



SOMERLEY CAPITAL LIMITED

20/F., China Building, 29 Queen's Road Central, Hong Kong

Telephone: 2869 9090 Fax: 2526 2032 E-Mail: somerley@somerley.com.hk

18 November 2025

To: the Independent Board Committee and the Independent Shareholders

Dear Sir/Madam,

RENEWAL OF CONTINUING CONNECTED TRANSACTION AND MAJOR TRANSACTION — THE 2026 FINANCE LEASING FRAMEWORK AGREEMENT

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the independent board committee and independent shareholders of Alliance International Education Leasing Holdings Limited (the “**Company**”) in relation to the transactions contemplated under the 2026 finance leasing framework agreement (the “**Transaction**”). Details of the Transaction are set out in the “Letter from the Board” (the “**Board Letter**”) contained in the circular of the Company dated 18 November 2025 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise defined herein.

As the Existing Finance Leasing Framework Agreement will expire on 31 December 2025 and the Group and Nanshan Group intend to continue the continuing connected transactions contemplated thereunder after the said expiry, on 13 October 2025 (after trading hours), the Company entered into the 2026 Finance Leasing Framework Agreement with Nanshan Group, pursuant to which the Group agreed to provide Finance Leasing Services to Nanshan Group companies. The 2026 Finance Leasing Framework Agreement shall be effective from 1 January 2026 to 31 March 2028, subject to the fulfilment of the Conditions Precedent.



According to the Board Letter, the Transaction will constitute a transaction under Chapter 14 of the Listing Rules. As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) calculated in accordance with the Listing Rules in respect of the transactions contemplated under the 2026 Finance Leasing Framework Agreement exceed 25%, the Transaction constitutes a major transaction for the Company, and is subject to the notification, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. As at the Latest Practicable Date, Nanshan Group was owned as to 51% by the village member committee of Nanshan Village and 49% by Mr. Song Jianbo, with Mr. Song Jianbo as its legal representative, chairman and general manager. Given that Mr. Song Jianbo is the spouse of Ms. Sui Yongqing, a Controlling Shareholder of the Company, Nanshan Group is an associate of Ms. Sui and is therefore a connected person of the Company under Rule 14A.12 of the Listing Rules. Accordingly, the Transaction will also constitute a continuing connected transaction of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios in respect of the Annual Caps are more than 5%, the Transaction is subject to the announcement, reporting, annual review, and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Liu Changxiang, Mr. Liu Xuewei, Mr. Jiao Jian, Mr. Shek Lai Him Abraham and Ms. Xing Li, has been established to advise the Independent Shareholders in relation to the Transaction. We, Somerley Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard (the "**Engagement**").

During the past two years immediately preceding the Latest Practicable Date, Somerley Capital Limited has acted as the independent financial adviser to the independent board committee and independent shareholders of the Company in relation to the renewal of continuing connected transactions in relation to the 2025 framework procurement agreements (details of which are set out in the Company's circular dated 21 November 2024). The past engagement was limited to providing independent advisory services to the independent board committee and independent shareholders of the Company pursuant to the Listing Rules. Under the past engagement, Somerley Capital Limited received normal professional fees from the Company. Having considered the independent advisory nature of the past engagement, as at the Latest Practicable Date, there were no relationships or interests between (a) Somerley Capital Limited on one hand and (b) the Group, Nanshan Group or their respective core connected persons on the other hand, that could reasonably be regarded as a hindrance to our 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 with respect to the Engagement.



In formulating our opinion, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Company (the “Management”) and we have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material aspects. We have also sought and received confirmation from the Directors that all material relevant information has been supplied to us and that no material facts have been omitted from the information supplied and opinions expressed to us. We have no reason to doubt the truth or accuracy of the information provided to us, or to believe that any material information has been omitted or withheld. We have relied on such information and consider that the information we have received is sufficient for us to reach our advice and recommendation as set out in this letter. However, we have not conducted any independent investigation into the business and affairs of the Group or Nanshan Group, nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion with respect to the Transaction, we have taken into consideration the following principal factors and reasons:

1. Information on the Company

The Company is an investment holding company. The Group is principally engaged in (i) provision of private higher education in the PRC, and (ii) provision of finance and operating lease services.

