

The following is the full text of the letter from Maxa Capital Limited, the Independent Financial Adviser, to the Independent Board Committee and the Independent Shareholders, setting out its advice in respect of the terms of the 2025 Framework Agreements and the transactions contemplated thereunder, which has been prepared for the purpose of inclusion in this circular.



Unit 2602, 26/F, Golden Centre
188 Des Voeux Road Central
Sheung Wan
Hong Kong

2 October 2025

To the Independent Board Committee and the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

- (1) 2025 RUIPING SHILONG CLINKER PURCHASE FRAMEWORK AGREEMENT**
- (2) 2025 RUIPING SHILONG RAW COAL SUPPLY FRAMEWORK AGREEMENT**
- (3) 2025 RUZHOU COKING RAW COAL SUPPLY FRAMEWORK AGREEMENT**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the terms of the 2025 Ruiping Shilong Clinker Purchase Framework Agreement, the 2025 Ruiping Shilong Raw Coal Supply Framework Agreement, and the 2025 Ruzhou Coking Raw Coal Supply Framework Agreement (collectively, the “**2025 Framework Agreements**”) and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 2 October 2025 (the “**Circular**”) of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

Reference is made to the announcement of the Company dated 6 June 2025 in relation to the 2025 Framework Agreements. As the 2021 Ruiping Shilong Clinker Purchase Framework Agreement has expired on 31 December 2024, and accordingly the Group and Ruiping Shilong entered into the 2025 Ruiping Shilong Clinker Purchase Framework Agreement on 6 June 2025.

On the same date (6 June 2025), to develop the new business of sale of raw coal, the Group entered into the 2025 Ruiping Shilong Raw Coal Supply Framework Agreement with Ruiping Shilong, and entered into the 2025 Ruzhou Coking Raw Coal Supply Framework Agreement with Ruzhou Coking.

LISTING RULES IMPLICATIONS

Since Mr. Li and Ms. Li indirectly control more than 30% of the voting power at general meetings of Ruiping Shilong, Ruiping Shilong is an associate of Mr. Li and Ms. Li, therefore a connected person of the Company. As such, the transactions under the 2025 Ruiping Shilong Clinker Purchase Framework Agreement and the 2025 Ruiping Shilong Raw Coal Supply Framework Agreement will constitute continuing connected transactions under Chapter 14A of the Listing Rules. Ruzhou Coking is owned as to 80.5% by Tianrui Group Company which is in turn wholly owned by Mr. Li and Ms. Li, and is therefore a connected person of the Company. As certain applicable percentage ratios in respect of the Clinker Annual Caps, the Ruiping Shilong Raw Coal Annual Caps and Ruzhou Coking Raw Coal Annual Caps, when aggregated, exceed 100%, the transactions contemplated under the 2025 Framework Agreements are subject to reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising Mr. Kong Xiangzhong, Mr. Mak Tin Sang and Mr. Jiang Senlin, being all the independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the terms of the 2025 Framework Agreements and the transactions contemplated thereunder. We, Maxa Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company, its subsidiaries and any other parties that could reasonably be regarded as relevant to our independence in accordance with Rule 13.84 of the Listing Rules and accordingly, were qualified to give independent advice to the Independent Board Committee and the Independent Shareholders in respect of the 2025 Framework Agreements and the transactions contemplated thereunder. Save for this appointment as the Independent Financial Adviser in respect of the 2025 Framework Agreements and the transactions contemplated thereunder, there was no other engagement between the Company and us in the past two years. Apart from normal advisory fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, its subsidiaries, its associates or their respective substantial shareholders or associates.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have reviewed, among other things: (i) the 2025 Framework Agreements; (ii) the 2021 Ruiping Shilong Clinker Purchase Framework Agreement; (iii) the annual reports of the Company for the years ended 31 December 2022, 2023, and 2024 (the “2022 AR”, “2023 AR”, and “2024 AR”); and (iv) the interim results announcement of the Company for the six months ended 30 June 2025 (the “2025 IRA”). We consider that we have reviewed sufficient and relevant information and documents, and have taken reasonable steps as required under Rule 13.80 of the Listing

Rules to reach an informed view and to provide a reasonable basis for our recommendation. We have relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Directors and the management of the Group (the “**Management**”). We have reviewed, *inter alia*, the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors and the Management. We have assumed that (i) all statements, information and representations provided by the Directors and the Management; and (ii) the information referred to in the Circular, for which they are solely responsible, were true and accurate at the time when they were provided and continued to be so as at the Latest Practicable Date and the Shareholders will be notified of any material changes to such information and representations before the EGM. We have also assumed that all statements of belief, opinion, intention and expectation made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truthfulness, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the representations and opinions expressed by the Company, its advisers and/or the Directors. We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information included in the Circular and provided to us by the Directors and the Management nor have we conducted any form of in-depth investigation into the business and affairs or the future prospects of the Group.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in the Circular misleading.

Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company. Where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of us is to ensure that such information has been correctly and fairly extracted, reproduced or presented from the relevant stated sources and not be used out of context.

This letter is issued to the Independent Board Committee and the Independent Shareholders, solely in connection with their consideration of the 2025 Framework Agreements, except for its inclusion in the Circular, this letter is not to be quoted or referred to, in whole or in part, nor shall it be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the 2025 Framework Agreements and the transactions contemplated thereunder, we have taken into consideration the following principal factors and reasons:

1. Background

1.1 Information of the Group

The Group is principally engaged in businesses of the production, sale and distribution of clinker and cement. As of 31 December 2024, the Group possessed clinker production capacity of 28.4 million tonnes, cement production capacity of 56.4 million tonnes and production capacity of limestone aggregate of 30.2 million tonnes.

