

10 July 2025

The Independent Board Committee and the Independent Shareholders
Maanshan Iron & Steel Company Limited

Dear Sirs,

**CONTINUING CONNECTED TRANSACTIONS –
REVISION OF THE ANNUAL CAPS OF THE EXISTING SALE
AND PURCHASE OF PRODUCTS 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 revision of annual caps for the three years ending 31 December 2027 for the sales of products by the Group to the China Baowu Group under the Existing Sale and Purchase of Products Agreement, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 10 July 2025 issued to the Shareholders (the “**Circular**”). Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

As at the Latest Practicable Date, China Baowu was an indirect controlling shareholder of the Company. As such, China Baowu is a connected person of the Company. The Supplemental Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company and are subject to the reporting, announcement, annual review and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising Guan Bingchun, He Anrui, Qiu Shengtao and Zeng Xiangfei (all being Independent Non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Supplemental Agreement (including the Proposed Revised Annual Caps) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Continuing Connected Transactions are in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in

respect of the relevant resolution to approve the Supplemental Agreement at the EGM. We, TC Capital International Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationships with or interests in the Company or any other parties that could reasonably be regarded as relevant to the independence of us. In the last two years, we have acted as an independent financial adviser to the then independent board committee and independent shareholders of the Company in relation to an occasion as detailed in the circular of the Company dated 2 December 2024. Given (i) our independent role in the abovementioned engagement; and (ii) our fees for the abovementioned engagement represented an insignificant percentage of our revenue, we consider that the abovementioned engagement would not affect our independence to form our opinion in respect of the Continuing Connected Transactions.

BASIS OF OPINION

In putting forth our recommendation, we have relied on the information, opinions, facts and representations supplied to us by the Directors and/or the representatives of the Company. We have reviewed, among other things, (i) the Existing Sale and Purchase of Products Agreement and the Supplemental Agreement; (ii) the annual reports of the Company for the years ended 31 December 2023 and 2024 (the “**2023 Annual Report**” and the “**2024 Annual Report**” respectively) and the first quarterly report of the Company for the three months ended 31 March 2025 (the “**2025 First Quarterly Report**”); (iii) other information as set out in the Circular; and (iv) relevant market data and information available from public sources.

We have assumed that all such information, opinions, facts and representations provided to us by the Directors and/or the representatives of the Company, for which they are fully responsible, are true, accurate and complete in all respects. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and/or the representatives of the Company. The Company has also confirmed to us that no material facts have been omitted from the information supplied and we have no reason to suspect that any material information has been withheld or is misleading.

We consider that we have sufficient information currently available to reach an informed view and to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided by the Directors and/or the representatives of the Company, nor have we conducted any independent investigation into the business, affairs, operations, financial position or future prospects of each of the Group, China Baowu and any of their respective subsidiaries and associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion in respect of the Continuing Connected Transactions, we have taken into account the following principal factors and reasons:

A. Background information of the parties

1. Information on the Group

As stated in the Letter from the Board, the Company is one of the largest iron and steel producers and marketers in the PRC and is principally engaged in the manufacture and sale of iron and steel products.

Set out below is certain financial information of the Group for the three years ended 31 December 2024 (“FY2022”, “FY2023” and “FY2024” respectively) and the three months ended 31 March 2024 and 2025 (“1Q2024” and “1Q2025” respectively) as extracted from the 2023 Annual Report, the 2024 Annual Report and the 2025 First Quarterly Report:

	For the three months ended		For the year ended 31 December		
	31 March		2024	2023	2022
	2025	2024	2024	2023	2022
	RMB million (Unaudited)	RMB million (Unaudited)	RMB million (Audited)	RMB million (Audited)	RMB million (Audited)
Revenue	19,425	20,392	81,817	98,938	102,154
Operating loss	(75)	(261)	(4,722)	(1,594)	(484)
Net loss attributable to owners of the parent	(144)	(311)	(4,659)	(1,327)	(858)

	As at		As at 31 December	
	31 March		2024	2023
	2025	2024	2023	2022
	RMB million (Unaudited)	RMB million (Audited)	RMB million (Audited)	RMB million (Audited)
Total assets	78,535	78,963	84,552	96,892
Total liabilities	51,313	51,642	52,273	63,561
Equity attributable to owners of the parent	23,120	23,257	27,769	29,200



As illustrated in the above table, the revenue of the Group for FY2023 decreased slightly by approximately 3% as compared to that for FY2022. As stated in the 2023 Annual Report, such decrease was mainly due to the decrease in steel prices as a result of the impact of the downward trend in the market environment. The operating loss of the Group and the net loss attributable to owners of the parent for FY2023 increased by approximately RMB1,110 million and RMB469 million as compared to those corresponding figures for FY2022 respectively, which were mainly due to the steel prices dropping more than the raw material prices, resulting in a decrease in gross profit of steel products compared to the previous year.