2. Information on Nanshan Group

Nanshan Group is a company established in the PRC with limited liability. Nanshan Group is a conglomerate with principal businesses encompassing aluminium, textile apparel, petrochemical, finance, aviation, real estate, healthcare, education, shipping and tourism.

3. Reasons for and benefits of the Transaction

One of the principal businesses of the Group is the provision of finance leasing services to customers mainly in the healthcare, aviation and public infrastructure industries in the PRC.

As advised by the Management, during the ordinary and usual course of business of the Group, the Group has been providing finance leasing services relating to healthcare, aviation and public infrastructure industries to Nanshan Group companies since 2014. Given the long-established business relationship and satisfactory cooperation history, the Management considered Nanshan Group to be a trusted business partner. The provision of Finance Leasing Services will provide the Group with a stable revenue and cashflow stream during the Effective Period.



As mentioned in the Company's 2024/25 annual report, the PRC's manufacturing industry is undergoing transformation and equipment upgrading, and evolution from traditional manufacturing to digital and intelligent manufacturing. It is expected to promote a new round of rapid growth in the future, and the demand for financing will remain strong. As finance leasing is one of the common medium and long-term financing tools in the manufacturing industry, the Group will continue to cultivate relationships with potential customers in key industries. The Board considers that the finance leasing industry has huge potential and bright prospect, and intends to further expand the Group's finance leasing and related businesses in sectors including healthcare, transportation, energy and infrastructure. Given that (i) Nanshan Group has long-established business relationship and excellent credit history; and (ii) the Finance Leasing Services mainly cover industries such as healthcare, aviation and infrastructure, we are of the view that the Transaction is in line with the Group's business plan as set out in the Company's 2024/25 annual report.

Having considered that (i) the Group has been providing finance leasing services to Nanshan Group companies since 2014; (ii) Nanshan Group is a trusted business partner of the Group with long-established business relationship and satisfactory cooperation history; and (iii) the Transaction is in line with the Group's business plan as set out in the Company's 2024/25 annual report, we concur with the Directors that the Transaction is conducted in the ordinary and usual course of business of the Group and is in the interest of the Company and the Shareholders as a whole.

4. Principal terms of the Transaction

Set out below are the principal terms of the 2026 Finance Leasing Framework Agreement, details of the same are set out in the Board Letter:

Date:	13 October 2025 (after trading hours)
Parties:	1) The Company (for itself and on behalf of its direct and indirect subsidiaries from time to time); and 2) Nanshan Group (for itself and on behalf of its direct and indirect subsidiaries from time to time)
Subject of the Transaction:	The Group will provide the Finance Leasing Services in relation to the Leased Assets by way of, including but not limited to, sale-leaseback service and direct finance leasing services: (1) under sale-leaseback service, the Group will purchase the Leased Assets from Nanshan Group companies, and then the Group will lease such Leased Assets back to Nanshan Group companies for an agreed term and will receive the rental fees on a periodic basis and the refundable security deposit (if applicable);



- (2) under the direct finance leasing services, the Group will purchase the Leased Assets from the relevant supplier upon the instructions of Nanshan Group companies, and then the Group will lease such Leased Assets to Nanshan Group companies for an agreed term and will receive the rental fees on a periodic basis and the refundable security deposit (if applicable); and
- (3) other forms of finance leasing arrangements recognised under the PRC law and the laws applicable to the Individual Agreements.

The rental fees to be received by the Group for the leasing of the Leased Assets to Nanshan Group companies represent the principal amounts and interest income.

**Duration and Conditions
Precedent:**

The 2026 Finance Leasing Framework Agreement shall be effective from 1 January 2026 to 31 March 2028 (both days inclusive), subject to the fulfilment of the following Conditions Precedent:

- (1) the approval of the 2026 Finance Leasing Framework Agreement by the Independent Shareholders at a general meeting of the Company;
- (2) the Company and Nanshan Group having obtained all necessary consent, approval or waivers from any government or regulatory authority, including the Stock Exchange, or third parties in connection with the execution and performance of the 2026 Finance Leasing Framework Agreement and the transactions contemplated thereunder, where required; and
- (3) Compliance with all applicable requirements of the Listing Rules in respect of notifiable transactions and continuing connected transactions.



