BALLAS
CAPITAL

13 February 2026

To the Independent Board Committee and
the Independent Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTIONS RELATING TO CAPITAL INCREASE OF A JOINT VENTURE

INTRODUCTION

We refer to our engagement (the "**Engagement**") as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of Capital Increase, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company (the "**Circular**") to the Shareholders dated 13 February 2026, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 5 January 2026, the Company, COSCO SHIPPING Technology and COSCO SHIPPING Smart-Sailing Marine Solutions Co., Ltd. ("**COSCO SHIPPING Smart-Sailing**", i.e. the Joint Venture as defined in the Letter from the Board) entered into the Capital Increase Agreement, pursuant to which (a) the Company shall transfer all its 100% equity interests in Yuantong (a wholly-owned subsidiary of the Company) to COSCO SHIPPING Smart-Sailing ; and (b) COSCO SHIPPING Technology shall transfer the SMART SAILING Platform and make a cash contribution to COSCO SHIPPING Smart-Sailing.

COSCO SHIPPING, being the ultimate holding company of the Company, is a connected person of the Company. COSCO SHIPPING Technology, being a non-wholly owned subsidiary and hence an associate of COSCO SHIPPING, is therefore a connected person of the Company at the issuer level. As such, COSCO SHIPPING Smart-Sailing is a connected subsidiary of the Company under Rule 14A.16(1) of the Listing Rules and hence a connected person of the Company.

Accordingly, the Injection (being a disposal of 100% equity interest in Yuantong by the Company and an acquisition of the same by COSCO SHIPPING Smart-Sailing) constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

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As the highest applicable percentage ratio in respect of the Injection exceeds 5% but is less than 25%, the Injection constitutes a non-exempt connected transaction of the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Furthermore, the Acquisition (being an acquisition by the Company of further equity interests in COSCO SHIPPING Smart-Sailing as a result of the Capital Increase) constitutes a non-exempt connected transaction of the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The independent board committee comprising all independent non-executive Directors, namely Mr. Tsui Yiu Wa, Alec, Mr. Jiang, Simon X. and Mr. Kwong Che Keung, Gordon, has been established to make recommendation to the Independent Shareholders on, among other things, whether or not the Capital Increase is in the interest of the Company and are fair and reasonable so far as the Independent Shareholders are concerned.

BASIS OF OUR OPINION

In formulating our recommendation, we have relied on the information and facts contained or referred to in the Circular as well as the representations made or provided by the Directors and the senior management of the Company. The Directors have declared in a responsibility statement set out in the Appendix IV to the Circular that they collectively and individually accept full responsibility for the accuracy of the information contained and representations made in the Circular. We have also assumed that the information and the representations made by the Directors as contained or referred to in the Circular were true and accurate at the time they were made and continue to be so up to the date of the SGM. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the senior management of the Company. We have also been advised by the Directors and believe that no material facts have been omitted from the Circular.

We have reviewed documents including but not limited to the Capital Increase Agreement, the Valuations and the financial reports of the Company. We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have not, however, conducted an independent verification of the information nor have we conducted any form of in-depth investigation into the businesses and affairs or the prospects of the Company, COSCO SHIPPING Technology, COSCO SHIPPING Smart-Sailing or any of their respective subsidiaries or associates.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of Ballas Capital Limited ("**Ballas Capital**") is to ensure that such information has been correctly extracted from the relevant sources.

INDEPENDENCE DECLARATION

Within two years prior to the Engagement, Ballas Capital was engaged as the independent financial adviser of the Company in respect of (i) the connected transaction as set out in the circular of the Company dated 6 December 2023, and (ii) the continuing connected transactions as set out in the circular of the Company dated 27 November 2025 (the "**Previous Engagements**"). Other than the professional fees received under the Previous Engagements which were negotiated between the Company and Ballas Capital on an arm's length basis, Ballas Capital has not received any other professional fees from the Company within two years prior to the Engagement.

As the Previous Engagements was for the role of an independent financial adviser to the Company, the Previous Engagements would not affect the independence of Ballas Capital for acting as the independent financial adviser to the Company in respect of the Capital Increase. As at the Latest Practicable Date, we are not aware of any relationships or interests between Ballas Capital and the Company or any other parties that could be reasonably regarded as a hindrance to Ballas Capital's independence as defined under Rule 13.84 of the Listing Rules to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Capital Increase.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and advice, we have considered the following principal factors and reasons:

A. Background and reasons for the Capital Increase

1. *Information on the Group*

1.1 *Background of the Group*

The Group is principally engaged in the provision of shipping services and general trading. The Group operates its business through six segments. The marine equipment and spare parts segment is mainly engaged in the trading and supply of marine equipment and spare parts. The coatings segment is mainly engaged in the production and sale of coatings. The general trading segment is mainly engaged in the trading, storage, processing and supply of asphalt and other products. The insurance brokerage segment is mainly engaged in the provision of insurance brokerage services. The ship trading agency segment is mainly engaged in the provision of agency services relating to shipbuilding, ship trading and bareboat charter business. The intelligent shipping services segment is mainly engaged in providing green, low-carbon and digital intelligent solutions for the full life cycle of the shipping industry business.

1.2 *Financial information of the Group*

Set out below is a summary of the financial results of the Group for the two years ended 31 December 2023 ("**FY2023**") and 2024 ("**FY2024**) and the six months ended 30 June 2024 ("**6M2024**") and 2025 ("**6M2025**") as extracted from the Company's respective annual reports and interim report.

	FY2023 *HK$'000* (audited)	**FY2024** *HK$'000* (audited)	**6M2024** *HK$'000* (unaudited)	**6M2025** *HK$'000* (unaudited)
Revenue				
Sale of coatings	826,045	1,344,147	595,777	822,892
Sale of marine equipment and spare parts	1,725,018	1,814,163	909,982	886,183
Commission income from ship trading agency	86,782	107,053	49,554	97,791
Commission income from insurance brokerage	139,707	220,994	111,633	119,639
Intelligent shipping services	97	1,325	333	1,754
General trading	564,080	139,444	85,608	5,859
Total revenue	**3,341,729**	**3,627,126**	**1,752,887**	**1,934,118**
Gross profit	663,634	845,569	401,628	498,803
Profit attributable to equity holders	**593,673**	**709,211**	**388,041**	**487,223**

6M2025 vs 6M2024

As disclosed in the interim report of the Company for 6M2025, the Group recorded revenue of approximately HK$1.9 billion for 6M2025, representing an increase of 10.3% as compared to that of approximately HK$1.8 billion for 6M2024. The increase was mainly due to the increase in revenues from coatings and ship trading agency segment. The Group's gross profit margin increased from 22.9% for 6M2024 to 25.8% for 6M2025 mainly due to the increase in revenue contribution from higher-gross profit margin business segments. The Group's net profit attributable to equity holders amounted to approximately HK$487.2 million for 6M2025, representing an increase of 25.6% as compared to that of approximately HK$388.0 million for 6M2024. The increase was mainly due to the significant increase revenue and the share of profit of a joint venture.

FY2024 vs FY2023

As disclosed in the annual report of the Company for FY2024, the Group recorded an increase in revenue of 8.5% from approximately HK$3.3 billion for FY2023 to approximately HK$3.6 billion for FY2024, mainly attributable to the increase in revenue from coatings and insurance brokerage segments. Whilst the gross profit margin increased to 23.3% for FY2024 as compared to 19.9% for FY2023. The Group recorded a 27.4% increase in gross profit to approximately HK$845.6 million in FY2024 as compared to that of approximately HK$663.6 million in FY2023 as a result of the increase in revenue and gross profit margin in FY2024. The Group's net profit attributable to equity holders increased by 19.5% to approximately HK$709.2 million for FY2024, mainly due to the increase in revenue and the share of profit of a joint venture.

1.3 *Financial position of the Group*

Set out below is a summary of the financial position of the Group as at 30 June 2025 as extracted from the interim report of the Company for 6M2025.

	As at 30 June 2025 *HK$'000* (unaudited)
Non-current assets	2,809,714
Current assets	7,122,183
Non-current liabilities	89,907
Current liabilities	1,361,563
Net assets	**8,480,427**

As at 30 June 2025, total assets of the Group amounted to approximately HK$9.9 billion, which mainly comprised (i) current deposits and cash and cash equivalents of approximately HK$5.1 billion; (ii) trade and other receivables of approximately HK$1.8 billion; and (iii) non-current bank deposits of approximately HK$1.0 billion.

