 under the Framework Agreement. The sixth meeting of the Board for 2018 has considered and approved the "Resolutions on Ratification of Continuing Connected Transactions/Ordinary Related Transactions with COSCO SHIPPING Development Co., Ltd.", confirming the ratification of the total transaction amounts of the Continuing Connected Transactions/Ordinary Related Transactions for 2017.

Considering the actual transaction amount for 2017 exceeding the 2017 Annual Cap and the increase in COSCO SHIPPING's demand for commodities of the Group for 2018 and 2019 driven by the growth of the global international trade and container transportation industry, the Company and COSCO SHIPPING anticipate that the existing annual caps for 2018 and 2019 under the Framework Agreement will not be able to meet the future transaction needs of the parties. To this end, as considered and approved by the sixth meeting of the Board for 2018, the Company and COSCO SHIPPING entered into the Supplementary Agreement on 29 March 2018. The terms of the Continuing Connected Transactions in the Supplementary Agreement are substantially referred to the Framework Agreement except for the Proposed Revision Caps. The Supplementary Agreement is conditional upon the approval of Independent Shareholders at the 2017 AGM. Upon the Supplementary Agreement becoming effective, the Existing Annual Caps will be revised and the Proposed Revision Caps for the years ending 31 December 2018 and 31 December 2019 are set as RMB4,600.0 million and RMB5,000.0 million, respectively.

2. *Proposed Revision Caps*

The following table set out the Proposed Revision Caps, historical transaction amount and Existing Annual Caps for the year ended 31 December 2017 and each of the years ending 31 December 2018 and 31 December 2019:

	For the year ended 31 December 2017	**For the year ending 31 December 2018**	**For the year ending 31 December 2019**
	RMB million	*RMB million*	*RMB million*
Proposed Revision Caps	N/A	4,600.0	5,000.0
Historical transaction amount	785.1	N/A	N/A
Existing Annual Caps	450.0	550.0	600.0

As stated in the Letter from the Board, the Proposed Revision Caps were determined with reference to, among others, (1) the actual procurement of containers by the COSCO SHIPPING Group from the Group for 2017 exceeded the 2017 Annual Cap by approximately RMB335.1 million; (2) the estimated increase in the demand for commodities of the Group for 2018 and 2019 driven by the expected growth of the global economy, international trade and container transportation industry as well as the business development planning of the COSCO SHIPPING Group and the Group; in particular, pursuant to the procurement plan of FIL, driven by the growth in the global container scale and the retirement and replacement of containers due to aging of containers, the COSCO SHIPPING Group's total procurement of containers is anticipated to increase by approximately 633% from 2017 to 2018 and further increase by approximately 8% from 2018 to 2019, in terms of TEU. Under these circumstances, the COSCO SHIPPING Group's procurement of the Group's containers is anticipated to increase by approximately 788% from 2017 to 2018, and further increase by approximately 4% from 2018 to 2019, in terms of TEU; (3) the substantial fluctuation of historical price and potential price increase, after taking into account the historical prices of commodities such as containers, which ranged from approximately US$1,300/TEU and US$2,950/TEU since 2010; (4) the expected increase in the demand for containers and the needs of the Company to flexibly address the sudden increase in the demands for the relevant commodities under the Framework Agreement; and (5) the fluctuation in foreign currency exchange rates, etc. With reference to the aforementioned basis, we have taken into account the following factors in assessing the fairness and reasonableness of the Proposed Revision Caps:

(a) the business development of the COSCO SHIPPING Group and the estimated increase in the demand for commodities of the Group for 2018 and 2019

The Proposed Revision Caps were determined mainly based on the estimated increase in the COSCO SHIPPING Group's demand for containers. Reference is made to the circular (the "**COSCO SHIPPING Circular**") issued by the COSCO

