

*The following is the full text of the letter of advice 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 Deposit Services Agreement 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

29 January 2026

*To the Independent Board Committee and the Independent Shareholders*

Dear Sirs and Mesdames,

**CONTINUING CONNECTED TRANSACTION  
AND MAJOR TRANSACTION  
IN RELATION TO  
THE 2025 DEPOSIT SERVICES AGREEMENT**

**INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the 2025 Deposit Services Agreement and the transactions contemplated thereunder, including the annual caps (the “**Proposed Annual Caps**”), details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular dated 29 January 2026 issued by the Company (the “**Circular**”) of which this letter forms part. 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 4 November 2022 and the circular of the Company dated 6 December 2022, in relation to, among others, the 2022 Deposit Services Agreement entered into between Tianrui Cement, a wholly-owned subsidiary of the Company, and Tianrui Finance, pursuant to which Tianrui Finance agreed to provide the Deposit Services to Cememt Group for a term up to 31 December 2025. As such agreement will expire on

31 December 2025, Tianrui Cement entered into the 2025 Deposit Services Agreement on 8 December 2025 with Tianrui Finance, for a term of three years commencing from 1 January 2026 and ending on 31 December 2028. On 28 January 2026, Tianrui Cement and Tianrui Finance entered into the Supplemental Deposit Services Agreement to revise the original proposed annual caps.

## **LISING RULES IMPLICATION**

Tianrui Finance is a subsidiary of Tianrui Group Company. Tianrui Group Company is the holding company of Tianrui (International) Holding Company Limited which owns the entire issued share capital of Carosse Limited, which owns the entire issued share capital of Yu Kuo Company Limited, a Controlling Shareholder. Accordingly, Tianrui Finance is a connected person of the Company within the meaning of the Listing Rules and the transactions contemplated under the 2025 Deposit Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Although the consideration ratio in respect of the Deposit Services under the 2025 Deposit Services Agreement exceeds 100%, the Deposit Services are not acquisition by the Company and constitute major transaction (instead of very substantial acquisition) under Chapter 14 of the Listing Rules and continuing connected transaction under Chapter 14A of the Listing Rules, and are subject to the reporting, announcement, circular and independent shareholders' approval requirements under the Listing Rules.

## **INDEPENDENT BOARD COMMITTEE**

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Kong Xiangzhong, Mr. Mak Tin Sang and Mr. Jiang Senlin, has been established to advise the Independent Shareholders as to whether (i) the terms of the 2025 Deposit Services Agreement and the transactions contemplated thereunder (the “**Transactions**”); and (ii) the Proposed Annual Caps are on normal commercial terms, in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote in respect of the relevant resolution(s) to be proposed at the EGM to approve the entering into of the 2025 Deposit Services Agreement and the transactions contemplated thereunder, including the Proposed Annual Caps. We, Maxa Capital, 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 terms of the 2025 Deposit Services Agreement and the transactions contemplated thereunder. In the past two years, we were appointed by the Company as the independent financial adviser in respect of certain continuing connected transactions in relation to the sales and purchases of clinker, raw coal and coking raw coal, details of which were set out in the circular of the Company dated 2 October 2025. The aforesaid previous appointment was limited to providing one-off independent advisory service, for which we received normal professional fees. Accordingly, we do not consider such previous appointment gives rise to any conflict of interest for us in acting as the Independent Financial Adviser in respect of the 2025 Deposit Services Agreement and the transactions contemplated thereunder (including the Proposed Annual Caps). Apart from the normal advisory fees payable to us in connection with this appointment, no arrangement exists whereby we shall receive any other fees or benefits from the Company, Tianrui Finance or their respective substantial shareholders or associates.

## **BASIS OF OUR OPINION**

In formulating our opinion and recommendation, we have reviewed, among others, (i) the 2025 Deposit Services Agreement; (ii) the annual reports of the Company for the year ended 31 December 2023 (the “**2023 AR**”) and 31 December 2024 (the “**2024 AR**”) and the interim report of the Company for the six months ended 30 June 2025 (the “**2025 IR**”); (iii) the sample documents of the Transactions; (iv) the basis of calculation of the Proposed Annual Caps and the underlying assumptions; and (v) the Company’s internal control procedures in relation to the Transactions, including the Proposed Annual Caps.

