邁時資本
MAXA CAPITAL

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Hong Kong

9 December 2024

To the Independent Board Committee and the Independent Shareholders

Dear Sirs and Mesdames,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS FRAMEWORK AGREEMENTS ENTERED INTO WITH CHINA DEVELOPMENT BANK FOR 2025 TO 2027 AND THE PROPOSED ANNUAL CAPS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the New Financing Service Framework Agreement, the New Deposit Service Framework Agreement, the New Debt Financing Instruments Investment Framework Agreement (collectively known as the "**Non-exempt Framework Agreements**") and their proposed annual caps for each of the three years ending 31 December 2027 (the "**Proposed Annual Caps**"), details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular dated 9 December 2024 issued by the Company (the "**Circular**") of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 9 December 2024, the Company and CDB entered into the Non-exempt Framework Agreements to renew the Financing Service Framework Agreement, the Deposit Service Framework Agreement and the Debt Financing Instruments Investment Framework Agreement entered into between the Company and CDB in 2021. The term of the Non-exempt Framework Agreements is three years, commencing on 1 January 2025.

As at the Latest Practicable Date, CDB holds 64.40% equity interest of the Company and is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Non-exempt Framework Agreements constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules. As the highest applicable percentage ratios for the Proposed Annual Caps exceed 5%, the continuing connected transactions under the Non-exempt Framework Agreements are subject to, among other things, the approval by the Independent Shareholders. We, Maxa Capital, have been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in this regard.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company, its subsidiaries and any other parties that could reasonably be regarded as relevant to our independence. We are not associated with the Company, its subsidiaries, its associates, or their respective substantial Shareholders or associates or any other parties to the Non-exempt Framework Agreements, and accordingly, are eligible to give independent advice and recommendations on the terms of the Non-exempt Framework Agreements and the Proposed Annual Caps. During the past two years immediately preceding the Latest Practicable Date, we have been appointed by the Company once as the independent financial adviser, details of which are set out in the Company's circular dated 7 June 2023. Apart from normal professional fees payable to us in connection with this appointment and the previous appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, its subsidiaries, its associates or their respective substantial Shareholders or associates.

BASIS OF OUR OPINION

In formulating our advices and recommendations, we consider that we have reviewed sufficient and relevant information and documents and have taken reasonable steps as required under Rule 13.80 of the Listing Rules to reach an informed view and to provide a reasonable basis for our recommendation. We have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors and the Company, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the date of this letter. We have also assumed that all statements of belief, opinion, expectation, and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. Our opinion is based on the Directors' representation and confirmation that no material facts have been omitted from the information provided and referred to in the Circular.

The Company confirmed that it has, at our request, provided us with all currently available information and documents which are available under present circumstances to enable us to reach an informed view and we have relied on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our opinion. We have no reason to suspect that any material facts or information, which is known to the Company, have been omitted or withheld from the information supplied or opinions expressed in the Circular nor to doubt the truth and accuracy of the information and facts, or the reasonableness of the opinions expressed by the Company and the Directors which have been provided to us. We have not, however, conducted any independent verification on the information provided to us by the Directors, nor have we conducted any form of independent in-depth investigation into the business and affairs of the Company, CDB and each of their respective subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

1. Background

1.1 Information of the Group

Founded in 1984, the Company, a national non-banking financial institution regulated by the National Financial Regulatory Administration, is the only leasing business platform under CDB and the first listed financial leasing company in China, with a registered capital of RMB12.64238 billion. The Group is a pioneer in the leasing industry in the PRC. The Company is dedicated to providing comprehensive leasing services to high-quality customers in fields including aircraft, shipping, regional development, inclusive finance, green energy and high-end equipment manufacturing, with leasing assets and business partners reaching throughout over 40 countries and regions all over the world, and consistently maintains quasi-sovereign international ratings, namely "A1" by Moody's, "A" by Standard & Poor's and "A+" by Fitch.

Set out below are the summarised financial information of the Group for the two years ended 31 December 2022 and 2023 ("**FY2022**" and "**FY2023**", respectively) and six months ended 30 June 2023 and 2024 ("**1H2023**" and "**1H2024**", respectively), as extracted from the 2023 annual report ("**2023 AR**") and 2024 interim report ("**2024 IR**") of the Company:

	For the year ended 31 December		**For the six months ended 30 June**	
	2022	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	*(audited)*	*(unaudited)*	*(unaudited)*
Revenue	22,764,336	23,005,899	10,806,950	12,486,593
Profit for the year/period	3,351,073	4,150,149	1,960,248	1,881,265

	As at 31 December		As at 30 June
	2022	2023	2024
	(audited)	*(audited)*	*(unaudited)*
	RMB'000	*RMB'000*	*RMB'000*
Total assets	354,717,247	409,694,903	481,435,608
Cash and bank balances	29,760,725	69,440,305	107,227,748
Finance lease receivables	193,494,283	195,101,137	208,875,491
Total liabilities	320,433,802	372,413,063	443,761,604
Borrowings	246,882,657	295,875,445	389,765,839
Bonds payables	36,872,054	32,187,230	28,366,491
Total equity	34,283,445	37,281,840	37,674,004

The revenue of the Group was approximately RMB23.0 billion for FY2023, representing an increase of approximately RMB241.6 million or 1.1% as compared to approximately RMB22.8 billion for FY2022, whereas the profit for the year was approximately RMB4,150.1 million for FY2023, representing an increase of approximately RMB799.1 million or 23.8% as compared to approximately RMB3,351.1 million for FY2022. Such increase in profit for the year was primarily attributable to the increase in the scale of the leased assets and the growth of other income, as well as the year-on-year decrease in impairment losses.

The revenue of the Group was approximately RMB12.5 billion for 1H2024, representing an increase of approximately RMB1,679.6 million or 15.5% as compared to approximately RMB10.8 billion for 1H2023, whereas the profit for the period was approximately RMB1,881.3 million for 1H2024, representing a decrease of approximately RMB79.0 million or 4.0% as compared to approximately RMB1,960.2 million for 1H2023. Such decrease in profit for the period was primarily attributable to the growth in the scale of financing and the increase in interest expenses as a result of the increase in US dollar interest rates.

