



12 December 2022

Rizhao Port Jurong Co., Ltd.
South End
Haibin 5th Road
Rizhao City, Shandong Province
The People's Republic of China

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

**MAJOR AND CONNECTED TRANSACTIONS
IN RELATION TO THE CONSTRUCTION CONTRACT AND
THE EQUIPMENT PROCUREMENT CONTRACT**

INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the Construction Contract and the Equipment Procurement Contract, details of which are set out in the Letter from the Board contained in the circular of the Company dated 12 December 2022 to the Shareholders (the “**Circular**”), of which this letter forms part. Capitalized terms used in this letter have the same meanings as defined elsewhere in the Circular unless the context requires otherwise.

On 18 October 2022 (after trading hours), the Company and Shandong Gangwan entered into the Construction Contract, pursuant to which the Company agreed to engage Shandong Gangwan as the contractor for the Rizhao Port Grain Base Project. On the same day, the Company and Qingdao Port Equipment entered into the Equipment Procurement Contract, pursuant to which the Company agreed to engage Qingdao Port Equipment to supply three gantry cranes for the Rizhao Port Grain Base Project and provide relevant services to the Company (the “**Procurement Project**”).

As at the Latest Practicable Date, (i) Shandong Gangwan was a non-wholly-owned subsidiary of, and was held as to 95.6% by, Shandong Port Group; (ii) Qingdao Port Equipment was a wholly-owned subsidiary of Qingdao Port International, which was in turn held as to approximately 55.77% by Qingdao Port Group, a wholly-owned subsidiary of Shandong Port Group; and (iii) Shandong Port Group was a controlling shareholder of the Company. Accordingly, each of Shandong Gangwan and Qingdao Port Equipment is an associate of Shandong Port Group pursuant to Rule 14A.13(1) of the Listing Rules, and therefore a connected person of the Company under the Listing Rules.

As the highest of all applicable percentage ratios in respect of the transactions contemplated under the Project Contracts on an aggregated basis exceed 25% and all applicable percentage ratios are less than 100%, the entering into of the Project Contracts and transactions contemplated thereunder constitute major transactions of the Company under Chapter 14 of the Listing Rules and connected transactions of the Company under Chapter 14A of the Listing Rules, and are subject to reporting, announcement and independent shareholders' approval requirements.

The Company will convene the EGM to consider and, if thought fit, approve, among other things, the Project Contracts and transactions contemplated thereunder. As at the Latest Practicable Date, Shandong Port Group and its associates were interested in 840,000,000 Domestic Shares, representing approximately 50.6% of the total issued share capital of the Company, and are required to abstain from voting on the relevant resolutions approving the Project Contracts and transactions contemplated thereunder at the EGM. Save as disclosed above, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholders will be required to abstain from voting on the relevant resolutions approving the Project Contracts and transactions contemplated thereunder in the EGM.

The Independent Board Committee, comprising all independent non-executive Directors, namely Mr. Zhang Zixue, Mr. Wu Xibin and Mr. Lee Man Tai, has been established to advise the Independent Shareholders as to whether the transactions contemplated under the Project Contracts are conducted in the ordinary and usual course of business of the Group, on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and Shareholders as a whole. We, Crescendo Capital Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard and on how to vote on the resolutions to be proposed in the EGM.

