
THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Qingdao Port International Co., Ltd.**, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss arising from or in reliance upon the whole or any part of the contents of this circular.



Qingdao Port International Co., Ltd.

青島港國際股份有限公司

(A joint stock company established in the People's Republic of China with limited liability)

(Stock Code: 06198)

CONNECTED TRANSACTION AND DISCLOSEABLE TRANSACTION INVOLVING THE ACQUISITION OF TARGET ASSETS

**Independent Financial Adviser of Independent Board Committee
and Independent Shareholders**



SOMERLEY CAPITAL LIMITED

A letter from the Board is set out on pages 7 to 24 of this circular. A letter from the Independent Board Committee is set out on page 25 of this circular. A letter from the Independent Financial Adviser is set out on pages 26 to 52 of this circular, including its opinions to Independent Board Committee and Independent Shareholders.

The Company will convene the EGM at the Conference Room, Shandong Port Tower, No. 7 Gangji Road, City North District, Qingdao, Shandong Province, the PRC on Friday, 28 March 2025 at 11:00 a.m. This circular, together with the notice and proxy form of the EGM, has been published on the website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the website of the Company (<http://www.qingdao-port.com>). If you intend to appoint a proxy to attend the EGM, you are requested to complete and return the proxy form in accordance with the instructions printed thereon not less than 24 hours before the time appointed for holding the EGM or any adjournment thereof (i.e. by 11:00 a.m. on Thursday, 27 March 2025) (as the case may be). Completion and return of the proxy form will not preclude you from attending and voting at the EGM should you so wish.

7 March 2025

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	7
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	25
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER	26
APPENDIX I GENERAL INFORMATION	App I-1
APPENDIX II SUMMARY OF ASSET VALUATION REPORTS	App II-1
APPENDIX III SHINewing's REPORTS ON THE CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS.	App III-1
APPENDIX IV LETTER FROM THE BOARD ON THE PROFIT FORECAST	App IV-1
NOTICE OF THE FIRST EXTRAORDINARY GENERAL MEETING OF 2025	EGM-1

DEFINITIONS

The following expressions shall have the following meanings unless the context requires otherwise:

“A Share(s)”	share(s) with a nominal value of RMB1.00 each issued by the Company which are listed on the main board of the SSE (stock code: 601298) and traded in RMB
“Asset Purchase Agreement”	Agreement between Qingdao Port International Co., Ltd.* (青島港國際股份有限公司) and Shandong Port Rizhao Port Group Co., Ltd.* (山東港口日照港集團有限公司) on the Acquisition of Equity Interests in Rizhao Port Oil Terminal Co., Ltd.* (日照港油品碼頭有限公司) and Rizhao Shihua Crude Oil Terminal Co., Ltd.* (日照實華原油碼頭有限公司), dated 21 February 2025, entered into by the Company and Rizhao Port Group
“Asset Valuation Reports”	Asset Valuation Report on the Project of Valuation of Entire Equity Interests Value of Shareholders of Rizhao Port Oil Terminal Co., Ltd. Involved in the Proposed Acquisition of Its Equity Interests by Qingdao Port International Co., Ltd. and Asset Valuation Report on the Project of Valuation of Entire Equity Interests Value of Shareholders of Rizhao Shihua Crude Oil Terminal Co., Ltd. involved in the Proposed Acquisition of Its Equity Interests by Qingdao Port International Co., Ltd., which were issued by China United Appraisal with 31 March 2024 as the Valuation Benchmark Date and filed with the Shandong Port Group
“Board”	the board of directors of the Company
“China United Appraisal”	China United Assets Appraisal Group Co., Ltd.* (中聯資產評估集團有限公司)
“Closing Audit Reference Date”	the last date of the previous month if the Closing Date is before the 15th of the month (including the 15th day of the month), or the last date of the month if the Closing Date is after the 15th of the month (excluding the 15th day of the month)
“Closing Date”	unless otherwise agreed by the Company and Rizhao Port Group, the closing date shall be the date when all the Target Assets are transferred to the Company

DEFINITIONS

“Company”	Qingdao Port International Co., Ltd., a joint stock company established in the PRC with limited liability on 15 November 2013
“Compensation Agreement”	Performance Undertakings Compensation Agreement between Qingdao Port International Co., Ltd. and Shandong Port Rizhao Port Group Co., Ltd., entered between the Company and Rizhao Port Group on 21 February 2025
“COSCO SHIPPING”	China COSCO Shipping Corporation Limited* (中國遠洋海運集團有限公司), a company established in the PRC with limited liability on 5 February 2016 and a substantial shareholder of the Company, which directly and indirectly held approximately 21.78% equity interests of the Company as at the Latest Practicable Date
“Cumulative Undertaken Net Profit(s)”	the cumulative net profit of each of the Performance Undertakings Assets that the Seller has undertaken to record as at the end of each year during the Performance Undertakings Period in the Compensation Agreement
“Director(s)”	the director(s) of the Company
“EGM”	the first extraordinary general meeting of 2025 to be convened by the Company on 28 March 2025 to consider and approve, among other things, the Transaction
“Enlarged Group”	the Group as enlarged by the Transaction
“Gratuitous Transfer”	the gratuitous transfer of 51% equity interests in Qingdao Port Group by the State-owned Assets Supervision & Administration Commission of Qingdao Municipal Government* (青島市人民政府國有資產監督管理委員會) to Shandong Port Group
“Group”	the Company and its branches and subsidiaries
“H Share(s)”	the overseas listed foreign share(s) with a nominal value of RMB1.00 each in the share capital of the Company which are listed on the main board of the Hong Kong Stock Exchange (stock code: 06198) and are traded in HKD

DEFINITIONS

“HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Board Committee”	the independent board committee of the Board comprising of Ms. LI Yan, Mr. JIANG Min and Mr. LAI Kwok Ho, all of whom are independent non-executive Directors to advise and provide recommendations to the Independent Shareholders in respect of the Transaction
“Independent Shareholders”	Shareholders other than (i) Qingdao Port Group and its associates and (ii) the one who are interested in or involved in the Transaction (if any)
“Latest Practicable Date”	4 March 2025, being the latest practicable date prior to ascertaining certain information contained in this circular
“Oil Company”	Rizhao Port Oil Terminal Co., Ltd.
“Performance Undertakings Asset(s)”	Target Assets
“Performance Undertakings Period”	the performance undertakings period for the Transaction, being three consecutive fiscal years after the Closing Date (including the year of the Closing Date), according to the Compensation Agreement
“PRC”	the People’s Republic of China and for the purpose of this circular excluding Hong Kong, the Macau Special Administrative Region and Taiwan
“Predictive Net Profit(s)”	according to the Asset Valuation Reports and relevant valuation statements, the predictive net profit attributable to the owners of the parent company after deducting the non-recurring profit or loss audited by a certified public accountant to be realized by each of the Performance Undertakings Assets in each of the years from 2025 to 2027

DEFINITIONS

“Previous Restructuring Plan”	The Company proposed to acquire the relevant assets held by Rizhao Port Group and Yantai Port Group through the payment of cash and issuance of consideration shares and proposed to issue shares to not more than 35 qualified specific investors to raise ancillary funds
“Qingdao Port Group”	Shandong Port Qingdao Port Group Co., Ltd.* (山東港口青島港集團有限公司), a company established in the PRC with limited liability on 12 August 1988 and the controlling shareholder of the Company, which directly and indirectly held approximately 55.77% of the equity interests of the Company as at the Latest Practicable Date
“Rizhao Port Group” or “Seller”	Shandong Port Rizhao Port Group Co., Ltd.
“Rizhao Shihua”	Rizhao Shihua Crude Oil Terminal Co., Ltd.
“RMB”	Renminbi, the lawful currency of PRC
“SASAC”	the State-owned Assets Supervision and Administration Commission of the State Council* (國務院國有資產監督管理委員會)
“Securities Law”	Securities Law of the People’s Republic of China* (《中華人民共和國證券法》)
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Shandong Port Group”	Shandong Port Group Co., Ltd.* (山東省港口集團有限公司), a company established on 2 August 2019 in the PRC with limited liability, holding 100% equity interests in Qingdao Port Group and Rizhao Port Group as at the Latest Practicable Date
“Shandong SASAC”	State-owned Assets Supervision and Administration Commission of the People’s Government of Shandong Province* (山東省人民政府國有資產監督管理委員會)
“Share(s)”	A Share(s) and H Share(s)
“Shareholder(s)”	shareholder(s) of the Company

DEFINITIONS

“ShineWing”	ShineWing Certified Public Accountants (Special general partnership)* (信永中和會計師事務所(特殊普通合夥))
“Sinomart Development”	Sinomart KTS Development Limited* (經貿冠德發展有限公司)
“Somerley” or “Independent Financial Adviser”	Somerley Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, to advise as an independent financial adviser to the Independent Board Committee and the Independent Shareholders on matters relating to the Transaction
“SSE”	the Shanghai Stock Exchange
“Supervisor(s)”	the supervisor(s) of the Company
“Target Assets”	100% equity interests in Oil Company and 50.00% equity interests in Rizhao Shihua held by Rizhao Port Group
“Target Companies”	Oil Company and Rizhao Shihua
“Transaction”	the Acquisition of the Target Assets by the Company by way of cash payments under the Asset Purchase Agreement
“Undertakings Performance Indicators”	the performance indicators to be achieved by each of the Performance Undertakings Assets during the Performance Undertakings Period undertaken by the Seller
“Valuation Benchmark Date”	the valuation benchmark date of the Target Assets, i.e. 31 March 2024
“Working Day(s)”	working days in the PRC
“Yantai Port Group”	Shandong Port Yantai Port Group Co., Ltd.
“%”	per cent

DEFINITIONS

In addition, the terms “associate(s)”, “connected person(s)”, “connected transaction(s)”, “controlling shareholder(s)”, “substantial shareholder(s)” and “subsidiary(ies)” shall have the meanings ascribed to them under the Hong Kong Listing Rules.

Based on rounding, the total number of figures presented in this circular may differ slightly from the actual totals.

** The Chinese name(s) of the PRC entities have been translated into English in this circular for reference only. In the event of any discrepancies between the Chinese names of the PRC entities and their respective English translations, the Chinese version shall prevail.*

LETTER FROM THE BOARD



青岛港国际股份有限公司
QINGDAO PORT INTERNATIONAL CO., LTD.

Qingdao Port International Co., Ltd.

青島港國際股份有限公司

(A joint stock company established in the People's Republic of China with limited liability)

(Stock Code: 06198)

Executive Directors:

Mr. SU Jianguang (*Chairman*)
Mr. ZHANG Baohua (*General Manager*)

Non-executive Directors:

Mr. LI Wucheng (*Vice Chairman*)
Mr. ZHU Tao
Mr. CUI Liang
Ms. WANG Fuling

Independent non-executive Directors:

Ms. LI Yan
Mr. JIANG Min
Mr. LAI Kwok Ho

Registered Office:

No. 12 Jingba Road
Huangdao District
Qingdao
Shandong Province
PRC

Principal Place of Business in Hong Kong:

31/F, Tower Two, Times Square
1 Matheson Street
Causeway Bay
Hong Kong

7 March 2025

To the Shareholders

Dear Sir/Madam,

CONNECTED TRANSACTION AND DISCLOSEABLE TRANSACTION INVOLVING THE ACQUISITION OF TARGET ASSETS

I. INTRODUCTION

References are made to the circular of the Company dated 15 August 2024 and the poll results announcement of the general meeting dated 13 September 2024, in relation to the major transaction and connected transactions involving the Previous Restructuring Plan. Reference is also made to the announcement of the Company dated 21 February 2025, in relation to the Company's adjustments to the Previous Restructuring Plan and the Transaction.

The Company entered into the Asset Purchase Agreement on 21 February 2025 with Rizhao Port Group, pursuant to which, the Company conditionally agreed to acquire the Target Assets by cash.

The purpose of this circular is, among other things, to provide you with further details of the Transaction, together with other information reasonably necessary to enable you to make an informed decision on whether to vote for or against the resolution to be proposed at the EGM.

LETTER FROM THE BOARD

II. DETAILS OF THE TRANSACTION

1. Introduction

As a result of the adjustments to the Previous Restructuring Plan, the Company entered into the Asset Purchase Agreement on 21 February 2025 with Rizhao Port Group, pursuant to which, the Company conditionally agreed to acquire the Target Assets by cash, with a total consideration of RMB4,628.65 million.

2. Asset Purchase Agreement

The principal terms of the Asset Purchase Agreement are as follows:

Date:	21 February 2025
Parties:	(1) the Company (as a buyer); and (2) Rizhao Port Group (as a seller).
Target Assets:	100% equity interests in Oil Company and 50.00% equity interests in Rizhao Shihua
Consideration:	Based on the valuation results confirmed by the income approach in the Asset Valuation Reports issued by China United Appraisal and filed with Shandong Port Group on the Valuation Benchmark Date of 31 March 2024, the parties determined the total consideration of the transfer of the Target Assets is RMB4,628.65 million after arm's length and friendly negotiations. The details are as follows:

Unit: RMB0'000

No.	Target Assets	Book value of net assets of Target Companies	Appraised value of 100% equity interests of Target Companies	Appraised value of the Target Assets	Appreciation rate/premium rate	Consideration
1.	100% Equity Interests in Oil Company	250,139.61	283,785.39	283,785.39	13.45%	283,785.39
2.	50.00% Equity Interests in Rizhao Shihua	224,962.07	358,159.21	179,079.61	59.21%	179,079.61
	Total	475,101.68	641,944.60	462,865.00	-	462,865.00

LETTER FROM THE BOARD

The Company still adopted the Asset Valuation Reports with the Valuation Benchmark Date of 31 March 2024 as the basis for the pricing of the Transaction, mainly due to the following factors: 1) there already existed the asset valuation reports with the same Valuation Benchmark Date for the same transaction purpose which can serve as the pricing basis for the Target Assets, and for the period from the Valuation Benchmark Date to 31 December 2024, the actual profits and related financial data of the Target Assets were substantially consistent with the financial data relating to future cash flows projected in the Asset Valuation Reports at the issuance time; 2) pursuant to the existing circumstance, there has been no material change in the assumptions for valuation of the Target Assets by the income approach, which are substantially consistent with the assumptions made in the Asset Valuation Reports; and 3) there have been no significant subsequent events affecting the continued stability of the Target Assets' operations, i.e. the pricing basis of the Asset Valuation Reports has not changed materially. Based on the above, the Board (including the independent non-executive Directors) is of the view that the adoption of the valuation results in the Asset Valuation Reports as the pricing basis for the Transaction remains fair and reasonable, is in the interests of the Company and the Shareholders as a whole, and will benefit the promotion and completion of the Transaction as soon as possible.

Payment Method:

The cash consideration for 100% equity interest in Oil Company is RMB2,837.8539 million and the cash consideration for 50.00% equity interest in Rizhao Shihua is RMB1,790.7961 million. The Company shall pay the cash consideration within 30 Working Days after the Closing Date. The Transaction will be financed by the Company's own or self-financing funds, such as bank loans.

LETTER FROM THE BOARD

**Conditions Precedent
for Effectiveness of
the Asset Purchase
Agreement:**

The Asset Purchase Agreement shall come into force on the date on which all the following conditions precedent are fulfilled or satisfied:

- (i) The Asset Purchase Agreement shall be signed and sealed by the Company and the Seller (with the official seal of the enterprise's legal person and the signature of its legal representative or authorized representative);
- (ii) the valuation results of the Target Assets shall be filed with the competent state-owned assets authorities;
- (iii) the Transaction shall be approved by the Board and the general meeting of the Company;
- (iv) the Transaction shall be approved by the competent decision-making body of each of the Seller;
- (v) obtaining the approval from the Hong Kong Stock Exchange for the circular in relation to the Transaction; and
- (vi) the competent state-owned assets authorities shall approve the Transaction.

The above conditions precedent shall not be waived and there is no due date for the conditions precedent. As at the Latest Practicable Date, the conditions precedent items (i), (ii), (iv) and (v) have been fulfilled.

**Attribution of Gains
and Losses for the
Transitional
Period:**

The transitional period is the period from the Valuation Benchmark Date (i.e. 31 March 2024, excluding the Valuation Benchmark Date) to the Closing Audit Reference Date (including the Closing Audit Reference Date) of the Transaction.

Both parties agreed to conduct a specific audit of the gains and losses during the transitional period of the Target Companies within 90 days after the Closing Date in accordance with the Asset Purchase Agreement.

LETTER FROM THE BOARD

The Company shall be entitled to the corresponding portion of the increase in the net assets of the Target Assets due to profits or other reasons during the transitional period, and the corresponding portion of the decrease in the net assets of the Target Assets due to losses or other reasons during the transitional period shall be compensated by the Seller to the Company, after the closing and within 10 Working Days from the date of the issuance of the above-mentioned specific audit reports, and in cash or in a manner permitted by laws and regulations. The amount of such compensation shall be determined based on the contents of the above-mentioned specific audit reports.

The Company is not able to calculate the expected amount of gains and losses during the transitional period because the Closing Audit Reference Date can not be confirmed as at the Latest Practicable Date. Assuming the Closing Audit Reference Date was 31 December 2024, the gains during the transitional period would be approximately RMB203,184,820.60, which were calculated based on the aggregate amount of 50% of the net profit of Rizhao Shihua and 100% of the net profit attributable to shareholders of Oil Company for the period both commencing from 1 April 2024 to 31 December 2024.

Closing:

After the conditions precedent of the Asset Purchase Agreement are fulfilled, the Seller shall transfer the Target Assets to the Company pursuant to the provisions of the Asset Purchase Agreement, and the Company shall pay the cash consideration to the Seller pursuant to the provisions of the Asset Purchase Agreement.

The rights and risks of each of the Target Assets shall be transferred from the Closing Date. The Company shall become a shareholder of each of the Target Companies from the Closing Date and enjoy the full shareholder's rights of such equity interests, and the risks of each of the Target Assets shall be borne by the Company from the Closing Date.

LETTER FROM THE BOARD

Within 15 Working Days after all the conditions precedent stipulated in the Asset Purchase Agreement are fulfilled, the Seller shall cooperate with the Company to sign all the documents required for the transfer of the Target Assets to the Company in accordance with the constitutional documents of each of the Target Companies and relevant requirements of laws, regulations and regulatory documents, urge each of the Target Companies to submit the equity change registration documents of the Target Assets to the administration for market supervision where it is registered, and shall complete the corresponding equity change registration procedures no later than 15 Working Days after application to the competent administration for market supervision.

The Company shall pay the cash consideration within 30 Working Days after the Closing Date.

**Claims and Debts,
Employee
Placement and
Other
Arrangements:**

After the completion of the Transaction, the claims and debts of each of the Target Companies will continue to be enjoyed and borne by each of the Target Companies. The Seller should urge each of the Target Companies to take necessary actions to ensure that the Transaction will not affect the realization and performance of such claims and debts.

The debts and responsibilities of each of the Target Companies arising after the Closing Date due to events before the Closing Date (except for items that have been disclosed to the Company by the Seller or the Target Companies, or items that have been reflected in the financial report/audit report of each of the Target Companies) shall ultimately be borne by the Seller.

The existing employees of each of the Target Companies will continue to be retained in the Target Companies, and the existing labour relations shall remain unchanged. Each of the Target Companies will continue to assume all responsibilities of such employees, unless otherwise agreed by relevant parties.

3. Compensation Agreement

On 21 February 2025, the Company entered into the Compensation Agreement with the Seller, pursuant to which, the Seller agreed to provide performance undertakings and make compensation, if necessary, in respect of the Target Assets. All of the Target Assets in the Transaction are appraised by the income approach and priced based on the valuation results.

LETTER FROM THE BOARD

The principal terms of the Compensation Agreement are as follows:

Date: 21 February 2025

Parties: (1) the Company; and
(2) Rizhao Port Group.

Scope of Performance Undertakings Assets: *Unit: RMB0'000*

Performance Undertakings Assets	Scope of assets appraised by the income approach	Appraised value	Percentage of equity placed	Consideration in the Transaction
Oil Company	Net assets	283,785.39	100%	283,785.39
Rizhao Shihua	Net assets	358,159.21	50.00%	179,079.61

Performance Undertakings Period: Both parties have agreed that the Performance Undertakings Period for the Transaction shall be three consecutive fiscal years from the Closing Date (including the year of the Closing Date).

Predictive Performance Indicators: According to the Asset Valuation Reports and the valuation statements, in each of the years from 2025 to 2027, each of the Performance Undertakings Assets is expected to realize the following Predictive Net Profits:

Unit: RMB0'000

Performance Undertakings Assets	2025	2026	2027
Oil Company	17,560.78	19,236.63	22,249.21
Rizhao Shihua	28,866.49	28,790.42	28,863.17

LETTER FROM THE BOARD

**Undertakings
Performance
Indicators:**

Based on the above Predictive Net Profits, the Seller undertakes that the cumulative net profits recorded by each of the Performance Undertakings Assets as at the end of each year during the Performance Undertakings Period shall not be less than the cumulative Predictive Net Profits of such Performance Undertakings Asset as at the end of that year, in the specific amounts set out below:

Unit: RMB0'000

Performance Undertakings Assets	Cumulative Undertaken Net Profits		
	2025	2026	2027
Oil Company	17,560.78	36,797.41	59,046.62
Rizhao Shihua	28,866.49	57,656.91	86,520.08

The above “net profit” is the net profit attributable to the owners of the parent company after deducting the non-recurring profit or loss audited by a certified public accountant in compliance with the requirements of the Securities Law. The Cumulative Undertaken Net Profits are determined by adding up the Predictive Net Profits each year. The Predictive Net Profits are determined mainly based on the forecast results of the income statement items below:

1. The revenue during the forecast period: The forecast is mainly based on the business scope and qualifications of the Target Companies, combined with the actual operating conditions of previous years, future market customer demand, terminal stevedoring capacity, warehousing storage capacity, pipeline transportation capacity, etc.
2. The cost in the forecast period: The forecast is mainly based on factors such as cost composition and gross profit margin level in the historical period.

LETTER FROM THE BOARD

3. The management expenses in the forecast period: The management expenses in the forecast period mainly include employee salaries, depreciation, amortization, travel and business entertainment expenses, etc. Employee salaries are predicted based on the wage payment standard of the enterprise and the Target Company's expected salary increase; depreciation and amortization are predicted according to the enterprise's original value of fixed assets and intangible assets, and the provision standard of depreciation period; travel expenses, business entertainment expenses and other expenses are predicted based on historical amounts combined with business revenue scale.
4. The financial expenses in the forecast period: The corresponding interest-bearing debt costs are predicted with reference to the enterprise's business scale, financing and repayment plan and existing financing interest rate, etc.
5. Taxes and surcharges: The transferring tax is predicted based on the difference between input tax and output tax expected to be generated in the course of enterprise operation; the corresponding urban construction tax, education surcharges, local education surcharges and other taxes are predicted based on the applicable tax rates of the Target Companies; other property tax and land use tax, etc., are predicted based on the applicable payment standards on the Valuation Benchmark Date.
6. Income tax expenses in the forecast period: The forecast is predicted based on the applicable tax rates of the Target Companies.

**Differences Between
Actual
Performance and
Performance and
the Compensation
Undertakings:**

Both parties agreed that the Company shall, at the end of each fiscal year during the Performance Undertakings Period, engage an auditing institution to conduct an audit of the net profit recorded by each of the Performance Undertakings Assets. If the cumulative net profit recorded by any of the Performance Undertakings Assets at the end of each year of the Performance Undertakings Period fails to meet the Undertakings Performance Indicators, the Seller will be required to compensate the Company.

LETTER FROM THE BOARD

**Method of
Performance
Compensation and
Calculation
Formula:**

During the Performance Undertakings Period, if the above agreed events occurred under which the Seller shall hold the responsibility of compensation to the Company, the Seller shall compensate the Company in the following manner:

- (1) The formula for calculating the amount of the compensation payable by the Seller during the Performance Undertakings Period is as follows:

$$A = \frac{(B - C)}{D} \times E - F$$

A = the amount of compensation payable by the Seller in respect of such Performance Undertakings Asset for the current period

B = the accumulated Undertaken Net Profit of such Performance Undertakings Assets as at the end of the current period

C = the cumulative actual net profit/loss (as the case may be) of the Performance Undertakings Assets as at the end of the current period

D = the Cumulative Undertaken Net Profit of such Performance Undertakings Asset as at the end of the Performance Undertakings Period

E = the consideration received by the Seller for such Performance Undertakings Asset under the Transaction

F = the cumulative amount of compensation paid by the Seller in respect of such Performance Undertaking Assets as at the end of the current period

LETTER FROM THE BOARD

The profit for the current period for each of the Performance Undertakings Assets will be calculated separately. If several Performance Undertakings Assets held by the Seller fail to meet the Undertakings Performance Indicators, the aggregate amount of compensation payable for the current period by the Seller shall be the aggregate amount of compensation payable for the current period of those Performance Undertakings Assets that have not met the Undertakings Performance Indicators calculated in accordance with the above formula.

- (2) The above compensation is calculated on a yearly basis, and if $C < B$ as of the end of any undertaking year, the compensation shall be made in accordance with the above formula. In the case of year-by-year compensation, if $A < 0$ as calculated for each year, the value of A shall be taken as 0, i.e. cash already paid as compensation shall not be set off against each other.

**Compensation for
Impairment Test:**

Upon the expiry of the Performance Undertakings Period, the Company will conduct an impairment test for each of the Performance Undertakings Assets and issue an impairment test report, respectively. The Company shall engage an auditing institution to issue a specific audit opinion on the impairment test reports. If the impairment amount of a Performance Undertakings Asset at the end of the Performance Undertakings Period is more than the amount of compensation payable by the Seller in respect of such Performance Undertakings Asset for the current period, the Seller shall separately compensate the Company in respect of such Performance Undertakings Asset, and the specific compensation arrangements are set out below:

If $L > A$,

$$M = L - A$$

M = additional amount used for compensation

LETTER FROM THE BOARD

L = the amount of impairment of such Performance Undertakings Asset at the end of the period, being the consideration received by the Seller for such Performance Undertakings Asset in the Transaction deducting the comparable appraised value of such Performance Undertakings Asset at the end of the period, and excluding the impact of Shareholders' capital increase, capital reduction, the acceptance of grant and profit distribution during the Performance Undertakings Period

The aggregate amount of compensation for performance undertakings and impairment compensation at the end of the period in respect of the Performance Undertakings Assets to be borne by the Seller shall not exceed the consideration of the Performance Undertakings Assets in the Transaction.

