CHARTWELL
CAPITAL

August 21, 2020

Chairman Zhu Jianhui
COSCO Shipping International (Hong Kong) Co., Ltd.
47th Floor, COSCO Tower, 183 Queen's Road Central
Hong Kong

Dear Chairman Zhu,

Greetings! We sincerely hope you and your company are well. As a shareholder of COSCO Shipping International (the "Company") since 2014, we have appreciated your close communication with us throughout the years. In the spirit of openness, we would like to mention some observations that you may already be aware of, and we hope that by considering them, the Company may further enhance shareholder value.

1) **Redeploy cash to increase return on equity and shareholder value**

   The Company has roughly HKD6 billion cash since its Sino-Ocean Group Ltd. disposal in 2010. Thank you for accepting our recommendation in 2015 to increase the dividend pay-out ratio to over 50 percent should the Company not be able to redeploy that cash into suitable projects.

   While good investment opportunities were understandably difficult to find in the past few years, we believe that now would be a good time for the Company to take advantage of the current downturn to deploy its cash strategically during the Covid-19 pandemic and the overall weak global economy. Consequently, we would have no objection to the Company reducing its dividend pay-out ratio and preparing for sizable investments as long as they increase return on equity and create shareholder value.

   If, however, the Company cannot seek new investments and its cash remains idle after 12 to 18 months, we would strongly recommend that the Company considers distributing a special dividend to shareholders as another means of improving shareholder value and increasing ROE.

2) **Potential corporate exercise to benefit parent company and stakeholders**

   We have observed an increasing Chinese SOE privatization trend in Hong Kong. Considering that the Company's price-to-book ratio has declined from 0.8x to 0.4x since 2016 and its trading liquidity has deteriorated significantly, we believe that it might be beneficial for your parent company, which owns a 67 percent stake, to take the Company private.

After having reviewed the shareholder registry and the entry prices of different investment funds, and the recent privatization offers in the market, we believe that minority shareholders may be willing to accept any offer that is above an 0.7x price-to-book ratio or HKD3.6 per share. At this offer, the privatization value is HKD5.6 billion, 10 percent lower than the Company's cash value of HKD6 billion. Since the parent company requires to buy out only 33 percent of the Company, the effective cash requirement for such an exercise is HKD1.4 billion. We believe the parent company has more than enough financial resources to conduct this transaction. Even from a leveraged buy-out perspective, this is also a straightforward, financially rewarding and conservative exercise. After privatization, the Company could reconsider listing in the A-share market, which may command higher trading multiples and liquidity.

We believe that the Company is worth much more than 0.7x P/B; therefore, our proposal is for reference only. Our intention is to encourage management to consider such a corporate exercise because of its win-win outcomes for both the parent company and other stakeholders.

In view of the proposals above, do let us know if the Company has any feedback or comments. If the Company has any other plans on or ideas about unlocking and creating shareholder value, we would very much wish to hear from you.

Thank you for your time and we look forward to your reply.

Sincerely,

Ronald W. Chan

Ronald Chan
Chief Investment Officer
Chartwell Capital Limited

Evan

Evan Ng
Senior Investment Analyst
Chartwell Capital Limited