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30 May 2025

*To: the Independent Board Committee and the Independent Shareholders*

Dear Sir/Madam,

# CONTINUING CONNECTED TRANSACTIONS AND DISCLOSEABLE TRANSACTION IN RESPECT OF ENTERING INTO OF THE 2025 FINANCIAL SERVICES FRAMEWORK AGREEMENT

## INTRODUCTION

We refer to our appointment to advise the independent board committee and the independent shareholders of CSSC (Hong Kong) Shipping Company Limited (the "**Company**", together with its subsidiaries, the "**Group**") in relation to the deposit services (the "**Deposit Services**") and the lending services (the "**Lending Services**") contemplated under the 2025 financial services framework agreement (the "**Continuing Connected Transactions**"). Details of the Continuing Connected Transactions are set out in the "Letter from the Board" (the "**Board Letter**") contained in the circular of the Company dated 30 May 2025 (the "**Circular**"), of which this letter forms part. Unless otherwise defined, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

On 26 March 2025 (after trading hours), the Company has entered into the 2025 Financial Services Framework Agreement with CSSC Finance, pursuant to which CSSC Finance Group agreed to provide Financial Services (including but not limited to the Deposit Services and the Lending Services) to the Company for a term commencing on the Effective Date and ending on 31 December 2027 (both days inclusive).

As set out in the Board Letter, China Shipbuilding Group (through its wholly owned subsidiaries) holds 4,602,046,234 Shares, accounting for approximately 74.30% of the issued share capital of the Company, and is a controlling shareholder of the Company. Furthermore, CSSC Finance is a non-wholly owned subsidiary of China Shipbuilding Group and hence it is a connected person of the Company. Accordingly, the transactions contemplated under the 2025 Financial Services Framework Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As further mentioned in the Board Letter, one or more of the applicable percentage ratios for each of the Deposit Services and the Lending Services under the 2025 Financial Services Framework Agreement exceed 5% but are less than 25%. In addition, as the loans under the Lending Services are contemplated to be secured by, among others, the asset of the Company, the Lending Services contemplated under the 2025 Financial Services Framework Agreement would not be exempt from the reporting, announcement and Independent Shareholders' approval requirements for connected transactions under Rule 14A.90 of the Listing Rules. Accordingly, the Deposit Services and the Lending Services constitute non-exempt continuing connected transactions of the Company and are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

The Independent Board Committee comprising all independent non-executive Directors, namely Mr. Wang Dennis, Mdm. Shing Mo Han Yvonne, BBS, JP and Mr. Li Hongji, has been formed to advise the Independent Shareholders in relation to the Continuing Connected Transactions. We, Somerley Capital Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard (the "**Engagement**").

During the past two years immediately preceding the Latest Practicable Date, there have been no other engagements between the Company and Somerley Capital Limited. As at the Latest Practicable Date, there were no relationships or interests between (a) Somerley Capital Limited and (b) the Group and CSSC Finance 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. During the past two years immediately preceding the Latest Practicable Date, apart from normal professional fees paid or payable to us in connection with the Engagement, no arrangement exists whereby we will receive any fees or benefits from the Company.

In formulating our advice, 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, CSSC Finance and their respective associates, nor have we carried out any independent verification of the information supplied.

## PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation on the Continuing Connected Transactions, we have taken into account the following principal factors and reasons:

### 1. Information on the parties to the Continuing Connected Transactions

***The Company***

The Company is a ship leasing, investment and operating company which, together with its subsidiaries, provides integrated shipping services (including operating leases and shipbroking services to shipbuilders and potential buyers) and financial services (including finance leases and loans borrowings to finance the purchase of vessels). It stands as the premier shipyard-affiliated leasing company in Greater China and is among the foremost ship leasing companies in the world.

***CSSC Finance***

CSSC Finance is a non-wholly owned subsidiary of the China Shipbuilding Group. The principal business of CSSC Finance includes deposit-taking, loans handling, acceptance and discounting of bills, inter-bank borrowing businesses and provision of other financial services.

