



金聯資本(企業融資)有限公司
Goldlink Capital (Corporate Finance) Limited

5 September 2025

To: *The Independent Board Committee and the Independent Shareholders of
COSCO SHIPPING DEVELOPMENT CO., LTD.**

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTIONS REGARDING 2025 HEAVY INDUSTRY BUILDING CONTRACTS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the 2025 Heavy Industry Shipbuilding Contracts and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company to the Shareholders dated 5 September 2025 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

Reference is made to the July 29 Announcement. The Company announced that, among others, on 29 July 2025 (after trading hours), COSCO SHIPPING Development (Hainan) (as the buyer) and Heavy Industry (Zhoushan) (as the seller) entered into six (6) 2025 Heavy Industry Shipbuilding Contracts on substantially the same terms in relation to the construction of six (6) 210k DWT-class bulk cargo vessels at the aggregate contract price of approximately RMB3,168,000,000 (exclusive of tax).

Pursuant to Rules 14.22 and 14A.81 of the Listing Rules, a series of connected transactions will be aggregated and treated as if they were one transaction if they were all entered into or completed (as the case may be) within a 12-month period or were otherwise related. The counterparties to the 2024 Heavy Industry Shipbuilding Contracts and the 2025 Heavy Industry Shipbuilding Contracts are COSCO SHIPPING’s subsidiaries and such transactions are similar in nature. Accordingly, such transactions may require aggregation.



As one or more of the applicable percentages ratios calculated in accordance with the Listing Rules in respect of the 2025 Heavy Industry Shipbuilding Contracts and the transactions contemplated thereunder, aggregated with the 2024 Heavy Industry Shipbuilding Contracts, exceed 25% but are all less than 100%, the 2025 Heavy Industry Shipbuilding Contracts and the transactions contemplated thereunder constitute major transactions of the Company which are subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, COSCO SHIPPING and its associates control or are entitled to exercise control over the voting rights in respect of 6,123,503,998 A Shares and 100,944,000 H Shares, representing approximately 47.16% of the total issued share capital of the Company. Therefore, COSCO SHIPPING is a controlling Shareholder and therefore a connected person of the Company. As at the Latest Practicable Date, Heavy Industry (Zhoushan) is an indirect wholly-owned subsidiary of COSCO SHIPPING and therefore a connected person of the Company under Chapter 14A of the Listing Rules.

Accordingly, the 2025 Heavy Industry Shipbuilding Contracts and the transactions contemplated thereunder constitute connected transactions of the Company under Chapter 14A of the Listing Rules, subject to the reporting, announcement and Independent Shareholders' approval requirements thereunder.

Mr. Zhang Mingwen, Ms. Zhang Xueyan and Mr. Ip Sing Chi, who hold directorship(s) or act as senior management in COSCO SHIPPING and/or its associates and were nominated by China Shipping to the Board, have abstained from voting on the relevant Board resolutions approving the 2025 Heavy Industry Shipbuilding Contracts and the transactions contemplated thereunder. Save as aforementioned, none of the other Directors has a material interest in the 2025 Heavy Industry Shipbuilding Contracts and the transactions contemplated thereunder. Therefore, no other Director has abstained from voting on such Board resolutions.

The Independent Board Committee (comprising all independent non-executive Directors namely, Mr. Shao Ruiqing, Mr. Chan Kwok Leung and Mr. Wu Daqi) has been formed to advise the Independent Shareholders in relation to the 2025 Heavy Industry Shipbuilding Contracts and the transactions contemplated thereunder. We, Goldlink Capital (Corporate Finance) Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in these regards.

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company and any other parties that could reasonably be regarded as relevant to our independence. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser, no arrangement exists whereby we will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. During the past two years, we were appointed as an independent financial adviser for the Company on one occasion. Details of which are set out in its circulars dated 9 October 2024 in relation to discloseable and connected transactions and continuing connected transactions. Furthermore, during the past two years, we were appointed as an independent financial adviser of COSCO SHIPPING Energy Transportation Co., Ltd.* (中遠海運能源運輸股份有限公司) (the H shares of which are listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 1138) and the A shares of which are listed on the Shanghai Stock Exchange (Stock Code: 600026), a connected person of the Company, on three occasions. Details of which are set out in its circulars dated (i) 2 February 2024 in relation to discloseable and connected transactions; (ii) 10 December 2024 in relation to certain continuing connected transactions and (iii) 25 March 2025 in relation to certain connected transactions.