Set out below are the summarised financial information of the Group for the three years ended 31 December 2022, 2023, and 2024 (“FY2022”, “FY2023”, and “FY2024”, respectively), as extracted from the 2023 AR and 2024 AR of the Company, and for the six months ended 30 June 2024 and 2025 (“1H2024” and “1H2025”, respectively), as extracted from the 2025 IRA of the Company:

	For the year ended 31 December			For the six months ended	
	2022	2023	2024	30 June 2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)
Revenue	11,055,439	7,888,810	6,117,025	2,583,798	2,962,658
Profit/(Loss) and total comprehensive income/ (expense) for the year/ period	539,288	(623,524)	214,215	25,889	72,257

The revenue of the Group was approximately RMB7.9 billion for FY2023, representing a decrease of approximately RMB3.2 billion or 28.6% as compared to approximately RMB11.1 billion for FY2022, whereas the loss and total comprehensive expense was approximately RMB623.5 million for FY2023, representing a decrease of approximately RMB1.2 billion as compared to a profit and total comprehensive income of approximately RMB539.3 million for FY2022. Such decrease in revenue was mainly attributable to the decreases in both the sales volume and selling price of cement. Such transition from profit to loss position was primarily attributable to the decrease in gross profit margin due to the decrease in the price of cement outpaced the decrease in the cost per tonne of cement in 2023.

The revenue of the Group was approximately RMB6.1 billion for FY2024, representing a decrease of approximately RMB1.8 billion or 22.5% as compared to approximately RMB7.9 billion for FY2023, whereas the profit and total comprehensive income was approximately RMB214.2 million for FY2024, representing an increase of approximately RMB837.7 million as compared to a loss and total comprehensive expense of approximately RMB623.5 million for FY2023. Such decrease in revenue was primarily attributable to the decrease in the Group's sales volume and sales price of cement and limestone aggregate. Such increase in the profit and total comprehensive income of the Group was mainly attributable to the increase in other income of approximately RMB1.5 billion.

The revenue of the Group was approximately RMB3.0 billion for 1H2025, representing an increase of approximately RMB378.9 million or 14.7% as compared to approximately RMB2.6 billion for 1H2024, whereas the profit and total comprehensive income was approximately RMB72.3 million for 1H2025, representing an increase of approximately RMB46.4 million or 179.1% as compared to approximately RMB25.9 million for 1H2024. Such increase in revenue was primarily attributable to the increase in revenue from cement sales. Such increase in the profit and total comprehensive income of the Group was mainly attributable to the increase in profit from the Northeastern China region due to the increase in unit gross profit.

	As at 31 December			As at
	2022	2023	2024	30 June
	RMB'000	RMB'000	RMB'000	RMB'000
	(audited)	(audited)	(audited)	(unaudited)
Total assets	32,343,592	40,573,494	37,215,106	36,351,373
Total liabilities	15,753,498	24,787,427	21,239,599	20,268,366
Total equity	16,590,094	15,786,067	15,975,507	16,083,007

The Group's total assets increased by approximately RMB8.2 billion or 25.4% from approximately RMB32.3 billion as at 31 December 2022 to approximately RMB40.6 billion as at 31 December 2023, while the Group's total liabilities increased by approximately RMB9.0 billion or 57.3% from approximately RMB15.8 billion as at 31 December 2022 to approximately RMB24.8 billion as at 31 December 2023. Such increase in total assets was mainly attributable to the increase in trade and other receivables; while such increase in total liabilities was mainly attributable to the increase in (i) borrowings due within one year; and (ii) borrowings due after one year. The Group's total equity decreased from approximately RMB16.6 billion as at 31 December 2022 to approximately RMB15.8 billion as at 31 December 2023, representing a decrease of approximately RMB804.0 million or 4.8%.

The Group's total assets decreased by approximately RMB3.4 billion or 8.3% from approximately RMB40.6 billion as at 31 December 2023 to approximately RMB37.4 billion as at 31 December 2024, while the Group's total liabilities decreased by approximately RMB3.5 billion or 14.3% from approximately RMB24.8 billion as at 31 December 2023 to approximately RMB21.2 billion as at 31 December 2024. Such decrease in total assets was mainly attributable to the decrease in (i) pledged bank balances; and (ii) property, plant and equipment; while such decrease in total liabilities was mainly attributable to the decrease in borrowings due after one year. The Group's total equity increased from approximately RMB15.79 billion as at 31 December 2023 to approximately RMB15.98 billion as at 31 December 2024, representing an increase of approximately RMB189.4 million or 1.2%.

The Group's total assets decreased by approximately RMB863.7 million or 2.3% from approximately RMB37.2 billion as at 31 December 2024 to approximately RMB36.4 billion as at 30 June 2025, while the Group's total liabilities decreased by approximately RMB971.2 million or 4.6% from approximately RMB21.2 billion as at 31 December 2024 to approximately RMB20.3 billion as at 30 June 2025. Such decrease in total assets was mainly attributable to the decrease in loan receivable; while the decrease in total liabilities was mainly attributable to the decrease in borrowings due within one year. The Group's total equity increased from approximately RMB15.98 billion as at 31 December 2024 to approximately RMB16.08 billion as at 30 June 2025, representing an increase of approximately RMB107.5 million or 0.7%.