China Shipbuilding Group is a state-authorised investment institution directly supervised and administered by the State-owned Assets Supervision and Administration Commission of the State Council, and its core business includes shipbuilding, ship-repairing, processing, export/import of marine equipment, diversified businesses such as other steel structure manufacturing and international cooperation, joint venture operations, financing, technology trading and workforce exportation. As at the Latest Practicable Date, China Shipbuilding Group controls 4,602,046,234 Shares of the Company indirectly through its wholly owned subsidiaries, representing 74.34% of the issued Shares of the Company.

## 2. Reasons for and benefits of the Continuing Connected Transactions

As advised by the Management, there is business need from the Group to obtain financing from financial institution during its ordinary and usual course of business, including but not limited to financing for the acquisition of vessels. It is the Group's strategy to seek additional financial channel(s), in particular for RMB dominated loans to satisfy the operation needs of the Group. Based on the understanding of the Management, CSSC Finance, being the major financial platform of China Shipbuilding Group, can be one of the providers of such RMB dominated loans. The Management considers that CSSC Finance can not only provide the Company with financing support, but also have the ability to guarantee funds and operate flexibly, which can greatly improve the Company's fund management efficiency and flexibility in responding to market changes.

As advised by the Management, CSSC Finance is a non-banking financial institution and non-wholly owned subsidiary of China Shipbuilding Group established in the PRC since 1997 which was approved and regulated by PBOC and National Financial Regulatory Administration. It is authorised to provide various kinds of financial services to China Shipbuilding Group and its members in the PRC, including the Deposit Services and the Lending Services. Given that CSSC Finance has been involved in similar financing arrangement with members of the China Shipbuilding Group for years, the Management considers that CSSC Finance would be able to understand the business needs of the Group and is able to provide high quality services to meet the Group's demand.

The Lending Services under the 2025 Financial Services Framework Agreement enables the Group to expand its financial channels, and on the other hand provides the Group with more flexibility in managing its funds. The Group's ship leasing business is capital intensive. The loans obtained from CSSC Finance are mainly for financing the Group's shipbuilding projects. Through all-round cooperation between CSSC Finance and the Group, the Company will be able to obtain a strong supplement on the basis of existing financing channels, further optimise capital allocation, effectively reduce financial costs, and enhance capital liquidity, thereby providing more robust support for the Company's future business expansion and capital needs.

In view of the anticipating of entering into the Lending Services, and also considering the Group's needs of fund management, the Company considers that it would be more efficient to also engage CSSC Finance for other relevant Financial Services, including but not limited to the Deposit Services to facilitate the fund management of the Group during its ordinary and usual course of business, on condition that the terms of which are on normal commercial terms or better. In relation to the Deposit Services, the Company has received confirmation from CSSC Finance that the deposits placed by the Group will not be loaned to other affiliates and members of China Shipbuilding Group (excluding the Group), and the funds deposited in CSSC Finance will only be for the own use of the Group.

As confirmed by the Management, CSSC Finance is required to operate in compliance with 《企業集團財務公司管理辦法》 (Administrative Measures for the Group Finance Companies*) (the "**Administrative Measures**") promulgated by China Banking and Insurance Regulatory Commission (the role of which is now covered by the NAFR). The Administrative Measures regulate the operation of non-banking financial institutions which provide financial management services to the enterprise group member entities. The Administrative Measures set out certain compliance and risk control requirements/measures in relation to the operation of group finance companies, including but not limited to maintaining certain financial ratios (the "**Financial Ratios Requirement**") at all times. In addition, pursuant to the relevant regulations of PBOC and the NAFR, the customers of CSSC Finance are limited to the members of China Shipbuilding Group, which effectively reduces the potential risks that CSSC Finance may otherwise be exposed to if its customers include other entities unrelated to China Shipbuilding Group.