SHIPPING on 19 May 2017 in relation to, among others, the proposed non-public issuance of A shares (the "**Proposed Non-public Issuance of A Shares**"). According to the COSCO SHIPPING Circular, approximately RMB6.8 billion of the net proceeds from the Proposed Non-public Issuance of A Shares was decided to be used for capital injection to FIL, which in turn will be used by FIL to purchase containers during the period of 2017 to 2019 for the purpose of maintaining and expanding container scale and securing competitive position in the market. Pursuant to the feasibility report (the "**Feasibility Report**") to the COSCO SHIPPING Circular, the expected increase of such demand of FIL for containers is mainly driven by the growth in the global container scale and the retirement and replacement of containers due to aging. Set forth below is the FIL's procurement plan (the "**Procurement Plan**") of containers during the period of 2017 to 2019.

	2017	**2018**	**2019**
FIL's planned purchase under the Procurement Plan (RMB million) *(Note 1)*	1,186.6	8,692.1	9,414.3
FIL's planned purchase under the Procurement Plan (TEU) *(Note 2)*	48,000.0	351,603.0	380,820.0

Note 1: summation of FIL's planned procurement amounts which are financed by net proceeds from the Proposed Non-public Issuance of A Shares and self-owned funds as extracted from the Feasibility Report

Note 2: extract from the COSCO SHIPPING's overseas regulatory announcement dated 30 October 2017 in respect of reply to the comments from China Securities Regulatory Commission in relation to the Proposed Non-public Issuance of A Shares

From the above Procurement Plan, the COSCO SHIPPING Group's total procurement of containers is anticipated to increase by approximately 633% from 2017 to 2018 and further increase by approximately 8% from 2018 to 2019, in terms of TEU. We reviewed the Framework Agreement, the Supplementary Agreement, and the correspondence between COSCO SHIPPING and the Company stipulating the COSCO SHIPPING Group's anticipated procurement of the Group's containers and understood that such Procurement Plan was mutually agreed. Under these circumstances, the COSCO SHIPPING Group's procurement of the Group's containers is anticipated to increase by approximately 788% from 2017 to 2018, and further increase by approximately 4% from 2018 to 2019, in terms of TEU. We have also reviewed the announcement of COSCO SHIPPING dated 29 March 2018 as disclosed in Shanghai Stock Exchange which also proposed the revision of annual caps for continuing connected transaction with the Group to RMB4.6 billion for 2018 and RMB5.0 billion for 2019 for the approval of shareholders.

The demand for container is driven by international trade, which could be reflected by Baltic Dry Index ("**BDI**") and China Containerised Freight Index ("**CCFI**"). BDI measures the change in the cost of transporting various raw materials by dry bulk carriers or merchant ships. BDI demonstrated an upward trend during the period from July 2016 to March 2018, which increase from approximately 707.4 to approximately 1,154.2 during the same period, representing an increase of approximately 63.2%. For CCFI, which reflects the fluctuations of spot freight rates on nationwide export container transport market, also demonstrated an upward trend during the period from July 2016 to March 2018. It increased from approximately 675.6 to approximately 808.9 from July 2016 to March 2018, representing an increase of approximately 19.7%. The Management is of the view that the upward trends for both BDI and CCFI indicate that the demand for container is expected to grow.

Having considered the above, it is expected that the demand of containers to be sold to the COSCO SHIPPING Group by the Group will increase accordingly and the revision of annual caps for the Continuing Connected Transaction to meet the anticipated increase in transaction amount is not unreasonable.

