8th May 2025

To the Independent Board Committee and
the Independent Shareholders

Orient Overseas (International) Limited
31st Floor, Harbour Centre
25 Harbour Road
Wanchai
Hong Kong

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION REGARDING CONSTRUCTION OF FOURTEEN VESSELS

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Shipbuilding Transaction, details of which are set out in the circular of the Company to the Shareholders dated 8th May 2025 (the "Circular"), of which this letter forms part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as those defined in the Circular.

On 29th April 2025, the Buyers (fourteen indirect wholly-owned subsidiaries of the Company) respectively entered into the Shipbuilding Contracts on substantially the same terms with the respective Builders (being Nantong and Dalian) for the construction of a total of fourteen Vessels at a consideration of US$220 million for each Vessel, i.e. for an aggregate consideration of US$3,080 million. Among the Shipbuilding Contracts, (i) five of which were entered into with Nantong for the construction of the related five Vessels; and (ii) nine of which were entered into with Dalian for the construction of the related nine Vessels.

Nantong is an associate of COSCO SHIPPING (a controlling shareholder of the Company that indirectly controls more than 50% of the issued share capital of the Company), where COSCO SHIPPING indirectly holds 50% equity interest in Nantong. Dalian is an indirect subsidiary of COSCO SHIPPING, where COSCO SHIPPING (through its wholly-owned subsidiaries), Kawasaki and Nantong holds 36%, 34% and 30% equity interest, respectively, in Dalian. Accordingly, both Nantong and Dalian are connected persons of the Company under Chapter 14A of the Listing Rules and therefore the Shipbuilding Transaction constitutes a connected transaction of the Company. As mentioned in the letter from the Board in the Circular (the "Board Letter"), the Shipbuilding Transaction is subject to the reporting, announcement, circular and independent shareholders' approval requirements under the Listing Rules.

The Independent Board Committee, comprising three Independent Non-Executive Directors, namely Mr. CHOW Philip Yiu Wah, Dr. CHUNG Shui Ming Timpson and Mr. SO Gregory Kam Leung (except Mr. YANG Liang Yee Philip and Ms. CHEN Ying because each of them is considered to have a material interest in the Shipbuilding Transaction as detailed in the Board Letter), has been established to advise the Independent Shareholders in respect of the Shipbuilding Transaction. We, First Shanghai Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

OUR INDEPENDENCE

The Independent Shareholders should note that, within the past two years prior to the Latest Practicable Date, apart from normal professional fees paid or payable to us in connection with the current engagement with COSCO SHIPPING Holdings in relation to the Shipbuilding Transaction, we did not have any other relationships or interests with COSCO SHIPPING Group (including the Group). Given (i) our independent role with COSCO SHIPPING Holdings; (ii) none of the members of our parent group is a direct party to the Shipbuilding Transaction; and (iii) our fee for the current engagement with COSCO SHIPPING Holdings and the Company represented an insignificant percentage of revenue of our parent group, we consider our current engagement with COSCO SHIPPING Holdings would not affect our independence and we consider ourselves independent pursuant to Rule 13.84 of the Listing Rules to provide our advice and form our opinion in respect of the Shipbuilding Transaction.

BASIS OF OUR OPINION

In putting forth our opinion and recommendation, we have relied on the accuracy of the information and representations included in the Circular and provided to us by the management of the Group (the "Management"), and have assumed that all such information and representations made or referred to in the Circular and provided to us by the Management were true at the time they were made and continued to be true up to the Latest Practicable Date. For our compliance with Rule 13.80(2) of the Listing Rules, we have reviewed, among other documents, the Shipbuilding Contracts, the latest financial reports of the Company (including the annual reports for the years ended 31st December 2023 and 2024), relevant market comparable transactions and relevant industry and economic information as further elaborated in our letter. We have also assumed that all statements of belief, opinion and intention made in the Circular were reasonably made after due enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Management and have been advised that no material facts have been withheld or omitted from the information provided and referred to in the Circular. We consider that we have reviewed sufficient information to reach an informed view and to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have not, however, conducted any independent verification of the information included in the Circular and provided to us by the Management nor have we conducted any form of investigation into the business, affairs or future prospects of the Group. We consider that we have taken sufficient and necessary steps to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion on the Shipbuilding Transaction, we have taken into account the following principal factors and reasons:–

1. Background information on the parties to the Shipbuilding Transaction

The Group is principally engaged in the provision of container transport and logistics services. We have reviewed the annual reports of the Company for the years ended 31st December 2023 (the "2023 Annual Report") and 2024 (the "2024 Annual Report") and we understand that over 99% of the revenue of the Group was generated from the container transport and logistics business segment for each of the years ended 31st December 2023 and 2024.