1.2 Information of Ruiping Shilong and Ruzhou Coking

Ruiping Shilong is mainly engaged in production, sale and distribution of clinker. Ruiping Shilong is held as to 40% by Tianrui Cement (a wholly-owned subsidiary of the Company) and as to 60% by Ruiping Power. Ruiping Power is indirectly owned as to 40% by Mr. Li and Ms. Li. Based on the available public records, Ruiping Power is held as to 60% by China Pingmei Shenma Energy Chemical Engineering Group Company Limited (中國平煤神馬能源化工集團有限責任公司) ("Pingmei Shenma") which is held as to approximately 50.15% by State-owned Assets Supervision and Administration Commission of Henan Provincial People's Government (河南省人民政府國有資產監督管理委員會), owned as to approximately 15% by Henan State-owned Capital Operation Group Co., Ltd. (河南國有資本運營集團有限公司), and owned as to approximately 11.6% by Wuhan Steel Company Limited (武漢鋼鐵有限公司) which is in turn wholly owned by Baoshan Steel Company Limited (寶山鋼鐵股份有限公司) (a company listed on the Shanghai Stock Exchange with stock code of 600019). Each of the remaining seven shareholders of Pingmei Shenma holds less than 10% in Pingmei Shenma respectively.

Ruzhou Coking is principally engaged in production of coal and related products. Ruzhou Coking is owned as to 80.5% by Tianrui Group (which is in turn wholly owned by Mr. Li and Ms. Li), and owned as to 19.5% by Tianrui Foundry (which is in turn owned as to 87.75% by Tianrui Group and as to 12.25% by Ms. Li).

2. Principal terms of the 2025 Framework Agreements

2.1 Principal terms

The 2025 Ruiping Shilong Clinker Purchase Framework Agreement sets out the general terms and conditions for the purchase of the clinker by Tianrui Cement and/or its subsidiaries from Ruiping Shilong. The prices payable by Tianrui Cement for the clinker will be agreed following arm's length negotiations between relevant parties with reference to the prevailing market price of clinker in Pingdingshan, Henan Province, the PRC.

The 2025 Ruiping Shilong Raw Coal Supply Framework Agreement sets out the general terms and conditions for the purchase of the raw coal by Ruiping Shilong from Tianrui Cement and/or its subsidiaries. The prices payable by Ruiping Shilong for the raw coal will be agreed following arm's length negotiations between relevant parties with reference to the Company's cost for sourcing the raw coal, and the prevailing market price of raw coal in Pingdingshan, Henan province, the PRC.

The 2025 Ruzhou Coking Raw Coal Supply Framework Agreement sets out the general terms and conditions for the purchase of the raw coal by Ruzhou Coking from Tianrui Cement and/or its subsidiaries. The prices payable by Ruzhou Coking for the raw coal will be agreed following arm's length negotiations between relevant parties with reference to the prevailing market price of raw coal in Pingdingshan, Henan province, the PRC.

2.2 General pricing policy

2.2.1 2025 Ruiping Shilong Clinker Purchase Framework Agreement

In line with the 2021 Ruiping Shilong Clinker Purchase Framework Agreement, for the clinker provided under the 2025 Ruiping Shilong Clinker Purchase Framework Agreement to Tianrui Cement and/or its subsidiaries by Ruiping Shilong, Tianrui Cement will obtain price quotes from at least two Independent Third Parties by issuing request for quotation to other independent clinker suppliers in the region. This process will enable Tianrui Cement to assess the other clinker suppliers' product quality, pricing policies, payment terms, and other relevant commercial conditions individually and to determine if the prices and terms offered by Ruiping Shilong are fair and reasonable and around the ranges of those quotes offered by the Independent Third Parties. Specifically, Tianrui Cement will consider the aggregate cost of the clinker price and the logistics and transportation costs when obtaining independent quotations. Tianrui Cement shall also take into consideration some independent market data of the clinker market to ensure that the prices of clinker are at the prevailing market rate. Ruiping Shilong would grant Tianrui Cement the access to the recent similar transaction data. Through reviewing these transaction data, Tianrui Cement will be able to compare: (a) product quality; (b) pricing policies; (c) payment terms and other commercial terms. This review process will ensure that the terms offered by Ruiping Shilong to Tianrui Cement under the 2025 Ruiping

Shilong Clinker Purchase Framework Agreement are no less favorable than those offered by Ruiping Shilong to other customers. After all the foregoing analysis, the proposed clinker prices and purchase terms under the 2025 Ruiping Shilong Clinker Purchase Framework Agreement will be submitted to the management of the Group for approval.

The finance department of the Company monitors the actual transaction amounts against any excess of the approved annual caps, and the Company engages the auditors of the Company to conduct an annual review of the continuing connected transaction of the Company to assess whether such transactions have been carried out in accordance with the relevant terms of the agreement entered into by the Company. The independent non-executive Directors conduct annual review of the implementation enforcement of the continuing connected transaction.

2.2.2 2025 Ruiping Shilong Raw Coal Supply Framework Agreement

Apart from Ruiping Shilong and Ruzhou Coking which are connected persons, the Group also targets to sell raw coal to other independent third party buyers such as factory which has demand for raw coal in nearby area. The Group has relevant internal control policies and procedures including (1) the Company has incorporated in its mandatory guideline such that its subsidiaries or branches shall closely monitor the updated market price of raw coal in order to attain a reasonable sale price after taking into account the cost and profit margin and hence the sale price to Ruiping Shilong will be compared with the market price, such monitoring measures include (a) Tianrui Cement will act as a potential raw coal purchaser to obtain price quotes from at least two Independent Third Parties by issuing request for quotation to other independent raw coal suppliers in the region. Tianrui Cement's request for quotation will be based on the same type of raw coal that it intends to sell to Ruiping Shilong; and (b) Tianrui Cement will compare the terms of sale of raw coal to Ruiping Shilong with Tianrui Cement's cost to ensure profit margin. This process will enable Tianrui Cement to assess the raw coal quality, pricing policies, payment terms offered by the other independent raw coal suppliers; and (2) the Group will compare the sale price to Ruiping Shilong with the sale price of the same or similar raw coal stated on the raw coal sales invoice for all the sales within the immediately preceding 60 days made to other raw coal customers of the Group and the market price obtained from (1) above, thus the Group can ensure that the sale price to Ruiping Shilong will not be more favourable than the sale price to other raw coal customers of the Group for similar transactions. Based on the procedure set out above, the Directors consider that the procedures are sufficient to ensure that the transactions will be conducted on normal commercial terms and not prejudicial to the interests of the Company. After all the foregoing analysis, the proposed raw coal prices and sales terms under the 2025 Ruiping Shilong Raw Coal Supply Framework Agreement will be submitted to the management of the Group for approval.

