

4 November 2025

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

CONTINUING CONNECTED TRANSACTION – LOAN FRAMEWORK AGREEMENT

INTRODUCTION

We refer to our engagement to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Loan Framework Agreement (including the proposed Annual Caps and the provision of the Asset Collateral), particulars of which are set out in the letter from the Board (the “**Letter from the Board**”) of the circular to the Shareholders dated 4 November 2025 (the “**Circular**”) and in which this letter is reproduced. Unless the context requires otherwise, capitalized terms used in this letter shall have the same meanings as given to them under the definitions section of the Circular.

On 2 November 2025, the Company entered into the Loan Framework Agreement with Shenzhen Metro Group, the substantial Shareholder of the Company, pursuant to which Shenzhen Metro Group agreed to provide the Loan to the Company in an aggregate principal amount of up to RMB22.0 billion.

As at the Latest Practicable Date, Shenzhen Metro Group is a substantial Shareholder holding approximately 27.18% of the total issued share capital of the Company, and hence a connected person of the Company pursuant to Chapter 14A of the Listing Rules.

As one of the applicable percentage ratios in respect of Loan Framework Agreement and transactions contemplated thereunder exceeds 5%, it constitutes a continuing connected transaction of the Company.

An Independent Board Committee comprising all of the independent non-executive Directors namely Mr. LIU Tsz Bun Bennett, Mr. LIM Ming Yan, Dr. SHUM Heung Yeung Harry and Mr. ZHANG Yichen has been established to advise the Independent Shareholders in respect of the Loan Framework Agreement (including the proposed Annual Caps and the provision of the Asset Collateral). We, Octal Capital Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

As at the Latest Practicable Date, we are not connected with the Group or Shenzhen Metro Group or where applicable, any of their respective substantial shareholders, directors or chief executives, or any of their respective subsidiaries or associates pursuant to Rule 13.84 of the Listing Rules. In the two years immediately preceding the date of the Loan Framework Agreement, we were engaged by the Company as an independent financial adviser to the Company in respect of the connected transaction in relation to the receipt of financial assistance from Shenzhen Metro Group and provision of asset collateral (details as contained in the circular of the Company dated 6 June 2025) (the “**Previous Engagement**”).

Under the Previous Engagement, we were required to express our opinion on and give recommendations to the Independent Board Committee and the Independent Shareholders of the Company in respect of the transaction. Apart from normal professional fee payable to us by the Company in connection with this appointment and the Previous Engagement, no arrangement exists whereby we will receive any fees or benefits from the Company or the directors, chief executive and substantial shareholders of the Company or the Shenzhen Metro Group, or any of their respective subsidiaries or associates that could reasonably be regarded as relevant to our independence. We are therefore considered independent and suitable to give independent advice to the Independent Board Committee and the Independent Shareholders regarding the Loan Framework Agreement pursuant to Rule 13.84 of the Listing Rules.

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Circular and have assumed that all information and representations made or referred to in the Circular were true at the time they were made and continue to be true as at the Latest Practicable Date. We have also relied on our discussion with the management of the Company regarding the Group, including the information and representations contained in the Circular. We have also assumed that all statements of belief, opinion and intention made by the Directors and management of the Company in the Circular were reasonably made after due enquiry. We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice, among other things, (i) the Loan Framework Agreement; (ii) the Designated Agreements; (iii) the annual report of the Company for the year ended 31 December 2024 (the “**2024 Annual Report**”); (iv) the interim report of the Company for the six months ended 30 June 2025 (the “**2025 Interim Report**”); and (v) our review of the relevant public information. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and management of the Company. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Group or Shenzhen Metro Group and their respective controlling shareholder(s) and associates nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion regarding the Loan Framework Agreement, we have considered the following principal factors and reasons:

1. Background of the transactions

On 2 November 2025, the Company entered into the Loan Framework Agreement with Shenzhen Metro Group, the substantial Shareholder of the Company, pursuant to which Shenzhen Metro Group agreed to provide the Loan to the Company in an aggregate principal amount of up to RMB22.0 billion.

In 2025 and up to the Latest Practicable Date, Shenzhen Metro Group and the Company entered into eight Designated Agreements, pursuant to which Shenzhen Metro Group provided shareholder's loans to the Company, with an aggregated principal amount of approximately RMB20.4 billion, for the Company to repay its loans and borrowings. These loans are not secured by any asset collateral of the Company. Under six out of eight of the Designated Agreements with an aggregated principal amount of approximately RMB16.2 billion, Shenzhen Metro Group has the right to require the Company to provide asset collateral.

As at the Latest Practicable Date, the Company has drawn down approximately RMB19.7 billion in aggregate under the Designated Agreements which has been mainly used to or will be used to settle the principal and interests accrued under various debts issued by the Company as listed in the section headed "BASIS FOR DETERMINING THE INTEREST RATE OF THE LOAN AND THE LOAN-TO-VALUE RATIO OF THE ASSET COLLATERAL, AND REASONS FOR AND BENEFITS OF THE LOAN FRAMEWORK AGREEMENT AND TRANSACTIONS CONTEMPLATED THEREUNDER" in the Letter from the Board. As disclosed in the Letter from the Board, the undrawn balance under the Designated Agreements amounting to approximately RMB0.7 billion is no longer available to the Company, as the drawdowns period under the respective Designated Agreements have expired.

2. General information of the parties

The Company

The Company is a joint stock limited company incorporated in the PRC on 30 May 1984, and its H shares are listed on the Main Board of Hong Kong Stock Exchange and its A shares are listed on the Shenzhen Stock Exchange. The Company is principally engaged in property development and property investment in the PRC.

As at the Latest Practicable Date, 3,242,810,791 A Shares were directly held by Shenzhen Metro Group, representing approximately 27.18% of the total issued share capital of the Company.

Shenzhen Metro Group

Shenzhen Metro Group, incorporated on 31 July 1998, is a large-scale state-owned proprietary enterprise under the direct control of the Shenzhen State-owned Assets Supervision and Administration Commission. Shenzhen Metro Group is principally engaged in metro constructions, rail operations, property development, commercial operations, property management, engineering investigations and design, etc. Shenzhen Metro Group has undertaken the construction of the “Combination of Three Rails into One” (“三鐵合一”) project, combining national railways, intercity railways and urban rail transit, and the operation of the “four-in-one” (“四位一體”) core value chain consisting of railway construction, railway operation, station-city development and resource management, and is striving to build up an open, innovative and inclusive “Railway+” ecosystem.

Financial information of the Group

Review of financial performance of the Group

The table below sets out the audited financial information of the Group for the year ended 31 December 2023 and 2024 (“FY2023” and “FY2024”, respectively) extracted from the 2024 Annual Report and for the six months ended 30 June 2024 and 2025 (“1H2024” and “1H2025”, respectively) extracted from the 2025 Interim Report.

