

23 January 2025

The Independent Board Committee and the Independent Shareholders
Rizhao Port Jurong Co., Ltd.

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of (i) the property leases under the 2025 – 2027 Property Lease (Procurement) Framework Agreement (the “**Lease Transactions**”); and (ii) the provision of services by Rizhao Port Group to the Company under the 2025 – 2027 General Service (Procurement) Framework Agreement (the “**Procurement of Services**”), details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 23 January 2025 issued to the Shareholders (the “**Circular**”). Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

As at the Latest Practicable Date, Rizhao Port Group was a controlling shareholder of the Company and hence was a connected person of the Company under the Listing Rules. The Lease Transactions and the Procurement of Services constitute the continuing connected transactions of the Company and are subject to the reporting, annual review, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising Mr. Zhang Zixue, Mr. Lee Man Tai and Mr. Wu Xibin (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the 2025 – 2027 Property Lease (Procurement) Framework Agreement and the 2025 – 2027 General Service (Procurement) Framework Agreement (including the respective annual caps) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Lease Transactions and the Procurement of Services are in the interests of

the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the relevant resolutions to approve the 2025 – 2027 Property Lease (Procurement) Framework Agreement and the 2025 – 2027 General Service (Procurement) Framework Agreement at the EGM. We, TC Capital International Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationships with or interests in the Company or any other parties that could reasonably be regarded as relevant to the independence of us. In the last two years, we have acted as an independent financial adviser to the then independent board committee and independent shareholders of the Company in relation to an occasion as detailed in the circular of the Company dated 31 December 2024. Save for our fees for the abovementioned engagement and the current engagement, there are no arrangements exist whereby we have received/will receive any fees or benefits from the Company or any other party to the transaction. Given (i) our independent role in the abovementioned engagement; and (ii) our fees for the abovementioned engagement represented an insignificant percentage of our revenue, we consider that the abovementioned engagement would not affect our independence to form our opinion in respect of the Lease Transactions and the Procurement of Services.

BASIS OF OUR OPINION

In putting forth our recommendation, we have relied on the information, opinions, facts and representations supplied to us by the Directors and/or the representatives of the Company. We have reviewed, among other things, (i) the 2025 – 2027 Property Lease (Procurement) Framework Agreement and the 2025 – 2027 General Service (Procurement) Framework Agreement; (ii) the annual reports of the Company for the years ended 31 December 2022 and 2023 (the “**2022 Annual Report**” and the “**2023 Annual Report**” respectively) and the interim report of the Company for the six months ended 30 June 2024 (the “**2024 Interim Report**”); (iii) other information as set out in the Circular; and (iv) relevant market data and information available from public sources.

We have assumed that all such information, opinions, facts and representations provided to us by the Directors and/or the representatives of the Company, for which they are fully responsible, are true, accurate and complete in all respects. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and/or the representatives of the Company. The Company has also confirmed to us that no material facts have been omitted from the information supplied and we have no reason to suspect that any material information has been withheld or is misleading.

We consider that we have sufficient information currently available to reach an informed view and to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided by the Directors and/or the representatives of the Company, nor have we conducted any independent investigation into the business, affairs, operations, financial position or future prospects of each of the Company, Rizhao Port Group and any of their respective subsidiaries and associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion in respect of the Lease Transactions and the Procurement of Services, we have taken into account the following principal factors and reasons:

1. Background information of the parties

a) *The Company*

As stated in the Letter from the Board, the Company, a joint stock company incorporated in the PRC with limited liability, is principally engaged in comprehensive port-related services, including stevedoring, berth leasing, port management, storage, and logistics agency services.