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 or referred to in the Circular and the information and representations as provided to us by the Directors and the management of the Group (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 truth, 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 Company, Tianrui Finance and each of their respective subsidiaries or associates.

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.

## **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion in respect of the 2025 Deposit Services Agreement and the Transactions (including the Proposed Annual Caps), we have taken into consideration the following principal factors and reasons:

### **1. Background of the 2025 Deposit Services Agreement**

#### **1.1 Information of the Group**

The Group is principally engaged in businesses ranging from excavation of limestone to 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 two years ended 31 December 2023 and 2024 (“FY2023” and “FY2024”, respectively), as extracted from

the 2023 AR and 2024 AR, and for the six months ended 30 June 2024 and 2025 (“**1H2024**” and “**1H2025**”, respectively), as extracted from the 2025 IR:

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

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 the 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. The turnaround from loss and total comprehensive expenses for FY2023 to profit and total comprehensive income for FY2024 was mainly attributable to the increase in other income of approximately RMB1.5 billion for FY2024 as the Group recognised interest income from suppliers and Tianrui Group Company in an aggregate amount of approximately RMB1.4 billion for FY2024.

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. 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 30 June	
	2023	2024	2024	2025
	<i>RMB '000</i>	<i>RMB '000</i>	<i>RMB '000</i>	<i>RMB '000</i>

	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>
<b>Total assets</b>	<b>40,573,494</b>	<b>37,215,106</b>	<b>36,351,373</b>
- Cash, deposits, and bank balances	1,174,841	915,092	467,664
<b>Total liabilities</b>	<b>24,787,427</b>	<b>21,239,599</b>	<b>20,268,366</b>
- Total borrowings	16,592,494	11,722,613	11,003,606
<b>Total equity</b>	<b>15,786,067</b>	<b>15,975,507</b>	<b>16,083,007</b>

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. Such decrease in total assets was mainly attributable to the decrease in (i) pledged bank balances; and (ii) property, plant and equipment. Among all assets, the Group's cash, deposits, and bank balances decreased by approximately RMB259.7 million or 22.1% from approximately RMB1,174.8 million as at 31 December 2023 to approximately RMB915.1 million as at 31 December 2024, which was mainly attributable to repayment of borrowings. 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 liabilities was mainly attributable to the decrease in borrowings due after one year. The Group's total equity slightly increased from approximately RMB15.8 billion as at 31 December 2023 to approximately RMB16.0 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. Such decrease in total assets was mainly attributable to the decrease in loan receivable. Among all assets, the Group's cash, deposits, and bank balances decreased by approximately RMB447.4 million or 48.9% from approximately RMB915.1 million as at 31 December 2024 to approximately RMB467.7 million as at 30 June 2025, which was mainly attributable to the increase in restricted pledged bank balances and repayment of borrowings. 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 liabilities was mainly attributable to the decrease in borrowings due within one year. The Group's total equity slightly increased from approximately RMB16.0 billion as at 31 December 2024 to approximately RMB16.1 billion as at 30 June 2025, representing an increase of approximately RMB107.5 million or 0.7%.

## 1.2 Information of Tianrui Finance

Tianrui Finance is a non-banking financial institution subject to the supervision of the NFRA. Its establishment was approved by the NFRA on 20 July 2015 and it is authorised to provide a variety of financial services.

The scope of business of Tianrui Finance includes: the provision of financial and corporate finance advisory services, credit worthiness verification and related consultancy and agency services to member companies; provision of assistance in the payment and receipt of transaction proceeds to member companies; performing authorized insurance agency business; provision of guarantees to member companies and dealing with entrusted loans or investments among member companies; provision of draft acceptance and discounting services to member companies; provision of intra-group transfer and settlement services to member companies as well as the planning of clearing and settlement scheme; provision of deposit services to member companies; conducting inter-bank borrowing and lending.