As at 30 June 2025, total liabilities of the Group amounted to approximately HK$1.5 billion, which mainly comprised (i) trade and other payables of approximately HK$1.1 billion; and (ii) contract liabilities of approximately HK$233.5 million.

As at 30 June 2025, the Group recorded net assets of approximately HK$8.5 billion.

2. *Information on COSCO SHIPPING Smart-Sailing*

2.1 *Background information of COSCO SHIPPING Smart-Sailing*

COSCO SHIPPING Smart-Sailing was jointly established by the Company and COSCO SHIPPING Technology with the aim of being a world-leading shipping services enterprise providing green, low-carbon and digital intelligence solutions for the full life cycle of the shipping industry. It provides comprehensive operational solutions for ships such as energy saving and emission reduction, navigation safety, spare parts/energy supply and ship operation and maintenance, and specifically, is responsible for businesses such as energy saving and emission reduction monitoring, ship safety monitoring, maritime affairs management, ship navigation optimisation calculations and chart design. COSCO SHIPPING Smart-Sailing serves as the front-end platform and technology middle platform for businesses such as machine management, fuel supply, spare parts supply and new energy fueling. Leveraging on the Company's advantage in brick-and-mortar business and COSCO SHIPPING Technology's advantage in digital technology, COSCO SHIPPING Smart-Sailing facilitates the penetration of the shipping services business into the shipowner's supply chain system, enhance the existing business efficiency and customer experience, and create greater value for customers.

The shareholding structures of COSCO SHIPPING Smart-Sailing immediately before and upon completion of the Capital Increase are set out below:

	Immediately before completion of the Capital Increase		Upon completion of the Capital Increase	
	Registered capital *(RMB)*	Shareholding	Registered capital *(RMB)*	Shareholding
The Company	25,500,000	51%	400,000,000	80%
COSCO SHIPPING Technology	24,500,000	49%	100,000,000	20%
Total	**50,000,000**	**100%**	**500,000,000**	**100%**

2.2 *Financial information of COSCO SHIPPING Smart-Sailing*

Based on the audited financial statements of COSCO SHIPPING Smart-Sailing prepared in accordance with the accounting principles generally accepted in the PRC (PRC GAAP), the key financial information of COSCO SHIPPING Smart-Sailing is set out below:

	For the period from Incorporation to 31 December 2023 *RMB* (audited)	For the year ended 31 December 2024 *RMB* (audited)	For the seven months ended 31 July 2025 *RMB* (audited)
Net loss before tax	(3,102,752)	(21,360,156)	(13,811,358)
Net loss after tax	(3,102,752)	(21,360,156)	(13,811,358)

According to the Company, the loss since incorporation was mainly due to the expenses incurred by COSCO SHIPPING Smart-Sailing during the start-up period and the research and development of products.

As at 31 July 2025, the audited net asset value of COSCO SHIPPING Smart-Sailing was RMB11,725,734.

3. *Information on Yuantong*

3.1 *Background information of Yuantong*

Yuantong is principally engaged in the sale and installation of marine equipment and spare parts for existing and new build vessels, as well as equipment of radio communication systems, satellite communications and navigation systems for ships, offshore facilities, coastal station and land users, marine materials supply and voyage repair business.

The shareholding structures of Yuantong immediately before and upon completion of the transfer are set out below:

	Immediately before completion of the transfer		Upon completion of the transfer	
	Number of shares	Shareholding	Number of shares	Shareholding
The Company	208,352,000	100%	—	—
COSCO SHIPPING Smart-Sailing	—	—	208,352,000	100%
Total	**208,352,000**	**100%**	**208,352,000**	**100%**

3.2 *Financial information of Yuantong*

Based on the unaudited consolidated financial statements of Yuantong for the year ended 31 December 2023 and the audited consolidated financial statements of Yuantong for the year ended 31 December 2024 and the seven months ended 31 July 2025 prepared in accordance with the accounting principles generally accepted in Hong Kong (HKGAAP), the key consolidated financial information of Yuantong and its subsidiaries is set out below:

	For the year ended 31 December 2023	For the year ended 31 December 2024	For the seven months ended 31 July 2025
	HK$	*HK$*	*HK$*
	(unaudited)	(audited)	(audited)
Net profit before tax	109,034,000	117,593,000	63,697,000
Net profit after tax	89,162,000	96,688,000	52,697,000

The net profit after tax of Yuantong has increased by approximately 8.4% in the year ended 31 December 2024 as compared to the previous year, which was mainly due to the increase in sales, primarily driven by higher purchasing demand for spare parts from customers. The net profit for the seven months ended 31 July 2025 on an annualised basis are around the same as that of the year ended 31 December 2024.

As at 31 July 2025, the audited consolidated net asset value of Yuantong and its subsidiaries was HK$987,934,000. The dividends declared by Yuantong subsequent to the Valuation Reference Date amounted to RMB150,000,000 (equivalent to HK$164,692,190).

4. *Information on COSCO SHIPPING Technology and the SMART SAILING Platform*

COSCO SHIPPING Technology is one of the earliest companies engaged in transportation and shipping technology services in China. It has all-round and full-chain software and hardware integration service capabilities committed to advancing digital shipping and supply chain, as well as digital urban and transportation businesses. With the model of "platform, product and service", it provides customers in the industry with end-to-end digital and intelligent solutions such as vessel value visualisation platform, data integration platform, and smart shipping management platform which support the integration of the business of the customers of the service industry with new technologies such as big data, cloud computing, and artificial intelligence in order to accelerate and promote digital transformation and equip the development of the industry with capabilities and intelligence through technology and data.

The SMART SAILING Platform was designed and developed by COSCO SHIPPING Technology and was officially launched in June 2023. Centering on shipping services, underpinned by new digital infrastructure for the digitalisation of shipping, and driven by green, intelligent, and digital initiatives, it aims to comprehensively enhance the levels and service capabilities of shipping services. The SMART SAILING Platform centres around three development directions, namely, green and low-carbon development, navigation safety, and smart supply chains and leverages next-generation information technologies such as artificial intelligence, big data, and the Internet of Things to reshape the full life cycle management process for ship design, construction, operation, maintenance, and disposal.

As at 31 December 2024 and the Valuation Reference Date, the unaudited book value of the SMART SAILING Platform was nil since the SMART SAILING Platform was designed and developed by COSCO SHIPPING Technology internally and the relevant research and development costs have been recognised as expenses by COSCO SHIPPING Technology in its account.

5. *Reasons for and benefits of the Capital Increase*

As stated in the Letter from the Board, through the Capital Increase, the Company will significantly strengthen its core business capabilities and strategic positioning. By integrating SMART SAILING platform into the core business model of supply chain provider, Yuantong can potentially transform itself from a supply chain distributor into a life cycle "green and digital" solutions provider by embedding artificial intelligence (AI), Internet of Things and data analytics into Yuantong's equipment, service workflows and supply chain interfaces across the life cycle building, operation, maintenance of vessels. Through integration with the SMART SAILING platform, Yuantong is able to enhance COSCO SHIPPING Smart-Sailing's overall capabilities, embed the SMART SAILING Platform's digital solutions deep within the extensive COSCO SHIPPING Group ecosystem, thereby securing a foundational customer base, reaching new customers beyond the COSCO SHIPPING organisation and accelerating product-led growth. Furthermore, Yuantong can also expand its service coverage and potential customer base and market itself not only as a marine equipment and spare parts distributor but as a solution provider backed by measured data over the vessel life cycle. The SMART SAILING Platform is strategically positioned to extend its business coverage beyond equipment into new areas such as materials supply, creating new revenue streams and enhancing its value proposition. The collaboration with COSCO SHIPPING Technology empowers COSCO SHIPPING Smart-Sailing. As the leading organisation of the COSCO SHIPPING Group's full life cycle digital intelligent vessel operation platform, COSCO SHIPPING Technology has accumulated profound experience in platform development and operation, industry insights, and related critical data resources in this field. This cooperation plays a pivotal role in building a core competitive asset, which serves as the foundation for training advanced AI models, delivering unique analytical insights, and developing the "measured data over the vessel life cycle" essential to supporting the new solutions provider business model. Therefore, the Company expects that the integration of Yuantong and the SMART SAILING platform into COSCO SHIPPING Smart-Sailing through the Capital Increase will unleash robust synergistic effects, and expand both Yuantong's and COSCO SHIPPING Smart-Sailing's overall business model and enhance asset value. After the completion of the Capital Increase, the Company will further deepen its integration with core business scenarios, systematically cultivate new quality productive forces, build a portfolio of intelligent service products with industry-wide promotion and replication value, and thus accelerate the full coverage and in-depth development of the "full life cycle of smart ships" scenarios. In view of the above, the Capital Increase is therefore expected to significantly enhance the Company's overall competitiveness and drive the continued growth of its profitability in the long run.