**Implementation of
Compensatory
Measures:**

If the Seller is required to make cash compensation to the Company pursuant to the Compensation Agreement, the Company shall determine the amount of compensation payable by the Seller for the current period within 60 days of the issuance of a special audit opinion by the auditing institution in respect of the actual performance of the Performance Undertakings Assets or the impairment test of the corresponding assets, and notify the Seller in writing. The Seller shall pay the cash compensation for the current period to the Company in a lump sum within 30 Working Days upon receipt of the Company's written notice.

**Effectiveness of the
Compensation
Agreement:**

The Compensation Agreement shall be established on the date of the signatures and seals of both parties and become effective on the date of the Asset Purchase Agreement taking effect.

The Company will comply with the applicable disclosure requirements under Rule 14.36B and Rule 14A.63 of the Hong Kong Listing Rules in the event that any performance guarantee as set out in the Compensation Agreement is not met by the Seller.

4. Profit Forecast

China United Appraisal conducted an independent valuation of the Target Assets. As at the Valuation Benchmark Date, the appraised value of the 100% equity interests of the Target Companies and their subsidiaries and certain associated companies (the "**Profit Forecast Targets**") is determined based on the valuation reports and valuation statements adopting the income approach and considering the cash flow forecast of the relevant businesses, and

LETTER FROM THE BOARD

therefore the valuation of the Profit Forecast Targets constitutes a profit forecast under Rule 14.61 of the Hong Kong Listing Rules. The summary of the Asset Valuation Reports (including the valuation assumptions regarding the above Profit Forecast Targets) is set out in Appendix II to this circular.

Having reviewed the Asset Valuation Reports and taking into account that (i) China United Appraisal has prepared the Asset Valuation Reports and valuation statements in accordance with the procedures, standards, laws and regulations of the PRC in relation to valuation; (ii) China United Appraisal has conducted a review of the financial data, operating data and other relevant data relating to the Target Assets in order to gain a comprehensive understanding of such companies; and (iii) the reasons for adopting the income approach in the valuation, the methods and assumptions adopted by China United Appraisal, the scope of the valuation and its results, the Board is of the view that the valuation results reflect the value of the Target Assets, and are fair and reasonable.

ShineWing has reviewed the calculation method of the discounted cash flow forecast on which the valuation is based, not including the reasonability of the adopted accounting policies and assumptions. The Board has confirmed the profit forecast (including the assumptions) set out in the Asset Valuation Reports and valuation statements about the Profit Forecast Targets was made after due and careful enquiry. The letters from ShineWing and the Board are set out in Appendix III and Appendix IV to this circular, respectively.

5. Information of the Parties of the Transaction and the Target Companies

Information of the Company

The Company is a primary operator of the port of Qingdao. The Group and its joint ventures mainly provide handling and ancillary services of containers, iron ore, coal, crude oil and other goods, logistics and port value-added services, port ancillary services and other services. As at the Latest Practicable Date, the de facto controller of the Company is Shandong SASAC.

Information of Rizhao Port Group

Rizhao Port Group is a company established in the PRC with limited liability in February 2004 and a wholly-owned subsidiary of Shandong Port Group. It is principally engaged in port operation, port industry investment, port infrastructure construction, port and shipping ancillary services and other businesses at the port of Rizhao. As at the Latest Practicable Date, the de facto controller of Rizhao Port Group is Shandong SASAC.

LETTER FROM THE BOARD

Information of Oil Company

Oil Company is a company established in the PRC with limited liability in April 2004 and a wholly-owned subsidiary of Rizhao Port Group. It is principally engaged in liquid bulk port handling, tank storage and other businesses. As at the Latest Practicable Date, the de facto controller of Oil Company is Shandong SASAC.

The audited financial data of Oil Company for the two financial years ended 31 December 2023 and nine months ended 30 September 2024 were as follows:

	For the nine months ended 30 September 2024 (RMB0'000)	For the year ended 31 December 2023 (RMB0'000)	For the year ended 31 December 2022 (RMB0'000)
Net profit before taxation	11,288.68	18,595.66	23,014.81
Net profit after taxation	9,121.76	14,462.71	18,489.15

The following table sets out the shareholding structure of Oil Company before and after completion of the Transaction:

Name of the Shareholder	Shareholding before completion of the Transaction	Shareholding after completion of the Transaction
Rizhao Port Group	100%	0
Company	0	100%

Information of Rizhao Shihua

Rizhao Shihua is a company established in the PRC with limited liability in June 2010 and a joint venture of Rizhao Port Group and Sinomart Development. It is principally engaged in liquid bulk port handling business. As at the Latest Practicable Date, Rizhao Shihua is held as to 50% and 50% equity interests by Rizhao Port Group and Sinomart Development, respectively, and the de facto controller of each of Rizhao Port Group and Sinomart Development is Shandong SASAC and SASAC, respectively.

LETTER FROM THE BOARD

The audited financial data of Rizhao Shihua for the two financial years ended 31 December 2023 and nine months ended 30 September 2024 were as follows:

	For the nine months ended 30 September 2024 (RMB0'000)	For the year ended 31 December 2023 (RMB0'000)	For the year ended 31 December 2022 (RMB0'000)
Net profit before taxation	29,880.13	39,221.48	36,135.89
Net profit after taxation	22,408.41	30,886.21	28,450.41

The following table sets out the shareholding structure of Rizhao Shihua before and after completion of the Transaction:

Name of the Shareholder	Shareholding before completion of the Transaction	Shareholding after completion of the Transaction
Sinomart Development	50%	50%
Rizhao Port Group	50%	0
Company	0	50%

III. REASONS FOR AND BENEFITS OF THE TRANSACTION

Prior to the Transaction, the Group was principally engaged in the stevedoring of various types of cargoes such as containers, dry bulk cargoes and oil products, as well as port ancillary services.

Due to the reasons such as slower-than-expected progress in resolving bankruptcy matters of certain important clients of Shandong United Energy Pipeline Transportation Co., Ltd.* (山東聯合能源管道輸送有限公司) and Shandong Gangyuan Pipeline Logistics Co., Ltd.* (山東港源管道物流有限公司), the target companies in the Previous Restructuring Plan, in order to safeguard the interests of the Company and the minority Shareholders, after full discussion and prudent deliberation among all the parties, the Company decided to make adjustments to the Previous Restructuring Plan. After the adjustments, the Company will only acquire 100% equity interests in Oil Company and 50.00% equity interests in Rizhao Shihua held by Rizhao Port Group by cash.

The Transaction is an important measure taken by Shandong Port Group to resolve horizontal competition issues. Rizhao Port Group's high-quality liquid bulk cargo terminal assets will be injected into the Company through the Transaction, which will be conducive to utilizing the synergistic effects of related businesses, optimizing the allocation of port resources in Shandong Province, improving the comprehensive utilization of port resources, avoiding wastage of resources, mitigating horizontal competition and safeguarding the interests of the Company and its Shareholders.

LETTER FROM THE BOARD

IV. HONG KONG LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Hong Kong Listing Rules) of the Transaction exceeds 5% but is less than 25%, the Transaction will constitute a discloseable transaction of the Company under Chapter 14 of the Hong Kong Listing Rules, which is subject to the reporting and announcement requirements.

As at the Latest Practicable Date, Shandong Port Group is an indirect controlling shareholder of the Company and therefore is a connected person of the Company. As Rizhao Port Group is a wholly-owned subsidiary of Shandong Port Group, Rizhao Port Group is an associate of Shandong Port Group and a connected person of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules. Therefore, the Transaction will constitute a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules, which is subject to the reporting, announcement and Independent Shareholders' approval requirements.

Completion of the Transaction will not result in a change of right of control over the Company. Upon completion of the Transaction, Shandong Port Group will remain an indirect controlling shareholder of the Company, and Shandong SASAC will remain the de facto controller of the Company. Upon completion of the Transaction, Oil Company will become a subsidiary of the Company and its financial statements will be included into the consolidated financial statements of the Group, and Rizhao Shihua will become a joint venture of the Company.

Each of Mr. SU Jianguang, Mr. LI Wucheng, Mr. ZHANG Baohua, Mr. CUI Liang and Ms. WANG Fuling has abstained from voting on the relevant Board resolution in respect of the Transaction to be considered and approved, due to the potential conflict of interests as a result of his/her directorships or positions in Shandong Port Group and/or certain subsidiaries of Shandong Port Group pursuant to Rule 13.44 of the Hong Kong Listing Rules. Save as disclosed above, none of the Directors attending the Board meeting has a material interest in or is required to abstain from voting on the relevant Board resolution.

V. RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders (if applicable) set out on page 25 of this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Transaction.

A letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders as to the fairness and reasonableness of the Transaction and whether it is in the interests of the Company and the Shareholders as a whole is set out on pages 26 to 52 of this circular.

LETTER FROM THE BOARD

After considering the advice and recommendation of the Independent Financial Adviser, the Independent Board Committee is of the view that although the Transaction is not in the ordinary and usual course of business of the Group, (i) the Transaction is on normal commercial terms; and (ii) the Transaction is fair and reasonable so far as the Shareholders are concerned and in the interests of the Company and the Independent Shareholders as a whole, and therefore, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolution in relation to the Transaction to be proposed at the EGM.

The Board (including the independent non-executive Directors) is of the view that the Transaction, although not in the ordinary and usual course of business of the Group, is on normal commercial terms, fair and reasonable and in the interests of the Company and Shareholders as a whole. Therefore, the Directors recommend the Shareholders to vote in favour of the resolution to be proposed at the EGM as set out in the notice of the EGM, and authorize the chairman and vice-chairman of the Company to decide and take all necessary actions, as appropriate, to enable the Transaction to comply with the relevant regulations and requirements of the listing rules of the place where the Company's shares are listed, including but not limited to making corresponding adjustments to the specific plan of the Transaction, implementing the Transaction, etc.

VI. CLOSURE OF REGISTER OF MEMBERS AND ASCERTAINING OF ELIGIBILITY FOR ATTENDING THE EGM

In order to determine the eligibility of Shareholders of H Shares who are entitled to attend the EGM, the H Share register of the Company will be closed from Tuesday, 25 March 2025 to Friday, 28 March 2025 (both days inclusive), during which no H Share transfer will be registered. The Shareholders whose names appear on the register of shareholders of H shares of the Company on Friday, 28 March 2025 are entitled to attend and vote at the EGM. Holders of the Company's H Shares who wish to attend the EGM but have not registered the transfer documents are required to deposit the transfer documents together with the relevant share certificates at the H Share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Monday, 24 March 2025 for registration.

VII. EGM

A notice convening the EGM to be held at the Conference Room, Shandong Port Tower, No. 7 Gangji Road, City North District, Qingdao, Shandong Province, the PRC on Friday, 28 March 2025 at 11:00 a.m. together with the relevant proxy form, has been published on the website of Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the website of the Company (<http://www.qingdao-port.com>). If you intend to appoint a proxy to attend the EGM, you are requested to complete and return the proxy form in accordance with the instructions printed thereon not less than 24 hours before the time designated for holding the EGM or any adjournment thereof, (i.e. by Thursday, 27 March 2025 at 11:00 a.m.) (as the case may be). Completion and return of the proxy form will not preclude you from attending and voting at the EGM should you so wish.

LETTER FROM THE BOARD

Qingdao Port Group (a subsidiary of Shandong Port Group) and its associates (holding a total of 3,522,179,000 A Shares and 97,924,000 H Shares, representing 55.77% of the total issued share capital of the Company) are required to abstain from voting on the resolution in relation to the Transaction to be proposed at the EGM.

To the best of the Directors' information, knowledge and belief, after having made all reasonable enquiries, save for the aforesaid, no Shareholder is required to abstain from voting on resolution in relation to Transaction at the EGM.

The resolution proposed at the EGM will be voted by poll.

VIII. OTHER INFORMATION

Your attention is drawn to the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders, the letter from the Independent Board Committee containing its recommendation to the Independent Shareholders and the other information set out in the Appendixes to this circular.

By order of the Board
Qingdao Port International Co., Ltd.
SU Jianguang
Chairman



青島港國際股份有限公司
QINGDAO PORT INTERNATIONAL CO., LTD.

Qingdao Port International Co., Ltd.

青島港國際股份有限公司

(A joint stock company established in the People's Republic of China with limited liability)

(Stock Code: 06198)

7 March 2025

To the Independent Shareholders

Dear Sir/Madam,

**CONNECTED TRANSACTION AND DISCLOSEABLE TRANSACTION
INVOLVING THE ACQUISITION OF TARGET ASSETS**

Reference is made to the circular of the Company dated 7 March 2025 (the “**Circular**”) of which this letter forms part. The terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

We have been appointed to form the Independent Board Committee to advise the Independent Shareholders in respect of the Transaction, details of which are set out in the letter from the Board in the Circular. Upon the approval of the Independent Board Committee, Somerley has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Transaction.

Having considered, among other things, the principal factors and reasons considered by the Independent Financial Adviser and its advice as set out in the “Letter from the Independent Financial Adviser” in the Circular, we concur with the view of the Independent Financial Adviser and consider that although the Transaction is not in the ordinary and usual course of business of the Group, (i) the Transaction is on normal commercial terms; and (ii) the Transaction is fair and reasonable so far as the Shareholders are concerned and in the interests of the Company and the Independent Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM in relation to the Transaction.

Yours faithfully,

Representing Independent Board Committee

LI Yan

*Independent Non-executive
Director*

JIANG Min

*Independent Non-executive
Director*

LAI Kwok Ho

*Independent Non-executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of the letter of advice from Somerley Capital Limited, the Independent Financial Adviser, to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



SOMERLEY CAPITAL LIMITED

20th Floor
China Building
29 Queen's Road Central
Hong Kong

7 March 2025

To: the Independent Board Committee and Independent Shareholders

Dear Sirs,

CONNECTED TRANSACTION AND DISCLOSEABLE TRANSACTION INVOLVING THE ACQUISITION OF TARGET ASSETS

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in connection with the Transaction, details of which are set out in the letter from the Board of the circular of the Company dated 7 March 2025 (the “**Circular**”), of which this letter forms a part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

References are made to the circular of the Company dated 15 August 2024 and the poll results announcement of the general meeting dated 13 September 2024, in relation to the major transaction and connected transactions involving the Previous Restructuring Plan. On 21 February 2025, the Company published an announcement in relation to the adjustments to the Previous Restructuring Plan and the Transaction. On 21 February 2025, the Company entered into the Asset Purchase Agreement with Rizhao Port Group, pursuant to which, the Company conditionally agreed to acquire 100% equity interests in Oil Company and 50.00% equity interests in Rizhao Shihua from Rizhao Port Group by cash, with a total consideration of RMB4,628.65 million.

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Hong Kong Listing Rules) of the Transaction exceeds 5% but is less than 25%, the Transaction will constitute a discloseable transaction of the Company under Chapter 14 of the Hong Kong Listing Rules, which is subject to the reporting and announcement requirements.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, Shandong Port Group is an indirect controlling shareholder of the Company and therefore is a connected person of the Company. As Rizhao Port Group is a wholly-owned subsidiary of Shandong Port Group, Rizhao Port Group is an associate of Shandong Port Group and a connected person of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules. Therefore, the Transaction will constitute a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules, which is subject to the reporting, announcement and Independent Shareholders' approval requirements.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Ms. LI Yan, Mr. JIANG Min and Mr. LAI Kwok Ho, has been established to advise the Independent Shareholders in relation to the Transaction. We, Somerley Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

We are not associated with the Company, Rizhao Port Group, Shandong Port Group or their respective core connected persons or associates. In the past two years prior to this appointment, saved for our engagement as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders of the Company in relation to the (i)(a) the purchase of goods and services by the Group from Shandong Port Group and the sales of goods and services by the Group to Shandong Port Group under the 2024 SDP Goods and Services Agreement and the respective proposed annual caps contemplated thereunder; (b) the provision of deposit services by Shandong Port Group to the Group under the 2024 SDP Financial Services Agreement and the proposed annual caps contemplated thereunder; and (c) the sales of goods and services by the Group to COSCO SHIPPING Group under the 2024 COSCO SHIPPING Goods and Services Agreement and the proposed annual caps contemplated thereunder, as defined and set out in the circular of the Company dated 22 November 2023; and (ii) the Previous Restructuring Plan as disclosed in the circular of the Company dated 15 August 2024, there was no engagement between the Group and us. The aforementioned transactions for which we were engaged to provide independent advice on are not related to the Transaction. Apart from normal professional fees paid or payable to us in connection with the aforementioned past engagement and this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, Rizhao Port Group, Shandong Port Group or their respective core connected persons or associates. Accordingly, we are independent pursuant to Rule 13.84 of the Hong Kong Listing Rules and are considered eligible to give independent advice on the Transaction.

In formulating our opinion and advice, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Company, which we have assumed to be true, accurate and complete in all material aspects. We have reviewed the information of the Company, among other things, (i) the annual report of the Company for the year ended 31 December 2023 (the **"2023 Annual Report"**) and the third quarterly report of the Company for the nine months ended 30 September 2024 (the **"2024 Third Quarterly Report"**); (ii) the announcements of the Company dated 30 June 2023, 9 July 2024, 12 July 2024 and 21 February 2025, and the circular of the Company dated 15 August 2024, in relation to, among others, the Previous Restructuring Plan and the Transaction; (iii) the Asset Valuation

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Reports with the Valuation Benchmark Date of 31 March 2024 issued by China United Appraisal; and (iv) other information contained in the Circular. We also have sought and received confirmation from the Company that no material facts have been omitted from the information supplied and opinions expressed to us were not misleading in any material aspects. We consider that the information we have received is sufficient for us to reach our opinion and give our advice and recommendation set out in this letter. We have no reason to believe that any material information has been omitted or withheld, or to doubt the truth or accuracy of the information provided. We have, however, not conducted any independent investigation into the business and affairs of the Group, Rizhao Port Group, Shandong Port Group or any of their respective associates or any party acting, or presumed to be acting, in concert with any of them, nor have we carried out any independent verification of the information supplied. We have also assumed that all representations contained or referred to in the Circular were true at the time they were made and at the date of the Circular and will continue to be true up to the time of the EGM, and Shareholders will be informed of any material change as soon as possible.

1. Information of the Group and the Target Companies

1.1 Information of the Group

The Company is a primary operator of the port of Qingdao. The Group and its joint ventures mainly provide handling and ancillary services of containers, iron ore, coal, crude oil and other goods, logistics and port value-added services, port ancillary services and other services. As at the Latest Practicable Date, the de facto controller of the Company is Shandong SASAC.

Set out below is the summary of the financial information of the Group for the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2023 and 2024 as extracted from the 2023 Annual Report and 2024 Third Quarterly Report:

	For the nine months ended 30 September		For the year ended 31 December	
	2024	2023	2023	2022
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Audited)	(Audited)
Revenue	13,978,036	13,658,507	18,173,128	19,262,765
Total Profit	5,304,918	5,202,476	6,789,744	6,555,653
Net profit attributable to shareholders of the Company	3,931,419	3,788,195	4,923,322	4,528,240

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For the two years ended 31 December 2022 and 2023

For the years ended 31 December 2022 and 2023, the Group recorded a revenue of approximately RMB19,262.8 million and RMB18,173.1 million respectively, representing a decrease of approximately 5.66%. As disclosed in the 2023 Annual Report, the decrease in revenue was mainly due to a decrease in the revenue from freight forwarding business of the logistics and port value-added services segment arising from the reduction of ocean freight rates, and a decrease in the revenue from port machinery manufacturing arising from Qingdao Port Equipment Manufacturing Co., Ltd. changed into an associate from a subsidiary of the Company at the end of 2022. The Group's total profit for the year ended 31 December 2023 amounted to approximately RMB6,789.7 million, representing an increase of approximately 3.57% as compared to that of approximately RMB6,555.7 million for the prior year, mainly due to the increase in profit from the container handling and ancillary services segment and the liquid bulk handling and ancillary services segment.

Net profits attributable to shareholders of the Company amounted to approximately RMB4,923.3 million for the year ended 31 December 2023, representing an increase of approximately 8.73%, as compared to that of approximately RMB4,528.2 million for the previous year, mainly due to the increase in profit from the container handling and ancillary services segment and the liquid bulk handling and ancillary services segment.

For the nine months ended 31 September 2023 and 2024

For the nine months ended 30 September 2023 and 2024, the Group recorded a revenue of approximately RMB13,658.5 million and RMB13,978.0 million respectively, representing an increase of approximately 2.34%.

The Group's total profit for the nine months ended 30 September 2024 amounted to approximately RMB5,304.9 million, representing an increase of approximately 1.97% as compared to that of approximately RMB5,202.5 million for the same period in the prior year.

Net profits attributable to shareholders of the Company amounted to approximately RMB3,931.4 million for the nine months ended 30 September 2024, representing an increase of approximately 3.78%, as compared to that of approximately RMB3,788.2 million for the same period in prior year.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the summary of the financial position of the Group as at 31 December 2022, 2023 and 30 September 2024 as extracted from the 2023 Annual Report and 2024 Third Quarterly Report:

	As at 30 September 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)	2022 RMB'000 (Audited) (Restated)
Total assets	61,734,127	60,245,861	57,475,893
Total liabilities	15,229,049	15,707,198	16,198,992
Total Shareholders' equity	46,505,078	44,538,663	41,276,900

As at 30 September 2024, the Group's total assets amounted to approximately RMB61,734.1 million, mainly comprised of (i) fixed assets of approximately RMB23,127.7 million, (ii) long-term equity investments of approximately RMB14,198.3 million, and (iii) cash at bank and on hand of approximately RMB11,980.5 million.

As at 30 September 2024, the Group's total liabilities amounted to approximately RMB15,229.0 million, mainly comprised of (i) other payables of approximately RMB3,838.7 million, (ii) employee benefits payable of approximately RMB3,074.9 million, (iii) other liabilities of approximately RMB1,942.1 million, (iv) borrowings of approximately RMB2,358.4 million, and (v) accounts payable of approximately RMB1,476.1 million.

As at 30 September 2024 and 31 December 2023, the Group's total Shareholders' equity amounted to approximately RMB46,505.1 million and RMB44,538.7 million, respectively, representing an increase of approximately 4.42%.

In our view, based on the above analysis, the Group has financed its growth prudently and retained a satisfactory financial position.

1.2 Information of Rizhao Port Group

Rizhao Port Group is a company established in the PRC with limited liability in February 2004 and a wholly-owned subsidiary of Shandong Port Group. It is principally engaged in port operation, port industry investment, port infrastructure construction, port and shipping ancillary services and other businesses at the port of Rizhao. As at the Latest Practicable Date, the de facto controller of Rizhao Port Group is Shandong SASAC.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

1.3 Information of Oil Company

Oil Company is a company established in the PRC with limited liability in April 2004 and a wholly-owned subsidiary of Rizhao Port Group. It is principally engaged in liquid bulk port handling, tank storage and other businesses. As at the Latest Practicable Date, the de facto controller of Oil Company is Shandong SASAC.

The audited financial data of Oil Company for the two financial years ended 31 December 2023 and nine months ended 30 September 2024 was as follows:

Unit: RMB0'000

	For the nine months ended 30 September 2024	For the year ended 31 December 2023	2022
Revenue	52,572.39	79,509.38	75,833.58
Net profit before taxation	11,288.68	18,595.66	23,014.81
Net profit after taxation	9,121.76	14,462.71	18,489.15

The revenue of Oil Company mainly consists of revenue from liquid bulk handling, liquid bulk storage and port ancillary services. The increase in revenue of Oil Company of approximately 4.85% for the year ended 31 December 2023 compared to the year ended 31 December 2022, remained relatively stable.

The decrease in profit before tax of Oil Company for the year ended 31 December 2023 of approximately 19.20% compared to the year ended 31 December 2022 was mainly due to the receipt of district-level special upgrade policy funds for foreign trade from the Bureau of Statistics in Lanshan District, Rizhao City in 2022, and the negative goodwill generated by the merger of enterprises not under the same control.

The total assets and net assets of Oil Company as of 30 September 2024 were approximately RMB4,190.6669 million and approximately RMB2,641.7080 million, respectively. The assets of Oil Company mainly comprised of fixed assets of approximately RMB2,381.5012 million, intangible assets of approximately RMB580.6763 million and cash at bank and on hand of approximately RMB375.4677 million. The liabilities of Oil Company mainly comprised of long-term borrowings of approximately RMB892.6900 million and long-term payables of approximately RMB259.3728 million.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

1.4 Information of Rizhao Shihua

Rizhao Shihua is a company established in the PRC with limited liability in June 2010 and a joint venture of Rizhao Port Group and Sinomart Development. It is principally engaged in liquid bulk port handling business. As at the Latest Practicable Date, Rizhao Shihua is held as to 50% and 50% equity interests by Rizhao Port Group and Sinomart Development, respectively, and the de facto controller of each of Rizhao Port Group and Sinomart Development is Shandong SASAC and SASAC, respectively.

The audited financial data of Rizhao Shihua for the two financial years ended 31 December 2023 and the nine months ended 30 September 2024 was as follows:

Unit: RMB0'000

	For the nine months ended 30 September 2024	For the year ended 31 December 2023	2022
Revenue	44,930.73	59,161.34	53,960.49
Net profit before taxation	29,880.13	39,221.48	36,135.89
Net profit after taxation	22,408.41	30,886.21	28,450.41

The revenue of Rizhao Shihua mainly included liquid-bulk cargo handling services. The increase in revenue of Rizhao Shihua of approximately 9.64% for the year ended 31 December 2023 compared the year ended 31 December 2022, which was mainly due to the fact that Oil Company and Rizhao Shihua jointly rehearsed the operation process and enhancing the overall operation efficiency by 16%, resulting in an increase in the volume of cargoes received and unloaded.