The finance department of the Company monitors the actual transaction amounts against any excess of the approved annual caps, and the Company engages the auditors of the Company to conduct an annual review of the continuing connected transactions of the Company to assess whether such transactions have been carried out in accordance with the relevant terms of the agreement entered into by the Company. The independent non-executive Directors conduct annual review of the implementation enforcement of the continuing connected transactions.

2.2.3 2025 Ruzhou Coking Raw Coal Supply Framework Agreement

The Group will adopt internal control policies and procedures for sale of raw coal to Ruzhou Coking in the same manner as the sale of raw coal to Ruiping Shilong under the 2025 Ruiping Shilong Raw Coal Supply Framework Agreement as set out above.

2.3 Our analysis on the principal terms of the 2025 Framework Agreements

In assessing the fairness and reasonableness of the terms in the 2025 Framework Agreements, we have obtained and reviewed the 2021 Ruiping Shilong Clinker Purchase Framework Agreement and the 2025 Framework Agreements. We noted that the major terms in the 2025 Ruiping Shilong Clinker Purchase Framework Agreement are similar with those in the 2021 Ruiping Shilong Clinker Purchase Framework Agreement which was approved by the independent shareholders at the extraordinary general meeting of the Company held on 20 December 2021.

As (i) the prices of clinker provided under the 2025 Ruiping Shilong Clinker Purchase Framework Agreement to the Group by Ruiping Shilong are not less favourable than the quotes offered by the Independent Third Parties and at the prevailing market rate; and (ii) the prices of raw coal supplied by the Group to Ruiping Shilong and Ruzhou Coking under the 2025 Ruiping Shilong Raw Coal Supply Framework Agreement and the 2025 Ruzhou Coking Raw Coal Supply Framework Agreement are in line with the updated market price and not more favourable than the sale price to other raw coal customers of the Group, we consider that the abovementioned general pricing policies are fair and reasonable to the Company and its Shareholders as a whole. For the details of our assessment, please refer to the section headed “5. Internal Control” in this letter.

In view of the above, we consider that the terms under the 2025 Framework Agreements are on normal commercial terms, the terms of which are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

3. Reasons for and benefits of entering into the 2025 Framework Agreements

The specific reasons for and benefits of entering into the 2025 Framework Agreements are summarised below:

3.1 The entering into of the 2025 Ruiping Shilong Clinker Purchase Framework Agreement

Clinker is a semi-finished product that can be used to produce different types of cement products with a profit margin lower than cement. Since 2009, Ruiping Shilong has been a clinker supplier to the Group. After considering the following factors: (1) the market status and trend of the Group's target market, which attributes to the Group's consistent need of clinker; (2) with the benefit of being within proximity of the Group's cement production base in Henan Province, PRC, Ruiping Shilong has been providing a stable supply of clinker with low logistics and transportation costs over the past years; (3) the Group's long established relationship with Ruiping Shilong; and (4) the Group will obtain price quotes from Independent Third Parties producing clinker to determine if the prices and terms offered by Ruiping Shilong are fair and reasonable, the Directors (including the independent non-executive Directors) are of the view that the terms of the supply of clinker under the 2025 Ruiping Shilong Clinker Purchase Framework Agreement, including the Clinker Annual Caps for each of the three years ending 31 December 2025, 2026 and 2027, respectively, are fair and reasonable, and that the transactions are on normal commercial terms in the ordinary and usual course of businesses of the Group and in the interests of the Company and its Shareholders as a whole.

3.2 The entering into of the 2025 Ruiping Shilong Raw Coal Supply Framework Agreement

Raw coal is a raw material that can be used to produce different types of cement products. Historically, the Group has purchased raw coal for its production of cement. With the benefits of the large scale of purchase, the Group is able to secure raw coal supply at a relatively low price, and hence is expected to be able to profit from sale of raw coal to buyers who do not have the benefit of scale to secure favourable pricing. As such, the Group intends to sell raw coal to third party such as Ruiping Shilong at a profit margin so as to generate new income stream. In light of Ruiping Shilong's anticipated consistent demand for raw coal, its location being within proximity of the Group's production facilities and the anticipated volume of raw coal available for sale, Tianrui Cement entered into the 2025 Ruiping Shilong Raw Coal Supply Framework Agreement with Ruiping Shilong. According to Ruiping Shilong, its average annual purchase of raw coal between 2021 and 2024 is approximately RMB206.0 million.

Upon considering the following factors that (1) the proposed annual cap of RMB60 million is within Ruiping Shilong's average purchase amount between 2021 and 2024; (2) Ruiping Shilong is a customer that has a demand for raw coal within the Pingdingshan area and its estimated annual purchase demand for each of the years 2025, 2026 and 2027 respectively; and (3) the Ruiping Shilong Raw Coal Annual Caps will provide flexibility for the Group to sell raw coal to Ruiping Shilong while the 2025 Ruiping Shilong Raw Coal Supply Framework Agreement does not oblige the Group to make any sale of raw coal should the Group find a better customer who is willing to purchase its raw coal on better terms or the Group would wish to utilize the raw coal for self-use purpose, the Directors (including the independent non-executive Directors) are of the view that the terms of the transactions under the 2025 Ruiping Shilong Raw Coal Supply Framework Agreement within the Ruiping Shilong Raw Coal Annual Caps for each of the three years ending 31 December 2025, 2026 and 2027 respectively are fair and reasonable, and that the transactions are on normal commercial terms in the ordinary and usual course of businesses of the Group and in the interests of the Company and its Shareholders as a whole.