We are not associated with the Company and its associates and do not have any shareholding in any member of the Company or right (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, securities in any member of the Company. Save for acting as an independent financial adviser in this appointment and the occasion as detailed in the circular of the Company dated 13 July 2021 in relation to a continuing connected transaction and major transaction regarding financial service framework agreement, we have not acted as a financial adviser or an independent financial adviser to the Company in the past two years. Apart from normal professional fees payable to us in connection with this appointment, no arrangements exist whereby we will receive any fee or benefit from the Company and its associates. We were not aware of any relationship or interest between us and the Company or any other parties that would be reasonably considered to affect our independence to act as an independent financial adviser to the Independent Board Committee and the Independent Shareholders and we are independent of the Company pursuant to the requirements under Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have relied on the information and representations supplied, and the opinions expressed, by the Directors and management of the Company and have assumed that such information and statements, and representations made to us or referred to in the Circular are true, accurate and complete in all material respects as of the date hereof and will continue as such at the date of the EGM. The Directors have collectively and individually accepted full responsibility for the Circular, including particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company and having made all reasonable enquiries have confirmed that, to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in the Circular misleading.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular, and to provide a reasonable basis for our recommendation. We have no reasons to suspect that any material information has been withheld by the Directors or management of the Company, or is misleading, untrue or inaccurate, and consider that it may be relied upon in formulating our opinion. We have not, however, for the purposes of this exercise, conducted any independent detailed investigation or audit into the businesses or affairs or future prospects of the Company and the related subjects of, and parties to, the Project Contracts. 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. Shareholders should note that subsequent developments (including any material change in the market and economic conditions) may affect and/or change this opinion.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion regarding the Project Contracts, we have considered the following principal factors and reasons:

1. Background of the Company and parties to the Project Contracts

(i) *Information on the Company*

The Company, a joint stock company incorporated in the PRC with limited liability which has been listed on the Main Board of the Stock Exchange since 19 June 2019, is principally engaged in comprehensive port-related services, including stevedoring, berth leasing, port management, storage and logistics agency services.

(ii) *Information on Shandong Gangwan*

Shandong Gangwan, a company incorporated in the PRC with limited liability, was owned as to 95.6% by Shandong Port Group, a state-owned enterprise ultimately controlled by Shandong Provincial State-owned Assets Supervision and Administration Commission, as at the Latest Practicable Date. Shandong Gangwan is principally engaged in earthwork blasting, underwater reef blasting and demolition works; installation of pressure pipelines; installation and maintenance of lifting machineries; maintenance and operation of port facilities; contracting foreign engineering projects; dispatching labor required for the implementation of the abovementioned overseas projects; port and waterway engineering construction; housing construction engineering, steel structure engineering, ground and foundation engineering, highway subgrade engineering and municipal utility engineering; production of ready-mixed commercial concrete and prefabricated components; manufacture of material conveying equipment; installation of construction equipment; installation of mechanical and electrical equipment; leasing of machineries and equipment; asphalt (excluding hazardous chemicals) sales; other auxiliary activities of water transportation; loading, unloading and handling; and design and survey (geotechnical engineering, engineering survey) of water transportation engineering, industrial and civil construction engineering within the scope of qualifications.

Shandong Gangwan has extensive experience in port and berth construction and has obtained relevant qualifications for carrying out its operation such as the premium-grade qualification for general contracting of port and waterway engineering construction (港口與航道工程施工總承包特級資質), first-grade qualifications for general contracting of construction engineering (建築工程施工總承包一級資質), professional contracting of foundation engineering (地基基礎工程專業承包一級資質) and professional contracting of steel structure engineering (鋼結構工程專業承包一級資質), etc.

(iii) Information on Qingdao Port Equipment

Qingdao Port Equipment, a company incorporated in the PRC with limited liability, was wholly owned by Qingdao Port International, which was in turn held as to approximately 55.77% by Qingdao Port Group, a wholly-owned subsidiary of Shandong Port Group, as at the Latest Practicable Date.

Qingdao Port Equipment is principally engaged in the provision of container handling machinery, harbour portal crane, port continuous handling process system, marine engineering and shipbuilding and repairing crane, ship repair, steel structure manufacturing and installation, tank and pipeline installation, grabs, port machinery maintenance and other products and services. It has the capacity to undertake large-scale, non-standard and bulk port equipment production and possesses relevant experience in providing total intelligent solutions for machinery and equipment used in the port logistics chain.