In respect of the Builders (being Nantong and Dalian), (i) Nantong is principally engaged in the business of constructing, sales and repairing of ships and is owned as to 50% and 50% by COSCO SHIPPING (a controlling shareholder of the Company that indirectly controls more than 50% of the issued share capital of the Company) and Kawasaki (i.e. a Japan-based heavy industrial manufacturer whose shares are listed on the Tokyo and Nagoya stock exchanges) (7012 JP), respectively; and (ii) Dalian is principally engaged in the business of design, manufacturing, sales and repairing of ships (excluding military ships) and is an indirect subsidiary of COSCO SHIPPING, where Dalian is owned by COSCO SHIPPING (through its wholly-owned subsidiaries), Kawasaki and Nantong as to 36%, 34% and 30%, respectively. We understand that the Builders are experienced in shipbuilding and they had previously been engaged to build container vessels for the Group, including (i) the building of seven vessels by Nantong as disclosed in the announcement of the Company dated 28th October 2022; (ii) the building of ten vessels by Nantong and Dalian as disclosed in the announcement of the Company dated 2nd September 2021; (iii) the building of seven vessels by Nantong and Dalian as disclosed in the announcement of the Company dated 30th October 2020; and (iv) the building of five vessels by Nantong and Dalian as disclosed in the announcement of the Company dated 10th March 2020.

1.1. Historical financial performance of the Group

We note that the Group was profitable in the recent years. The following table summarises the consolidated profit and loss account of the Group for each of the years ended 31st December 2023 and 2024 with reference to the 2023 Annual Report and the 2024 Annual Report:–

	For the year ended 31st December	
	2024	**2023**
	US$ million	*US$ million*
	(Audited)	(Audited)
Revenue	10,702	8,344
Gross profit	2,821	1,155
Operating profit	2,625	1,406
Profit for the year	2,579	1,369
Profit attributable to equity holders of the Company	2,577	1,368

With reference to the 2024 Annual Report, the global economy gently continues its path towards recovery, with strong import demand from developed economies and rapid trade growth in emerging markets in year 2024. Accordingly, revenue increased from approximately US$8,344 million for the year ended 31st December 2023 to approximately US$10,702 million for the year ended 31st December 2024, representing a significant increase of approximately 28%. Gross profit margin considerably increased from approximately 14% for the year ended 31st December 2023 to approximately 26% for the year ended 31st December 2024. Net profit margin also improved from approximately 16% for the year ended 31st December 2023 to approximately 24% for the year ended 31st December 2024. Overall, profit attributable to equity holders of the Company increased from approximately US$1,368 million for the year ended 31st December 2023 to approximately US$2,577 million for the year ended 31st December 2024, representing a significant increase of approximately 88%, which we understand was mainly driven by the increase in revenue and gross profit margin.

1.2. Historical financial position of the Group

The following table summarises the consolidated balance sheet of the Group as at 31st December 2023 and 2024 with reference to the 2024 Annual Report:–

	As at 31st December 2024 *US$ million* (Audited)	**As at 31st December 2023** *US$ million* (Audited)
Non-current assets	8,905	7,919
Current assets	8,863	7,690
Total assets	**17,768**	**15,609**
Non-current liabilities	1,893	2,027
Current liabilities	2,626	2,372
Total liabilities	**4,519**	**4,399**
Total equity	**13,249**	**11,210**

As at 31st December 2024, (i) the principal assets of the Group were cash and bank balances, which amounted to approximately US$7,903 million, and property, plant and equipment, which amounted to approximately US$6,711 million; and (ii) the principal liabilities of the Group were creditors and accruals, which amounted to approximately US$1,930 million, and lease liabilities, which amounted to approximately US$1,373 million (including both current and non-current portions). Total equity amounted to approximately US$13,249 million as at 31st December 2024.

For further details of the financial information of the Group, please refer to the publications made by the Company.