	FY2023 (Audited) RMB'000	FY2024 (Audited) RMB'000	1H2024 (Unaudited) RMB'000	1H2025 (Unaudited) RMB'000
Revenue	465,739,077	343,176,441	142,778,764	105,323,304
Gross profit	67,448,208	27,842,348	9,653,926	5,379,734
Gross margin	14.5%	8.1%	6.8%	5.1%
Selling and administrative expenses	(22,398,842)	(20,478,690)	(8,841,709)	(7,503,497)
Finance costs	(4,843,698)	(6,656,518)	(2,728,222)	(3,696,855)
Other income/(expenses), net	<u>4,764,508</u>	<u>(32,165,337)</u>	<u>(2,632,803)</u>	<u>(833,089)</u>
Profit/(loss) before tax	44,970,176	(31,458,197)	(4,548,808)	(6,653,707)
Income tax expense	<u>(24,514,618)</u>	<u>(17,245,737)</u>	<u>(3,971,937)</u>	<u>(4,211,276)</u>
Profit/(loss) for the year/period	<u><u>20,455,558</u></u>	<u><u>(48,703,934)</u></u>	<u><u>(8,520,745)</u></u>	<u><u>(10,864,983)</u></u>

FY2024 vs FY2023

According to the 2024 Annual Report, the sales area of residential housing declined across the PRC. According to data from National Bureau of Statistics, the sales area of residential housing in the PRC for the year 2024 was approximately 974 million square meters, representing a decrease of approximately 12.9% as compared to that for the last year, while the sales amount was approximately RMB9.68 trillion, representing a decrease of 17.1% as compared to that for the last year.

The Group's revenue decreased by approximately 26.3% from approximately RMB465.7 billion for FY2023 to approximately RMB343.2 billion for FY2024. The decrease was due to the significant decrease in the settlement scale of the real estate development business.

The Group's gross profit decreased from approximately RMB67.4 billion for FY2023 to approximately RMB27.8 billion for FY2024. Overall gross profit margin decreased from approximately 14.5% for FY2023 to approximately 8.1% for FY2024. The decrease was mainly due to higher land costs in relation to the revenue from the sales of properties recognised during FY2024.

Selling and administrative expenses of the Group decreased by approximately 8.6% from approximately RMB22.4 billion for FY2023 to approximately RMB20.5 billion for FY2024. The decrease was mainly due to the Group's continued efforts in cost reduction and efficiency enhancement by reducing expenses during FY2024.

Finance costs of the Group increased by approximately 37.4% from approximately RMB4.8 billion for FY2023 to approximately RMB6.7 billion for FY2024. The increase was primarily attributable to the decrease in interest capitalization as a result of the decrease in the property development scale of the Group.

The Group recorded other net expenses of approximately RMB32.2 billion for FY2024, as compared to other net income of approximately RMB4.8 billion for FY2023. The decrease was mainly due to (i) increase in impairment loss on other receivables by approximately RMB25.7 billion; and (ii) the Group recorded net loss on disposal of property, plant and equipment of approximately RMB2.5 billion for FY2024.

As a result of the above, the Group recorded a loss for the year of approximately RMB48.7 billion for FY2024, compared to a profit for the year of approximately RMB20.5 billion for FY2023.

1H2025 vs 1H2024

According to the 2025 Interim Report, the year-on-year decline in the sales of commercial housing has been narrowed. According to data from National Bureau of Statistics, in the first half of 2025, the sales area of commercial housing nationwide was approximately 459 million square meters, representing a decrease of approximately 3.5% as compared to the same period of 2024. According to the statistics of China

Index Academy, in the first half of 2025, the sales turnover of Top 100 real estate enterprises declined by approximately 11.8% with the decline narrowing by approximately 29.8 percentage points as compared to that for 2024.

The Group's revenue decreased by approximately 26.2% from approximately RMB142.8 billion for 1H2024 to approximately RMB105.3 billion for 1H2025. The decrease was due to the significant decrease in the settlement scale of the real estate development business.

The Group's gross profit decreased from approximately RMB9.7 billion for 1H2024 to approximately RMB5.4 billion for 1H2025. Overall gross profit margin decreased from approximately 6.8% for 1H2024 to approximately 5.1% for 1H2025. The decrease was mainly due to higher land costs in relation to the revenue from the sales of properties recognised during 1H2025.

Selling and administrative expenses of the Group decreased by approximately 15.1% from approximately RMB8.8 billion for 1H2024 to approximately RMB7.5 billion for 1H2025. The decrease was mainly due to the Group's continued efforts to advance cost reduction and efficiency enhancement by reducing expenses.

Finance costs of the Group increased by approximately 35.5% from approximately RMB2.7 billion for 1H2024 to approximately RMB3.7 billion for 1H2025. The increase was primarily attributable to the decrease in interest capitalization as a result of the decrease in the property development scale of the Group.

The Group's other net expenses decrease from approximately RMB2.6 billion for 1H2024 to approximately RMB0.8 billion for 1H2025. The decrease was mainly due to (i) the decrease in impairment loss on other receivables by approximately RMB1.8 billion; and (ii) net gain on disposals of non-current assets of approximately RMB7.2 million for 1H2025 as compared to net loss on disposals of non-current assets of approximately RMB2.5 billion for 1H2024.

As a result of the above, the Group recorded a loss for the period of approximately RMB10.9 billion for 1H2025, representing an increase of approximately RMB2.3 billion as compared to that for 1H2024.

Review of financial position of the Group

The consolidated financial position of the Group as at 31 December 2024 and 30 June 2025 extracted from 2024 Annual Report and 2025 Interim Report, respectively, is summarised in the following table:

	As at	
	31 December 2024 (Audited) RMB'000	30 June 2025 (Unaudited) RMB'000
Property, plant and equipment	35,805,404	34,495,741
Investment properties	156,183,275	151,169,761
Other non-current assets	<u>176,759,103</u>	<u>169,554,784</u>
Non-current assets	368,747,782	355,220,286
Inventories and other contract costs	523,136,311	466,121,526
Cash and cash equivalents	84,009,392	69,347,563
Other current assets	<u>310,366,375</u>	<u>303,459,500</u>
Current assets	917,512,078	838,928,589
Borrowings from financial institutions and bonds payables	202,999,341	194,294,640
Other non-current liabilities	<u>25,344,039</u>	<u>37,620,918</u>
Non-current liabilities	228,343,380	231,915,558
Borrowings from financial institutions and bonds payables	160,130,688	156,068,469
Other current liabilities	<u>558,931,129</u>	<u>485,004,305</u>
Current liabilities	719,061,817	641,072,774
Total assets	1,286,259,860	1,194,148,875
Total liabilities	947,405,197	872,988,332
Total equity	338,854,663	321,160,543
Borrowings from financial institutions and bonds payables	363,130,029	350,363,109
Gearing ratio ¹	28.2%	29.3%

1: Gearing ratio represents total bank loans, borrowings from financial institutions and bonds payables divided by total assets.