The Group had total assets of approximately RMB409.7 billion as at 31 December 2023, representing an increase of approximately 15.5% as compared to that as at 31 December 2022, which was mainly attributable to the growth of the scale of leased assets and cash and bank balances. The Group had total liabilities of approximately RMB372.4 billion as at 31 December 2023, representing an increase of approximately 16.2% as compared to that as at 31 December 2022, which was primarily attributable to the growth in the scale of liabilities commensurate with that of assets. The total equity of the Group amounted to approximately RMB37.3 billion as at 31 December 2023, representing an increase of approximately 8.7% as compared to that as at 31 December 2022.

The Group had total assets of approximately RMB481.4 billion as at 30 June 2024, representing an increase of approximately 17.5% as compared to that as at 31 December 2023, which was mainly attributable to the growth in the scale of leased assets of the Group and the increase in cash and bank balances. The Group had total liabilities of approximately RMB443.8 billion as at 30 June 2024, representing an increase of approximately 19.2% as compared to that as at 31 December 2023, which was primarily due to growth in the scale of liabilities commensurate with that of assets. The total equity of the Group amounted to approximately RMB37.7 billion as at 30 June 2024, representing an increase of approximately 1.1% as compared to that as at 31 December 2023.

1.2 Information of CDB

CDB, being the sole controlling Shareholder and a connected person of the Company, was established in 1994 and is a policy-oriented financial institution led by the State Council of the PRC. Its shareholders are the Ministry of Finance of the PRC, Central Huijin Investment Ltd. (中央匯金投資有限責任公司), Wutongshu Investment Platform Co., Ltd. (梧桐樹投資平台有限責任公司) and the National Council for Social Security Fund of the PRC (中國全國社會保障基金理事會). It mainly serves the major medium and long-term development strategies of the national economy by carrying out medium and long-term credit, investment and other financial businesses.

2. Principal terms of the Non-exempt Framework Agreements

On 9 December 2024, the Company and CDB entered into the Non-exempt Framework Agreements to renew the Financing Service Framework Agreement, the Deposit Service Framework Agreement and the Debt Financing Instruments Investment Framework Agreement entered into between the Company and CDB in 2021. The term of the Non-exempt Framework Agreement is three years, commencing on 1 January 2025. The terms and conditions of the Non-exempt Framework Agreements are substantially the same as those of the existing framework agreements. Both parties will enter into separate contracts which will set out the specific terms and conditions according to the principles under the Non-exempt Framework Agreements.

2.1 Transactions

Pursuant to the New Financing Service Framework Agreement, CDB shall provide financing service to the Group, whereas the Group shall also provide its leased assets and/or balances in its account opened with CDB or bonds held by the Group, as collateral, and the Group in turn shall pay interest to CDB. Financing facilities provided by CDB will be used to carry out leasing business of the Group, including but not limited to aircraft leasing, ship leasing and equipment leasing, in order to meet the funding requirements for the daily business operations of the Group.

Pursuant to the New Deposit Service Framework Agreement, CDB shall provide deposit service to the Group, including but not limited to demand deposits, term deposits and agreement deposits. The Group shall deposit cash balances into its bank accounts at CDB's various branches, including: (a) cash generated from the Group's daily business operations, including, among other things, lease income and security deposits received from the leasing business of the Group; (b) funds raised from the Group's bond issuance; and (c) funds from financing facilities provided by CDB to the Group. In turn, CDB shall pay interests to the Group for such deposits.

Pursuant to the New Debt Financing Instruments Investment Framework Agreement, the Group shall purchase debt financing instruments to be issued by CDB and/or its associates. In turn, CDB and/or its associates shall pay investment income on the debt financing instruments to the Group.

2.2 Pricing policy

2.2.1 New Financing Service Framework Agreement

The interest rate on financing to be provided by CDB with collaterals will be determined based on arm's length negotiations between CDB and the Group with reference to the prevailing market interest rate for similar financing service provided by CDB to Independent Third Parties based on the fair market rate and on normal commercial terms. For US dollar-denominated loans, the interest rate will apply the Secured Overnight Financing Rate ("**SOFR**") at the time of financing plus/minus a certain number of basis points or fixed interest rate. For Renminbi-denominated loans, the interest rate will apply the Loan Prime Rate ("**LPR**") announced by the PBOC plus/minus a certain number of basis points or fixed interest rate. CDB will determine the number of basis points or fixed interest rate considering market conditions, funding costs, loan term, credit risk, and other relevant factors.

When determining the price, the Group will obtain the loan interest rates in the same period, fees and other principal terms from one or more large and medium-scale commercial banks which can provide same terms and same types with equivalent strength as CDB, and compare these offers with the corresponding terms provided by CDB. If the rates, fees and terms of CDB are better than those of large and medium-scale commercial banks, the Group will enter into a financing service agreement with CDB. If the terms and conditions provided by CDB are the same as those of the large and medium-scale commercial banks, the Group will give priority to entering into a financing service agreement with CDB. If the Group is of the view that the terms and conditions provided by other large and medium-scale commercial banks are more favourable, the Group will enter into financing service agreements with other banks at its discretion.

2.2.2 New Deposit Service Framework Agreement

(i) The deposit interest rate will be determined after arm's length negotiations between CDB and the Group with reference to the interest rates of the Group's previous deposits placed with CDB, as well as the prevailing interest rate for deposit, which is also in line with the prevailing market interest rate for similar deposit service provided by CDB to Independent Third Parties and on fair market rate and normal commercial terms; and

(ii) As the New Deposit Service Framework Agreement is mainly to meet the needs of the Group's day-to-day liquidity reserves, in respect of the Group's deposits placed with CDB (including US dollar deposits and Renminbi deposits), the Group will compare the interest rates quoted by CDB and two or more Independent Third Party large and medium-scale commercial banks on similar deposit services to ensure that the level of the interest rate for the interests to be paid by CDB to the Group is consistent with, or no less favourable to the Group than, the level of the interest rate for the interests to be paid by Independent Third Party large and medium-scale commercial banks for their provision of deposit service to the Group.

2.2.3 New Debt Financing Instruments Investment Framework Agreement

In respect of the debt financing instruments to be issued by CDB and/or its associates and to be purchased by the Group, the yield on investment income to be paid by CDB and/or its associates to the Group is determined with reference to the yield on prevailing open market bond issues. The interest rate is determined based on the fair market rate and on normal commercial terms. It is also in line with market practice and applicable to all investors of such debt financing instruments, including Independent Third Party investors. Prior to entering into the debt financing instruments investment agreement with CDB and/or its associates, the Group will check the usual coupon rate of issued bonds in the national bond market and the terms and conditions of two other comparable debt financing instruments, in order to ensure that, under the premise of equivalent secondary market liquidity, the terms and conditions provided by CDB and/or its associates on the whole are no less favourable than those provided by the Independent Third Parties.