1.3. Prospects of the Group

We have discussed with and are advised by the Management that the prospects of the Group are driven by, among other factors, the performance of the global macroeconomic environment, which affects trade volume and the demand for container shipping services. According to the 2024 Annual Report, in respect of market situation, we understand (i) the labour strike along the east coast of the United States and the Gulf was averted; (ii) the situation in the Red Sea showed signs of de-escalation, where the potential resumption of passage through the Suez Canal would release capacity and lead to the rather normal levels in freight rates; and (iii) the United States administration unravels their new policies impacting the global economy and supply chain, where, overall, the outlook is still uncertain.

We have further reviewed the economic information in the report titled *World Economic Outlook* published on 22nd April 2025 (the "IMF Report") by the International Monetary Fund (國際貨幣基金組織) (being a global organisation with 191 member countries). We understand from the IMF Report that, following a series of shocks in the preceding years, global growth was stable yet underwhelming through year 2024, but the near-universal tariff measures announced by the United States on 2nd April 2025 is bringing a major negative shock to growth. The following table illustrates the expected performance of the macro-economic environment in terms of annual percentage change of gross domestic product ("GDP") and trade volume according to the reference forecast of the IMF Report, which assumed trade policy uncertainty to remain elevated through years 2025 and 2026 and was prepared based on measures announced as of 4th April 2025 and statistical information available through 14th April 2025.

	For the year ended 31st December					For the year ending 31st December	
	2020	**2021**	**2022**	**2023**	**2024**	**2025F**	**2026F**
World real GDP of which	−2.7%	+6.6%	+3.6%	+3.5%	+3.3%	+2.8%	+3.0%
– PRC	+2.3%	+8.6%	+3.1%	+5.4%	+5.0%	+4.0%	+4.0%
World trade volume	−8.4%	+10.9%	+5.7%	+1.0%	+3.8%	+1.7%	+2.5%

Based on the above table, we note that (i) the global macro-economy, including trade volume, was adversely impacted in year 2020 primarily due to the pandemic, but rebounded in year 2021; and (ii) under the negative impact of trade policy uncertainties, growths are still expected in years 2025 and 2026, but the growth rates are lower than those in year 2024. The Independent Shareholders should note that the current economic environment is volatile due to, among other things, trade-related policies of the major economies that are changing from time to time, hence the projections in the IMF Report are only for general reference.

2. Background of and reasons for the Shipbuilding Transaction

We are advised by the Management that, through the construction of the Vessels (being revenue-generating fixed assets of the Group), the Group can satisfy its business development needs and achieve balanced growth in the long run. According to the 2024 Annual Report, (i) the Group has embraced the new trends of green, low-carbon, and intelligent shipping industry development, actively promoting the modernisation of the fleet; (ii) the performance and configuration of the vessels of the Group are increasingly aligned with future green and technological requirements; and (iii) the fleet size of the Group will further grow to seize development opportunities and add flexibility to future capacity adjustments. We are also advised by the Management that the Management had considered the overall risks (including the business, financial, and operational aspects) regarding the construction of the Vessels and the Management considered such risks to be manageable by the Group.

We have reviewed the global ranking of shipping companies in terms of their existing consolidated fleet capacity measured in TEU as at 31st March 2025 based on the industry statistics published by Alphaliner, which is a shipping intelligence reference that publishes information on worldwide fleet. We understand the industry information published by Alphaliner is recognised in the shipping industry and is quoted by various companies listed in Hong Kong.

Ranking in terms of existing fleet capacity as at 31st March 2025

Rank	Operator	Number of vessels	TEU
1	Mediterranean Shipping Company ("MSC")	898	6,448,000
2	Maersk	737	4,560,000
3	CMA CGM Group ("CMA")	663	3,881,000
4	COSCO SHIPPING (including the Group)	524	3,360,000
5	Hapag-Lloyd	304	2,387,000
6	ONE (Ocean Network Express)	263	2,014,000
7	Evergreen	228	1,813,000

Based on the above table, we understand COSCO SHIPPING (including the Group) ranked fourth in the world in terms of existing fleet capacity, with a gap of around 500,000 TEU compared to the third place as at 31st March 2025. The Group is part of the COSCO SHIPPING Group and, as advised by the Management, the operating capacity of the fleet of the Group was 126 vessels with an aggregate of approximately 986,000 TEU as at 31st December 2024, where we understand the Group itself would rank eighth in the world in terms of existing fleet capacity, with a gap of around 800,000 TEU compared to the seventh place as at 31st March 2025.