3.3 The entering into of the 2025 Ruzhou Coking Raw Coal Supply Framework Agreement

Raw coal is a raw material that can be used to produce different types of cement products. Historically, the Group has purchased raw coal for its production of cement. Due to the large scale of purchase, the Group is able to secure raw coal supply at a relatively low price, and hence is expected to be able to profit from sale of raw coal to buyers who do not have the benefit of scale to secure favourable pricing. As such, the Group intends to sell raw coal to third party such as Ruzhou Coking at a profit margin so as to generate new income stream. In light of Ruzhou Coking's anticipated consistent demand for raw coal, its location being within proximity of the Group's production facilities and the anticipated volume of raw coal available for sale, Tianrui Cement entered into the 2025 Ruzhou Coking Raw Coal Supply Framework Agreement with Ruzhou Coking. According to Ruzhou Coking, its average annual purchase of raw coal during 2021 and 2024 is approximately RMB1,939 million.

Upon considering the following factors that (1) the proposed annual cap of RMB1,900 million is in line with Ruzhou Coking's average purchase amount between 2021 and 2024; (2) Ruzhou Coking is a customer that has a demand for raw coal within Pingdingshan area and its estimated annual purchase demand for each of the year 2025, 2026 and 2027 respectively; and (3) the Ruzhou Coking Raw Coal Annual Caps will provide flexibility for the Group to sell raw coal to Ruzhou Coking while the 2025 Ruzhou Coking Raw Coal Supply Framework Agreement does not oblige the Group to make any sale of raw coal should the Group find a better customer who is willing to purchase its raw coal on better terms or the Group would wish to utilize the raw coal for self-use purpose, the Directors (including the independent non-executive Directors) are of the view that the terms of the transactions under the 2025 Ruzhou Coking Raw Coal Supply Framework Agreement within the Ruzhou Coking Raw Coal Annual Caps for each of the three years ending 31 December 2025, 2026 and 2027 respectively

are fair and reasonable, and that the transactions are on normal commercial terms in the ordinary and usual course of businesses of the Group and in the interests of the Company and its Shareholders as a whole.

As stated in the 2023 AR and 2024 AR, clinker is demanded by the Group for its daily cement production. According to the announcements of the Company dated 7 April 2019 and 12 November 2021, Ruiping Shilong has been a clinker supplier to the Group since 2009. Given Ruiping Shilong has a long-established relationship with the Group, it has good understanding of the Group's business and operations. Due to the proximity of location to the Group, Ruiping Shilong can provide stable clinker supply to the Group with low logistics and transportation costs. In general, the entering into the 2025 Ruiping Shilong Clinker Purchase Framework Agreement would provide flexibility and right but not obligation for the Group to continue its existing arrangements with Ruiping Shilong and meet the Group's need for cement production by leveraging their longstanding relationship. Due to Ruiping Shilong and Ruzhou Coking's large and consistent demand for raw coal, and their proximity of location to the Group's production facilities, the entering into the 2025 Ruiping Shilong Raw Coal Supply Framework Agreement and the 2025 Ruzhou Coking Raw Coal Supply Framework Agreement would provide flexibility and right but not obligation for the Group to generate new source of income by leveraging its price advantage which benefits from its large purchase scale. Taking into account the above and the no less favourable commercial terms to the Group, we concur with the Company that entering into the 2025 Framework Agreements is in the interests of the Company and Shareholders as a whole and is conducted under the ordinary and the usual course of business of the Group.

4. Proposed Annual Caps

In assessing the fairness and reasonableness of the proposed annual caps of the 2025 Ruiping Shilong Clinker Purchase Framework Agreement, the 2025 Ruiping Shilong Raw Coal Supply Framework Agreement, and the 2025 Ruzhou Coking Raw Coal Supply Framework Agreement (the **"Clinker Annual Caps"**, **"Ruiping Shilong Raw Coal Annual Caps"**, and **"Ruzhou Coking Raw Coal Annual Caps"**, respectively; the **"Proposed Annual Caps"**, collectively), we have discussed with the Company about the basis and underlying assumptions used in the determination of the Proposed Annual Caps. The Proposed Annual Caps represent the maximum amounts of transactions the Group could enter into with its connected parties, rather than the obligation of the Group to purchase from or sell to its connected parties at that amount. We have discussed and concur with the Management that the Proposed Annual Caps will provide more flexibility to the Group and are set at the appropriate level after taken into account the historical transaction amounts and expected future demand.

4.1 Historical Amount, Existing and Proposed Annual Caps

The following table sets out (i) the historical amounts of 2021 Ruiping Shilong Clinker Purchase Framework Agreement for each of the three years ended 31 December 2024; (ii) the existing annual caps of 2021 Ruiping Shilong Clinker Purchase Framework Agreement for each of the three years ended 31 December 2024; and (iii) the Proposed Annual Caps for each of the three years ending 31 December 2027.