In addition, as advised by the Management, CSSC Finance will submit monthly regulatory statements to the National Financial Regulatory Administration and prepare monthly accounting statements to ensure that the required financial ratios are met. During the term of the 2025 Financial Services Framework Agreement, CSSC Finance will regularly provide the Company with audit reports on the internal control for risk management prepared by a Chinese certified public accountant to stay up-to-date on CSSC Finance's financial ratios and operating conditions. If CSSC Finance fails to satisfy the Financial Ratios Requirement, or in case of default events as provided by the Civil Code of the PRC, the 2025 Financial Services Framework Agreement will be terminated with immediate effect. We consider that the aforesaid Administrative Measures and monitoring reassures by the Group regarding CSSC Finance's financial ratios and operating conditions will protect the interests of the Company by reducing the risks of failures of CSSC Finance.

Taking into account the above, we concur with the Directors that the Continuing Connected Transactions are entered into in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole.

### 3. Principal terms of the Continuing Connected Transactions

The Deposit Services and the Lending Services are part of the transactions to be contemplated under the 2025 Financial Services Framework Agreement which was entered into between the Company and CSSC Finance on 26 March 2025. Conditional upon approval by the Independent Shareholders at the EGM, the term of the 2025 Financial Services Framework Agreement shall be for the period from the Effective Date to 31 December 2027 (both days inclusive). Further details of the Deposit Services and the Lending Services are set out in the section headed "PRINCIPAL TERMS OF THE 2025 FINANCIAL SERVICES FRAMEWORK AGREEMENT" of the Board Letter and the key terms of the Deposit Services and the Lending Services are set out below:

Details of the transactions:

(a) Deposit services: CSSC Finance provides the Group with various types of deposit business services, including demand deposits, call deposits, time deposits and agreement deposits.

(b) Lending Services: CSSC Finance shall, to the extent as permitted by laws, regulations and policies of the PRC, in accordance with the requirements of the NAFR and in conjunction with its own operating principles and credit policies, fully support the Group's capital needs in its business development and provide loan services for the Group. For loan applications that meet the relevant conditions of CSSC Finance, the Group will be given priority under the same conditions as other borrowers.

The loans obtained from CSSC Finance will mainly be used to support the ship leasing services of the Group, and the fix asset acquisition and project implementation of the special purpose vehicle company (the "**SPV**") set up by the Company for the acquisition of vessels. Based on the practice in shipping finance, the Group will provide, among others, its assets (such as transfer of the ship leasing agreement to CSSC Finance, the ships acquired, the shareholding of the company holding the ships and the beneficial interests in the total loss insurance of the ships) as securities for the lending services.

CSSC Finance shall enter into separate agreement with the Company for of the Deposit Services and the Lending Services. In relation to the Lending Services, depending on the structure of the ship financing and the business needs of the Group, CSSC Finance may enter into the lending agreement with the Company or the SPV.

Pricing

The provision of the Deposit Services and the Lending Services shall be conducted in the usual course of business of the Group and on normal commercial terms on the basis that are fair and reasonable. The parties shall enter into an agreement in respect of such transactions and the basis of pricing shall be specified in the agreement.

In respect of the Deposit Services, the interest rate offered by CSSC Finance for accepting the Group's Deposits is determined with reference to: (i) the deposit rate standard set by the PBOC from time to time; and (ii) the deposit rate offered by other major commercial banks for the same level of deposits at the same period (the "**Major Banks' Deposit Rate**"). In general, the deposit rate offered by CSSC Finance should not be lower than the Major Banks' Deposit Rate. Furthermore, as some of the deposits will be placed in Hong Kong, the deposit rates of these deposits should also comply with the regulations in relation to deposit interest rate imposed by the regulatory authority in Hong Kong.

In respect of the Lending Services, the interest rates of the Group's borrowings from CSSC Finance should be determined with reference to: (i) lending rates prescribed by the PBOC (if the borrowing is dominated in RMB), or the SOFR as calculated by the New York Federal Reserve (if the borrowing is dominated in USD) (if applicable); (ii) the rates (the "**Major Banks' Lending Rate**") offered by other independent major commercial banks; and (iii) model of the vessels and whether the ships are subject of valid operating leases. In general, more competitive rates will be offered to conventional type of vessels widely recognised by the market, as well as vessels which are subject of valid operating leases. However, in any event, the interests rates of the Group's borrowings from CSSC Finance should not be higher than the Major Banks' Lending Rate.