Notwithstanding the above, the previous engagements with the Company and its connected persons would not affect our independence from the Company as we consider that the professional fees we received were at normal commercial terms and at insignificant sum which should not give rise to a perception that our independence would be so affected. Further, since the commencement of our work as the Independent Financial Adviser and as at the Latest Practicable Date, we (i) do not have any direct or indirect shareholdings in; (ii) are not a close associate or core connected person of; (iii) do not have any financial connections (other than with normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser and our aforementioned appointments with the Company and its connected persons) with; (iv) no other current business relationship (save for this appointment as the Independent Financial Adviser) with; (v) within 2 years prior to commencement of our work as the Independent Financial Adviser, we did not serve as a financial adviser to; and (vi) are not an auditor or reporting accountant to, (a) the Company; (b) COSCO Shipping or its subsidiaries and (c) any core connected person of the Company. Accordingly, we are independent of the Company pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

In arriving at our recommendations, we have relied on the statements, information and representations contained in the Circular and the information and representations provided to us by the Company, the Directors and the management of the Company. We have reviewed (i) the 2023 Annual Report (as defined below); (ii) the 2024 Annual Report (as defined below); (iii) the Quotations (as defined below); (iv) a report namely “2025 Annual Review” published by BRS Group; and (v) other information as set out in the Circular. We have assumed that all information, representations and opinions contained or referred to in the Circular and all information and representations which have been provided by the Company, the Directors and the management of the Company for which they are solely and wholly responsible, are true and accurate at the time they were made and will continue to be accurate as at the Latest Practicable Date. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the management of the Company.

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in the 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 therein or the document misleading.

We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any material facts or circumstances which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information provided by the Company, the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs of the Group and any parties in relation to the 2025 Heavy Industry Shipbuilding Contracts and the transactions contemplated thereunder.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the 2025 Heavy Industry Shipbuilding Contracts and the transactions contemplated thereunder. Except for its inclusion in the Circular, this letter is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.



PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinions and recommendations, we have taken into consideration the following principal factors and reasons:

1. BACKGROUND INFORMATION ON THE GROUP

1.1 Background of the Group

The Company is a joint stock company established under the laws of the PRC with limited liability, the H Shares of which are listed on the Main Board of the Hong Kong Stock Exchange and the A Shares of which are listed on the Shanghai Stock Exchange. With its focus on shipping and logistics industry, the Company is committed to developing container manufacturing, container leasing and shipping leasing businesses as the core businesses and investment management as the support, to achieve the integrated development of industry-finance-investment.

1.2 Financial performance of the Group

Set out below is a summary of the consolidated statements of profit or loss of the Group for each of the two years ended 31 December 2022, 2023 and 2024, which are extracted from (i) the Company's annual reports for the year ended 31 December 2023 (the "2023 Annual Report"); and (ii) the year ended 31 December 2024 (the "2024 Annual Report").

	Year ended 31 December		
	2024	2023	2022
	RMB'000	RMB'000	RMB'000
	(audited)	(audited)	(audited)
Revenue	27,411,245	15,533,247	25,419,063
Cost of sales	(22,767,001)	(11,233,093)	(18,946,972)
Gross profit	4,644,244	4,300,154	6,472,091
Profit for the year attributable to owners of the Company	1,685,947	1,407,555	3,923,829

For the year ended 31 December 2024 ("FY2024")

According to the 2024 Annual Report, the revenue of the Group for the FY2024 was approximately RMB27.4 billion, representing an increase of 76.47% compared with 2023. Such increase was mainly due to the substantial increase in container manufacturing business of approximately 124.02% to approximately RMB23.4 billion, which was mainly attributable to increased demand for new containers as a result of recovery in the container market. During the Period, the aggregate container sales were 1,795,900 TEU, representing an increase of 204.08% as compared with 590,600 TEU for the FY2023.