The total assets of the Group decreased from approximately RMB1,286.3 billion as at 31 December 2024 to approximately RMB1,194.1 billion as at 30 June 2025. The decrease in total assets of approximately RMB92.2 billion was primarily attributable to reduction in inventories and other contract costs by approximately RMB57.0 billion and decrease in cash and cash equivalents by approximately RMB14.7 billion.

The total liabilities of the Group decreased from approximately RMB947.4 billion as at 31 December 2024 to approximately RMB873.0 billion as at 30 June 2025. The decrease in total liabilities was mainly attributable to the reduction in trade and other payables and contract liabilities during 1H2025.

The Group's total loans and borrowings amounted to approximately RMB350.4 billion as at 30 June 2025, representing a decrease of approximately RMB12.8 billion as compared to approximately RMB363.1 billion as at 31 December 2024. The Group's current portion of borrowings from financial institutions and bonds payables was approximately RMB156.1 billion as at 30 June 2025. According to the 2025 Interim Report, Shenzhen Metro Group has provided cumulative shareholders loans of approximately RMB23.9 billion as at the date of the Interim Report.

The Group's net assets was approximately RMB321.2 billion as at 30 June 2025, representing a decrease of approximately RMB17.7 billion from RMB338.9 billion as at 31 December 2024. The gearing ratio of the Group slightly increased from approximately 28.2% as at 31 December 2024 to approximately 29.3% as at 30 June 2025.

3. Reasons for and benefits of the Loan Framework Agreement and transactions to be contemplated thereunder

As discussed before, the Group's total loans and borrowings was approximately RMB350.4 billion as at 30 June 2025, of which, approximately RMB156.1 billion will be due within one year from 30 June 2025. Since the Group has approximately RMB69.3 billion of cash and cash equivalents as at 30 June 2025 and prolong uncertainty of the property market, the high short term loans and borrowings have increased the cashflow pressure of the Group. Furthermore, Shenzhen Metro Group and the Company has already entered into eight Designated Agreements in 2025 and up to the Latest Practicable Date with an aggregated maximum principal amount of approximately RMB20.4 billion, of which, approximately RMB19.7 billion has been drawn down and has been mainly used to or will be used to settle the principal and interest accrued under various debts issued by the Company. As disclosed from the Letter from the Board, the Designated Agreements may constitute Definitive Agreements and the principal amount already drawn thereof shall form part of the Loan amount under the Loan Framework Agreement, the available funding under the Loan Framework Agreement after deducting the principal amount already drawn under the Designated Agreements will be approximately RMB2.3 billion.

As disclosed in the Letter from the Board, the principal and/or interest of the public bonds issued by the Company which were or will be due for payment before end of the first quarter of 2026 are in the aggregate amount of approximately RMB25.6 billion, in which approximately RMB16.5 billion has been settled by the Loan under the Designated Agreements. The remaining balance of approximately RMB8.7 billion will be settled by the available funding under the Loan Framework Agreement, the Group's operating cashflow and/or other external financing sources. Thus, we are of the view that the Group has an urgent need for new funding and the Loan provided by Shenzhen Metro Group, being the substantial Shareholder, could demonstrate its continuous support to the Group, with a lower

interest rate (i.e. 2.34%) than that of the debts issued by the Company as listed in the Letter from the Board (i.e. from 2.90% to 4.11%), which could reduce the overall finance cost. The Loan could also be transitory if a more favourable market for alternative financing arises.

The Board has considered various alternative financing methods available to the Company. In recent years, PRC property developers have struggled to obtain debt and equity financing due to regulatory tightening, liquidity constraints, and weakening market confidence. According to the information published by the People's Bank of China, the new mortgage loan granted during the 1H2025 was approximately RMB1,170 billion, representing a decrease of approximately 19.9% as compared to approximately RMB1,460 billion for 1H2024. The reduction in new mortgage loans granted reflects subdued homebuyer sentiment, leading to a decline in real estate sales. This, in turn, has further dampened lenders' willingness to provide credit to property developers, resulting in increased financing costs and limited access to traditional debt sources such as bank loans and bond issuances.

The management of the Company has considered new borrowings from banks or other financial institutions, being one of the alternative debt financing sources of the Group, to repay the debts issued by the Company as listed in the Letter from the Board. With reference to the 2025 Interim Report, the Group's comprehensive cost of new domestic financing was 3.39%, exceeding both the one year loan prime rate of the People's Bank of China and the effective interest rate under the Loan Framework Agreement. This comprehensive cost represents the weighted average cost of the Group's new domestic financing during 1H2025 and serves as a benchmark for prevailing market interest rates on loans offered by banks and other financial institutions to the Group. Furthermore, we understand that the loan prime rate published by the People's Bank of China for one year loan and loan for five years or above were 3.0% per annum and 3.5% per annum, respectively, which is also higher than the effective interest rate of 2.34% per annum under the Loan Framework Agreement.

Equity financing remains challenging as investor confidence is low, and regulatory restrictions persist. A series of high-profile defaults, debt restructure and liquidations have deepened risk aversion among domestic and international investors toward share issuances by PRC property developers. While some policy measures aim to stabilize the sector and attract foreign capital, the fundamental issues of oversupply, high leverage, and uneven recovery between cities continue to restrict equity funding options.

The management of the Company also considered the equity fund-raising exercise, including placing, subscription of new shares, rights issue, and/or open offer. Having considered the substantial principal amount under the Loan as well as the current market sentiment towards listed securities of PRC property developers, we concur with the management of the Company that financing a significant equity amount in the short term may not be practical. Besides market uncertainties, the Company is also required to undergo a relatively lengthy process to prepare, finalize, and issue the necessary compliance and legal documentation, including but not limited to underwriting agreements, announcements, circulars, and prospectuses.

As mentioned before, under six out of eight of the Designated Agreements with an aggregated principal amount of approximately RMB16.2 billion, Shenzhen Metro Group has the right to require the Company to provide asset collateral. To ensure that the Loan are adequately secured with asset and reduce its financial risk, Shenzhen Metro Group has requested the provision of Asset Collateral pursuant to the Designated Agreements and the Loan Framework Agreement.

In view of the above, we concur with the management of the Company that entering into the Loan Framework Agreement is commercially justified and would be an effective way to raise funds for the Group.