Set out below is certain financial information of the Company for the three years ended 31 December 2023 (“FY2021”, “FY2022” and “FY2023” respectively) and the six months ended 30 June 2023 and 2024 (“1H2023” and “1H2024” respectively) as extracted from the 2022 Annual Report, the 2023 Annual Report and the 2024 Interim Report:

	For the six months ended		For the year ended 31 December			
	30 June					
	2024	2023	2023	2022	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)	(Audited)
		(Restated)		(Restated)		
Revenue	424,240	413,212	825,808	833,490	833,490	758,421
Gross profit	176,935	171,498	321,040	297,264	297,264	258,340
Profit attributable to the owners of the Company	120,510	123,322	218,252	201,250	199,873	168,296

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)	2022 RMB'000 (Audited) (Restated)	2021 RMB'000 (Audited) (Restated)
Total assets	3,453,632	3,300,604	2,904,297	2,732,604
Total liabilities	638,096	565,738	347,816	337,499
Total equity	2,815,536	2,734,866	2,556,481	2,395,105

As shown in the above table, the revenue of the Company for FY2022 increased by approximately 10% as compared to that for FY2021. The profit attributable to the owners of the Company for FY2022 increased by approximately 19% as compared to that for FY2021. As stated in the 2022 Annual Report, such increase was mainly due to the increase in revenue from contracts with customers, compensating for the decrease in revenue from property leasing. In particular, the increase in throughput of grain cargoes offset the impact of decline in dried tapioca for both revenue and profit of the Company.

The revenue of the Company for FY2023 remained stable as compared to that for FY2022. The profit attributable to the owners of the Company for FY2023 increased by approximately 8% as compared to that for FY2022. As stated in the 2023 Annual Report, such financial performance of the Company was mainly because throughput of grain recorded an increase while woodchips and other cargoes recorded a decline, and berth leasing remained the same. Overall business revenue remained stable and profit before tax as well as net profit have achieved steady growth as compared to FY2022 as a result of comprehensive budget management and cost reduction measures.

The revenue of the Company for 1H2024 slightly increased by approximately 3% as compared to that for 1H2023. The profit attributable to the owners of the Company for 1H2024 slightly decreased by approximately 2% as compared to that for 1H2023. As advised by the representatives of the Company, such financial performance of the Company was due to the combined effect of the increase in stevedoring service for grain cargo and the decrease in other income which was mainly attributable to (1) changes in domestic tax policy, which cancelled the value-added credit policy; (2) no gain on lease modification during 1H2024; and (3) loss on written-off and disposal of property, plant and equipment.

The total equity of the Company represented steady increments during FY2022, FY2023 and 1H2024. The representatives of the Company advised us that such movements in the total equity were mainly due to the profit-making position of the Company during FY2022, FY2023 and 1H2024.

b) Rizhao Port Group

As stated in the Letter from the Board, Rizhao Port Group, a company incorporated in the PRC with limited liability, is principally engaged in port operations, logistics, construction, finance and trade. Rizhao Port Group is a direct wholly-owned subsidiary of Shandong Port Group, which is a state-owned enterprise ultimately controlled by Shandong SASAC.

2. The Lease Transactions

a) Principal terms of the 2025 – 2027 Property Lease (Procurement) Framework Agreement

On 13 December 2024, the Company and Rizhao Port Group (for itself and on behalf of its subsidiaries) entered into the 2025 – 2027 Property Lease (Procurement) Framework Agreement, pursuant to which the Company agreed to lease from Rizhao Port Group (a) land occupied for silo phase III; (b) land occupied by West-18 berth and the land behind it; (c) warehouses; (d) complex building; (e) anticipated new lease of lands; (f) temporarily leased berths; and (g) other properties the Company may lease from Rizhao Port Group in the future from time to time, with a term from the conclusion of the EGM to 31 December 2027.

According to the Letter from the Board, the rent is determined through arm's length negotiation with reference to (a) area leased, geographic location and profile of the surrounding area; (b) historical rent; (c) depreciation costs of such assets plus an expected rate of return; and (d) the rent charged by Independent Third Parties for similar offices nearby (applicable to the complex building only). In addition, a certain percentage of the profit from the West-18 berth will be paid to Rizhao Port Group as part of the rental fee for the land occupied by and behind the West-18 berth.