The net proceeds from the cash capital contribution of RMB213,010,416 under the Capital Increase are intended to be applied by COSCO SHIPPING Smart-Sailing to supplement daily operational cash flow, fund project research and development (R&D), support product sales and facilitate industrial ecological integration. These include (a) the R&D of the spare parts full life cycle management platform, the development of intelligent platforms covering fuel oil trading, ship trading and insurance brokerage; (b) the investment in the building of sales networks and marketing systems, with the aim of building a tiered sales system targeting different customer segments and an agency network partnering with third-party service providers; and (c) the acquisition and merger, investment, etc. of targets with strong cash flow performance and broad commercialisation prospects to gain access to scarce data and external customer resources.

Our View

Having considered the above, particularly the strategic alignment of the Capital Increase with the Group's transition towards a digital-intelligent and green shipping service provider, and our analysis on the principal terms of the Capital Increase as discussed in the sections below; we consider that although the Capital Increase is not in the ordinary and usual course of business of the Group, the terms of the Capital Increase are on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole.

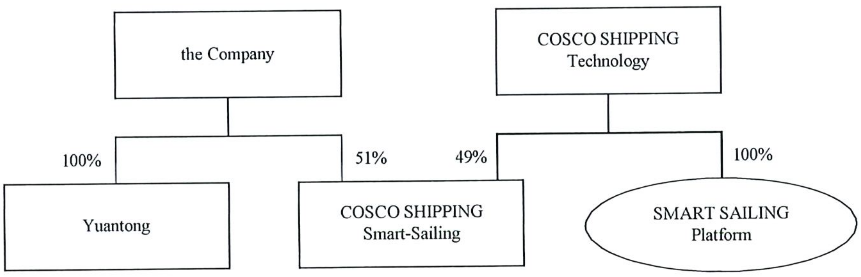
B. Major terms of the Capital Increase

On 5 January 2026, the Company, COSCO SHIPPING Technology and COSCO SHIPPING Smart-Sailing entered into the Capital Increase Agreement, pursuant to which (i) the Company shall satisfy its additional capital contribution by transferring its 100% equity interests in Yuantong to COSCO SHIPPING Smart-Sailing. Such additional capital contribution will be allocated as to RMB374,500,000 for subscription of new registered capital of COSCO SHIPPING Smart-Sailing and as to the remaining RMB764,395,100 for credit to the capital reserves of COSCO SHIPPING Smart-Sailing; and (ii) COSCO SHIPPING Technology shall satisfy its additional capital contribution by making a cash contribution of RMB213,010,416 and transferring the SMART SAILING Platform to COSCO SHIPPING Smart-Sailing. Such additional capital contribution will be allocated as to RMB75,500,000 for subscription of new registered capital of COSCO SHIPPING Smart-Sailing and as to the remaining RMB190,746,316 for credit to the capital reserves of COSCO SHIPPING Smart-Sailing.

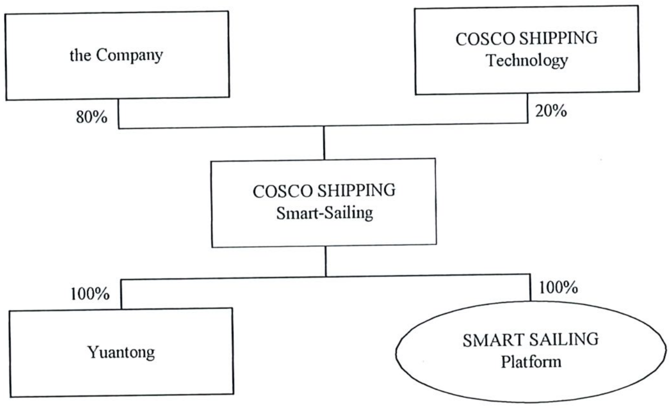
After the Registration Completion Date, the registered capital of COSCO SHIPPING Smart-Sailing shall increase from RMB50,000,000 to RMB500,000,000, and each party shall be entitled to and shall assume the corresponding shareholders' rights and shareholders' obligations in accordance with the Capital Increase Agreement and the articles of association of COSCO SHIPPING Smart-Sailing.

The group structure of Yuantong, SMART SAILING platform and COSCO SHIPPING Smart-Sailing can be diagrammatically illustrated below.

Before the Capital Increase



Immediately after the Capital Increase



Further details of the terms of the Capital Increase Agreement are set out in the paragraph headed "Capital Increase Agreement" in the Letter from the Board.

1.1 *Basis for Determination of the Amount of the Capital Increase*

The shareholdings of the Company and COSCO SHIPPING Technology upon completion of the Capital Increase (and hence the additional registered capital to be subscribed by them respectively) were determined based on arm's length negotiations with reference to (i) the capital needs of COSCO SHIPPING Smart-Sailing; (ii) the reasons for and benefits of the Capital Increase as more particularly set out in the section headed "Reasons for and Benefits of the Capital Increase" in the Letter from the Board; and (iii) the Valuations and the dividends declared by Yuantong subsequent to the Valuation Reference Date.

In particular, the shareholdings of the Company and COSCO SHIPPING Technology upon completion of the Capital Increase are calculated in the following manner:

Shareholding to be held by the Company

$$\frac{A + (C \times 51\%)}{A + B + C} \times 100\% = 80\%$$

Shareholding to be held by COSCO SHIPPING Technology

$$\frac{B + (C \times 49\%)}{A + B + C} \times 100\% = 20\%$$

Where:

(i) A is the Company's additional capital contribution (RMB1,138,895,100) (being the appraised value of Yuantong under the Yuantong Valuation at RMB1,288,895,100 minus the dividends declared by Yuantong subsequent to the Valuation Reference Date amounting to RMB150,000,000);

(ii) B is COSCO SHIPPING Technology's additional capital contribution (RMB266,246,316) (being the aggregate of its cash contribution of RMB213,010,416 and the appraised value of the SMART SAILING Platform under the SMART SAILING Platform Valuation at RMB53,235,900); and

(iii) C is the pre-Capital Increase valuation of COSCO SHIPPING Smart-Sailing under the COSCO SHIPPING Smart-Sailing Valuation (RMB50,972,300).

Each of these formulae represents the proportion of the total capital contribution by the Company or COSCO SHIPPING Technology to the post-Capital Increase valuation of COSCO SHIPPING Smart-Sailing upon completion of the Capital Increase.

Subject to completion of the change in industrial and commercial registration in respect of the Capital Increase, the profits and losses of COSCO SHIPPING Smart-Sailing during the period from the Valuation Reference Date to the Registration Completion Date shall be enjoyed or borne by the Company and COSCO SHIPPING Technology (through their ownership of the equity interests in COSCO SHIPPING Smart-Sailing) in accordance with their shareholding proportion after the Registration Completion Date (i.e. as to 80% by the Company and as to 20% by COSCO SHIPPING Technology).

We consider the profit and loss sharing arrangement is fair and to be an essential mechanism for maintaining the integrity of the agreed shareholding structure because the Company and COSCO SHIPPING Technology are effectively agreeing that the economic rights and risks in COSCO SHIPPING Smart-Sailing will be shared at 80: 20 capital structure ratio from the Valuation Reference Date, even though the legal shareholding in COSCO SHIPPING Smart-Sailing only changes on the Registration Completion Date. The Valuation Reference Date is the point at which the value of Yuantong and the SMART SAILING Platform is fixed and agreed and used to determine how many new shares of COSCO SHIPPING Smart-Sailing that the Company and COSCO SHIPPING Technology will receive under the Capital Increase. So, the final 80: 20 capital structure ratio is economically in place from the Valuation Reference Date. Therefore, any subsequent changes in the net asset value of the respective entities due to operational profits or losses should be attributed in the same proportions.