4. Major terms of the Loan Framework Agreement

The principal terms of the Loan Framework Agreement are set out below:

Date:

2 November 2025

Parties:

- (a) the Company (as borrower); and
- (b) Shenzhen Metro Group (as lender)

Loan:

The Loan refers to the maximum loan amount of RMB22,000,000,000 that the Company intends to draw, or has already drawn, during the period from 2025 to the date of the Company's annual general meeting for 2025, which is expected to be held no later than 30 June 2026 (the "Available Period"). It primarily covers: (i) unsecured credit loans already provided by Shenzhen Metro Group to the Company pursuant to the Designated Agreements prior to the Effective Date; and (ii) secured loans to be provided by Shenzhen Metro Group to the Company on or after the Effective Date in Definitive Agreements, in accordance with the terms and conditions of the Loan Framework Agreement.

Any execution of the Definitive Agreement(s) for the Loan must be completed not later than the expiry of the Available Period, and the aggregate loan amount (including the principal amount drawn and to be drawn) shall not exceed RMB22,000,000,000 under the Available Period.

Term:

The term of the Loan Framework Agreement shall be three years from the Effective Date, subject to extension as agreed between the parties.

Unless otherwise agreed or extended, the term of each Definitive Agreement for the Loan made under the Loan Framework Agreement shall be no more than three years, as determined between the parties under the Definitive Agreement. The outstanding principal of the Loan, together with accrued interest (if any), shall be repaid in full on or before the date falling three years from the Effective Date, unless all such amounts remain valid pursuant to a renewal or extension of the Loan Framework Agreement and/or the relevant Definitive Agreement(s) (as the case may be). In the event of such renewal or extension, the Company shall re-comply with the reporting, announcement and/or Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules as and when required.

As agreed between the parties, upon the Loan Framework Agreement becoming effective, some loan agreements (the “**Designated Agreements**”) already entered into by the parties from the beginning of 2025, being pure credit loans not secured by any asset collateral, will constitute Definitive Agreements and the principal amount already drawn thereof shall form part of the Loan amount under the Loan Framework Agreement. Provided that the provisions under the Designated Agreements do not contravene the terms and conditions of the Loan Framework Agreement, applying the Loan Framework Agreement to such Designated Agreements serves a mean to achieve the provision of Asset Collateral under those Designated Agreements.

In addition to the pure unsecured shareholders loans listed in the sub-section headed “Designated Agreements” in the Letter from the Board, for other loans between the Company and Shenzhen Metro Group that have occurred since 2025 (as detailed in the sub-section headed “Historical borrowing and collateral arrangements” in the Letter from the Board, if the initially agreed-upon collateral requires replacement due to the inability to implement the collateral arrangement, the corresponding borrowing amounts shall also be included as part of the Loan and hence utilize the Loan.

Interest of the Loan:

Subject to compliance with applicable laws and regulations, the interest rate of the Loan for each drawdown shall be the higher of: (i) 2.34%; or (ii) prevailing one-year LPR minus 66 basis points (i.e., LPR-0.66%), calculated on an annualized basis using the simple interest method. The interest would accrue on a daily basis from the actual drawdown date and settled mostly on a quarterly basis (except for one Designated Agreement as disclosed in the sub-section headed “Designated Agreements” in the Letter from the Board). When the relevant Loan is due under the Definitive Agreement, the remaining accrued interest shall be settled together with the principal. These interests are intended to be funded by the Group's internal resources. The interest rate and payment terms of each Loan shall be specified in the corresponding Definitive Agreement.

Credit enhancement measures:

The Company shall provide the Asset Collateral in favour of Shenzhen Metro Group, serving as security for the each of loan(s) (which constitute the Loan) under the Loan Framework Agreement. The parties shall separately enter into Definitive

Agreements for the relevant Asset Collateral, which set out provisions including, among other matters, the respective rights and obligations of the parties, the applicable loan-to-value ratio (the “**LTV Ratio**”), the procedures for execution and release of the Asset Collateral and the liabilities arising from any breach of the agreement.

The Asset Collateral shall include legal operating properties, fixed assets, inventories, construction in progress, stocks and/or equity interests held by the Group in unlisted companies. If the Asset Collateral has defects or is subject to commercial disputes or other rights restrictions, the Company shall use the best endeavours to eliminate such defects, ensure that the relevant assets are eligible for collateral, or remove any impediment to Shenzhen Metro Group’s exercise of its security rights, failing which Shenzhen Metro Group reserves the right to require the Company to provide new collateral or to repay part of the Loan in advance within a specified period.

The initial security level of provision of the Asset Collateral is determined based on the LTV Ratio of 60% to 70% in the case of operating properties, fixed assets, inventories, construction in progress and stocks (as the case may be) (the “**Fixed Assets LTV Ratio**”), and 50% to 60% in the case of equity interests held by the Group in unlisted companies (the “**Unlisted Equity LTV Ratio**”).

The value of the relevant Asset Collateral shall be appraised and determined by an independent valuer with the requisite qualifications recognized by both parties. The choice of valuation method shall be determined by independent valuer based on a comprehensive assessment of the appraisal target, type of value, completeness of available information and prevailing market conditions, with an appropriate methodology adopted after evaluating its applicability.

If the value of the Asset Collateral decreases such that the LTV Ratio exceeds the above threshold, the Company shall, within the period specified by Shenzhen Metro Group, provide new qualified Asset Collateral or repay part of the Loan; the specific arrangements will be set out in the security agreement to be signed by the parties. Also, if the Asset Collateral becomes subject to title dispute, seizure or distraint, the Company shall promptly notify Shenzhen Metro Group and provide other security acceptable to it.

Details of the Loan Framework Agreement, please refer to the Letter from the Board.

5. Analysis of major terms of the Loan Framework Agreement

Annual Caps

The proposed Annual Caps in respect of the Loan Framework Agreement are set out below:

Annual Cap for:	For the period from the Effective Date to 31 December 2025	For the year ending 31 December 2026	2027	For the period from 1 January 2028 to the expiration date of the Loan Framework Agreement
Maximum principal amount	RMB22 billion	RMB22 billion	RMB22 billion	RMB22 billion
Estimated maximum accrued interest	RMB214.29 million	RMB566.28 million	RMB566.28 million	RMB343.82 million

For clarity, pursuant to the Loan Framework Agreement, the Loan is a one-time line of credit, and any repaid principal amount of the Loan under the relevant Definitive Agreements shall not refresh the total amount available for drawdown within the term of the Loan Framework Agreement.

The proposed Annual Caps were determined with reference to, (i) the total principal amount of the Loan available for drawdown under the Loan Framework Agreement at RMB22,000,000,000; (ii) the estimated maximum interest accrued in aggregate during the term of the Loan Framework Agreement, which is calculated based on the prevailing one-year LPR minus 66 basis points as at the Latest Practicable Date (i.e., 2.34%), multiplying it by the maximum principal amount and adding a buffer of 10% (interest accrued not applicable) with reference to the one-year LPR trend in recent years, to contemplate for potential rise of one-year LPR during the term; and (iii) the Designated Agreements with an aggregated principal amount drawn of approximately RMB19.71 billion.

