

11 May 2023

To: *The independent board committee and the independent shareholders
of Rizhao Port Jurong Co., Ltd.*

Dear Sirs,

**MAJOR AND CONNECTED TRANSACTION
IN RELATION TO CONSTRUCTION CONTRACT**

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 Construction Contract and the transactions contemplated thereunder (the “**Transaction**”), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 11 May 2023 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 31 March 2023 (after trading hours), the Company entered into the Construction Contract with Shandong Gangwan, pursuant to which the Company agreed to engage Shandong Gangwan as the contractor for the Rizhao Port Grain Base Project (Technology Part).

With reference to the Board Letter, the Transaction constitutes a major and connected transaction of the Company and is subject to the reporting, announcement and independent shareholders’ approval requirements for under Chapters 14 and 14A of the Listing Rules.

The Independent Board Committee comprising Mr. Zhang Zixue, Mr. Lee Man Tai and Mr. Wu Xibin (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Transaction are on normal commercial terms and are fair and reasonable; (ii) whether the Transaction is in the interests of the Company and the Shareholders as a whole and is conducted in the ordinary and usual course of business of the Company; and (iii) how the Independent Shareholders should vote in respect of the resolutions to approve the Transaction at the EGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

INDEPENDENCE

During the past two years immediately preceding the Latest Practicable Date, Gram Capital was engaged as the independent financial adviser to the independent board committee and independent shareholders of the Company in relation to (i) continuing connected transactions (details of which are set out in the Company's circular dated 15 January 2022); (ii) major and continuing connected transactions (details of which are set out in the Company's circular dated 5 December 2022); (iii) continuing connected transactions, a discloseable and connected transaction (details of which are set out in the Company's circular dated 12 December 2022); (iv) continuing connected transactions (details of which are set out in the Company's circular dated 20 January 2023); and (v) a discloseable and connected transaction (details of which are set out in the Company's circular dated 27 April 2023). Save for the aforesaid engagements, there was no other service provided by Gram Capital to the Company with executed agreement during the past two years immediately preceding the Latest Practicable Date.

Notwithstanding the aforesaid engagements, as at the Latest Practicable Date, we were not aware of any relationships or interests between Gram Capital and the Company or any other parties that could be reasonably regarded as hindrance to Gram Capital's independence as defined under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser.

Besides, apart from the advisory fee and expenses payable to us in connection with this engagement as the Independent Financial Adviser, there is no arrangement whereby we shall be entitled to receive any other fees or benefits from the Company.

Having considered the above and that (i) none of the circumstances as set out under the Rule 13.84 of the Hong Kong Listing Rules existed as at the Latest Practicable Date; and (ii) the aforesaid engagements will not affect our independence to act as the Independent Financial Adviser due to the fact that (a) we were appointed as independent financial adviser to advise the Independent Board Committee and the then independent Shareholders and the aforesaid engagements did not fall into any circumstances as set out under the Rule 13.84 of the Listing Rules, therefore we maintained our independence from the Company during the aforesaid engagements; and (b) the advisory fee of the aforesaid engagements paid by the Company to us accounted for an insignificant portion of our revenue for the relevant period, we are of the view that we are independent to act as the Independent Financial Adviser.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, 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. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention 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 opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there are no undisclosed private agreements/arrangements or implied understanding with anyone concerning the Transaction. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this 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 as contained in the Circular or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

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 in-depth investigation into the business and affairs of the Company, Shandong Gangwan and each of their respective subsidiaries or associates, nor have we considered the taxation implication on the Company or the Shareholders as a result of the Transaction. 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 market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, 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.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Transaction, we have taken into consideration the following principal factors and reasons:

Information on the Company

With reference to the Board Letter, the Company, a joint stock company incorporated in the PRC with limited liability, is principally engaged in comprehensive port-related services, including stevedoring, berth leasing, port management, storage, and logistics agency services.