The increase in profit before tax of Rizhao Shihua for the year ended 31 December 2023 was approximately 8.54% compared to the year ended 31 December 2022, which basically remained stable.

The total assets and net assets of Rizhao Shihua as of 30 September 2024 were approximately RMB2,460.3977 million and RMB2,391.3338 million, respectively. The assets of Rizhao Shihua mainly comprised of fixed assets of approximately RMB2,157.5580 million and cash at bank and on hand of approximately RMB242.0133 million. The liabilities of Rizhao Shihua mainly comprised of accounts payables of approximately RMB36.1697 million and tax payable of approximately RMB22.7705 million.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2. Reasons and benefits of the Transaction

As stated in the letter from the Board of the Circular, prior to the Transaction, the Group was principally engaged in the stevedoring of various types of cargoes such as containers, dry bulk cargoes and oil products, as well as port ancillary services.

Due to the reasons such as slower-than-expected progress in resolving bankruptcy matters of certain important clients of Shandong United Energy Pipeline Transportation Co., Ltd.* (山東聯合能源管道輸送有限公司) and Shandong Gangyuan Pipeline Logistics Co., Ltd.* (山東港源管道物流有限公司), the target companies in the Previous Restructuring Plan, in order to safeguard the interests of the Company and the minority Shareholders, after full discussion and prudent deliberation among all the parties, the Company decided to make adjustments to the Previous Restructuring Plan. After the adjustments, the Company will only acquire 100% equity interests in Oil Company and 50.00% equity interests in Rizhao Shihua held by Rizhao Port Group by cash.

The Transaction is an important measure taken by Shandong Port Group to resolve horizontal competition issues. Rizhao Port Group's high-quality liquid bulk cargo terminal assets will be injected into the Company through the Transaction, which will be conducive to utilizing the synergistic effects of related businesses, optimizing the allocation of port resources in Shandong Province, improving the comprehensive utilization of port resources, avoiding wastage of resources, mitigating horizontal competition and safeguarding the interests of the Company and its Shareholders.

2.1 Industry overview

As set out in the section headed “1. Information of the Group and the Target Companies” above, each of the Group and Rizhao Port Group is principally engaged in, among others, port operation in Qingdao and Rizhao respectively, and each of the Target Companies is engaged in port ancillary or related services. As set out in the paragraph above, the Transaction will be conducive to utilizing the synergistic effects of related businesses, optimizing the allocation of port resources in Shandong Province, improving the comprehensive utilization of port resources, avoiding wastage of resources and mitigating horizontal competition.

In August 2023, the Shandong Provincial Government Office (山東省政府辦公廳) published the “Three-Year Action Plan for the Construction of a World-class Port Group in Shandong Province (2023-2025)” (《山東省世界級港口群建設三年行動方案(2023-2025年)》), in which it was proposed to build a development structure with Qingdao port as the center, being an international hub, and Rizhao port and Yantai port as the two wings. It is also stated that by 2025, the cargo throughput of Shandong coastal ports will exceed 2 billion tons. According to the Ministry of Transport of the PRC (中國交通運輸部), the total cargo throughput of Shandong Province was approximately 1,918.46 million tons in the eleven months ended 30 November 2024, accounting for approximately 11.96% of the total cargo throughput of the country. As two of the major ports in Shandong Province, the cargo throughput of port of Qingdao and port of Rizhao in aggregate accounted for over 60% of the total cargo throughput of Shandong Province.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As discussed with the management of the Company, the Transaction is expected to enhance the comprehensiveness and competitiveness of the Group in the port industry, given (i) the quality of the Target Companies is expected to enhance the financial performance and future growth of the Group's business; and (ii) the expertise of the Group in port operation and related services which is expected to create revenue synergies upon the acquisition of the Target Assets.

Taking into account the above and the principal terms, including the consideration of the Target Assets, of the Transaction being fair and reasonable as far as the Independent Shareholders are concerned (as set out in our analysis in the section headed "3. *Principal terms of the Transaction*" below), we are of the view that despite the Transaction is not conducted in the ordinary and usual course of business of the Group, it is in the interests of the Company and the Independent Shareholders as a whole.

3. Principal terms of the Transaction

The Asset Purchase Agreement

As set out in the letter from the Board of the Circular, the principal terms of the Asset Purchase Agreement is as follows:

Date:	21 February 2025
Parties:	(1) the Company (as a buyer); and (2) Rizhao Port Group (as a seller).
Target Assets:	100% equity interests in Oil Company and 50.00% equity interests in Rizhao Shihua.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Consideration:

Based on the valuation results confirmed by the income approach in the Asset Valuation Reports issued by China United Appraisal and filed with Shandong Port Group on the Valuation Benchmark Date of 31 March 2024, the parties determined the total consideration of the transfer of the Target Assets is RMB4,628.65 million after arm's length and friendly negotiations. The details are as follows:

Unit: RMB0'000

No.	Target Assets	Appraised value of		Appraised value of the Target Assets	Appreciation rate/premium	Consideration
		Book value of net assets of Target Companies	100% equity interests of Target Companies			
1.	100% Equity Interests in Oil Company	250,139.61	283,785.39	283,785.39	13.45%	283,785.39
2.	50.00% Equity Interests in Rizhao Shihua	224,962.07	358,159.21	179,079.61	59.21%	179,079.61
	Total	475,101.68	641,944.60	462,865.00	-	462,865.00

The Company still adopted the Asset Valuation Reports with the Valuation Benchmark Date of 31 March 2024 as the basis for the pricing of the Transaction, mainly due to the following factors: (1) there already existed the asset valuation reports with the same Valuation Benchmark Date for the same transaction purpose which can serve as the pricing basis for the Target Assets, and for the period from the Valuation Benchmark Date to 31 December 2024, the actual profits and related financial data of the Target Assets were substantially consistent with the financial data relating to future cash flows projected in the Asset Valuation Reports at the issuance time; (2) pursuant to the existing circumstance, there has been no material change in the assumptions for valuation of the Target Assets by the income approach, which are substantially consistent with the assumptions made in the Asset Valuation Reports; and (3) there have been no significant subsequent events affecting the continued stability of the Target Assets' operations, i.e. the pricing basis of the Asset Valuation Reports has not changed materially. Based on the above, the Board (including the independent non-executive Directors) is of the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

view that the adoption of the valuation results in the Asset Valuation Reports as the pricing basis for the Transaction remains fair and reasonable, is in the interests of the Company and the Shareholders as a whole, and will benefit the promotion and completion of the Transaction as soon as possible.

Payment Method: The cash consideration for 100% equity interest in Oil Company is RMB2,837.8539 million and the cash consideration for 50.00% equity interest in Rizhao Shihua is RMB1,790.7961 million. The Company shall pay the cash consideration within 30 Working Days after the Closing Date. The Transaction will be financed by the Company's own or self-financing funds, such as bank loans.

Conditions Precedent for Effectiveness of the Asset Purchase Agreement: The Asset Purchase Agreement shall come into force on the date on which all the following conditions precedent are fulfilled or satisfied:

- (i) The Asset Purchase Agreement shall be signed and sealed by the Company and the Seller (with the official seal of the enterprise's legal person and the signature of its legal representative or authorized representative);
- (ii) the valuation results of the Target Assets shall be filed with the competent state-owned assets authorities;
- (iii) the Transaction shall be approved by the Board and the general meeting of the Company;
- (iv) the Transaction shall be approved by the competent decision-making body of each of the Seller;
- (v) obtaining the approval from the Hong Kong Stock Exchange for the circular in relation to the Transaction; and
- (vi) the competent state-owned assets authorities shall approve the Transaction.

The above conditions precedent shall not be waived and there is no due date for the conditions precedent. As at the Latest Practicable Date, the conditions precedent items (i), (ii), (iv) and (v) have been fulfilled.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

**Attribution of Gains
and Losses for the
Transitional
Period:**

The transitional period is the period from the Valuation Benchmark Date (i.e. 31 March 2024, excluding the Valuation Benchmark Date) to the Closing Audit Reference Date (including the Closing Audit Reference Date) of the Transaction.

Both parties agreed to conduct a specific audit of the gains and losses during the transitional period of the Target Companies within 90 days after the Closing Date in accordance with the Asset Purchase Agreement.

The Company shall be entitled to the corresponding portion of the increase in the net assets of the Target Assets due to profits or other reasons during the transitional period, and the corresponding portion of the decrease in the net assets of the Target Assets due to losses or other reasons during the transitional period shall be compensated by the Seller to the Company, after the closing and within 10 Working Days from the date of the issuance of the above-mentioned specific audit reports, and in cash or in a manner permitted by laws and regulations. The amount of such compensation shall be determined based on the contents of the above-mentioned specific audit reports.

The Company is not able to calculate the expected amount of gains and losses during the transitional period because the Closing Audit Reference Date can not be confirmed as at the Latest Practicable Date. Assuming the Closing Audit Reference Date was 31 December 2024, the gains during the transitional period would be approximately RMB203,184,820.60, which were calculated based on the aggregate amount of 50% of the net profit of Rizhao Shihua and 100% of the net profit attributable to shareholders of Oil Company for the period both commencing from 1 April 2024 to 31 December 2024.

Closing:

After the conditions precedent of the Asset Purchase Agreement are fulfilled, the Seller shall transfer the Target Assets to the Company pursuant to the provisions of the Asset Purchase Agreement, and the Company shall pay the cash consideration to the Seller pursuant to the provisions of the Asset Purchase Agreement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The rights and risks of each of the Target Assets shall be transferred from the Closing Date. The Company shall become a shareholder of each of the Target Companies from the Closing Date and enjoy the full shareholder's rights of such equity interests, and the risks of each of the Target Assets shall be borne by the Company from the Closing Date.

Within 15 Working Days after all the conditions precedent stipulated in the Asset Purchase Agreement are fulfilled, the Seller shall cooperate with the Company to sign all the documents required for the transfer of the Target Assets to the Company in accordance with the constitutional documents of each of the Target Companies and relevant requirements of laws, regulations and regulatory documents, and urge each of the Target Companies to submit the equity change registration documents of the Target Assets to the administration for market supervision where it is registered, and shall complete the corresponding equity change registration procedures no later than 15 Working Days after application to the competent administration for market supervision.

The Company shall pay the cash consideration within 30 Working Days after the Closing Date.

**Claims and
Debts, Employee
Placement
and Other
Arrangements:**

After the completion of the Transaction, the claims and debts of each of the Target Companies will continue to be enjoyed and borne by each of the Target Companies. The Seller should urge each of the Target Companies to take necessary actions to ensure that the Transaction will not affect the realization and performance of such claims and debts.

The debts and responsibilities of each of the Target Companies arising after the Closing Date due to events before the Closing Date (except for items that have been disclosed to the Company by the Seller or the Target Companies, or items that have been reflected in the financial report/audit report of each of the Target Companies) shall ultimately be borne by the Seller.

The existing employees of each of the Target Companies will continue to be retained in the Target Companies, and the existing labour relations shall remain unchanged. Each of the Target Companies will continue to assume all responsibilities of such employees, unless otherwise agreed by relevant parties.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Compensation Agreement

On 21 February 2025, the Company entered into the Compensation Agreement with the Seller, pursuant to which, the Seller agreed to provide performance undertakings and make compensation, if necessary, in respect of the Target Assets. All of the Target Assets in the Transaction are appraised by the income approach and priced based on the valuation results.

The principal terms of the Compensation Agreement are as follows:

Date: 21 February 2025

Parties: (1) the Company; and
(2) Rizhao Port Group.

Scope of Performance Undertakings Assets: *Unit: RMB0'000*

Performance Undertakings Assets	Scope of assets appraised by the income approach	Appraised value	Percentage of equity placed	Consideration in the Transaction
Oil Company	Net assets	283,785.39	100%	283,785.39
Rizhao Shihua	Net assets	358,159.21	50.00%	179,079.61

Performance Undertakings Period: Both parties have agreed that the Performance Undertakings Period for the Transaction shall be three consecutive fiscal years from the Closing Date (including the year of the Closing Date).

Predictive Performance Indicators: According to the Asset Valuation Reports and the valuation statements, in each of the years from 2025 to 2027, each of the Performance Undertakings Assets is expected to realize the following Predictive Net Profits:

Unit: RMB0'000

Performance Undertakings Assets	2025	2026	2027
Oil Company	17,560.78	19,236.63	22,249.21
Rizhao Shihua	28,866.49	28,790.42	28,863.17

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

**Undertakings
Performance
Indicators:**

Based on the above Predictive Net Profits, the Seller undertakes that the cumulative net profits recorded by each of the Performance Undertakings Assets as at the end of each year during the Performance Undertakings Period shall not be less than the cumulative Predictive Net Profits of such Performance Undertakings Asset as at the end of that year, in the specific amounts set out below:

Unit: RMB0'000

Performance Undertakings Assets	Cumulative Undertaken Net Profits		
	2025	2026	2027
Oil Company	17,560.78	36,797.41	59,046.62
Rizhao Shihua	28,866.49	57,656.91	86,520.08

The above “net profit” is the net profit attributable to the owners of the parent company after deducting the non-recurring profit or loss audited by a certified public accountant in compliance with the requirements of the Securities Law. The Cumulative Undertaken Net Profits are determined by adding up the Predictive Net Profits each year. The Predictive Net Profits are determined mainly based on the forecast results of the income statement items below:

1. The revenue during the forecast period: The forecast is mainly based on the business scope and qualifications of the Target Companies, combined with the actual operating conditions of previous years, future market customer demand, terminal stevedoring capacity, warehousing storage capacity, pipeline transportation capacity, etc.
2. The cost in the forecast period: The forecast is mainly based on factors such as cost composition and gross profit margin level in the historical period.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3. The management expenses in the forecast period: The management expenses in the forecast period mainly include employee salaries, depreciation, amortization, travel and business entertainment expenses, etc. Employee salaries are predicted based on the wage payment standard of the enterprise and the Target Company's expected salary increase; depreciation and amortization are predicted according to the enterprise's original value of fixed assets and intangible assets, and the provision standard of depreciation period; travel expenses, business entertainment expenses and other expenses are predicted based on historical amounts combined with business revenue scale.
4. The financial expenses in the forecast period: The corresponding interest-bearing debt costs are predicted with reference to the enterprise's business scale, financing and repayment plan and existing financing interest rate, etc.
5. Taxes and surcharges: The transferring tax is predicted based on the difference between input tax and output tax expected to be generated in the course of enterprise operation; the corresponding urban construction tax, education surcharges, local education surcharges and other taxes are predicted based on the applicable tax rates of the Target Companies; other property tax and land use tax, etc., are predicted based on the applicable payment standards on the Valuation Benchmark Date.
6. Income tax expenses in the forecast period: The forecast is predicted based on the applicable tax rates of the Target Companies.

**Differences Between
Actual
Performance and
Performance and
the Compensation
Undertakings:**

Both parties agreed that the Company shall, at the end of each fiscal year during the Performance Undertakings Period, engage an auditing institution to conduct an audit of the net profit recorded by each of the Performance Undertakings Assets. If the cumulative net profit recorded by any of the Performance Undertakings Assets at the end of each year of the Performance Undertakings Period fails to meet the Undertakings Performance Indicators, the Seller will be required to compensate the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

**Method of
Performance
Compensation and
Calculation
Formula:**

During the Performance Undertakings Period, if the above agreed events occurred under which the Seller shall hold the responsibility of compensation to the Company, the Seller shall compensate the Company in the following manner:

- (1) The formula for calculating the amount of the compensation payable by the Seller during the Performance Undertakings Period is as follows:

$$A = \frac{(B - C)}{D} \times E - F$$

A = the amount of compensation payable by the Seller in respect of such Performance Undertakings Asset for the current period

B = the accumulated Undertaken Net Profit of such Performance Undertakings Assets as at the end of the current period

C = the cumulative actual net profit/loss (as the case may be) of the Performance Undertakings Assets as at the end of the current period

D = the Cumulative Undertaken Net Profit of such Performance Undertakings Asset as at the end of the Performance Undertakings Period

E = the consideration received by the Seller for such Performance Undertakings Asset under the Transaction

F = the cumulative amount of compensation paid by the Seller in respect of such Performance Undertaking Assets as at the end of the current period

The profit for the current period for each of the Performance Undertakings Assets will be calculated separately. If several Performance Undertakings Assets held by the Seller fail to meet the Undertakings Performance Indicators, the aggregate amount of compensation payable for the current period by the Seller shall be the aggregate amount of compensation payable for the current period of those Performance Undertakings Assets that have not met the Undertakings Performance Indicators calculated in accordance with the above formula.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (2) The above compensation is calculated on a yearly basis, and if $C < B$ as of the end of any undertaking year, the compensation shall be made in accordance with the above formula. In the case of year-by-year compensation, if $A < 0$ as calculated for each year, the value of A shall be taken as 0, i.e. cash already paid as compensation shall not be set off against each other.

**Compensation for
Impairment Test:**

Upon the expiry of the Performance Undertakings Period, the Company will conduct an impairment test for each of the Performance Undertakings Assets and issue an impairment test report, respectively. The Company shall engage an auditing institution to issue a specific audit opinion on the impairment test reports. If the impairment amount of a Performance Undertakings Asset at the end of the Performance Undertakings Period is more than the amount of compensation payable by the Seller in respect of such Performance Undertakings Asset for the current period, the Seller shall separately compensate the Company in respect of such Performance Undertakings Asset, and the specific compensation arrangements are set out below:

If $L > A$,

$$M = L - A$$

M = additional amount used for compensation

L = the amount of impairment of such Performance Undertakings Asset at the end of the period, being the consideration received by the Seller for such Performance Undertakings Asset in the Transaction deducting the comparable appraised value of such Performance Undertakings Asset at the end of the period, and excluding the impact of Shareholders' capital increase, capital reduction, the acceptance of grant and profit distribution during the Performance Undertakings Period

The aggregate amount of compensation for performance undertakings and impairment compensation at the end of the period in respect of the Performance Undertakings Assets to be borne by the Seller shall not exceed the consideration of the Performance Undertakings Assets in the Transaction.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Implementation of Compensatory Measures:	If the Seller is required to make cash compensation to the Company pursuant to the Compensation Agreement, the Company shall determine the amount of compensation payable by the Seller for the current period within 60 days of the issuance of a special audit opinion by the auditing institution in respect of the actual performance of the Performance Undertakings Assets or the impairment test of the corresponding assets, and notify the Seller in writing. The Seller shall pay the cash compensation for the current period to the Company in a lump sum within 30 Working Days upon receipt of the Company's written notice.
Effectiveness of the Compensation Agreement:	The Compensation Agreement shall be established on the date of the signatures and seals of both parties and become effective on the date of the Asset Purchase Agreement taking effect.

The Company will comply with the applicable disclosure requirements under Rule 14.36B and Rule 14A.63 of the Hong Kong Listing Rules in the event that any performance guarantee as set out in the Compensation Agreement is not met by the Seller.

3.1 Assessment on the fairness and reasonableness of the consideration

As stated in the letter from the Board of the Circular, the consideration of the Target Assets are determined based on the Asset Valuation Reports with the Valuation Benchmark Date of 31 March 2024 issued by China United Appraisal (the “**Valuer**”). The parties determined the total consideration of the Target Assets to be RMB4,628.65 million after arm's length and friendly negotiations. The following table sets forth a summary of the appraised value and consideration of each of the Target Assets.

Unit: RMB0'000

No.	Target Assets	Book value of net assets of Target Companies	Appraised value of 100% equity interests of Target Companies	Appraised value of Target Assets	Appreciation rate/premium rate	Consideration
1.	100% Equity Interests in Oil Company	250,139.61	283,785.39	283,785.39	13.45%	283,785.39
2.	50.00% Equity Interests in Rizhao Shihua	224,962.07	358,159.21	179,079.61	59.21%	179,079.61
Total		–	641,944.60	462,865.00	–	462,865.00

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In respect of the reasonableness of the Valuation Benchmark Date (i.e. 31 March 2024) being around eleven months prior to the Latest Practicable Date, we have discussed with the Valuer and the management of the Company. As advised by the management of the Company, there have been no material changes in the operation and financial performance of the Target Companies since the Valuation Benchmark Date up to the Latest Practicable Date. As advised by the Valuer, there have been no material changes in the key assumptions and bases adopted by the Valuer in formulating the Asset Valuation Reports since the Valuation Benchmark Date up to the Latest Practicable Date. Furthermore, according to the “Interim Measures for the Evaluation and Administration of State-owned Assets of Enterprises” (企業國有資產評估管理暫行辦法) published by the relevant regulatory body of the PRC government, the validity period of a filed asset appraisal report is one year from the appraisal benchmark date. Taking into account the above, we are of the view that the Valuation Benchmark Date is appropriate for the purpose of the Asset Valuation Reports.

3.1.1 Scope of work and qualifications of the Valuer

We have performed the work as required under Rule 13.80(2)(b) Note 1(d) of the Hong Kong Listing Rules in relation to the Valuer. In particular, we have reviewed the Assets Valuation Reports and relevant documents obtained from the Valuer and interviewed the Valuer with particular attention to (i) the terms of engagement of the Valuer with the Company in relation to the valuation of the Target Assets; (ii) the certificates of qualifications and experience of the Valuer; and (iii) the valuation methodologies and assumptions used by the Valuer in formulating the Assets Valuation Reports.

We understand that the Valuer is certified with relevant professional qualifications required to perform the valuation of the Target Assets. Based on our review of the Valuer's terms of engagement with the Company in relation to the valuation of the Target Assets and discussion with the Valuer on the work it has performed in formulating the Assets Valuation Reports, we noted that the scope of work is appropriate for arriving at the valuations of the Target Assets and we are not aware of any limitations on the scope of work which might adversely impact on the degree of assurance given by the Assets Valuation Reports. Nothing has come to our attention that the parties to the Transaction had made formal or informal representation to the Valuer that contravenes with our understanding of the information, to a material extent, as set out in the Circular. Although the Valuer has been previously engaged by parties of the Transaction for other valuation assignments, the Valuer has confirmed that it is an independent third party to the parties of the Transaction and their respective core connected persons.

In light of the above, we are not aware of any matters that would cause us to question the Valuer's competence and independence, and we consider that the Valuer has sufficient expertise to perform the valuation of the Target Assets.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3.1.2 Valuation methodologies

We have reviewed the Asset Valuation Reports and discussed with the Valuer methodologies of, and bases and assumptions adopted for the valuations, and adjustments made to arrive at the Valuations. As advised by the Valuer, according to the Asset Valuation Standards, the fundamental valuation approaches of valuation of enterprise include income approach, market approach and asset-based approach. The Valuer shall analyse the applicability of these three appraisal methods and properly select one or more appraisal method(s). Based on our discussion with the Valuer, we understood that:

- (i) the income approach represents the quantified present value of the expected profitability of total assets, with an emphasis on overall expected profitability of the enterprise;
- (ii) the market approach assesses the current fair market value of the valuation subject with reference to comparables on the real market, with the characteristics of directly sourcing valuation data from market and convincing valuation conclusion; and
- (iii) the asset-based approach refers to the valuation approach that determines the value of the valuation subject by reasonably assessing the value of various assets and liabilities included in the scope of valuation based on the balance sheet of the appraised entity as at the evaluation base date.

The following table sets forth the valuation methodologies applicable to each of the Target Companies and the valuation approach selected by the Valuer in determining the final valuation:

	Applicable valuation approach			Selected approach	Reasons for selection as advised by the Valuer
	Asset-based approach	Income approach	Market approach		
Oil Company	✓	✓		Income approach	Market approach: The two commonly used methods in the market approach are the transaction case comparison method and the listed company comparison method. The Valuer inquired about the transaction cases of port terminals in the capital market for the past three years. The information access to the domestic property transaction market is limited, it is difficult to obtain the indicators for correction, and the valuation conditions are limited by adopting the transaction case approach. There are a large number of listed companies in the port industry in the capital market, which are mainly engaged in comprehensive port business, and Oil Company mainly conducts the business of unloading, transit and warehousing for oil products, and there are large differences in asset size and business scale with listed companies, which do not satisfy the requirement of comparability in terms of the business nature and the asset size. Therefore, the market approach is not applicable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Applicable valuation approach			Selected approach	Reasons for selection as advised by the Valuer
Asset-based approach	Income approach	Market approach		
				<p>Income approach: Oil Company is in the transportation and port service industry, and mainly engaged in stevedoring, storage and transshipment and port management services for import and export of crude oil, refined oil and fuel oil via port facilities. It's operation in the past years was relatively stable, and the revenue in the future years met the forecast conditions. Therefore, the income approach can be selected.</p>
				<p>Asset-based approach: The assets and liabilities of port operation of Oil Company can be appraised individually and satisfy the conditions for the valuation under the asset-based approach. Therefore, the asset-based approach can be adopted.</p>
				<p>After a long period of operation, the Oil Company has accumulated various intrinsic qualities, including management capabilities, customer resources, internal controls, personnel quality, and historical reputation. The income approach can comprehensively reflect the value of these overall factors of the company. Therefore, the result of the income approach is chosen as the final valuation value.</p>

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	Applicable valuation approach			Selected approach	Reasons for selection as advised by the Valuer
	Asset-based approach	Income approach	Market approach		
Rizhao Shihua	✓	✓		Income approach	<p>Market approach: The two commonly used methods in the market approach are the transaction case comparison method and the listed company comparison method. The Valuer inquired about the transaction cases of port terminals in the capital market for the past three years. The information access to the domestic property transaction market is limited, it is difficult to obtain the indicators for correction, and the valuation conditions are limited by adopting the transaction case approach. Also, there are a large number of listed companies in the port industry in the capital market, which are principally engaged in comprehensive port business, and the appraised entity mainly carries out oil products unloading business, and there are large differences in asset size and business scale with listed companies, which do not satisfy the requirement of comparability in terms of the business nature and the asset size. Therefore, market approach is not applicable.</p> <p>Income approach: Rizhao Shihua belongs to the water transport industry, mainly engages in oil unloading business. Its operation history is stable, and its future annual earnings meet the conditions to be predicted, therefore, the income approach can be selected.</p> <p>Asset-based approach: The assets and liabilities of port operation of Rizhao Shihua can be appraised individually and satisfy the conditions for the valuation under the asset-based approach. Therefore, the asset-based approach can be adopted.</p>

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Applicable valuation approach			Selected approach	Reasons for selection as advised by the Valuer
Asset-based approach	Income approach	Market approach		

However, the principal business of Rizhao Shihua requires relatively large number of qualifications and licenses, of which the value could not be fully reflected by asset-based approach. As such, the valuation using income approach was selected as the final appraised value.