Further details of the terms of the 2025 – 2027 Property Lease (Procurement) Framework Agreement are stated in the Letter from the Board.

In assessing the aforementioned pricing policies, we have obtained and reviewed the three largest amount agreements entered into between Rizhao Port Group and the Company in relation to the Lease Transactions for each of FY2023 and the ten months ended 31 October 2024 (the “**Review Period**”), which were the lease agreements in respect of the West-18 berth and the land occupied by and behind the West-18 berth (the “**Berth Lease Agreement**”) and other lands. As advised by the representatives of the Company, Rizhao Port Group is the only lessor of lands and berths in the port area where the port operation of the Company is located and hence the Company did not lease similar lands or berths from Independent Third Parties. The rentals of the aforementioned lease agreements were determined with reference to the historical rentals charged by Rizhao Port Group to the Company or the rentals charged by Rizhao Port Group to other members of Rizhao Port Group. Given that the total rental of the selected agreements represented approximately 91% and 90% of the total rental of the lands and properties which the Company leased from Rizhao Port Group for each of the Review Period respectively, we consider the samples to be sufficient to conclude that the pricing policies for the Lease Transactions are fair and reasonable.

For a lease agreement of lands, we have obtained an internal notice issued by Rizhao Port Group (the “**Internal Notice**”) dated 11 April 2022, being the latest available and currently effective internal guidance on the land rentals applicable to all members of Rizhao Port Group. The annual rental per mu of this lease agreement of lands was equal to the minimum rental per mu to be charged by Rizhao Port Group to all members of Rizhao Port Group in respect of lease of lands as set out in the Internal Notice (the “**Minimum Internal Land Rental Price**”). For another lease agreement of lands in relation to the Rizhao Port Grain Base Project, we noted that the annual rental per mu of this lease agreement of lands was equal to the Minimum Internal Land Rental Price.

For the Berth Lease Agreement, the rental consisted of fixed portion and variable portion which was a certain percentage of the profit from the West-18 berth, and was determined with reference to the historical rental of such land and berth. We have obtained an opinion on the fairness of rent issued by an independent property valuer in 2019 (the “**2019 Fair Rent Opinion**”), which included the lease agreement in respect of the West-18 berth and the land occupied by and behind the West-18 berth. The independent property valuer was of the opinion that the rentals under several tenancy agreements were fair and reasonable as at the then execution period in 2019 and represented the prevailing market rates for similar

properties situated in the locality that are used for similar purposes in the PRC at relevant dates of leases. We noted that the calculation of annual rental of the Berth Lease Agreement was in line with the calculation of annual rental of such lands and berths stated in the 2019 Fair Rent Opinion. Besides, the representatives of the Company advised us that the fixed portion of the rental for the Berth Lease Agreement remained the same as that stated in the 2019 Fair Rent Opinion while the Minimum Internal Land Rental Price was increased in 2022 indicating certain increase in the rental price charged by Rizhao Port Group to the members of Rizhao Port Group in respect of lease of lands.

Having considered the above, we are of the view that the pricing policies stipulated in the 2025 – 2027 Property Lease (Procurement) Framework Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

b) Reasons for and benefits of the Lease Transactions

According to the Letter from the Board, the land and properties the Company leases from Rizhao Port Group pursuant to the 2025 – 2027 Property Lease (Procurement) Framework Agreement are located close to the Company's operations in Shijiu port area, and are mainly used for port operations and daily office use. The Company did not purchase such land and properties from Rizhao Port Group because acquisition of such land and properties may incur substantial cost and is not commercially sensible for the Company. The Company has been leasing such land and properties from Rizhao Port Group for a long period of time, and it is convenient and efficient for the Company to keep the office close to the Company's operations. Therefore, the Directors are of the view that the continuance of such transactions is cost efficient and is in the best interest of the Shareholders as a whole.