This approach ensures that the relative value of the contributions made by each party remains constant throughout the transition period. Consequently, the agreed shareholding ratio remains fair and equitable upon completion, regardless of the interim financial performance of Yuantong or COSCO SHIPPING Smart-Sailing, thereby avoiding the need for complex and uncertain post-completion price adjustments.

In addition, the fact that Yuantong has been profit-making and COSCO SHIPPING Smart-Sailing has been loss-making historically has already been reflected in the respective valuations. Yuantong is valued using a P/E-based market approach, whereas COSCO SHIPPING Smart-Sailing is valued on a cost approach given its start-up, loss-making nature. As a result, the Company "unlocks" Yuantong's value at a value-accretive multiple (higher than the Company's own P/E multiple (see "the Yuantong Valuation" below for the detailed analysis)), while COSCO SHIPPING Technology is contributing the SMART SAILING Platform and cash into COSCO SHIPPING Smart-Sailing; the final 80:20 capital structure ratio, and the abovementioned profit and loss sharing arrangement, ensure that the financial performance of COSCO SHIPPING Smart-Sailing after the Valuation Reference Date are enjoyed and borne at 80:20 ratio, which matches each party's agreed shareholding proportion in COSCO SHIPPING Smart-Sailing under the Capital Increase.

Furthermore, we note that the Valuation Reference Date (31 July 2025) was approximately six months prior to the date of the Capital Increase Agreement. However, we consider the Valuation Reference Date to be appropriate and representative for the purpose of determining the consideration for the Capital Increase based on the following:

(i) Continuity of Business Circumstances: To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, apart from the dividends declared by Yuantong subsequent to the Valuation Reference Date, which have already been taken into account in the determination of the amount of the Capital Increase in the above formulae, there is no substantial change in the circumstances of COSCO SHIPPING Smart-Sailing, Yuantong and the SMART SAILING Platform after the Valuation Reference Date and up to the Latest Practicable Date.

    Furthermore, we have reviewed the latest available unaudited financial information of Yuantong and COSCO SHIPPING Smart-Sailing subsequent to the Valuation Reference Date and consider that there has been no material change in the financial position of Yuantong and COSCO SHIPPING Smart-Sailing which would render the respective appraised values of Yuantong and COSCO SHIPPING Smart-Sailing as at the Valuation Reference Date as the basis for determining the consideration for the Capital Increase inappropriate. In this regard, we have reviewed the unaudited management account of COSCO SHIPPING Smart-Sailing for the year ended 31 December 2025 and did not note any material change to COSCO SHIPPING Smart-Sailing's operating results after the Valuation Reference Date. We have also reviewed the unaudited management account of Yuantong and noted that, other than the volume-driven revenue change, non-operating items and normal operating cost inflation, we did not notice any material fluctuation in the gross profit margin or any material structural change in cost structure. For the SMART SAILING Platform, we have confirmed with the Company that there is no material change to the composition of the SMART SAILING Platform asset package, in particular there is no change to the status of the SMART SAILING Platform's copyrights.

(ii) Economic Alignment via Profit and Loss Sharing: The Capital Increase Agreement stipulates that any profits or losses of the target entities during the period from the Valuation Reference Date to the completion of the industrial and commercial registration shall be enjoyed or borne by the Company and COSCO SHIPPING Technology in accordance with their final 80: 20 shareholding proportions. We consider this mechanism ensures that the economic risks and rewards are effectively attributed based on the agreed capital structure from the Valuation Reference Date. By fixing the relative values of each party's contribution at that point in time, the arrangement ensures that the shareholding ratio remains fair and equitable regardless of the intervening period, as any fluctuations in financial performance are shared proportionately between the parties.

Based on the above, we concur with the Directors' view that the Valuations remain fair and representative.

1.2 *Our evaluation of the Valuations*

1.2.1 the Yuantong Valuation

a) Scope of work and qualifications of China Tong Cheng

China Tong Cheng was engaged to prepare the valuation report for Yuantong (the "**Yuantong Valuation Report**") and for COSCO SHIPPING Smart-Sailing (the "**COSCO SHIPPING Smart-Sailing Valuation Report**") which sets out independent valuations on the value of entire equity interest of Yuantong and COSCO SHIPPING Smart-Sailing as at the Valuation Reference Date.

Pursuant to the relevant requirements under Article 14 of the "Notice of the Ministry of Finance on Improving the Administration of the Filing of Asset Valuation Organisations'' (Cai Zi [2017] No.26)* (《財政部關於做好資產評估機構備案管理工作的通知》(財資(2017)26號)), China Tong Cheng is an asset valuation firm which meets the conditions set out in Article 15 of the Asset Valuation Law (《資產評估法》).The Yuantong Valuation Report and the COSCO SHIPPING Smart-Sailing Valuation Report have been prepared in compliance with the relevant professional standards issued by China Appraisal Society and Ministry of Finance of the PRC.

We have (i) interviewed China Tong Cheng as to its expertise and any current or prior relationships with the Company, COSCO SHIPPING Smart-Sailing and COSCO SHIPPING Technology or any of their respective subsidiaries or associates; (ii) reviewed the terms of engagement (in particular whether the scope of work is appropriate to the opinion required to be given and any limitations on the scope of work which might adversely impact on the level of assurance given by the its valuation reports) for the Yuantong Valuation and the COSCO SHIPPING Smart-Sailing Valuation; (iii) reviewed the relevant track record of the China Tong Cheng and qualification of China Tong Cheng; and (iv) discussed with China Tong Cheng in respect of its relevant experience and work done. We have confirmed with China Tong Cheng, it is not connected with the Company, COSCO SHIPPING Smart-Sailing and COSCO SHIPPING Technology or their respective core connected persons.

Based on our discussions with China Tong Cheng and review of the aforesaid information, we understand that China Tong Cheng has the required qualification and experience in performing the valuation.

b) Valuation approaches

According to the Yuantong Valuation Report, the appraised value of Yuantong's entire equity interest as at the Valuation Reference Date amounted to RMB1,288,895,100 under the market approach. According to our review of the Yuantong Valuation Report and our discussion with China Tong Cheng on the methodologies underlying the Yuantong Valuation Report, we understood that China Tong Cheng has considered three generally accepted approaches, namely the income approach, cost approach and market approach. In determining the value of the enterprise interest of Yuantong, China Tong Cheng considered that the market approach is the most appropriate one.

The cost approach was considered inappropriate and was not adopted because Yuantong core value is significantly derived from off-balance sheet intangible factors — such as its professional sales and management teams, established track record, market reputation, and a stable, loyal customer base — which are not fully captured by a simple aggregation of the replacement costs of its assets.

The market approach was adopted as the primary methodology because there is a sufficient number of comparable listed companies in the same industry with active trading data, allowing for a fair and objective reflection of the company's market value.

Furthermore, the income approach is heavily dependent on the accuracy of long-term financial forecasts, which are subject to uncertainty due to rapid fluctuations in the international trading environment and exchange rates, and therefore was not adopted for the final Yuantong Valuation.

c) Key Assumptions

Certain key assumptions were used in the Yuantong Valuation, including but not limited to:

(i) The equity interest of Yuantong is assumed to be in a transaction process, and is traded in an open market. An open market refers to a fully competitive market with numerous buyers and sellers, where they have equal standing and have sufficient opportunities and time to obtain market information. The transaction is conducted by both parties voluntarily and rationally, under non-compulsory or unrestricted conditions.

(ii) Yuantong's operators are assumed to be responsible, and management capable of performing their duties.

(iii) There will be no material changes in current relevant laws, regulations and policies of the State, or in the macro-economic situation, nor in the political, legal, economic, or social environments of the regions where the relevant parties are located. It is further assumed that there are no material changes in relevant interest rates, exchange rates, tax bases, tax rates, and policy-related charges.

d) Valuation Multiple

In applying the market approach for the valuation of Yuantong, the Price-to-Earnings (P/E) multiple was adopted as the valuation multiple. As stated in the Yuantong Valuation Report, the selection of the P/E multiple is considered appropriate as Yuantong maintains relatively stable profitability, and investors in this industry primarily focus on net profit and cash flow growth as key indicators of corporate value. We are of the view that as a widely recognised and utilised metric in the valuation of companies with established earnings track record, the P/E multiple provides a reliable benchmark for reflecting Yuantong's fair market value.