(i) Valuation assumptions under the income approach

Based on our discussion with the Valuer, we understand that as the Target Companies (i) has relatively stable historical operation, and (ii) available forecast conditions for its earnings in coming years, the income approach is suitable for the valuation of the Target Companies.

Under the income approach, we noted that the Valuer has adopted the discounted cash flow model whereby the estimated future free cash flows to be generated by the respective Target Companies are discounted at a relevant rate of return to arrive at the present value of the respective Target Companies. With reference to the letters from ShineWing on the calculations of discounted future estimated cash flows and the Board on the profit forecast in Appendix III and Appendix IV of the Circular respectively, we understand that ShineWing is of the view that, so far as the calculations/assumptions are concerned, the discounted future estimated cash flows have been properly compiled in all material respects, and the Board are of the opinion that the valuation of the Target Companies prepared by the Valuer has been made after due and careful enquiry.

(a) Discount rate

When applying the income approach using the discounted cash flow model, it is necessary to determine an appropriate discount rate. We noted that the Valuer has used the weighted average cost of capital (“WACC”) to estimate the required rate of return of the Target Companies under appraisal, which we understand from the Valuer, is widely adopted for the purpose of estimating the required rate of return of a company.

We noted that WACC was determined based on the (i) debt-to-equity ratio, (ii) cost of debt, and (iii) cost of equity of the Target Companies. As noted from the Valuer, cost of debt was based on interest rate on debt after income tax; and the cost of capital was determined using the Capital Asset Pricing Model (“CAPM”), being the widely accepted model for the purpose of estimating the required rate of return on equity, after taking into account the risk-free rate, market risk premium, equity beta and specific risk premium. In respect of risk-free rate, we noted that the Valuer has adopted the yield-to-maturity of ten-year PRC government bonds as at the Valuation Benchmark Date of 2.29% as quoted on the website of the China Appraisal Society (中國資產評估協會). Given the Target

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Companies are principally operating in the PRC, we believe that it is fair and reasonable to adopt the yield-to-maturity of ten-year PRC government bonds as the risk-free rate. We noted from the website of “ChinaBond.com.cn” operated by the China Central Depository & Clearing Co., Ltd. that the yield-to-maturity of 10-year PRC government bond was approximately 2.2901% as at Valuation Benchmark Date, which is close to the risk free rate used by the Valuer. On the other hand, the Valuer has derived the market risk premium at 6.88% with reference to the long-term average rate of return of the Shanghai Composite Index, which is justifiable as the Target Companies are principally operating in the PRC. In respect of equity beta, we noted that the Valuer has made reference to the unlevered market beta of comparable companies. Furthermore, we have reviewed and discussed with the Valuer on the selection criteria of 11 comparable companies to determine the unlevered market beta. We understand that the selected comparable companies are mainly engaged in the same core business as the Target Companies and they were listed on either Shanghai or Shenzhen stock exchange. The Valuer has sourced the respective equity betas from iFinD Information Portal. The Valuer has also taken into consideration the specific situation of the Target Companies’ size, phase of development, core competitiveness, dependence on major customers and suppliers, fund raising capabilities and financial expenses, etc. in determining the specific risk premium.

(b) Cash flow forecast

We have reviewed the analysis and factors considered by the Valuer in formulating the cash flow forecast, which mainly includes (i) historical financial performance of the Target Companies, and (ii) market research and analysis of the industry trends and prospects. The Valuer has also assumed that the Target Companies will continue to maintain the existing business and management model in future operating period. We understand that (i) the projected annual revenue is mainly derived from the estimated business of major customers of the Target Companies; (ii) the projected operating cost is primarily based on historical costs and estimated inflation; and (iii) the projected capital expenditure are mainly based on the estimated expenses for renewal and maintenance of existing assets and the increase in working capital required for continued operations.

Having taken into account the above and our interview with the Valuer, we are of the view that the assumptions used in the Asset Valuation Reports were arrived at after due and careful consideration and we concur with the Valuer on the methodologies adopted for deriving the appraised value of each of the Target Assets. On this basis, we consider the consideration of the Transaction is fair and reasonable.

3.2 Our view on the Compensation Agreement

On 21 February 2025, the Company also entered into the Compensation Agreement with the Seller, pursuant to which, the Seller agreed to provide performance undertakings and make compensation, if necessary, in respect of the Target Assets. Pursuant to the Compensation Agreement, the Seller undertakes that the cumulative net profits recorded by each of the Performance Undertakings Assets as at the end of each year during the Performance

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Undertakings Period shall not be less than the cumulative Predictive Net Profits of such Performance Undertakings Asset as at the end of that year. For Rizhao Shihua, we noted that the Predictive Net Profits were consistent with the estimated net profit for Rizhao Shihua as set out in the Asset Valuation Reports. For Oil Company, we noted that the Predictive Net Profits is higher than the respective estimated net profit as set out in the Asset Valuation Report. As advised by the management of the Company, such higher undertaken Predictive Net Profits were derived taking into account the predictive net profits of several long-term equity investments of Oil Company.

As set out in the letter from the Board of the Circular, the compensation arrangement under the Compensation Agreements is made pursuant to the requirements of the Administrative Measures for Material Asset Restructuring and other relevant PRC laws and regulations. As the appraised values of the Target Assets in the Asset Valuation Reports were determined based on the income approach, the valuation of the Target Assets involves the projection of future income of the Target Companies which is subject to uncertainties and variations. The compensation arrangement under the Compensation Agreements is therefore considered as an additional assurance to the Company in the case that the future actual income derived from the Target Assets is lower than the respective future estimated income attributable to the Target Assets as set out in the Asset Valuation Reports. Having considered the above, in particular (i) the consideration of the Transaction is fair and reasonable as discussed in section headed “3.1 Assessment on the fairness and reasonableness of the consideration” above; and (ii) the compensation arrangement under the Compensation Agreements is made pursuant to the requirements of the Administrative Measures for Material Asset Restructuring and other relevant PRC laws and regulations, we are of the view that the terms of the Compensation Agreements are on normal commercial terms and are fair and reasonable.

4. Financial impact of the Transaction on the Group

Upon completion of the Transaction, the Company will directly and indirectly hold 100.00% equity interests of Oil Company and 50.00% equity interests of Rizhao Shihua. The Oil Company will become a subsidiary of the Company and its financial statements will be included into the consolidated financial statements of the Group. Rizhao Shihua will become a joint venture of the Company.

4.1 Revenue and earnings

As disclosed in the sections headed “1. Information of the Group and the Target Companies” above, each of the Target Companies are revenue generating and recorded a net profit after taxation for the year ended 31 December 2023. The financial information of the Oil Company will be consolidated into the consolidated financial statements of the Group, while any profit and loss of Rizhao Shihua will be proportionately reflected on the consolidated statement of profit or loss of the Company under equity method. Given the profitable track record of the Target Companies, the Transaction is expected to contribute positively to the Group’s results upon completion.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4.2 *Net assets*

As at 30 September 2024, the net assets attributable to shareholders of the Company amounted to approximately RMB46,505.08 million. On the other hand, the Oil Company and Rizhao Shihua recorded net assets of approximately RMB2,641.71 million and approximately RMB2,391.33 million, respectively. Upon completion of the Transaction, the financial information of the Oil Company will be consolidated into the consolidated financial statements of the Group, while the shareholding interests in Rizhao Shihua will be reflected on the consolidated statement of financial position of the Company.

OPINION AND RECOMMENDATIONS

Having taken into account the above principal factors and reasons, we consider that despite the Asset Purchase Agreements were not entered into in the ordinary and usual course of business of the Group, the terms of the Asset Purchase Agreements are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and the Transaction is in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the resolutions in relation to the Transaction to be proposed at the EGM.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
Calvin Leung
Director

Mr. Calvin Leung is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Somerley Capital Limited, which is licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. He has over 20 years of experience in the corporate finance industry.

I. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

II. DISCLOSURE OF INTERESTS

So far as the Directors are aware, as at the Latest Practicable Date, none of the Directors, the Supervisors or the chief executives and their respective associates had any interest or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) (i) which will be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Directors, Supervisors or chief executive is taken or deemed to have under such provisions of the SFO); (ii) which will be required, pursuant to Section 352 of the SFO, to be recorded in the register kept by the Company; or (iii) which will be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Save for (i) Mr. SU Jianguang, Mr. LI Wucheng, Mr. ZHANG Baohua, Mr. CUI Liang and Ms. WANG Fuling of his/her directorships or positions in Shandong Port Group and/or its certain subsidiaries; and (ii) Mr. ZHU Tao of his directorships or positions in certain subsidiaries of COSCO SHIPPING, as at the Latest Practicable Date, none of the Directors was a director or an employee of any shareholders of the Company or a company which has an interest or short position in shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

III. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Director or the Supervisor had entered into any service contract or letter of appointment with any member of the Enlarged Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

IV. DIRECTORS' AND SUPERVISORS' INTERESTS IN ASSETS/CONTRACTS AND OTHER INTERESTS

As at the Latest Practicable Date, save as disclosed in this circular,

- (a) none of the Director or the Supervisor had any direct or indirect interest in any assets which have been, since 31 December 2023 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired, disposed of by, or leased to any member of the Enlarged Group, or are proposed to be acquired, disposed of by, or leased to any member of the Enlarged Group; and
- (b) none of the Director or the Supervisor was materially interested, directly or indirectly, in any contract or arrangement subsisting as at the Latest Practicable Date which is significant in relation to the business of the Enlarged Group.

V. COMPETING INTERESTS

Shandong Port Group has been engaging in port operation and logistics business since its establishment in August 2019. Upon the completion of the Gratuitous Transfer on 23 January 2022, Shandong Port Group has become an indirect controlling Shareholder of the Company, and its businesses are similar to and/or are likely to compete with those of the Company. Mr. SU Jianguang, Mr. LI Wucheng, Mr. ZHANG Baohua, Mr. CUI Liang and Ms. WANG Fuling, the directors of the Company, hold positions in Shandong Port Group and/or its certain subsidiaries.

COSCO SHIPPING is one of the largest shipping companies in the world, the port operation and investment and the logistics business of which are similar to and/or are likely to compete with those of the Company. Mr. ZHU Tao, a director of the Company, holds positions in certain subsidiaries of COSCO SHIPPING.

So far as the Directors are aware, save as disclosed above, as at the Latest Practicable Date, other than business of the Group, none of the Directors, nor any of their respective close associates, holds any interest in business which directly or indirectly competes or is likely to compete with the business of the Group.

VI. NO MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that there was no material adverse change in the financial or trading position of the Company and its subsidiaries since 31 December 2023, being the date to which the latest published audited accounts of the Company and its subsidiaries were made up.

VII. CONSENT OF EXPERTS

The qualification of the experts who have given an opinion or advice in this circular is as follow:

Name	Qualifications
Somerley	A corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
China United Appraisal	A qualified valuer in the PRC
ShineWing	Certified Public Accountants

As of the Latest Practicable Date, each of the above experts: (i) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter or report and the references to its names and advice included herein in the form and context in which it is respectively included; (ii) has no direct or indirect shareholding in any member of the Enlarged Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group; and (iii) has no direct or indirect interests in any assets which have been, since 31 December 2023 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Enlarged Group, or which are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

VIII. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.qingdao-port.com>) for 14 days from the date of this circular:

- (a) The Asset Purchase Agreement; and
- (b) The Compensation Agreement.

**SUMMARY OF THE ASSET VALUATION REPORT ON THE PROJECT OF
VALUATION OF ENTIRE EQUITY INTERESTS VALUE OF SHAREHOLDERS OF
RIZHAO PORT OIL TERMINAL CO., LTD. INVOLVED IN THE PROPOSED
ACQUISITION OF ITS EQUITY INTERESTS BY QINGDAO PORT
INTERNATIONAL CO., LTD.**

China United Assets Appraisal Group Co., Ltd.* (中聯資產評估集團有限公司) was commissioned by Qingdao Port International Co., Ltd. to appraise the market value as at the Valuation Benchmark Date of entire equity interests value of shareholders of Rizhao Port Oil Terminal Co., Ltd. (“**Oil Company**”) involved in the proposed acquisition of assets of Oil Company by Qingdao Port International Co., Ltd.

The valuation target was the total equity attributable to shareholders of Oil Company. The scope of valuation covered all the assets and related liabilities of Oil Company, including current assets and non-current assets and the relevant liabilities. China United Assets Appraisal Group Co., Ltd. and the asset valuers have no existing or contemplated interest in the valuation target in the Asset Valuation Reports, have no existing or contemplated interest in the relevant parties, and have no prejudice against the relevant parties.

The date of the valuation report is 28 June 2024.

The type of value used in this valuation is market value.

In this valuation, based on the premise of continuous use and open market, as well as the actual situation of the principal, and taking into account various factors, overall valuation of Oil Company was carried out using the asset-based approach and the income approach, and then it was calibrated and compared. Considering the applicable premise of the valuation method and the purpose of the valuation, the valuation result of the income approach was chosen as the final valuation conclusion.

Based on the judgment of the property right holder and the management of the enterprise on the future development trend and the business planning, the valuation conclusion of the value of the total equity of the shareholders of Oil Company as at the Valuation Benchmark Date of 31 March 2024 was reached after the implementation of the valuation procedures such as the inventory verification, field survey, market investigation and enquiry, and valuation and estimation, as detailed below:

The carrying value of the total shareholders’ equity was RMB2,501.3961 million and the appraised value was RMB2,837.8539 million, with an appraisal increment of RMB336.4578 million, representing an appreciation rate of 13.45%.

According to the laws and regulations relating to asset valuation, asset valuation reports involving statutory valuation business shall be used after the principal has fulfilled the supervisory and management procedures for asset valuation in accordance with the requirements of laws and regulations. The valuation result is valid for one year, that is, it is effective only when used from 31 March 2024 to 30 March 2025.

I. VALUATION TARGET AND SCOPE OF VALUATION**(I) Valuation target and scope of valuation**

The valuation target was the total equity attributable to shareholders of Oil Company. The scope of valuation covered all the assets and related liabilities of Oil Company. As of the Valuation Benchmark Date, the total book assets on the audited financial statements of parent company amounted to RMB4,108.3148 million, the total liabilities amounted to RMB1,606.9187 million and the net assets amounted to RMB2,501.3961 million. Among them, current assets amounted to RMB697.2866 million, non-current assets amounted to RMB3,411.0282 million; current liabilities amounted to RMB359.8469 million, non-current liabilities amounted to RMB1,247.0718 million.

The above assets and liabilities data were extracted from the balance sheet of Oil Company as of 31 March 2024, audited by ShineWing Certified Public Accountants (Special General Partnership). The valuation was carried out on the basis that the enterprise had been audited.

The valuation target and scope of valuation entrusted were consistent with the valuation target and scope of valuation involved in economic behaviors.

(II) Major assets valued

As of the Valuation Benchmark Date, the total assets of Oil Company as stated in the parent company's financial statements amounted to RMB4,108.3148 million, with the major assets including current assets such as cash at bank and on hand and accounts receivable as well as non-current assets such as fixed assets and intangible assets. In the composition of assets, fixed assets and intangible assets accounted for the largest proportion, at 55.14% and 14.29% respectively, followed by long-term equity investments and other receivables, accounting for 11.40% and 10.81% respectively. As of the Valuation Benchmark Date, the major assets of the valued entity were not mortgaged or pledged.

II. VALUATION BENCHMARK DATE

The Valuation Benchmark Date of this project was 31 March 2024.

This benchmark date was determined by the Principal after taking into account factors such as the size of the assets of the valued entity, the magnitude of the workload, the estimated time required, and the compliance.

III. TYPE OF VALUE

Based on the purpose of this valuation, the type of value determined for the valuation was market value.

The market value means the estimated value of the valuation target in the normal and fair transaction conducted on the Valuation Benchmark Date when the willing buyer and willing seller act reasonably and are not subject to any force.

IV. VALUATION BASIS

The valuation bases for this asset valuation project mainly included: (i) Basis for Economic Actions – Resolution of the Ninth Meeting of the Fourth Session of the Board of Directors of Qingdao Port International Co., Ltd.; (ii) Legal and regulatory basis – including but not limited to, the Asset Valuation Law of the People’s Republic of China and other relevant laws, administrative measures and implementation regulations; (iii) Basis of Valuation Guidelines – Including but not limited to the Basic Guidelines for Asset Valuation (Cai Zi [2017] No. 43) and other relevant valuation guidelines and opinions; (iv) The basis for ownership of relevant assets, such as building ownership certificates and state-owned land-use certificates; (v) the basis for pricing used in the assessment and estimation; and (vi) other references.

V. VALUATION ASSUMPTIONS

The asset valuers adopted the following valuation assumptions in this valuation:

(I) General assumptions

1. *Transaction assumption*

Pursuant to the transaction assumption, all the assets to be valued are in the course of transaction and the valuation by the valuer is based on simulated market including terms of transaction of the assets to be valued. Transaction assumption is the most basic pre-condition for the conduct of asset valuation.

2. *Open market assumption*

Pursuant to the open market assumption, the parties to an asset traded in the market, or proposed to be traded in the market, are on an equal footing with each other, and the parties to the transaction of the asset have the access to and time to obtain sufficient market information to enable them to make rational judgments as to the function and use of the asset, and the price at which it will be traded. The open market assumption is based on the assumption that assets can be bought and sold openly in the market.

3. *Assumption of going concern*

The assumption of going concern is a valuation assumption made by considering the assets of the enterprise as a whole as the valuation target. That is, the enterprise, as a business entity, continues to operate in accordance with its business objectives in the external environment where it operates. The operator of the enterprise is responsible and competent for assuming responsibilities; and the enterprise operates legally and is able to make appropriate profits to maintain its ability to continue as a going concern. For all types of business assets of an enterprise, it means the ability to continue to use them as they are currently used and in the manner, scale, frequency and environment in which they are used, or to use them on a modified basis.

(II) Special assumptions

1. For this valuation, it is assumed that the external economic environment remains unchanged as at the Valuation Benchmark Date and that there are no significant changes in the country's prevailing macro-economy;
2. There have been no significant changes in the socio-economic environment in which the enterprise operates and in the policies implemented with respect to taxes and tax rates;
3. The future management team of the enterprise is responsible and accountable and continues to maintain the current business management model;
4. The valuation is based only on the operating capacity as at the benchmark date. No consideration is given to the possible expansion of operating capacity in the future due to circumstances such as management, business strategies and additional investments, or to subsequent changes in production and operations that may occur;
5. The assets subject to this valuation are determined based on the actual balances as at the Valuation Benchmark Date, while the prevailing market prices of the assets are based on the domestic ruling prices as at the Valuation Benchmark Date;
6. For this valuation, it is assumed that the underlying information and financial information provided by the principal and the valuated entity are true, accurate and complete;
7. All business licenses required for the production and operation of the valuated entity have been approved as scheduled and will be renewed by application upon expiry in the future;
8. Considering the historical situation of policy continuity, it is assumed that the preferential land use tax policy for bulk commodity warehousing facilities lands owned (including self-use and leased) or leased by logistics enterprises can be continued after the expiry of the policy;
9. It is assumed that cash inflows related to assets after the Valuation Benchmark Date are average inflows and cash outflows are average outflows.

When the above conditions change, the valuation result is generally invalidated.

VI. VALUATION METHOD**(I) Selection of valuation method**

The income approach in the enterprise value valuation refers to the method of appraising the value of the valuation target by capitalizing or discounting the expected return. Asset valuation professionals should properly consider the applicability of the income approach in light of the nature of the enterprise, the size of the assets, the history of operations, the predictability of future earnings and the adequacy of the valuation information obtained.

The market approach in the enterprise value valuation refers to the method of appraising the value of the valuation target by comparing the valuation target with the comparable listed company or the comparable transaction case. Asset valuation professionals should consider the applicability of the market approach based on the adequacy and reliability of the operational and financial data obtained on comparable enterprises and the number of comparable enterprises that can be collected.

The asset-based approach in enterprise value valuation refers to the valuation method of determining the value of the valuated entity based on the balance sheet of the valuated entity as of the Valuation Benchmark Date by appraising the value of the assets and liabilities that can be identified both on- and off-balance sheet. Specifically, it refers to the method of calculating the value of an enterprise by summing up the appraised values of the various elemental assets that make up the enterprise and subtracting the appraised value of the liabilities.

The purpose of this valuation is to appraise the value of the total equity of the shareholders of Oil Company involved in the economic behavior of proposed acquisition by Qingdao Port International Co., Ltd..

The asset-based approach reflects the enterprise's value from the perspective of its purchase and construction and provides a basis for the enterprise's operation, management and valuation after its economic behaviors have been realized. Therefore, we used the asset-based approach in this valuation.

The valuated entity has the basis and conditions for continuing operations, and the future earnings and risks can be predicted and quantified, therefore the income approach can be selected for this valuation.

Two commonly used methods in the market approach are the trade case comparison method and the public company comparison method. The valuation firm has inquired about the transaction cases of port terminals in the capital market in the past three years. There is limited access to the information of the domestic property rights trading market, and it is difficult to obtain the indicators used for revision, so the conditions for valuation by means of transaction cases are restricted. There are many listed companies in the port industry in the capital market, which mainly engage in integrated port business. The valuated entity mainly carries out oil

product handling and warehousing businesses. Its asset scale and business scale are quite different from those of listed companies. The business nature and asset scale do not meet the comparability requirements, therefore, the market approach was not adopted for this valuation.

To sum up, the asset-based approach and the income approach were adopted in this valuation.

(II) Income approach

A. Assumptions for income projections

1. There have been no significant changes in relevant national laws, regulations and policies in force and the national macroeconomic situation, and there are no significant changes in the political, economic and social environment of the regions in which the parties to this transaction are situated.
2. It is assumed that the enterprise continues to operate in view of the actual situation of assets as at the Valuation Benchmark Date.
3. It is assumed that the proprietor of the valuated entity is responsible and accountable and the management of the valuated entity is competent in discharging its duties.
4. It is assumed that the valuated entity is in full compliance with all the relevant laws and regulations unless otherwise stated.
5. It is assumed that the accounting policies to be adopted by the valuated entity in the future are basically consistent with those adopted in the preparation of this report in material aspects.
6. It is assumed that the business scope and business mode of the valuated entity are consistent with the current ones on the basis of the existing management approaches and management level.
7. In this valuation, it is assumed that in the future forecast period, the valuated entity's main business, product structure, revenue and cost composition, sales strategy and cost control, etc. will maintain its status after completion without major changes.
8. In the future forecast periods, various expenses of the valuated entity will not greatly change on the current base, but will continue its trend of recent years and synchronously change with the changes in the scale of operation.

9. In view of the frequent changes in the cash at bank and on hand of the enterprise or its bank deposits in the course of production and operation and the fact that idle funds have been considered as overflow assets, interest income generated from the deposits and other uncertain gains and losses other than interest-paying debts are not taken into account in the valuation.
10. There are no material changes in the relevant interest rates, exchange rates, taxation bases and tax rates, as well as government levies.
11. There are no other force majeure factors or unforeseeable factors that may give rise to material adverse impacts on the enterprise.

When there is any significant change in the future economic environment, the valuation firm will not assume the responsibility for different valuation conclusions resulting from the change of assumptions.

B. Calculation and analysis process of valuation under income approach

1. Valuation model under income approach

(1) Valuation idea

Based on the due diligence investigation and the asset composition and the characteristics of main business of the valuated entity, the valuation is designed to estimate the equity capital value of the valuated entity on the basis of the financial statements of the parent company of the valuated entity. The basic valuation idea of this valuation is as follows:

- 1) For assets and main businesses included in the scope of the financial statements, expected earnings (net cash flows) are projected in accordance with trends in historical operating conditions and types of business and discounted to obtain the value of operating assets;
- 2) Current assets (liabilities) that will be included in the scope of the financial statements but not considered in the estimation of expected earnings (net cash flows), such as cash at bank and on hand and dividends receivable (payable) existing as at the benchmark date, as well as non-current assets (liabilities), such as slow-moving or idle equipment, property, and construction in progress not recognized in profit or loss, are defined as surplus or non-operating assets (liabilities) existing as at the benchmark date, and are estimated separately;
- 3) Long-term equity investments that will be included in the scope of the financial statements but not considered in the estimation of expected earnings (net cash flows) are estimated separately;

- 4) The enterprise value of the valuated entity is arrived at by summing up the value of each of the above assets and liabilities, and the value of equity capital (total shareholders' equity) of the valuated entity is arrived at after deducting the value of interest-paying debts as of the benchmark date.

In determining the value of the total shareholders' equity, the valuer did not consider the premiums or discounts arising from factors such as controlling and minority interests, or the impact of equity liquidity on the valuation results.