Besides, the representatives of the Company advised us that the relocation from the land and properties leased by Rizhao Port Group to those leased by Independent Third Parties will incur additional cost (i.e. relocation cost and decoration cost).

In light of the above, we concur with the Directors that the Lease Transactions are in the interests of the Company and the Shareholders as a whole.

c) Proposed annual caps for the Lease Transactions and basis of determination

The following table sets out the historical transaction amounts of the leases of lands and properties from Rizhao Port Group by the Company for the two years ended 31 December 2023 and the eleven months ended 30 November 2024, and the proposed annual caps for the term from the conclusion of the EGM to 31 December 2027:

	Historical transaction amounts			Proposed annual caps		
			For the	From the		
			eleven	conclusion		
			months	of the		
	For the year ended		ended 30	EGM to 31	For the year ending	
	31 December		November	December	31 December	
	2022	2023	2024	2025	2026	2027
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Value of right-of-use assets relating to the leases to be entered into by the Company	35,335	88,100	0	64,280	21,000	0
Variable lease payments linked to revenue and short-term lease payments payable by the Company	18,208	19,039	22,870	26,290	26,290	26,290
Total amount of lands and properties leased from Rizhao Port Group	<u>53,543</u>	<u>107,139</u>	<u>22,870</u>	<u>90,570</u>	<u>47,290</u>	<u>26,290</u>

Right-of-use assets

According to the Letter from the Board, pursuant to IFRS 16 – Leases, the lease of properties by the Company as lessee will be recognised as right-of-use assets. Correspondingly, the Company is required to set annual caps based on the total value of right-of-use assets relating to the leases to be entered into by the Company as a lessee in each year under the 2025 – 2027 Property Lease (Procurement) Framework Agreement.

As advised by the representatives of the Company, the proposed annual caps for the value of right-of-use assets relating to the leases to be entered into by the Company for the term from the conclusion of the EGM to 31 December 2026 were determined based on (a) the value of right-of-use assets in respect of the land occupied for silo phase III, warehouses and complex building to be recognised in 2025; and (b) the value of right-of-use assets in respect of the land occupied by and behind the West-18 berth to be recognised in 2026. In addition, the proposed annual cap for the value of right-of-use assets relating to the leases to be entered into by the Company for the year ending 31 December 2027 was nil as no relevant lease agreements are expected to be signed in 2027.

We have obtained the calculation of the value of right-of-use assets in respect of the aforementioned lands and properties and noted that it referred to the present value of estimated rental (tax exclusive), which was calculated based on (i) the estimated rental; (ii) the estimated duration of the leases; and (iii) the discount rate.

(i) Estimated rental

We have obtained the existing Berth Lease Agreement and the existing lease agreements in relation to silo phase III. We noted that the estimated rental (tax exclusive) for the land occupied by and behind the West-18 berth was determined based on the fixed portion of the rental in the existing Berth Lease Agreement, and the estimated rental (tax exclusive) for the land occupied for silo phase III was determined based on the rental in the existing lease agreements.

We have obtained the valuation reports in relation to the warehouses and complex building issued by an independent valuer and we noted that the estimated rentals (tax exclusive) for the warehouses and complex building were determined based on the fair rental value stated in the valuation reports.

(ii) Estimated duration of the leases

The estimated durations of the leases of the land occupied for silo phase III, the land occupied by and behind the West-18 berth, and the complex building were seven years and five months, two years and three years respectively, which were determined based on the durations of the leases stipulated in the draft or existing lease agreements in respect of the aforementioned lands and properties.

The estimated duration of the lease of the warehouses was ten years which was determined based on the intent of the Company to lease the warehouses for a total of ten years. Although the duration of the lease of the warehouses stipulated in the existing lease agreement in respect of warehouses was three years, the representatives

of the Company advised us that the estimated duration of ten years used in the calculation of the value of right-of-use assets was appropriate as the Company planned to lease the warehouses from Rizhao Port Group for a total of ten years.