Profit for the year attributable to owners of the Company for FY2024 amounted to RMB1.7 billion, representing an increase of 19.78% as compared to that of approximately RMB1.4 billion for the FY2023, which was mainly due to (i) the increase in revenue as discussed above; (ii) the decrease in selling, administrative and general expenses of approximately 7.30% to approximately RMB1.2 billion, which was mainly attributable to the optimization of the resources allocation and the enhancement of cost management during the year.



For the year ended 31 December 2023 ("FY2023")

According to the 2023 Annual Report, the revenue of the Group for the FY2023 was approximately RMB15.5 billion, representing a decrease of approximately 38.89% as compared to approximately RMB25.4 billion for the FY2022. Such decrease was mainly due to (i) the decrease in revenue from container manufacturing business from approximately RMB20.5 billion for the year ended 31 December 2022 ("FY2022") to approximately RMB10.5 billion for the FY2023, mainly due to the decline in market demand for new containers under the impact of the downturn in the container transportation market. During FY2023, the aggregate container sales was 590,600 TEU, representing a year-on-year decrease of 38.4% as compared with 958,900 TEU for the FY2022; and (ii) the decrease in revenue from container leasing business of approximately 8.8% to approximately RMB5.0 billion for the FY2023, mainly due to the decrease in the sales of the Company's container business as a result of the decline in market demand, partially offset by the slight increase in shipping leasing business of approximately 2.7% to approximately RMB2.5 billion for the FY2023, mainly due to the year-on-year increase in the size of the fleet under operating leases.

Profit for the year attributable to owners of the Company decreased significantly from approximately RMB3.9 billion for the FY2022 to approximately RMB1.4 billion for the FY2023, which was mainly attributable to (i) the decrease in revenue of approximately 38.9% as discussed above; and (ii) the increase in finance costs from approximately RMB2.5 billion for the FY2022 to approximately RMB3.9 billion for the FY2023, mainly due to the increase in interests expenses on debts and borrowings of approximately RMB1.4 billion.

1.3 Financial position on the Group

	As at 31 December		
	2024	2023	2022
	RMB'000 (audited)	RMB'000 (audited)	RMB'000 (audited)
Non-current assets	108,238,698	103,309,374	103,256,637
Current assets	18,128,440	22,621,616	24,833,994
Current liabilities	39,371,497	38,211,188	42,019,557
Non-current liabilities	56,389,962	58,436,124	57,178,447
Equity attributable to equity holders of the Company	30,295,774	29,283,678	28,892,627

As at 31 December 2023, total assets of the Group amounted to approximately RMB125.9 billion, representing a decrease of approximately RMB2.2 billion, mainly due to the decrease in current assets of approximately RMB2.2 billion as a result of the decrease in cash and cash equivalents due to net cash flows used in financing activities due to repayment of bank and other borrowings and interest paid. As at 31 December 2023, total liabilities of the Group decreased to approximately RMB96.6 billion from approximately RMB99.2 billion as at 31 December 2022, which was mainly due to the decrease in current liabilities of approximately RMB3.8 billion, due mainly to the decrease in current portion of bank and other borrowings as a result of repayment during FY2023.



As at 31 December 2024, total assets of the Group amounted to approximately 126.3 billion, representing an increase of approximately RMB0.4 billion, mainly due to the increase in non-current assets of approximately RMB4.9 billion, due mainly to the increase in property, plant and equipment of approximately RMB5.5 billion as a result of additions of containers of approximately RMB7.2 billion. As at 31 December 2024, total liabilities of the Group further decreased by approximately RMB0.8 billion to approximately RMB95.8 billion, mainly attributable to the decrease in non-current liabilities as a result of the decrease in non-current portion of bank and other borrowings of approximately RMB6.3 billion.

As a result of the foregoing, the total equity attributable to the equity holders of the Company as at 31 December 2022, 2023 and 2024 amounted to RMB28.9 billion, RMB29.3 billion and RMB30.3 billion, respectively.