On 29th April 2025, the Buyers (being fourteen indirect wholly-owned subsidiaries of the Company) respectively entered into the Shipbuilding Contracts on substantially the same terms with the Builders for the construction of a total of fourteen Vessels. The Vessels are fourteen units of 18,500 TEU class (i.e. a total of about 259,000 TEU) methanol dual fuel container vessels. We understand the industry competitors are also on their ways to expand their fleet capacity. Based on the industry statistics published by Alphaliner, the order book for container fleet capacity of the top three industry competitors (namely MSC, Maersk and CMA) was approximately 2,050,000 TEU, 729,000 TEU and 1,578,000 TEU, respectively, as at 31st March 2025. Hence, we understand the construction of the Vessels by the Group is in line with the market norm and allows the Group (together with COSCO SHIPPING Group) to narrow the gap of fleet capacities with the top industry competitors and solidify its position in the industry. We are also advised by the Management that, via the expansion of its own fleet capacity, the Group can (i) generate economies of scale through the reduction of unit cost; and (ii) better leverage on, and generate business synergies with, the COSCO SHIPPING Group for overall business development.

We are advised by the Management that the Vessels are different from the majority of the existing ones of the Group, where the Vessels are equipped with green methanol dual fuel technology, where green methanol could achieve significant carbon emission reduction when compared to conventional fossil fuel, which will demonstrate the commitment of the Group towards global energy conservation and carbon emission reduction for sustainable development, in response to customers' needs for a zero-carbon supply chain. We also understand the industry began to pay further attention to building new vessels with green fuel technologies in the recent few years. According to the website of International Maritime Organization (a specialised agency of the United Nations and is the global standard-setting authority for the safety, security and environmental performance of international shipping) (the "IMO"), we understand the IMO adopted the "*2023 IMO Strategy on Reduction of Greenhouse Gas Emissions from Ships*" in July 2023, which (i) envisages a reduction in carbon intensity of international shipping, as an average across international shipping, by at least 40% by year 2030, compared to year 2008; and (ii) includes a new level of ambition relating to the uptake of zero or near-zero greenhouse gas emission technologies, fuels and/or energy sources which are to represent at least 5%, striving for 10%, of the energy used by international shipping by year 2030. We also note that the official website of Maersk (one of the top industry competitors) states that Maersk is committed to the principle of only ordering newbuilt vessels that can sail on green fuels and is prioritising green methanol as the best solution.

Despite the macro-economic environment may be uncertain in the near term, we understand from the Group that the construction of the Vessels is a long term investment for the overall strategic business development of the Group in view of (i) the expected delivery of the Vessels is a few years later between the third quarter of 2028 and the third quarter of 2029; and (ii) a useful life of 25 years is adopted for container vessels under the accounting policies of the Group. We are also advised by the Management that, in respect of risk management of fleet capacity, (i) the average age of the existing fleet of the Group is around 12 to 13 years old, so the Vessels to be constructed will serve as replacements of the aged units, where the timing of retiring these units can act as a mechanism to adjust the operating capacity of the Group according to the market condition; and (ii) the Group may also extend or terminate a portion of its ship leases in order to optimise its operating capacity in line with the market demand in the future.

Taking into account, in particular, (i) the core business of the Group utilises container vessels for business operations and successfully recorded favourable financial performance in the recent years; (ii) the construction of the Vessels is a long term strategic capital investment to support the core business of the Group; (iii) the scale of the fleet has to keep pace with those of the major market players, so as to maintain industry competitiveness; (iv) the Builders are experienced in building container vessels for the Group as previously mentioned; and (v) the terms of the Shipbuilding Transaction are fair and reasonable as discussed below, we are of the view that the entering into of the Shipbuilding Transaction is a capital investment activity ancillary and incidental to the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

3. Principal terms of the Shipbuilding Transaction

Under each of the Shipbuilding Contracts, the relevant Buyer shall pay the respective consideration of US$220 million (i.e. an aggregate consideration of US$3,080 million for the fourteen Vessels) in cash in five instalments based on progress intervals on the construction of each Vessel, with smaller proportion of contract price payable in the first four instalments and the majority of the payment payable in the fifth instalment upon delivery of the Vessel.

In the event that there is a delay in delivery of any Vessel or in the event the relevant Builder fails to conform to the technical specifications in the construction of the relevant Vessel as prescribed under the relevant Shipbuilding Contract, the relevant Builder shall deduct the liquidated damages from the fifth instalment of the contract price of the relevant Shipbuilding Contract and, accordingly, the fifth instalment shall be paid on a net basis (the "Adjustment Mechanisms"), as detailed in the Board Letter. We understand the Adjustment Mechanisms offer additional protection to the Group in respect of delivery delay and quality issues regarding the construction of the Vessels.