**Separate Individual
Agreements:**

With respect to the provision of Finance Leasing Services, the Group and the relevant Nanshan Group companies will enter into separate Individual Agreements pursuant to the 2026 Finance Leasing Framework Agreement and the transactions contemplated thereunder shall be conducted on normal commercial terms or better, and major terms and conditions contemplated thereunder shall be no less favourable to the Group than the same offered to Independent Third Parties for comparable finance leasing services.

Contract period:

The contract periods of the Individual Agreements with respect to the Finance Leasing Services are expected not to exceed three years.

The Individual Agreements duly executed shall remain to have full force and effect for their respective contract periods (which may be longer than the Effective Period) even if the 2026 Finance Leasing Framework Agreement is expired or terminated and is not renewed. For the avoidance of doubt, the 2026 Finance Leasing Framework Agreement will not be renewed simply for the purpose of covering the entire period of the relevant Finance Leasing Services.

Leased Assets:

Under both sale-leaseback service and direct finance leasing services, the ownership of the Leased Assets will be vested in the Group throughout the lease period. Generally speaking, upon expiry of the lease period, the ownership of the Leased Assets will be vested in Nanshan Group companies.

**Interests and Refundable
Security Deposit:**

The interest rate and refundable security deposit to be agreed for the Finance Leasing Services shall be fair and reasonable and on normal commercial terms or better. The refundable security deposit may be required based on the size of the finance lease, lessee's credit history and financial conditions. The Company normally requests from the lessee approximately 2% to 3% of the investment amount of the relevant Leased Assets as the refundable security deposit, subject to the parties' negotiations. The refundable security deposit is non-interest bearing and refundable to Nanshan Group companies upon the expiry of the relevant Individual Agreement.



As set out in the Board Letter, when determining and arriving at the Nanshan Interest Rate, the Group shall make reference to the following non-exhaustive factors:

- (1) the benchmark lending rates published by PBOC, which is a representative indicator of the applicable risk-free interest rates given the economic and market condition in the PRC at the material time. The Nanshan Interest Rate shall be higher than the PBOC benchmark lending rates in order for the Company to reasonably profit from the provision of the Finance Leasing Services;
- (2) the risk premium of Nanshan Group companies contemplated within the range approximately from 1% to 4%, which is dependent on the Company's evaluation of the risk factors of Nanshan Group companies including the financial conditions, credit history, size of finance lease, industry and scale of business of the Nanshan Group companies. The Group will make reference to other financing projects between the Group and other Independent Third Party customers and the risk premium will be compared to those of at least two (2) Independent Third Party customers;
- (3) the secured lending rate for the borrowings granted to Nanshan Group companies by financial institutions, which is a piece of useful information for the Directors to negotiate a competitive Nanshan Interest Rate. The Nanshan Interest Rate shall not be lower than such secured lending rate in order for the Company to ensure that the former is not undervalued;
- (4) the funding costs (i.e. the costs of borrowing of the Group) incurred by the Group at the time of entering into of the relevant Individual Agreement, particularly if the Group is unable to reasonably obtain the relevant information in relation to the secured lending rate mentioned in sub-paragraph (3) above. In any event, the Nanshan Interest Rate shall be higher than the funding costs in order to ensure that the Group will not incur loss out of the provision of the Finance Leasing Services and such funding costs will be covered; and/or
- (5) the quotations (which will be obtained by the finance department of the Company every time before entering into the Individual Agreements) and/or contracts for similar finance leasing services offered by the Group to at least two (2) Independent Third Party customers, which act as a reference to prevailing market rate, so as to ensure that the Nanshan Interest Rate of the Finance Leasing Services provided by the Group to Nanshan Group companies shall not be lower than the average effective interest rates offered to its other Independent Third Party customers at the prevailing time and that it is no less favourable than to Independent Third Parties.