2. BACKGROUND INFORMATION ON THE PARTIES TO THE 2025 HEAVY INDUSTRY SHIPBUILDING CONTRACT

Information on COSCO SHIPPING Development (Hainan)

COSCO SHIPPING Development (Hainan) is a company incorporated under the laws of the PRC with limited liability and a wholly-owned subsidiary of the Company. It is principally engaged in vessel leasing and vessel operation.

Information on Heavy Industry (Zhoushan)

Heavy Industry (Zhoushan) is a company established in the PRC with limited liability and is a direct wholly-owned subsidiary of COSCO SHIPPING Heavy Industry and therefore is an indirect wholly-owned subsidiary of COSCO SHIPPING. It is principally engaged in the business of ship designing, manufacturing and repair.

3. REASONS AND BENEFITS OF ENTERING THE 2025 HEAVY INDUSTRY SHIPBUILDING CONTRACTS

We have discussed with the management of the Company on the reasons for and benefits of entering into the Heavy Industry Shipbuilding Contracts and considered the followings:

Principal business activities and development strategies of the Group

With a focus on shipping and logistics industry, it is the principal business of the Group to concentrate on the integrated development with container manufacturing, container leasing and shipping leasing business as the core business and underpinned by investment management, continuously accelerate “integrating industry and finance and facilitating industry development with finance for synergy”, so as to strive to grow into a world-class industry-finance operator in the shipping industry. As discussed in the 2024 Annual Report, the Group achieved a new breakthrough in the integration of industry and finance, promoted the linkage of “leasing, manufacturing-shipping” in the shipping industry, and invested in the construction and leasing of 42 bulk cargo vessels, achieving a substantial increase in the scale of high-quality ship assets, and contributing long-term stable revenue and cash flow to the Company. Going forward, it is the Group’s intention to focus on full lifecycle service demands for various shipping assets, strengthen its “purchase, lease, finance and sale” industrial-financial service capabilities, and deliver premium solutions for shipping development, so as to continue to solidify its leading position in the ship leasing industry in China.



Based on our discussion with the management of the Company, in order to achieve the abovementioned strategy of the Group, we understand that the entering into the 2025 Shipbuilding Contracts can allow the Group to expand the scale of the vessel leasing business. The construction of ships under the 2025 Shipbuilding Contracts and the subsequent leasing of such vessels by the Group to the COSCO SHIPPING Bulk Group, are part and parcel of the overall operating lease arrangements between the Group and COSCO SHIPPING Bulk Group. It is expected that, upon the delivery of the ships, the leasing of the ships to COSCO SHIPPING Bulk Group under the 2025 Vessel Leasing Agreement will be accounted for as revenue in the consolidated financial statements of the Group, and will therefore provide a long term stable income stream for the Group and hence to further strengthen the ship leasing business as well as the development of the Group.

Based on the above, the Directors consider that the entering into the 2025 Heavy Industry Shipbuilding Contracts and the 2025 Vessel Leasing Agreement is a core development of the principal business of the Company as well as aligning the development strategies of the Company.

Promoting the green and low-carbon transformation of fleets of the Group

As advised by the management of the Company, we understand that the green and low-carbon transformation process of the shipping industry has been accelerating, thus the demand for updating and upgrading of vessels has increased significantly. According to the 2024 Annual Report, it is the Company's strategy to actively seize opportunities from the green and low-carbon transformation of the shipping industry. As a demonstration in the support of green, low-carbon and intelligent shipping, two 700 TEU Yangtze River electric vessels have been put into operation successively, achieving carbon emission reduction of 1,249 tonnes during the FY2024.

Based on our review on the 2025 Heavy Industry Shipbuilding Contracts, we note that the six (6) vessels under the 2025 Heavy Industry Shipbuilding Contracts are methanol- and ammonia-ready Newcastlemax bulk cargo vessels. The management of the Company is of the view that such type of vessels under the 2025 Heavy Industry Shipbuilding Contracts is able to promote the optimization and adjustment of the fleet structure to a green and low-carbon direction by demonstrating its support for global energy conservation, emission reduction and sustainable development strategies, and contributes to the transformation and upgrade of traditional industries.