As at the Latest Practicable Date, Tianrui Finance had a registered capital of RMB1 billion which was owned as to 46.25% by Tianrui Group Company, as to 25.5% by Tianrui Cement, as to 23% by Tianrui Travel and as to 5.25% by Tianrui Foundry.

#### *Regulatory environment of Tianrui Finance*

As a licensed non-bank financial institution in the PRC, Tianrui Finance is required to operate in compliance with the Administrative Measures for the Group Finance Companies\* (《企業集團財務公司管理辦法》) (the “**Measures**”) promulgated by the original China Banking and Insurance Regulatory Commission to standardise the activities of group finance companies, to prevent financial risk, and to facilitate the stable and sound operation and healthy development of group finance companies. The Measures set out certain compliance and risk control requirements/measures relating to the operation of group finance companies, including but not limited to maintaining certain financial ratios.

As part of our due diligence work, we have obtained and reviewed the key regulatory risk indicators of Tianrui Finance as at 31 December 2023, 31 December 2024 and 30 June 2025, which were submitted by Tianrui Finance to the Henan Branch of the NFRA. Details of such indicators are set out in the table below:

Financial ratio	Formula	Requirement	As at 31 December 2023	As at 31 December 2024	As at 30 June 2025
資本充足率 (Capital adequacy ratio)	Net Capital/ Total Risk-Weighted Assets	Not less than 10%	41.75%	38.42%	44.41%
流動性比例 (Liquidity ratio)	Current Assets/ Current Liabilities	Not less than 25%	32.98%	34.24%	56.06%

不良貸款率 (Non-performing loan ratio)	Non-performing Loans/Total Loans	Not more than 5%	0	0	0
不良資產率 (Non-performing asset ratio)	Non-performance Assets/Total Assets with Credit-risk	Not more than 4%	0	0	0
貸款撥備率 (Loan provision ratio)	Loan Loss Provisions/ Total Loans	Not less than 2.5%	3.00%	3.57%	4.60%
撥備覆蓋率 (Provision coverage ratio)	Loan Loss Provisions/ Non-performing Loans	Not less than 150%	infinity	infinity	infinity
自有固定資產比例 (Fixed assets ratio)	Total Fixed Assets/Total Equity	Not more than 20%	0	0	0
投資比例 (Investment ratio)	Short-term Investment and Long-term Investment/ Total Equity	Not more than 70%	0	0	0
拆入資金比例 (Inter-bank borrowing ratio)	Total Interbank Borrowing/ Total Equity	Not more than 100%	0	0	0
擔保比例 (Guarantee ratio)	Guarantee Risk Exposure/ Total Equity	Not more than 100%	22.03%	2.06%	4.06%

As per the above table, we note that the key regulatory risk indicators of Tianrui Finance are in compliance with regulatory requirements. Furthermore, pursuant to the Measures, Tianrui Finance is required to comply with the deposit reserve requirements of the PBOC by placing certain amounts of deposit reserve with the PBOC in proportion to the deposit balances, which the Management considers, and we concur that such requirement is a measure to safeguard its deposits in Tianrui Finance. We also understand from the Management that there was no record of non-compliance with the relevant laws, rules and regulations applicable to Tianrui Finance from 1 January 2023 and up to the Latest Practicable Date (the “**Review Period**”).

#### *Financial performance of Tianrui Finance*

As part of due diligence work, we have obtained and reviewed the audited annual report of Tianrui Finance for the year ended 31 December 2024 and the unaudited management accounts of Tianrui Finance for the six months ended 30 June 2025. The table below sets out certain financial information of Tianrui Finance:

For the year ended 31 December 2023	For the six months ended 30 June 2024	For the six months ended 30 June 2025
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	<i>RMB '000</i> (audited)	<i>RMB '000</i> (audited)	<i>RMB '000</i> (unaudited)
<b>Revenue</b>	62,726	56,703	19,506
<b>Net profit</b>	4,248	19,333	4,725
	<b>As at 31 December</b>	<b>As at 30 June</b>	
	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>RMB '000</i> (audited)	<i>RMB '000</i> (audited)	<i>RMB '000</i> (unaudited)
<b>Net assets</b>	1,152,339	1,171,672	1,176,493

Tianrui Finance recorded revenue and net profit for FY2023, FY2024 and 1H2025. Tianrui Finance's net assets increased by approximately RMB19.4 million or 2.0% from approximately RMB1,152.3 million as at 31 December 2023 to approximately RMB1,176.5 million as at 30 June 2025.