Our assessment:

(a) Our assessment on the interest rate

As set out above, the interest rate for the Finance Leasing Services shall be fair and reasonable and on normal commercial terms or better, and will be determined with reference to, among other things, factors set out above. For our due diligence purpose, we have obtained a summary showing principal terms (including but not limited to the name of the lessees, lease commencement date, principal amount, lease term and interest rate) of individual finance lease agreements entered into between the Group and Nanshan Group companies during the period from 2023 to July 2025 (the “**Nanshan Group Finance Lease Summary**”). We have compared the interest rates of finance lease transactions with Nanshan Group companies to those between the Group and Independent Third Parties. For this purpose, we have selected, on a sampling basis, one individual finance lease agreement with Nanshan Group companies for each semi-annual period in 2023, 2024 and 2025 (except for the first half of 2023 during which no individual finance lease agreement was entered with Nanshan Group companies, a total of five samples were obtained). For each of the transactions selected, we have obtained (i) the respective individual finance lease agreements entered into between the Group (as lessor) and Nanshan Group companies (as the lessee) (the “**Previous Nanshan Agreements**”); and (ii) at least two relevant internal reports of the Group regarding finance lease projects with other Independent Third Party lessees (which contains principal terms of finance lease proposed by the Group to such Independent Third Party lessees) during the period from 2023 to 2025 involving assets of similar nature as the Leased Assets. As the individual finance lease agreement and corresponding internal reports cover historical transactions of the Group throughout the term of the Existing Finance Leasing Framework Agreement, we consider such documents to be fair and representative. We noted from the documents obtained that, during the comparable period, the lease interest rates charged to Nanshan Group companies (i) were higher than the then PBOC benchmark lending rates and were not lower than those proposed to Independent Third Parties; and (ii) the risk premium (being the difference between the lease interest rates charged to the lessee and the PBOC benchmark lending rates) charged to Nanshan Group companies were not lower than those proposed to Independent Third Parties (“**Our Due Diligence on Previous Transactions**”).



(b) Internal control on the Finance Leasing Services

As advised by the Management, the Transaction will follow the same internal control measures as those for transactions contemplated under the Existing Finance Leasing Framework Agreement, and details of the internal control measures are set out in the section headed “INTERNAL CONTROL MEASURES AND RISK MANAGEMENT” of the Board Letter. Having considered, in particular, that:

- (i) the interest rate and the refundable security deposit of the Finance Leasing Services under any Individual Agreement shall be fair and reasonable and on normal commercial terms or better. In particular, when determining the effective interest rate, the Group shall make reference to the following factors: (1) the benchmark RMB lending rate published by PBOC from time to time; (2) the risk premium of Nanshan Group companies; (3) the secured lending rate granted to Nanshan Group companies by financial institutions; (4) the funding cost of the Company; and/or (5) the quotations and/or contracts made by the Company for similar finance leasing services offered to at least two (2) Independent Third Party customers;
- (ii) the Company will identify whether the proposed finance leasing projects involve Nanshan Group companies. If Nanshan Group companies are involved, the business department and project vetting committee of the Company, during the project initiation stage, will compare the major terms of the finance leasing projects with the terms and conditions of the 2026 Finance Leasing Framework Agreement, in order to make sure that the major terms of such projects during the project initiation stage are consistent with the 2026 Finance Leasing Framework Agreement; and
- (iii) the Company will make sure that the proposed terms and conditions of the relevant Individual Agreements are consistent with the 2026 Finance Leasing Framework Agreement, and shall not be less favourable to the Company than the finance leasing services of similar nature if provided to the Independent Third Parties. In particular, with respect to the finance leasing projects with Nanshan Group companies, when the risk management department and legal department of the Company are respectively preparing the risk assessment opinion and legal opinion after project initiation and due diligence stages, the two departments will (1) refer to and focus on the 2026 Finance Leasing Framework Agreement; (2) opine on whether the terms and conditions under Individual Agreements to be entered into under such finance leasing projects are consistent with those under the 2026 Finance Leasing Framework Agreement; and (3) submit their respective opinions to the project approval committee of the Company for its further assessment and approval,



we consider that the procedures to be implemented by the Group are appropriate in governing the conduct of the Transaction and safeguarding the interests of the Company by ensuring the pricing of the Transaction is fair and reasonable and on normal commercial terms. In addition, we noted that the internal control measures as set out in (i) above relate to the measures regarding the determination of the interest rate for the Finance Leasing Services. Based on Our Due Diligence on Previous Transactions as set out in sub-section “(a) Our assessment on the interest rate” above, we noted that our findings align with the internal control measures of the Group.