***Assessment of the terms of the Deposit Services and the Lending Services***

We understood from the Management that the interest rates of the Group's deposits are usually determined by the relevant financial institutions with reference to the deposit rate standard set by the PBOC. For the Deposit Services, before placing the deposits with CSSC Finance, the Group will obtain at least three comparable quotations from major commercial banks (for both RMB and USD deposits) to ensure that the deposit interest rates offered by CSSC Finance are no less favourable than those available from other Independent Third Parties.

We understood from the Management that the terms of the Group's borrowings are determined with reference to the particulars of the shipbuilding/refinancing projects, such as the financing duration, the scale of shipping finance and the model of ship. For the Lending Services, before the drawdown of loans, the Group will (i) refer to the lending rates prescribed by the PBOC (if the borrowing is dominated in RMB), or the secured overnight financing rate (SOFR) as calculated by the New York Federal Reserve (if the borrowing is dominated in USD) and (ii) obtain at least three comparable quotations from major commercial banks under similar conditions (such as scale, duration and pledge item(s)) to ensure that the interest rates of the loans offered by CSSC Finance are no less favourable than those available from other Independent Third Parties.

In addition, in order to ensure that the transactions between the Company and the CSSC Finance are conducted in accordance with the terms of the 2025 Financial Services Framework Agreement and/or the respective separate agreements and the requirements of Chapter 14A of the Listing Rules, the Company has adopted certain internal control policies, details of which are set out in the sections headed "INTERNAL CONTROL MEASURES" of the Board Letter.

For our due diligence purpose, we have discussed with the Management regarding further details of the aforesaid process of determining the interest rates for the Deposit Services and Lending Services:

- For Deposit Services, we understand that the Group has always been customer of other major commercial banks for deposit services, and the Group will be able to obtain quotations for both RMB and USD deposits through enquiries with such banks. For the standard interest rates for RMB and USD deposits, we understand that the Group will also review the standard interest rates on the website of the major commercial banks.

- For Lending Services, we understand that the Group has always been customer of other major commercial banks for lending services, and the Group will be able to obtain quotations for loans through enquiries with such banks. For the prescribed lending rates, we understand that the Group will also review the prescribed interest rates on the website of the PBOC and/or the New York Federal Reserve.

- According to the internal control measures adopted by the Group in relation to the 2025 Financial Services Framework Agreement, the finance department of the Group will conduct regular reviews to keep abreast of the prevailing fee level in the market and the market conditions, and will compare the terms and the rates provided by CSSC Finance with that of at least three independent banks to ensure the price charged for a specific transaction is fair and reasonable and is in accordance with the pricing policy. In addition, the implementation of individual contract shall be subject to the appropriate approval of the relevant personnel of the business department, finance department, legal department and management of the Group to ensure that the contracts are in line with the pricing policy and principal terms of the 2025 Financial Services Framework Agreement.

- We have obtained from the Company the records regarding the quotation seeking of deposit services and lending services from independent banks during the year ended 31 December 2023, the year ended 31 December 2024 and the two months ended 28 February 2025. In this regard, for each type of service, we have requested one quotation record per quarter for the period from first quarter of 2023 to the first two months of 2025 (where available), and based on the aforesaid criteria, we have obtained five quotation records in relation to the deposit services and seven quotation records in relation to the lending services respectively. The samples were obtained on a sampling basis covering each of the two years of 2023 and 2024 and the first two months of 2025, and thus we consider the samples obtained to be fair and representative for the purpose of our review. Based on our review, we noted that before entering into such historical deposit services and lending services with Independent Third Parties, the Group had obtained and compared the terms offered by at least three different major commercial banks. In addition, for deposit services, for our due diligence purpose, we have checked the websites of certain major commercial banks (namely Bank of China, Industrial and Commercial Bank of China, Agricultural Bank of China and China Construction Bank) and noted that the standard interest rates for RMB and USD deposits are available for reference on the websites. As for lending services, we have checked the websites of the PBOC and the New York Federal Reserve noted that the loan prime rate and the SOFR are published respectively on the aforesaid websites.