<i>RMB million</i>		Existing Annual Caps for the years ended 31 December			Proposed Annual Caps for the years ending 31 December		
		2022	2023	2024	2025	2026	2027
2025 Ruiping Shilong Clinker Purchase Framework Agreement							
Total purchase amount	Annual caps	1,200.00	1,200.00	1,200.00	120.00	120.00	120.00
	Historical amounts	533.08	136.02	6.35			
	Utilisation rates	44.4%	11.3%	0.5%			
2025 Ruiping Shilong Raw Coal Supply Framework Agreement							
Total sales amount	Annual caps				60.00	60.00	60.00
2025 Ruzhou Coking Raw Coal Supply Framework Agreement							
Total sales amount	Annual caps				1,900.00	1,900.00	1,900.00

4.2 Basis of determination of the Proposed Annual Caps

4.2.1 2025 Ruiping Shilong Clinker Purchase Framework Agreement

In determining the maximum aggregate annual amount payable by the Group to Ruiping Shilong for purchase of clinker for each of the years ending 31 December 2025, 2026 and 2027, the Group has mainly considered:

- (i) The historical aggregate value for purchase of clinker from Ruiping Shilong paid by Tianrui Cement and/or its subsidiaries for the years ended 31 December 2021, 2022, 2023, and 2024 were approximately RMB821.80 million, RMB533.08 million, RMB136.02 million and RMB6.35 million respectively. Clinker is used as a raw material for the production of cement products, and according to Ruiping Shilong, the amount of clinker purchased by Tianrui Cement from Ruiping Shilong declined in 2024 as Ruiping Shilong ceased production of clinker in 2024 and therefore could only sell the clinker inventory to the Group in 2024. However, given that Ruiping Shilong has resumed production in 2025, Tianrui Cement expected to increase its purchase of clinker from Ruiping Shilong.

- (ii) Clinker is a semi-finished product that can be used to produce different types of cement products. The proposed annual cap of RMB120,000,000 has been determined based on the historical transaction amount during the past 4 years, future business plans, while providing flexibility to cater for the Company's business needs. Based on historical transaction amount over the past four years, the average annual transaction amount from 2021 to 2024 was RMB374.31 million. The proposed annual cap of RMB120,000,000 has been determined after taking into account the aforesaid historical average transaction amount, the declining trend in recent years and the buffer for business flexibility. In quantitative terms, the historical purchase amounts by Tianrui Cement from Ruiping Shilong in 2021 and 2022 are relatively high, suggesting the potential for Tianrui Cement's need for clinker to rebound when market conditions improve. According to the Group's production plan, its need for clinker in 2025, 2026 and 2027 is expected to be at similar level as the purchase amount of RMB136.02 million in 2023. As such, the more recent average purchase amount by Tianrui Cement from Ruiping Shilong in 2023 and 2024 (being approximately RMB70 million) is set as starting point on a conservative side, and the proposed annual cap of RMB120 million would afford buffer of approximately RMB50 million for business flexibility to satisfy the need for clinker at a level similar to 2023.

In assessing the fairness and reasonableness of the Clinker Annual Caps, we have reviewed the historical amounts of 2021 Ruiping Shilong Clinker Purchase Framework Agreement and discussed with the Company. We noted that the average annual historical amount was RMB225.15 million during 2022 to 2024, and the historical amount reached RMB533.10 million and RMB136.00 million in 2022 and 2023, respectively. We have discussed with the Management and understand that the low historical amounts in 2024 was mainly due to the production halt of Ruiping Shilong due to its internal operation issue, and Ruiping Shilong's clinker production is expected to recover in 2025 to 2027. As advised by the Management, the Clinker Annual Caps were determined with reference to the historical amount during 2022 to 2024 and the proposed demand for each year of 2025, 2026 and 2027 according to the business plan of the Group for 2025 to 2027. We have reviewed such business plan of the Group and noted that the Group's proposed clinker demand from Ruiping Shilong are approximately 1.6 million tonnes, 2.2 million tonnes and 2.2 million tonnes in 2025, 2026, and 2027, respectively. We have obtained and reviewed the amount of clinker demand of the Company and noted that (i) the amount of clinker demand of the Group was approximately 3.2 million tonnes, 1.9 million tonnes, and 1.6 million tonnes in 2022, 2023, and 2024, respectively, with a three-year average of approximately 2.2 million tonnes; and (ii) the amount of clinker demand of the Company recorded an approximately 44.0% increase in the first half of 2025 as compared to the first half of 2024. Given (i) the Group's proposed clinker demand from Ruiping Shilong from 2025 to 2027 is within its three-year average historical clinker purchase volume; and (ii) the Group's clinker demand in the first half of 2025 significantly increased as compared to the first half of 2024, we consider the

aforementioned business plan fair and reasonable. Having considered the historical average clinker purchasing price of the Group from Ruiping Shilong, we noted that the Clinker Annual Caps are within the Group's proposed purchase amount of clinker from Ruiping Shilong for 2025 to 2027. As advised by the Management, the Company has increased the proportion of clinker purchase from suppliers other than Ruiping Shilong to satisfy its clinker demand since 2024. In assessing the fairness and reasonableness of the RMB50 million buffer in the Clinker Annual Caps, we have reviewed the amount of the Group's clinker demand in the first half of 2025, and noted that such amount has exceeded RMB200 million. Therefore, in determining the Clinker Annual Caps, save for the RMB70 million 2-year average historical amount, the RMB50 million buffer provides the Group with business flexibility of shifting the clinker supplier from other parties to Ruiping Shilong on a conservative basis, which we consider fair and reasonable. Taking into account (i) the Clinker Annual Caps decreased from RMB1,200 million to RMB120 million for the each of the three years ending 31 December 2025, 2026 and 2027, which are within the average annual historical amount during 2022 to 2024; and (ii) the Clinker Annual Caps are within the Group's proposed purchase amount of clinker from Ruiping Shilong for 2025 to 2027, we consider the Clinker Annual Caps are fair and reasonable.