(iii) Discount rate

As advised by the representatives of the Company, the discount rate adopted for the calculation of the value of right-of-use assets was the same as the discount rate adopted for the calculation of the value of right-of-use assets while computing the historical transaction amounts for the two years ended 31 December 2023.

Variable lease payments

According to the Letter from the Board, pursuant to IFRS 16 – Leases, the variable lease payments linked to revenue generated from the leased properties and short-term lease payments will be recognised as expenses incurred by the Company. Accordingly, the Company is required to set annual caps for the variable lease payments and other short-term lease payments payable by the Company in each year under the 2025 – 2027 Property Lease (Procurement) Framework Agreement.

As disclosed in the Letter from the Board, the proposed annual caps for the variable lease payments linked to revenue and short-term lease payments payable by the Company for the term from the conclusion of the EGM to 31 December 2027 consisted mainly of the land occupied by and behind the West-18 berth.

As advised by the representatives of the Company, the proposed annual caps for the variable lease payments in relation to the land occupied by and behind the West-18 berth were determined based on 50% of the expected profit from the West-18 berth as stipulated in the existing Berth Lease Agreement. The representatives of the Company further advised us that the pricing policies of the Berth Lease Agreement to be entered into in 2026 are expected to be the same as those in the existing Berth Lease Agreement. Besides, each of the proposed annual caps for the variable lease payments in relation to the land occupied by and behind the West-18 berth for the term from the conclusion of the EGM to 31 December 2027 is close to 50% of the annualised profit from the West-18 berth for the year ended 31 December 2024 (“FY2024”).

Therefore, we are of the view that the proposed annual caps for the total amount of lands and properties leased from Rizhao Port Group were determined based on reasonable estimation and after due and careful consideration and are fair and reasonable so far as the Independent Shareholders are concerned.

3. The Procurement of Services

a) Principal terms of the 2025 – 2027 General Service (Procurement) Framework Agreement

On 13 December 2024, the Company and Rizhao Port Group (for itself and on behalf of its subsidiaries) entered into the 2025 – 2027 General Service (Procurement) Framework Agreement, pursuant to which the Company agreed to procure from Rizhao Port Group services including (a) port-related services; (b) railway services; (c) security services; (d) maintenance services; (e) port-related technology services; (f) office and logistics services; (g) utilities and consumables; and (h) other services the Company may procure from Rizhao Port Group in the future from time to time, with a term from the conclusion of the EGM to 31 December 2027.

Further details of the terms of the 2025 – 2027 General Service (Procurement) Framework Agreement including the pricing policies for the Procurement of Services are stated in the Letter from the Board.

In assessing the pricing policies of the Procurement of Services, we have obtained and reviewed the three largest amount contracts entered into between Rizhao Port Group and the Company in relation to the Procurement of Services for each of the Review Period, which were railway services, port facility services and labour contracting services. Given that (i) the total amount of the selected contracts represented approximately 43% of the total amount of the Procurement of Services for each of the Review Period; and (ii) the selected contracts covered various service categories under the 2025 – 2027 General Service (Procurement) Framework Agreement, we consider the selected contracts to be sufficient to conclude that the pricing policies for the Procurement of Services are fair and reasonable.

For the railway services, the representatives of the Company advised us that Rizhao Port Group is the only railway service provider in the port area where the port operation of the Company is located and hence the Company did not procure railway services from Independent Third Parties. We have obtained the internal price guidance on the railway services applicable to all members of Rizhao Port Group. We noted that the unit prices of the railway services provided by Rizhao Port Group to the Company were in line with those in the aforementioned internal guidance.

For the port facility services, the representatives of the Company advised us that the unit prices of the port facility services were determined based on the Measures of Port Charges and Calculations (《港口收費計費辦法》) promulgated by the Ministry of Transport of the PRC and the National Development and Reform Commission of the PRC. We noted that the unit prices of port facility services charged by Rizhao Port Group were determined based on the Measures of Port Charges and Calculations with a certain discount. As advised by the representatives of the Company, this discount on the unit prices of the port facility services is applicable to all members of Rizhao Port Group.