(c) Review by independent non-executive Directors and auditors

As set out in the Company’s 2023/24 annual report and 2024/25 annual report, the independent non-executive Directors have reviewed the Group’s continuing connected transactions (including those contemplated under the Existing Finance Leasing Framework Agreement) and have confirmed that the continuing connected transactions entered into by the Group were in the ordinary and usual course of its business, on normal commercial terms or on terms no less favourable than those available to or from independent third parties, and in accordance with the terms of the agreement governing such transactions that were fair and reasonable and in the interests of the Shareholders as a whole (the “**INEDs’ Confirmation**”).

In addition, we noted from the Company’s 2023/24 annual report and 2024/25 annual report that the auditors of the Company were engaged to report on the Group’s continuing connected transactions (including those contemplated under the Existing Finance Leasing Framework Agreement). According to the aforesaid annual reports, the auditors have confirmed that the Group’s continuing connected transactions contemplated under the Existing Finance Leasing Framework Agreement are in accordance with Rule 14A.56 of the Listing Rules where nothing has come to their attention that causes them to believe that the said continued connected transactions: (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the Group; (iii) were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and (iv) have exceeded the annual caps as stipulated in the Existing Finance Leasing Framework Agreement (the “**Auditors’ Confirmation**”).

(d) Conclusion

Taking into account the above, in particular, (i) Our Due Diligence on Previous Transactions; (ii) that the Transaction will be governed by the internal control measures of the Group; (iii) INEDs’ Confirmation; and (iv) the Auditors’ Confirmation, we consider the terms of the Transaction are on normal commercial terms and are fair and reasonable.



5. Annual Caps

Set out below is information as extracted from the Board Letter regarding (i) the historical annual caps (comprised of the amounts from new individual agreements and existing outstanding finance leases for the Finance Leasing Services) in aggregate under the Existing Finance Leasing Framework Agreement for each of the three years ended/ending 31 December 2023, 2024 and 2025; (ii) the maximum daily balance of the actual aggregate transaction amounts incurred between the Group and the Nanshan Group under the Existing Finance Leasing Framework Agreement during the aforesaid periods; and (iii) the Annual Caps for the period from 1 January 2026 to 31 March 2026 (“**3M2026**”) and each of the two years ending 31 March 2027 (“**FY2026/27**”) and 2028 (“**FY2027/28**”). The refundable security deposit (where applicable) is not included as (i) it is refundable upon expiry of the relevant Individual Agreement; (ii) upon receipt of the deposit in cash, it will be accounted for as other payables and it does not form part of the transaction amounts; and (iii) it is a separate security arrangement in favour of the Company instead of otherwise. The historical annual caps, historical transaction amounts and the Annual Caps represent the sum of the principal amount and the interest for the entire lease period of the finance leases entered into during the year.

	For the year ended 31 December 2023 RMB'000	For the year ended 31 December 2024 RMB'000	For the year ending 31 December 2025 RMB'000
Historical annual caps	2,135,178	2,437,909	2,649,854
Historical transaction amounts	1,339,633	1,508,792	1,328,787
			(note)
Utilisation rate	62.74%	61.89%	N/A



	For the three months ending 31 March 2026 RMB'000	For the year ending 31 March 2027 RMB'000	For the year ending 31 March 2028 RMB'000
Annual Caps			
<i>New Individual Agreements</i>			
Principal amount	330,000	605,000	671,000
Interest income	29,000	52,000	58,000
<i>Existing outstanding finance leases</i>			
Outstanding balances of existing outstanding finance leases	755,184	946,751	979,301
<i>Total (maximum aggregate balance of all outstanding finance leases)</i>	1,114,184	1,603,751	1,708,301