As stated in the Yuantong Valuation Report, a range of commonly used value ratios (including EV/EBITDA, EV/Sales, PB and non-financial multiples) were also considered. Having regard to Yuantong's light asset trading and service model, relatively stable profitability and investors' focus on profit and cash flow growth, profit related equity ratios were regarded as the most appropriate for linking equity value to earnings. Total investment ratios such as EV/EBITDA or EV/EBIT are more suitable where there are material differences in capital structure between the subject and its peers, but Yuantong and the selected comparables have broadly similar capital structures, making equity-based ratios more suitable. Revenue-based ratios mainly reflect business scale and do not adequately distinguish companies with similar turnover but different margins, while asset-based ratios are more appropriate for capital intensive or financial businesses and cannot fully capture unrecorded intangibles such as sales network, management capabilities and customer relationships in a light asset company like Yuantong. Other special non-financial ratios would require consistent and comparable operating indicators across all peers, which are not available in a sufficiently robust form. Accordingly, we agree that P/E multiple is the most appropriate value ratio under the market approach for determining Yuantong's equity value by reference to its earnings.

e) Comparables used in the Yuantong Valuation Report

We have reviewed the selection criteria adopted by China Tong Cheng in identifying the comparables (the "**Comparables**"), which primarily include: (i) companies listed on the stock exchanges of Hong Kong, Singapore, and Japan, representing mature capital markets in regions where Yuantong operates, where priority is given to companies that mainly derive their revenue from the Hong Kong and the PRC market, given the similarity with Yuantong's major markets (ii) companies that have been listed on the aforesaid stock exchanges for at least 24 months; (iii) companies principally engaged in trading and agency services for industrial machinery and marine equipment for at least 24 months; (iv) companies that recorded positive net profit in the most recent fiscal year; and (v) excluded companies with P/E multiples exceeding two standard deviations from the peer group median. The selection criteria aim to ensure that the selected companies are genuinely similar to Yuantong in business nature, geographical coverage and financial position, so that their trading multiples provide a reliable benchmark. The selection criteria therefore require peers with a sufficient listing and operating history in the same or similar industry and in the same operating markets, with light-asset business model, while excluding companies whose share prices may not reflect fair market value.

Based on the aforementioned selection criteria, China Tong Cheng identified an initial batch of 7 potential comparable companies as listed out below:

Stock Code	Company Name	Principal Business	Status
0517.HK	The Company	Principally engaged in the provision of shipping services and general trading. The Group operates its business through six segments. The marine equipment and spare parts segment is mainly engaged in the trading and supply of marine equipment and spare parts. The coatings segment is mainly engaged in the production and sale of coatings. The general trading segment is mainly engaged in the trading, storage, processing and supply of asphalt and other products. The insurance brokerage segment is mainly engaged in the provision of insurance brokerage services. The ship trading agency segment is mainly engaged in the provision of agency services relating to shipbuilding, ship trading and bareboat charter business. The intelligent shipping services segment is mainly engaged in providing green, low-carbon and digital intelligent solutions for the full life cycle of the shipping industry business.	Selected
2102.HK	Tak Lee Machinery Holdings Limited (“**Tak Lee**”)	Tak Lee is an investment company, which engages in the sale of heavy equipment and spare parts. It operates through the following segment: Sales of heavy equipment and spare parts; lease of heavy Equipment; and maintenance and ancillary services. The sales of heavy equipment and spare parts segment trades heavy equipment and spare parts. The lease of heavy equipment segment leases heavy equipment. The maintenance and ancillary services segment offers maintenance and ancillary services.	Selected

Stock Code	Company Name	Principal Business	Status
9932.TJP	Sugimoto & Co., Ltd. ("**Sugimoto**")	Sugimoto engages in the domestic sales, import and export of machinery and equipment. Its products include mechanical equipment; measuring equipment; testing machinery; cutting, machine and pneumatic tools; cargo handling tools; conduction, pneumatic, and hydraulic equipment; electric tools; transmission equipment; work tools; pipework equipment; tube materials; office automation equipment and others.	Selected
5PF.SG	Jason Marine Group Limited ("**Jason Marine**")	Jason Marine is an investment holding company, which engages in the provision of support services in the marine electronics systems, and marine and offshore oil and gas industries. It operates through the following business segments: Sale of Goods, Rendering of Services, and Airtime Revenue. The Sale of Goods segment includes the design, supply, and sale of marine, communication, navigation, and automation equipment. The Rendering of Services segment involves the provision of maintenance and support services, including repair works, troubleshooting, commissioning, radio survey, and annual performance tests. The airtime revenue segment offers airtime for the satellite communication system.	Excluded
7128.T	UNISOL Holdings Corporation ("**UNISOL**")	UNISOL engages in the business management of its group subsidiaries that sell industrial machinery and equipment tools.	Excluded

Stock Code	Company Name	Principal Business	Status
7472.T	Toba, Inc. ("**Toba**")	Toba engages in the sale, import, and export of control machinery, industrial robots, measuring and instrumentation devices. Its products include pneumatic, hydraulic and linear products, robot and automatic assembly equipment, printed circuit board mounting products, imaging and measuring equipment, logistics and transport equipment, computers, electronic machinery, transport equipment, construction and conduit equipment, fasteners, environmental maintenance equipment, tools, machinery tools, laboratory equipment, chemicals, and general industrial equipment. It also provides the installation of machinery and equipment.	Excluded
7500.T	Nishikawa Keisoku Co., Ltd. ("**Nishikawa**")	Nishikawa engages in the sale of control and information equipment systems, measuring and analytical equipment, industrial equipment and other products related to engineering and software production. It operates through the following divisions: Control and Information Equipment System, Measuring Instrument, Analytical Equipment, and Industrial and Other Equipment. The Control and Information Equipment System division includes computer systems for process and factory automation, thermometers, flow meters, controllers, sequencers, software creation, and instrument construction and maintenance. The Measuring Instrument division provides signal testing instruments such as oscilloscopes and electric power measuring devices such as ammeters and voltmeters. The Analytical Equipment division consists of data analysis software and analytical equipment such as gas and liquid chromatographs for organic chemicals and inductively coupled plasma-mass spectrometry (ICP-MS) for inorganic chemicals. The Industrial and Other Equipment division offers environmental testing equipment, hydraulic machinery, pneumatic tools, industrial robots, and thermostats.	Excluded

As explained above, among all priority is given to companies that mainly derive their revenue from the Hong Kong and/or the PRC market, given the similarity with Yuantong's major markets and these companies are considered direct comparables. Therefore, among the 7 companies identified above, China Tong Cheng considered that the Company and Tak Lee are direct comparables and no additional filters are applied to them. In particular, Tak Lee was selected, despite being smaller in scale, because it generates all of its revenue in the Hong Kong market and is a Hong Kong listed supplier of heavy equipment and spare parts which, like Yuantong, operates as a light asset distributor and service provider in the equipment sector, generating income mainly from the sale, rental and servicing of equipment rather than from manufacturing.

For the remaining 5 companies, namely Jason Marine, Toba, Nishikawa, UNISOL and Sugimoto, as they do not derive their revenue primarily from the Hong Kong and/or the PRC market, China Tong Cheng considered them relatively less comparable to Yuantong, and thus China Tong Cheng applied additional filters to these 5 indirect comparables: (i) liquidity filter where companies with an average monthly turnover rate of less than 2% over the 12-month period preceding the Valuation Reference Date are excluded to ensure their trading multiples reflect their true fair market value and do not lead to distorted valuation results; (ii) business scale filter where companies with revenue more than 2x larger or 2x smaller than that of Yuantong based on their latest published annual results are excluded. Jason Marine, Toba and Nishikawa generated only 5%, 10% and nil revenue from the Hong Kong and/or the PRC market respectively and thus were subject to the aforesaid additional filters. They were excluded as they had an average monthly turnover rate of less than 2% over the 12-month period preceding the Valuation Reference Date. UNISOL generated only 2% of its revenue from the Hong Kong and/or the PRC market and thus was subject to the aforesaid additional filters. It was excluded due to its significantly larger business scale compared to Yuantong, with revenue around 4.6x of that of Yuantong for 2024. Given the substantial disparity in size of operation, China Tong Cheng determined that its valuation multiples would not be directly comparable to Yuantong.