The revenue of the Group for FY2024 decreased by approximately 17% as compared to that for FY2023. As stated in the 2024 Annual Report, such decrease was mainly due to the year-on-year decrease in steel product sales as compared to last year, coupled with the fall in steel prices during the year as compared to last year resulting from the impact of the weak demand of downstream industries. The operating loss of the Group and the net loss attributable to owners of the parent for FY2024 increased by approximately RMB3,128 million and RMB3,332 million as compared to those corresponding figures for FY2023 respectively, which were mainly due to the steel prices dropping more than the raw material prices during the year, the increase in gross loss of steel, the disposal of scrapped fixed assets at the end of the year and other profit-reducing events.

The revenue of the Group for 1Q2025 decreased by approximately 5% as compared to that for 1Q2024. As advised by the representatives of the Company, such decrease was mainly due to the decrease in steel prices for 1Q2025 as compared to those for 1Q2024 as a result of the weak demand from downstream industries. The operating loss of the Group and the net loss attributable to owners of the parent for 1Q2025 decreased by approximately RMB186 million and RMB167 million as compared to those corresponding figures for 1Q2024 respectively, which were mainly due to the decrease in prices of raw materials and fuels being greater than the decrease in steel prices during the period and internal cost reductions by the Company.

The equity attributable to owners of the parent experienced a downward trend during FY2023, FY2024 and 1Q2025. The representatives of the Company advised us that such movement in the equity attributable to owners of the parent was mainly due to the net loss of the Group during FY2023, FY2024 and 1Q2025.

2. Information on China Baowu

As stated in the Letter from the Board, China Baowu, a state-owned capital investment company controlled by the State-owned Assets Supervision and Administration Commission of the State Council, is mainly engaged in operating state-owned assets within the scope authorised by the State Council, as well as carrying out relevant state-owned capital investment and operation.

B. Reasons for and benefits of entering into the Supplemental Agreement

We have discussed with the representatives of the Company in relation to the reasons for entering into the Supplemental Agreement and noted that due to part of the overlapping market, the competition between Baosteel, a subsidiary of China Baowu, and the Group may result in the decrease in prices of steel products in the overlapping market, which is not conducive to improving the Group's business performance. Consequently, the new sales model of the Group, whereby Baosteel purchases products of the Group and subsequently sells those products under the Group's brand to its end users, is likely to reduce the price competition between Baosteel and the Group, thereby maintaining the stability of steel product prices in the overlapping market.

Under such new sales model, the expected transaction amounts of the sales of steel products by the Group to the China Baowu Group is expected to increase and the annual caps for the Existing Sale and Purchase of Products Agreement are insufficient to meet the expected demand. The entering into of the Supplemental Agreement between the Company and China Baowu will increase the upper limit of the relevant transactions.

We have conducted our research and noted that in the 2025 first quarterly information session of the China Iron and Steel Association (the “**Association**”) held on 29 April 2025, it was announced that (i) the steel prices continued to decline, and the supply continued to exceed demand in the market, just as it did before; and (ii) the government is taking action to rein the current ‘race-to-the-bottom’ vicious competition in the PRC. On 2 April 2025, the General Office of the Communist Party of China Central Committee and the General Office of the State Council of the PRC unveiled a guideline aimed at improving the price governance mechanism. This guideline stipulates that, among other, (i) operators are prohibited from engaging in vicious competitive practices which involve offering prices below cost; and (ii) industrial associations are required to establish price watchdogs. The Association would recently issue a reminder to six enterprises as their crude steel production increased in FY2024 and 1Q2025 while their cash flows from steel business for the corresponding period were negative. The Association also emphasised that all steel enterprises should stick to the “three rules, three don’ts” operating principles and stop the vicious competition. The “three rules, three don’ts” operating principles are that production should be determined by sales, cash should not be turned into inventory, production should be determined by efficiency, operational ‘blood loss’ should be avoided, sales should be determined by cash, and do not turn cash into receivables.