We concur with the Directors' view that the risk of placing deposits with Tianrui Finance can be effectively controlled and monitored because (i) Tianrui Finance is a non-bank financial institution subject to the regulation of NFRA; (ii) Tianrui Finance complied with the risk regulatory indicators as at 31 December 2023, 31 December 2024 and 30 June 2025; (iii) Tianrui Finance is required to comply with the deposit reserve requirements of the PBOC; (iv) there was no record of non-compliance with the relevant laws, rules and regulations applicable to Tianrui Finance during the Review Period; and (v) Tianrui Finance is a profit-making company, and its net asset value remained relatively stable during the Review Period.

### **1.3 Information of Tianrui Group Company, Tianrui Foundry, Tianrui Travel and Tianrui Cement**

Tianrui Group Company is a company established in the PRC with limited liability and held as to 70% by Mr. Li and 30% by Mrs. Li Fengluan, the spouse of Mr. Li, who have investment in different businesses such as foundry business, tourism, hotel business, energy and mining. Tianrui Group Company indirectly owns 52.78% of the shareholding of the Company. Tianrui Foundry and Tianrui Travel are subsidiaries of Tianrui Group Company.

Tianrui Foundry is owned as to 87.75% by Tianrui Group Company and as to 12.25% by Ms. Li Fengluan.

Tianrui Travel is owned as to 67.57% by Tianrui Group Company, as to 26.73% by Tianrui Foundry, as to 5.5% by Henan Yinxiang Cultural Tourism Commercial Operation Center (Limited Partnership) (河南銀象文旅商業運營中心 (有限合夥人)) and 0.2% by Ms. Li Fengluan.

Tianrui Cement is a wholly foreign-owned enterprise established in the PRC with limited liability and a wholly-owned indirect subsidiary of the Company which is held as to 52.78% by Tianrui Group Company. Tianrui Cement is the principal subsidiary of the Company in PRC for the manufacture and sale of cement, clinker and limestone aggregate.

## **2. Reasons for and benefits of the 2025 Deposit Services Agreement**

As stated in the Letter from the Board, the Company entered into the 2025 Deposit Services Agreement after having considered that:

- (1) subject to compliance with the interest rate policies of the PBOC, the interest rate(s) offered to the member(s) of the Cement Group by Tianrui Finance for Deposit Services shall be higher than deposit rate(s) offered by major commercial banks in the PRC to the member(s) of the Cement Group, for comparable deposits, are on equal or better terms than those available from independent third parties;
- (2) the deposit and loan rates offered by Tianrui Finance are determined in accordance with applicable PBOC guidance and within the relevant regulatory framework;
- (3) regarding the financial strength of Tianrui Finance, Tianrui Finance recorded total assets of approximately RMB2,604.6 million, RMB2,119.8 million and RMB1,828.3 million as at 31 December 2023, 31 December 2024 and 30 June 2025 respectively, and total revenue of approximately RMB62.7 million, RMB56.7 million and RMB19.5 million as at 31 December 2023, 31 December 2024 and 30 June 2025 respectively. In addition, Tianrui Finance recorded net assets of approximately RMB1,152.3 million, RMB1,171.7 million and RMB1,176.5 million as at 31 December 2023, 31 December 2024 and 30 June 2025 respectively. As at 31 December 2023, Tianrui Finance had total deposits of approximately RMB166.98 million. As at 31 December 2024, Tianrui Finance had total deposits of approximately RMB83.29 million. As at 30 June 2025, Tianrui Finance had total deposits of approximately RMB91.72 million. Having considered the above financial information and liquidity position, the Board is of the view that Tianrui Finance has maintained adequate financial resources and liquidity to provide the services contemplated under the 2025 Deposit Services Agreement;
- (4) the Board also reviewed Tianrui Finance's service fee charging policy and noted that no administration charges or service fees are payable by the Group for the settlement services provided by Tianrui Finance; and

(5) the deposit services provided by independent third parties in the past and the Deposit Services to be provided by Tianrui Finance are similar in nature. In addition, the Cement Group requires the Deposit Services for its daily operation, which are in the ordinary and usual course of business of the Group.