Note: For the nine months ended 30 September 2025

As set out above, the Annual Caps for each period comprise of (a) expected amounts (including both the expected principal amounts and the expected interest amount) for new Individual Agreements to be entered into during the relevant period (collectively, the “**New Transaction Amount(s)**”); and (b) the outstanding balances of all existing outstanding finance leases entered into during the previous periods (for the avoidance of doubt, excluding the New Transaction Amount entered into during the relevant period). For our due diligence purpose, we have discussed with the Management regarding the basis of the Annual Caps. We have also obtained and reviewed (i) the calculation of the Annual Caps; and (ii) information regarding the historical finance lease transactions between the Group and Nanshan Group companies in 2022, 2023, 2024 and 2025. Further details of the Annual Caps are set out in this section below.

(a) New Individual Agreements

We understand from the Management that the Annual Caps in relation to new Individual Agreements comprise of the principal amount and the expected interest income arising from the Finance Leasing Services under such new Individual Agreements. We have enquired with the Management regarding the basis of each component and further details are set out below.



Principal amount

When determining the principal amount component, the Management has considered the expected contract amounts of new Finance Leasing Services to be entered into with Nanshan Group companies for each of the relevant periods. We understand from the Management that the amounts of Finance Leasing Services that the Group can provide in the relevant periods depend on the expected funds available for investment on Nanshan Group companies' projects by the Group. Such amounts are estimated based on (i) free cash available for investment on Nanshan Group companies' project at the beginning of the relevant period (the "**Beginning Free Cash**"); (ii) the repayment from Nanshan Group companies on existing projects during the relevant period (the "**Repayment Amount(s)**"); (iii) a portion of funds to be retained for the purpose of other potential investment opportunities (the "**Retained Fund(s)**"); and (iv) external financing to be made to the Group during the relevant period (if any) (the "**Financing Amount**") based on the Group's business targets. The above is illustrated as follows:

Expected contract amounts

$$\begin{aligned} &= \text{Expected funds available} \\ &= \text{Beginning Free Cash} \\ &+ \text{Repayment Amount} \\ &- \text{Retained Fund} \\ &+ \text{Financing Amount (if any)} \end{aligned}$$

Beginning Free Cash

The Beginning Free Cash at the beginning of 3M2026 was estimated based on (1) historical amount of free cash available for investment on Nanshan Group companies' project as at 31 August 2025 (which was determined based on the Group's cash level as at 31 August 2025, after deducting the amount required for working capital and investment on other Independent Third Parties' projects by the Group with reference to the relevant historical amounts during the period from 2023 to 2025) and (2) the net inflow of funds from Nanshan Group companies' projects during September 2025 to December 2025 (which was determined based on the expected repayments from Nanshan Group companies on existing projects minus the principal amount of new finance lease projects to be entered into with Nanshan Group companies, during the period). For FY2026/27 and FY2027/28, the Beginning Free Cash is determined based on the Retained Fund (to be discussed below) as at the end of 3M2026 and FY2026/27 respectively.



Repayment Amount

The Repayment Amounts in 3M2026, FY2026/27 and FY2027/28 were determined by the Management based on the estimated amounts of repayment to be received from Nanshan Group companies during the relevant periods. When determining such amounts, the Management has taken into account (1) the payment schedule of the existing projects of Nanshan Group companies as at 31 August 2025 with reference to the actual terms of the transactions that were already entered into; and (2) the expected payment schedule of the new projects to be entered into with Nanshan Group companies during the period from September to December 2025 and also during 3M2026, FY2026/27 and FY2027/28 with reference to the expected contract amount and an expected contract period of three years.