4.2.2 2025 Ruiping Shilong Raw Coal Supply Framework Agreement

In determining the maximum aggregate annual amount payable by Ruiping Shilong to the Group for purchase of raw coal for the years ending 31 December 2025, 2026 and 2027, the Group has mainly considered Ruiping Shilong's historical demand as well as expected demand for raw coal as set out in the section headed "Reasons and benefits for entering into the 2025 Ruiping Shilong Raw Coal Supply Framework Agreement" in the Letter from the Board.

In assessing the fairness and reasonableness of the Ruiping Shilong Raw Coal Annual Caps, we have reviewed the calculation model and discussed with the Management. As advised by the Management, the raw coal purchased by Ruiping Shilong will be used to produce clinker and majority of which will be supplied to the Group. Therefore, the amount of raw coal to be purchased by Ruiping Shilong from the Company under the 2025 Ruiping Shilong Raw Coal Supply Framework Agreement is highly correlated with the amount of clinker purchased by the Company from Ruiping Shilong under the 2025 Ruiping Shilong Clinker Purchase Framework Agreement. Based on our review of the calculation model, we noted that the annual maximum amount of raw coal to be purchased by Ruiping Shilong for each of the three years ending 31 December 2025, 2026 and 2027 were estimated with reference to (i) the estimated amount of clinker to be purchased by the Group from Ruiping Shilong, which are estimated to be approximately 1.6 million tonnes, 2.2 million tonnes and 2.2 million tonnes in 2025, 2026, and 2027, respectively; (ii) the Company's average cost of raw coal to produce one unit of clinker in 2024; and (iii) the Company's average cost of purchasing raw coal in Henan Province in 2024. Ruiping Shilong's expected demand for raw coal is derived from the product of the three aforementioned figures, and is calculated to

be approximately RMB167 million, RMB231 million and RMB231 million, for 2025, 2026, and 2027, respectively. We have also obtained and reviewed the historical raw coal purchase amount of Ruiping Shilong, and noted that the raw coal purchase amount of Ruiping Shilong was approximately RMB450.7 million, RMB304.3 million, RMB68.8 million and nil for each of 2021, 2022, 2023, and 2024, respectively, with a four-year average of approximately RMB206.0 million. Taking into account that Ruiping Shilong Raw Coal Annual Caps is (i) within the estimated annual maximum amount of raw coal purchased by Ruiping Shilong from the Group for each of the three years ending 31 December 2025, 2026 and 2027; and (ii) within the average annual raw coal purchase amount of Ruiping Shilong during 2021 to 2024, we consider the Ruiping Shilong Raw Coal Annual Caps are fair and reasonable.

4.2.3 2025 Ruzhou Coking Raw Coal Supply Framework Agreement

In determining the maximum aggregate annual amount payable by Ruzhou Coking to the Group for purchase of raw coal for the years ending 31 December 2025, 2026 and 2027, the Group has mainly considered Ruzhou Coking's historical demand as well as expected demand for raw coal as set out in the section headed "Reasons and Benefits for entering into the 2025 Ruzhou Coking Coal Supply Framework Agreement" in the Letter from the Board.

In assessing the fairness and reasonableness of the Ruzhou Coking Raw Coal Annual Caps, we have discussed with the Management and understand that the Ruzhou Coking Raw Coal Annual Caps are determined with reference to the historical raw coal purchase amount of Ruzhou Coking. We have obtained and reviewed the annual raw coal purchase data of Ruzhou Coking and noted that (i) the raw coal purchase amount of Ruzhou Coking was approximately RMB2,052 million, RMB2,536 million, RMB1,654 million, and RMB1,513 million, for each of the years from 2021 to 2024, respectively, with a four-year average of approximately RMB1,939 million; and (ii) the raw coal purchase volume of Ruzhou Coking stayed relatively stable in the first half of 2025 as compared to the first half of 2024, with a slight decrease of approximately 2%. As advised by the Management, Ruzhou Coking is expected to purchase majority of its raw coal demand from the Group after 2025 Ruzhou Coking Raw Coal Supply Framework Agreement comes into effect. In assessing the estimated annual raw coal demand of Ruzhou Coking, we have obtained and reviewed the production capacity expansion plan of Ruzhou Coking and noted that four new coking production plants will be put into production in mid-2026, with total coking coal production capacity increase of 2.6 million tonnes. Taking into account (i) the aforementioned production capacity expansion plan; (ii) the amount of raw coal needed for the new production plant to produce one unit of coking coal, as set out in its feasibility assessment report; and (iii) the average raw coal purchasing price of Ruzhou Coking in the first half of 2025, we noted that Ruzhou Coking's additional raw coal demand derived from the new production capacity are estimated to be approximately RMB2.3 billion and RMB3.3 billion for 2026 and 2027, respectively. Given (i) the Ruzhou Coking Raw Coal Annual Caps are in

line with the historical average annual raw coal purchase amount of Ruzhou Coking during 2021 to 2024; (ii) the raw coal demand of Ruzhou Coking stayed stable in the first half of 2025; and (iii) the new production plant is expected to drive up Ruzhou Coking's demand for raw coal since 2026, we consider the Ruzhou Coking Raw Coal Annual Caps are fair and reasonable.

5. Internal Control

The Company has formulated a series of internal control measures and procedures in order to ensure the pricing mechanism and the terms of 2025 Framework Agreements are fair and reasonable and no less favourable to the Company than the terms available to or from Independent Third Parties, and in the interest of the Company and its Shareholders as a whole, details of which are included in the section headed "2.2 General pricing policy" above. We have obtained and reviewed the Company's internal documents in relation to the procedures and systems for approving and monitoring its continuing connected transactions, including Measures of the Administration of Connected Transactions (關連交易管理辦法) and Internal Control Process and System for Continuing Connected Transactions (持續關連交易內部控制流程及體系).

