

31 December 2024

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

Dear Sirs,

**CONTINUING CONNECTED TRANSACTION AND
MAJOR TRANSACTION IN RELATION TO
2025 – 2027 FINANCIAL SERVICE FRAMEWORK AGREEMENT**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the provision of deposit services by SPG Finance to the Company under the 2025 – 2027 Financial Service Framework Agreement, 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 31 December 2024 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, SPG Finance was a non-wholly owned subsidiary of Shandong Port Group, which is a controlling shareholder of the Company. As such, SPG Finance was a connected person of the Company. The provision of deposit services by SPG Finance to the Company constitutes a continuing connected transaction of the Company and is 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 procurement of deposit services (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 procurement of deposit services is 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 resolution to approve the procurement of deposit services under the 2025 – 2027 Financial Service 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

We have not provided any other services to the Company in the last two years. 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. We have been appointed as an independent financial adviser to the independent board committee and independent shareholders of the Company in relation to the 2025 – 2027 property lease (procurement) framework agreement and the 2025 – 2027 general service (procurement) framework agreement as detailed in the announcement of the Company dated 13 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 procurement of deposit services under the 2025 – 2027 Financial Service Framework Agreement.

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 Financial Service 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, SPG Finance and any of their respective subsidiaries and associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion in respect of the procurement of deposit 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		2023	2022	2022	2021
	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	As at 31 December		
	30 June		2022	2021
	2024	2023		
	<i>RMB '000</i>	<i>RMB '000</i>	<i>RMB '000</i>	<i>RMB '000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Audited)</i>
			<i>(Restated)</i>	<i>(Restated)</i>
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) SPG Finance

As stated in the Letter from the Board, SPG Finance is a non-banking financial institution established in the PRC on 22 July 2014. SPG Finance is principally engaged in the provision of depository services, credit granting services, financial and financing advisory services, credit assurance services and relevant consulting and agency services; trade receivables collection and payment services; internal fund transfer and settlement services and formulation of proposals for the corresponding settlement and clearing services and other financial services to Shandong Port Group and its member companies, including the Company.

We understood from the representatives of the Company that SPG Finance is subject to several rules and measures on supervision, management and risk control set out in the Measures for the Administration of Finance Companies of Enterprise Groups* 《企業集團財務公司管理辦法》(the “**Administrative Measures**”) promulgated by the NFRA on 13 October 2022 which regulates the operation of non-bank financial institutions which provide financial management services to the enterprise group member entities. As confirmed by SPG Finance, it has been in compliance with all the requirements and regulatory indicators set forth by the NFRA in FY2022, FY2023 and 1H2024.

The table below sets forth the key financial ratio requirements under Article 34 of the Administrative Measures and an appendix to the Notice of Issuing the Measures for the Regulatory Ratings of Finance Companies of Group Enterprises* (《國家金融監督管理總局關於印發企業集團財務公司監管評級辦法的通知》) (the “**Notice**”) despatched by the NFRA on 13 June 2023 and the respective financial ratios of SPG Finance as at 31 December 2022, 31 December 2023 and 30 June 2024 as provided by the Company:

		As at 31 December 2022	As at 31 December 2023	As at 30 June 2024
	Requirements			
Capital adequacy ratio (<i>Note 1</i>)	Not less than 10.5%	27.55%	23.79%	26.48%
Liquidity ratio	Not less than 25%	39.21%	42.0%	50.94%
Total non-group liabilities to net capital ratio	Not more than 100%	Nil	Nil	Nil
Total investment to net capital ratio	Not more than 70%	45.27%	29.25%	33.23%
Net self-owned fixed assets to net capital ratio	Not more than 20%	0.32%	0.35%	0.32%
Non-performing loan ratio (<i>Note 2</i>)	Not more than 5%	Nil	Nil	Nil

Notes:

1. The capital adequacy ratio is the ratio of net capital to risk-weighted assets after capital floor and adjustments.
2. The non-performing loan ratio is the ratio of the sum of substandard loans, doubtful loans, and loss class loans to various loans. The various loans mainly include loans, trade financing, bill financing, assets for re-sale bought back from non-financial institutions, overdrafts, various advances and etc.

As shown in the table above, SPG Finance complied with the relevant financial ratio requirements specified in the Administrative Measures and the appendix to the Notice as at 31 December 2022, 31 December 2023 and 30 June 2024. In particular, the non-performing loan ratio of SPG Finance remained nil as at 31 December 2022, 31 December 2023 and 30 June 2024, which indicated that SPG Finance did not have any non-performing loans.

Pursuant to the Administrative Measures, in the event that a group finance company faces any difficulty in making payment, its controlling shareholder(s) will increase such group finance company's capital accordingly based on the actual need. We have obtained the undertakings committed by Shandong Port Group and noted that Shandong Port Group has undertaken to (i) provide funding to SPG Finance to satisfy its capital needs when necessary; and (ii) provide liquidity support in the event that SPG Finance experiences any liquidity issues.

In light of the above, we consider that SPG Finance would be able to perform the relevant obligations under the 2025 – 2027 Financial Service Framework Agreement.

2. The procurement of deposit services

a) Principal terms of the deposit services

On 10 December 2024 (after trading hours), the Company and SPG Finance entered into the 2025 – 2027 Financial Service Framework Agreement, pursuant to which SPG Finance agreed to provide deposit and settlement services to the Company for a term commencing on the Effective Date and ending on 31 December 2027.

The deposit interest rates are determined in accordance with the rates published by the PBOC and are not lower than the market rates provided by branches of independent commercial banks located in the same region.