(2) Valuation model

1) Basic model

The basic model used in this valuation is:

$$E = B - D \quad (1)$$

where:

E: The value of the total shareholders' equity (net assets) of the valuated entity;

B: The enterprise value of the valuated entity;

D: The value of interest-paying debts of the valuated entity;

$$B = P + I + C \quad (2)$$

where:

P: The value of the operating assets of the valuated entity;

I: The Long-term investment value of the valuated entity as at the benchmark date;

C: The value of surplus or non-operating assets (liabilities) existing as at the benchmark date of the valuated entity;

$$P = \sum_{i=1}^n \frac{R_i}{(1+r)^i} + \frac{R_{n+1}}{r(1+r)^n} \quad (3)$$

where:

R_i : Expected future earnings (free cash flow) of the valuated entity in year i ;

r : The discount rate;

n : The future operating period of the valuated entity;

$$C = C_1 + C_2 \quad (4)$$

C_1 : The value of current-type surplus or non-operating assets (liabilities) as at the benchmark date;

C_2 : The value of non-current-type surplus or non-operating assets (liabilities) as at the benchmark date;

2) Earning indicators

In this valuation, the free cash flow of the enterprise was used as an earning indicator on the operating assets of the valuated entity, which is basically defined as:

$$R = \text{EBIT} \times (1 - t) + \text{depreciation and amortization} - \text{additional capital} \quad (5)$$

The free cash flows of the valuated entity in the future operating periods are estimated based on its operating history and future market development, etc. The value of the enterprise's operating assets is measured by discounting and summing the free cash flows over the future operating period.

3) Discount rate

The weighted average cost of capital assets (WACC) model was used in this valuation to determine the discount rate r :

$$r = r_d \times w_d + r_e \times w_e \quad (6)$$

where:

W_d : The debt ratio of the valuated entity;

$$w_d = \frac{D}{E+D} \quad (7)$$

W_e : The equity ratio of the valuated entity;

$$w_e = \frac{E}{(E+D)} \quad (8)$$

r_d : The interest-paying debts rate after income taxes;

r_e : Cost of equity capital. In this valuation, the cost of equity capital r_e was determined according to the Capital Asset Pricing Model (CAPM);

$$r_e = r_f + \beta_e \times (r_m - r_f) + \varepsilon \quad (9)$$

where:

r_f : Risk-free rate of return;

r_m : Market expected rate of return;

ε : Risk adjustment factor for the characteristics of the valuated entity;

β_e : Expected market risk coefficient of equity capital of the valuated entity;

$$\beta_e = \beta_u \times (1 + (1 - t) \times \frac{D}{E}) \quad (10)$$

β_u : Expected unlevered market risk coefficient for comparable companies;

$$\beta_u = \frac{\beta_i}{1 + (1 - t) \frac{D_i}{E_i}} \quad (11)$$

β_i : Expected market average risk coefficient for shares (assets) of comparable companies;

$$\beta_i = 34\%K + 66\%\beta_x \quad (12)$$

where:

K: The average value-at-risk of the stock market over a given period of time, usually assuming K=1;

β_x : Historical market average risk coefficient for shares (assets) of comparable companies;

D_i , E_i : Interest-paying debts and equity capital of comparable companies, respectively.

2. *Determination of years of earnings*

According to the articles of association of the valuated entity, the business term of the enterprise is up to 28 April 2049. As the valuated entity was operating normally on the Valuation Benchmark Date, there was no limitation on the useful life of the core assets affecting its continuation, no limitation on the duration of its production and operation, and no limitation on the term of ownership of investors, or the aforesaid limitations could be released, and they could be utilized perpetually by way of continuation. Therefore, in this valuation, it is assumed that the valuated entity will continue perpetually after Valuation Benchmark Date, and the corresponding income period is indefinite.

3. *Determination of future earnings*

(1) Estimates of revenue and cost of sales

The business income of the enterprise mainly consists of income from port handling business, income from tank warehousing business, port supporting services and lease business.

In this valuation, we investigated the historical period handling volume and handling prices of the above businesses; the source of the warehousing business, the pricing method and the market situation, and discussed and analyzed with the management of the valuated entity based on the information on historical prices, supply and demand, and industry development trends.

1) Estimates of revenue of the valuated entity

Based on the estimation assumptions, Oil Company will continue to operate as a going concern under the existing business management model as of the benchmark date during the future operating period. The estimation was made by Oil Company based on the historical revenue, cost composition, gross profit level, and the industry market development situation, in order to reasonably estimate the future profit.

a) Handling Business

The cargoes for handling mainly include: crude oil, fuel oil and diluted asphalt, Oil Company adopted “government pricing” and “independent pricing” modes to charge for the handling services. Oil Company is limited by its own terminal capacity, the handling operations of over-limit tankers have to be carried out at the 300,000-ton berths of Rizhao Shihua Crude Oil Terminal Co., Ltd. (“**Rizhao Shihua**”) and Oil No. 9 Terminal. The handling volume of the forecast period includes the handling volume of its own terminal and the handling volume at the berths of Rizhao Shihua and Oil No. 9 Terminal.

b) Warehousing Business

The warehousing business of Oil Company is a warehousing business for handling goods (use of storage yard). The use of storage yard is divided into long-term lease and temporary lease. The long-term lease is on an annual basis and the storage yard usage fee is calculated on the basis of the number of annual turnovers of a single tank. The temporary lease is short-term lease, and the usage fee is calculated according to the days and capacity of the tank. The incomes from warehousing business of Oil Company are expected to increase annually during the forecast period as overall handling volumes increase.

In this valuation, the valuated entity forecast the revenue from temporary warehousing based on the handling volume of terminal in the forecast period, with reference to the handling volume of customer’s terminal on temporary lease and customers’ access to the tanks, and the price for temporary lease per ton in historical years; the valuated entity forecast the revenue from annual lease and warehousing based on the stability of the annual lease customers in historical years and customers’ annual lease demand in the forecast period; in addition, the valuated entity’s historical revenue from annual warehousing includes overdue revenue, and in this valuation, the valuated entity forecast the overdue revenue with reference to the overdue in historical years, and the turnover in the forecast period. Revenue from warehousing shall be distributed in proportion to the proportion of the respective warehousing revenue of the valuated entity and Golden Brick, the capacity of their respective tank farms, the number of storage tanks and the customers’ access to the tanks in historical years.

c) Port supporting services

Rizhao Port Dahua Hefeng Petrochemical Terminal Co., Ltd. (“**Dahua Hefeng**”) and Rizhao Port Gold Brick Oil Storage and Transportation Co., Ltd. (“**Golden Brick**”) entrusted the management and operation of terminals, tank farms and other assets to Oil Company. Oil Company provides labor services such as production organization, handling operations, and terminal management of liquid chemicals for Rizhao Lanshan Wanhe Liquefaction Dock Co., Ltd. (“**Wanhe**”). Dahua Hefeng, Golden Brick and Wanhe pay for the services of Oil Company. The operating expenses are mainly staff costs, which are estimated by Oil Company with reference to the percentage increase in the Company’s employee benefits system.

d) Lease business

According to the lease contract, Rizhao Shihua and Dahua Hefeng jointly use part of the terminal assets of Oil Company's 100,000-ton oil terminal, and the lessees are required to pay the asset usage fees to Oil Company. In addition, there are housing assets of Oil Company that are leased to external parties, and the lease contracts are expected to be renewed upon expiration. Revenue from annual rent in historical years was stable, and rents for this forecast period are forecast at annual rental levels in historical years.

e) Estimates of revenue

The operating revenue is forecast based on estimates of various types of businesses.

2) Estimates of cost of sales of the valuated entity

Based on the historical cost of sales of the valuated entity, the costs of the valuated entity include power, wages and salaries, berthing charges, steam charges, depreciation, etc. The future costs are determined by maintaining a small increase in the current level of costs.

(2) Estimates of taxes and surcharges

Taxes and surcharges of the valuated entity include urban maintenance and construction tax, education surcharge and local education surcharge, all of which are based on the amount of value-added tax paid, with tax rates of 7%, 3% and 2%, respectively.

The sales tax rate of port terminal handling business, warehousing business and port supporting business that the valuated entity engages in is 6%, and the sales tax rate of lease business is 9%. Items that are eligible for input tax credit include cost of sales, expenses and capital expenditure, specifically, berthing fees, steam charges, materials costs, utilities, maintenance costs, port services fees, payment for engineering and equipment, etc. Input tax rates include 6%, 9% and 13%.

$$\text{Amount of VAT paid} = \text{Output VAT} - \text{Input VAT}$$

The enterprise income tax rate of Oil Company is 25%, which is used in this valuation as the income tax rate for future years.

(3) Estimates of expenses for the relevant periods

1) Estimates of selling expenses

No selling expenses were incurred in the historical year of the valuated entity, therefore, the related expenses are not considered for the future forecast period.

2) Estimates of administrative expenses

The administrative expenses of the enterprise are mainly salary and wages, depreciation, amortization, business entertainment expenses, greening costs and property fees.

Wages are estimated based on the enterprise's payroll. Depreciation and amortization are estimated on the basis of the original value of the enterprise's fixed assets (intangible assets) and depreciation (amortization) accrual standards, and other expenses, such as business entertainment expenses and transportation expenses, are considered to increase slightly on the basis of historical amounts.

3) Estimates of R&D expenses

The enterprise's R&D expenses are mainly employee's salary, which is estimated based on the enterprise's payroll.

4) Estimates of financial expenses

The future financial expenses are determined based on the interest-paying debts of the enterprise, as well as the borrowing rate.

(4) Estimates of depreciation and amortization

The assets subject to depreciation of the valuated entity are fixed assets, which mainly include buildings, structures, pipelines, machinery and equipment. Fixed assets are valued at actual cost at the time of acquisition. In this valuation, the depreciation of fixed assets for the future operating period was estimated based on the original carrying amount of fixed assets as at the benchmark date, the estimated useful life and the weighted depreciation rate in accordance with the depreciation policy for fixed assets implemented by the enterprise.

The assets subject to amortization of the valuated entity are intangible assets and long-term prepaid expenses, which mainly include land use rights, sea area use rights, software, tank inspection fees and finance lease handling fees. In this valuation, the amortization for future operating periods was estimated in accordance with the amortization policy implemented by the enterprise.

(5) Estimates of additional capital

Additional capital is the increase in working capital and long-term capital investment beyond the one-year period required by the enterprise without changing the current conditions of operation and production, such as capital investment required for the expansion of the scale of production capacity (acquisition of fixed assets or other non-current assets), as well as the additional working capital required and the update of assets necessary for continuing operations, etc..

For the purpose of this valuation, it is assumed that the valuated entity will not make any further capital investment in its existing operating capacity, and that additional capital in future operating periods will mainly consist of updates of existing assets as at the benchmark date and increases in working capital required for continuing operations. That is, the additional capital defined in this report is:

Additional capital = update of assets + increase in working capital + capital costs

1) Estimates of asset update investment

In accordance with the premise and basis of the income projections, only the update investment expenditures necessary to maintain the production and operation of the expanded capacity are required in future years. For the fixed assets of the headquarters, depreciation is provided in accordance with the accounting policy standards implemented by the enterprise, and updates are estimated over the perpetuity period on the basis that updates equal depreciation.

2) Estimates of increase in working capital

The increase in working capital refers to the additional working capital that an enterprise needs to invest in order to maintain normal operation without changing the conditions of its current main business, i.e., the additional capital needed to maintain the enterprise's ability to continue operation.

When estimating the increase in working capital, in principle, only the main factors such as cash to be maintained for normal operations (minimum cash holdings), inventories, receivables and payables need to be taken into account. The increase in working capital defined in this report is:

Increase in working capital = current working capital – working capital in prior period

The increase in working capital is calculated based on working capital as a percentage of revenue in the historical period and estimates of future revenue.

Based on the investigation of the business situation of the valuated entity, as well as the statistical analysis of assets, profit and loss, revenues, costs and expenses from historical operations, and the results of the estimation of revenues and costs for each year of the future operating period, operating cash (minimum cash holdings), inventories, receivables, and payables, etc., and the increase in their working capital, for each year of the future operating period can be obtained in accordance with the above definitions.

3) Estimates of capital expenditure

In this forecast, it is assumed that the valuated entity will maintain its future earnings under the current scale of operations in future periods, and the capital costs will mainly be the subsequent expenditures on construction in progress as at the benchmark date required for continuing operations. The update and maintenance of the original equipment is considered in the asset update section.

(6) Cash flow estimates

The estimates of the net cash flows of the valuated entity for the future operating periods are shown in the table below. The prediction of future earnings in this valuation is a professional judgment made on the basis of market research and analysis of the industry in which the enterprise operates, and on the basis of a combination of the operating conditions of the relevant comparable enterprises, market demand and future industry development. Uncertain non-operating income and expenses, subsidy income, and gains and losses from other non-recurring operations will not be taken into account in the estimation.

Table 1. Estimates of Future Net Cash Flow*Unit: RMB ten thousand*

Name	Last 9 months of							Perpetual term
	2024	2025	2026	2027	2028	2029	2030	
Net Profit	6,889.49	14,050.35	15,603.77	18,542.66	18,552.41	18,925.43	19,065.77	19,065.77
Plus: after-tax interest	2,969.75	3,799.87	3,617.24	3,434.61	3,251.99	3,069.35	2,978.04	2,978.04
NOPLAT	9,859.24	17,850.22	19,221.01	21,977.27	21,804.40	21,994.78	22,043.81	22,043.81
Plus: depreciation and amortization	11,011.21	14,817.60	14,691.52	14,236.91	14,236.91	14,222.29	14,119.93	14,119.93
Less: increase in working capital	586.10	71.65	35.31	58.83	18.50	18.51	–	–
Less: CAPEX for update purpose	–	253.65	359.82	576.15	712.71	914.65	787.80	14,119.93
Less: CAPEX for expansion purpose	1,594.51	–	–	–	–	–	–	–
Plus: other cash flows	–	–	–	–	–	–	–	–
FCFF	18,689.84	32,342.52	33,517.40	35,579.20	35,310.10	35,283.91	35,375.94	22,043.81

The main factor affecting the change in net profit during the forecast period is the volume of loading and unloading business at the terminal.

From 2024 to 2029, the loading and unloading volumes predicted by Oil Company are 25.7 million tons, 26.6 million tons, 27 million tons, 27.6 million tons, 28.1 million tons, and 28.6 million tons, respectively.

The increase in net profit during the forecast period of Oil Company is mainly due to the increase in customers' cargo supply brought by the commissioning of Rizhao Port – Shandong Jingbo Petrochemical Co., Ltd. pipeline (“**Rizhao-Jingbo Pipeline**”) and the increase in customers' new production capacity and updated production equipment. The Rizhao-Jingbo Pipeline is expected to be put into operation in the third quarter of 2024, and the pipeline is connected to the tank area of Oil Company to generate an increase in cargo supply. Oil Company's customers, Shandong Dongming Petrochemical Group Co., Ltd. (山東東明石化集團有限公司) and its subsidiaries, Henan Fengli Petrochemical Co., Ltd. (河南豐利石化有限公司), etc. not only have stable import crude oil quotas, but also continuously upgrade equipment and facilities in 2023 and 2024, which will increase their crude oil demand and the ability to refine heavy oil products.

The main reasons for the increase in net profit in 2025 compared with that in 2024 are as follows: (1) The berthing fee in the operating cost in 2024 is relatively high. In 2025, the berthing volume will decrease, and the loading and unloading volume of the company's own terminal will increase. (2) The warehousing income in 2025 will increase with the increase in terminal loading and unloading.

4. *Determination of discount rate*

(1) *Determination of risk-free interest rate*

The government bond yields provided by the China Central Depository & Clearing Co., Ltd. (CCDC) published on the website of the China Appraisal Society.

The valuation is based on the assumption of going concern, and the income period of the subject of the valuation is infinite. In accordance with the requirements of the “Guideline for Asset Appraisal Experts No. 12 – Measurement of Discount Rate in the Income Approach to Appraise Enterprise Value” (Zhong Ping Xie [2020] No. 38), the yield to maturity of government bonds with a remaining maturity of ten years or more may be used as the risk-free interest rate. The 10-year government bond yield was used as the risk-free rate for this valuation, i.e., $r_f = 2.29\%$.

(2) *Determination of market risk premium*

The market risk premium is the expected excess return, i.e., the compensation for risk in excess of the risk-free rate, demanded by investors for equity investments with the same average risk as the overall market. Market risk premiums can usually be measured using historical risk premium data for the market. In this valuation, the long-term average return of the China A Share market index was used as the market expected return r_m , and the excess of the market expected return over the risk-free interest rate was used as the market risk premium.

In accordance with the requirements of the “Guideline for Asset Appraisal Experts No. 12 – Measurement of Discount Rate in the Income Approach to Appraise Enterprise Value” (Zhong Ping Xie [2020] No. 38), when using China’s securities market indices to calculate market risk premiums, representative indices, such as the CSI 300 index and the Shanghai Composite Index, are usually chosen to calculate the excess return of the indices over a historical period, with a time horizon of more than 10 years, a data frequency of weekly or monthly, and a calculation method of arithmetic or geometric mean.

Based on the tracking research of China’s A Share market conducted by the Research Institute of China United Assets Appraisal Group as well as the provisions of the above guidelines, the representative Shanghai Composite Index was selected as the underlying index in the valuation process, and the arithmetic mean was used to calculate and annualize the rate of return on the basis of the weekly and monthly data frequency, respectively. Its arithmetic mean, geometric mean, and harmonic mean were calculated respectively to determine the expected market return after comprehensive analysis. That is, $r_m = 9.17\%$.

$$\text{Market risk premium} = r_m - r_f = 9.17\% - 2.29\% = 6.88\%.$$

(3) Determination of capital structure

The enterprise belongs to the shipping port industry. The development of the enterprise in the future years is closely related to its financing ability, and the profit forecasts made by the management of the enterprise interact with its own financing ability and its financing plan in the coming years. Therefore, this valuation is based on the financing plan made by the management of the enterprise, using the variable capital structure, which has continued to change since the Valuation Benchmark Date to 2029. From 2030 onwards, the management of the enterprise expects its capital structure to reach a steady state. Therefore, a constant capital structure is adopted in subsequent years. In calculating the capital structure, the value of equity and debt for each year is estimated based on their market value.

(4) Determination of beta coefficient

Based on the stocks of Shanghai and Shenzhen listed companies in Shenwan transportation and shipping port industry, the appropriate comparable companies are selected considering the comparability of the valuated entity and comparable companies in business type, enterprise scale, profitability, growth, industry competitiveness, enterprise development stage and other factors. Using the Shanghai Composite Index as the underlying index, and after querying the Flush iFinD financial terminal, the estimated β_u of the risk factor for the expected financial leverage-free risk factor of the stocks of comparable companies was obtained by using the market price as of the Valuation Benchmark Date for calculation, with the calculation period being 250 weeks prior to the Valuation Benchmark Date. When calculating according to the enterprise’s own capital structure, the expected market risk coefficient β_e of the equity capital of the valuated entity was obtained.

(5) Determination of characteristic risk coefficient

In determining the discount rate, it is necessary to take into account the differences between the valuated entity and the listed companies in terms of the company's size, stage of corporate development, core competitiveness, reliance on major customers and key suppliers, corporate financing ability and cost of financing, and the robustness of the profit forecasts, etc., and to determine the characteristic risk factor. During the valuation process, the valuer conducted a comparative analysis between the enterprise and comparable listed companies and arrived at a characteristic risk coefficient $\varepsilon = 2.00\%$.

(6) Determination of expected rate of return on debts r_d

The expected rate of return on debts is the cost of capital for corporate debt financing. The capital structure used in this valuation is the enterprise's own capital structure, following the principle of matching the cost of debt with the capital structure, and the weighted average cost of capital of the enterprise's debt is used to determine the expected rate of return on debts.

(7) Calculation of discount rate based on WACC

By substituting the parameters obtained above into the formula, the discount rate is obtained in the following table:

Table 2. Calculation of Discount Rate

Name	Last 9 months of						
	2024	2025	2026	2027	2028	2029	2030
Risk-free interest rate	2.29%	2.29%	2.29%	2.29%	2.29%	2.29%	2.29%
Market expected rate of return	9.17%	9.17%	9.17%	9.17%	9.17%	9.17%	9.17%
Equity β	1.0202	1.0078	0.9953	0.9829	0.9704	0.9580	0.9580
Characteristic risk coefficient	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Cost of equity capital	11.31%	11.22%	11.14%	11.05%	10.97%	10.88%	10.88%
Equity ratio	68.54%	69.58%	70.65%	71.76%	72.91%	74.09%	74.09%
Cost of debt capital	2.99%	2.99%	2.99%	2.99%	3.00%	3.00%	3.00%
Debt ratio	31.46%	30.42%	29.35%	28.24%	27.09%	25.91%	25.91%
Weighted average cost of capital	8.70%	8.70%	8.70%	8.80%	8.80%	8.80%	8.80%
Discount rate	8.70%	8.70%	8.70%	8.80%	8.80%	8.80%	8.80%

5. *Determination of appraised value of operating assets*

By substituting the expected net cash flows obtained into formula (3), the value of the operating assets of the valuated entity is obtained as RMB3,187.8408 million.

6. *The appraised value of long-term equity investment*

Long-term equity investments totaled 8 items, representing 3 subsidiaries and 5 participating companies. The carrying amount as of the Valuation Benchmark Date was RMB468.4013 million.

- (1) For long-term equity investments that were not transferred after the period, the value of the total shareholders' equity of the investee as at the Valuation Benchmark Date was valuated, and then the appraised value was determined by multiplying the appraised value of the net assets of the investee as at the Valuation Benchmark Date with the percentage of shareholding in the valuated entity:

The appraised value of long-term equity investment = appraised value of net assets of the investee as a whole after valuation × percentage of shareholding

- (2) With regard to Rizhao Kejia Oil Pipeline Transportation Co., Ltd., the appraised value is determined based on actual transfer transaction price.

In this valuation, when determining the value of the long-term equity investment, the valuer did not consider the premiums or discounts arising from factors such as controlling and minority interests, or the impact of equity liquidity on the valuation results.

The appraised value of the long-term equity investment of the valuated entity as at the benchmark date was:

I = RMB538.5353 million

The valuation results of long-term equity investment are as shown in the following table:

Table 3. Summary of Valuation Results of Long-term Equity Investments

Unit: RMB

No.	Name of the investee	Percentage of shareholding %	Carrying amount	Appraised value	Appreciation rate %	The method of taking values
1	Rizhao Lanshan Wanhe Liquefaction Dock Co., Ltd. (日照嵐山萬和液化碼頭有限公司)	70.00	88,677,919.81	98,357,700.00	10.92	Income approach
2	Rizhao Port Dahua Hefeng Petrochemical Terminal Co., Ltd. (日照港大華和豐石油化工碼頭有限公司)	40.00	55,447,622.34	80,971,840.00	46.03	Income approach
3	Rizhao New Oasis Liquefaction Warehousing Management Service Co., Ltd. (日照新綠洲液化倉儲管理服務有限公司) (“New Oasis”)	60.00	3,382,329.78	7,851,912.52	132.15	Asset-based approach
4	Rizhao Port Gold Brick Oil Storage and Transportation Co., Ltd. (日照港金磚油品儲運有限公司)	51.00	222,564,359.73	235,405,851.00	5.77	Income approach

No.	Name of the investee	Percentage of shareholding %	Carrying amount	Appraised value	Appreciation rate %	The method of taking values
5	Shandong Dongming Petrochemical Group Minggang Storage and Transportation Co., Ltd. (山東東明石化集團明港儲運有限公司)	24.00	30,133,102.35	33,947,112.00	12.66	Income approach
6	Rizhao CHIMBUSCO Marine Bunker Supply Limited Company (日照中燃船舶燃料供應有限公司)	49.00	39,914,370.31	43,481,081.00	8.94	Income approach
7	Rizhao Kejia Oil Pipeline Transportation Co., Ltd. (日照科嘉油品管道運輸有限公司)	40.00	8,210,518.12	13,047,600.00	58.91	Actual transaction price
8	Rizhao Mingda Shipbuilding Services Co., Ltd. (日照明達船舶服務有限公司)	100.00	20,071,034.53	25,472,200.00	26.91	Income approach
Total			468,401,256.97	538,535,296.52	14.97	

Note: Shandong Port Rizhao Port Group Co., Ltd. decided to compress and retire New Oasis. The write-off and liquidation of New Oasis have not yet been completed as of the date of the asset valuation report. The valuation was conducted in accordance with the actual situation of the Company, and the asset-based approach was adopted for the valuation of New Oasis.

The above investees valued under Income Approach were valued using the same valuation assumptions as those used for Oil Company.

7. Determination of appraised value of non-operating or surplus assets (liabilities)

It has been verified that the value of certain assets (liabilities) existing in the books of the valuated entity as at the benchmark date has not been taken into account in the estimation of net cash flows in this valuation. They are surplus or non-operating assets (liabilities) beyond the cash flows estimated in this valuation. In this valuation, the value of such assets (liabilities) was separately estimated based on the audited financial statements to obtain the appraised value of the surplus or non-operating assets (liabilities) of the valuated entity as at the benchmark date:

$$C = C1 + C2 = \text{RMB}460.6578 \text{ million}$$

The details are as shown in the following table.

Table 4. Schedule of Valuation of Non-operating or Surplus Assets (Liabilities)

Unit: RMB ten thousand

Surplus or non-operating items	Carrying amount	Appraised value	Main Contents
Total net assets less liabilities	45,416.13	46,065.78	
Cash at bank and on hand	11,435.51	11,435.51	Surplus cash at bank and on hand
Other receivables	44,379.59	45,029.59	Equity transfer payments, advance of compensation for demolition and relocation
Total current assets	55,815.10	56,465.10	
Fixed assets	0.75	0.40	Vehicles awaiting scrapping
Construction in progress	1,798.10	1,798.10	Payment for the construction of allotment tanks at the third phase of the terminal
Deferred tax assets	688.69	688.69	
Total non-current assets	2,487.54	2,487.19	
Total assets	58,302.64	58,952.29	
Employee benefits payable	268.53	268.53	Termination benefits, Post-employment benefits
Other payables	10,256.78	10,256.78	Payment for engineering equipment, payment for equity acquisition
Total current liabilities	10,525.31	10,525.31	
Long-term borrowings	110.00	110.00	Interest
Long-term payables	201.37	201.37	Interest
Deferred income	200.00	200.00	Funds for air pollution prevention and control allocated through central finance
Other non-current liabilities	1,849.83	1,849.83	Termination benefits
Total non-current liabilities	2,361.20	2,361.20	
Total liabilities	12,886.51	12,886.51	

8. *Valuation result under the income approach*

By substituting the obtained value of operating assets $P = \text{RMB}3,187.8408$ million, the value of other surplus or non-operating assets existing as at the benchmark date $C = \text{RMB}460.6578$ million, and the long-term equity investment $I = \text{RMB}538.5353$ million into formula (2), the enterprise value of the valued entity is obtained: $B = \text{RMB}4,187.0339$ million.