Implementing the use of RMB in the international shipping field

As advised by the management of the Company, the Group aims to enhance its competitive edge by collaborating with enterprises both upstream and downstream of the shipping industry chain. As advised by the management of the Company, it is their intention to implement RMB transactions in the international shipping market and hence that the terms of the 2025 Heavy Industry Shipbuilding Contracts are denominated in RMB and will also be settled in RMB. Through these collaborative efforts with upstream and downstream enterprises along the shipping industry chain, the Group aims to further advancing the implementation of the use of RMB in the international shipping sector and enhancing its market competitiveness.



After taking into consideration of the above, in particular, (i) the entering into of the 2025 Heavy Industry Shipbuilding Contracts is a principal business of the Company as well as aligning the development strategies of the Company; (ii) the Company's strategy to grasp the opportunity of green and low-carbon transformation of the fleet and the vessels under the 2025 Heavy Industry Shipbuilding Contracts is in line with the strategy by promoting the optimization and adjustment of the fleet structure to a green and low-carbon direction; and (iii) the Heavy Industry Shipbuilding Contracts help further advancing the implementation of the use of RMB in the international shipping sector and enhancing its market competitiveness, we therefore concur with the view of the Directors that the entering into of the 2025 Heavy Industry Shipbuilding Contracts is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

4. THE 2025 HEAVY INDUSTRY SHIPBUILDING CONTRACTS

4.1 Key terms of the 2025 Heavy Industry Shipbuilding Contracts

Date: 29 July 2025

Parties: (1) COSCO SHIPPING Development (Hainan), as buyer; and
(2) Heavy Industry (Zhoushan), as seller.

Subject matter: Pursuant to the 2025 Heavy Industry Shipbuilding Contracts, Heavy Industry (Zhoushan) agrees to build, launch, equip and complete at its shipyard and to sell and deliver to COSCO SHIPPING Development (Hainan), and COSCO SHIPPING Development (Hainan) agrees to purchase and take delivery of six (6) 210k DWT-class bulk cargo vessels. These vessels are expected to be delivered between December 2027 and the end of 2028, subject to the arrangements of delay in delivery as provided in the respective contracts.

Contract price and payment: The aggregate contract prices for the six (6) 210k DWT-class bulk cargo vessels to be built under each of the 2025 Heavy Industry Shipbuilding Contracts shall be approximately RMB3,168,000,000 (exclusive of tax), subject to adjustments in accordance with the terms of the respective contracts as set out below.

The vessels are methanol- and ammonia-ready Newcastlemax bulk cargo vessels.

The contract price of the vessels under the 2025 Heavy Industry Shipbuilding Contracts shall be payable 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 respective vessels.

Each of COSCO SHIPPING Development (Hainan) (as buyer) and Heavy Industry (Zhoushan) (as seller) shall pay accrued interests applicable in the event that it fails to fulfil obligations under the relevant 2025 Heavy Industry Shipbuilding Contracts or upon the rescission thereof (as the case may be).



**Adjustment to
contract price:**

Depending on the extent to which the below agreed standards, or time limits are deviated from, the contract price payable under the 2025 Heavy Industry Shipbuilding Contracts is subject to downward adjustments, or COSCO SHIPPING Development (Hainan) shall be entitled to reject the vessel(s) and rescind the respective 2025 Shipbuilding Contracts, in the event that: (i) the construction elements of the relevant vessel(s), being its speed, DWT and fuel consumption rate, fail to meet certain agreed standards under the respective 2025 Heavy Industry Shipbuilding Contracts; or (ii) the delay in delivery of the relevant vessel(s) exceeds certain agreed time limits under the respective 2025 Heavy Industry Shipbuilding Contracts.