2.2.4 Assessment on the principal terms and the pricing policy

We have reviewed the Financing Service Framework Agreement, the Deposit Service Framework Agreement and the Debt Financing Instruments Investment Framework Agreement which were entered into by the Group and CDB and approved by the independent Shareholders on the extraordinary general meeting held by the Company on 29 December 2021 and we noted that the principal terms of the Non-exempt Framework Agreements, including the pricing policy, are generally in line with those in the existing framework agreements.

We noted that the pricing policies under the Non-exempt Framework Agreements all involve mechanism to compare the terms offered by CDB and/or its associates and by Independent Third Parties. The Group will only enter into specific transactions with CDB and/or its associates under the Non-exempt Framework Agreements if the terms offered by CDB and/or its associates are no less favourable to the Group than those offered by Independent Third Parties.

In view of the above, we consider that the terms under the Non-exempt Framework Agreement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned.

3. Reasons for and benefits of entering into the Non-exempt Framework Agreements

The specific reasons for and benefits of entering into the Non-exempt Framework Agreements are elaborated below.

3.1 New Financing Service Framework Agreement

CDB has been providing credit financing to the Group for the two years ended 31 December 2023 and up to the Latest Practicable Date, thus it has developed a deep understanding of the leasing industry as well as the Group's capital needs and business model. Its financing products are able to meet the diversified financing needs of the leasing business of the Group. As the Group focuses on the leasing business of aircraft, shipping, green energy, vehicles, equipment manufacturing and other industries, the lease term is longer and it is necessary to maintain a certain proportion of medium and long-term financing to mitigate liquidity risks, and such leased assets are suitable for applying for pledged loans from banks. CDB is the major bank in the Chinese financial market to provide medium and long-term mortgage and pledged loans denominated in RMB and foreign currencies. It has extensive industry experience in areas such as aircraft, shipping and green energy, which is consistent with the scope of the core business of the Group. As such, CDB is able to provide financing products that meet the development characteristics of the leasing business of the Group.

Therefore, the strength of CDB in medium and long-term loans will greatly benefit the leasing business of the Group, and its provision of financing service is able to meet the demand for medium and long-term loan for the Group's business. New Financing Service Framework Agreement could also help the Group to obtain funds and expand its capital base, providing the Group with cash flow to expand its business scale. The Company is of the view that there is no specific disadvantage for the Company to enter into the transactions contemplated under the New Financing Service Framework Agreement at present.

3.2 New Deposit Service Framework Agreement

CDB has been providing deposit service to the Group for the two years ended 31 December 2023 and up to the Latest Practicable Date, thus it has developed a deep understanding of the capital needs and business model of the Group. CDB's deposit service is able to satisfy the liquidity management needs of the Group. On one hand, CDB has been providing financing service to the Group for the two years ended 31 December 2023 and up to the Latest Practicable Date as detailed under "1. New Financing Service Framework Agreement" in the Letter from the Board, and such financing funds provided by CDB to the Group are also temporarily deposited in the Group's accounts maintained at CDB. On the other hand, when the Group issues domestic financial bonds or capital bonds, as CDB and/or its associates (such as CDB Securities, a subsidiary of CDB) is the lead underwriter of the Group, the raised fund account of the Group is opened at CDB. After each single issuance, the raised funds will be temporarily deposited in the bank accounts maintained at CDB within one/two days upon completion for subsequent arrangement of the Group. It is therefore commercially and operationally reasonable for the Group to enter into and extend the Deposit Service Framework Agreement with CDB. The Company is of the view that there is no specific disadvantage for the Company to enter into the transactions contemplated under the New Deposit Service Framework Agreement at present.

3.3 New Debt Financing Instruments Investment Framework Agreement

The Group was approved by the PBOC to participate in the interbank bond market on 23 June 2015, based on which the Group is allowed to purchase debt financing instruments issued in the nationwide bond market. In addition, according to the Administrative Measures on Financial Leasing Companies (《金融租賃公司管理辦法》), a financial leasing company is allowed to invest in fixed-income financial products, including debt financing instruments. The debt financing instruments to be issued by CDB and/or its associates will be the Group's principal investments in fixed-income financial products. CDB is the largest bond issuer in the domestic bond market. The bonds issued by CDB are interest rate type bonds with zero risk weight, possessing the best and strongest liquidity and high ratings in the market. They are important tools for liquidity management of the financial institutions in China. The Group established a three-tier liquidity reserve system to mitigate liquidity risk, and held interest rate bonds such as CDB Bonds as liquidity tier-three reserves. With CDB Bonds as liquidity tier-three reserves, the Group may obtain capital in a very short period of time by disposing CDB Bonds in the inter-bank market in China and conducting pledge repurchase of CDB Bonds when liquidity management is needed. Therefore, the investment in the debt financing instruments to be issued by CDB and/or its associates is one of the Group's liquidity management reserve tools. The Company is of the view that there is no specific disadvantage for the Company to enter into the transactions contemplated under the New Debt Financing Instruments Investment Framework Agreement at present.

According to the prospectus of the Company and previous announcements of the Company dated 14 May 2019 and 12 November 2021, the Group and CDB had entered into the relevant framework agreements since the listing of the Company. Due to historical relationship between CDB and the Group, they have better understanding of each other's business and can better ensure the standards of services and the quality of financing and investment products to meet the Group's requirements. In general, the entering into the Non-exempt Framework Agreements would provide flexibility and right but not obligation for the Group to continue its existing arrangements with CDB and growth of the Groups' business by leveraging the resources and advantages of CDB. We have reviewed the licenses of CDB and have been advised by the Company that to their best knowledge, up to the Latest Practicable Date, there is no record of non-compliance with relevant laws, rules and regulations of the PRC and Hong Kong on CDB. CDB obtained an A1 rating from Moody's and an A+ rating from Standard & Poor's at the Latest Practicable Date. Accordingly, we consider that the credit risk of CDB is not less controllable as compared to that to public licensed commercial banks. Taking into account the above and the no less favourable commercial terms to the Group, we concur with the Company that entering into the Non-exempt Framework Agreements is in the interests of the Company and Shareholders as a whole and is conducted under the ordinary and usual course of business of the Group.