(b) the estimated price fluctuation of commodities

Based on our discussion with the Management, we understand that the estimated average selling price of containers under the Procurement Plan in 2018 and 2019 is expected to be higher than the prevailing market price around the end of March. We have obtained and reviewed the Group's historical sales record of containers sold by the Group to the COSCO SHIPPING Group and to independent third parties around the end of March 2018 and noted that the Group's selling prices of containers were comparable to the market price. The Management is of the view that the higher estimated average selling price was supported by the recovery of economy and increasing trend in prices of key raw materials. As stated in the COSCO SHIPPING Circular, the container sales, as well as the container leasing industry, are highly correlated with the container traffic and are also affected by cyclical fluctuations in the macro economy. Further, the global economy has shown positive sign of recovery, which will contribute to the growth of the global container sales and leasing industry, as well as the price of containers. In addition to the upward trends for BDI and CCFI as mentioned above, the price of steel, which is one of the key raw materials for the manufacture of container, has increased significantly since mid-2016. According to the National Bureau of Statistics of China, the price index of steel demonstrated an upward trend during the period from third quarter of 2016 to first quarter of 2018, which increased from 98.5 to 115.6 during the same period, representing an increase of 17.4%. Therefore, we considered the estimated increase in average selling price of containers is not unreasonable.

(c) Buffer incorporated to address sudden increase in demands and exchange rate fluctuations

We discussed with the Management and understood that the buffer incorporated mainly in respect of sudden increase in demands and exchange rate fluctuations in the Proposed Revision Caps accounted for approximately 6.8% to 11.0% of the total amount of respective Proposed Revision Caps.

Given the abovementioned, we concur with the view of the Directors that the Proposed Revision Caps under the Supplementary Agreement are fair and reasonable, on normal commercial terms and in the interest of the Company and the Independent Shareholders as whole.

3. Pricing Policies

No changes to the pricing policies and principles were made in the Supplementary Agreement. The Continuing Connected Transactions between the Group and the COSCO SHIPPING Group for 2018 and 2019 will continue to be carried out on the basis pursuant to the Framework Agreement.

Pursuant to the Framework Agreement, the pricing policies and principles of the Continuing Connected Transactions between the Group and the COSCO SHIPPING Group are as follows:

(1) where the bidding process is required, the bidding price shall prevail

Such pricing policy is used in the supply of container wood floor boards and containers by the Group to the COSCO SHIPPING Group when a bidding process is adopted by the COSCO SHIPPING Group and where members of the Group may be invited by the COSCO SHIPPING Group to participate in the bidding process. In general, not less than three suppliers are invited for each bidding process and factors including pricing, product quality, level of services and qualification of suppliers are comprehensively considered by the COSCO SHIPPING Group in selecting the successful supplier(s).

The bidding price is proposed by the business department of the relevant Group member, as bidder, with reference to factors such as the historical prices and future trends of relevant commodities, prices or similar commodities offered to third party customers, production cost, raw material prices and production capacity, subject to its management's approval. As confirmed by the Management, bidding has not been used since 2017 and up to the Latest Practicable Date.

(2) where there is no bidding process, the price shall be determined with reference to the market price

Such pricing policy is mainly used in the supply of containers by the Group to the COSCO SHIPPING Group when no bidding process is adopted by the COSCO SHIPPING Group. The parties will negotiate and determine the relevant commodities price with reference to the comparable market price (such as comparable local, domestic or international price) based on the commodity's type and quality. In this regard, the business department of the Group updates the comparable market prices from time to time by collecting (i) market information published by independent industry authorities and institutes, such as China

Container Industry Association (中國集裝箱行業協會), Shanghai Shipping Freight Exchange Co., Ltd. (上海航運運價交易有限公司), Chinese Shipping.com (中華航運網) and Clarksons and (ii) publicly disclosed pricing information of the Group's competitors, and reports the market prices to its management as a pricing determination reference. In addition, the operation department of the Group reviews the profit contribution of different customers by carrying out periodic comprehensive analysis in respect of the profitability of similar commodities provided to different customers (including the COSCO SHIPPING Group and independent third party customers). The result of such analysis will be obtained by the business department as a reference when adjusting pricing determination. Since 2017 and as of the Latest Practicable Date, commodities under the Framework Agreement supplied by the Group to the COSCO SHIPPING Group have all been priced using this method.

