# 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)**

## ANNOUNCEMENT

## (1) PROPOSED ADJUSTMENTS TO THE PREVIOUS RESTRUCTURING PLAN AND (2) CONNECTED TRANSACTION AND DISCLOSEABLE TRANSACTION INVOLVING THE ACQUISITION OF TARGET ASSETS

**(1) PROPOSED ADJUSTMENTS TO THE PREVIOUS RESTRUCTURING PLAN AND WITHDRAWAL OF APPLICATION**

Due to the reasons such as slower-than-expected progress in resolving bankruptcy matters of certain important clients of United Pipeline and Gangyuan Pipeline, 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 withdraw the application documents regarding the Previous Restructuring Plan from the SSE and to adjust the Previous Restructuring Plan to not acquiring 53.88% equity interests in United Pipeline and 51.00% equity interests in Gangyuan Pipeline, but continuing to acquire 100% equity interests in Oil Company and 50.00% equity interests in Rizhao Shihua by way of cash payments. The Adjustments constitute a material variation pursuant to Rule 14.36 and Rule 14A.35 under the Hong Kong Listing Rules. The Company has entered into termination agreements with Rizhao Port Group and Yantai Port Group in relation to the Previous Restructuring Plan on 21 February 2025, respectively, and there is no circumstance under which the Company and the relevant parties are subject to any default liabilities. On 21 February 2025, the SSE decided to terminate its review of the Company's Previous Restructuring Plan.

**(2) DETAILS OF THE TRANSACTION**

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.

**(3) 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 date of this announcement, 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.

**(4) EGM**

The EGM will be convened by the Company to consider and approve, if appropriate, among others, the Transaction. The resolution proposed at the EGM will be voted by poll.

An Independent Board Committee comprising the independent non-executive Directors has been formed and will advise the Independent Shareholders relating to the Transaction.

Somerley has been appointed as the Independent Financial Adviser to the Company to advise the Independent Board Committee and the Independent Shareholders on matters in respect of the Transaction.

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 other Shareholder is required to abstain from voting on the resolution to be proposed at the EGM.

A circular including, among other things, (i) further details of the Transaction; (ii) a letter from the Independent Board Committee to the Independent Shareholders containing its recommendations on the Transaction; (iii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders containing its recommendations on the Transaction; (iv) the summary of Asset Valuation Reports; (v) certain other information required by the Hong Kong Listing Rules; and (vi) a notice of the EGM is expected to be published by the Company. As more time is needed for the preparation of certain information to be included in the circular, the circular may be published later than 15 business days after the publication of this announcement as required under the Hong Kong Listing Rules. The Company will publish further announcement(s) in compliance with the requirements of the Hong Kong Listing Rules in due course.

**As the completion of the Transaction is subject to the satisfaction of the relevant conditions precedent, and may or may not proceed, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.**

References are made to the circular of the first extraordinary general meeting of 2024 of the Company dated 15 August 2024, the announcement of poll results of the extraordinary general meeting dated 13 September 2024, and the Announcement on Receipt of Notice of Suspension of Review by the Shanghai Stock Exchange due to the Requirement to Update Financial Information in Filing Documents dated 31 December 2024, in relation to the details and progress of the Previous Restructuring Plan. The Previous Restructuring Plan was approved by the Independent Shareholders and accepted by the SSE for review on 26 September 2024.

## I. PROPOSED ADJUSTMENTS TO THE PREVIOUS RESTRUCTURING PLAN AND WITHDRAWAL OF APPLICATION

Due to the reasons such as slower-than-expected progress in resolving bankruptcy matters of certain important clients of United Pipeline and Gangyuan Pipeline, 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 withdraw the application documents regarding the Previous Restructuring Plan from the SSE and to adjust the Previous Restructuring Plan to not acquiring 53.88% equity interests in United Pipeline and 51.00% equity interests in Gangyuan Pipeline, but continuing to acquire 100% equity interests in Oil Company and 50.00% equity interests in Rizhao Shihua by way of cash payments. The Adjustments constitute a material variation pursuant to Rule 14.36 and Rule 14A.35 under the Hong Kong Listing Rules. The Company has entered into termination agreements with Rizhao Port Group and Yantai Port Group in relation to the Previous Restructuring Plan on 21 February 2025, respectively, and there is no circumstance under which the Company and the relevant parties are subject to any default liabilities. On 21 February 2025, the SSE decided to terminate its review of the Company's Previous Restructuring Plan.

Using the financial data in 2023 as the pro forma basis, the basic earnings per share of the Company after the completion of the Previous Restructuring Plan will increase by 5.20% under preliminary estimation. After the Adjustments, the basic earnings per share of the Company will increase by 6.07%, representing a greater enhancement compared with that in the Previous Restructuring Plan. The Adjustments are favorable to increase the earnings per share of the Company and protect the interests of the Company and the Shareholders. Currently, the operation of the Company's overall business is normal, and the Adjustments will not adversely affect the Company's existing production and operation activities and will not jeopardize the interests of the Company and its minority Shareholders.

## 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** |

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.

**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 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 date of this announcement, the conditions precedent items (i), (ii) and (iv) 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.