As advised by the Company, Tianrui Finance is currently under the supervision of the NFRA and its corresponding branch offices and it has been maintaining satisfactory operating results and financial position in the past years. In addition, the Board believes that Tianrui Finance has a more thorough understanding of the business development and capital needs of the subsidiaries of the Company at lower cost and more efficient manner. As discussed in the section headed “1.2 Information of Tianrui Finance” above, we concur with the Directors’ view that the risk of placing deposits with Tianrui Finance can be effectively controlled and monitored.

In addition, the entering into of the 2025 Deposit Services Agreement will not prevent the Group from using services offered by other independent PRC commercial banks. The Group may still select other major and independent PRC commercial banks for the deposits as it thinks fit and appropriate for the benefits of the Group.

In light of the above, we consider that the deposit services provided by Tianrui Finance to the Group are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group.

### 3. Pricing Policy

Pursuant to the 2025 Deposit Services Agreement, the Group may from time to time deposit cash with Tianrui Finance. The deposits placed by the Cement Group to Tianrui Finance are repayable on demand. Subject to compliance with the interest rate policies of the PBOC, the interest rate offered by Tianrui Finance to the Cement Group for the Deposit Services shall be higher than the interest rate(s) offered to the Cement Group by other mainstream financial institutions in the PRC for comparable deposits of similar nature and under similar terms during the same period.

We note that the interest rates for the Deposit Services will be no less favorable than, among other things, the deposit interest rates in the market. As advised by the Management, the Company’s deposits maintained with Tianrui Finance consist of demand deposits and time deposits of six months. As part of our due diligence work, we have (i) obtained and reviewed two sets of demand deposit and two sets of time deposit transaction records of the Cement Group’s deposits placed at Tianrui Finance of principal amount of over RMB100 million per year during the Review Period (i.e. four sets of transaction record per year and 12 sets of transaction record in total during the Review Period), which are randomly selected by the Company as per our request (the “**Sample Deposit Transactions**”); (ii) compared the interest rates of each of the Sample

Deposit Transactions with the that of one set of demand deposit or time deposit transaction with similar duration (as the case may be) entered into between the Cement Group and independent PRC commercial banks during similar period (the “**Comparable Deposit Transactions**”); and (iii) independently researched the demand deposit and time deposit interest rates published by two major independent PRC commercial banks on their respective websites during the Review Period. In respect of demand deposits, the interest rate applicable to all Sample Deposit Transactions is 0.455% per annum, whereas the interest rates for Comparable Deposit Transactions range from 0.05% to 0.30% per annum. In respect of time deposits, the interest rate applicable to all Sample Deposit Transactions is 1.495% per annum, whereas the interest rates for Comparable Deposit Transactions range from 1.00% to 1.45% per annum. Given the Sample Deposit Transactions cover (i) two types of deposits of the Company at Tianrui Finance; (ii) deposit samples of principal amount of over RMB100 million, being approximately 10.9% of the Company’s cash, deposits, and bank balances as at 31 December 2024; and (iii) four calendar months of each year, being the only months with available statements (as finance companies are required by regulation to issue deposit interest statements quarterly, as advised by the Management), we consider that the sample size of the Sample Deposit Transactions obtained by us are sufficient and representative for our due diligence purpose. Based on our review of the aforementioned sample transactions and information, we note that the interest rates of the Sample Deposit Transactions are no less favorable than those of the Comparable Deposit Transactions and those provided by the independent PRC commercial banks.