Information on Shandong Gangwan

With reference to the Board Letter, Shandong Gangwan, a company incorporated in the PRC with limited liability, 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 commensurate with its strength, scale and performance; dispatching labor required for the implementation of the abovementioned overseas projects; port and waterway engineering construction; construction of 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 formally assigned 6 staffs as members of project management team (i.e. project manager, technique officer, safety responsible officer, etc.) for the Rizhao Port Grain Base Project (Technology Part). Almost all of the members of project management team are senior engineers (高級工程師) or engineers (工程師).

Reasons for and benefit of the Transaction

With reference to the Board Letter, in order to consolidate and improve the Company's position as the grain transfer, collection and distribution center among the national coastal ports in the PRC, the Company implements the Rizhao Port Grain Base Project which is expected to be completed and put into use in June 2024.

We further understood from the Directors that the Group is not qualified to complete the construction of the Rizhao Port Grain Base Project (Technology Part) by itself, therefore the Group is necessary to seek a qualified supplier to provide the construction services. Furthermore, as advised by the Directors, as per requirement under the 《中華人民共和國招標投標法實施條例》(Tender and Bidding Law of the People's Republic of China*) and 《必須招標的工程項目規定(國家發展改革委2018年第16號令)》(Provisions on Projects Requiring Bid Invitation (Order No. 16 of the National Development and Reform Commission in 2018)*), the Company is required to proceed the open tender procedure according to 《中華人民共和國招標投標法實施條例》(Tender and Bidding Law of the People's Republic of China*). Shandong Gangwan was awarded as the service provider on a successful tendering basis.

As advised by the Directors, the Company believes that the Company primarily competes with its competitors on the basis of berthing and storage capacity, ability to handle different types of cargo, location, transportation network, operational efficiency, reputation and service quality. With reference to the Board Letter, the construction of 41 silos and reconstruction of pier under the Rizhao Port Grain Base Project will enable the Company to improve its grain storage and stevedoring capacity and berth unloading efficiency, such that the increasing demand for grain stevedoring arising from the increase in grain throughput of the Company can be satisfied. The entering into of the Construction Contract is an ancillary project to support the construction under the Rizhao Port Grain Base Project.

In addition, we also obtained a score document under the tender (the “**Score Document**”) showing scores of three aspects, namely business aspects, quotation aspects and technical aspects under the bidding documents as graded by each member of an evaluation committee (“**Evaluation Committee**”). We noted from the Score Document that Shandong Gangwan was graded the highest total score and the highest score in each individual aspect among all other two participants. As Shandong Gangwan was graded the highest scores in business aspects and technical aspects in respect of the Rizhao Port Grain Base Project (Technology Part), it indicated that (i) Shandong Gangwan has good reputation and experience; and (ii) Shandong Gangwan's development and construction plan was better than those of other two participants.

Pursuant to the 《工程建設項目自行招標試行辦法》(Trail Measures for Self-tendering of Engineering Construction Projects*), should the Company intend to organize the tender for the Rizhao Port Grain Base Project (Technology Part), the Company shall have the ability to prepare tender documents and organize the bid evaluation, including but not limited to, (i) possesses technical experts and professionals in engineering technique, budgeting, financial and engineering management; (ii) has experiences in organizing of tenders for similar engineering construction projects; and (iii) established bidding agency or has more than three personnel specialized in tendering. As advised by the Directors, the Company (A) did not have any expert, professional or personnel or did not establish bidding agency as mentioned in (i) and (iii), and (B) did not have experiences in organizing tenders for similar engineering construction projects, the Company itself is not qualified to organize tenders pursuant to the 《工程建設項目自行招標試行辦法》(Trail Measures for Self-tendering of Engineering Construction Projects*). Therefore, the Company engaged Shandong Port Group Tender and Procurement Center for the tender of the Rizhao Port Grain Base Project (Technology Part). Despite that Shandong Port Group Tender and Procurement Center is a