As discussed in the section headed “3. Reasons for and benefits of the Loan Framework Agreement and transactions to be contemplated thereunder”, Shenzhen Metro Group and the Company has already entered into eight Designated Agreements in 2025 and up to the Latest Practicable Date, with an aggregated principal amount drawn of approximately RMB19.7 billion. As the Designated Agreements may constitute Definitive Agreements and the principal amount already drawn thereof shall form part of the Loan amount under the Loan Framework Agreement, the available funding under the Loan Framework Agreement after deducting the principal amount drawn under the Designated Agreements will be approximately RMB2.3 billion (the “Available Loan Amount”). The principal amount drawn under the Designated Agreements represents approximately 89.5% of the Annual Cap for the maximum principal amount under the Loan Framework Agreement.

As disclosed in the Letter from the Board, the proceeds from the Loan shall be used to repay and settle the principal and/or interests accrued under various debts issued by the Company in the open market and the designated loan interests accrued as agreed by Shenzhen Metro Group. As disclosed in the Letter from the Board, the principal and/or interest of the public bonds issued by the Company which were or will be due for payment before the end of first quarter of 2026 are in the aggregate amount of approximately RMB25.6 billion. The maximum aggregate amount of the Loan represents approximately 85.9% of the principal and/or interest of the public bonds issued by the Company that were or will be due by the end of the first quarter of 2026.

For the Annual Caps for the estimated maximum accrued interest, we have obtained a summary of interest accrued and to be accrued during the terms of the Loan Framework Agreement (the “Interest Summary”). We note that the Interest Summary included all the loan under the Designated Agreements as listed in the Letter from the Board and the Available Loan Amount. The accrued interest for the first three quarters of 2025 are calculated based on the terms of the Designated Agreements, while the interest to be accrued for the remaining terms under the Loan Framework Agreement is calculated based on the prevailing one-year LPR minus 66 basis points as at the Latest Practicable Date (i.e., 2.34%), plus a 10% buffer. The estimated maximum annual interest accrued is RMB566,280,000, representing an effective interest rate of 2.574%. We have reviewed the historical one-year LPR as published by the National Interbank Funding Center for each month during the period from November 2022 to the Latest Practicable Date (the “Review Period”) and noted that the one-year LPR ranged from 3.0% to 3.65%, with an average of approximately 3.34% and a median of approximately 3.45%. We consider that the Review Period, being a three-year period, is reasonable and sufficient to illustrate the fluctuation of the one-year LPR and is aligned with the term of the Loan Framework Agreement. Assuming the average one-year LPR for the Review Period was adopted, the effective interest rate under the Loan Framework Agreement would be 2.68%, which is higher than the effective interest rate the Company adopted in determining the Annual Caps for the estimated maximum accrued interest (i.e. 2.574%). Hence, the effective interest rate adopted by the Company in determining the Annual Caps for the estimated maximum accrued interest represents a relatively prudent basis for forecasting the future trend of the one-year LPR. With reference to the sub-section headed “INTERNAL CONTROL MEASURES” in the Letter from the Board, in the event that the proposed Annual Cap is expected to be exceeded, the Company would timely re-comply with the requirements under Chapter 14A of the Listing Rules.

Maturity of Loan

Under the Loan Framework Agreement, unless otherwise agreed or extended, the term of each Definitive Agreement for the Loan made under the Loan Framework Agreement shall be no more than three years, as determined between the parties under the Definitive Agreement.

We have also obtained and reviewed the Designated Agreements and noted that one Designated Agreement has a term of three years and five Designated Agreements have a term of no more than three years, which is same as the terms (i.e. no more than three years) under the Loan Framework Agreement. The remaining two Designated Agreements have a term of 1 year and to be due on 31 December 2025, respectively.

Furthermore, we have reviewed, on an exhaustive basis, the announcement of the Hong Kong listed companies published during the period from 1 September 2024 to the Latest Practicable Date in relation to the provision of secured loan by connected parties to the listed company and/or its subsidiaries. We chose the said period due to its recency before signing of the Loan Framework Agreement. We identified six connected transactions announcements (the “Comparable Transactions”). Shareholders should note that the businesses, operations, prospects and the type and terms of the debt of the Company are not the same as the underlying companies of the Comparable Transactions, the information of the Comparable Transactions demonstrate a general market practice of borrowing by listed issuers. The table below summarized the major terms of the Comparable Transactions.

Table 1

	Date of announcement	Company (stock code)	Terms	Interest rate	Collateral	Collateral Ratio ¹
1	3 September 2024	Cosmopolitan International Holdings Limited (120)	3 years ²	1 month HIBOR plus 1.95%, 5.85%	Share of the subsidiaries	43.6%
2	30 September 2024	Seazen Group Limited (1030)	3 years	Higher of one to five years LPR or 6.05%	Property	60.0%
3	8 October 2024	Yunnan Water Investment Co., Limited (6839)	3 years ²	Fixed, 2.70%	Listed shares hold by the company	176.0%
4	14 October 2024	BII Railway Transportation Technology Holdings Company Limited (1522)	3 years	1-month HIBOR plus 0.70%, 5.07%	Share of a subsidiary	83.3%
5	11 April 2025	Red Star Macalline Group Corporation Ltd. (1528)	3 years	One year LPR plus 0.9%, 4.0%	Real estate mortgages, equity pledges, or receivables pledges held by the company	60.0%
6	5 September 2025	Shandong Hi-speed New Energy Group Limited (1250)	4 years	Five years LPR minus 0.4%, 3.1%	Share of the subsidiaries	30.6%
		The Loan	3 years	Higher of one year LPR minus 0.66% or 2.34%	Assets Collateral	Fixed Assets LTV Ratio – 60% to 70% Unlisted Equity LTV Ratio – 50% to 60%

Notes:

1. Being the total loan amount divided by the value of the collateral as disclosed in the announcement or circular of the transactions.
2. Being extension or renewal of loan.

Based on Table 1, the terms of the Comparable Transactions were ranged from 3 years to 4 years. The terms under the Loan Framework Agreement is within the range of the Comparable Transactions and in line with most of the Comparable Transactions.

Interest rates

Under the Loan Framework Agreement, the interest rate of the Loan for each drawdown shall be the higher of one-year LPR minus 66 basis points or 2.34%. As at the Latest Practicable Date, the one-year LPR was 3.0% per annum. Hence, the applicable interest rate is 2.34% per annum.