The value of the interest-paying debts of the enterprise as at the benchmark date $D = \text{RMB}1,349.1800$ million, based on which the value of the equity interest in the valued entity is obtained: $E = B - D = \text{RMB}2,837.8539$ million.

VII. VALUATION CONCLUSION

Based on the judgment of the valued entity and the management of the enterprise on the future development trend and the business planning, the valuation on the total equity of the shareholders of Rizhao Port Oil Terminal Co., Ltd. as at the Valuation Benchmark Date of 31 March 2024 was conducted using the asset-based approach and income approach after the implementation of the valuation procedures such as the inventory verification, field survey, market investigation and enquiry, and valuation and estimation according to the relevant laws, regulations and asset valuation guidelines.

(I) Valuation result under the asset-based approach

The carrying value of the total assets was $\text{RMB}4,108.3148$ million, and the appraised value was $\text{RMB}4,847.4605$ million, with a valuation increment of $\text{RMB}739.1457$ million, representing an appreciation rate of 17.99%.

The carrying value of liabilities was $\text{RMB}1,606.9187$ million and the appraised value was $\text{RMB}1,606.9187$ million, with no change in value due to the valuation.

The carrying value of the net assets was RMB2,501.3961 million, and the appraised value was RMB3,240.5418 million, with a valuation increment of RMB739.1457 million, representing an appreciation rate of 29.55%. See the following table for details.

Table 5. Summary of Asset Valuation Conclusion

Valuation Benchmark Date: 31 March 2024

Unit: RMB ten thousand

Item	Carrying amount A	Appraised value B	Increase or decrease C = B - A	Appreciation rate % D = C/A × 100
1 Current assets	69,728.66	70,378.22	649.56	0.93
2 Non-current assets	341,102.82	414,367.83	73,265.01	21.48
3 Including: long-term equity investment	46,840.13	53,853.53	7,013.40	14.97
4 Investment properties	–	–	–	–
5 Fixed assets	226,514.93	259,745.52	33,230.59	14.67
6 Construction in progress	6,895.79	7,015.57	119.78	1.74
7 Intangible assets	58,692.47	93,064.52	34,372.05	58.56
7-1 Including: land use rights	57,385.66	90,499.00	33,113.34	57.70
8 Other non-current assets	2,159.50	688.69	-1,470.81	-68.11
9 Total assets	410,831.48	484,746.05	73,914.57	17.99
10 Current liabilities	35,984.69	35,984.69	–	–
11 Non-current liabilities	124,707.18	124,707.18	–	–
12 Total liabilities	160,691.87	160,691.87	–	–
13 Net assets (owners' equity)	250,139.61	324,054.18	73,914.57	29.55

(II) Valuation conclusion under income approach

Based on the Income Approach, the following valuation conclusions have been made on the valuated entity as of 31 March 2024, the Valuation Benchmark Date:

The carrying value of the total shareholders' equity was RMB2,501.3961 million and the appraised value was RMB2,837.8539 million, with a valuation increment of RMB336.4578 million, representing an appreciation rate of 13.45%.

(III) Selection of valuation results

According to the “Guidelines for the Practice of Asset Appraisal – Asset Appraisal Methods”, when the conditions for the adoption of different valuation methods are met, the asset valuation professionals shall select two or more valuation methods and reach a reasonable valuation conclusion through comprehensive analysis.

The main business of the valuated entity meets the needs of the domestic market, and the expected future earnings and risks assumed are predictable and measurable in monetary terms. The valuation has been conducted on the assumption that the valuated entity is a going concern, which is in line with the basic premise of valuation based on income approach mentioned above. With a long operation history, the valuated entity has accumulated overall qualities such as management level, customer resources, internal control, personnel quality, historical reputation, and the income approach can comprehensively and objectively reflect the value of the above overall qualities of the enterprise.

Based on the purpose of the valuation, the type of value to be valuated and the asset characteristics of the valuated entity, the income approach is more reasonable than the asset-based approach. Therefore, the valuation results under income approach have been adopted as the final valuation conclusion for this valuation.

Through the above analysis, the value of the total shareholders' equity of Rizhao Port Oil Terminal Co., Ltd. as at the benchmark date is thus obtained as RMB2,837.8539 million.

**SUMMARY OF THE ASSET VALUATION REPORT ON THE PROJECT OF
VALUATION OF ENTIRE EQUITY INTERESTS VALUE OF SHAREHOLDERS OF
RIZHAO SHIHUA CRUDE OIL TERMINAL CO., LTD. INVOLVED IN THE
PROPOSED ACQUISITION OF ITS EQUITY INTERESTS BY QINGDAO PORT
INTERNATIONAL CO., LTD.**

China United Assets Appraisal Group Co., Ltd.* (中聯資產評估集團有限公司) was commissioned by Qingdao Port International Co., Ltd. to appraise the market value as at the Valuation Benchmark Date of entire equity interests value of shareholders of Rizhao Shihua Crude Oil Terminal Co., Ltd. (“**Rizhao Shihua**”) involved in the proposed acquisition of assets of Oil Company by Qingdao Port International Co., Ltd.

The valuation target was the total equity attributable to shareholders of Rizhao Shihua Crude Oil Terminal Co., Ltd. The scope of valuation covered all the assets and related liabilities of Rizhao Shihua Crude Oil Terminal Co., Ltd., including current assets and non-current assets and the relevant liabilities. China United Assets Appraisal Group Co., Ltd. and the asset valuers have no existing or contemplated interest in the valuation target in the Asset Valuation Reports, have no existing or contemplated interest in the relevant parties, and have no prejudice against the relevant parties.

The date of the valuation report is 28 June 2024.

The type of value used in this valuation is market value.

In this valuation, based on the premise of continuous use and open market, as well as the actual situation of the principal, and taking into account various factors, overall valuation of Rizhao Shihua Crude Oil Terminal Co., Ltd. was carried out using the asset-based approach and the income approach, and then it was calibrated and compared. Considering the applicable premise of the valuation method and the purpose of the valuation, the valuation result of the income approach was chosen as the final valuation conclusion.

Based on the judgment of the property right holder and the management of the enterprise on the future development trend and the business planning, the valuation conclusion of the total equity of the shareholders of Rizhao Shihua Crude Oil Terminal Co., Ltd. as at the Valuation Benchmark Date of 31 March 2024 was reached after the implementation of the valuation procedures such as the inventory verification, field survey, market investigation and enquiry, and valuation and estimation, as detailed below:

The carrying value of the total shareholders’ equity was RMB2,249.6207 million and the appraised value was RMB3,581.5921 million, with a valuation increment of RMB1,331.9714 million, representing an appreciation rate of 59.21%.

According to the laws and regulations relating to asset valuation, asset valuation reports involving statutory valuation business shall be used after the principal has fulfilled the supervisory and management procedures for asset valuation in accordance with the requirements of laws and regulations. The valuation result is valid for one year, that is, it is effective only when used from 31 March 2024 to 30 March 2025.

I. VALUATION TARGET AND SCOPE OF VALUATION

(I) Valuation target and scope of valuation

The valuation target was the total equity attributable to shareholders of Rizhao Shihua Crude Oil Terminal Co., Ltd. The scope of valuation covered all the assets and related liabilities of Rizhao Shihua Crude Oil Terminal Co., Ltd. As of the Valuation Benchmark Date, the audited total book assets amounted to RMB2,629.7936 million, the total liabilities amounted to RMB380.1729 million and the net assets amounted to RMB2,249.6207 million. Among them, current assets amounted to RMB440.4538 million, non-current assets amounted to RMB2,189.3398 million; current liabilities amounted to RMB376.6429 million, non-current liabilities amounted to RMB3.53 million.

The above assets and liabilities data were extracted from the balance sheet of Rizhao Shihua as of 31 March 2024, audited by ShineWing Certified Public Accountants (Special General Partnership). The valuation was carried out on the basis that the enterprise had been audited.

The valuation target and scope of valuation entrusted were consistent with the valuation target and scope of valuation involved in economic behaviors.

(II) Major assets valued

As of the Valuation Benchmark Date, the total assets of Rizhao Shihua amounted to RMB2,629.7936 million, with the major assets including current assets such as cash at bank and on hand and accounts receivable as well as non-current assets such as fixed assets. As of the Valuation Benchmark Date, the major assets of the valued entity were not mortgaged or pledged.

II. VALUATION BENCHMARK DATE

The Valuation Benchmark Date of this project was 31 March 2024.

This benchmark date was determined by the principal after taking into account factors such as the size of the assets of the valued entity, the magnitude of the workload, the estimated time required, and the compliance.

III. TYPE OF VALUE

Based on the purpose of this valuation, the type of value determined for the valuation was market value.

The market value means the estimated value of the valuation target in the normal and fair transaction conducted on the Valuation Benchmark Date when the willing buyer and willing seller act reasonably and are not subject to any force.

IV. VALUATION BASIS

The valuation bases for this asset valuation project mainly included: (i) Basis for Economic Actions – Resolution of the Ninth Meeting of the Fourth Session of the Board of Directors of Qingdao Port International Co., Ltd.; (ii) Legal and regulatory basis – including but not limited to, the Asset Appraisal Law of the People’s Republic of China and other relevant laws, administrative measures and implementation regulations; (iii) Basis of Appraisal Guidelines – Including but not limited to the Basic Guidelines for Asset Appraisal (Cai Zi [2017] No. 43) and other relevant appraisal guidelines and opinions; (iv) The basis for ownership of relevant assets, such as vehicle registration certificates and sea area use right certificates; (v) the basis for pricing used in the assessment and estimation; and (vi) other references.

V. VALUATION ASSUMPTIONS

The asset valuers adopted the following valuation assumptions in this valuation:

(I) General assumptions

1. Transaction assumption

Pursuant to the transaction assumption, all the assets to be valued are in the course of transaction and the valuation by the valuer is based on simulated market including terms of transaction of the assets to be valued. Transaction assumption is the most basic pre-condition for the conduct of asset valuation.

2. Open market assumption

Pursuant to the open market assumption, the parties to an asset traded in the market, or proposed to be traded in the market, are on an equal footing with each other, and the parties to the transaction of the asset have the access to and time to obtain sufficient market information to enable them to make rational judgments as to the function and use of the asset, and the price at which it will be traded. The open market assumption is based on the assumption that assets can be bought and sold openly in the market.

3. *Assumption of going concern*

The assumption of going concern is a valuation assumption made by considering the assets of the enterprise as a whole as the valuation target. That is, the enterprise, as a business entity, continues to operate in accordance with its business objectives in the external environment where it operates. The operator of the enterprise is responsible and competent for assuming responsibilities; and the enterprise operates legally and is able to make appropriate profits to maintain its ability to continue as a going concern. For all types of business assets of an enterprise, it means the ability to continue to use them as they are currently used and in the manner, scale, frequency and environment in which they are used, or to use them on a modified basis.

(II) **Special assumptions**

1. For this valuation, it is assumed that the external economic environment remains unchanged as at the Valuation Benchmark Date and that there are no significant changes in the country's prevailing macro-economy;
2. There have been no significant changes in the socio-economic environment in which the enterprise operates and in the policies implemented with respect to taxes and tax rates;
3. The future management team of the enterprise is responsible and accountable and continues to maintain the current business management model;
4. The valuation is based only on the operating capacity as at the benchmark date. No consideration is given to the possible expansion of operating capacity in the future due to circumstances such as management, business strategies and additional investments, or to subsequent changes in production and operations that may occur;
5. The assets subject to this valuation are determined based on the actual balances as at the Valuation Benchmark Date, while the prevailing market prices of the assets are based on the domestic ruling prices as at the Valuation Benchmark Date;
6. For this valuation, it is assumed that the underlying information and financial information provided by the principal and the valuated entity are true, accurate and complete;
7. All business licenses required for the production and operation of the valuated entity have been approved as scheduled and will be renewed by application upon expiry in the future;
8. It is assumed that cash inflows related to assets after the Valuation Benchmark Date are average inflows and cash outflows are average outflows.

When the above conditions change, the valuation result is generally invalidated.

VI. VALUATION METHOD**(I) Selection of valuation method**

The income approach in the enterprise value valuation refers to the method of appraising the value of the valuation target by capitalizing or discounting the expected return. Asset valuation professionals should properly consider the applicability of the income approach in light of the nature of the enterprise, the size of the assets, the history of operations, the predictability of future earnings and the adequacy of the valuation information obtained.

The market approach in the enterprise value valuation refers to the method of appraising the value of the valuation target by comparing the valuation target with the comparable listed company or the comparable transaction case. Asset valuation professionals should consider the applicability of the market approach based on the adequacy and reliability of the operational and financial data obtained on comparable enterprises and the number of comparable enterprises that can be collected.

The asset-based approach in enterprise value valuation refers to the valuation method of determining the value of the valuated entity based on the balance sheet of the valuated entity as of the Valuation Benchmark Date by appraising the value of the assets and liabilities that can be identified both on- and off-balance sheet. Specifically, it refers to the method of calculating the value of an enterprise by summing up the appraised values of the various elemental assets that make up the enterprise and subtracting the appraised value of the liabilities.

The purpose of this valuation is proposed acquisition of equity interests of Rizhao Shihua by Qingdao Port International Co., Ltd.

The asset-based approach reflects the enterprise's value from the perspective of its purchase and construction and provides a basis for the enterprise's operation, management and valuation after its economic behaviors have been realized. Therefore, we used the asset-based approach in this valuation.

The valuated entity has the basis and conditions for continuing operations, and the future earnings and risks can be predicted and quantified, therefore the income approach can be selected for this valuation.

Two commonly used methods in the market approach are the trade case comparison method and the public company comparison method. The valuation firm has inquired about the transaction cases of port terminals in the capital market in the past three years. There is limited access to the information of the domestic property rights trading market, and it is difficult to obtain the indicators used for revision, so the conditions for valuation by means of transaction cases are restricted. There are many listed companies in the port industry in the capital market, which mainly engage in integrated port business. The valuated entity mainly carries out oil

product receiving and handling business. Its asset scale and business scale are quite different from those of listed companies. The business nature and asset scale do not meet the comparability requirements, therefore, the market approach was not adopted for this valuation.

To sum up, the asset-based approach and the income approach were adopted in this valuation.

(II) Income approach

A. Assumptions for income projections

1. There have been no significant changes in relevant national laws, regulations and policies in force and the national macroeconomic situation, and there are no significant changes in the political, economic and social environment of the regions in which the parties to this transaction are situated.
2. It is assumed that the enterprise continues to operate in view of the actual situation of assets as at the Valuation Benchmark Date.
3. It is assumed that the proprietor of the valuated entity is responsible and accountable and the management of the valuated entity is competent in discharging its duties.
4. It is assumed that the valuated entity is in full compliance with all the relevant laws and regulations unless otherwise stated.
5. It is assumed that the accounting policies to be adopted by the valuated entity in the future are basically consistent with those adopted in the preparation of this report in material aspects.
6. It is assumed that the business scope and business mode of the valuated entity are consistent with the current ones on the basis of the existing management approaches and management level.
7. In this valuation, it is assumed that in the future forecast period, the valuated entity's main business, product structure, revenue and cost composition, sales strategy and cost control, etc. will maintain its status after completion without major changes.
8. In the future forecast periods, various expenses of the valuated entity will not greatly change on the current base, but will continue its trend of recent years and synchronously change with the changes in the scale of operation.

9. In view of the frequent changes in the cash at bank and on hand of the enterprise or its bank deposits in the course of production and operation and the fact that idle funds have been considered as overflow assets, interest income generated from the deposits and other uncertain gains and losses other than interest-paying debts are not taken into account in the valuation.
10. There are no material changes in the relevant interest rates, exchange rates, taxation bases and tax rates, as well as government levies.
11. There are no other force majeure factors or unforeseeable factors that may give rise to material adverse impacts on the enterprise.

When there is any significant change in the future economic environment, the valuation firm will not assume the responsibility for different valuation conclusions resulting from the change of assumptions.

B. Calculation and analysis process of valuation under income approach

1. Valuation model under income approach

(1) Valuation idea

Based on the due diligence investigation and the asset composition and the characteristics of main business of the valuated entity, the valuation is designed to estimate the equity capital value of the valuated entity on the basis of the financial statements of the valuated entity. The basic valuation idea of this valuation is as follows:

- 1) For assets and main businesses included in the scope of the financial statements, expected earnings (net cash flows) are projected in accordance with trends in historical operating conditions and types of business and discounted to obtain the value of operating assets;
- 2) Current assets (liabilities) that will be included in the scope of the financial statements but not considered in the estimation of expected earnings (net cash flows), such as cash at bank and on hand and dividends receivable (payable) existing as at the benchmark date, as well as non-current assets (liabilities), such as slow-moving or idle equipment, property, and construction in progress not recognized in profit or loss, are defined as surplus or non-operating assets (liabilities) existing as at the benchmark date, and are estimated separately;
- 3) Long-term equity investments that will be included in the scope of the financial statements but not considered in the estimation of expected earnings (net cash flows) are estimated separately;

- 4) The enterprise value of the valuated entity is arrived at by summing up the value of each of the above assets and liabilities, and the value of equity capital (total shareholders' equity) of the valuated entity is arrived at after deducting the value of interest-paying debts as of the benchmark date.

In determining the value of the total shareholders' equity, the valuer did not consider the premiums or discounts arising from factors such as controlling and minority interests, or the impact of equity liquidity on the valuation results.

(2) Valuation model

1) Basic model

The basic model used in this valuation is:

$$E = B - D \quad (1)$$

where:

E: The value of the total shareholders' equity (net assets) of the valuated entity;

B: The enterprise value of the valuated entity;

D: The value of interest-paying debts of the valuated entity;

$$B = P + I + C \quad (2)$$

where:

P: The value of the operating assets of the valuated entity;

I: The Long-term investment value of the valuated entity as at the benchmark date;

C: The value of surplus or non-operating assets (liabilities) existing as at the benchmark date of the valuated entity;

$$P = \sum_{i=1}^n \frac{R_i}{(1+r)^i} + \frac{R_{n+1}}{r(1+r)^n} \quad (3)$$

where:

R_i : Expected future earnings (free cash flow) of the valued entity in year i ;

r : The discount rate;

n : The future operating period of the valued entity;

$$C = C_1 + C_2 \quad (4)$$

C_1 : The value of current-type surplus or non-operating assets (liabilities) as at the benchmark date;

C_2 : The value of non-current-type surplus or non-operating assets (liabilities) as at the benchmark date.

2) Earning indicators

In this valuation, the free cash flow of the enterprise was used as an earning indicator on the operating assets of the valued entity, which is basically defined as:

$$R = \text{EBIT} \times (1 - t) + \text{depreciation and amortization} - \text{additional capital} \quad (5)$$

The free cash flows of the valued entity in the future operating periods are estimated based on its operating history and future market development, etc. The value of the enterprise's operating assets is measured by discounting and summing the free cash flows over the future operating period.

3) Discount rate

The weighted average cost of capital assets (WACC) model was used in this valuation to determine the discount rate r :

$$r = r_d \times w_d + r_e \times w_e \quad (6)$$

where:

W_d : The debt ratio of the valued entity;

$$w_d = \frac{D}{E+D} \quad (7)$$

W_e : The equity ratio of the valuated entity;

$$w_e = \frac{E}{(E+D)} \quad (8)$$

r_d : The interest-paying debts rate after income taxes;

r_e : Cost of equity capital. In this valuation, the cost of equity capital r_e was determined according to the Capital Asset Pricing Model (CAPM);

$$r_e = r_f + \beta_e \times (r_m - r_f) + \varepsilon \quad (9)$$

where:

r_f : Risk-free rate of return;

r_m : Market expected rate of return;

ε : Risk adjustment factor for the characteristics of the valuated entity;

β_e : Expected market risk coefficient of equity capital of the valuated entity;

$$\beta_e = \beta_u \times (1 + (1 - t) \times \frac{D}{E}) \quad (10)$$

β_u : Expected unlevered market risk coefficient for comparable companies;

$$\beta_u = \frac{\beta_i}{1 + (1 - t) \frac{D_i}{E_i}} \quad (11)$$

β_i : Expected market average risk coefficient for shares (assets) of comparable companies;

$$\beta_i = 34\%K + 66\%\beta_x \quad (12)$$

where:

K: The average value-at-risk of the stock market over a given period of time, usually assuming K=1;

β_x : Historical market average risk coefficient for shares (assets) of comparable companies;

D_i , E_i : Interest-paying debts and equity capital of comparable companies, respectively.

2. *Determination of years of earnings*

According to the articles of association of the valuated entity, the business term of the enterprise shall be long-term. As the valuated entity was operating normally on the Valuation Benchmark Date, there was no limitation on the useful life of the core assets affecting its continuation, no limitation on the duration of its production and operation, and no limitation on the term of ownership of investors, or the aforesaid limitations could be released, and they could be utilized perpetually by way of continuation. Therefore, in this valuation, it is assumed that the valuated entity will continue perpetually after Valuation Benchmark Date, and the corresponding income period is indefinite.

3. *Determination of future earnings*

(1) Estimates of revenue and cost of sales

The business income of the enterprise is mainly the income from sales of port receiving and handling operations.

In this valuation, we investigated the historical period receiving and handling volume, receiving and handling price and market situation of the above business, and discussed and analyzed with the management of the valuated entity based on the information on historical prices, supply and demand, and industry development trends.

1) Estimates of revenue of the valuated entity

a) Estimates of product sales volume and prices

In this valuation, the future sales volume of each business is calculated based on the receiving and handling capacity of the enterprise's terminals as well as its actual historical receiving and handling volumes.

b) Estimates of revenue

The estimates of revenue shall be determined based on the forecasts of product sales volume and product prices.

2) Estimates of production costs of the valuated entity

Based on the historical production costs of the valuated entity, the costs of the valuated entity include raw materials, auxiliary materials, power, wages and surcharges, lease expenses, depreciation, etc. The future costs are determined by maintaining a small increase in the current level of costs. Among them, other businesses are mainly freshwater supply services for ships. Due to its small business volume, the cost is not calculated separately, and its cost is listed in the water fee in costs. For the harbor pool and channel type assets of fixed assets, the dredging costs are considered over the perpetuity period of RMB3.42 million per year, which is based on the dredging expenditures in historical years.

(2) Estimates of taxes and surcharges

Taxes and surcharges of the valuated entity include urban maintenance and construction tax, education surcharge and local education surcharge, all of which are based on the amount of value-added tax paid, with tax rates of 7%, 3% and 2%, respectively.

The port terminal receiving and handling business that the valuated entity engages in is subject to output value added tax at a rate of 6%. Costs and expenses that are eligible for input tax credit include materials costs, utilities, maintenance costs, port services fees, etc. Input tax rates include 6%, 9% and 13%.

$$\text{Amount of VAT paid} = \text{Output VAT} - \text{Input VAT}$$

(3) Estimates of expenses for the relevant periods

1) Estimates of selling expenses

No selling expenses were incurred in the historical year of the enterprise, therefore, the related expenses are not considered for the future forecast period.

2) Estimates of administrative expenses

The administrative expenses of the enterprise are mainly salaries, benefits expenses, depreciation and amortization expenses, port facility security expenses, and business entertainment expenses.

Wages are estimated based on the enterprise's payroll. Depreciation and amortization are estimated on the basis of the original value of the enterprise's fixed assets (intangible assets) and depreciation (amortization) accrual standards, and other expenses, such as office expenses and transportation expenses, are considered to increase slightly on the basis of historical amounts.

3) Estimates of R&D expenses

The enterprise does not have the relevant expenses.

4) Estimates of financial expenses

The enterprise has no interest-paying debts and no future borrowing plans. Therefore, no financial expenses are considered for the future forecast period.

(4) Estimates of depreciation and amortization

The assets subject to depreciation of the valuated entity are fixed assets, which mainly include docks, approach dykes, harbor ponds, oil transfer arms, etc. Fixed assets are valued at actual cost at the time of acquisition. In this valuation, the depreciation of fixed assets for the future operating period was estimated based on the original carrying amount of fixed assets as at the benchmark date, the estimated useful life and the weighted depreciation rate in accordance with the depreciation policy for fixed assets implemented by the enterprise.

(5) Estimates of additional capital

Additional capital is the increase in working capital and long-term capital investment beyond the one-year period required by the enterprise without changing the current conditions of operation and production, such as capital investment required for the expansion of the scale of production capacity (acquisition of fixed assets or other non-current assets), as well as the additional working capital required and the update of assets necessary for continuing operations, etc..

For the purpose of this valuation, it is assumed that the valuated entity will not make any further capital investment in its existing operating capacity, and that additional capital in future operating periods will mainly consist of updates of existing assets as at the benchmark date and increases in working capital required for continuing operations. That is, the additional capital defined in this report is:

Additional capital = update of assets + increase in working capital + capital costs

1) Estimates of asset update investment

In accordance with the premise and basis of the income projections, only the update investment expenditures necessary to maintain the production and operation of the expanded capacity are required in future years. For the fixed assets of the headquarters, depreciation is provided in accordance with the accounting policy standards implemented by the enterprise, and updates are estimated over the perpetuity period on the basis that updates equal depreciation. For the harbor pool and channel type assets held by the valuated entity, assets update costs are not considered. Based on the dredging costs historically incurred, the corresponding dredging expenditure is considered in the costs over the perpetuity period.

2) Estimates of increase in working capital

The increase in working capital refers to the additional working capital that an enterprise needs to invest in order to maintain normal operation without changing the conditions of its current main business, i.e., the additional capital needed to maintain the enterprise's ability to continue operation.

When estimating the increase in working capital, in principle, only the main factors such as cash to be maintained for normal operations (minimum cash holdings), inventories, receivables and payables need to be taken into account. The increase in working capital defined in this report is:

Increase in working capital = current working capital – working capital in prior period

The increase in working capital is calculated based on working capital as a percentage of revenue in the historical period and estimates of future revenue.