4. Proposed Annual Caps

In assessing the fairness and reasonableness of the Proposed Annual Caps, we have discussed with the Company about the basis and underlying assumptions used in the determination of the Proposed Annual Caps. The Proposed Annual Caps represent the maximum amounts of transactions the Group could enter into with CDB, rather than the obligation of the Group to accept service from CDB or purchase the debt instrument issued by CDB and/or its associates at that amount. We have discussed and concur with the management of the Company that the Proposed Annual Caps will provide more flexibility to the Group and are set at the appropriate level after taken into account the historical transaction amounts and expected future demand.

4.1 Historical Amount, Existing and Proposed Annual Caps

The following table sets out (i) the historical amounts for each of the two years ended 31 December 2023 and for the nine months ended 30 September 2024; (ii) the existing annual caps for each of the two years ended 31 December 2023 and for the year ending 31 December 2024; and (iii) the Proposed Annual Caps for each of the three years ending 31 December 2027.

RMB million		Existing Annual Caps for the years ended/ending 31 December			Proposed Annual Caps for the years ending 31 December		
		2022	2023	2024	2025	2026	2027
New Financing Service Framework Agreement							
Maximum daily balanced of financing provided/to be provided by CDB to the Group with collaterals	Annual Caps	19,000.00	20,000.00	21,000.00	21,000.00	21,000.00	21,000.00
	Actual amounts	283.76	929.96	642.11[1]			
	Utilisation rates	1.5%	4.6%	3.1%[2]			
Interests paid/to be paid by the Group to CDB	Annual Caps	425.60	635.00	742.50	1,032.50	901.25	857.50
	Actual amounts	10.63	44.59	32.93[1]			
	Utilisation rates	2.5%	7.0%	4.4%[2]			
New Deposit Service Framework Agreement							
Maximum daily balance of deposits placed/to be placed by the Group with CDB	Annual Caps	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00
	Actual amounts	4,256.92	2,077.47	9,810.04[1]			
	Utilisation rates	42.6%	20.8%	98.1%[2]			
Interests paid/to be paid by the CDB to the Group	Annual Caps	110.00	117.50	125.00	115.00	107.50	105.00
	Actual amounts	20.62	30.65	73.01[1]			
	Utilisation rates	18.7%	26.1%	58.4%[2]			
New Debt Financing Instruments Investment Framework Agreement							
Amount of debt financial instruments issued/to be issued by CDB and/or its associates and purchased/to be purchased by the Group	Annual Caps	3,500.00	4,000.00	4,500.00	4,000.00	4,000.00	4,000.00
	Actual amounts	N/A	N/A	N/A[1]			
	Utilisation rates	N/A	N/A	N/A[2]			
Bond interests paid/to be paid by CDB and/or its associates to the Group	Annual Caps	122.08	139.52	156.96	110.59	110.59	110.59
	Actual amounts	N/A	N/A	N/A[1]			
	Utilisation rates	N/A	N/A	N/A[2]			

1. Historical amount for the nine months ended 30 September 2024.

2. The utilisation rates for the year ending 31 December 2024 are computed based on the actual amounts up to 30 September 2024.

4.2 Basis of determination of the Proposed Annual Caps

4.2.1 New Financing Service Framework Agreement

In determining the proposed annual caps in respect of the maximum daily balance of financing provided by CDB to the Group with collaterals under the New Financing Service Framework Agreement, the Company has mainly considered:

(i) the aircraft and ship leasing businesses are major business segments of the Group. The majority of the aircraft and ship assets are denominated and purchased in US dollars and their corresponding operating lease rentals are also denominated in US dollars. The Group's demand for medium and long-term funding in US dollars is relatively high. Prior to the shift of the lessors of the shipping business of the Group from overseas to domestic, financing in US dollar was mainly conducted through project companies outside the PRC, which applied for funding from overseas banks. However, in order to comply with regulatory requirements for ship leasing businesses, the Group has suspended the development of new ship leasing projects through overseas project companies and has been gradually transferring existing overseas ship leasing businesses to domestic entities, while launching new ship leasing projects through domestic free trade zone project companies. Although the lessors of the shipping business of the Group have shifted from overseas to domestic, ship assets in the PRC remain denominated and purchased in US dollars, resulting in a significant increase in the Group's demand for US dollars within the PRC. As the access to financing in US dollar is limited in the PRC and CDB is one of the major foreign-currency medium and long-term loan banks in the PRC, with the Group's main sources of US dollar funding in the PRC being bank borrowings, the Group expects its maximum daily balance of financing from CDB to increase significantly compared with the historical amounts;

(ii) there is a general lack of the medium and long-term local and foreign currency financing products with a maturity of more than one year in the domestic and overseas capital markets, and there is a need for the medium and long-term financing such as project loans to lengthen the financing period and reduce the funding misallocation, and there are only a very limited number of banking institutions in the PRC which can provide aircraft and shipping project financing. It is expected that with the growth in the scale of the aircraft and ship leasing business, the business demand of the Group for secured project financing by CDB will increase accordingly;

(iii) the Group signed purchase agreements with aircraft manufacturers Airbus and Boeing in September 2024 for a total of 130 mainstream aircraft orders, of which 80 A320 NEO series aircraft purchased with Airbus are expected to be received from 2030 to 2032 and 50 737-8 aircraft purchased with Boeing are expected to be received from 2028 to 2031 respectively. The Group expects the above purchase orders will involve prepayments in US dollar of approximately USD140 million and USD450 million in 2026 and 2027, respectively. Together with other existing aircraft purchase orders, the estimated prepayment for aircraft will amount to approximately USD420 million, USD260 million and USD450 million for the three years ending 31 December 2027, respectively. Therefore, the medium and long-term funding requirement in US dollar is expected to increase significantly in the next three years; and

(iv) according to the business development plan and the stock financing repayment plan of the Group, the Group's annual RMB financing demand (including turnover) for the three years ending 31 December 2027 is estimated to range from approximately RMB250 billion to RMB270 billion and the US dollar financing demand (including turnover) is estimated to range from approximately USD20 billion to USD25 billion. Specifically, it is estimated that approximately 4% to 6% will be from the financing of CDB with collaterals, and the other financing demands will be satisfied by bank loans, bonds issuance, bank acceptance bills and interbank lending.