As further advised by the representatives of the Company, the sales of products by the Group to the China Baowu Group can enhance the business opportunities of the Group and broaden the revenue base of the Group. The Group can expand its product sales channels, optimise end users and improve service quality by leveraging China Baowu's marketing channels and processing network, which will help it improve production line efficiency and enhance product competitiveness. The Group will also form a marketing alliance with the China Baowu Group, which will be conducive to fully taking advantage of the strengths of both parties and striving to achieve a double improvement in commercial value and operational efficiency.

According to the website of Baosteel, by the end of December 2024, Shanghai Baosteel International Economic Trade Company Limited* (上海寶鋼國際經濟貿易有限公司) ("**Baosteel International**"), a subsidiary of Baosteel, had established 81 marketing and service networks in 43 large and medium-sized cities across the PRC, and four regional headquarters with 25 branches, three processing centres and 16 laser welding plants in the overseas markets, and had the widest geographic distribution and the largest network of steel service sales in the PRC. As advised by the representatives of the Company, the numbers of sales networks of Baosteel International in the PRC and the overseas markets are much more than the numbers of sales networks of the Group in these regions. As compared with the Group, Baosteel has significant sales advantage over the Group.

Besides, the Continuing Connected Transactions do not restrict the Group to sell products to the corresponding contractual parties only. The Group retains discretion to make its selection according to its business needs and therefore the Continuing Connected Transactions offer additional sales options to the Group.

Given that (i) the new sales model is likely to reduce the price competition between Baosteel and the Group in the overlapping market; (ii) Baosteel has sales advantage over the Group; and (iii) the Continuing Connected Transactions provide the Group with additional sales options, we concur with the Directors that the Continuing Connected Transactions and the entering into of the Supplemental Agreement are in the interests of the Company and the Shareholders as a whole.

C. Principal terms of the Supplemental Agreement

1. *Principal terms of the Supplemental Agreement*

On 20 June 2025, the Company and China Baowu entered into the Supplemental Agreement to increase the annual caps for the sale of products by the Group to the China Baowu Group for the three years ending 31 December 2027. All existing principal terms and conditions under the Existing Sale and Purchase of Products Agreement shall remain unchanged.



Further details of the Supplemental Agreement and the pricing principle in relation to the Continuing Connected Transactions are set out in the Letter from the Board.

According to the quarterly reports on the connected transactions of the Group for FY2024 and 1Q2025, which were prepared by the operation and accounting department of the Company, the products sold by the Group to the China Baowu Group were broadly classified into steel products, power and energy medium, and by-products and others. The aggregate amounts of steel products and power and energy medium for FY2024 and the aggregate amounts of steel products and by-products and others for 1Q2025 accounted for approximately 94% and 84% of the historical transaction amounts of the products sold by the Group to the China Baowu Group for FY2024 and 1Q2025, respectively. Therefore, we have requested, on a random basis, for the record (i.e. invoices and the respective contracts) of a selected transaction for (a) each of the steel products and power and energy medium for each month of FY2024; and (b) each of the steel products and by-products and others for each month of 1Q2025. We consider the samples to be fair and representative for the purpose of assessing the pricing policies of the sales of products by the Group to the China Baowu Group, in particular, (i) the selected transactions covered each type of the aforementioned products sold by the Group to the China Baowu Group; and (ii) we have selected the samples on a random basis for each month of FY2024 and 1Q2025 and the 30 samples covered the whole period of FY2024 and 1Q2025.

For the steel products, we have obtained and reviewed 15 invoices and the respective contracts for FY2024 and 1Q2025. We have checked the unit prices of steel products sold to the China Baowu Group against the unit prices of steel products sold to independent third parties. We noted that the unit prices of steel products sold to the China Baowu Group were not less favourable than those sold to independent third parties.