Based on the investigation of the business situation of the valuated entity, as well as the statistical analysis of assets, profit and loss, revenues, costs and expenses from historical operations as of the benchmark date, and the results of the estimation of revenues and costs for each year of the future operating period, operating cash (minimum cash holdings), inventories, receivables, and payables, etc., and the increase in their working capital, for each year of the future operating period can be obtained in accordance with the above definitions.

3) Estimates of capital expenditure

According to this valuation, there was no capital cost.

(6) Cash flow estimates

The estimates of the net cash flows of the valuated entity for the future operating periods are shown in the table below. The prediction of future earnings in this valuation is a professional judgment made on the basis of market research and analysis of the industry in which the enterprise operates, and on the basis of a combination of the operating conditions of the relevant comparable enterprises, market demand and future industry development. Uncertain non-operating income and expenses, subsidy income, and gains and losses from other non-recurring operations will not be taken into account in the estimation.

Table 1. Estimates of Future Net Cash Flow*Unit: RMB ten thousand*

Name	Last 9 months of 2024	2025	2026	2027	2028	2029	Perpetual term
Net Profit	20,430.93	28,866.49	28,790.42	28,863.17	29,022.51	28,945.87	28,692.14
Plus: after-tax interest	–	–	–	–	–	–	–
NOPLAT	20,430.93	28,866.49	28,790.42	28,863.17	29,022.51	28,945.87	28,692.14
Plus: depreciation and amortization	4,914.73	6,552.97	6,552.97	6,552.97	6,552.97	6,552.97	6,552.97
Less: increase in working capital	-933.87	-12.15	0.00	27.46	56.30	0.00	0.00
Less: CAPEX for update purpose	965.86	1,287.82	1,287.82	1,287.82	1,287.82	1,089.66	3,841.66
Less: CAPEX for expansion purpose	–	–	–	–	–	–	–
Plus: other cash flows	–	–	–	–	–	–	–
FCFF	25,313.67	34,143.80	34,055.58	34,100.87	34,231.37	34,409.19	31,403.46

The main factor affecting the change in net profit during the forecast period is the loading and unloading volume at the terminal.

The loading and unloading volume, gross profit margin and other data during the historical period and the future forecast period of Rizhao Shihua are relatively stable. It is expected that the loading and unloading volume will remain stable and increase slightly in the forecast period based on the level of loading and unloading volume in 2023. The source of growth mainly depends on the increase in customer demand, which will lead to a slight increase in the expected start-up volume. The slight decline in profit in subsequent years is mainly due to the increase in labor costs.

4. *Determination of discount rate*

(1) Determination of risk-free interest rate

The government bond yields provided by the China Central Depository & Clearing Co., Ltd. (CCDC) published on the website of the China Appraisal Society.

The valuation is based on the assumption of going concern, and the income period of the subject of the valuation is infinite. In accordance with the requirements of the “Guideline for Asset Appraisal Experts No. 12 – Measurement of Discount Rate in the Income Approach to Appraise Enterprise Value” (Zhong Ping Xie [2020] No. 38), the yield to maturity of government bonds with a remaining maturity of ten years or more may be used as the risk-free interest rate. The 10-year government bond yield was used as the risk-free rate for this valuation, i.e., $r_f = 2.29\%$.

(2) Determination of market risk premium

The market risk premium is the expected excess return, i.e., the compensation for risk in excess of the risk-free rate, demanded by investors for equity investments with the same average risk as the overall market. Market risk premiums can usually be measured using historical risk premium data for the market. In this valuation, the long-term average return of the China A Share market index was used as the market expected return r_m , and the excess of the market expected return over the risk-free interest rate was used as the market risk premium.

In accordance with the requirements of the “Guideline for Asset Appraisal Experts No. 12 – Measurement of Discount Rate in the Income Approach to Appraise Enterprise Value” (Zhong Ping Xie [2020] No. 38), when using China’s securities market indices to calculate market risk premiums, representative indices, such as the CSI 300 index and the Shanghai Composite Index, are usually chosen to calculate the excess return of the indices over a historical period, with a time horizon of more than 10 years, a data frequency of weekly or monthly, and a calculation method of arithmetic or geometric mean.

Based on the tracking research of China’s A Share market conducted by the Research Institute of China United Assets Appraisal Group as well as the provisions of the above guidelines, the representative Shanghai Composite Index was selected as the underlying index in the valuation process, and the arithmetic mean was used to calculate and annualize the rate of return on the basis of the weekly and monthly data frequency, respectively. Its arithmetic mean, geometric mean, and harmonic mean were calculated respectively to determine the expected market return after comprehensive analysis. That is, $r_m = 9.17\%$.

$$\text{Market risk premium} = r_m - r_f = 9.17\% - 2.29\% = 6.88\%.$$

(3) Determination of capital structure

The enterprise belongs to the shipping port industry. After years of development, its capital structure is relatively stable in recent years. Because the profit forecast made by the management of the enterprise is based on the premise that its own financing ability and capital structure are stable, for this valuation, the stable capital structure of the enterprise as of the Valuation Benchmark Date was selected for the calculation of the discount rate for future years. When calculating the capital structure, the value of equity and debt were estimated based on their market value.

(4) Determination of beta coefficient

Based on the stocks of Shanghai and Shenzhen listed companies in Shenwan transportation and shipping port industry, the appropriate comparable companies are selected considering the comparability of the valuated entity and comparable companies in business type, enterprise scale, profitability, growth, industry competitiveness, enterprise development stage and other factors. Using the Shanghai Composite Index as the underlying index, and after querying the Flush iFinD financial terminal, the estimated β_u for the expected financial leverage-free risk factor of the stocks of comparable companies was obtained by using the market price as of the Valuation Benchmark Date for calculation, with the calculation period being 5 years prior to the Valuation Benchmark Date. When calculating according to the enterprise's own capital structure, the expected market risk coefficient β_e of the equity capital of the valuated entity was obtained.

(5) Determination of characteristic risk coefficient

In determining the discount rate, it is necessary to take into account the differences between the valuated entity and the listed companies in terms of the company's size, stage of corporate development, core competitiveness, reliance on major customers and key suppliers, corporate financing ability and cost of financing, and the robustness of the profit forecasts, etc., and to determine the characteristic risk factor. During the valuation process, the asset appraiser conducted a comparative analysis between the enterprise and comparable listed companies and arrived at a characteristic risk coefficient $\varepsilon = 2.00\%$.

(6) Determination of expected rate of return on debts r_d

The expected rate of return on debts is the cost of capital for corporate debt financing. The capital structure used in this valuation is the enterprise's own capital structure, following the principle of matching the cost of debt with the capital structure, and the weighted average cost of capital of the enterprise's debt is used to determine the expected rate of return on debts.

(7) Calculation of discount rate based on WACC

By substituting the parameters obtained above into the formula, the discount rate is obtained in the following table:

Table 2. Calculation of Discount Rate

Name	Last 9 months of 2024	2025	2026	2027	2028	2029
Risk-free interest rate	2.29%	2.29%	2.29%	2.29%	2.29%	2.29%
Market expected rate of return	9.17%	9.17%	9.17%	9.17%	9.17%	9.17%
Equity β	0.759	0.759	0.759	0.759	0.759	0.759
Characteristic risk coefficient	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Cost of equity capital	9.50%	9.50%	9.50%	9.50%	9.50%	9.50%
Equity ratio	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of debt capital	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Debt ratio	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Weighted average cost of capital	9.50%	9.50%	9.50%	9.50%	9.50%	9.50%
Discount rate	9.50%	9.50%	9.50%	9.50%	9.50%	9.50%

5. *Determination of appraised value of operating assets*

By substituting the expected net cash flows obtained into formula (3), the value of the operating assets of the valuated entity is obtained as RMB3,580.2032 million.

6. *Determination of appraised value of non-operating or surplus assets (liabilities)*

It has been verified that the value of certain assets (liabilities) existing in the books of the valuated entity as at the benchmark date has not been taken into account in the estimation of net cash flows in this valuation. They are surplus or non-operating assets (liabilities) beyond the cash flows estimated in this valuation. In this valuation, the value of such assets (liabilities) was separately estimated based on the audited financial statements to obtain the appraised value of the surplus or non-operating assets (liabilities) of the valuated entity as at the benchmark date:

$$C = C1 + C2 = \text{RMB1.3889 million}$$

The details are as shown in the following table.

Table 3. Schedule of Valuation of Non-operating or Surplus Assets (Liabilities)

Unit: RMB ten thousand

Surplus or non-operating items	Carrying amount	Appraised value	Main Contents
Total net assets less liabilities	<u>140.32</u>	<u>138.89</u>	
Cash at bank and on hand	30,693.65	30,693.65	Surplus cash at bank and on hand
Deferred tax assets	25.84	25.84	
Fixed assets	<u>1.83</u>	<u>0.40</u>	Disposal of fixed assets
Total assets	<u>30,721.32</u>	<u>30,719.89</u>	
Accounts payable	100.94	100.94	Project payment, purchase price, etc.
Other payables	30,063.03	30,063.03	Dividend payable, quality guarantee deposit, etc.
Employee benefits payable	64.03	64.03	Termination benefits
Other non-current liabilities	<u>353.00</u>	<u>353.00</u>	Termination benefits
Total liabilities	<u>30,581.00</u>	<u>30,581.00</u>	

7. *Valuation result under the income approach*

By substituting the obtained value of operating assets $P = \text{RMB}3,580.2032$ million, and the value of other surplus or non-operating assets existing as at the benchmark date $C = \text{RMB}1.3889$ million into formula (2), the enterprise value of the valuated entity is obtained: $B = \text{RMB}3,581.5921$ million.

The value of the interest-paying debts of the enterprise as at the benchmark date $D = \text{RMB}0.00$ million, based on which the value of the equity interest in the valuated entity is obtained: $E = B - D = \text{RMB}3,581.5921$ million.

VII. VALUATION CONCLUSION

Based on the judgment of the valuated entity and the management of the enterprise on the future development trend and the business planning, the valuation on the total equity of the shareholders of Rizhao Shihua Crude Oil Terminal Co., Ltd. as at the Valuation Benchmark Date of 31 March 2024 was conducted using the asset-based approach and income approach after the implementation of the valuation procedures such as the inventory verification, field survey, market investigation and enquiry, and valuation and estimation according to the relevant laws, regulations and asset valuation guidelines.

(I) Valuation result under the asset-based approach

The carrying value of the total assets was RMB2,629.7936 million, and the appraised value was RMB2,848.0981 million, with a valuation increment of RMB218.3045 million, representing an appreciation rate of 8.30%.

The carrying value of liabilities was RMB380.1729 million and the appraised value was RMB380.1729 million, with no change in value due to the valuation.

The carrying value of the net assets was RMB2,249.6207 million, and the appraised value was RMB2,467.9252 million, with a valuation increment of RMB218.3045 million, representing an appreciation rate of 9.70%. See the following table for details.

Table 4. Summary of Asset Valuation Conclusion

Valuation Benchmark Date: 31 March 2024

Unit: RMB ten thousand

		Carrying amount A	Appraised value B	Increase or decrease C = B – A	Appreciation rate % D = C/A × 100
Item					
1	Current assets	44,045.38	44,045.38	–	–
2	Non-current assets	218,933.98	240,764.43	21,830.45	9.97
3	Including: long-term equity investment	–	–	–	–
4	Investment properties	–	–	–	–
5	Fixed assets	218,908.14	240,738.59	21,830.45	9.97
6	Construction in progress	–	–	–	–
7	Intangible assets	–	–	–	–
7-1	Including: land use rights	–	–	–	–

Item	Carrying amount A	Appraised value B	Increase or decrease C = B - A	Appreciation rate % D = C/A × 100
8 Other non-current assets	25.84	25.84	—	—
9 Total assets	262,979.36	284,809.81	21,830.45	8.30
10 Current liabilities	37,664.29	37,664.29	—	—
11 Non-current liabilities	353.00	353.00	—	—
12 Total liabilities	38,017.29	38,017.29	—	—
13 Net assets (owners' equity)	224,962.07	246,792.52	21,830.45	9.70

(II) Valuation conclusion under income approach

Based on the income approach, the following valuation conclusions have been made on the valuated entity as of 31 March 2024, the Valuation Benchmark Date:

The carrying value of the total shareholders' equity was RMB2,249.6207 million and the appraised value was RMB3,581.5921 million, with a valuation increment of RMB1,331.9714 million, representing an appreciation rate of 59.21%.

(III) Selection of valuation results

Rizhao Shihua is mainly engaged in the business of receiving and handling oil products. The Company is jointly funded by Shandong Port Rizhao Port Group Co., Ltd. and Sinomart KTS Development Limited (whose de facto controller is China Petrochemical Corporation). It is an important raw material import channel for Shandong's local refining enterprises. The Company has three 300,000-ton crude oil berths, which can reliably berth 80,000-450,000-ton vessels, with a total designed annual handling capacity of 56 million tons. The Company has a track record of stable and good return. The main business of Rizhao Shihua requires many qualification licenses. As an asset that cannot be identified on or off the balance sheet, this part of qualification is difficult to be reflected according to the asset-based method. However, in the overall income approach, this part of qualification is the key element that makes up the ongoing operations of the enterprise and makes it profitable. The expected profitability of the valuated entity as a whole can be objectively and comprehensively reflected in the income approach. It is a quantification and present value of the expected profitability of the whole assets of the enterprise.

In addition, the main business of the valuated entity meets the needs of the domestic market, and the expected future earnings and risks assumed are predictable and measurable in monetary terms. The valuation has been conducted on the assumption that the valuated entity is a going concern, which is in line with the basic premise of valuation based on income approach mentioned above. With a long operation history, the valuated entity has accumulated overall qualities such as management level, customer resources, internal control, personnel quality, historical reputation, and the income approach can comprehensively and objectively reflect the value of the above overall qualities of the enterprise.

Through the above analysis, the value of the total shareholders' equity of Rizhao Shihua Crude Oil Terminal Co., Ltd. as at the benchmark date is thus obtained as RMB3,581.5921 million.



信永中和會計師事務所

ShineWing
certified public accountants

北京市東城區朝陽門北大街
8號富華大廈A座9層

9/F, Block A, Fu Hua Mansion,
No.8, Chaoyangmen Beidajie,
Dongcheng District, Beijing,
100027, P.R.China

聯繫電話: +86(010)6554 2288
telephone: +86(010)6554 2288

傳真: +86(010)6554 7190
facsimile: +86(010)6554 7190

**THE REPORT ON THE CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED
CASH FLOWS IN CONNECTION WITH THE BUSINESS VALUATION OF RIZHAO
PORT OIL TERMINAL CO., LTD.**

TO THE BOARD OF DIRECTORS OF QINGDAO PORT INTERNATIONAL CO., LTD.

We have completed our assurance engagement and issued a reviewed report on the calculations of the discounted future estimated cash flows in the business valuation report (the “**Valuation**”) dated 28 June 2024 prepared by China United Assets Appraisal Group Co., Ltd. in respect of the appraisal of the fair value of the 100% equity interests in the Rizhao Port Oil Terminal Co., Ltd. (the “**Target Company**”) as at 31 March 2024. The Valuation is set out in the announcement published by Qingdao Port International Co., Ltd. (the “**Company**”) dated 21 February 2025 (the “**Announcement**”) in connection with the acquisition by the Company of the 100% equity interests in the Target Company. The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Listing Rules**”).

I. Directors’ Responsibility for the Discounted Future Estimated Cash Flows

The directors of the Company should be responsible for the preparation of the discounted future estimated cash flows in the Announcement, including the bases and assumptions of the discounted future estimated cash flows as set out in “Appendix II – Summary of Asset Valuation Reports”. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of the discounted future estimated cash flows and application of an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

II. Accountant’s Responsibilities

It is our responsibility, pursuant to Rule 14.60A(2) of the Hong Kong Listing Rules, to express an opinion on the calculations of the discounted future estimated cash flows. We conducted our work in accordance with the requirements of *China Standard on Other Assurance Engagements No. 3101, Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*. This standard requires that we comply with the code of professional ethics, and plan and perform our work to issue the opinion.

APPENDIX III SHINewing'S REPORTS ON THE CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS

This assurance engagement involved performing procedures to obtain sufficient appropriate evidence as to whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the bases and assumptions set out in “Appendix II – Summary of Asset Valuation Reports” of the Announcement. The selection of procedures depends on the certified public accountant’s judgement and our risk assessment of the project. Within the scope of our work, among other things, we have reviewed the arithmetical calculations and the compilation of the discounted future estimated cash flows in accordance with the bases and assumptions.

The discounted future estimated cash flows do not involve the adoption of any accounting policies. The discounted future estimated cash flows have been prepared on a set of bases and assumptions that include hypothetical assumptions about future events and management’s actions that cannot be confirmed and verified in the same way as past results and that are not necessarily expected to occur. Even if the events anticipated under the hypothetical assumptions occur, actual results are still likely to be different from the discounted future estimated cash flows since other anticipated events frequently do not occur as expected and the variation may be material. We are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future estimated cash flows are based and our work, does not constitute any valuation of the Target Company.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

III. Opinion

In our opinion, based on the foregoing, so far as the calculations/assumptions are concerned, the discounted future estimated cash flows have been properly compiled in all material respects, in accordance with the bases and assumptions adopted by the directors of the Company as set out in “Appendix II – Summary of Asset Valuation Reports” of the Announcement.

IV. Purpose and Restriction on Use

This report is intended solely for the Company to acquire the 100% equity interests in the Target Company and should be used and disclosed in connection with the requirement in Rule 14.60A of the Hong Kong Listing Rules and should not be used for any other purpose without our consent. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

ShineWing Certified Public Accountants (Special general partnership)

Registered in Beijing, China

Mr. YU Jiangtao

Mr. LIU Xueyu

21 February 2025

APPENDIX III SHINEWING'S REPORTS ON THE CALCULATIONS OF
DISCOUNTED FUTURE ESTIMATED CASH FLOWS



信永中和會計師事務所

ShineWing
certified public accountants

北京市東城區朝陽門北大街
8號富華大廈A座9層

9/F, Block A, Fu Hua Mansion,
No.8, Chaoyangmen Beidajie,
Dongcheng District, Beijing,
100027, P.R.China

聯繫電話: +86(010)6554 2288
telephone: +86(010)6554 2288

傳真: +86(010)6554 7190
facsimile: +86(010)6554 7190

**THE REPORT ON THE CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED
CASH FLOWS IN CONNECTION WITH THE BUSINESS VALUATION OF RIZHAO
MINGDA SHIPPING SERVICE CO., LTD.**

TO THE BOARD OF DIRECTORS OF QINGDAO PORT INTERNATIONAL CO., LTD.

We have completed our assurance engagement and issued a reviewed report on the calculations of the discounted future estimated cash flows of Rizhao Mingda Shipping Service Co., Ltd., the subsidiary of Rizhao Port Oil Terminal Co., Ltd. (the “**Target Company**”), in the business valuation report (the “**Valuation**”) dated 28 June 2024 prepared by China United Assets Appraisal Group Co., Ltd. in respect of the appraisal of the fair value of the 100% equity interests in the Target Company as at 31 March 2024. The Valuation is set out in the announcement published by Qingdao Port International Co., Ltd. (the “**Company**”) dated 21 February 2025 (the “**Announcement**”) in connection with the acquisition by the Company of the 100% equity interests in the Target Company. The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Listing Rules**”).

I. Directors’ Responsibility for the Discounted Future Estimated Cash Flows

The directors of the Company should be responsible for the preparation of the discounted future estimated cash flows in the Announcement, including the bases and assumptions of the discounted future estimated cash flows as set out in “Appendix II – Summary of Asset Valuation Reports”. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of the discounted future estimated cash flows and application of an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

II. Accountant’s Responsibilities

It is our responsibility, pursuant to Rule 14.60A(2) of the Hong Kong Listing Rules, to express an opinion on the calculations of the discounted future estimated cash flows. We conducted our work in accordance with the requirements of *China Standard on Other Assurance Engagements No. 3101, Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*. This standard requires that we comply with the code of professional ethics, and plan and perform our work to issue the opinion.

APPENDIX III SHINewing'S REPORTS ON THE CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS

This assurance engagement involved performing procedures to obtain sufficient appropriate evidence as to whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the bases and assumptions set out in “Appendix II – Summary of Asset Valuation Reports” of the Announcement. The selection of procedures depends on the certified public accountant’s judgement and our risk assessment of the project. Within the scope of our work, among other things, we have reviewed the arithmetical calculations and the compilation of the discounted future estimated cash flows in accordance with the bases and assumptions.

The discounted future estimated cash flows do not involve the adoption of any accounting policies. The discounted future estimated cash flows have been prepared on a set of bases and assumptions that include hypothetical assumptions about future events and management’s actions that cannot be confirmed and verified in the same way as past results and that are not necessarily expected to occur. Even if the events anticipated under the hypothetical assumptions occur, actual results are still likely to be different from the discounted future estimated cash flows since other anticipated events frequently do not occur as expected and the variation may be material. We are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future estimated cash flows are based and our work, does not constitute any valuation of the Target Company.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

III. Opinion

In our opinion, based on the foregoing, so far as the calculations/assumptions are concerned, the discounted future estimated cash flows have been properly compiled in all material respects, in accordance with the bases and assumptions adopted by the directors of the Company as set out in “Appendix II – Summary of Asset Valuation Reports” of the Announcement.

IV. Purpose and Restriction on Use

This report is intended solely for the Company to acquire the 100% equity interests in the Target Company and should be used and disclosed in connection with the requirement in Rule 14.60A of the Hong Kong Listing Rules and should not be used for any other purpose without our consent. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

ShineWing Certified Public Accountants (Special general partnership)

Registered in Beijing, China

Mr. YU Jiangtao

Mr. LIU Xueyu

21 February 2025

APPENDIX III SHINewing'S REPORTS ON THE CALCULATIONS OF
DISCOUNTED FUTURE ESTIMATED CASH FLOWS



信永中和會計師事務所

ShineWing
certified public accountants

北京市東城區朝陽門北大街
8號富華大廈A座9層

9/F, Block A, Fu Hua Mansion,
No.8, Chaoyangmen Beidajie,
Dongcheng District, Beijing,
100027, P.R.China

聯繫電話: +86(010)6554 2288
telephone: +86(010)6554 2288

傳真: +86(010)6554 7190
facsimile: +86(010)6554 7190

**THE REPORT ON THE CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED
CASH FLOWS IN CONNECTION WITH THE BUSINESS VALUATION OF RIZHAO
LANSHAN WANHE LIQUEFACTION DOCK CO., LTD.**

TO THE BOARD OF DIRECTORS OF QINGDAO PORT INTERNATIONAL CO., LTD.

We have completed our assurance engagement and issued a reviewed report on the calculations of the discounted future estimated cash flows of Rizhao Lanshan Wanhe Liquefaction Dock Co., Ltd., the subsidiary of Rizhao Port Oil Terminal Co., Ltd. (the “**Target Company**”), in the business valuation report (the “**Valuation**”) dated 28 June 2024 prepared by China United Assets Appraisal Group Co., Ltd. in respect of the appraisal of the fair value of the 100% equity interests in the Target Company as at 31 March 2024. The Valuation is set out in the announcement published by Qingdao Port International Co., Ltd. (the “**Company**”) dated 21 February 2025 (the “**Announcement**”) in connection with the acquisition by the Company of the 100% equity interests in the Target Company. The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Listing Rules**”).

I. Directors’ Responsibility for the Discounted Future Estimated Cash Flows

The directors of the Company should be responsible for the preparation of the discounted future estimated cash flows in the Announcement, including the bases and assumptions of the discounted future estimated cash flows as set out in “Appendix II – Summary of Asset Valuation Reports”. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of the discounted future estimated cash flows and application of an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

II. Accountant’s Responsibilities

It is our responsibility, pursuant to Rule 14.60A(2) of the Hong Kong Listing Rules, to express an opinion on the calculations of the discounted future estimated cash flows. We conducted our work in accordance with the requirements of *China Standard on Other Assurance Engagements No. 3101, Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*. This standard requires that we comply with the code of professional ethics, and plan and perform our work to issue the opinion.

APPENDIX III SHINewing'S REPORTS ON THE CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS

This assurance engagement involved performing procedures to obtain sufficient appropriate evidence as to whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the bases and assumptions set out in “Appendix II – Summary of Asset Valuation Reports” of the Announcement. The selection of procedures depends on the certified public accountant’s judgement and our risk assessment of the project. Within the scope of our work, among other things, we have reviewed the arithmetical calculations and the compilation of the discounted future estimated cash flows in accordance with the bases and assumptions.

The discounted future estimated cash flows do not involve the adoption of any accounting policies. The discounted future estimated cash flows have been prepared on a set of bases and assumptions that include hypothetical assumptions about future events and management’s actions that cannot be confirmed and verified in the same way as past results and that are not necessarily expected to occur. Even if the events anticipated under the hypothetical assumptions occur, actual results are still likely to be different from the discounted future estimated cash flows since other anticipated events frequently do not occur as expected and the variation may be material. We are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future estimated cash flows are based and our work, does not constitute any valuation of the Target Company.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

III. Opinion

In our opinion, based on the foregoing, so far as the calculations/assumptions are concerned, the discounted future estimated cash flows have been properly compiled in all material respects, in accordance with the bases and assumptions adopted by the directors of the Company as set out in “Appendix II – Summary of Asset Valuation Reports” of the Announcement.