Taking into account the above, we are of the view that the Company will be able to make reference to the comparable quotations and/or prescribed interest rates when determining the interest rates for the Deposit Services and Lending Services. We also consider that the measures implemented by the Company (in particular, the regular review and comparison of comparable market terms and rates by the Group's finance department, and the approval procedures by relevant personnels of the Group) are appropriate in governing the Continuing Connected Transactions and safeguarding the interests of the Company by ensuring the terms of the Deposit Services and the Lending Services are fair and reasonable and on normal commercial terms.

Taking into account the above, we consider the pricing basis of the Deposit Services and the Lending Services to be fair and reasonable.

## 4. Proposed Annual Caps

Set out below are the proposed annual caps of the Deposit Services and the Lending Services for each of the three years ending 31 December 2025, 2026 and 2027 for the Deposit Services and the Lending Services as extracted from the Board Letter:

| | For the year ending 31 December | | |
|---|---|---|---|
| | **2025** | **2026** | **2027** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **Deposit Services** | | | |
| (1) Maximum outstanding daily balance of the deposits (the "**Deposits Principal Cap(s)**") | 1,000,000 | 1,200,000 | 1,500,000 |
| (2) Aggregate interest on the Deposits per year (the "**Deposits Interest Cap(s)**") | 30,000 | 36,000 | 45,000 |
| **Lending Services** | | | |
| (1) Maximum outstanding daily balance on loans (the "**Loan Principal Cap(s)**") | 2,000,000 | 6,000,000 | 10,000,000 |
| (2) Aggregate interest on the loans per year (the "**Loan Interest Cap(s)**") | 70,000 | 210,000 | 350,000 |

In arriving at the Proposed Annual Caps, the Directors have considered the factors as stated under the sub-section headed "Basis of the Proposed Annual Cap" under the section headed "Principal terms of the 2025 Financial Services Framework Agreement" of the Board Letter.

### *4.1 The Deposit Services*

*(i) Deposit Principal Caps*

In relation to the maximum outstanding daily balance of the deposits, for our due diligence purpose, we have reviewed the financial position of the Group as at 31 December 2023 and 31 December 2024 based on the 2024 annual report of the Company. We noted that the sum of cash and cash equivalents and the time deposits with maturity over three months (the "**Cash Level**") amounted to approximately HK$1.14 billion and HK$1.91 billion respectively as at 31 December 2023 and 31 December 2024 (the "**Historical Year-end Cash Level**") respectively. In addition, we noted from the Group's financial statements that there are current assets and items that are expected to be recorded within one year. In particular, we noted that the Group had loan receivables and lease receivables to be received within one year. In this regard, we have reviewed the relevant balance sheet items and breakdown of the Group as at 31 December 2023 and 31 December 2024, and noted that the Group had loan receivables within one year of approximately HK$584.67 million and approximately HK$508.88 million and gross investment in finance leases of lease receivables with maturity within one year of approximately HK$3.11 billion and approximately HK$2.28 billion, as at 31 December 2023 and 31 December 2024 respectively. Having considered the above, we do not doubt the Group's potential demand of deposits as far as the Deposits Principal Caps are concerned.