In order to enhance operational stability and ease pressure on liquidity, the Group needs to expand the proportion of medium and long-term financing. In terms of domestic financing, except for issuing bonds, there are limited sources for the demand for medium and long-term financing, which can be met mainly through project loans or factoring of CDB. For US dollar financing, medium and long-term funds can be obtained overseas through issuance of bonds and withdrawal of medium and long-term bank loans. Due to the limited medium and long-term US dollar financing types of normal commercial banks in China, CDB will be the major bank providing medium and long-term mortgage and pledged loans denominated in US dollar to the Group. Given the growing business needs of the Group, the financing support from CDB will provide an indispensable guarantee for the Group's long-term stable development and its liquidity needs. The Company proposed that the maximum daily balance of financing provided by CDB to the Group with collaterals between 2025 and 2027 is maintained at RMB21 billion, which is unchanged from the existing annual cap for 2024.

In determining the proposed annual caps for the interests to be paid by Group to CDB under the New Financing Service Framework Agreement, the Company has mainly considered:

In respect of the US dollar financing service provided by CDB to the Group, the above proposed annual caps for the interests to be paid by the Group to CDB are determined with reference to the following basis: (i) for the three years ended 31 December 2023, mortgage and pledged loans provided by CDB are all for medium and long-term periods of over three years; (ii) the US dollar financing is based on SOFR. For the two years ended 31 December 2023 and the nine months ended 30 September 2024, the interest rates paid by the Group in respect of the medium and long-term financing services provided by Independent Third Party banks and CDB, which are priced on the basis of the SOFR, are determined with reference to the SOFR plus 100 to 160 basis points, in particular, the Group has an existing secured loan from CDB, with an interest rate of SOFR plus 125 basis points; and (iii) the US dollar has entered into a cycle of interest rate cuts, and it is now widely expected that there will be interest rate cuts of five times by the end of 2025 based on the forecast from the dot plot of the Federal Reserve. Taking these factors into account, the average interest rates for medium and long-term loans denominated in US dollar are estimated to be 5.2%, 4.45% and 4.2% for each of the three years ending 2025, 2026 and 2027 respectively.

In respect of the Renminbi financing service provided by CDB to the Group, the above proposed annual caps for the interests to be paid by the Group to CDB are determined by the following basis: (i) for the financing service priced based on the LPR provided by Independent Third Party banks and CDB for the two years ended 31 December 2023 and the nine months ended 30 September 2024, the interests paid by the Group were determined with reference to the LPR plus/minus certain basis points; and (ii) the LPR has been reduced by more than 50 basis points as compared to 2022. Furthermore, the above proposed annual caps on the interests payable by the Group to CDB are set at 3.5% based on the pricing of medium and long-term secured loans denominated in RMB in the prevailing market.

In assessing the fairness and reasonableness of the proposed annual caps for the maximum daily balance of financing provided by CDB to the Group with collaterals, we have reviewed the 2024 IR, and noted that the amount of Group's borrowings is approximately RMB389.8 billion as at 30 June 2024, among which borrowings with carrying amount of less than one year is approximately RMB280.0 billion, representing approximately 71.8% of the Group's borrowings, and borrowings with carrying amount of one to two years is approximately RMB44.1 billion, representing approximately 11.3% of the Group's borrowings, hence it is expected that 83.1% of the Group's borrowings will be at maturity in future two years and the Group will then generate considerable rollover demand of borrowings. As at 30 June 2024, secured bank borrowings of the Group is approximately RMB57.4 billion, representing approximately 14.7% of the Group's borrowings, which is approximately 2.7 times of the proposed annual caps for the maximum daily balance of financing provided by CDB to the Group with collaterals. We have also reviewed the Company's announcements of purchases of Airbus and Boeing aircraft dated 12 September 2024 and 19 September 2024 respectively, and obtained and reviewed the Company's payment plan of aircraft purchase orders. Based on our review, we noted that Group purchased 130 aircrafts in September 2024, involving pre-payments in US dollar of approximately USD140 million and USD450 million in 2026 and 2027 respectively, and the estimated prepayment for aircraft together with other existing aircraft purchase orders will amount to approximately USD420 million, USD260 million and USD450 million for the three years ending 31 December 2027 respectively, which is in line with the statements in the Letter from the Board. We noted that the ratio of Renminbi financing to US dollar financing used in the calculation of proposed annual caps is 1:5. In this regard, we have obtained and reviewed the record of the Group's new secured financing from 1 January 2022 and up to the Latest Practicable Date (the "**Review Period**"), and noted that the ratio of Renminbi financing to US dollar financing is close to 1:5, hence we consider it is fair and reasonable to use such ratio for calculating the proposed annual caps. Given that (i) the Company's demand of the rollover of secured bank borrowings will be high; (ii) the purchase of aircraft is expected to generate considerable financing demand; and (iii) the ratio of Renminbi financing to US dollar financing used in the calculation of proposed annual caps is in line with the Company's historical financing needs, we consider the proposed annual caps for maximum daily balance of financing provided by CDB to the Group with collaterals are fair and reasonable.