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.

**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.

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.

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 |

**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 accordance 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.

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 is 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 Undertakings 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. |
| **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:

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

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.

(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:

$$\text{If } L > A,$$
$$M = L - A$$

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.

**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**") are determined based on the valuation reports and valuation statements adopting the income approach and considering the cash flow forecast of the relevant businesses, and 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 Profit Forecast Targets) are set out in Appendix I to this announcement.

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 II and Appendix III to this announcement, respectively.

The following is the qualification of the relevant experts who have given its opinions and advice included in this announcement:

| Name | Qualification |
|---|---|
| China United Appraisal | A qualified valuer in the PRC |
| ShineWing | Certified Public Accountant |

To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, as at the date of this announcement, China United Appraisal and ShineWing do not have any shareholding, directly or indirectly, in the Company and its subsidiaries or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the Company and its subsidiaries.

As at the date of this announcement, China United Appraisal and ShineWing have given and have not withdrawn their consent to the publication of this announcement with inclusion of their report content and/or all reference to their names in the form and context in which they appear.

## 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 at the date of this announcement, 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 date of this announcement, the de facto controller of Rizhao Port Group is Shandong SASAC.

*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 date of this announcement, 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 date of this announcement, 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 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 United Pipeline and Gangyuan Pipeline, 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.

## 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 date of this announcement, 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. EGM**

The EGM will be convened by the Company to consider and approve, if appropriate, among others, the Transaction. The resolution proposed at the EGM will be voted by poll.

An Independent Board Committee comprising the independent non-executive Directors has been formed and will advise the Independent Shareholders in respect of the Transaction.

Somerley has been appointed as the Independent Financial Adviser to the Company to advise the Independent Board Committee and the Independent Shareholders on matters relating to the Transaction.

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 other Shareholder is required to abstain from voting on the resolution to be proposed at the EGM.

A circular including, among other things, (i) further details of the Transaction; (ii) a letter from the Independent Board Committee to the Independent Shareholders containing its recommendations on the Transaction; (iii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders containing its recommendations on the Transaction; (iv) the summary of Asset Valuation Reports; (v) certain other information required by the Hong Kong Listing Rules; and (vi) a notice of the EGM is expected to be published by the Company. As more time is needed for the preparation of certain information to be included in the circular, the circular may be published later than 15 business days after the publication of this announcement as required under the Hong Kong Listing Rules. The Company will publish further announcement(s) in compliance with the requirements of the Hong Kong Listing Rules in due course.

**As the completion of the Transaction is subject to the satisfaction of the relevant conditions precedent, and may or may not proceed, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.**

## Definitions

In this announcement, the following expressions shall have the following meanings, unless the context requires otherwise:

| | |
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| **"Adjustments"** | adjusting the Previous Restructuring Plan to not acquiring 53.88% equity interests in United Pipeline and 51.00% equity interests in Gangyuan Pipeline, but continuing to acquire 100% equity interests in Oil Company and 50.00% equity interests in Rizhao Shihua by way of cash payments |
| **"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) |

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| **"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 |
| **"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 |
| **"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 extraordinary general meeting to be convened by the Company to consider and approve, among other things, the Transaction |
| **"Gangyuan Pipeline"** | Shandong Gangyuan Pipeline Logistics Co., Ltd.*(山東港源管道物流有限公司) |
| **"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 |

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| **"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 Hong Kong Stock Exchange |
| **"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) |
| **"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 announcement excluding Hong Kong, the Macau Special Administrative Region and Taiwan |

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| **"Predictive NetProfit(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 |
| **"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 date of this announcement |
| **"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) |

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| **"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 date of this announcement |
| **"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 |
| **"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 |
| **"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 |

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| **“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 |
| “**United Pipeline**” | Shandong United Energy Pipeline Transportation Co., Ltd.*(山東聯合能源管道輸送有限公司) |
| **“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.*(山東港口煙台港集團有限公司) |
| **“%”** | per cent |

*In addition, the terms “associate(s)”, “connected person(s)”, “connected transaction(s)”, “controlling 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 announcement may differ slightly from the actual totals.*

*The Chinese name(s) of the PRC entities have been translated into English in this announcement 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.*

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

Qingdao, the PRC, 21 February 2025

*As at the date of this announcement, 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.*

## 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 valuated

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 valuated 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 valuated 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 valuated 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 valuated. 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:

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

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;

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

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;

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

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;

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

$C_1$: 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 = EBIT × (1 – t) + depreciation and amortization – additional capital (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:

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

where:

$W_d$: The debt ratio of the valuated entity;

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

$W_e$: The equity ratio of the valuated entity;

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

$r_d$: 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);

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

where:

$r_f$: Risk-free rate of return;

$r_m$: Market expected rate of return;

$\varepsilon$: Risk adjustment factor for the characteristics of the valuated entity;

$\beta_e$: Expected market risk coefficient of equity capital of the valuated entity;

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

$\beta_u$: Expected unlevered market risk coefficient for comparable companies;

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

$\beta_t$: Expected market average risk coefficient for shares (assets) of comparable companies;

$$\beta_t = 34\%K + 66\%\beta_x \qquad (12)$$

where:

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

$\beta_x$: 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%.