Under the market approach, it is common that after comparable companies are selected based on a set of selection criteria, the selected comparable companies are further screened out as outlier by size, financial profile and/or trading data quality. Therefore, we consider that it is reasonable that China Tong Cheng applied additional filters and excluded certain indirect comparable companies (i.e., those with their core market outside of China and Hong Kong market which is the core market of Yuantong) because of poor trading liquidity (i.e., Jason Marine, Toba and Nishikawa) and substantial deviation in size (in terms of revenue) (i.e., UNISOL).

The remaining indirect comparable, Sugimoto, which generated only around 3.5% of its revenue from non-Japanese market, was selected because it passed the additional filters. Its average monthly turnover rate was approximately 6% over the 12-month period preceding the Valuation Reference Date and its revenue was only around 1.4x larger than that of Yuantong based on its latest published annual results. It is a Japanese listed trading company principally engaged in the distribution of tools, measuring instruments and related equipment, with a business model, revenue composition and asset allocation that are similar in nature to those of Yuantong, save that its product mix focuses on industrial equipment rather than marine equipment. As a result, China Tong Cheng considered that, Sugimoto and Tak Lee, together with the Company, represent reasonable and appropriate listed company references for deriving valuation multiples for Yuantong and were adopted as the final Comparables.

Furthermore, we note that Yuantong, Sugimoto and Tak Lee all operate as light-asset, distribution and service-oriented business focused on industrial/machinery equipment rather than manufacturing, with revenue and assets concentrated in trading inventories, receivables and other assets rather than heavy plant. Their core business model is to source branded industrial/machinery products from multiple upstream suppliers and resell them with value-added services and their revenue is derived therefrom. Asset base of Sugimoto and Tak Lee are mainly trading inventories and receivables, which is similar to those of Yuantong. Accordingly, we consider that it is reasonable that China Tong Cheng considered both Sugimoto and Tak Lee comparable to Yuantong.

We have (i) discussed with China Tong Cheng the exhaustive nature of their search process. (ii) reviewed of the underlying working and market data provided by China Tong Cheng (e.g. screening results from Bloomberg), we are satisfied that the selection criteria are reasonable and that the Comparables identified by China Tong Cheng represent an exhaustive list of relevant peers on a best-effort basis.

Based on the foregoing, we consider that the Comparables were fair and representative and the use of the P/E multiples derived from these Comparables to be a fair and appropriate basis for the valuation of Yuantong.

(f) Adjustments made to the Comparables

In determining the final valuation of Yuantong, China Tong Cheng applied several adjustments to the raw P/E multiples of the Comparables. These adjustments were designed to bridge the fundamental gaps in risk profiles and financial performance between the Comparables and Yuantong. We have reviewed the underlying logic of these adjustments as follows:

(i) *Country Risk Adjustment:*

To account for the difference in sovereign risk between the Hong Kong and Japanese markets, a country risk correction factor was applied to the Japanese comparable based on the sovereign credit ratings assigned by Moody's. Specifically, while Hong Kong maintains a high-grade credit rating (Aa3), the Japanese market was noted to have a relatively lower rating (A1) at the Valuation Reference Date. We have reviewed the rating benchmarks used and consider this adjustment to be reasonable.

(ii) *Financial Performance Adjustment:*

China Tong Cheng implemented a comprehensive weighted scoring model to assess the operational quality of Yuantong relative to the Comparables across four key dimensions: (a) profitability (e.g. return on assets); (b) asset quality (e.g. inventory turnover ratio); (c) liquidity risk (e.g. asset to liability ratio); and (d) growth potential (e.g. sales growth rate).

Under this methodology, Yuantong's financial ratios were set as the benchmark (assigned 100 points), while the Comparables were assigned scores based on their relative performance in each category. For instance, if Yuantong exhibited superior profitability compared to the peers, the Comparables will be assigned a lower score in this ratio, vice versa.

The individual scores for each metric were then aggregated using specific weights, based on guidelines from the State-owned Assets Supervision and Administration Commission of the State Council, to derive an overall financial performance adjustment coefficient for each Comparable, which together with the country risk correction factor were then applied the raw P/E of the Comparables to derive the adjusted P/E multiples.

We have reviewed the underlying financial ratios and discussed with China Tong Cheng on its's scoring logic. We consider this quantitative benchmarking approach to be reasonable.

(iii) *Application of Weights:*

In arriving at the weighted average of adjusted P/E multiples of 21.28x, China Tong Cheng assigned different weightings to the adjusted multiples of the Comparables instead of adopting a simple arithmetic average. A lower weighting was assigned to Tak Lee with a smaller market capitalisation in view of its higher price volatility.

We consider that the use of a weighted average approach is reasonable.

(iv) *discount on lack of marketability ("DLOM")*

In recognising that Yuantong is a private entity whose shares cannot be readily traded on a public exchange, China Tong Cheng applied a DLOM of 33.08%.

Based on our discussion with China Tong Cheng, we understand that this discount rate was derived through a comparative analysis of P/E multiples between: (i) merger and acquisitions transactions involving private companies during 2024; and (ii) comparable publicly listed companies during the same period. The disparity between these two sets of multiples represents the valuation haircut required for the lack of liquidity in private equity. China Tong Cheng utilised its proprietary research database, namely "Lack of Marketability Discount (DLOM) in the Comparative Estimation of P/E Ratios for Private Company M&A vs. Listed Companies (2024 Edition — involving overseas non-listed companies)" (the "**2024 DLOM Report**"), to calculate the average discount for 2024, arriving at 33.08%.

We have discussed the methodology and the rationale for adopting this discount rate. We have also reviewed the 2024 DLOM Report and noted that the DLOM of 33.08% represented the discount of average P/E multiples for private merger and acquisitions transactions to the average P/E multiples for listed companies, based on its proprietary research database taking into account data from 15 countries: Australia, Canada, France, Germany, Hong Kong, India, Italy, Japan, South Korea, Singapore, Sweden, Thailand, the PRC, the United Kingdom, and the United States. We consider that the use of actual market transaction data from the 2024 DLOM Report provides an evidence-based benchmark for quantifying the liquidity risk associated with the interest in Yuantong and thus the DLOM is fair, representative and reasonable.

(g) Final Yuantong Valuation

As stated in the Yuantong Valuation Report, the appraised value of the entire equity interest in Yuantong was arrived at by summing: (i) the operating value, derived by multiplying the net profit of Yuantong for 2025 by the weighted average adjusted P/E multiple of 21.28x and subsequently applying a DLOM of 33.08%; and (ii) the net value of non-operating assets and liabilities (mainly investment properties and long-term equity investments) as at the Valuation Reference Date.

By segregating the operating value (derived from the adjusted P/E multiple) from the non-operating net assets, China Tong Cheng has provided a more precise reflection of Yuantong's total equity value.

Furthermore, for illustrative purposes, we note that the Yuantong Valuation represents an implied P/E ratio of approximately 14.64x, based on the Yuantong Valuation of RMB1,288,895,100 and its net profit for FY2024 of approximately HK$96.7 million (equivalent to approximately RMB88.1 million). We also note that such implied P/E ratio is higher than the prevailing P/E ratio of the Company of approximately 11.9x (based on the closing price as at the Valuation Reference Date and the net profit attributable to equity holders of the Company for FY2024). Accordingly, the valuation of Yuantong is considered to be value-accretive to the Company and its Shareholders, as it reflects a valuation multiple higher than the market valuation of the Group.

Our view

Based our review and analysis as set out above, we are of the view that the Yuantong Valuation is fair and reasonable.

1.2.2 the COSCO SHIPPING Smart-Sailing Valuation

a) Scope of work and qualifications of China Tong Cheng

The COSCO SHIPPING Smart-Sailing Valuation Report is prepared by China Tong Cheng. Please refer to the section headed "1.2.1 the Yuantong Valuation" for our work done and view on the scope of work and qualification of China Tong Cheng.

b) Valuation approaches

According to the COSCO SHIPPING Smart-Sailing Valuation Report, the appraised value of COSCO SHIPPING Smart-Sailing's entire equity interest as at the Valuation Reference Date (i.e. pre-money valuation of COSCO SHIPPING Smart-Sailing) amounted to RMB50,972,300 under the cost approach. According to our review of the COSCO SHIPPING Smart-Sailing Valuation Report and our discussion with China Tong Cheng on the methodologies underlying the COSCO SHIPPING Smart-Sailing Valuation Report, we understood that China Tong Cheng has considered three generally accepted approaches, namely the income approach, cost approach and market approach. In determining the value of the enterprise interest of COSCO SHIPPING Smart-Sailing, China Tong Cheng considered that the cost approach is the most appropriate one.