(3) where neither of the above prices is applicable or where it is not practicable to apply the above pricing policies, the Group will negotiate with the COSCO SHIPPING Group on arm's length basis

In the less probable event where it is not practicable to offer a bidding process and where comparable market price is not available, the Group will negotiate with the COSCO SHIPPING Group on arm's length basis after considering the cost of major raw materials (such as steel and paint), manufacturing technology, product quality, product volume and the historical prices of the relevant commodities. In such cases, the Group will conduct customer analysis to compare and evaluate the prices and terms of similar commodities supplied to different customers (including the COSCO SHIPPING Group and other independent third parties) to ensure that the prices and terms of the commodities supplied to the COSCO SHIPPING Group will not be less favourable to the Group than those of similar commodities offered by the Group to independent third parties. Since containers and wood floor boards are competitive products in open markets, as of the Latest Practicable Date, this method has not been used to price commodities supplied by the Group to the COSCO SHIPPING Group.

In regards of the second pricing procedure which was the only pricing procedure used since 2017 and up to the Latest Practicable Date, "*where there is no bidding process, the price shall be determined with reference to the market price",* we have reviewed (1) the research report prepared by the Company in relation to the container industry; (2) analyses performed by the Company in relation to the market share of the Company and its competitors, market prices of commodities sold by the Group, profit contribution of different customers and noted the Company has implemented and carried out the procedures as mentioned above. As discussed with the Management, the Company would take into account these market data and analyses when determining the prices. We are of the view that under the second pricing procedures, the transaction price then determined shall be comparable to the market prices and the transaction price with the COSCO SHIPPING Group will not be less favorable to the Group than those offered by the Group for similar commodities to independent third parties. We have also reviewed the first and the third pricing procedure, i.e. "*where the bidding process is required, the bidding price shall prevail" and "where neither of the above prices is applicable or where it is not practicable to apply the above pricing policies, the Group will negotiate with the COSCO SHIPPING Group on arm's length basis"*. By understanding the pricing policies, we noted that these pricing procedures either involve tendering which would be participated by other independent third party competitors or the consideration of market prices of similar commodities. Therefore, we are of the view that the Group's pricing policies are fair and reasonable.

For the Continuing Connected Transactions, payments will be made in accordance with provisions in the specific agreements to be entered into between relevant members of the COSCO SHIPPING Group and the relevant members of the Group under the Framework Agreement. The Group generally offers customers credit term in the range of 30 days to 90 days, with majority of the commodities being supplied with a credit term of 60 days, from inspection upon delivery, but may from time to time adjust such terms taking into account generally accepted market terms. As of the Latest Practicable Date, commodities under the Framework and Supplementary Agreement have been supplied to the COSCO SHIPPING Group with a credit term of 60 days. Payments shall be made by telegraphic transfer, bank draft or other payment methods which are generally acceptable in the industry. The Company is of the view that such pricing terms to the COSCO SHIPPING Group are in line with and no better than those offered to its independent third party customers.

The Group adopts the same above-mentioned pricing and payment policies when supplying commodities to the COSCO SHIPPING Group and to other independent third party customers. To ensure the Continuing Connected Transactions will be conducted on normal commercial terms, at prices and terms no less favourable to the Group than those of similar commodities offered by the Group to independent third parties, and are fair and reasonable and in the interests of the Group and the Shareholders as a whole, the Group regularly reviews and monitors the gross profit margins and payment terms of the commodities supplied by the Group to different customers (including the COSCO SHIPPING Group) and compares them against the industry's norm. In particular, the Group reviews the profitability of commodities supplied to the COSCO SHIPPING Group on a monthly basis and conducts trend analysis on the profitability of commodities supplied to the COSCO SHIPPING Group against those supplied to other independent third parties on a quarterly basis. The Group also regularly reviews the account receivables from the COSCO SHIPPING Group against its customers on a monthly basis.