For the power and energy medium, we have obtained and reviewed 12 invoices and the respective contracts for FY2024, which involved the sales of electricity, gas products, industrial purification water and steam. For the electricity, we have compared the unit prices of electricity sold to the China Baowu Group against the state prices of electricity of the corresponding month published on the website of the Development and Reform Commission of Anhui Province. We noted that the unit prices of electricity sold to the China Baowu Group were not less favourable than the state prices. For the gas products, we noted that the unit prices of gas products sold to the China Baowu Group were not less favourable than the prices of similar gas products quoted by independent third parties. For the industrial purification water, we noted that the unit prices of the industrial purification water sold to the China Baowu Group were determined with reference to the unit prices of non-residential water stated in the “Notice of Maanshan Municipal People’s Government on Adjusting Water Resources Fees and Sewage Treatment Fees*” (《馬鞍山市人民政府關於調整水資源費和污水處理費標準的通知》) implemented by the People’s Government of Ma’anshan



Municipality on 1 January 2017. We have also compared the unit prices of industrial purification water sold to the China Baowu Group against those sold to independent third parties. We noted that the unit prices of industrial purification water sold to the China Baowu Group were not less favourable than those sold to independent third parties. For the steam, we have compared the unit prices of steam sold to the China Baowu Group against those sold to independent third parties. We noted that the unit prices of steam sold to the China Baowu Group were not less favourable than those sold to independent third parties.

For the by-products and others, we have obtained and reviewed three invoices and the respective contracts for 1Q2025, which involved the sales of chemical products and water slag. We have checked the unit prices of chemical products sold to the China Baowu Group against the unit prices of chemical products offered by independent third parties. We noted that the unit prices of chemical products sold to the China Baowu Group were not less favourable than those offered by independent third parties. For the water slag, we have compared the unit prices of water slag sold to the China Baowu Group against the unit prices of water slag offered by independent third-party suppliers and we noted that the unit prices of water slag sold to the China Baowu Group were not less favourable than those offered by third-party suppliers of the corresponding month.

Therefore, we are of the view that the pricing principle for the Continuing Connected Transactions are fair and reasonable so far as the Independent Shareholders are concerned.

2. *The Proposed Revised Annual Caps and basis of determination*

The following table sets out the historical transaction amounts of the sales of products by the Group to the China Baowu Group for the three years ended 31 December 2024 and the five months ended 31 May 2025, and the Proposed Revised Annual Caps for the three years ending 31 December 2027 (“FY2025”, “FY2026” and “FY2027” respectively):

	Historical transaction amounts				Proposed Revised Annual Caps		
	For the five months ended 31				For the year ending 31 December		
	For the year ended 31 December			May			
	2022	2023	2024	2025	2025	2026	2027
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Sales of products by							
the Group	6,413	8,773	7,576	2,898	27,642	39,961	40,201



As advised by the representatives of the Company, the Proposed Revised Annual Caps mainly comprise steel products. The revised expected transaction amounts of the sales of steel products by the Group to the China Baowu Group for the three years ending 31 December 2027 are approximately RMB24,244 million, RMB36,500 million and RMB36,712 million respectively, accounting for approximately 88%, 91% and 91% of the Proposed Revised Annual Caps for the three years ending 31 December 2027 respectively. Such revised expected transaction amounts refer to (i) the originally expected transaction amounts of the sales of steel products under the existing annual caps as well as (ii) the expected increase in the transaction amounts of the sales of steel products by the Group to Baosteel, a subsidiary of China Baowu, for the three years ending 31 December 2027.

As disclosed in the circular of the Company dated 2 December 2024, the originally expected transaction amounts of the sales of steel products by the Group to the China Baowu Group for the three years ending 31 December 2027 under the existing annual caps were approximately RMB7,018 million, RMB7,374 million and RMB7,586 million respectively. The originally expected price of steel products was determined based on the average sales price of the steel products for the five months ended 31 May 2024. The originally expected sales volumes of steel products to the China Baowu Group for the three years ending 31 December 2027 were approximately 2.0 million tonnes, 2.1 million tonnes and 2.1 million tonnes respectively, which were determined based on the China Baowu Group's estimated demand for steel products for the three years ending 31 December 2027 and the historical or then expected sales volumes of steel products to the China Baowu Group for FY2022, FY2023 and FY2024 of approximately 0.2 million tonnes, 1.1 million tonnes and 1.36 million tonnes (historical figure for FY2024: 1.88 million tonnes), indicating the sharp increase in demand for the steel products from the China Baowu Group. The China Baowu Group proposed to enhance the synergistic effect among all the members of the China Baowu Group and between the China Baowu Group and its strategic cooperative partners, which is expected to lead to the increase in the China Baowu Group's estimated demand for steel products from the Group after considering the quality of steel products and the steel production advantages of the Group.