2. Reasons for entering into the Project Contracts

To cope with the Group's business development and improve its position as the grain transfer, collection and distribution center among the national coastal ports in the PRC, the Company would like to carry out the Rizhao Port Grain Base Project by constructing 41 silos for storing grains, reconstructing the pier and constructing the ancillary infrastructure at Shijiu port area in Rizhao port. The Company expects that the Rizhao Port Grain Base Project shall enable it to improve its grain storage, stevedoring capacity and berth unloading efficiency for satisfying the increasing demand for grain stevedoring. Furthermore, three gantry cranes are needed for carrying out the Rizhao Port Grain Base Project.

Shandong Gangwan has been providing construction-related services, including project design, construction and facility installation, to the Group in its ordinary and usual course of business. We understand from the management of the Company that Shandong Gangwan is one of the active players in the port construction industry in Shandong with extensive experience and has undertaken a number of projects in the port area. Shandong Gangwan has an experienced construction team in port construction and facility installation. The Group has also been satisfied with the quality of services rendered by Shandong Gangwan in relation to the Group's previous berth reconstruction projects. The Group believes that Shandong Gangwan is able to complete the Rizhao Port Grain Base Project with satisfied quality within the committed construction period based on the track record of Shandong Gangwan. Therefore, the Company considers that it is appropriate to continue to engage Shandong Gangwan as one of the construction service providers of the Group if its terms of services are no less favourable than those offered by other service providers.

We also understand from the management of the Company that Qingdao Port Equipment has been participating in the port equipment industry for over 60 years and is experienced in providing total solutions for intelligent machinery and equipment, including cranes, used in the port logistics chain in various provinces in the PRC. Qingdao Port Equipment provides one-stop integrated services for port equipment, including equipment design, manufacturing, installation and after-sales services. Given the capability and experience of Qingdao Port Equipment in designing and manufacturing large-scale and non-standardized port equipment, the Company considers that Qingdao Port Equipment is a suitable candidate to be one of its port equipment suppliers if the terms of services offered by Qingdao Port Equipment are no less favourable than those offered by other service providers.

We have reviewed the business license, certifications and track records of Shandong Gangwan and Qingdao Port Equipment and concur with the Company's view that Shandong Gangwan and Qingdao Port Equipment are capable and experienced in providing port construction services and port equipment respectively.

Having considered that (i) Shandong Gangwan is an active player in the port construction industry in Shandong which has been offering high-quality construction services that meet the Company's stringent standards in the previous berth reconstruction projects; (ii) the Group has established a long-term business relationship with Shandong Gangwan and is satisfied with the quality of the construction services provided by Shandong Gangwan; (iii) Qingdao Port Equipment is capable and experienced in providing port equipment (including gantry cranes) and relevant services; and (iv) the Group requires the construction services and gantry cranes for fulfilling its operation needs in its ordinary and usual course of business, we are of the opinion that engaging Shandong Gangwan and Qingdao Port Equipment to handle the transactions contemplated under the Project Contracts are commercial transactions conducted in the ordinary and usual course of business of the Group.

3. Principal terms of the Project Contracts

(i) Construction Contract

The principal terms of the Construction Contract are summarized as follows:

Date: 18 October 2022

Parties: (a) the Company, as the principal; and

(b) Shandong Gangwan, as the contractor

Scope of services: Shandong Gangwan is responsible for the construction of 41 silos for storing grains, the reconstruction of the pier and the construction of ancillary infrastructure at the Shijiu port area in Rizhao port.

Construction period: The construction period is expected to end on or about 30 June 2023.

Defects liability period: 2 years after the completion acceptance of the Rizhao Port Grain Base Project.

Contract price: The contract price is RMB499,980,953, subject to (i) adjustments on the raw materials price in the event that the price of steel and concrete to be used at the construction works fluctuates from the benchmark price published by the local authorities or benchmark price stated in the website of an industry data service provider; and (ii) completion and settlement audit report issued by an Independent Third Party audit institution appointed by the Company.