Retained Fund and Financing Amount

As advised by the Management, it was one of the Group's business strategies to obtain external financing to support its own finance leasing activities. However, as the external financing environment had been unfavourable and the benchmark interest rate of financing was high during recent years, the Group considered that it was difficult to predict the interest rate movement and had stopped making external financing for the purpose of supporting its finance leasing activities. During 2022 to 2025, the Group has relied on its own resources to support its business development, rather than external debt. Following the recent decrease in interest rate, such as the decrease in one-year benchmark lending rate of PBOC from 4.25% in 2019 to 3% as at the date of 2026 Finance Leasing Framework Agreement, the Management expected that the Group would face a more favourable financing environment, enabling it to expand its investment scale. As such, the Management considered that (i) the aforesaid trend of the benchmark interest rate of financing in the PRC indicated that the Group would face a more favourable financing environment; and (ii) the interest incomes from the investment in the finance lease projects are expected to cover the costs of external financing as the Group shall make reference to, among other things, the funding costs of the Group when determining the interest rate for its finance leasing projects. In view of the above, the Management has set a business target of no less than 5% annual growth for the Finance Leasing Services with Nanshan Group companies. At the same time, when determining the Annual Caps, the Management has considered that an amount of funds shall be retained for the purpose of other potential investments and such retained amounts shall be no less than 5% of the expected contract amounts for each of the relevant periods. Based on our discussion with the Management and review of the calculation of the Annual Caps, we noted that the Management considered no external financing will be required for 3M2026 and FY2026/27. On the other hand, the Management considered that an expected Financing Amount of approximately RMB72 million will be required during FY2027/28 to support the Finance Leasing Services to be provided by the Group to Nanshan Group companies.



Interest income

For the interest income component, the amounts for 3M2026, FY2026/27 and FY2027/28 were determined based on the estimated principal amounts in the respective period and the estimated principal terms of the finance lease (including the estimated duration of the lease, the interest and relevant fee rates and payment terms). The Management estimated the interest income based on a lease duration of 3 years, which was determined with reference to the expected lease terms of individual agreements to be entered into under the 2026 Finance Leasing Framework Agreement based on the Group's understanding of Nanshan Group companies' future projects. As for the estimated interest rates and the payment terms (i.e. rental fees to be received quarterly during the lease term), we understand that the Management has also made reference to terms of recent similar contracts of finance leasing projects. Based on our review, we noted that (i) the estimated interest rates were higher than the PBOC benchmark lending rates as at the Latest Practicable Date; (ii) the estimated interest rates were within the range of historical interest rate of finance lease with Nanshan Group companies during 2023 to 2025 according to the Nanshan Group Finance Lease Summary; and (iii) the rental fees under majority of the Previous Nanshan Agreements reviewed were also charged quarterly.

(b) Existing outstanding finance leases

For 3M2026, as advised by the Management, the outstanding balances of existing outstanding finance leases of approximately RMB755.18 million was determined based on the actual outstanding balances (being the sum of all rental fees which include the principal amounts and interest income) of all finance leases with Nanshan Group companies which will be outstanding as at the end of 2025 (i.e. including the outstanding balances for existing individual finance lease transactions entered during 2022, 2023, 2024 and 2025). As the amount of outstanding balance is expected to decrease following repayments to be made, such outstanding amount at the end of 2025 would also represent the maximum balance in relation to those existing outstanding finance leases for the next period, i.e. 3M2026 (the **"Existing Finance Lease 3M2026 Maximum Balance"**).

For FY2026/27 and FY2027/28, the outstanding balances of existing outstanding finance leases were determined based on (i) the Existing Finance Lease 3M2026 Maximum Balance and (ii) the New Transaction Amount during FY2026/27 and FY2027/28 (where applicable), and deducting the expected rental payment during each of FY2026/27 and FY2027/28. Details of the Existing Finance Lease 3M2026 Maximum Balance and the New Transaction Amount were set out in this letter above. In estimating the amount of rental payment during each of FY2026/27 and FY2027/28, the Management took into account (i) the payment schedule of the existing Nanshan Group companies' finance leases projects which commenced during the period from 2022 to 2025; (ii) the New Transaction Amount in 3M2026 and FY2026/27 taking into account the average finance lease term of approximately 3 years (which was determined with reference



to the expected lease terms of individual agreements to be entered into under the 2026 Finance Leasing Framework Agreement based on the Group's understanding of Nanshan Group companies' future projects).