We have also obtained information in relation the historical maximum outstanding daily balance of deposits placed by the Group in other financial institutions (the "**Historical Maximum Deposit Balance(s)**") during the year ended 31 December 2023, the year ended 31 December 2024 and the two months ended 28 February 2025 (the "**Relevant Period**") respectively. We noted that the Deposits Principal Caps of RMB1 billion, RMB1.2 billion and RMB1.5 billion respectively for each of the three years ending 31 December 2025, 31 December 2026 and 31 December 2027 (a) are lower than the range of the aforesaid Historical Maximum Deposit Balance and (b) represent approximately 47%, 57% and 71% of the average of the aforesaid Historical Maximum Deposit Balances respectively. As advised by the Management, the Group's deposits are based on the operation needs of the Group and the terms offered by the financial institutions (financial institutions with more favorable terms would be selected). Based on the existing business plan and operation needs of the Group; it is expected that only part of the funds of the Group would be deposited in CSSC Finance and certain of the Group's fund would continue to be deposited in other financial institutions, subject to the terms of the deposits offered. When determining the Deposit Principal Caps, the Management took into account the estimated portion of funds to be placed in CSSC Finance based on the Group's business plan, while the increases in Deposits Principal Caps of approximately 20% and 25% respectively in 2026 and 2027 mainly cater for the potential growth of business scale of the Group. As advised by the Management, as the Group's business continues to grow, the Group would require more funds for operation and settlement. Accordingly, taking into account the potential growth of the Group's business, the Management has applied a 20% annual growth rate for 2026 and 2027. For 2027, the Management expects that CSSC Finance will be more familiar with the business of Group after approximately two years of cooperation. As such, the Management has applied an additional 5% growth rate in 2027 to cater for further business cooperation with CSSC Finance.

For our due diligence purpose, we have reviewed the 2024 annual report of the Company and noted that the business scale of the Group had increased over the past few years (in particular, the Group's revenue and net assets increased from approximately HK$1.86 billion and HK$8.99 billion for 2020 to approximately HK$4.03 billion and HK$14.30 billion for 2024 respectively, representing a compound annual growth rate of approximately 21.33% and 12.30% respectively). Accordingly, taking into account the reasons for the annual growth rates and the historical growth rates of the Group's business as illustrated above, we consider the increases in in Deposits Principal Caps in 2026 and 2027 to be justifiable.

Taking into account the above, we consider that the Deposits Principal Caps are fair and reasonable.

*(ii) Deposit Interest Caps*

As for aggregate interest on the Deposits, we noted that Deposits Interest Caps were determined based on the Deposits Principal Caps for the relevant year and an estimated interest rate of 3% per annum.

As advised by the Management, in determining the estimated interest rate of 3% per annum, the Management took into account the historical interest income from bank deposits and the average cash level of the Group during 2023 and 2024. In this regard, we noted from the 2024 annual report and 2023 annual report of the Company that (a) the interest income from bank deposits of the Group amounted to approximately HK$33.62 million and HK$32.78 million respectively for the year ended 31 December 2023 and 31 December 2024, and (b) the average Cash Level in 2023 and 2024 (being the average of Cash Level as at the beginning and the end of the year) amounted to approximately HK$1.26 billion and HK$1.52 billion respectively. Based on the above, the interest income from bank deposits represented approximately 2.67% and 2.15% of the average Cash Level in 2023 and 2024 respectively.

As further explained by the Management, the deposits placed by the Group involve both demand deposits and fixed deposits, and in both RMB and USD, and the interest rates of the fixed deposits are significantly higher than the demand deposits. In particular, the average interest rate of the Group's fixed deposits (including both RMB and USD dominated deposits) was approximately 4.6% per annum during the Relevant Period; while based on the latest information published on the website of Bank of China (being one of the major commercial banks in the PRC), the standard interest rate for RMB dominated demand deposits for urban and rural residents and entities was only 0.1% per annum and the USD dominated demand deposits was only 0.05% per annum. As such, in order to cater for the fluctuation in the split of fixed deposits and demand deposits for the purpose of the Group's treasury management, the Management has adopted an estimated interest rate of 3% per annum when determining the Deposit Interest Caps.

Taking into account the above, we consider that the Deposits Interest Caps are fair and reasonable.

### 4.2 *The Lending Services*

*(i) Loan Principal Caps*

As advised by the Management, the Loan Principal Caps were determined after considering the financing plan of the Group's vessels during each of the three years ending 31 December 2025, 2026 and 2027. Such financing plan includes both financing for existing vessels and new projects. As at 31 December 2024, the Group had 138 vessels, of which 16 were under construction. The Group's ship leasing business is capital intensive. In order to continuously strengthen its vessel portfolio, the Group has been obtaining loans from financial institutions to finance its shipbuilding project. With the entering into of the 2025 Financial Services Framework Agreement, the Management has formulated a plan for the expected financing to be obtained from CSSC Finance.