level one centralised procurement implementation and management organisation set up by Shandong Port Group on 30 June 2020, having considered that (i) the responsibility of Shandong Port Group Tender and Procurement Center is to organize tender of the Rizhao Port Grain Base Project (Technology Part); (ii) the bidding results was evaluated by the Evaluation Committee but not by Shandong Port Group Tender and Procurement Center; and (iii) the bidding and tendering process of the Rizhao Port Grain Base Project (Technology Part) is also governed by Tender and Bidding Law of the PRC, we do not doubt the fairness of the tendering process. Furthermore, the engagement of Shandong Port Group Tender and Procurement Center to organize tender of the Rizhao Port Grain Base Project (Technology Part) is free of charge and therefore will save the Group's administrative and time cost. Accordingly, we consider that it is appropriate to engage Shandong Port Group Tender and Procurement Center for the tender of the Rizhao Port Grain Base Project (Technology Part).

Having considered the above factors, we are of the view that the Transaction is in the interest of the Company and Shareholders as a whole and conducted in the ordinary and usual course of business of the Company.

Principal terms of the Transaction

Set out below are the key terms of Transaction, details of which are set out under the section headed "2. CONSTRUCTION CONTRACT" of the Board Letter.

Date:

31 March 2023

Parties:

- (a) the Company, as the principal; and
- (b) Shandong Gangwan, as the contractor.

Scope of service:

Shandong Gangwan is responsible for:

- (a) the detailed design, manufacturing, transportation, delivery, storage, installation, inspection, single no-load test run, no-load combined test run, heavy load test run, combined test and other works of all process equipment and systems;

- (b) the manufacturing, transportation, delivery, storage, installation, coating, inspection acceptance and other works of all steel structures required for normal operation of all system equipment, facilities and supporting equipment of the project and personnel's daily safety in production, inspection and maintenance;
- (c) the power supply, lighting, control and monitoring of silos, towers, receiving and dispatching stations, daily warehouses, power transformation and distribution room, transfer towers, corridors, etc.;
- (d) the operator training, on-site services, after-sales services and other technical services deemed necessary by the Company; and
- (e) handling all procedures and submission of materials relating to the verification, identification and testing of facilities and equipment by local testing institutions for quality inspection, security check and national professional testing for grain machinery and other relevant departments.

Construction period:

The construction period is expected to end on or about 31 December 2023.

According to tender documents for the Rizhao Port Grain Base Project (Technology Part) (the “**Project Tender Document**”), construction period of the Rizhao Port Grain Base Project (Technology Part) under the Construction Contract is in line with the construction period requirement as set out in the Project Tender Document, which applied to all participants (i.e. possible service providers).

Defects liability period:

2 years after completion acceptance of the Rizhao Port Grain Base Project (Technology Part).

According to Project Tender Document, defects liability period for the Rizhao Port Grain Base Project (Technology Part) under the Construction Contract is in line with the defects liability period requirement as set out in the Project Tender Document, which applied to all participants (i.e. possible service providers).

Contract price:

The contract price is RMB536,209,668.98, subject to (i) adjustments on the raw materials price in the event that the price of reinforcement steel, 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. Please refer to the subsection headed “Contract Price” under the section headed “2. CONSTRUCTION CONTRACT” of the Board Letter for details.

According to 《建設工程工程量清單計價標準》(Code of Bills of Quantities and Valuation for Construction Works, the “Code of Bills”) as jointly published by Ministry of Housing and Urban-Rural Development of the PRC and State Administration for Market Regulation of the PRC:

- range of the price change of major materials and engineering equipment should be stipulated in the contract should the contractor (as a party to the contract) is responsible for procurement of materials and engineering equipment. If there is no such stipulation and the price change exceed 5%, the exceed 5% portion shall be adjusted according to the Code of Bills.
- If the change of unit price of raw materials offered by contractor according to its bidding exceed base price, the exceed portion shall be adjusted according to the actual amount.