According to the 2025 Interim Report, the Group's interest-bearing liabilities are summarized as follow:

Table 2

	As at 30 June 2025 (Unaudited) RMB billion
Categorized by terms	
Due within one year	155.37
Due more than one year	208.89
	<u>364.26</u>
Categorized by funding source	
Bank borrowings	264.19
Bonds	43.60
Other borrowings	56.47
	<u>364.26</u>
Categorized by interest rate	
Fixed interest rate	117.13
Floating interest rate	247.13
	<u>364.26</u>
Categorized by pledge	
With asset pledge (including with both assets pledge and share pledge)	122.18
With share pledge	73.48
Without any asset pledge and share pledge	168.60
	<u>364.26</u>
Categorized by currency	
RMB	312.64
Foreign currency	51.62
	<u>364.26</u>

As advised by the management of the Company, the Group's interest-bearing liabilities portfolio consists of over 2,000 borrowings from banks, other financial institutions and companies and bonds. As shown in Table 2, majority of the Group's borrowings are denominated in RMB, carry floating interest rates and with asset pledge and/or share pledge, representing approximately 85.8%, 67.8% and 53.7% of the total interest-bearing liabilities, respectively which were similar to the terms under the Loan Framework Agreement. Furthermore, the Group's borrowings are mainly provided by banks which accounted for approximately 72.5% of the total interest-bearing liabilities. Given that (i) the substantial size and volume of the Group's borrowings with majority of the terms of the borrowings are similar to the terms under the Loan Framework Agreement; and (ii) the terms of borrowings from banks or other financial institutions is a standardised and reliable basis and it creates a consistent and measurable point of comparison for borrowing rates as well as act as a foundation upon which rates of borrowings are calculated, we consider the current interest-bearing liabilities portfolio of the Group serves as a benchmark for prevailing market loan terms offering to the Group and is suitable to be one of our assessments of the Loan.

According to the 2025 Interim Report, the Group's bank loan interest rates varied between 2.05% per annum and a floating contracted SORA rate. The interest rates of the Group's bonds ranged from 2.90% to 4.11% per annum, while the interest rates of other borrowings fell within the range of 2.24% to 4.60% per annum. The said effective interest rate of the Loan is comparatively lower than that of Group's bonds and is close to the low end of that of the Group's bank loan and other borrowings. The Group's comprehensive cost of new domestic financing of 3.39% which are higher than the interest rate of the Loan.

We noted that the interest rate of shareholder's loans provided by Shenzhen Metro Group under the Designated Agreements was either one year LPR minus 0.76% or LPR minus 0.66%. We further noted that the Designated Agreements for those loans adopted an interest rate of one-year LPR minus 0.76%, entered into before the People's Bank of China announced a 0.1% reduction in the one-year LPR on 20 May 2025 (where the one-year LPR was 3.1% prior to the reduction). This corresponded to an effective interest rate of 2.34% at the time of determination. After the People's Bank of China announced the reduction, the Designated Agreements adopted the interest rate of LPR minus 0.66%, represented an effective interest rate of 2.34%. Based on the above, Shenzhen Metro Group offers an effective interest rate of 2.34% to the Company when signing the respective loan agreement with the Company. Thus, the interest rate under the Loan Framework Agreement is same at those Designated Agreements. Furthermore, as shown in Table 2, approximately RMB247.1 billion, representing approximately 67.8% of the Group's interest bearing liabilities as at 30 June 2025, carry floating interest rate, including but not limited to LPR, SORA, HIBOR and SONIA.

As shown in Table 1, the interest rates of the Comparable Transactions were determined on various basis, including fixed-rate, LPR or HIBOR. We consider the interest rates of the RMB-denominated Comparable Transactions (i.e. Comparable no. 2, 3, 5 and 6) are applicable for us to analyse on the interest rate of the Loan on the basis that (i) the Loan is denominated in RMB; and (ii) the interest rate of the Loan is based on LPR. We noted that the interest rates of the RMB denominated Comparable

Transactions were either based on the higher of one to five years LPR or 6.05%, or fixed rate of 2.7%, or one year LPR plus a percentage of 0.9%, or five years LPR minus a percentage of 0.4%. There are three out of four RMB-denominated Comparable Transactions carry floating interest rates.

When compare the interest rate of the Comparable Transactions with the effective interest rate of the Loan, being 2.34%, the effective interest rate of the Loan is lower than that of the Comparable Transactions.

Based on the above, we consider the determination basis of the interest rate of the Loan is in line with those of the RMB denominated Comparable Transactions and the floating interest rate of the Loan is fair and reasonable and comparable to the market and was determined on normal commercial terms or better, after arm's length negotiations.

Asset Collateral

Under the Loan Framework Agreement, the Company shall provide the Asset Collateral in favour of Shenzhen Metro Group. The Asset Collateral shall be, include but not limited to, legal operating properties, fixed assets, inventories, construction in progress, stocks and/or equity interests in unlisted companies owned by the Group. The initial security level of provision of the Asset Collateral is determined based on the Fixed Assets LTV Ratio and the Unlisted Equity LTV Ratio.

According to the Letter from the Board, the Fixed Assets LTV Ratio and the Unlisted Equity LTV Ratio are similar to the historical borrowing and collateral arrangements between the Company and Shenzhen Metro Group as listed in the sub-section headed "Historical borrowing and collateral arrangements" in the Letter from the Board. As disclosed in the Letter from the Board, the Fixed Assets LTV Ratio is higher than or equal to the prevailing market standard of domestic financial institutions that ranges from 30% to 60% and the Unlisted Equity LTV Ratio is higher than or equal to the prevailing market standard of domestic financial institutions ranging from 30% to 50%.

We have conducted separate phone interviews with three commercial banks in the PRC on 17 September 2025. These banks are (i) providing loans to the Group; (ii) sizeable banks that is national wide with over 500 branches in the PRC; (iii) listed company with its shares listed on stock exchange of Shanghai and/or Hong Kong; and (iv) covering three major backgrounds of bank in the PRC including a state-owned bank, a joint-stock bank and a city commercial bank. Based on the above, we considered that these banks are representative and suitable to provide a general market reference for our assessment. The table below summarized the major findings in the interview.

Table 3

Background	Acceptable asset collateral	LTV Ratio for		
		properties or construction projects	other assets	unlisted equity
1. A state-owned bank with over 3,200 branches in the PRC and its shares are listed on stock exchange of Shanghai and Hong Kong	Accept properties or construction projects Other assets will be considered on a case by case basis Rarely accept sole unlisted equity, normally be part of the collateral package	Not higher than 70%	Not higher than 50%	Not specified
2. A joint-stock bank with over 2,700 branches in the PRC and its shares are listed on stock exchange of Shanghai and Hong Kong	Accept properties or construction projects Rarely accept other assets Rarely accept sole unlisted equity, will accept and consider as a credit enhancement collateral	50% - 70%	Not specified	Not higher than 50%
3. A city commercial bank with over 600 branches in the PRC and its shares are listed on stock exchange of Shanghai	Accept properties or construction projects Other assets and unlisted equity will be considered on a case by case basis and additional collateral or guarantee maybe required	50% - 60%	50% - 60%	Less than 60%

Based on Table 3, we noted that (i) properties or construction projects are typically acceptable as collateral for loans, while other fixed assets like equipment or inventory are rarely acceptable due to their low liquidity and the difficulty in finding buyers; (ii) the LTV Ratio adopted for properties or construction projects are ranged from 50% to 70% while the LTV Ratio for other assets will not be higher than 60%; (iii) sole unlisted equity is normally not acceptable as collateral; and (iv) the LTV Ratio for unlisted equity will normally be less than 60%.