The expected increase in the transaction amounts of the sales of steel products by the Group to Baosteel for the three years ending 31 December 2027 were approximately RMB17,226 million, RMB29,126 million and RMB29,126 million respectively. The expected price of steel products was determined with reference to the Company's historical average selling price of each type of steel products for the three years ended 31 December 2023 and the ten months ended 31 October 2024, combined with a neutral forecast. We noted that the expected price for each type of steel products for FY2025 ranges from RMB3,383 per tonne to RMB4,322 per tonne. We have compared those expected prices against the transaction prices of the corresponding type of steel products for the ten months ended 31 October 2024 disclosed on www.mysteel.com, and noted that the expected price for each type of steel products is close to the average transaction price of the corresponding type of steel products



disclosed on www.mysteel.com. The expected increase in sales volumes of steel products from the Group to Baosteel for the three years ending 31 December 2027 of approximately 4.3 million tonnes, 7.2 million tonnes and 7.2 million tonnes respectively were determined based on (i) the maximum supply capacity of the Group to supply steel products to Baosteel within the operation plan of the Group for FY2025; and (ii) the discussion with Baosteel regarding its expected demand for steel products for the three years ending 31 December 2027. We have obtained the meeting records between the Company and Baosteel and noted the purchase plan of Baosteel for the steel products of the Group for the three years ending 31 December 2027. According to the annual report of Baosteel for FY2024, Baosteel has set a target to sell 52.2 million tonnes of commercial steel products in FY2025. The expected increase in sales volumes of steel products from the Group to Baosteel for the three years ending 31 December 2027 accounted for no more than 13.8% of such target sales volume of Baosteel. Considering that (i) the new sales model is likely to lead to the increase in the transaction amounts of the sales of steel products by the Group to the China Baowu Group as detailed in the section headed “B. Reasons for and benefits of entering into the Supplemental Agreement” above; (ii) the expected increase in sales volumes of steel products from the Group to Baosteel were determined based on the maximum supply capacity of the Group and the discussion with Baosteel; (iii) the expected increase in sales volumes of steel products from the Group to Baosteel accounted for no more than 13.8% of the aforesaid target sales volume of Baosteel for FY2025; and (iv) Baosteel has a wide geographic distribution and a large sales network as detailed in the section headed “B. Reasons for and benefits of entering into the Supplemental Agreement” above, we concur with the Directors that the increase of the Proposed Revised Annual Caps by more than threefold is fair and reasonable.

With reference to the circular of the Company dated 20 May 2025, it was proposed that the Company would transfer 35.42% of its equity interest in Magang Limited to Baosteel at a consideration of RMB5.139 billion and Baosteel would increase its capital in Magang Limited by RMB3.861 billion. The Equity Transfer and the Capital Increase were completed on 27 June 2025 and the Company and Baosteel held 51% and 49% equity interests in Magang Limited respectively thereafter. According to the circular of the Company dated 20 May 2025, Baosteel is a globally leading modernised steel enterprise with a nationwide and worldwide marketing and processing service network. Baosteel demonstrates synergies with Magang Limited in terms of both products and geographical coverage. The Equity Transfer and the Capital Increase will enable the full utilisation of Baosteel’s systemic advantages, market influence, technological leadership, talent resources and synergistic expertise to drive innovation in Magang Limited’s management, business and other models. As further advised by the representatives of the Company, due to its investment in Magang Limited through the Equity Transfer and the Capital Increase, Baosteel proposes further increasing its purchase of the steel products from the Group in order to make full use of the available synergies. According to the annual report of Baosteel for FY2024, Baosteel will focus on promoting system-wide integration and synergy to maximise integration benefits. Fully



utilising the advantages of the system, Baosteel will plan a system-wide synergistic support programme for purchasing, production, marketing, research and information technology, and is promoting resource integration and synergistic enhancement in an orderly manner.

Therefore, we are of the view that the Proposed Revised Annual Caps are determined based on reasonable estimation and after due and careful consideration and are fair and reasonable so far as the Independent Shareholders are concerned.