In view of the above, we are of the view that the deposit transactions under the 2025 Deposit Services Agreement are carried out on normal commercial terms and are fair and reasonable.

#### 4. Proposed Annual Caps

<i>RMB 'million (except for utilisation rates)</i>	<b>Existing annual caps for the years ended/ending 31 December</b>		<b>Proposed Annual Caps for the years ending 31 December</b>			
	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>
Annual Caps	1,200.0	1,200.0	1,200.0	1,000.0	1,000.0	1,000.0
Historical Amounts	1,073.7	1,040.4	839.4	-	-	-
Utilisation Rates	89.5%	86.7%	70.0%	-	-	-

As disclosed in the Letter from the Board, the Proposed Annual Caps for the three years ending 31 December 2028 are determined after taking into account:

- (a) the historical highest daily balances under the 2022 Deposit Services Agreement were RMB1,073.7 million in FY2023, RMB1,040.4 million in FY2024 and RMB839.4 million

in FY2025 respectively. The decrease from FY2023 to FY2024 was mainly due to the Group's decrease in revenue in FY2024 (approximately RMB6,117.0 million) compared with FY2023 (approximately RMB7,888.8 million). The revenue of the Group was approximately RMB2,962.7 million in the first half of 2025, representing an increase of RMB378.9 million, or 14.7%, from approximately RMB2,583.8 million in the same period of 2024. The increase of revenue in the first half of 2025 was primarily driven by higher cement sales, which reached approximately RMB2,235.6 million in 1H2025, representing an increase of 19.5% as compared with approximately RMB1,870.2 million in 1H2024. The proposed annual cap is set with reference to the historical highest daily balances under the 2022 Deposit Services Agreement, which were slightly higher than RMB1000 million in FY2023 and FY2024. Taking into account the historical highest daily balances and the Group's anticipated deposit requirements, the Board proposes to set the annual cap at RMB1,000 million. The Board will review the Group's full year performance for 2025 when available and take into account the Group's cash position in determining the actual amount of deposits to be placed from time to time;

- (b) as disclosed in the 2024 Annual Report and 2025 Interim Report, the Group's net cash generated from operating activities for FY2024 and 1H2025 were approximately RMB1.6 billion and RMB1.3 billion respectively. Provided that the operating environment of the Group remains unchanged, the Management anticipates that the Group is able to sustain strong operating cash inflow from its business going forward. Assuming there are no material adverse changes to the Group's operating environment, the Board consider it fair and reasonable to reduce the Proposed Annual Caps to RMB1,000 million; and
- (c) the Cement Group is not under any obligation to place deposits with the Tianrui Finance pursuant to the 2025 Deposit Services Agreement.

We have reviewed the historical amounts of the deposits and interest income for the three years ended 31 December 2025 and note that the utilisation rates were approximately 89.5%, 86.7% and 70.0% for the corresponding periods, which were at relatively high level.

Reference is made to section "1.1 Information of the Group" above, the Group's cash, deposits, and bank balances amounted to approximately RMB1,174.8 million, RMB915.1 million, and RMB467.7 million as at 31 December 2023, 31 December 2024, and 30 June 2025, respectively. As disclosed in the 2024 AR and 2025 IR, the Gorup's net cash generated from operating activities for FY2024 and 1H2025 were approximately RMB1.6 billion and RMB1.3 billion, respectively. Provided that the operating environment of the Group remain unchanged, the Management anticipates that the Group is able to sustain strong operating cash inflow from its business going forward. The robust operating cash generation is expected to drive a further increase in the Group's cash balance in the coming periods. As part of our due diligence work, we

have obtained and reviewed the Management's cash flow forecast model for 2026 and note that the Company is expected to generate a net cash inflow of approximately RMB200 million, calculated by deducting the net repayment of bank and other borrowings from the net cash flows from operating activities. In assessing the Proposed Annual Caps for 2026, we have made reference to (i) the forecasted net cash inflow of approximately RMB200 million for year ending 31 December 2026; and (ii) the average of the highest historical amounts in 2023, 2024 and the first nine months of 2025 of approximately RMB985 million, resulting in an expected highest annual cap of RMB1,185 million, which is higher than the Proposed Annual Caps in 2026 of RMB1,000 million. Assuming there is no material adverse changes to the Group's operating environment, we consider it fair and reasonable to reduce the Proposed Annual Caps for 2027 and 2028 to RMB1,000 million.