In assessing the fairness and reasonableness of the proposed annual caps for the interests to be paid by Group to CDB, we have reviewed the calculation model of the proposed annual caps and discussed with the Company. For US dollar financing, we noted that the Company adopts a projected SOFR plus a margin of 130 basis points as the reference rate when calculating the annual caps of interests. As part of our due diligence work, we have obtained and reviewed six sets of sample US dollar financing transaction documents and price quotation records of the Group with CDB and Independent Third Parties during the Review Period which were randomly selected by the Company as per our request. Given aforementioned samples cover each of the three years during the Review Period, we consider such samples fair and representative. Based on our review, we noted that the applicable interest rates are determined by SOFR plus a 100-160 basis points margin, and the Group has an existing secured loan from CDB with an interest rate of SOFR plus 125 basis points. Given the adopted margin of 130 basis points is within the range of historical transactions or quotations, we consider it is fair and reasonable to adopt such margin in the calculation of the proposed annual caps. In September 2024, Federal Reserve released its latest economic projections (https://www.federalreserve.gov/monetarypolicy/files/fomcprojtabl20240918.pdf), in which the median projected Federal Funds Rates for the end of 2024 to 2027 were 4.4%, 3.4%, 2.9%, and 2.9%, respectively. According to the Federal Reserve Economic Data, the curve of SOFR was broadly in line with that of the Effective Federal Funds Rate during the Review Period (https://fred.stlouisfed.org/graph/?g=p3G2), hence we consider that the projection of Federal Funds Rate is an effective projection of SOFR. We noted that for each year's projection of SOFR, the Company selects the average of the projected Federal Funds Rate of the end of the selected year and previous year, i.e. the US dollar financing interest rates for annual cap estimation are 3.9%, 3.15%, and 2.9% for 2025, 2026, and 2027, respectively, which we consider fair and reasonable. For Renminbi financing, we noted that the Company adopted LPR as the reference rate when calculating the amount of interest and set 3.5% as the projected LPR for the three years ending 31 December 2027. As part of our due diligence work, we have obtained and reviewed four sets of sample Renminbi financing transaction documents of the Group with Independent Third Parties during the Review Period which were randomly selected by the Company as per our request. Given aforementioned samples cover each of the three years during the Review Period, we consider such samples fair and representative. Based on our review, we noted that the applicable interest rates are determined with reference to LPR. We have also reviewed the historical LPR and noted that the 1-year LPR was 3.1% and the over-5-year LPR was 3.6% as announced by the People's Bank of China on 21 October 2024 and have not been changed since then. Given that the Group's financing needs from CDB consist of short-, medium-, and long-term financing, we consider the Renminbi financing interest rate of 3.5% adopted for calculating the proposed annual caps is fair and reasonable.

Based on the above, we consider the proposed annual caps in respect of the maximum daily balance of financing provided by CDB to the Group with collaterals and the interest paid by the Group to CDB under the New Financing Service Framework Agreement are fair and reasonable.

4.2.2 New Deposit Framework Agreement

In determining the proposed annual caps for the maximum daily balance of deposits placed by the Group with CDB under the New Deposit Service Framework Agreement, the Company has mainly considered:

(i) the historical amounts of the maximum daily balance of deposits placed by the Group with CDB for the nine months ended 30 September 2024 was RMB9,810 million;

(ii) the financing provided by CDB to the Group may result in higher temporary deposit balances on the date of release of funds;

(iii) CDB and/or its associates (such as CDB Securities, a subsidiary of CDB) acted as the underwriter regarding the Group's issuance of domestic financial bonds. The fund raising account of the Group was opened in CDB. After each single issuance, the delivery of such raised funds would result in a temporary higher balance of the Group's accounts with CDB on such day. It is expected that the Group will issue financial bonds of approximately RMB20 billion, RMB25 billion and RMB25 billion per annum in aggregate for the three years ending 31 December 2027. Such raised funds may be credited upon completion, resulting in a temporary higher balance of accounts with CDB on such day; and

(iv) as the Group places part of its leasing income and security deposits and other funds received from the leasing business at CDB, these amounts may result in a higher balance in the accounts with CDB after receipt. The Group's estimation of the above proposed annual caps is in line with its business development plan, and the maximum daily balance of the Group's deposits with CDB is proposed to be maintained at RMB10 billion between 2025 and 2027, which is unchanged from the existing annual caps for 2022 to 2024.

In determining the proposed annual caps for the interests to be paid by CDB to the Group under the New Deposit Service Framework Agreement, the Company has mainly considered:

(i) the ratio of US dollar and Renminbi-denominated deposits of the Group for the two years ended 31 December 2023 and the nine months ended 30 September 2024; and

(ii) the Group's deposit needs for the three years ending 31 December 2027, including (a) cash generated from the Group's day-to-day business operations, comprising rental income, deposits and other amounts received from the Group's leasing business; (b) proceeds from bonds issued by the Group; and (c) financing facilities provided by CDB to the Group, and given it is expected that the Group and CDB will expand cooperation in terms of Renminbi-denominated leasing business and proceeds to be raised from onshore financial bonds and capital bonds will be denominated in Renminbi, it is estimated that the percentages of the Group's US dollar and Renminbi-denominated deposits out of its total deposits placed at CDB for the three years ending 31 December 2027 will be 20% and 80%, respectively.

In respect of the Renminbi deposit service provided by CDB to the Group, the above proposed annual caps for the interests to be paid by CDB to the Group are determined with reference to the following basis: the interest rate of the Group's Renminbi deposits placed with CDB for the two years ended 31 December 2023 and the nine months ended 30 September 2024. As at 30 September 2024, the average agreed deposit interest rate among domestic financial institutions was approximately 1.9% per annum. Accordingly, the Group expects that the average interest rate for the interests of the Renminbi deposits to be paid by CDB to the Group for the three years ending 31 December 2025, 2026 and 2027 will be approximately 1.9% per annum.

In respect of the US dollar deposit service provided by CDB to the Group, the above proposed annual caps for the interests to be paid by CDB to the Group are determined with reference to the following basis: (i) the interest rate of the Group's US dollar deposits placed with commercial banks for the two years ended 31 December 2023 and the nine months ended 30 September 2024; and (ii) the market consensus that the US dollar is currently in a cycle of interest rate cuts and the expectation that by the end of 2024, the US dollar will still cut interest rates by 25 basis points, and the Federal Reserve will continue to cut interest rates from 2025 to 2026 for five to six times in aggregate. Based on the prevailing circumstances in the capital market, the Group estimated the average interest rate for the US dollar deposits to be paid by CDB to the Group will be approximately 3.9%, 3.15% and 2.9% for the three years ending 31 December 2025, 2026 and 2027, respectively.

In assessing the fairness and reasonableness of the proposed annual caps for the maximum daily balance of deposits placed by the Group with CDB, we have reviewed the relevant historical amounts for FY2022, FY2023, and nine months ended 30 September 2024, and noted that the utilisation rates for the existing annual caps for the maximum daily balance of deposits placed by the Group with CDB are approximately 42.6%, 20.8% and 98.1% for the corresponding periods. According to the 2024 IR, the cash and bank balances of the Group was approximately RMB107.2 billion as at 30 June 2024, representing an increase of approximately RMB37.8 billion or 54.4% as compared to that as at 31 December 2023. We understood that the Company proposes to issue financial bonds and capital bonds during 2025 to 2027. We have searched the bond issuance record of the Company from 1 January 2024 and up to the Latest Practicable Date, and noted that the Company issued three bonds, with denomination of RMB6.0 billion and USD115.0 million in total. As advised by the Company, after each single issuance, the raised funds may be temporarily deposited in the CDB account within one/two days upon completion for subsequent arrangement of the Group, hence it is possible for the Company to generate high demand for deposit due to issuance of bonds during 2025 to 2027. Given that (i) the utilisation rate of the annual caps for the deposits was high in the nine months ended 30 September 2024; (ii) the cash and bank balance of the Group increased significantly in the first half of 2024; and (iii) the Company has future bond issuance plan, we consider the proposed annual caps for the maximum daily balance of deposits placed by the Group with CDB are set to satisfy the cash inflow from the future business growth and the financing proceeds of the Group, and are fair and reasonable.