Payment terms: The contract price shall be paid in the following manner:

(a) up to 80% of the contract price to be paid before the 20th day of every month based on the monthly project progress and the actual amount of the construction work completed;

if Shandong Gangwan provides quality assurance,

(b) up to 100% of the contract price to be paid after the completion acceptance of the Rizhao Port Grain Base Project and Shandong Gangwan handing over the project documents and within 180 days after the Company receives the value-added tax invoice issued by Shandong Gangwan and receives the letter of guarantee as quality assurance from Shandong Gangwan of 3% of the project settlement price determined by an Independent Third Party audit institution;

if Shandong Gangwan does not provide a letter of guarantee as quality assurance,

- (c) up to 97% of the contract price to be paid after the completion acceptance of the Rizhao Port Grain Base Project and Shandong Gangwan handing over the project documents and within 180 days of the issuance of the value-added tax invoice; and
- (d) the remaining 3% of the contract price, as the quality assurance deposit, to be paid after the expiry of the defects liability period with no quality defects of the Rizhao Port Grain Base Project.

Performance guarantee: After issuing the successful tender notice but before signing the Construction Contract, Shandong Gangwan shall submit to the Company a bank performance guarantee in an aggregate amount equivalent to 10% of the contract price. The performance guarantee is valid for the period from the date of the approval of the Construction Contract by the Independent Shareholders at the EGM to the date when the construction works pass the completion acceptance (excluding the defects liability period).

We were advised by the management of the Company that the Rizhao Port Grain Base Project was granted to Shandong Gangwan through a public tender in accordance with the Company's policy and the Tendering and Bidding Law of the PRC (中華人民共和國招標投標法). We were also given to understand that the Company engaged Shandong Port Group Tender and Procurement Center (the "**Procurement Center**") to organize the tenders for the Rizhao Port Grain Base Project and the Procurement Project because the Company is ineligible to organize the tenders by itself under the Trial Measures for Self-Tender of Construction Projects (工程建設項目自行招標試行辦法) (the "**Trial Measures**"). We have reviewed the Trial Measures and noted that the tenderer which organizes tenders by itself should have the ability to prepare the tender documents and organize the tender evaluation including, among others, (i) possessing technical experts and professionals in engineering technology, budget estimation, finance and engineering management for the evaluation of the projects; (ii) has experience in organization of tenders for the same type of engineering construction projects; and (iii) has more than three full-time bidding business personnel who have obtained the professional qualifications for bidding. Since the Company is principally engaged in comprehensive port-related services, including stevedoring, berth leasing,

port management, storage and logistics agency services, it does not possess any necessary technical experts and professionals in engineering construction and machinery to evaluate the tenders for the Rizhao Port Grain Base Project and the Procurement Project. Moreover, the Company has no experiences in organizing tenders for similar construction projects nor full-time bidding business personnel who have obtained the professional qualifications for bidding. Therefore, the Company cannot organize the tenders by itself and needs to engage a bidding agency to organize the tenders. We understand from the Company that the Procurement Center is a level-one centralised procurement implementation and management organisation set up by Shandong Port Group on 30 June 2020 to centralize the organization of tenders for procurement projects of all the companies under Shandong Port Group, unify the tendering process and standard of members of Shandong Port Group and reduce the administrative cost and manpower for organizing the tenders. The Procurement Center has the professional bidding agency qualifications and has established a tendering e-platform, on which the tenderees can publish the tender notice and invitations for tender while the tenderers can search for tenders and submit tender proposals. The Procurement Center has more than 23,000 registered users. The large user base enables the Company to reach the relevant service providers and facilitate a successful tender.