We noted that the adjustment formula as set out in the Board Letter is in line with the abovementioned methodology.

Based on the above and that the adjustment mechanism were set in the Project Tender Document, which applied to all participants (i.e. possible service providers), we consider the adjustments mechanism is fair and reasonable.

With reference to the Board Letter, the contract price was the successful tender price offered by Shandong Gangwan in the public tender. In accordance with the Bidding Law of the PRC, bidding was required to be carried out for the Rizhao Port Grain Base Project (Technology Part). The Company engaged Shandong Port Group Tender and Procurement Center for the tender of the Construction Contract under the Rizhao Port Grain Base Project (Technology Part).

With reference to the Board Letter, at the time of bid opening, Shandong Port Group Tender and Procurement Center randomly selected five persons, who were not aware of any information of the tender under evaluation, from the bid evaluation expert database to set up a bid evaluation committee (i.e. the Evaluation Committee) to evaluate the bid proposals submitted by the tenderers, in accordance with the Bidding Law of the PRC. In order to ensure the fairness and impartiality of the bid evaluation process, members of the Evaluation Committee are required to abstain from evaluating the tender of

the Construction Contract if there is any potential conflict of interest. All members of the Evaluation Committee have relevant experience in China's port construction industry, and have not held any positions in the tenderers in the past three years. The members of the Evaluation Committee strictly abide by the relevant provisions of the Bidding Law of the PRC, and signed personal declaration and undertaking at the time of bid opening that they are independent from the tenderers and do not have interest in the tender of the Construction Contract, in order to ensure the fairness and impartiality of the bid evaluation process. Shandong Port Group Tender and Procurement Center received bids from Shandong Gangwan and two independent third parties from the tender process. After a comprehensive assessment of the tenders taking into account various factors including the quotation, qualification, financial conditions, reputation and performance of each bidder, the Construction Contract was awarded to Shandong Gangwan out of the three tenders with the highest scores.

To further assess the fairness and reasonableness of the consideration, we performed the following analyses:

As mentioned above, Shandong Gangwan was graded the highest score among all other two participants. Therefore, Shandong Gangwan was awarded as the contractor on a successful tendering basis.

Upon our request, we obtained the Project Tender Document and reviewed bidding documents (the "Bidding Document(s)") as submitted by Shandong Gangwan.

According to the Project Tender Document, the Company set maximum contract value as RMB536,316,500. The contract value of the Construction Contract was lower than the maximum contract value.

According to the Bidding Document, the Bidding Documents comprised three sections, i.e. the business proposal, technical proposal and quotations proposal for the Rizhao Port Grain Base Project (Technology Part). In addition, the contract price is the same as the quotation stated in the Bidding Document submitted by Shandong Gangwan.

As mentioned above, we obtained the Score Document showing scores of three aspects for all participants (i.e. business aspects, quotation aspects and technical aspects). We further noted from the Project Tender Document that (i) the weight of each evaluation criteria and basis was disclosed in the Project Tender Document; and (ii) the evaluation aspects (including further details evaluation criteria) which the Evaluation Committee graded for were the same as evaluation aspects (including further details evaluation factors) as stated in the Project Tender Documents. Accordingly, we do not doubt the appropriateness of the Evaluation Committee's scope of work when performing bid evaluation.

Based on the information provided by the Company, most members of the Evaluation Committee have not less than 20 years' experience in engineering construction. According to documents (showing scores of the proposals), Shandong Gangwan obtained highest scores in all aspects (i.e. business proposal, technical proposal and quotation proposal) among the scores of all three participants (including two independent third parties).