In assessing the fairness and reasonableness of the proposed annual caps for the interests paid by CDB to the Group, we have reviewed the calculation model of the proposed annual caps and discussed with the Company. For US dollar deposits, we noted that the Company adopts solely the projected SOFR as the reference rate when calculating the annual caps of interests. As part of our due diligence work, we have obtained and reviewed three sets of sample price quotation records for the US dollar deposit services provided by Independent Third Party banks to the Group in 2024, which were randomly selected by the Company as per our request, and we consider they are fair and representative samples of the latest market rates available to the Group. Based on our review, we noted that the applicable interest rates are all determined by SOFR (or Federal Funds Rate) plus a margin of -10 to 25 basis points. Given that the margins in the aforementioned US dollar deposits are all relatively small and can be positive or negative, we consider it is fair and reasonable to use SOFR as the basis of determining annual caps of US dollar deposit interests. As mentioned above, the Company uses Federal Reserve's projection of Federal Funds Rate as the reference of determining future SOFR, and we consider it is fair and reasonable. For Renminbi deposits, we noted that the Company adopts a fixed interest rate of 1.9% when calculating the annual caps of interests. As part of our due diligence work, we have obtained and reviewed three sets of sample price quotation records for the Renminbi deposit services provided by CDB and Independent Third Party banks to the Group in 2024, which were randomly selected by the Company as per our request, and we consider they are fair and representative samples of the latest market rates available to the Group. Based on our review, we noted that the applicable interest rates are all 1.9%. Given that the interest rate that the Company adopted to calculate the annual caps of interests is the same as those in aforementioned historical Renminbi deposits of the Group, we consider it is fair and reasonable. We noted that the ratio of Renminbi deposits to US dollar deposits used in the calculation of proposed annual caps is 4:1. In this regard, we have obtained and reviewed two sets of sample statements of deposit balance of the Group per year during the Review Period (i.e. six sets in total), each consisting of the balance of both Renminbi and US dollar deposits of the Group, which were randomly selected by the Company as per our request. Given aforementioned sample statements cover each of the three years during the Review Period, we consider them fair and representative. Based on our review, we noted that the average ratio of Renminbi deposits to US dollar deposits is close to 4:1, hence we consider it is fair and reasonable to use such ratio for calculating the proposed annual caps.

Based on the above, we concur with the Company that the proposed annual caps for maximum daily balance of deposits placed by the Group with CDB and the interest to be paid by the CDB to the Group are fair and reasonable.

4.2.3 New Debt Financing Instruments Investment Framework Agreement

In determining the proposed annual caps in respect of the amount of debt financing instruments to be issued by CDB and/or its associates and to be purchased by the Group under the New Debt Financing Instruments Investment Framework Agreement, the Company has mainly considered:

As a financial leasing company, the Group is allowed to invest in fixed-income financial products, including debt financing instruments up to 20% of net capital. Based on this, the Group plans to invest in the debt financing instruments issued in domestic open market within the above transaction amount limit, including the purchase of debt financing instruments to be issued by CDB and/or its associates. According to the Administrative Measures on Financial Leasing Companies recently amended in September 2024, the regulatory authority set out clear regulatory requirements for the liquidity coverage ratio of financial leasing companies. In order to effectively manage liquidity risk, the Group implements a three-level liquidity reserve system to mitigate liquidity risks. Level I refers to cash equivalent reserves, which include demand deposits and short-term contracted deposits as well as short-term lending and reverse repurchase in the money market; Level II refers to overdraft bank accounts, which provide unconditional commitments from banks for working capital support within the credit lines upon request of the Group at predetermined interest rates; and Level III refers to high credit rating bonds. The bonds issued by CDB ("**CDB Bonds**") are interest rate type bonds with zero risk weight, possessing the best and strongest liquidity. They are important tools for liquidity management of the financial institutions in China and the main underlying products of the Group's fixed-income investment, which is a Level III liquidity reserve of the Group. The Group may satisfy its liquidity management needs by dynamically holding CDB Bonds and conducting pledge repurchase of CDB Bonds. Apart from CDB Bonds, the Group will also invest in other fixed-income products to ensure that the Group maintains liquidity while realising effective utilisation of capital and reasonable control of risks, in line with the Group's business development strategy and in the interests of the Company and its Shareholders as a whole.

In view of the tax exemption impact of interest-bearing Renminbi bonds issued by the Ministry of Finance of the PRC ("**Treasury Bonds**"), the Group has shifted its investment focus to Treasury Bonds for the two years ended 31 December 2023 and the nine months ended 30 September 2024. However, the liquidity premium on CDB Bonds is available for partially offsetting the spread effect of the implied tax rate upon further consideration. As such, based on the Group's current liquidity management strategy and existing investment plan, the proposed annual caps for the debt financing instruments to be purchased from CDB by the Group amount to RMB4 billion per annum for each of the three years ending 31 December 2025, 2026 and 2027 respectively.

In determining the proposed annual caps for the bond interests to be paid by CDB and/or its associates to the Group under the New Debt Financing Instruments Investment Framework Agreement, the Company has mainly considered:

As queried by public information, the average yield to maturity of the CDB Bonds with a 10-years term from 1 January 2022 to 30 September 2024 is 2.77%. Calculated based on such yield to maturity, the bond interest to be paid based on CDB to the Group for each of the three years ending 31 December 2025, 2026 and 2027 will be RMB111 million per annum respectively.