Our view on the Annual Caps

Based on our discussion with the Management and review of the Annual Caps with details set out above, we noted that (a) the Annual Caps were determined based on the New Transaction Amounts and the outstanding balances of the existing finance leases; (b) the New Transaction Amounts were determined by the Company after taking into account, among other things, the Group's historical amount of free cash, expected payments to be received based on existing projects on hand and expected contract terms, the Group's business development plans and the Group's working capital needs; and (c) the outstanding balances of the existing finance leases were determined based on historical information of the Group and the New Transaction amount, having considered the existing and expected terms of the agreements between the Group and Nanshan Group companies. Accordingly, we consider the Annual Caps for the Transaction to be fair and reasonable.

6. Review and conditions of the Transaction

As confirmed by the Management, in compliance with the Listing Rules, the Transaction is subject to a number of conditions which include, among other things:

- (i) the Annual Caps will not be exceeded;
- (ii) the independent non-executive Directors must, in accordance with the Listing Rules, review annually the Transaction and confirm in the Company's annual report whether the Transaction has been entered into (a) in the ordinary and usual course of business of the Company; (b) on normal commercial terms or better; and (c) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (iii) the auditors of the Company must, in accordance with the Listing Rules, review annually the Transaction and they must confirm in a letter to the Board whether anything has come to their attention that causes them to believe that the continuing connected transactions:
 - (a) have not been approved by the Board;
 - (b) were not, in all material respects, in accordance with the pricing policies of the Company;
 - (c) were not entered into, in all material respects, in accordance with the relevant agreement(s) governing the transactions; and
 - (d) have exceeded the proposed annual caps;



- (iv) the Company must promptly notify the Stock Exchange and publish an announcement if the independent non-executive Directors and/or the auditors cannot confirm the matters as required;
- (v) the Company must allow, and ensure that Nanshan Group allow, the auditors of the Company sufficient access to their records of the transactions for the purpose of the auditors' reporting on the Transaction. The Board must state in the annual report whether the auditors of the Company have confirmed the matters set out in Rule 14A.56 of the Listing Rules; and
- (vi) the Company must comply with the applicable provisions of the Listing Rules governing continuing connected transactions in the event that the total amount of the Transaction exceeds the Annual Caps, or that there is any material amendment to the terms of the 2026 Finance Leasing Framework Agreement.

In light of the conditions imposed on the continuing connected transactions, in particular, (1) the limit of the value of the transaction by way of the Annual Caps; (2) the on-going review by the independent non-executive Directors and auditors of the Company regarding the terms of the Transaction; and (3) the on-going review by the auditors of the Company confirming the relevant Annual Caps not being exceeded, we are of the view that appropriate measures will be in place to govern the conduct of the Transaction and safeguard the interests of the Independent Shareholders.

7. Financial effect of the Finance Leasing Services

According to the Board Letter, the Board considers that the Group will be entitled to recognise interest income from Nanshan Group companies, which will provide additional income to the Group.

It is expected that the Finance Leasing Services will be financed by the Group via its internal resources and bank borrowings, and the Group's gearing and total liabilities may increase by an extent corresponding to the amount of new bank borrowings to be obtained. It is expected that the borrowings of the Group will increase and the cash and cash equivalents of the same will decrease.

On the other hand, the Board considers that there will be no significant immediate change to the Group's net asset value given the total assets will increase pursuant to the value of new finance lease receivables and assets acquired under each finance lease while offset by the payment of proceeds to Nanshan Group companies or the relevant suppliers, when the Group commences the provision of the Finance Leasing Services contemplated under the Individual Agreement.



OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that the Transaction is in the ordinary and usual course of business of the Company and is in the interests of the Company and the Shareholders as a whole; and the terms of the Transaction are on normal commercial terms and are fair and reasonable. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the relevant ordinary resolution(s) to be proposed at the EGM to approve the Transaction.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED

Clifford Cheng
Director

Mr. Clifford Cheng is a licensed person registered with the Securities and Futures Commission and a responsible officer of Somerley Capital Limited, which is licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. He has fifteen years of experience in the corporate finance industry.