On 24 January 2024, the “Notice on Effective Management of Commercial Property Loans” was published by the General Office of the People’s Bank of China and the General Office of the State Financial Supervision and Administration Bureau (the “Notice”). The Notice is designated to establish guidelines for commercial property loans to foster stability

in the real estate markets. It mandates that commercial banks must adhere strictly to legal regulations when providing commercial property loans and emphasizing prudent lending practice. Furthermore, it is stated in the Notice that in principle, the commercial property loans shall not exceed the LTV Ratio of 70% of the appraisal value of the underlying property.

Furthermore, with reference to the “Administrative Measures for Share Pledged Loans of Securities Companies” issued by the People’s Bank of China, the China Banking Regulatory Commission and the China Securities Regulatory Commission on 2 November 2004 (the “Measures”), which primarily regulates transactions where securities companies pledge shares to commercial banks for loans. The Measures set out that (i) the period of the shares pledged loans should not be more than 6 months and not allow for extensions; (ii) the LTV Ratio should not be over 60%; and (iii) a commercial bank accepting shares for pledging from a listed company should not exceed 10% of the total outstanding shares of that listed company. Although the Company is not a securities company and are not governed by the Measures, these provisions can still serve as general considerations for commercial banks regarding shares pledged loans.

Based on Table 1, we noted that Comparable Transactions no. 2 and 5 were secured by properties or assets of the company and the LTV Ratio was 60%. The lower range of the Fixed Assets LTV Ratio is higher than these two Comparable Transactions. We noted that Comparable Transactions no. 1, 4 and 6 were secured by unlisted equity interest held by the companies and the LTV Ratio was ranged from 30.6% to 83.3%. The Unlisted Equity LTV Ratio is within the range of these three Comparable Transactions and the lower range of the Unlisted Equity LTV Ratio is higher than two out of three of these Comparable Transactions.

In light of the above, we consider that the terms of the Loan Framework Agreement (including the Annual Caps) are on normal commercial terms and are fair and reasonable.

6. Internal Control Measures

In connection with the relevant drawdown of the Loan and in order to ensure the terms of the relevant Definitive Agreements are on normal commercial terms and fair and reasonable to the Company and Shareholders and are no less favourable to the Group than terms offered available to or from independent third parties, the Company has recently adapted its existing internal control policies and measures, in particular the ongoing monitoring of the collateral or pledge of assets to be provided by the Company, which is summarized as below:

- (i) with regard to any amount drawdown, the Company expects that the corresponding value of the Asset Collateral shall maintain at level as the unpaid principal amount of the relevant Loan divided by the specified loan-to-value ratio under the Definitive Agreements. The designated responsible personnel of the finance and fund department of the Company will monitor any repaid Loan principal, the level of loan-and-value ratio and the status and value of each Asset



Collateral, in order to apply to or communicate with Shenzhen Metro Group to release or replace (as the case may be) the Asset Collateral thereto on a monthly basis;

- (ii) designated responsible personnel of the finance and fund management department of the Company will closely monitor the outstanding Loan balances and interests to be repaid and report the latest status of the Loan granted to the finance department of the Company on a monthly basis to ensure that the proposed Annual Caps will not be exceeded. In the event the proposed Annual Caps is expected to be exceeded, the responsible staff would escalate the issue to the Board forthwith, and the Company would timely re-comply with the requirements under Chapter 14A of the Listing Rules;
- (iii) designated responsible personnel of the finance and fund management department of the Company will, before the signing of each Definitive Agreement under the Loan Framework Agreement: (a) check the published LPR; and (b) compare the interest rate of the Loan with those published on the official websites or provided in quotations by at least two major commercial banks or financial institutions that are independent, licensed and reputable commercial lenders in the PRC. They serve as a benchmark of prevailing market standards for loans with similar terms, the comparison with which will help determine whether the interest rate charged under each Loan is in line with or better than the market rates and the Definitive Agreements are entered into on normal commercial terms. If the terms obtained through the above methods are more favorable to the Group than those provided in accordance with the Loan Framework Agreement, the finance and fund department may not proceed with approving the proposed Definitive Agreement to be signed;
- (iv) in selecting the appropriate Asset Collateral for each loan, the Company will designate responsible personnel of the finance and fund management department to determine the Asset Collateral through mutual agreement between the Company and Shenzhen Metro Group. While Shenzhen Metro Group may prioritise qualified assets with higher liquidity and security level as Asset Collateral, the Company shall undergo the below process in selecting such assets for Asset Collateral:
 - (a) the Company will comprehensively consider the current operating status of the relevant assets, their significance in the Company's overall planning and annual objectives, the assets' book value, its contribution to the Group's finance and operation, the potential impact on the Group if such assets were enforced by Shenzhen Metro Group, and the pledge/mortgage conditions of such assets. The goal is to select a relatively suitable assets as Asset Collateral while minimizing any impact on the Company's normal operations as well as financing and liabilities status; and
 - (b) After communication and confirmation with the Group's regional companies or business units, the final proposed Asset Collateral with the assessment based on the above criteria will be passed to the Group's investment and



financing committee for approval. Subsequently, a specific Definitive Agreement for the Asset Collateral will be signed with Shenzhen Metro Group and the relevant procedures will be completed;