In assessing the fairness and reasonableness of the proposed annual caps for the amount of debt financing instruments issued/to be issued by CDB and/or its associates and purchased/to be purchased by the Group, we have reviewed the 2023 AR and 2024 IR and noted that the net capital of the Group is RMB42.4 billion, RMB46.1 billion and RMB47.1 billion as at 31 December 2022, 31 December 2023 and 30 June 2024, respectively. Based on the Group's net capital as at 30 June 2024, the Group is allowed to invest in fixed-income financial products (including debt financing instruments) up to approximately RMB9.4 billion, which is 20% of the Group's net capital. We also noted that CDB obtained credit ratings of A1 from Moody's and A+ from Standard & Poor's and therefore the default risk of CDB Bonds is relatively low. Given that (i) the proposed annual caps are lower than the amount which the Group is allowed to invest in fixed-income financial products; and (ii) CDB obtained high credit ratings, we consider CDB Bonds are safe investment targets for the Group and the corresponding annual caps are fair and reasonable.

In assessing the fairness and reasonableness of the proposed annual caps for the bond interests paid/to be paid by CDB and/or its associates to the Group, we have reviewed the calculation model of the proposed annual caps and discussed with the Company. We noted that the Company refers to the average daily yield to maturity from 1 January 2022 to 30 September 2024 of the 10-year bonds issued by CDB in calculating the annual cap of interests. We have cross-checked the aforementioned data from Wind and noted that the average yield to maturity is 2.7647%, which is in line with the Company's calculation. Given that the interest rate used in the calculation of annual caps is based on market rate, we consider it reflects market condition and is on normal commercial terms.

Based on the above, we concur with the Company that the proposed annual caps for amount of debt financing instruments to be issued by CDB and/or its associates and to be purchased by the Group and the bond interests to be paid by CDB and/or its associates to the Group are fair and reasonable.

5. Internal Control

The Company has formulated a series of internal control measures and procedures in order to ensure the pricing mechanism and the terms of the Non-exempt Framework Agreements are fair and reasonable and no less favourable to the Company than the terms available to or from Independent Third Parties, and in the interest of the Company and its Shareholders as a whole, details of which are included in the section headed "INTERNAL CONTROL PROCEDURES AND CORPORATE GOVERNANCE MEASURES" in the Letter from the Board. We have also obtained and reviewed the Company's internal procedures and systems for approving and monitoring such services and transactions, including the Measures of the Administration of Connected Transactions (關連交易管理規定).

We have also obtained and reviewed one sample monthly monitor report setting out the utilisation level of the annual caps provided by the Group per year during the Review Period (i.e. three sets in total), which were randomly selected by the Company as per our request. Given aforementioned sample monthly monitor reports cover each of the three years during the Review Period, we consider such samples fair and representative. Based on our review, we noted that none of the existing annual caps was exceeded. We consider that the Company has an effective mechanism in place to monitor the transactions under the Non-exempt Framework Agreements on an on-going basis to ensure that the transaction amount under the Non-exempt Framework Agreements will not exceed the relevant annual caps.

In respect of financing services, we understood that the Company would obtain quotations of the loan interest rates from Independent Third Party large and medium-scale commercial banks and compare with the quotations from CDB before entering into any specific financing service agreement with CDB. As part of our due diligence work, we have obtained and reviewed three sets of sample transaction documents of financing services provided by CDB to the Group during the Review Period which were randomly selected by the Company as per our request, and compared against five sets of sample transaction documents or price quotation records of financing services of similar nature provided by Independent Third Party large and medium-scale commercial banks during the Review Period. Given (i) the aforementioned samples cover each year of the Review Period except for 2024, in which no new financing service was provided by CDB to the Group according to the Company; and (ii) the aforementioned samples cover Renminbi and US dollar financing, we consider such samples fair and representative. Based on our review of the aforementioned documents, we noted that the interest rates offered by CDB are no less favourable than those offered by Independent Third Party large and medium-scale commercial banks for the loans of similar nature.

In respect of deposit services, we understood that the Company would obtain the quotations from Independent Third Party large and medium-scale banks and compare them with the quotations from CDB before placing deposits with CDB. As part of our due diligence work, we have obtained and reviewed three sets of sample price quotation records of deposit services provided by CDB to the Group during the Review Period, which were randomly selected by the Company as per our request, and compared against six sets of sample price quotation records of deposit services of similar nature provided by Independent Third Party large and medium-scale commercial banks during the Review Period. Given aforementioned samples cover each of the three years during the Review Period, we consider such samples fair and representative. Based on our review of aforementioned documents and information, we noted that the interest rates of the deposit service provided by CDB to the Group are no less favourable than the interest rates of the deposit services provided by Independent Third Party large and medium-scale commercial banks.

In respect of debt financing instrument investment, we understood that there were no transactions conducted under the Debt Financing Instruments Investment Framework Agreement during the Review Period. As confirmed by the Company, if the demand for such investment arises, the price of the debt financing instrument will be determined based on the automatic trading system of the market and hence reflects the market price.

Pursuant to Rules 14A.55 and 14A.56 of the Listing Rules, the independent non-executive Directors and auditor of the Company will conduct annual review and issue confirmations regarding the continuing connected transactions of the Company each year. We have reviewed the 2022 annual report and the 2023 AR of the Company, and noted that the independent non-executive Directors and the auditor of the Company have reviewed the continuing connected transactions under the Financing Service Framework Agreement, the Deposit Service Framework Agreement and the Debt Financing Instruments Investment Framework Agreement and provided the relevant confirmations. As confirmed with the Company, the Company will continue to comply with the relevant annual review requirement under the Listing Rules on an on-going basis.

Based on the above, we concur with the Company that the Group has effective internal policies in place to continuously monitor the continuing connected transactions under the Non-exempt Framework Agreements and the Proposed Annual Caps, therefore the interests of the Company and its Shareholders would be safeguarded.

6. Recommendation

Having considered the above factors and reasons, we are of the opinion that (i) the continuing connected transactions under the Non-exempt Framework Agreements are conducted in the ordinary and usual course of business of the Company and on normal commercial terms; and (ii) the terms of the Non-exempt Framework Agreements and the Proposed Annual Caps are fair and reasonable and in the interests of the Company and its Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend and we also recommend the Independent Shareholders to vote in favour of the resolutions in relation to the Non-exempt Framework Agreements and the Proposed Annual Caps to be proposed at the EGM.

Yours faithfully,
For and on behalf of
Maxa Capital Limited

Dian Deng
Managing Director

Ms. Dian Deng is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Maxa Capital to carry out type 6 (advising on corporate finance) regulated activities under the SFO and has over 16 years of experience in corporate finance industry.