If any of the Shipbuilding Contracts is terminated by the relevant Buyer in accordance with the specific terms thereof (such as in the event of extended delay in delivery), the relevant Builder shall refund to the relevant Buyer in US Dollars the full amount already paid by the Buyer to the Builder, together with interest incurred thereof.

As advised by the Management, the Group had requested price quotations for the construction of the Vessels from several shipbuilders, including the Builders and two independent shipbuilders, where (i) one independent shipbuilder could not offer a quotation because of its limited shipbuilding slot availability and resources; and (ii) the other independent shipbuilder offered a base quotation higher than that offered by the Builders, with a delivery schedule later than that offered by the Builders. Hence, we understand the quotation offered by the Builders was optimal for the construction of the Vessels with regard to the quotation process of the Group.

We have also attempted to exhaustively identify the pricing terms of the most recent comparable transactions (involving the building of methanol dual fuel container vessels of no less than 14,000 TEU class) in the market within a year before the date of the Shipbuilding Contracts, however (i) the Group did not enter into any comparable shipbuilding contracts (in terms of vessel type, size and specification) during the period as advised by the Management; and (ii) shipbuilding transactions in the market, particularly their pricing terms, may not be disclosed in official sources (such as the websites of the shipping company and the shipbuilding company). Nonetheless, based on our review of available disclosed information, we understand (i) Wan Hai Lines Limited ("Wan Hai"), which is listed on the Taiwan Stock Exchange, announced that its group entered into shipbuilding transactions in October 2024 and April 2025 to build an aggregate of six methanol dual fuel vessels of 16,000 TEU each, with unit price ranging from approximately US$186,490,000 to US$204,000,000, representing a range of approximately US$11,656 per TEU to approximately US$12,750 per TEU; (ii) Wan Hai also announced that its group entered into shipbuilding transactions in October 2024 and April 2025 with another shipbuilder to build an aggregate of six methanol dual fuel vessels of 16,000 TEU each, with unit price ranging from approximately US$187,630,000 to US$204,000,000, representing a range of approximately US$11,727 per TEU to approximately US$12,750 per TEU; and (iii) COSCO SHIPPING Holdings, which is listed on the Hong Kong Stock Exchange, announced that its group entered into shipbuilding transactions in August 2024 to build a total of twelve methanol dual fuel vessels of 14,000 TEU each, with unit price of approximately US$179,500,000, representing approximately US$12,821 per TEU. We note that the building cost per TEU of the Vessels under the Shipbuilding Contracts at approximately US$11,892 per TEU is within the range of the market comparable transactions of Wan Hai and lower than those of COSCO SHIPPING Holdings.

In respect of payment terms, during our course of due diligence, (i) we understand there was no official disclosure of the payment terms for the aforementioned comparable transactions of Wan Hai; (ii) we noted the payment terms for the aforementioned comparable transactions of COSCO SHIPPING Holdings were in five instalments based on construction progress, with the fifth payment instalment accounting for the largest proportion; and (iii) we extended our search to shipbuilding contracts involving container vessels, regardless of TEU size and fuel type, that were entered into and announced in the past year by companies listed on the Hong Kong Stock Exchange and we noted SITC International Holdings Company Limited (1308 HK) entered into shipbuilding contracts as disclosed in its announcements dated 29th October 2024, 24th January 2025 and 29th April 2025 to construct a total of ten 1,800 TEU container vessels and their payment terms were also in five instalments based on construction progress, with the fifth payment instalment accounting for the largest proportion. Hence, we understand that the payment terms under the Shipbuilding Contracts are comparable with the aforementioned recent market practice, where payments are in five instalments according to the manufacturing progress of the vessels. We also understand that given shipbuilding involves substantial costs on raw material, such as steel, and various components, such as engine, therefore the making of payments in instalments before delivery (rather than one-off full payment upon or after delivery) is considered reasonable.