Based on our discussion with Management, the determination of credit periods with customers are based on commercial negotiation. In addition, the credit period of 60 days offered to the COSCO SHIPPING Group is comparable to those offered to most of the independent third party customers of the Group. We have reviewed summary of credit periods provided to the Group's customers and review the specific agreements entering into between the Group and the COSCO SHIPPING Group or independent third parties and compared the credit terms as stipulated in the specific agreements. We are of the view the payment terms offered to COSCO SHIPPING Group are no better than those offered to independent third parties under similar commercial circumstances.

4. Reason for and benefits of entering into the Supplementary Agreement

The Group has established long-term reliable business relationships with the COSCO SHIPPING Group, including but not limited to, FIL. Entering into the Supplementary Agreement and continuing to carry out the Continuing Connected Transactions are in line with the actual needs for the operation and development of the Group's principal businesses, including the container manufacturing business, which will not prejudice the interests of the Company and the Shareholders, especially the minority Shareholders, nor adversely affect the independence of the Company. Conducting such transactions will not give rise to reliance of the principal businesses of the Company on related parties. The price and terms with respect to the commodities supplied by the Group to the COSCO SHIPPING Group under the Framework Agreement and Supplementary Agreement shall be determined under a fair and reasonable basis and not be less favorable to the Group than those of similar commodities supplied by the Group to independent third parties.

Having taken into account the principal business of the Group and COSCO SHIPPING and the aforementioned reasons and benefits of entering into of the Supplementary Agreement, we concur with the Directors' view that the entering of the Supplementary Agreement is commercially justifiable and is in the ordinary and usual course of business of the Group.

IV. RECOMMENDATION

Having considered the above principal factors, we are of the opinion that the Proposed Revision Caps, are on normal commercial terms, in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders, and we advise the Independent Shareholders, to vote in favour of the ordinary resolutions to be proposed at the 2017 AGM for approving the Continuing Connected Transactions.

Yours faithfully,
For and on behalf of
Innovax Capital Limited

Richard Chu	**Peter Ng**
Managing Director	*Associate Director*

Note: Mr. Richard Chu and Mr. Peter Ng are licensed persons under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and regarded as responsible officers of Innovax Capital Limited. Mr. Richard Chu and Mr. Peter Ng have over 15 years and 10 years of experience in corporate finance industry, respectively.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

As at the Latest Practicable Date, apart from Mr. MAI Boliang who holds interest in the Company as disclosed below, none of the Directors, Supervisors or chief executive of the Company had any interest or short position in the Shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or were deemed to have under such provisions of the SFO), or was a director or employee of a company which had an interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required, pursuant to Section 352 of the SFO, to be entered in the register of members of the Company, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Hong Kong Stock Exchange. For this purpose, the relevant provisions of the SFO will be interpreted as if applied to the Supervisors.

(1) Interest in the Shares

Name	Nature of Interest	Number of Shares	Class of Shares
Mr. MAI Boliang	Beneficial interest	494,702 Shares	A Shares

(2) Interest in the underlying shares of the Company

Name	Class of interest of the underlying shares	Number of exercisable share options (options)	Exercise price	Exercisable period
Mr. MAI Boliang	Granted share options of A Shares of the Company	2,850,000	RMB10.49 per share	2015.6.2 - 2020.9.27

(3) Interest in the associated corporation

Name	Name of associated corporation	Nature of Interests	Number of Shares
Mr. MAI Boliang	CIMC Enric Holdings Limited	Beneficial interest	7,260,000

3. SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, as at the Latest Practicable Date, the persons other than a Director, Supervisor or senior management of the Company who had interests or short positions in the Shares or underlying Shares which are disclosable under Divisions 2 and 3 of Part XV of the SFO are as follows:

Name of Shareholder	Nature of shareholding	Number of Shares	Capacity	Percentage of such Shares in the issued share capital of the same class *(%)*	Percentage of such Shares in the total share capital *(%)*
China Merchants Group *(Note 1)*	H Shares	732,726,617 (L)	Interest of corporation controlled by the substantial shareholder	42.69%	24.55%
China COSCO Shipping *(Note 2)*	A Shares	432,171,843 (L)	Interest of corporation controlled by the substantial shareholder	34.08%	14.48%
	H Shares	245,842,181 (L)	Interest of corporation controlled by the substantial shareholder	14.32%	8.24%
Hony Group Management Limited *(Note 3)*	H Shares	358,251,896 (L)	Interest of corporation controlled by the substantial shareholder	20.87%	12.00%