For the labour contracting services, we have obtained a contract entered into between the Company and an Independent Third Party and the price lists of the labour offered by Rizhao Port Group to the members of Rizhao Port Group. We noted that the unit labour prices charged by Rizhao Port Group to the Company were not less favourable than those charged by the Independent Third Party and those charged by Rizhao Port Group to the members of Rizhao Port Group.

Having considered the above, we are of the view that the pricing policies stipulated in the 2025 – 2027 General Service (Procurement) Framework Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

b) Reasons for and benefits of the Procurement of Services

According to the Letter from the Board, the Company will continue to procure such services from Rizhao Port Group because (i) these transactions were conducted between subsidiaries of Rizhao Port Group (including the Company) and have lasted for a long period of time and (ii) ceasing such transactions may incur unnecessary costs to the Company and is not commercially sensible. In addition, with respect to each type of the services:

- (a) For port-related services, Rizhao Port Group is the operator of the Port of Rizhao and the only provider of ship traction and container logistics services in the area. For labour contracting, port cleaning and rest of the logistics services, Rizhao Port Group may win the bids through public bidding process.
- (b) For railway services, Rizhao Port Group is the owner of all of the railways in the Port of Rizhao and is the only provider of such services.
- (c) For security services, the Company is a provider of port facilities security services approved by the Department of Public Security of Shandong Province. As to security inspection services, Rizhao Port Group is the only provider of such services in the Port of Rizhao.

- (d) For maintenance services, all of the Company's buildings, facilities, equipment and information system are located in the Port of Rizhao and Rizhao Port Group has the expertise and experience in providing such services. Rizhao Port Group may win the bids through public bidding process.
- (e) For port-related technology services, the Company procures port-related technology services to access the centralised port operation and management system, which is essential for the operation of the Company's business. Rizhao Port Group may win the bids through public bidding process.
- (f) For office and logistics services, Rizhao Port Group is the only provider of telephone, networks and protective gears supplies services in the Port of Rizhao. For the rest of the office and logistics services, Rizhao Port Group has been providing hotel catering, gifts and other hospitality services for the Company on an ongoing basis.
- (g) For utilities and consumables, Rizhao Port Group is the only provider of water, electricity and fuels in the Port of Rizhao.

As further advised by the representatives of the Company, Rizhao Port Group and the Company have extensive and in-depth cooperation, mutual understanding, efficient communication and good cooperation experience with each other. Besides, there are natural cooperation advantages among the Company and Rizhao Port Group due to geographical reasons in some business areas, which enables Rizhao Port Group to provide convenient and efficient services. The Directors believe that the Procurement of Services from Rizhao Port Group, who is an experienced service provider, will provide the Company with a stable and reliable supply of supporting services.

In light of the above, we concur with the Directors that the Procurement of Services is in the interests of the Company and the Shareholders as a whole.

c) *Proposed annual caps for the Procurement of Services and basis of determination*

The following table sets out the historical transaction amounts of the provision of services by Rizhao Port Group to the Company for the two years ended 31 December 2023 and the eleven months ended 30 November 2024, and the proposed annual caps for the term from the conclusion of the EGM to 31 December 2027:

	Historical transaction amounts			Proposed annual caps		
			For the	From the		
			eleven	conclusion		
	For the year ended	months ended	months ended	EGM to	For the year ending	
	31 December	30 November	31 December	31 December	31 December	
	2022	2023	2024	2025	2026	2027
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Procurement of Services						
from Rizhao Port Group	118,886	130,991	110,091	211,120	212,120	212,920

As disclosed in the Letter from the Board, the proposed annual caps for the Procurement of Services from Rizhao Port Group for the term from the conclusion of the EGM to 31 December 2027 consisted mainly of port-related services, maintenance services and utilities and consumables.