The market approach was not adopted as it was difficult to identify comparable listed companies or recent transaction cases that sufficiently align with COSCO SHIPPING Smart-Sailing's current development stage and specific business model in software development and operations.

The cost approach adopts the replacement cost of its existing assets as the value standard. This method reflects the fair value of COSCO SHIPPING Smart-Sailing's shareholder equity as presented in its audited balance sheet on the valuation reference date from a replacement perspective. By assessing the value of each identifiable asset and liability, this approach provides a prudent and verifiable reflection of COSCO SHIPPING Smart-Sailing's intrinsic value prior to the Capital Increase.

Given that COSCO SHIPPING Smart-Sailing is in its early operational stage and has yet to achieve profitability, income approach is not chosen as the approach for the final valuation of COSCO SHIPPING Smart-Sailing.

The conclusion of the cost approach accurately reflects the fair value of its equity at the reference date. Accordingly, the cost approach was ultimately adopted.

c) Key Assumptions

Certain key assumptions were used in the COSCO SHIPPING Smart-Sailing Valuation, including but not limited to:

(i) The equity interest of COSCO SHIPPING Smart-Sailing is assumed to be in a transaction process, and is traded in an open market. An open market refers to a fully competitive market with numerous buyers and sellers, where they have equal standing and have sufficient opportunities and time to obtain market information. The transaction is conducted by both parties voluntarily and rationally, under non-compulsory or unrestricted conditions.

(ii) COSCO SHIPPING Smart-Sailing's operators are assumed to be responsible, and management capable of performing their duties.

(iii) There will be no material changes in current relevant laws, regulations and policies of the State, or in the macro-economic situation, nor in the political, legal, economic, or social environments of the regions where the relevant parties are located. It is further assumed that there are no material changes in relevant interest rates, exchange rates, tax bases, tax rates, and policy-related charges.

d) Details of the valuation

In arriving at the COSCO SHIPPING Smart-Sailing Valuation, China Tong Cheng examined the assets and liabilities of COSCO SHIPPING Smart-Sailing on an item-by-item basis, consistent with the audited balance sheet provided by the reporting accountants. As at the Valuation Reference Date, the book value of COSCO SHIPPING Smart-Sailing's total assets, total liabilities, and net assets were approximately RMB21.52 million, RMB9.79 million, and RMB11.73 million, respectively. Upon valuation, the appraised value of the total assets and net assets increased to approximately RMB60.77 million and RMB50.97 million, representing an appreciation of approximately RMB39.25 million, with an appreciation rate of 182.37% for total assets and 334.71% for net assets.

The appraisals of the assets and liabilities of COSCO SHIPPING Smart-Sailing are summarised below:

(i) *Current assets*

The book value and appraised value of COSCO SHIPPING Smart-Sailing's current assets were both approximately RMB19.33 million as at the Valuation Reference Date. Based on our review of the COSCO SHIPPING Smart-Sailing Valuation Report and discussion with China Tong Cheng, China Tong Cheng verified and valued the key components as follows:

a) Bank deposits — China Tong Cheng verified bank deposits by reconciling bank statements with general ledgers, examining bank reconciliation statements, and performing independent bank confirmations. It is determined that the appraised value is equivalent to the book value.

b) Receivables and prepayments — China Tong Cheng verified the historical records and nature of the accounts receivable, other receivables, and prepayments to ensure the accuracy of the book values, and applied age analysis to assess the recoverability of each balance in order to determine their fair value. It is determined that the appraised value is equivalent to the book value.

c) Other current assets — China Tong Cheng reconciled the ledgers and performed sample checks on supporting vouchers for other current assets. It is determined that the appraised value is equivalent to the book value.

(ii) *Non-current assets*

COSCO SHIPPING Smart-Sailing's non-current assets consist of physical equipment and significant off-balance sheet intellectual property. Based on our review of the COSCO SHIPPING Smart-Sailing Valuation Report and discussion with China Tong Cheng, China Tong Cheng verified and valued the key components as follows:

a) Equipment — China Tong Cheng adopted the replacement cost method, calculating the value based on current market purchase prices plus necessary installation and delivery costs, adjusted by a used-state percentage based on the equipment's actual condition. The appraised value is only approximately 3.8% higher than the book value.

b) long-term deferred expenses — China Tong Cheng verified the authenticity and completeness of each item as well as the reasonableness of its amortisation in accordance with the valuation procedures, and determined that the appraised value to be equivalent to the book value.

c) Off-balance sheet intangible assets — COSCO SHIPPING Smart-Sailing has 17 software copyrights which were developed through a combination of internal R&D and outsourced development. Although these assets carried no book value as the related costs were historically expensed, China Tong Cheng appraised them at RMB39.22 million using the cost method.

   We understand that China Tong Cheng performed various due diligence, including reconciling R&D ledgers, contracts, and payment vouchers, and conducting interviews with technical personnel to assess the R&D process, technical maturity, and expected lifespan of the software.

   In determining the appraised value, China Tong Cheng aggregated the actual historical R&D labour inputs and development expenses (totalling approximately RMB33.45 million) and adjusted this base cost by taking into account a reasonable developer's profit margin, which was determined with reference to the prevailing profit levels and risk profiles of the software development and information technology service industry in the PRC; and a relevant capital costs, calculated based on a reasonable development cycle and the prevailing Loan Prime Rate (LPR) published by the National Interbank Funding Center as at the Valuation Reference Date.

(iii) *Current liabilities*

The appraised value of COSCO SHIPPING Smart-Sailing's total current liabilities was approximately RMB9.80 million, which is equal to its book value. The Independent Valuer verified and valued the major components as follows:

a) Accounts payable and other payables — These primarily consist of technical service fees, hardware costs, and R&D expenses. China Tong Cheng verified the underlying transactions through its valuation procedures to ensure the balances were accurately recorded and determined that the appraised value is equivalent to the book value.

b) Employee benefits payable — China Tong Cheng verified the records for salaries and annuities to ensure the completeness and accuracy and determined that the appraised value is equivalent to the book value.

c) Taxes payable — China Tong Cheng reviewed the individual income tax records and verified the consistency of ledgers and determined that the appraised value is equivalent to the book value.

(iv) *Non-current liabilities*

COSCO SHIPPING Smart-Sailing has no non-current liabilities.

Our view

We note that the COSCO SHIPPING Smart-Sailing Valuation of RMB50,972,300 represents a premium of approximately 12.8% over the sum of (i) the audited net asset value of COSCO SHIPPING Smart-Sailing of approximately RMB11.7 million as at the Valuation Reference Date; and (ii) the aggregated actual historical R&D labour inputs and development expenses of approximately RMB33.45 million incurred for the software copyrights.

Based our review and analysis as set out above, we are of the view that the COSCO SHIPPING Smart-Sailing Valuation is fair and reasonable.

1.2.3 the SMART SAILING Platform Valuation

a) Scope of work and qualifications of Shanghai Dongzhou

Shanghai Dongzhou was engaged to prepare the valuation report for the SMART SAILING Platform asset package (the "**SMART SAILING Valuation Report**") which sets out an independent valuation on the market value of the SMART SAILING Platform asset package as at the Valuation Reference Date.

Pursuant to the relevant requirements under the Asset Valuation Law (《資產評估法》), the "Measures for Financial Supervision and Administration of the Asset Appraisal Sector" (Cai Zheng Bu Ling No.86)* (《資產評估行業財政監督管理辦法》(財政部令第86號)) and the "Notice of the Ministry of Finance on Improving the Administration of the Filing of Asset Valuation Organisations" (Cai Zi [2017] No.26)* (《財政部關於做好資產評估機構備案管理工作的通知》 (財資(2017)26號)), Shanghai Dongzhou is an asset valuation firm which meets the conditions set out in Article 15 of the Asset Valuation Law (《資產評估法》). The SMART SAILING Valuation Report has been prepared in compliance with the relevant professional standards issued by China Appraisal Society and Ministry of Finance of the PRC.