We have discussed with the Management and understand that the majority of the Group's contract payments are received at the end of each financial year. Accordingly, the deposit balance is expected to increase substantially at the end of each financial year. We have reviewed the interim report of the Company for the six months ended 30 June 2024, and note that the Group's cash, deposits, and bank balances amounted to approximately RMB600.1 million as at 30 June 2024. This balance increased by approximately RMB315.0 million or 52.5%, to RMB915.1 million as at 31 December 2024. As such, the year-end deposit balance provides a more representative and meaningful indicator of the Group's expected highest deposit balance. Given the Group's year-end cash, deposits and bank balances for 2023 and 2024 already represented approximately 117.5% and 91.5% of the Proposed Annual Caps, respectively, we consider the Proposed Annual Caps are determined on a fair basis.

Having considered that (i) historical utilization rates of existing annual caps during the three years ending 31 December 2025 are at relatively high level; (ii) the Group is expected to continue to generate positive operating cash flows; and (iii) the Group's historical year-end cash balances represents a substantial portion of the Proposed Annual Caps, we are of the view that the Proposed Annual Caps are fair and reasonable.

## **5. Internal Control Measures**

The Company has formulated certain internal guidelines and policy specifications for the Transactions, details of which are included in the section headed "INTERNAL CONTROL AND RISK MANAGEMENT OF THE COMPANY" in the Letter from the Board. We have also obtained and reviewed the Company's internal procedures and systems for approving and monitoring such services and transactions, including the Measures of the Administration of Connected Transactions (關聯交易管理辦法) and the Internal Control Management Manual (內部控制管理手冊). According to the internal procedures and systems, different departments will be involved in the internal control procedures, involving review and compare major terms offered

to connected persons with major terms offered to members of the Company with similar qualification and (if applicable) terms obtained by the connected persons from other financial institutions.

Based on our review of the sample transaction documents as discussed in the sections headed “3. Pricing Policy” above, we note that the Group had adhered to the aforementioned internal control policies, in particular, the pricing principles under the Deposit Services have been strictly complied.

We have also obtained and reviewed all monthly monitoring reports of historical amounts of the existing deposit services provided by Tianrui Finance to the Group from 1 January 2023 to 30 November 2025, and note that all the utilisation amount is within the existing annual caps, which is fully complied with the internal control policy of the Company. Therefore, we consider that the Company has an effective mechanism in place to monitor the Deposit Services on an on-going basis to ensure that the transaction amount under the Deposit Services will not exceed the relevant Proposed Annual Caps.

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 2023 AR and 2024 AR and note that the independent non-executive Directors and the auditors of the Company have reviewed the transactions under the 2022 Deposit Services Agreement, for FY2023 and FY2024 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 Directors’ view that the Group has effective internal policies in place to continue to monitor the continuing connected transactions under the 2025 Deposit Services Agreement and relevant Proposed Annual Caps, and hence the interest of the Independent Shareholders would be safeguard.

## **RECOMMENDATION**

Having considered the above factors and reasons, we are of the opinion that (i) the Deposit Services are conducted in the ordinary and usual course of business of the Group and on normal commercial terms; and (ii) the terms of the 2025 Deposit Services Agreement (including the Proposed Annual Caps) are fair and reasonable and in the interests of the Company and its Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend and we also recommend the Independent Shareholders to vote in favour of the resolution in relation to the 2025 Deposit Services Agreement and the Proposed Annual Caps to be proposed at the EGM.

Yours faithfully,  
For and on behalf of  
**Maxa Capital Limited**



**Sammy Leung**  
*Managing Director*

*Mr. Sammy Leung is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Maxa Capital to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 14 years of experience in the corporate finance industry.*