Downward adjustments will be made to the contract price payable through deduction of liquidated damages from the fifth instalment of the contract price payable under the respective 2025 Heavy Industry Shipbuilding Contracts, at the time of delivery of the vessel if the construction elements of the vessel or the delivery date fail to meet the following agreed standards pursuant to the respective 2025 Heavy Industry Shipbuilding Contracts. The amount of liquidated damages is determined after arm's length negotiation between the parties with reference to the extent of deviation from the relevant technical specifications in respect of the relevant construction elements, the extent of delay and previous practice of downward adjustments for construction of similar types of vessels.

The maximum amount of liquidated damages for each vessel under the 2025 Heavy Industry Shipbuilding Contracts shall be approximately RMB38 million.

4.2 Fairness and reasonableness of the contract price under the 2025 Heavy Industry Shipbuilding Contracts

As stated in the Letter from the Board, the contract price under the 2025 Heavy Industry Shipbuilding Contracts was determined after arm's length negotiation between COSCO SHIPPING Development (Hainan), Heavy Industry (Zhoushan) and China State Seller with reference to the market price of the same type of vessel.

In order to assess the fairness and reasonableness of the consideration as stipulated under the 2025 Heavy Industry Shipbuilding Contracts, we have discussed with the management of the Company and note that the Company has obtained the quotations from (i) an independent shipbuilder (the "Quotation I"); (ii) another independent shipbuilder (the "Quotation II", and together with the Quotation I, collectively the "Quotations")) and (iii) Heavy Industry (Zhoushan) on the same specifications of 210k DWT-class bulk cargo vessels to be constructed under the 2025 Heavy Industry Shipbuilding Contracts. In light of the aforesaid, we have obtained and reviewed the Quotations and compared them with final quotation from Heavy Industry (Zhoushan). We noted that the final quotation from Heavy Industry (Zhoushan) is approximately RMB528 million (exclusive of tax) for each vessel, and the quotation is (i) as same as the Quotation I and (ii) lower than that of the Quotation II. Accordingly, the final quotation from Heavy Industry (Zhoushan) is one of the lowest quotations and hence is fair and reasonable so far as the Independent Shareholders are concerned.



We further understand that the Quotations are from two independent ship builders which are ultimately owned by a state-owned enterprise which is a shipbuilding conglomerate in the PRC (the “Leading Shipbuilder”). According to the website of the Leading Shipbuilder, it is the largest shipbuilder in the world. Further, according to a report, published by BRS Group “2025 Annual Review” (https://it4v7.interactiv-doc.fr/html/annual_review_2025_digital_668/), an independent international shipbroking company and maritime data and software provider delivering decision support services, the Leading Shipbuilder remains the number one shipbuilding group worldwide, holding 34.2% of the Chinese orderbook and 23.0% of the global orderbook while COSCO SHIPPING Heavy Industry is in fourth position, holding 8.8% of the Chinese orderbook and the fifth-largest global shipbuilding group, accounting for 5.9% of the world orderbook in 2024. Given that the Leading Shipbuilder’s leading position in the globe and the wide operating arms through a number of entities as shipbuilders, it is inevitable that the Group sources quotations from the Leading Shipbuilder who are ultimately owned by that state-own enterprise. Despite so, we note each of the two independent shipbuilders are different companies which are considered to operate independently in providing quotations to the Group based on their own cost structures and target profit margins. As such, we consider that the Quotations obtained from those two independent shipbuilders are fair representations of the market prices and they are appropriate references in assessing the contract price of the 210k DWT-class bulk cargo vessels.

Price Adjustment mechanism

Based on our review on the 2025 Heavy Industry Shipbuilding Contract, we note that contract price payable under the 2025 Heavy Industry Shipbuilding Contracts is subject to downward adjustments, or COSCO SHIPPING Development (Hainan) shall be entitled to reject the vessel(s) and rescind the respective 2025 Shipbuilding Contracts, in the event that: (i) the construction elements of the relevant vessel(s), being its speed, DWT and fuel consumption rate, fail to meet certain agreed standards under the respective 2025 Heavy Industry Shipbuilding Contracts; or (ii) the delay in delivery of the relevant vessel(s) exceeds certain agreed time limits under the respective 2025 Heavy Industry Shipbuilding Contracts. Downward adjustments will be made to the contract price payable through deduction of liquidated damages from the fifth instalment of the contract price payable under the respective 2025 Heavy Industry Shipbuilding Contracts, at the time of delivery of the vessel if the construction elements of the vessel or the delivery date fail to meet the following agreed standards pursuant to the respective 2025 Heavy Industry Shipbuilding Contracts.