We have (i) interviewed Shanghai Dongzhou as to its expertise and any current or prior relationships with the Company, COSCO SHIPPING Smart-Sailing and COSCO SHIPPING Technology or any of their respective subsidiaries or associates; (ii) reviewed the terms of engagement (in particular whether the scope of work is appropriate to the opinion required to be given and any limitations on the scope of work which might adversely impact on the level of assurance given by its valuation report) for the SMART SAILING Platform; (iii) reviewed the relevant track record of Shanghai Dongzhou and qualification of Shanghai Dongzhou; and (iv) discussed with Shanghai Dongzhou in respect of its relevant experience and work done. We have confirmed with Shanghai Dongzhou, it is not connected with the Company, COSCO SHIPPING Smart-Sailing and COSCO SHIPPING Technology or their respective core connected persons.

Based on our discussions with Shanghai Dongzhou and review of the aforesaid information, we understand that Shanghai Dongzhou has the required qualification and experience in performing the valuation.

b) Valuation approaches

According to the SMART SAILING Valuation Report, the appraised value of the Smart Sailing Platform asset package as at the Valuation Reference Date amounted to RMB53,235,900. According to our review of the SMART SAILING Valuation Report and our discussion with Shanghai Dongzhou on the methodologies underlying the valuation, we understood that Shanghai Dongzhou has considered three generally accepted approaches, namely the income approach, cost approach and market approach. In determining the value of the SMART SAILING Platform asset package, Shanghai Dongzhou considered that the cost approach is the most appropriate methodology.

The cost approach was adopted as the primary methodology because it provides a fair and verifiable reflection of the actual resources and research and development effort consumed during the platform's 25-month creation period. By capturing the replacement cost of the intellectual property (including patent applications rights, software copyrights, and source codes) and incorporating reasonable labour inputs and industry-standard profit margins, this methodology provides a more prudent and reliable valuation for a technical asset package at this stage of its life cycle.

Furthermore, as the SMART SAILING Platform officially launched relatively recently, there remains inherent uncertainty regarding the exact timing and scale of future income realisation. An income-based model at this stage would be highly sensitive to subjective growth assumptions and long-term financial forecasts, which may not yet be fully supported by sufficient historical commercial data. The market approach was considered inappropriate and was not adopted due to the unique nature of the underlying technical architecture and the lack of identical or sufficiently similar intangible asset transaction cases in the public market.

c) <u>Key Assumptions</u>

Certain key assumptions were used in the SMART SAILING Platform asset package, including but not limited to:

(i) It is assumed that the SMART SAILING Platform asset package is in a transaction process and is traded in an open market where both the buyer and the seller have equal standing, sufficient access to market information, and conduct transactions voluntarily, rationally, and without compulsion or undue restriction.

(ii) It is assumed that the SMART SAILING Platform will continue to be utilised for its current functions. This premise assumes that the assets within the valuation scope are in a state of use and will continue to be utilised in their current manner and for their current purposes, without taking into account any conversion of use or the highest and best use conditions.

d) Details of the valuation

As disclosed in the SMART SAILING Valuation Report, Shanghai Dongzhou adopted the cost approach to evaluate the market value of the SMART SAILING Platform asset package. The valuation represents the sum of the replacement costs of the individual assets within the asset package, which primarily consist of: (i) patent application rights; (ii) software copyrights, platform source code, and other data assets; and (iii) trademarks and domain names.

According to the information provided by Shanghai Dongzhou, the historical costs of the software copyrights, source codes, and data assets mainly comprise the direct research and development (R&D) expenses (including labour costs and outsourcing fees) and allocated indirect costs. For patent application rights, the historical costs mainly consist of agency fees, official fees, and priority examination agency fees incurred during registration. The replacement cost is determined by adjusting these historical costs, incorporating applicable capital costs and a reasonable profit margin.

In assessing the fairness of the valuation, we have reviewed Shanghai Dongzhou's calculation as follows:

(i) *Determination of valuation of patent application rights, software copyrights, platform source code, and other data assets*

Valuation for patent application rights

The SMART SAILING platform asset package includes 5 patent applications which are currently at various stages of the application process. As at the Valuation Reference Date, the replacement cost for these patent application rights primarily represents the registration and maintenance costs, adjusted for current price levels.

To reflect the current market price level as at the Valuation Reference Date, Shanghai Dongzhou applied the Purchasing Price Index (工業生產者購進價格指數) published by National Bureau of Statistics of the PRC.

After adjusting to current market price levels, the replacement cost is further adjusted for (i) the capital costs, which is based on the prevailing LPR published by the National Interbank Funding Center, and (ii) a reasonable profit, which is based on the three-year average profit margin of the industry application software sector from the iFinD (同花順), a financial data terminal provided by the Shenzhen Stock Exchange-listed company, Hithink RoyalFlush Information Network Co., Ltd. (300033.SZ).

Valuation for software copyrights, platform source code, and other data assets

The SMART SAILING Platform asset package is derived from its 3 software copyrights, 6 sets of platform source code, and other data assets. In assessing the replacement cost of these assets, Shanghai Dongzhou aggregated historical costs, which includes direct R&D labour and allocated indirect overheads.

To reflect current replacement costs, Shanghai Dongzhou adjusted these historical inputs using official average wage growth indices from the Shanghai Municipal Human Resources and Social Security Bureau.

After adjusting to current market price levels, the replacement cost is further adjusted for (i) the capital costs, which is based on the prevailing LPR published by the National Interbank Funding Center, and (ii) a reasonable profit, which is based on the three-year average profit margin of the industry application software sector from the iFinD (同花順).

(ii) *Determination of valuation of trademarks and domain names*

Trademarks were valued by summing fees including design fees, registration fees, and agency fees. Domain names were valued based on their initial registration/acquisition costs plus the pro-rata value of prepaid renewal fees.

(iii) *Total valuation of the SMART SAILING Platform asset package*

Total valuation of the SMART SAILING Platform asset package is RMB53,235,900, being the sum of the valuation of (i) the patent application rights and (ii) software copyrights, platform source code, and other data assets, and (iii) trademarks, domain names, and other data assets.

e) Our view

Regarding the SMART SAILING Platform Valuation of RMB53,235,900, we note that this represents a premium of approximately 31.5% over the aggregated actual historical expenses of approximately RMB40.48 million incurred from 2022 to 2025.

Based on our review and analysis above, we consider the SMART SAILING Valuation to be fair and reasonable.

C. Financial Effects

Under the Capital Increase, the Company shall transfer its 100% equity interest in Yuantong to COSCO SHIPPING Smart-Sailing and COSCO SHIPPING Technology shall transfer the SMART SAILING platform and make a cash contribution of approximately RMB213 million to COSCO SHIPPING Smart-Sailing. As a result, the Company's equity interest in COSCO SHIPPING Smart-Sailing will increase from 51% to 80% and the Company's equity interest in Yuantong will effectively be diluted from 100% to 80%. After completion of the Capital Increase, Yuantong will remain to be a subsidiary of the Company, and its financial results will continue to be consolidated into the results of the Group.

RECOMMENDATION

Having considered the principal factors and reasons referred to above, particularly that the shareholding structure of COSCO SHIPPING Smart-Sailing following the Capital Increase was determined based on the appraised values of COSCO SHIPPING Smart-Sailing, Yuantong, and the SMART SAILING Platform as at the Valuation Reference Date, which we have reviewed and consider to be fair and reasonable, we are of the opinion that (i) the terms of the Capital Increase Agreement are on normal commercial terms and are fair and reasonable so far as the Company and the Independent Shareholders are concerned; and (ii) although the Capital Increase is not in the ordinary and usual course of business of the Group, it is in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise the Independent Shareholders and the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Capital Increase.

Yours faithfully,
For and on behalf of
Ballas Capital Limited

Alex Lau
Managing Director

Cathy Leung
Director

Note: Mr. Alex Lau of Ballas Capital Limited has been a responsible officer of Type 6 (advising on corporate finance) regulated activities since 2003, and Ms. Cathy Leung of Ballas Capital Limited has been a responsible officer of Type 6 (advising on corporate finance) regulated activities since 2019.