Name of Shareholder	Nature of shareholding	Number of Shares	Capacity	Percentage of such Shares in the issued share capital of the same class (%)	Percentage of such Shares in the total share capital (%)
Broad Ride Limited(Note 3)	H Shares	215,203,846 (L)	Beneficial holder	12.54%	7.21%
	H Shares	143,048,050 (L)	Person having security interest in shares	8.33%	4.79%
Promotor Holdings Limited	H Shares	143,048,050 (L)	Beneficial holder	8.33%	4.79%

(L) Long Position

Note 1: China Merchants Group Limited, through its subsidiaries (including China Merchants Industry Holdings, Soares Limited and China Merchants (CIMC) Investment etc.), holds an interest in the H shares of the Company, and all the 732,726,617 H shares (long position) are held in the capacity as interest of corporation controlled by the substantial shareholder.

Note 2: China COSCO Shipping Corporation Limited, through its subsidiaries (including China Shipping (Group) Company Limited, COSCO SHIPPING, Long Honour and COSCO Container Industries Limited etc.), holds an interest in the A Shares and H Shares, and 432,171,843 A Shares and 245,842,181 H Shares (long position) are held in the capacity as interest of corporation controlled by the substantial shareholder.

Note 3: Hony Group Management Limited, through certain subsidiaries (including Broad Ride Limited) holds an interest in the H Shares, and 215,203,846 H Shares (long position) are held in the capacity as interest of corporation controlled by the substantial shareholder and 143,048,050 H Shares are held in the capacity as person having security interest in shares.

As at the Latest Practicable Date, Mr. WANG Hong served as the deputy general manager of China Merchants Group Limited and a director of China Merchants Port Holdings Co., Limited, Mr. WANG Yuhang served as a deputy general manager of China COSCO Shipping Corporation Limited, Mr. HU Xianfu served as the general manager of China Merchants Industry Holdings Co., Ltd., Mr. LIU Chong served as the managing director of COSCO SHIPPING, Mr. PAN Chengwei served as an independent director of China Merchants Bank Co., Ltd., Mr. Zhang Mingwen served as the chief accountant of COSCO SHIPPING and a director of China Shipping Finance Company Limited, and Mr. WANG Hongyuan served as the deputy general manager of China Merchants Industry Holdings Company Limited and the general manager of the strategic development department. Save as disclosed above, none of the Directors or Supervisors was a director or an employee of China Merchants Group Limited, COSCO SHIPPING or their respective associates.

As at the Latest Practicable Date, so far as the Directors are aware, save as disclosed above, no person (other than a Director, Supervisor or senior management of the Company) had an interest or short position in the Shares of the Company according to the register of interests in shares and short positions kept by the Company pursuant to Section 336 of the SFO.

4. INTEREST OF DIRECTORS AND SUPERVISORS IN COMPETING BUSINESS

Mr. Wang Hong, a non-executive Director of the Company, serves as the deputy general manager of China Merchants Group. Mr. Hu Xianfu serves as the general manager of China Merchants Industry Holdings. Mr. Wang Hongyuan, a supervisor of the Company, serves as the deputy general manager of China Merchants Industry Holdings Company Limited and the general manager of the strategic development department. China Merchants Industry Holdings and its controlling shareholder China Merchants Group are the largest Shareholder of the Company. The offshore engineering business of China Merchants Group competes with that of the Group.

Mr. Wang Yuhang, a non-executive Director of the Company, serves as the deputy general manager of China COSCO Shipping Corporation. Mr. Liu Chong serves as the managing director of COSCO SHIPPING Development Mr. Zhang Mingwen, a supervisor of the Company, serves as the chief accountant of COSCO SHIPPING Development and its controlling shareholders China COSCO Shipping are the second largest Shareholder of the Company. Their container manufacturing, logistics service and financial leasing business compete with those of the Group.