We noted that the Procurement Center is set up by Shandong Port Group, which is a connected person of the Company, for carrying out the tender process of companies under Shandong Port Group (including the Company). We were advised by the management of the Company that no agency fees were charged by the Procurement Center for organizing the tenders for the Company while other agencies shall charge the Company an agency fee for organizing a tender. According to the Company's policy, all the tenders shall comply with the Tendering and Bidding Law of the PRC. We have reviewed the procedures of the tendering process of the Rizhao Port Grain Base Project and the Procurement Project and noted that all tenderers (including connected persons and Independent Third Parties) followed the same tendering process and were evaluated based on the same procedures and assessment criteria. As all the tenders are governed by the Tendering and Bidding Law of the PRC, we are of the view that the fairness and transparency of the tendering process are more important than the independence of the Procurement Center as long as all tenderers (including connected persons and Independent Third Parties) are going through the same tendering process and treated and evaluated fairly based on the same procedures and assessment criteria.

Given that (i) the Company is ineligible to organize the tenders for the Rizhao Port Grain Base Project and the Procurement Project by itself under the Trial Measures; (ii) the Procurement Center is a qualified bidding agency set up for the purpose of organizing tenders for Shandong Port Group and no agency fees were charged by the Procurement Center; (iii) the members of the Bid Evaluation Expert Database to be selected as members of the tender evaluation committee are experienced in port construction and port machinery and equipment industry; (iv) all the tenders are governed by the Tendering and Bidding Law of the PRC; and (v) in our opinion, the fairness and transparency of the tendering process is more important than the independence of the Procurement Center as long as all tenderers are going through the same tendering process and evaluated fairly based on the same procedures and assessment criteria, we are of the view that it is appropriate to engage the Procurement Center to organize the tenders of the Rizhao Port Grain Base Project and the Procurement Project for the Company.

Before the implementation of the tender of the Rizhao Port Grain Base Project, the Company (i) engaged an Independent Third Party construction management and consulting company to set the project control price according to the construction drawings and amount of construction works; (ii) engaged an Independent Third Party asset appraisal company to evaluate the project control price; (iii) formulated the bidding and procurement plan, which was submitted to the Procurement Center; and (iv) issued the tender notice simultaneously on the Shandong Port Yangguang Huicai e-platform, China Tendering and Bidding Public Service Platform and Sunshine Procurement Service Platform, which set out questions and clarifications on the Rizhao Port Grain Base Project, the deadline for submission of response documents and the time of bid opening. All procurement platforms are open platforms and all interested parties might submit tender proposals.

A tender evaluation committee was formed in accordance with the requirements of the Tendering and Bidding Law of the PRC for assessing the tender proposals submitted by the tenderers. The tender evaluation committee consisted of five members, which were randomly selected from the Bid Evaluation Expert Database (評標專家庫). We have reviewed the profile of the members of the tender evaluation committee included four senior engineers specialized in port construction and an engineer specialized in port construction, and three of them have over 30 years, while the other two have over 12 years, of relevant experience in the port construction related industry in the PRC.

We noted that certain members of the tender evaluation committee hold positions in companies under Shandong Port Group (save for Shandong Gangwan). According to the Tendering and Bidding Law of the PRC, the tender evaluation committee should evaluate and compare the tender proposals from the tenderers in accordance with the evaluation criteria and methods set out in the tender documents. Besides, members of the tender evaluation committee shall perform their duties objectively and fairly and follow their professional ethics and should take responsibility for their opinions individually. We have reviewed the tender documents (including tender notice and relevant documents) and noted that any member of the tender evaluation committee should abstain from evaluating the tender if he/she (i) is a close relative of the tenderers or major responsible personnel of the tenderers; (ii) is a personnel of the project department-in-charge or administrative supervision department; (iii) has any economic interest with the tenderers which may affect the fairness of the evaluation of the tender; (iv) has received an administrative punishment or criminal punishment for conducting illegal activities in organizing and evaluation of tenders or other activities relating to tendering; or (v) has any other interest with the tenderers. We have also reviewed an undertaking signed by all members of the tender evaluation committee, whereby all members of the committee have undertaken, among others, to (i) evaluate the tender in compliance with the relevant laws and regulations in an objective and fair manner; and (ii) abstain from evaluating the tender if there is any conflict of interest.