- (v) the Company will designate responsible personnel regarding the engagement of the independent valuer and the valuation of the Asset Collateral, with the detailed mechanism set out below:
 - (a) evaluation of the valuer will be jointly undertaken by Shenzhen Metro Group and the Group, with personnel from Shenzhen Metro Group's finance, cost, legal and audit departments, as well as that from the Group's finance, legal and funding departments;
 - (b) selection of the valuer will be conducted by an invitation tender process, whereby invitations would be sent to leading institutions based on their industry rankings and the evaluation process will involve merit-based selection, taking into account comprehensively the relevant experience, working team's composition, industry ranking, valuation work plan and fees, as well as quality assurance mechanism;
 - (c) it is expected that no less than three potential valuers will be invited to participate in the tender process;
 - (d) in accordance with the requirements of "Asset Appraisal Law of the People's Republic of China (《中華人民共和國資產評估法》)" and the "Measures for Financial Supervision and Administration of the Asset Appraisal Industry (《資產評估行業財政監督管理辦法》)", the valuer, once selected, shall comply with the "Basic Standards for Asset Appraisal (《資產評估基本準則》)" issued by the Ministry of Finance and a series of asset appraisal standards promulgated by the China Asset Appraisal Association. Based on factors such as the appraisal purpose, appraisal object, value type and data collection, one to two applicable methods are selected from the three standard valuation methods, namely the market approach, income approach and cost approach, as well as their derivative methods; and
 - (e) the appraisal date will be determined based on the applicable circumstances of the appraisal subject, which shall not be earlier than one year prior to the date of signing the agreement for the relevant Asset Collateral.
- (vi) after the selection and execution of the Asset Collateral, the Company and Shenzhen Metro Group shall regularly assess the value of the relevant assets, either through internal evaluations based on operational and book value conditions, or by engaging third parties. If the assets value has declined to the extent that the relevant loan-to-value ratio exceeds the initially specified level, the Company may be required to provide additional or replacement assets in accordance with Shenzhen Metro Group's requirements. The process for

supplementing or replacing assets is consistent with the internal control procedures for selecting and valuing the Asset Collateral as mentioned in sub-paragraphs (iv) and (v) above;

(vii) the Company's external auditor will conduct an annual review of the transactions entered into under the Loan Framework Agreement to ensure that the transaction amount is within the proposed Annual Caps and the transactions are in accordance with the terms set out in the Loan Framework Agreement; and

(viii) the independent non-executive Directors will conduct an annual review of the status of the transactions contemplated under the Loan Framework Agreement to ensure that the Company has complied with its internal approval process and the relevant requirements under the Listing Rules.

As advised by the management of the Company, the designated responsible personnel of the finance and fund management department will monitor the outstanding Loan balances, and the LTV Ratio, the status and value of the Asset Collateral on a monthly basis to ensure that the outstanding balances do not exceed the Annual Caps and the LTV Ratio aligns with the relevant Definitive Agreements. Any issues identified will be promptly reported to the Board, and the Company will take timely remedial actions to ensure compliance with the Listing Rules. Before signing each Definitive Agreement, the designated responsible personnel of the finance and fund management department will verify the published LPR and compare the interest rate with those offered by at least two major commercial banks or financial institutions to ensure that the interest rate provided by Shenzhen Metro Group is no less favourable than that available from independent third parties. If the terms offered by Shenzhen Metro Group is less favorable than other commercial banks or financial institutions, the finance and fund management department will not approve and the Group will not sign the Definitive Agreement.

Also, as advised by the management of the Company, in selecting the Asset Collateral, the designate responsible personnel of the finance and fund management department will consider the status of the relevant assets, review the book value of such assets and assess the potential impact on the Group if such assets were enforced by Shenzhen Metro Group. After the comprehensive assessment, a list of proposed assets for Asset Collateral will be generated. Such list will further communicate with the regional companies and confirm the assessment result of the finance and fund management department. The final proposed Asset Collateral will then pass to the Group's investment and financing committee which comprise of the management team of the Group, for approval.

Additionally, a working group will be jointly formed by Shenzhen Metro Group and the Group to review the qualifications of the independent valuer prior to the valuation of the Asset Collateral. As advised by the management of the Company, the working group comprises of at least five members from finance, cost, legal and audit departments of Shenzhen Metro Group and finance and fund management and legal departments of the Group. The working group is responsible to assess and review the qualifications of the independent valuer, select the independent valuer from the invitation tender process and

review and discuss the valuation methodology and assumptions with the independent valuer to ensure the fairness of the valuation. The management of the Company further advised that there should be at least three independent valuers to participate in the tender process.

The Company will also comply with all other relevant requirements under the Listing Rules, including the annual review and/or confirmation by the independent non-executive Directors and auditors of the Company on the actual execution of the Loan Framework Agreement.

Furthermore, the Company will diligently manage its business to support cash flow for repayment. Additionally, the Company may agree separately with Shenzhen Metro Group in the Definitive Agreements to apply for an extension of the relevant loan, subject to Shenzhen Metro Group's approval, and will comply with all applicable reporting and approval requirements under Chapter 14A of the Listing Rules if an extension is required. Taking into account that (i) the finance and fund management department will closely monitor the Group's performance; (ii) any issues identified will be promptly reported to the Board for timely remedial action; (iii) the Company will use its best efforts to ensure timely loan repayment and consider other financing sources if necessary; (iv) the Company may agree with Shenzhen Metro Group on loan extensions subject to approval and comply with relevant Listing Rules; (v) the Company will comprehensively assess the selection of assets for Asset Collateral with the approval of the management team; and (vi) in case of the Company need to supplement or replace the Asset Collateral, same internal control procedure will be adopted, we concur with Board that the Company would adequately safeguard its assets.

After taking into account the above, we consider that the Company has taken appropriate measures to govern the Group in carrying out the transaction to be contemplated under the Loan Framework Agreement, thereby safeguarding the interests of the Shareholders.

RECOMMENDATION

Having considered the above principal factors, in particular, (i) the Loan demonstrates continued firm support of Shenzhen Metro Group to the Company; (ii) the Loan can provide an immediate funding of a sizeable amount, which may not be easily obtained by other alternative means, for the Company to serve its immediate funding needs due to the upcoming maturity of interest bearing debts falling due shortly; (iii) the Annual Caps has considered the unsecured previous shareholder's loans under the Designated Agreements; (iv) the determination basis of the term and floating interest rate of the Loan is in line with the Comparable Transactions and the floating interest rate of the Loan is comparable to the market; and (v) the level of the Asset Collateral are relatively lower when compared to those of the Comparable Transactions, we are of the opinion that the terms of the Loan Framework Agreement and the transactions contemplated thereunder (including the proposed Annual Caps and the provision of the Asset Collateral) are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole although the transactions contemplated under the Loan Framework Agreement are not conducted in the ordinary and usual course of business of the Company. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders, and

we recommend the Independent Shareholders, to vote in favor of the ordinary resolutions to be proposed at the EGM for approving the Loan Framework Agreement and the transactions contemplated thereunder (including the proposed Annual Caps and the provision of the Asset Collateral).

Yours faithfully,
For and on behalf of
Octal Capital Limited



Wong Wai Leung **Celina Yuen**
Executive Director *Associate Director*

Note: Mr. Wong Wai Leung has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2008 and is also a responsible officer of Type 9 (asset management) regulated activities. Mr. Wong has participated in and completed various advisory transactions of listed companies in Hong Kong in respect of the Listing Rules and the Takeovers Code. Ms. Celina Yuen is a licensed person and a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. Ms. Yuen has over 12 years of experience in corporate finance industry and has participated in and completed various advisory transactions of listed companies in Hong Kong in respect of the Listing Rules and the Takeovers Code.