Taking into account, in particular, (i) the quotation offered by the Builders was optimal for the construction of the Vessels with regard to the quotation process of the Group; (ii) our review of the recent market pricing of comparable vessels, where the price quotation offered by the Builders was comparable with or no less favourable than the recent market pricing; (iii) the Adjustment Mechanisms offer protection to the Group in respect of delivery delay and quality issues regarding the construction of the Vessels; (iv) the payment terms under the Shipbuilding Contracts are comparable with market practice; (v) the Builders have relevant technical expertise and experience to meet the requirements of the Group to build the customised Vessels; and (vi) the reasons for and benefits of the Shipbuilding Transaction as aforementioned, we consider the terms of the Shipbuilding Transaction (including the consideration of each Vessel) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

4. Possible financial implications of the Shipbuilding Transaction

The total consideration under the Shipbuilding Contracts is US$3,080 million. Under each of the Shipbuilding Contracts, the relevant Buyer shall pay the respective consideration in cash in five instalments based on progress intervals on the construction of each Vessel, with smaller proportion of contract price payable in the first four instalments and the majority of the payment payable in the fifth instalment upon delivery of the Vessel. The Vessels are expected to be delivered between the third quarter of 2028 and the third quarter of 2029. The Company currently envisages that it will obtain financing (such as external debt financing and/or bank loans) for not more than 60% of the contract price of each Vessel, with the financing guaranteed by the Company, which will be finalised before the delivery of the Vessels, whilst the balance of the contract price will be funded from internal resources of the Group. If such financing arrangement could not be arranged, the full contract price of each Vessel would be funded by internal resources of the Group, which is currently expected to be sufficient for this purpose.

The Group recorded total assets, total liabilities, total equity and cash and bank balances of approximately US$17,768 million, US$4,519 million, US$13,249 million and US$7,903 million, respectively, as at 31st December 2024. Net cash (i.e. cash and bank balances net of total debt (being total lease liabilities) as defined in the annual reports of the Company) was approximately US$6,530 million as at 31st December 2024. Following delivery of the Vessels, the fixed assets of the Group will increase whilst its current assets will decrease and long-term liabilities will increase depending on the proportion of the contract price funded from internal resources and external financing. For illustration purpose and as an example only, if the Group settles 40% and 60% of the total consideration by internal cash resources and external financing, respectively, the current assets of the Group (namely, cash and bank balances) will decrease by US$1,232 million (i.e. 40% of US$3,080 million), while the non-current assets of the Group (namely, property, plant and equipment) will increase by US$3,080 million and the total liabilities of the Group will increase by US$1,848 million (i.e. 60% of US$3,080 million). We are advised by the Management that the Shipbuilding Transaction is not expected to have any material adverse impact on the overall financial condition of the Group.

We also note that the Group has a profitable track record. Recently, for the year ended 31st December 2024, the Group recorded revenue of approximately US$10,702 million, profit attributable to equity holders of the Company of approximately US$2,577 million and net cash from operating activities of approximately US$3,212 million. We are advised by the Management that the Shipbuilding Transaction is not expected to have any immediate material impact on the net profit of the Group upon the entering into of the Shipbuilding Contracts and, after the delivery of the Vessels, the Vessels (i) are expected to be utilised for the generation of revenue through the core businesses of the Group; and (ii) enhance the operational efficiency and capability and business development of the Group, and then further contribute to its earnings base in the long run.

Taking in account, in particular, (i) the Shipbuilding Contracts were entered into for the building of the Vessels, which are revenue generating assets for the core business operations of the Group; (ii) the scale of the total consideration of the Shipbuilding Contracts as compared with the overall scale of the Group, particularly the amount of net cash of the Group; (iii) the total consideration of the Shipbuilding Contracts will be settled by instalments, payable in the upcoming few years, with the majority of the payment payable upon vessel delivery; (iv) a portion of the payment can be financed by external borrowing; and (v) the terms of the Shipbuilding Transaction are fair and reasonable as aforementioned, we consider the financial implications of the Shipbuilding Transaction to be normal and acceptable.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that (i) entering into of the Shipbuilding Transaction is a capital investment activity ancillary and incidental to the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole; and (ii) the terms of the Shipbuilding Transaction are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the SGM to approve the Shipbuilding Transaction.

Yours faithfully,
For and on behalf of
First Shanghai Capital Limited

Kenneth Yam
Executive Director

Roger Tang
Director

Note: Mr. Kenneth Yam is a Responsible Officer and Mr. Roger Tang is a Representative of Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). Mr. Kenneth Yam and Mr. Roger Tang have more than 13 and 17 years of experience in the corporate finance industry, respectively. Both of them have participated in the provision of independent financial advisory services for numerous connected transactions involving listed companies in Hong Kong.