We have also obtained and reviewed two annual monitor reports for 2022 and 2023 setting out the utilisation level of the existing annual caps of 2021 Ruiping Shilong Clinker Purchase Framework Agreement provided by the Group. Based on our review, we noted that no existing annual caps was exceeded. We consider that the Company has an effective mechanism in place to monitor the transactions under the 2025 Framework Agreements on an on-going basis to ensure that the transaction amount under the 2025 Framework Agreements will not exceed the relevant annual caps.

In respect of purchasing clinker from Ruiping Shilong, we understood that the Company would, among others, consider independent market data of the clinker market to ensure that the prices of clinker are at the prevailing market rate. As part of our due diligence work, we have obtained and reviewed three sets of sample transaction documents for each year of 2022, 2023 and 2024 (i.e. nine sets in total) under the 2021 Ruiping Shilong Clinker Purchase Framework Agreement, which were randomly selected by the Company as per our request, and compared the clinker price in such transaction documents against the clinker price in Henan Province on the internet platform of Mysteel (www.mysteel.com) for the same period of each set of sample transaction document. Given the aforementioned samples cover each of 2022, 2023 and 2024, being the effective period of the 2021 Ruiping Shilong Clinker Purchase Framework Agreement, we consider that such samples are adequate, fair, and representative, and the sample size is sufficient. We noted that the clinker price offered by Ruiping Shilong to the Group is no less favourable than the clinker market price in Henan Province. Based on our review of aforementioned documents and market information, we consider that the Company has enough internal control policies and procedures in place to ensure that the transactions under 2025 Ruiping Shilong Clinker Purchase Framework Agreement are on normal commercial terms, and the terms offered by Ruiping Shilong to the Group are no less favourable than those terms offered to the Independent Third Parties.

In respect of selling raw coal to Ruiping Shilong and Ruzhou Coking, we noted that the Group has relevant internal control policies and procedures that the Company has incorporated in its mandatory guideline such that its subsidiaries or branches shall closely monitor the updated market price of raw coal in order to attain a reasonable sale price and hence the sale price to Ruiping Shilong and Ruzhou Coking will be compared with the market price, such monitoring measures include (i) the Company has incorporated in its mandatory guideline such that its subsidiaries or branches shall closely monitor the updated market price of raw coal in order to attain a reasonable sale price after taking into account the cost and profit margin and hence the sale price to Ruiping Shilong will be compared with the market price, such monitoring measures include (a) Tianrui Cement will act as a potential raw coal purchaser to obtain price quotes from at least two Independent Third Parties by issuing request for quotation to other independent raw coal suppliers in the region. Tianrui Cement's request for quotation will be based on the same type of raw coal that it intends to sell to Ruiping Shilong; and (b) Tianrui Cement will compare the terms of sale of raw coal to Ruiping Shilong with Tianrui Cement's cost to ensure profit margin. This process will enable Tianrui Cement to assess the raw coal quality, pricing policies, payment terms offered by the other independent raw coal suppliers; and (ii) the Group will compare the sale price to Ruiping Shilong with the sale price of the same or similar raw coal stated on the raw coal sales invoice for all the sales within the immediately preceding 60 days made to other raw coal customers of the Group and the market price obtained from (i) above, thus the Group can ensure that the sale price to Ruiping Shilong will not be more favourable than the sale price to other raw coal customers of the Group for similar transactions. We understood from the Management that each of Ruiping Shilong and Ruzhou Coking has made one raw coal price enquiry to the Company in 2025 in order to better initiate the raw coal transaction with the Company. We have obtained and reviewed the relevant price enquiry records, and compared the Company's price quotes with market prices of raw coal with similar quality indicators (including calorific value, ash content, etc.) on the same day as extracted from the internet platform of BAIINFO (www.baiinfo.com). Based on our review, we noted that the raw coal prices offered by the Company to Ruiping Shilong and Ruzhou Coking are higher than the market prices. In light of the above, we consider that the Company has enough internal control policies and procedures in place to ensure that the transactions under 2025 Ruiping Shilong Raw Coal Supply Framework Agreement and 2025 Ruzhou Coking Raw Coal Supply Framework Agreement are on normal commercial terms, and the raw coal prices offered by the Company to Ruiping Shilong and Ruzhou Coking are no more favorable than the raw coal sale price to other customers of the Company, as well as the updated market price.

Pursuant to Rules 14A.55 and 14A.56 of the Listing Rules, the independent non-executive Directors and auditor of the Company will conduct annual review and issue confirmations regarding the continuing connected transactions of the Company each year. We have reviewed the 2022 AR, 2023 AR, and 2024 AR, and noted that the independent non-executive Directors and the auditor of the Company have reviewed the continuing connected transactions under the 2021 Ruiping Shilong Clinker Purchase Framework Agreement and provided the relevant confirmations. As confirmed with the Company, the Company will continue to comply with the relevant annual review requirement under the Listing Rules on an on-going basis.

Based on the above, we concur with the Company that the Group has effective internal policies in place to continuously monitor the continuing connected transactions under the 2025 Framework Agreements and the Proposed Annual Caps, therefore the interests of the Company and its Shareholders would be safeguarded.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the view that (i) the terms of the 2025 Framework Agreements are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the entering into the 2025 Framework Agreements is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM for approving the 2025 Framework Agreements and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Maxa Capital Limited



Dominic Cheung
Managing Director

Mr. Dominic Cheung is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Maxa Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 18 years of experience in corporate finance industry.