For our due diligence purpose, we have obtained relevant information regarding the said financing plan of the Group which is expected to be conducted with CSSC Finance (such as the types and number of vessels involved, duration, financing amount, interest rate and repayment structure). We noted that (i) the expected financing duration of all the relevant vessels is 3 years; (ii) the principal repayment of the loans is expected at maturity; and (iii) the Loan Principal Caps represented the sum of (a) the expected loan drawdown amount of the Group in each of the relevant year and (b) the outstanding principal amount of loans brought forward from the previous year(s). Accordingly, the Loan Principal Caps are in line with the said financing plan of the Group which is expected to be conducted with CSSC Finance.

Taking into account the above, we consider that the Loan Principal Caps are fair and reasonable.

*(ii) Loan Interest Caps*

As for aggregate interest on loans for the year, we noted that the Loan Interest Caps were determined based on the Loan Principal Caps for the relevant year and an estimated interest rate of 3.5% per annum. As advised by the Management, such estimated interest rate was determined based on the historical average cost of borrowings of the Group during the three years ended 31 December 2022, 2023 and 2024.

For our due diligence purpose, we have reviewed the 2023 annual report and 2024 annual report of the Company and noted that the average cost of interest-bearing liabilities during the latest three financial years of the Group amounted to approximately 2.6%, 3.7% and 3.5% respectively for each of the three years ended 31 December 2022, 2023 and 2024. The estimated interest rate of 3.5% per annum is within the aforesaid range of historical average cost of interest-bearing liabilities of the Group.

Taking into account the above, we consider that the Loan Interest Caps are fair and reasonable.

**5. Internal control, review and conditions for the Continuing Connected Transactions**

According to the Board Letter, the Company will take the following monitoring controls to ensure that the Proposed Annual Caps set for the Deposit Services and the Lending Services are not exceeded:

(a) a monthly funds report will be issued by the treasury cashiers on the amount of deposits and loans. The head of treasury and the financial manager can adjust the funds strategy according to the monthly funds report;

(b) the head of treasury will compile a monthly rolling capital forecast so that he can arrange the monthly capital balance in advance, which could reduce the incidence of liquidity excess; and

(c) the fund manager will compile the monthly fund plan at the beginning of each month to arrange the monthly fund balance in advance and make arrangements for the Group's deposits and loans, to make sure that the annual caps will not be exceeded.

In compliance with the Listing Rules, the Continuing Connected Transactions are subject to a number of conditions which include, among other things:

(i) the Proposed Annual Caps will not be exceeded;

(ii) the independent non-executive Directors must, in accordance with the Listing Rules, review annually the Continuing Connected Transactions and confirm in the Company's annual report whether the Continuing Connected Transactions have 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 Continuing Connected Transactions and they must confirm in a letter to the Board whether anything has come to their attention that causes them to believe that the transactions:

(a) have not been approved by the Board;

(b) were not entered into, in all material respects, in accordance with the relevant agreement(s) governing the transactions; and

(c) 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 CSSC Finance allow, the auditors of the Company sufficient access to their records of the transactions for the purpose of the auditors' reporting on the Continuing Connected Transactions. 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 Continuing Connected Transactions exceeds the Proposed Annual Caps, or that there is any material amendment to the terms of the 2025 Financial Services Framework Agreement.

In light of the internal control measures to be taken by the Group in relation to the Deposit Services and the Lending Services and the conditions imposed on the continuing connected transactions, in particular, (1) the limit of the value of the transactions by way of the Proposed Annual Caps; (2) the on-going review by the independent non-executive Directors and auditors of the Company regarding the terms of the Continuing Connected Transactions; and (3) the on-going review by the auditors of the Company confirming the Proposed Annual Caps not being exceeded, we are of the view that appropriate measures will be in place to govern the conduct of the Continuing Connected Transactions and safeguard the interests of the Independent Shareholders.

**OPINION AND RECOMMENDATION**

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

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 over ten years of experience in the corporate finance industry.*