Having considered that (i) members of the tender evaluation committee shall evaluate the tender in compliance with the Tendering and Bidding Law of the PRC; (ii) the members of the tender evaluation committee are required to abstain from evaluating the tender in case any potential conflict of interest exists; (iii) all members of the tender evaluation committee have signed the undertaking as stated above; (iv) none of the members of the tender evaluation committee was required to abstain from evaluating the tender of the Rizhao Port Grain Base Project; and (v) the Directors confirmed that none of the members of the tender evaluation committee held any position in the tenderers in the past three years, we are of the view that the evaluation result of the tender be fair even certain members of the tender evaluation committee hold positions in companies under Shandong Port Group (save for Shandong Gangwan).

We have reviewed the tender documents and noted that the tender documents have set out the detailed and comprehensive information of the tender including, but not limited to, the eligibility requirement of the tenderers, the tendering procedure, the evaluation criteria and the principal terms of the contract (including the scope of services, construction period, defects liability period, adjustments to the contract price, payment schedule and performance guarantee), which would be essentially the same as those in the final contract.

We noted that three tender proposals were received from the tenderers, of which one proposal was submitted by Shandong Gangwan while another two were submitted by Independent Third Parties. The tender evaluation committee compared and rated the tender proposals submitted by the tenderers based on the same set of comprehensive and objective assessment criteria, including the technical aspect, the business aspect and the proposed pricing. The technical aspect included the overall construction layout and planning, the construction and technical assurance measures, the quality and safety assurance, the environmental protection measures, the project progress plan and assurance measures, the arrangement and supply of machinery and materials for the construction, the epidemic prevention and control measures and the qualifications of the project manager and technicians. The business aspect included the tenderers' track record, performance and awards.

We have reviewed the tender evaluation report and all tender proposals submitted by the tenderers, and noted that all tenderers had met the eligibility requirement as a contractor of the Rizhao Port Grain Base Project. Based on the same assessment criteria, Shandong Gangwan obtained the highest overall score among all the tenderers.

We also noted from the tender proposals submitted by the tenderers that they all agreed to the principal terms of the contract (including the scope of services, construction period, defects liability period, adjustments to the contract price, payment schedule and performance guarantee) set out in the tender documents, which are consistent with the principal terms stated in the Construction Contract. Given all tenderers, including independent tenderers, agreed on the principal terms of the contract (including the scope of services, construction period, defects liability period, adjustments to the contract price, payment schedule and performance guarantee) as set out in the tender documents, we concur with the view of the Directors that the principal terms of the Construction Contract, including the construction period, defects liability period, adjustments to the contract price, payment schedule and performance guarantee, are fair and reasonable commercial terms.

Having considered that (i) the tendering procedures were fairly conducted in compliance with the Tendering and Bidding Law of the PRC and other relevant laws and regulations; (ii) three tenderers have participated in the tenders, among which two were Independent Third Parties; (iii) members of the tender evaluation committee have the relevant knowledge in the Rizhao Port Grain Base Project; and (iv) the Rizhao Port Grain Base Project was awarded to the tenderer with the highest overall score determined by the tender evaluation committee based on the same assessment criteria, including technical, commercial and pricing aspects, we are of the view that the results of the tender process are fair and reasonable and the terms of the Construction Contract (including the contract price) are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

(ii) Equipment Procurement Contract

The principal terms of the Equipment Procurement Contract are summarized as follows:

- Date: 18 October 2022
- Parties: (a) the Company; and
(b) Qingdao Port Equipment
- Scope of services: Qingdao Port Equipment is responsible for designing, manufacturing, transporting and installing three gantry cranes for the Rizhao Port Grain Base Project, as well as providing insurance, test run, inspection, technical data, training to the Company's technical personnel and operators, after-sale services and other relevant services to the Company.
- Delivery date: The system test shall be completed by 30 June 2023.
- Warranty period: 2 years after the acceptance of the gantry cranes.
- Contract price: The contract price is RMB50,580,000, which was the successful tender price offered by Qingdao Port Equipment in the public tender.
- Payment terms: The contract price shall be paid in the following manner:
- (a) 10% of the contract price to be paid within 60 days after the Equipment Procurement Contract takes effect and the review of the design of the gantry cranes is completed;
 - (b) 30% of the contract price to be paid within 60 days after confirming the materials and their specifications, quantity and quality required for manufacturing the equipment and the signing of contracts to acquire major purchased components;
 - (c) 30% of the contract price to be paid within 60 days after delivery of all equipment; and

- (d) the remaining 30% of the contract price to be paid within 60 days after installation of the equipment, passing the test run, submission of completion materials, inspection and acceptance by the Company, and the signing of the acceptance certificate by both the Company and Qingdao Port Equipment,

provided that Qingdao Port Equipment provides quality assurance and the Company receives the guarantee letter from Qingdao Port Equipment in the amount of 10% of the contract price, which shall be returned to Qingdao Port Equipment after the expiry of the warranty period with no quality defects.

If Qingdao Port Equipment does not provide quality assurance, the Company shall retain 10% of the contract price as the quality assurance deposit, which shall be paid to Qingdao Port Equipment after the expiry of the warranty period with no quality defects.

We were advised by the management of the Company that the Procurement Project was granted to Qingdao Port Equipment through a public tender in accordance with the Company's policy and the Tendering and Bidding Law of the PRC. The Company engaged the Procurement Center as its bidding agent to organize the tender of the Procurement Project.

Before the implementation of the tender of the Procurement Project, the Company formulated the bidding and procurement plan, which was submitted to the Procurement Center, and issued the tender notice simultaneously on the Shandong Port Yangguang Huicai e-platform, China Tendering and Bidding Public Service Platform and Sunshine Procurement Service Platform, which set out questions and clarifications on the Procurement Project, the deadline for submission of response documents and the time of bid opening. All procurement platforms are open platforms and all interested parties might submit tender proposals.

A tender evaluation committee was formed in accordance with the requirements of the Tendering and Bidding Law of the PRC for assessing the tender proposals submitted by the tenderers. The tender evaluation committee consisted of five members, which were randomly selected from the Bid Evaluation Expert Database. We have reviewed the profile of the members of the tender evaluation committee and noted that members of the tender evaluation committee included a senior engineer specialized in mechanics, an engineer specialized in mechanics, an engineer specialized in electrical engineering, a senior technician experienced

in port electric machinery and an assistant economist specialized in mechanics, and two of them have over 35 years, one of them has over 20 years, while the other two have over 10 years, of relevant experience in the port machinery and equipment related industry in the PRC.

We noted that certain members of the tender evaluation committee hold positions in companies under Shandong Port Group (save for Qingdao Port Equipment). We have reviewed the tender documents (including tender notice and relevant documents) and noted that any member of the tender evaluation committee should abstain from evaluating the tender if he/she (i) is a close relative of the tenderers or major responsible personnel of the tenderers; (ii) is a personnel of the project department-in-charge or administrative supervision department; (iii) has any economic interest with the tenderers which may affect the fairness of the evaluation of the tender; (iv) has received an administrative punishment or criminal punishment for conducting illegal activities in organizing and evaluation of tenders or other activities relating to tendering; or (v) has any other interest with the tenderers. We have also reviewed an undertaking signed by all members of the tender evaluation committee, whereby all members of the committee have undertaken, among others, to (i) evaluate the tender in compliance with the relevant laws and regulations in an objective and fair manner; and (ii) abstain from evaluating the tender if there is any conflict of interest.