The interest rate of other financial services related to or similar to the deposit service shall not be lower than the interest rates offered by branches of independent commercial banks located in the same region for comparable financial services.

Further details of the terms of the 2025 – 2027 Financial Service Framework Agreement are stated in the Letter from the Board.

In assessing the aforementioned pricing policies, we have obtained and reviewed all the deposit interest records and the lists of deposit interest rates offered by SPG Finance to the Company for FY2023 and the nine months ended 30 September 2024 and noted that the related deposit interest rates offered by SPG Finance to the Company were determined

with reference to the deposit interest rates promulgated by the PBOC. Besides, we have compared the deposit interest rates offered by SPG Finance to the Company against the then deposit interest rates offered by branches of three independent commercial banks located in the same region, and noted that they were not less favourable than the then deposit interest rates offered by branches of three independent commercial banks located in the same region. Therefore, we are of the view that the pricing policies for the procurement of deposit services from SPG Finance by the Company are fair and reasonable so far as the Independent Shareholders are concerned.

b) Reasons for and benefits of the procurement of deposit services

According to the Letter from the Board, in the ordinary course of business of the Company, the Company transacts with various subsidiaries and/or affiliated companies of Shandong Port Group, which have maintained or will maintain settlement accounts with SPG Finance. The centralised maintenance of deposits by the Company with SPG Finance will facilitate clearing with other members of Shandong Port Group, reduce the processing time and is generally more administratively efficient than settlement through independent banks. In addition, SPG Finance has undertaken that the deposit interest rates are determined in accordance with the rates published by the PBOC and are not lower than the market rates provided by independent commercial banks, which is conducive to safeguarding Shareholders' interests and achieving win-win cooperation. Accordingly, the Company entered into the 2025 – 2027 Financial Service Framework Agreement to procure deposit and settlement services from SPG Finance.

As advised by the representatives of the Company, SPG Finance has been providing financial services to the Company for several years and has better understanding in the industry characteristics, capital structures, business operations, financing needs, capital flow patterns and the financial management system of the Company through its previous cooperation with the Company.

Moreover, the 2025 – 2027 Financial Service Framework Agreement does not restrict the Company from procuring financial services provided by third parties and therefore offers an additional option to the Company and enhances the financial flexibility of the Company. Therefore, the Company may, but is not obliged to, continue to procure the deposit services from SPG Finance if the price is competitive. Having such flexibility afforded under the 2025 – 2027 Financial Service Framework Agreement, the Company would be able to better manage its current capital and cashflow position.

In light of the above, we concur with the Directors that the procurement of deposit services from SPG Finance under the 2025 – 2027 Financial Service Framework Agreement is in the interests of the Company and the Shareholders as a whole.

c) ***Proposed annual caps for the procurement of deposit services and basis of determination***

The following table sets out the historical amounts of the provision of deposit services by SPG Finance to the Company for the two years ended 31 December 2023 and the ten months ended 31 October 2024, and the proposed annual caps for the term commencing on the Effective Date and ending on 31 December 2027:

	Historical amounts			Proposed annual caps		
	For the year ended		For the	From the	For the year ending	
	31 December		ten months	Effective	31 December	
	2022	2023	ended	Date to	2026	2027
		31 October	31 December			
		2024	2025			
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Maximum daily balance of deposits	200,009	358,885	359,788	300,000	310,000	320,000
Interest income	0	3,600	420	5,000	5,200	5,400

The representatives of the Company advised us that the proposed annual caps for the provision of deposit services by SPG Finance to the Company for the term commencing on the Effective Date and ending on 31 December 2027 were determined with reference to the historical maximum daily balance of deposits for the ten months ended 31 October 2024 and the cash and cash equivalents of the Company as at 30 June 2024.

As illustrated in the table above, the maximum daily balance of the deposits placed with SPG Finance by the Company was recorded at approximately RMB360 million for the ten months ended 31 October 2024, which was over the highest proposed annual cap for the deposit services to be provided by SPG Finance to the Company for the term commencing on the Effective Date and ending on 31 December 2027.

According to the 2024 Interim Report, the cash and cash equivalents of the Company as at 30 June 2024 was approximately RMB631 million, of which the highest proposed annual cap for the deposit services to be provided by SPG Finance to the Company accounted for approximately 51%. As mentioned in the prospectus of the Company dated 31 May 2019, the Company planned to maintain around 50% of its deposits with independent commercial banks after listing.

The proposed annual caps for the interest on deposits for the term commencing on the Effective Date and ending on 31 December 2027 were determined mainly based on (i) the current one-year fixed deposit interest rate, which represented the maximum deposit rate

adopted by SPG Finance; (ii) the proposed annual caps for the maximum daily balance of the deposits for the term commencing on the Effective Date and ending on 31 December 2027; and (iii) buffers of approximately 5% to 6% for the unexpected interest income caused by the possible increase in interest rates.

Therefore, we are of the view that the proposed annual caps for the provision of deposit services by SPG Finance to the Company 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. Internal control measures

As stated in the Letter from the Board, (i) the Company's finance office will review the transactions entered into under the 2025 – 2027 Financial Service Framework Agreement on a quarterly basis and report to the Company's audit committee and the Board; and (ii) the internal audit office of the Company will focus on the relevant internal control measures as part of the continuous work plan and 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 procurement of deposit 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 procurement of deposit services (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 procurement of deposit services is 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 resolution to be proposed at the EGM to approve the procurement of deposit services under the 2025 – 2027 Financial Service Framework Agreement.

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



Edward Wu **Edith Lee**
Chairman *Managing Director*

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.

* *For identification purpose only*