Port-related services

The expected transaction amounts of the procurement of port-related services from Rizhao Port Group for the term from the conclusion of the EGM to 31 December 2027 were RMB130,400,000, RMB130,900,000 and RMB131,400,000 respectively. They were determined based on (i) the expected transaction amount of the port-related services (excluding the technological innovation service) for the year ending 31 December 2025; (ii) the expected transaction amount of the technological innovation service for the year ending 31 December 2025; and (iii) the expected transaction amount of the logistics service for the year ending 31 December 2025.

The expected transaction amount of the port-related services (excluding the technological innovation service) for the year ending 31 December 2025 was determined based on (i) the annualised amount of the port-related services (excluding the technological innovation service) for FY2024 based on the historical amount for the eleven months ended 30 November 2024; (ii) the payment for tugging service of approximately RMB1 million settled in December 2024; and (iii) the expected growth rate of approximately 15% in 2025 considering the growth rate of approximately 15% of the historical transaction amount for FY2023 as compared with that for FY2022. As advised by the representatives of the Company, the Company started to procure the technological innovation service from Rizhao Port Group in July 2024 and the historical transaction amount of the port-related services for the eleven months ended 30 November 2024 did not include the historical transaction amount of the technological innovation service as the payment for technological innovation service was settled in December 2024.

The expected transaction amount of the technological innovation service of approximately RMB15 million for the year ending 31 December 2025 was determined based on the signed contract in respect of the technological innovation service and the historical transaction amount of the procurement of technological innovation service from Rizhao Port Group for the second half of FY2024. We have obtained the signed contract and the fee list breakdown in relation to the technological innovation service for the second half of FY2024 and noted that the expected transaction amount of the technological innovation service for the year ending 31 December 2025 was calculated based on the historical transaction amount of the procurement of technological innovation service from Rizhao Port Group for the second half of FY2024.

The expected transaction amount of the logistics service of approximately RMB55 million for the year ending 31 December 2025 was determined based on (i) the annualised transaction amount of logistics service provided by Independent Third Parties for FY2024; and (ii) the expected growth rate of approximately 10% in 2025 considering the growth rate of approximately 5% of grain's throughput for 1H2024 as compared with that for 1H2023 as disclosed in the 2024 Interim Report and the expected increase in demand for the logistics service as the high-standard construction project of cement silos at West-6 berth (the "**Rizhao Port Grain Base**") started the trial operation at the end of 2024. According to the 2024 Interim Report, considering a firm grasp of the opportunity relating to commencement of operations at the Rizhao Port Grain Base, the Company will proactively handle the qualification formalities for berth and silo usage in advance to drive an increase in the supply of goods by expanding its capacity. We have obtained the fee list breakdown in relation to the logistics service provided by Independent Third Parties for the eleven months

ended 30 November 2024 and noted that the annualised transaction amount of logistics service provided by Independent Third Parties for FY2024 was calculated based on the total transaction amount of the logistics service provided by Independent Third Parties for the eleven months ended 30 November 2024. In addition, we have obtained the quotations from Independent Third Parties and from Rizhao Port Group in relation to the logistics service for the year ending 31 December 2025. We noted that the prices offered by Rizhao Port Group were not less favourable than those offered by the Independent Third Parties.

Maintenance services

The expected transaction amount of the procurement of maintenance services from Rizhao Port Group for each period/year of the term from the conclusion of the EGM to 31 December 2027 was RMB22,050,000. It was determined based on the annualised transaction amount of the procurement of maintenance services from Rizhao Port Group for FY2024 and the expected growth rate of approximately 19% in 2025 considering the growth rate of approximately 31% of the annualised transaction amount for FY2024 as compared with that for FY2023.