Having considered that (i) members of the tender evaluation committee shall evaluate the tender in compliance with the Tendering and Bidding Law of the PRC; (ii) the members of the tender evaluation committee are required to abstain from evaluating the tender in case any potential conflict of interest exists; (iii) members of the tender evaluation committee have signed the undertaking as stated above; (iv) none of the members of the tender evaluation committee was required to abstain from evaluating the tender of the Procurement Project; and (v) the Directors confirmed that none of the members of the tender evaluation committee held any position in the tenderers in the past three years, we are of the view that the evaluation result of the tender be fair even certain members of the tender evaluation committee hold positions in companies under Shandong Port Group (save for Qingdao Port Equipment).

We have reviewed the tender documents and noted that the tender documents have set out the detailed and comprehensive information of the tender including, but not limited to, the eligibility requirement of the tenderers, the tendering procedure, the evaluation criteria and the principal terms of the contract (including the scope of services, specification of the products, duration of services, warranty period, payment schedule), which would be essentially the same as those in the final contract.

We noted that four tender proposals were received from the tenderers, of which one was received from Qingdao Port Equipment while another three were received from Independent Third Parties. The tender evaluation committee compared and rated all tender proposals submitted by the tenderers based on the same set of comprehensive and objective assessment criteria, including the technical aspect, the business aspect and the proposed pricing. The technical aspect included the configurations and technical performance indicators of the products, the design, manufacturing and installation plan and the quality and safety assurance. The business aspect included the tenderers' background, reputation, financial conditions, qualifications, technical expertise, performance, track record, after-sale services, preferential conditions, etc.

We have reviewed the tender evaluation report and all tender proposals submitted by the tenderers and noted that all tenderers had met the eligibility requirement as a supplier of the Procurement Project. Based on the same assessment criteria, Qingdao Port Equipment obtained the highest overall score among all the tenderers.

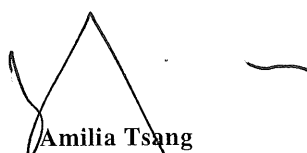
We also noted from the tender proposals submitted by the tenderers that they all agreed to the principal terms of the contract (including the duration of services, warranty period and payment schedule) as set out in the tender documents, which are consistent with the principal terms stated in the Equipment Procurement Contract. Given all tenderers, including independent tenderers, agreed on the principal terms of the contract (including the duration of services, warranty period and payment schedule) as set out in the tender documents, we concur with the view of the Directors that the principal terms of the Equipment Procurement Contract, including the duration of services, warranty period and payment schedule, are fair and reasonable commercial terms.

Having considered that (i) the tendering procedures were fairly conducted in compliance with the Tendering and Bidding Law of the PRC and other relevant laws and regulations; (ii) four tenderers have participated in the tenders, among which three were Independent Third Parties; (iii) members of the tender evaluation committee have the relevant knowledge in the Procurement Project; and (iv) the contract was awarded to the tenderer with the highest overall score determined by the tender evaluation committee based on the same assessment criteria, including technical, commercial and pricing aspects, we are of the view that the results of the tender process are fair and reasonable and the terms of the Equipment Procurement Contract (including the contract price) are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

RECOMMENDATION

Having considered the principal factors and reasons stated above, we consider that the transactions contemplated under the Project Contracts are conducted in the ordinary and usual course of business of the Group and the terms of the Project Contracts are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders, and we ourselves also recommend the Independent Shareholders, to vote in favor of the resolutions to be proposed at the EGM to approve the Project Contracts and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Crescendo Capital Limited



Amelia Tsang
Managing Director



Helen Fan
Director

Notes:

1. *Ms. Amelia Tsang is a licensed person under the SFO permitted to engage in Type 6 (advising on corporate finance) regulated activity and has over 18 years of experience in corporate finance.*
2. *Ms. Helen Fan is a licensed person under the SFO permitted to engage in Type 6 (advising on corporate finance) regulated activity and has over 14 years of experience in corporate finance.*