IV. Purpose and Restriction on Use

This report is intended solely for the Company to acquire the 100% equity interests in the Target Company and should be used and disclosed in connection with the requirement in Rule 14.60A of the Hong Kong Listing Rules and should not be used for any other purpose without our consent. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

ShineWing Certified Public Accountants (Special general partnership)


Registered in Beijing, China

Mr. YU Jiangtao

Mr. LIU Xueyu

21 February 2025

APPENDIX III SHINEWING'S REPORTS ON THE CALCULATIONS OF
DISCOUNTED FUTURE ESTIMATED CASH FLOWS

	信永中和會計師事務所	北京市東城區朝陽門北大街 8號富華大廈A座9層	聯繫電話: +86(010)6554 2288 telephone: +86(010)6554 2288
	ShineWing certified public accountants	9/F, Block A, Fu Hua Mansion, No.8, Chaoyangmen Beidajie, Dongcheng District, Beijing, 100027, P.R.China	傳真: +86(010)6554 7190 facsimile: +86(010)6554 7190

**THE REPORT ON THE CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED
CASH FLOWS IN CONNECTION WITH THE BUSINESS VALUATION OF RIZHAO
PORT GOLD BRICK OIL STORAGE AND TRANSPORTATION CO., LTD.**

TO THE BOARD OF DIRECTORS OF QINGDAO PORT INTERNATIONAL CO., LTD.

We have completed our assurance engagement and issued a reviewed report on the calculations of the discounted future estimated cash flows of Rizhao Port Gold Brick Oil Storage and Transportation Co., Ltd., the joint venture of Rizhao Port Oil Terminal Co., Ltd. (the “**Target Company**”), in the business valuation report (the “**Valuation**”) dated 28 June 2024 prepared by China United Assets Appraisal Group Co., Ltd. in respect of the appraisal of the fair value of the 100% equity interests in the Target Company as at 31 March 2024. The Valuation is set out in the announcement published by Qingdao Port International Co., Ltd. (the “**Company**”) dated 21 February 2025 (the “**Announcement**”) in connection with the acquisition by the Company of the 100% equity interests in the Target Company. The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Listing Rules**”).

I. Directors’ Responsibility for the Discounted Future Estimated Cash Flows

The directors of the Company should be responsible for the preparation of the discounted future estimated cash flows in the Announcement, including the bases and assumptions of the discounted future estimated cash flows as set out in “Appendix II – Summary of Asset Valuation Reports”. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of the discounted future estimated cash flows and application of an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

II. Accountant’s Responsibilities

It is our responsibility, pursuant to Rule 14.60A(2) of the Hong Kong Listing Rules, to express an opinion on the calculations of the discounted future estimated cash flows. We conducted our work in accordance with the requirements of *China Standard on Other Assurance Engagements No. 3101, Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*. This standard requires that we comply with the code of professional ethics, and plan and perform our work to issue the opinion.

APPENDIX III SHINewing'S REPORTS ON THE CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS

This assurance engagement involved performing procedures to obtain sufficient appropriate evidence as to whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the bases and assumptions set out in “Appendix II – Summary of Asset Valuation Reports” of the Announcement. The selection of procedures depends on the certified public accountant’s judgement and our risk assessment of the project. Within the scope of our work, among other things, we have reviewed the arithmetical calculations and the compilation of the discounted future estimated cash flows in accordance with the bases and assumptions.

The discounted future estimated cash flows do not involve the adoption of any accounting policies. The discounted future estimated cash flows have been prepared on a set of bases and assumptions that include hypothetical assumptions about future events and management’s actions that cannot be confirmed and verified in the same way as past results and that are not necessarily expected to occur. Even if the events anticipated under the hypothetical assumptions occur, actual results are still likely to be different from the discounted future estimated cash flows since other anticipated events frequently do not occur as expected and the variation may be material. We are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future estimated cash flows are based and our work, does not constitute any valuation of the Target Company.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

III. Opinion

In our opinion, based on the foregoing, so far as the calculations/assumptions are concerned, the discounted future estimated cash flows have been properly compiled in all material respects, in accordance with the bases and assumptions adopted by the directors of the Company as set out in “Appendix II – Summary of Asset Valuation Reports” of the Announcement.

IV. Purpose and Restriction on Use

This report is intended solely for the Company to acquire the 100% equity interests in the Target Company and should be used and disclosed in connection with the requirement in Rule 14.60A of the Hong Kong Listing Rules and should not be used for any other purpose without our consent. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

ShineWing Certified Public Accountants (Special general partnership)


Registered in Beijing, China

Mr. YU Jiangtao

Mr. LIU Xueyu

21 February 2025

APPENDIX III SHINewing'S REPORTS ON THE CALCULATIONS OF
DISCOUNTED FUTURE ESTIMATED CASH FLOWS

	信永中和會計師事務所	北京市東城區朝陽門北大街 8號富華大廈A座9層	聯繫電話: +86(010)6554 2288 telephone: +86(010)6554 2288
	ShineWing certified public accountants	9/F, Block A, Fu Hua Mansion, No.8, Chaoyangmen Beidajie, Dongcheng District, Beijing, 100027, P.R.China	傳真: +86(010)6554 7190 facsimile: +86(010)6554 7190

**THE REPORT ON THE CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED
CASH FLOWS IN CONNECTION WITH THE BUSINESS VALUATION OF RIZHAO
PORT DAHUA HEFENG PETROCHEMICAL TERMINAL CO., LTD.**

TO THE BOARD OF DIRECTORS OF QINGDAO PORT INTERNATIONAL CO., LTD.

We have completed our assurance engagement and issued a reviewed report on the calculations of the discounted future estimated cash flows of Rizhao Port Dahua Hefeng Petrochemical Terminal Co., Ltd., the associated company of Rizhao Port Oil Terminal Co., Ltd. (the “**Target Company**”), in the business valuation report (the “**Valuation**”) dated 28 June 2024 prepared by China United Assets Appraisal Group Co., Ltd. in respect of the appraisal of the fair value of the 100% equity interests in the Target Company as at 31 March 2024. The Valuation is set out in the announcement published by Qingdao Port International Co., Ltd. (the “**Company**”) dated 21 February 2025 (the “**Announcement**”) in connection with the acquisition by the Company of the 100% equity interests in the Target Company. The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Listing Rules**”).

I. Directors’ Responsibility for the Discounted Future Estimated Cash Flows

The directors of the Company should be responsible for the preparation of the discounted future estimated cash flows in the Announcement, including the bases and assumptions of the discounted future estimated cash flows as set out in “Appendix II – Summary of Asset Valuation Reports”. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of the discounted future estimated cash flows and application of an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

II. Accountant’s Responsibilities

It is our responsibility, pursuant to Rule 14.60A(2) of the Hong Kong Listing Rules, to express an opinion on the calculations of the discounted future estimated cash flows. We conducted our work in accordance with the requirements of *China Standard on Other Assurance Engagements No. 3101, Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*. This standard requires that we comply with the code of professional ethics, and plan and perform our work to issue the opinion.

APPENDIX III SHINewing'S REPORTS ON THE CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS

This assurance engagement involved performing procedures to obtain sufficient appropriate evidence as to whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the bases and assumptions set out in “Appendix II – Summary of Asset Valuation Reports” of the Announcement. The selection of procedures depends on the certified public accountant’s judgement and our risk assessment of the project. Within the scope of our work, among other things, we have reviewed the arithmetical calculations and the compilation of the discounted future estimated cash flows in accordance with the bases and assumptions.

The discounted future estimated cash flows do not involve the adoption of any accounting policies. The discounted future estimated cash flows have been prepared on a set of bases and assumptions that include hypothetical assumptions about future events and management’s actions that cannot be confirmed and verified in the same way as past results and that are not necessarily expected to occur. Even if the events anticipated under the hypothetical assumptions occur, actual results are still likely to be different from the discounted future estimated cash flows since other anticipated events frequently do not occur as expected and the variation may be material. We are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future estimated cash flows are based and our work, does not constitute any valuation of the Target Company.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

III. Opinion

In our opinion, based on the foregoing, so far as the calculations/assumptions are concerned, the discounted future estimated cash flows have been properly compiled in all material respects, in accordance with the bases and assumptions adopted by the directors of the Company as set out in “Appendix II – Summary of Asset Valuation Reports” of the Announcement.

IV. Purpose and Restriction on Use

This report is intended solely for the Company to acquire the 100% equity interests in the Target Company and should be used and disclosed in connection with the requirement in Rule 14.60A of the Hong Kong Listing Rules and should not be used for any other purpose without our consent. We do not assume responsibility towards or accept liability to any other person for the contents of this report.


ShineWing Certified Public Accountants (Special general partnership)

Registered in Beijing, China

Mr. YU Jiangtao

Mr. LIU Xueyu

21 February 2025

	<p>信永中和會計師事務所</p> <p>ShineWing</p> <p>certified public accountants</p>	<p>北京市東城區朝陽門北大街 8號富華大廈A座9層</p> <p>9/F, Block A, Fu Hua Mansion, No.8, Chaoyangmen Beidajie, Dongcheng District, Beijing, 100027, P.R.China</p>	<p>聯繫電話: +86(010)6554 2288 telephone: +86(010)6554 2288</p> <p>傳真: +86(010)6554 7190 facsimile: +86(010)6554 7190</p>
---	---	--	---

**THE REPORT ON THE CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED
CASH FLOWS IN CONNECTION WITH THE BUSINESS VALUATION OF
SHANDONG DONGMING PETROCHEMICAL GROUP MINGGANG STORAGE
AND TRANSPORTATION CO., LTD.**

TO THE BOARD OF DIRECTORS OF QINGDAO PORT INTERNATIONAL CO., LTD.

We have completed our assurance engagement and issued a reviewed report on the calculations of the discounted future estimated cash flows of Shandong Dongming Petrochemical Group Minggang Storage and Transportation Co., Ltd., the associate of Rizhao Port Oil Terminal Co., Ltd. (the “**Target Company**”), in the business valuation report (the “**Valuation**”) dated 28 June 2024 prepared by China United Assets Appraisal Group Co., Ltd. in respect of the appraisal of the fair value of the 100% equity interests in the Target Company as at 31 March 2024. The Valuation is set out in the announcement published by Qingdao Port International Co., Ltd. (the “**Company**”) dated 21 February 2025 (the “**Announcement**”) in connection with the acquisition by the Company of the 100% equity interests in the Target Company. The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Listing Rules**”).

I. Directors’ Responsibility for the Discounted Future Estimated Cash Flows

The directors of the Company should be responsible for the preparation of the discounted future estimated cash flows in the Announcement, including the bases and assumptions of the discounted future estimated cash flows as set out in “Appendix II – Summary of Asset Valuation Reports”. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of the discounted future estimated cash flows and application of an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

II. Accountant’s Responsibilities

It is our responsibility, pursuant to Rule 14.60A(2) of the Hong Kong Listing Rules, to express an opinion on the calculations of the discounted future estimated cash flows. We conducted our work in accordance with the requirements of *China Standard on Other Assurance Engagements No. 3101, Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*. This standard requires that we comply with the code of professional ethics, and plan and perform our work to issue the opinion.

APPENDIX III SHINewing'S REPORTS ON THE CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS

This assurance engagement involved performing procedures to obtain sufficient appropriate evidence as to whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the bases and assumptions set out in “Appendix II – Summary of Asset Valuation Reports” of the Announcement. The selection of procedures depends on the certified public accountant’s judgement and our risk assessment of the project.

Within the scope of our work, among other things, we have reviewed the arithmetical calculations and the compilation of the discounted future estimated cash flows in accordance with the bases and assumptions. The discounted future estimated cash flows do not involve the adoption of any accounting policies. The discounted future estimated cash flows have been prepared on a set of bases and assumptions that include hypothetical assumptions about future events and management’s actions that cannot be confirmed and verified in the same way as past results and that are not necessarily expected to occur. Even if the events anticipated under the hypothetical assumptions occur, actual results are still likely to be different from the discounted future estimated cash flows since other anticipated events frequently do not occur as expected and the variation may be material. We are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future estimated cash flows are based and our work, does not constitute any valuation of the Target Company.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

III. Opinion

In our opinion, based on the foregoing, so far as the calculations/assumptions are concerned, the discounted future estimated cash flows have been properly compiled in all material respects, in accordance with the bases and assumptions adopted by the directors of the Company as set out in “Appendix II – Summary of Asset Valuation Reports” of the Announcement.

IV. Purpose and Restriction on Use

This report is intended solely for the Company to acquire the 100% equity interests in the Target Company and should be used and disclosed in connection with the requirement in Rule 14.60A of the Hong Kong Listing Rules and should not be used for any other purpose without our consent. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

ShineWing Certified Public Accountants (Special general partnership)


Registered in Beijing, China

Mr. YU Jiangtao

Mr. LIU Xueyu

21 February 2025

APPENDIX III SHINewing'S REPORTS ON THE CALCULATIONS OF
DISCOUNTED FUTURE ESTIMATED CASH FLOWS

	信永中和會計師事務所	北京市東城區朝陽門北大街 8號富華大廈A座9層	聯繫電話: +86(010)6554 2288 telephone: +86(010)6554 2288
	ShineWing certified public accountants	9/F, Block A, Fu Hua Mansion, No.8, Chaoyangmen Beidajie, Dongcheng District, Beijing, 100027, P.R.China	傳真: +86(010)6554 7190 facsimile: +86(010)6554 7190

THE REPORT ON THE CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED
CASH FLOWS IN CONNECTION WITH THE BUSINESS VALUATION OF RIZHAO
CHIMBUSCO MARINE BUNKER SUPPLY LIMITED COMPANY

TO THE BOARD OF DIRECTORS OF QINGDAO PORT INTERNATIONAL CO., LTD.

We have completed our assurance engagement and issued a reviewed report on the calculations of the discounted future estimated cash flows of Rizhao CHIMBUSCO Marine Bunker Supply Limited Company, the associated company of Rizhao Port Oil Terminal Co., Ltd. (the “**Target Company**”), in the business valuation report (the “**Valuation**”) dated 28 June 2024 prepared by China United Assets Appraisal Group Co., Ltd. in respect of the appraisal of the fair value of the 100% equity interests in the Target Company as at 31 March 2024. The Valuation is set out in the announcement published by Qingdao Port International Co., Ltd. (the “**Company**”) dated 21 February 2025 (the “**Announcement**”) in connection with the acquisition by the Company of the 100% equity interests in the Target Company. The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Listing Rules**”).

I. Directors’ Responsibility for the Discounted Future Estimated Cash Flows

The directors of the Company should be responsible for the preparation of the discounted future estimated cash flows in the Announcement, including the bases and assumptions of the discounted future estimated cash flows as set out in “Appendix II – Summary of Asset Valuation Reports”. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of the discounted future estimated cash flows and application of an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

II. Accountant’s Responsibilities

It is our responsibility, pursuant to Rule 14.60A(2) of the Hong Kong Listing Rules, to express an opinion on the calculations of the discounted future estimated cash flows. We conducted our work in accordance with the requirements of *China Standard on Other Assurance Engagements No. 3101, Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*. This standard requires that we comply with the code of professional ethics, and plan and perform our work to issue the opinion.

APPENDIX III SHINewing'S REPORTS ON THE CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS

This assurance engagement involved performing procedures to obtain sufficient appropriate evidence as to whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the bases and assumptions set out in “Appendix II – Summary of Asset Valuation Reports” of the Announcement. The selection of procedures depends on the certified public accountant’s judgement and our risk assessment of the project. Within the scope of our work, among other things, we have reviewed the arithmetical calculations and the compilation of the discounted future estimated cash flows in accordance with the bases and assumptions.

The discounted future estimated cash flows do not involve the adoption of any accounting policies. The discounted future estimated cash flows have been prepared on a set of bases and assumptions that include hypothetical assumptions about future events and management’s actions that cannot be confirmed and verified in the same way as past results and that are not necessarily expected to occur. Even if the events anticipated under the hypothetical assumptions occur, actual results are still likely to be different from the discounted future estimated cash flows since other anticipated events frequently do not occur as expected and the variation may be material. We are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future estimated cash flows are based and our work, does not constitute any valuation of the Target Company.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

III. Opinion

In our opinion, based on the foregoing, so far as the calculations/assumptions are concerned, the discounted future estimated cash flows have been properly compiled in all material respects, in accordance with the bases and assumptions adopted by the directors of the Company as set out in “Appendix II – Summary of Asset Valuation Reports” of the Announcement.

IV. Purpose and Restriction on Use

This report is intended solely for the Company to acquire the 100% equity interests in the Target Company and should be used and disclosed in connection with the requirement in Rule 14.60A of the Hong Kong Listing Rules and should not be used for any other purpose without our consent. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

ShineWing Certified Public Accountants (Special general partnership)

Registered in Beijing, China

Mr. YU Jiangtao

Mr. LIU Xueyu

21 February 2025



信永中和會計師事務所

ShineWing
certified public accountants

北京市東城區朝陽門北大街
8號富華大廈A座9層

9/F, Block A, Fu Hua Mansion,
No.8, Chaoyangmen Beidajie,
Dongcheng District, Beijing,
100027, P.R.China

聯繫電話: +86(010)6554 2288
telephone: +86(010)6554 2288

傳真: +86(010)6554 7190
facsimile: +86(010)6554 7190

**THE REPORT ON THE CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED
CASH FLOWS IN CONNECTION WITH THE BUSINESS VALUATION OF RIZHAO
SHIHUA CRUDE OIL TERMINAL CO., LTD.**

TO THE BOARD OF DIRECTORS OF QINGDAO PORT INTERNATIONAL CO., LTD.

We have completed our assurance engagement and issued a reviewed report on the calculations of the discounted future estimated cash flows in the business valuation report (the “**Valuation**”) dated 28 June 2024 prepared by China United Assets Appraisal Group Co., Ltd. in respect of the appraisal of the fair value of the 100% equity interests in the Rizhao Shihua Crude Oil Terminal Co., Ltd. (the “**Target Company**”) as at 31 March 2024. The Valuation is set out in the announcement published by Qingdao Port International Co., Ltd. (the “**Company**”) dated 21 February 2025 (the “**Announcement**”) in connection with the acquisition by the Company of the 50% equity interests in the Target Company. The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Listing Rules**”).

I. Directors’ Responsibility for the Discounted Future Estimated Cash Flows

The directors of the Company should be responsible for the preparation of the discounted future estimated cash flows in the Announcement, including the bases and assumptions of the discounted future estimated cash flows as set out in “Appendix II – Summary of Asset Valuation Reports”. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of the discounted future estimated cash flows and application of an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

II. Accountant’s Responsibilities

It is our responsibility, pursuant to Rule 14.60A(2) of the Hong Kong Listing Rules, to express an opinion on the calculations of the discounted future estimated cash flows. We conducted our work in accordance with the requirements of *China Standard on Other Assurance Engagements No. 3101, Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*. This standard requires that we comply with the code of professional ethics, and plan and perform our work to issue the opinion.

APPENDIX III SHINewing’S REPORTS ON THE CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS

This assurance engagement involved performing procedures to obtain sufficient appropriate evidence as to whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the bases and assumptions set out in “Appendix II – Summary of Asset Valuation Reports” of the Announcement. The selection of procedures depends on the certified public accountant’s judgement and our risk assessment of the project. Within the scope of our work, among other things, we have reviewed the arithmetical calculations and the compilation of the discounted future estimated cash flows in accordance with the bases and assumptions.

The discounted future estimated cash flows do not involve the adoption of any accounting policies. The discounted future estimated cash flows have been prepared on a set of bases and assumptions that include hypothetical assumptions about future events and management’s actions that cannot be confirmed and verified in the same way as past results and that are not necessarily expected to occur. Even if the events anticipated under the hypothetical assumptions occur, actual results are still likely to be different from the discounted future estimated cash flows since other anticipated events frequently do not occur as expected and the variation may be material. We are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future estimated cash flows are based and our work, does not constitute any valuation of the Target Company.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

III. Opinion

In our opinion, based on the foregoing, so far as the calculations/assumptions are concerned, the discounted future estimated cash flows have been properly compiled in all material respects, in accordance with the bases and assumptions adopted by the directors of the Company as set out in “Appendix II – Summary of Asset Valuation Reports” of the Announcement.

IV. Purpose and Restriction on Use

This report is intended solely for the Company to acquire the 50% equity interests in the Target Company and should be used and disclosed in connection with the requirement in Rule 14.60A of the Hong Kong Listing Rules and should not be used for any other purpose without our consent. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

ShineWing Certified Public Accountants (Special general partnership)

Registered in Beijing, China

Mr. YU Jiangtao

Mr. LIU Xueyu

21 February 2025

**Qingdao Port International Co., Ltd.****青島港國際股份有限公司**

(A joint stock company established in the People's Republic of China with limited liability)

(Stock Code: 06198)

Dear Sir/Madam,

**Confirmation Letter from the Board Regarding the Profit Forecast
Involved in the Transaction**

We refer to the valuation reports and valuation statements (the “**Valuation Reports and Statements**”) prepared by China United Assets Appraisal Group Co., Ltd. (中聯資產評估集團有限公司) (the “**Independent Valuer**”), in relation to the valuation of all equity interests in Rizhao Port Oil Terminal Co., Ltd. (日照港油品碼頭有限公司), Rizhao Shihua Crude Oil Terminal Co., Ltd. (日照實華原油碼頭有限公司), and their subsidiaries and certain associated companies (the “**Profit Forecast Targets**”), as of the Valuation Benchmark Date (i.e., 31 March 2024), which was determined based on the income approach and by taking into account the cash flow projection of the relevant businesses, and therefore constitutes a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Terms in this letter shall have the same meanings as those defined in the announcement of the Company dated 21 February 2025 in relation to the Transaction unless the context otherwise requires.

We have reviewed the bases and assumptions based upon which the valuation of the Profit Forecast Targets has been prepared by the Independent Valuer and of which the Independent Valuer is responsible. We have also considered the reports from the reporting accountant ShineWing Certified Public Accountants (Special general partnership) (信永中和會計師事務所(特殊普通合夥)), regarding whether the discounted future estimated cash flows of the valuation of the Profit Forecast Targets, so far as the calculations are concerned, have been properly complied, in all material respects and in accordance with the bases and assumptions set out in the Valuation Reports and Statements.

On the basis of the foregoing, we are of the opinion that the valuation prepared by the Independent Valuer has been made after due and careful enquiry.

By order of the Board
Qingdao Port International Co., Ltd.
SU Jianguang
Chairman

NOTICE OF THE FIRST EXTRAORDINARY GENERAL MEETING OF 2025

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this notice, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this notice.



青岛港国际股份有限公司
QINGDAO PORT INTERNATIONAL CO., LTD.

Qingdao Port International Co., Ltd.

青島港國際股份有限公司

(A joint stock company established in the People's Republic of China with limited liability)

(Stock Code: 06198)

NOTICE OF THE FIRST EXTRAORDINARY GENERAL MEETING OF 2025

NOTICE IS HEREBY GIVEN that the first extraordinary general meeting of Qingdao Port International Co., Ltd. (the “**Company**”) for the year 2025 (the “**EGM**”) will be held at the Conference Room, Shandong Port Tower, No. 7 Gangji Road, City North District, Qingdao, Shandong Province, the PRC on Friday, 28 March 2025 at 11:00 a.m. for the purposes of considering and, if thought fit, passing the following resolution. Unless otherwise defined, terms used in this notice shall have the same meanings as those used in the circular of the Company dated 7 March 2025 (the “**Circular**”). The Shareholders and potential investors should refer to the Circular for further details of the resolution below.

AS THE ORDINARY RESOLUTION

1. The resolution regarding the proposed adjustments to the Previous Restructuring Plan

By order of the Board
Qingdao Port International Co., Ltd.
SU Jianguang
Chairman

Qingdao, the PRC, 7 March 2025

NOTICE OF THE FIRST EXTRAORDINARY GENERAL MEETING OF 2025

Notes:

1. CLOSURE OF REGISTER FOR H SHARES AND ELIGIBILITY FOR ATTENDING THE EGM

In order to determine the eligibility of Shareholders of H Shares who are entitled to attend the EGM, the H share register of the Company will be closed from Tuesday, 25 March 2025 to Friday, 28 March 2025 (both days inclusive), during which no H Share transfer will be registered. The Shareholders whose names appear on the register of H Share members of the Company on Friday, 28 March 2025 are entitled to attend and vote at the EGM. Holders of the Company's H Shares who wish to attend the EGM but have not registered the transfer documents are required to deposit the transfer documents together with the relevant H Share certificates at the H Share Registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Monday, 24 March 2025 for registration.

2. PROXY

Shareholders of H Shares entitled to attend and vote at the EGM may appoint one or more proxies to attend and vote in their stead. A proxy need not be a Shareholder.

The instrument appointing a proxy must be in writing and executed by a Shareholder of H Shares or his attorney duly authorized in writing. If the Shareholder of H Shares is a corporate body, the proxy form must be either executed under its common seal or under the hand of its director(s) or duly authorized attorney(s). If the proxy form is signed by an attorney of the Shareholder of H Shares, the power of attorney authorizing that attorney to sign or any other authorization document must be notarized.

The proxy form together with the power of attorney or any other authorization document (if any) must be lodged at the H Share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by hand or by post not less than 24 hours before the time fixed for holding the EGM or any adjournment thereof (i.e. by 11:00 a.m. on Thursday, 27 March 2025) (as the case may be) in order to be valid. Shareholders of H Shares can still attend and vote at the EGM in person after completion and return of the proxy form.

3. CONTACT DETAILS OF THE COMPANY

Contact Address:	General Office of the Board, Qingdao Port International Co., Ltd., No. 7 Gangji Road, City North District, Qingdao, Shandong Province, the PRC
Postcode:	266011
Contact Person:	Ms. Lou
Telephone:	(86 532) 8298 3087
Fax:	(86 532) 8282 2878

4. PROCEDURES FOR VOTING AT THE EGM

According to Rule 13.39(4) of the Hong Kong Listing Rules, any vote of Shareholders at the EGM must be taken by poll.

5. OTHER BUSINESS

Shareholders (in person or by proxy) attending the EGM are responsible for their own transportation and accommodation expenses. Shareholders or their proxies attending the EGM shall present their identity documents.

As at the date of this notice, the executive Directors are Mr. SU Jianguang and Mr. ZHANG Baohua; the non-executive Directors are Mr. LI Wucheng, Mr. ZHU Tao, Mr. CUI Liang and Ms. WANG Fuling; and the independent non-executive Directors are Ms. LI Yan, Mr. JIANG Min and Mr. LAI Kwok Ho.