Utilities and consumables

The expected transaction amounts of the procurement of utilities and consumables from Rizhao Port Group for the term from the conclusion of the EGM to 31 December 2027 were RMB36,300,000, RMB36,600,000 and RMB36,800,000 respectively. They were determined based on (i) the historical transaction amount of the utilities and consumables from Rizhao Port Group for the eleven months ended 30 November 2024 and the payment settled in December 2024; and (ii) the expected growth rate of approximately 17% in 2025 considering the formal operation of the Rizhao Port Grain Base in 2025 which will increase the procurement of water and electricity from Rizhao Port Group. We have obtained the invoices in relation to the procurement of utilities and consumables for December 2024 and noted that the total amount of payment for the procurement of utilities and consumables settled in December 2024 was in line with the amount of the invoices.

Therefore, we are of the view that the proposed annual caps for the Procurement of Services were determined based on reasonable estimation and after due and careful consideration and are fair and reasonable so far as the Independent Shareholders are concerned.

4. Internal control measures

As stated in the Letter from the Board, (i) the finance office of the Company will perform quarterly check on the transactions entered into under the Connected Transaction Agreements and report to the audit committee of the Company and the Board; and (ii) the Company's internal audit office will focus on the relevant internal control measures as part of their ongoing work plan and will report to the audit committee of the Company and the Board on a semi-annual basis. We have obtained and reviewed the quarterly reports for the nine months ended 30 September 2024 and noted that both transaction amounts and annual caps for the continuing connected transactions for the corresponding year were recorded in the quarterly reports. We have obtained the resolution in relation to the review of the effectiveness of the risk management and internal control system of the Company for 1H2024, and noted that the Board will, amongst others, review the internal control system relating to continuing connected transactions periodically.

Further details of the internal control measures of the Company are set out in the Letter from the Board.

As stated in the 2023 Annual Report, the independent non-executive Directors have reviewed the continuing connected transactions disclosed in the 2023 Annual Report and confirmed that the 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) in accordance with the agreement governing the transaction and on terms that are fair and reasonable and in the interests of the Shareholders as a whole.



As stated in the 2023 Annual Report, the Board has received an unqualified letter from the auditors of the Company in accordance with Rule 14A.56 of the Listing Rules containing the auditors' findings and conclusion on the continuing connected transactions of the Company disclosed in the 2023 Annual Report, stating that the auditors have not noticed anything that causes them to believe that any of these continuing connected transactions (a) have not been approved by the Board; (b) were not, in all material respects, in accordance with the pricing policies of the Company if the transactions involve the provision of goods or services by the Company; (c) were not entered into in accordance with the relevant agreements governing such continuing connected transactions in all material aspects; and (d) have exceeded the relevant annual caps for the financial year ended 31 December 2023.

Taking into account of the internal control measures as stated above, we concur with the Directors that there are adequate measures in place to monitor the Lease Transactions and the Procurement of Services (including the respective annual caps) and hence the interest of the Independent Shareholders would be safeguarded.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that the terms of the 2025 – 2027 Property Lease (Procurement) Framework Agreement and the 2025 – 2027 General Service (Procurement) Framework Agreement (including the respective annual caps) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and the Lease Transactions and the Procurement of Services are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend (i) the Independent Board Committee to advise the Independent Shareholders; and (ii) the Independent Shareholders, to vote in favour of the relevant resolutions to be proposed at the EGM to approve the 2025 – 2027 Property Lease (Procurement) Framework Agreement and the 2025 – 2027 General Service (Procurement) Framework Agreement.

Yours faithfully,
For and on behalf of
TC Capital International Limited

	
Edward Wu	Edith Lee
<i>Chairman</i>	<i>Managing Director</i>

Note: Mr. Edward Wu has been a responsible officer of type 6 (advising on corporate finance) regulated activities under the SFO since 2005. Ms. Edith Lee has been a responsible officer of type 6 (advising on corporate finance) regulated activities under the SFO since 2015. Both Mr. Wu and Ms. Lee have participated in and completed various advisory transactions in respect of connected transactions of listed companies in Hong Kong.