D. Internal control measures

The representatives of the Company advised us that the continuing connected transactions of the Group will be executed in accordance with the Internal Control Management Measures of Related Transactions (the “**Measures**”) to monitor and ensure that the pricing policies and annual caps of the continuing connected transactions are complied with. We have obtained the Measures and noted that the connected transaction management committee of the Company, which directly reports to the Board on quarterly basis, is responsible for the on-going monitoring of all the continuing connected transactions of the Company. The responsibilities of the connected transaction management committee include, among other things, managing and monitoring of continuing connected transactions including but not limited to the relevant annual caps and the pricing management aspect, and gathering information for disclosure of continuing connected transactions. The relevant functional departments, units and companies of the Group will provide actual trading situation to the operation and accounting department of the Company quarterly. The operation and accounting department of the Company and the relevant functional departments will report on a quarterly basis to the connected transaction management committee regarding the transaction amounts of the continuing connected transactions conducted during the previous quarter. Hence, we have obtained and reviewed the quarterly reports for FY2024 and 1Q2025 and noted that the transaction amounts, annual caps and utilisation rates for the continuing connected transactions for the corresponding year were recorded in the quarterly reports.

According to the Letter from the Board, the marketing department of the Company will be responsible for the pricing management and will guide various departments and units to establish the procedures and mechanism of professional price management, so as to ensure that the pricing standard is fair and reasonable, and conform with the market principle. Market prices will be obtained through, among other things, open tenders/quotations from independent third party suppliers and service providers, recent transaction prices of the Group with independent third parties, pricing information obtained through subscription service and researches on industry websites. The market price information will be circulated by the department to other departments and companies of the Group to enable them to determine the prices for the continuing connected transactions.



To assess the effectiveness of the implementation of the internal control measures for the pricing policy and the annual caps of the Continuing Connected Transactions, we have obtained and reviewed the approval records for a selected transaction for (a) each of the steel products and power and energy medium for each month of FY2024; and (b) each of the steel products and by-products and others for each month of 1Q2025 (the “Samples”). We noted that the names and opinions of the approving officers of the responsible operating division were recorded in the approval records of the Samples, which represented that the approving officers of the responsible operating division have reviewed the Samples (including monitoring the pricing and the transaction amounts of the Samples).

Further details of the internal control measures of the Group are set out in the Letter from the Board.

As stated in the 2024 Annual Report, all Directors of the Board (including the Independent Non-executive Directors) who are not associated with China Baowu considered that the continuing connected transactions were carried out in the daily course of business under normal commercial terms and in accordance with the terms of the relevant sale and purchase of product agreement between the Company and China Baowu. The terms were fair and were in the best interest of the shareholders of the Company as a whole. During FY2024, the transaction amounts were under the annual caps for FY2024 for this agreement.

In addition, it is required by the Listing Rules that the auditors of the Company must provide a letter to the Board confirming, among other things, that the continuing connected transactions contemplated under the Existing Sale and Purchase of Products Agreement (as supplemented by the Supplemental Agreement) are carried out in accordance with the pricing policies of the Group, and the annual caps are not being exceeded. In the event that the total amounts of the continuing connected transactions contemplated under the Existing Sale and Purchase of Products Agreement (as supplemented by the Supplemental Agreement) exceed the annual caps, or that there is any material amendment to the terms of this agreement, the Company, as confirmed by the Directors, shall comply with the applicable provisions of the Listing Rules governing continuing connected transactions.

Taking into account of (i) the internal control measures as stated above; (ii) the quarterly reports on the connected transactions of the Group; (iii) the approval records of the Samples; and (iv) our assessment on the pricing of the Samples stated in the section headed “C. Principal terms of the Supplemental Agreement” above, we do not doubt the effectiveness of implementation of the internal control measures for the pricing policy and the annual caps of the Continuing Connected Transactions, and we concur with the Directors that there are adequate measures in place to monitor the Continuing Connected Transactions (including the Proposed Revised Annual Caps) and hence the interest of the Independent Shareholders would be safeguarded.



RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that the terms of the Supplemental Agreement (including the Proposed Revised Annual Caps) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and the Continuing Connected Transactions are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend (i) the Independent Board Committee to advise the Independent Shareholders; and (ii) the Independent Shareholders, to vote in favour of the relevant resolution to be proposed at the EGM to approve the Supplemental Agreement.

Yours faithfully,

For and on behalf of

TC Capital International Limited

Edward Wu

Chairman

Edith Lee

Managing Director

Note: Mr. Edward Wu has been a responsible officer of type 6 (advising on corporate finance) regulated activities under the SFO since 2005. Ms. Edith Lee has been a responsible officer of type 6 (advising on corporate finance) regulated activities under the SFO since 2015. Both Mr. Wu and Ms. Lee have participated in and completed various advisory transactions in respect of connected transactions of listed companies in Hong Kong.

* *For identification purposes only*