We have discussed with the management of the Company and understand that before delivery of the vessels, the Company will perform relevant trial tests including but not limited to speed, deadweight tonnage and fuel consumption rate. If (i) the results of the trial tests do not confirm to the requirement as stipulated in the 2025 Heavy Industry Shipbuilding Contracts; and (ii) late delivery exceeding certain agreed time limits, there will be a downward adjustments in price of relevant vessels. As such, the price adjustment mechanism is included with an intention to protect the Group from overpaying should the specifications of the vessels fall short of the requirements as stipulated in the 2025 Heavy Industry Shipbuilding Contracts. In addition, we have also reviewed the 2025 China State Shipbuilding Contracts and note that a price adjustment mechanism is also included in those contracts and the terms of which are comparable to that of the 2025 Heavy Industry Shipbuilding Contracts. As such, we concur with the view of the Directors that the inclusion of such adjustment mechanism in the 2025 Heavy Industry Shipbuilding Contracts is on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.



Payment Structure

In addition, we understand that the contract price under the 2025 Heavy Industry Shipbuilding Contracts shall be payable in five instalments, 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 respective vessels. We understand that shipbuilding involves large raw materials and multiple parts costs such as engines. Therefore, we believe that it is reasonable to pay in installments before delivery (rather than paying in full at the time of delivery or after delivery). Further, we have also reviewed the 2025 China State Shipbuilding Contracts and the payment structure thereunder and compared with that of the 2025 Heavy Industry Shipbuilding Contracts, and note that the proposed payment terms thereunder are the same. As such, we concur with the view of the Directors that the payment structure in the 2025 Heavy Industry Shipbuilding Contracts is an industry norm and hence is on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

After taking consideration that (i) the competitive pricing under the 2025 Heavy Industry Shipbuilding Contracts, being one of the lowest among the Quotations; (ii) the price adjustment mechanism and payment structure are industry norm and on normal commercial terms; (iii) COSCO SHIPPING Heavy Industry is also one of the leading shipbuilder in China according to the report published by BRS Group as mentioned above; and (iv) the dual-shipbuilder arrangement can allow the ships being delivered in accordance with the preferred schedule of the Group, we therefore concur with the Directors' view that it is fair and reasonable to select Heavy Industry (Zhoushan) as one of the shipbuilder under the 2025 Shipbuilding Contracts.

Based on the above, we concur with the view of the Directors that the terms of the 2025 Heavy Industry Shipbuilding Contracts are on normal commercial terms or better, and is fair and reasonable so far as the Independent Shareholders are concerned.

RECOMMENDATION

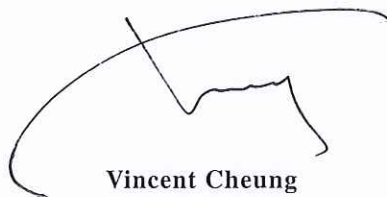
Having taken into account the above-mentioned principal factors and reasons, we are of the view that the entering into of the 2025 Heavy Industry Shipbuilding Contracts is in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole, and the terms of the Heavy Industry Shipbuilding Contracts and the transactions contemplated thereunder are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.



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Goldlink Capital (Corporate Finance) Limited

Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the ordinary resolution to be proposed at the EGM to approve the 2025 Heavy Industry Shipbuilding Contracts and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Goldlink Capital (Corporate Finance) Limited



Vincent Cheung
Managing Director

Mr. Vincent Cheung is a licensed person registered with the Securities and Futures Commission and regarded as a responsible officer of Goldlink Capital (Corporate Finance) Limited to carry out type 6 (advising on corporate finance) regulated activities under the SFO and has more than 15 years of experience in corporate finance industry.

* for identification purposes only