Amount of VAT paid = Output VAT – 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 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | Perpetual term |
|---|---|---|---|---|---|---|---|---|
| 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 |

| Name | Last 9 months of 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | Perpetual term |
|---|---|---|---|---|---|---|---|---|
| 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%.

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 $\beta_u$ 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 $\beta_e$ 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 |

| Name | Last 9 months of 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
|---|---|---|---|---|---|---|---|
| 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. (日照港大華和灃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 |
| 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 |

| No. | Name of the investee | Percentage of shareholding % | Carrying amount | Appraised value | Appreciation rate % | The method of taking values |
|---|---|---|---|---|---|---|
| 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 valuated 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 = RMB460.6578 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 | |

| Surplus or non-operating items | Carrying amount | Appraised value | Main Contents |
|---|---|---|---|
| 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 = RMB3,187.8408 million, the value of other surplus or non-operating assets existing as at the benchmark date C = RMB460.6578 million, and the long-term equity investment I = RMB538.5353 million into formula (2), the enterprise value of the valuated entity is obtained: B = RMB4,187.0339 million.

The value of the interest-paying debts of the enterprise as at the benchmark date D = RMB1,349.1800 million, based on which the value of the equity interest in the valuated entity is obtained: E = B – D = RMB2,837.8539 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 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 RMB4,108.3148 million, and the appraised value was RMB4,847.4605 million, with a valuation increment of RMB739.1457 million, representing an appreciation rate of 17.99%.

The carrying value of liabilities was RMB1,606.9187 million and the appraised value was RMB1,606.9187 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 valuated

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 valuated 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 valuated 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 valuated 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 valuated. 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:

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

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;

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

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;

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

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;

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

$C_1$: 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 = EBIT x (1 – t) + depreciation and amortization – additional capital (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:

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

where:

$W_d$: The debt ratio of the valuated entity;

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

$W_e$: The equity ratio of the valuated entity;

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

$r_d$: 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);

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

where:

$r_f$: Risk-free rate of return;

$r_m$: Market expected rate of return;

$\varepsilon$: Risk adjustment factor for the characteristics of the valuated entity;

$\beta_e$: Expected market risk coefficient of equity capital of the valuated entity;

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

$\beta_u$: Expected unlevered market risk coefficient for comparable companies;

$$\beta_u = \frac{\beta_t}{1 + (1 - t)\dfrac{D_i}{E_i}} \qquad (11)$$

$\beta_t$: Expected market average risk coefficient for shares (assets) of comparable companies;

$$\beta_t = 34\%K + 66\%\beta_x \qquad (12)$$

where:

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

$\beta_x$: 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%.

Amount of VAT paid = Output VAT – 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%.

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 $\beta_u$ 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 $\beta_e$ 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 = 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** | 140.32 | 138.89 | |
| 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 | 1.83 | 0.40 | Disposal of fixed assets |
| **Total assets** | 30,721.32 | 30,719.89 | |
| 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 | 353.00 | 353.00 | Termination benefits |
| **Total liabilities** | 30,581.00 | 30,581.00 | |

7. *Valuation result under the income approach*

By substituting the obtained value of operating assets P = RMB3,580.2032 million, and the value of other surplus or non-operating assets existing as at the benchmark date C = RMB1.3889 million into formula (2), the enterprise value of the valuated entity is obtained: B = RMB3,581.5921 million.

The value of the interest-paying debts of the enterprise as at the benchmark date D = RMB0.00 million, based on which the value of the equity interest in the valuated entity is obtained: E = B – D = RMB3,581.5921 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*

| Item | | Carrying amount A | Appraised value B | Increase or decrease C = B – A | Appreciation rate % D = C/A × 100 |
|---|---|---|---|---|---|
| 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 | – | – | – | – |
| 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.

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## 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.* (中聯資產評估集團有限公司) 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 I – 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.

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 I – 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 I – 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

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# 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.* (中聯資產評估集團有限公司) 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 I – 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.

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 I – 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 I – 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

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# 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.* (中聯資產評估集團有限公司) 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 I – 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.

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 I – 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 I – 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)
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# 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.* (中聯資產評估集團有限公司), 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 I – 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.

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 I – 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 I – 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

北京市東城區朝陽門北大街8號富華大厦A座9層
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# 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.* (中聯資產評估集團有限公司) 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 I – 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.

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 I – 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 I – 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 ShineWing
信永中和会计师事务所
ShineWing
certified public accountants
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# 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 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.* (中聯資產評估集團有限公司) 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 I – 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.

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 I – 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 I – 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
ShineWing
信永中和会计师事务所
ShineWing
certified public accountants
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# 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.* (中聯資產評估集團有限公司) 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 I – 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.

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 I – 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 I – 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

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# 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.* (中聯資產評估集團有限公司) 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 50.00% 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 I – 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.

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 I – 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 I – 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 50.00% 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) ("**Oil Company**"), Rizhao Shihua Crude Oil Terminal Co., Ltd. (日照實華原油碼頭有限公司) ("**Rizhao Shihua**"), 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 (the "**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 Asset 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*