Save as disclosed above, none of the Directors or Supervisors, nor any entity related to such Directors/Supervisors, have or have ever had any interests in a business that competes or may compete directly or indirectly with the business of the Group.

5. DIRECTORS AND SUPERVISORS' INTEREST IN ASSET

As at Latest Practicable Date, none of the Directors and Supervisors had: (i) any direct or indirect interests in any asset which had been, since 31 December 2017, being the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or lease to any member of the Group; and (ii) any subsisting material interest in any contract or arrangement as at the Latest Practicable Date which is significant in relation to the business of the Group.

6. SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

Each of the Directors has entered into a service contract with the Company, among which, Mr. WANG Hong and Mr. MAI Boliang have entered into service contracts on 5 December 2012, Mr. PAN Chengwei and Mr. WONG Kwai Huen, Albert have entered into service contracts on 28 June 2013, Mr WANG Yuhang, Mr. LIU Chong and Mr. PAN Zhengqi have entered into service contracts on 31 May 2016, and Mr. HU Xianfu has entered into a service contract on 26 September 2017. The principal particulars of these service contracts are (a) effective from their appointment as a Director of the Company to the expiration of the term of the eighth session of the Board and can be renewed for a term of three years upon expiry; and (b) are subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with the Articles of Association and the applicable laws, rules and regulations.

Each of the Supervisors, Mr. ZHANG Mingwen, Mr. WANG Hongyuan and Mr. XIONG Bo, has entered into a service contract with the Company on 31 May 2016, 26 September 2017 and 4 December 2013, respectively, in respect of, among others, compliance with relevant laws and regulations, observations of the Articles of Association and arbitration provisions.

Save as disclosed above, none of the Directors or Supervisors has or is proposed to enter into a service contract with any member of the Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

7. MATERIAL ADVERSE CHANGE

As at Latest Practicable Date, the Directors and Supervisors were not aware of any material adverse change in the financial or trading positions of the Group since 31 December 2017, the date to which the latest published audited consolidated financial statements of the Group were made up.

8. EXPERT'S QUALIFICATION AND CONSENT

The followings are the qualifications of the experts who have given opinions or advice which are contained in this circular:

Names	Qualification
Innovax Capital Limited	a licensed corporation under the SFO to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities

Innovax Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its respective letter or references to its name in the form and context in which they respectively appear.

As at Latest Practicable Date, Innovax Capital 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.

As at Latest Practicable Date, Innovax Capital had no direct or indirect interests in any assets which had been acquired or disposed of by or leased to any member of the Group since 31 December 2017 (the date to which the latest published audited combined financial statements of the Company were made up) or proposed to be acquired, disposed of or leased to.

9. GENERAL

(a) The secretary to the Board is Mr. YU Yuqun.

(b) The legal address, registered address and address of head office of the Company is at 8th Floor, CIMC R&D Centre, 2 Gangwan Avenue, Shekou, Nanshan District, Shenzhen, Guangdong 518067, the PRC.

(c) The address of the H Share Registrar is at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

(d) In the event of inconsistency, the English language text of this circular shall prevail over the Chinese language text.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the office of Paul Hastings at 21-22 Floor, Bank of China Tower, 1 Garden Road, Hong Kong from the date of this circular up to and including 8 June 2018:

(a) the Articles of Association of the Company;

(b) the Supplementary Agreement mentioned in this circular;

(c) the letter of recommendation from the Independent Board Committee, the text of which is set out on pages 22 to 23 of this circular;

(d) the letter issued by the Independent Financial Adviser, the text of which is set out on pages 24 to 35 of this circular;

(e) the written consent letter from the Independent Financial Adviser; and

(f) the service contracts of all the incumbent Directors and Supervisors of the Company.