Despite that certain members of the Evaluation Committee hold positions in members of Shandong Port Group (other than Shandong Gangwan), we conducted the following analyses:

- According to Tender and Bidding Law of the PRC, (i) the Evaluation Committee should evaluate bidding documents in compliance with the selection criteria and their respective weights as set out in the tendering documents; and (ii) members of the Evaluation Committee shall perform their duties objectively and fairly as well as in compliance with their professional code of conduct. Each member of the Evaluation Committee should take responsibility for their conclusions individually. According to the Project Tender Documents, the weight of each evaluation criteria and basis was disclosed in the Project Tender Documents and the same was applicable to all participants.
- As stated in the Project Tender Documents, in the event that any member of the Evaluation Committee, among other things, (i) are close relatives of the bidder or responsible staff of the bidder; (ii) are personnel of the competent project department (項目主管部門) or administrative supervision department (行政監督部門); (iii) have any economic interest relationship with the bidder, which may affect the fairness of the evaluation; or (iv) conducted illegal acts and received administrative punishment or criminal punishment in previous tender, evaluation of previous tender and other activities relating to previous tender, the members should abstain from evaluation of bidding.

We obtained an undertaking jointly signed by each member of the Evaluation Committee, pursuant to which, among other things, (i) the evaluation will be in compliance with relevant laws and regulations and be objective and fair; and (ii) they will abstain from evaluation of bidding should there be any conflict of interests. According to the Score Document, none of the members of the Evaluation Committee abstained from evaluation of bidding in respect of the Rizhao Port Grain Base Project (Technology Part).

- As also confirmed by the Directors, none of the members of the Evaluation Committee held any position in any participant (including Shandong Gangwan) to the open tender for the Rizhao Port Grain Base Project (Technology Part) from three years immediately prior to establishment of the relevant Evaluation Committee and to the closing of the tendering of the Rizhao Port Grain Base Project (Technology Part).

Having considered that (i) members of the Evaluation Committee shall evaluate the tender in compliance with the Tendering and Bidding Law of the PRC; (ii) the members of Evaluation Committee are required to abstain from evaluating the bidding in case any potential conflict of interest exists; (iii) all members of the Evaluation Committee signed the undertaking as stated above; (iv) none of members of the Evaluation Committee abstained from evaluation of bidding in respect of the Rizhao Port Grain Base Project (Technology Part); and (v) none of members of the Evaluation Committee held any position in any participants (including Shandong Gangwan) to the open tender for the Rizhao Port Grain Base Project (Technology Part) from three years immediately prior to establishment of the relevant Evaluation Committee and to the closing of the tendering of the Rizhao Port Grain Base Project (Technology Part), we do not doubt the evaluation result even certain members of the Evaluation Committee hold positions in companies under Shandong Port Group (save for Shandong Gangwan).

In light of the above factors, we are of the view that the contract price of the Transaction is fair and reasonable.

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 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 completion acceptance of the Rizhao Port Grain Base Project (Technology Part) 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 completion acceptance of the Rizhao Port Grain Base Project (Technology Part) 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 defects liability period with no quality defects of the Rizhao Port Grain Base Project (Technology Part).

The contract price will be financed by internal resources of the Company, bank facilities or a combination of both.

According to Project Tender Document, payment terms above under the Construction Contract is in line with the payment terms requirement as set out in the Project Tender Document, which applied to all participants (i.e. possible service providers).

Having considered that (i) contract price of the Construction Contract is fair and reasonable; and (ii) save for the contract price, which was the bidding price offered by the successful bidder for the open tender for the Rizhao Port Grain Base Project (Technology Part), other key terms of the Rizhao Port Grain Base Project (Technology Part) (i.e. completion settlement (竣工結算), insurance, and dispute resolution (爭議解決)) were substantially the same as those set out in the Project Tender Document and applied to all participants (i.e. possible service providers), we are of the view that terms of the Transaction are on normal and commercial terms and are fair and reasonable.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Transaction are on normal commercial terms and are fair and reasonable; and (ii) the Transaction is in the interests of the Company and the Shareholders as a whole and conducted in the ordinary and usual course of business of the Company. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the Transaction and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited



Graham Lam
Managing Director

Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 25 years of experience in investment banking industry.

* *For the identification purposes only*