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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Rizhao Port Jurong Co., Ltd., you should at once hand this circular to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 6117)

**(1) CONTINUING CONNECTED TRANSACTION: SHANDONG PORT
INTERNATIONAL TRADE RIZHAO COMPANY FRAMEWORK AGREEMENT;
(2) CONTINUING CONNECTED TRANSACTION: AMENDMENTS TO THE
PROPERTY LEASE (SALE) FRAMEWORK AGREEMENT;
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to the Independent Board Committee
and Independent Shareholders**



A letter from the Board is set out on pages 1 to 19 of this circular.

A notice convening the EGM to be held at 10:00 a.m. on Wednesday, 9 June 2021 at Office Building of Rizhao Port Jurong Co., Ltd. is set out on pages 42 to 43 of this circular. A form of proxy for use at the EGM is enclosed with this circular.

Whether or not you are able to attend the EGM in person, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon. For holders of the H Shares, the form of proxy should be returned to the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong in any event not less than 24 hours before the time appointed for the holding of the EGM or any adjournment thereof.

Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting should you so wish and in such event, the form of proxy shall be deemed to be revoked.

23 April 2021

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DEFINITIONS

In this circular, the following terms and expressions shall have the following respective meanings unless the context otherwise requires:

“Board”	the board of Directors
“Company”	Rizhao Port Jurong Co., Ltd. (日照港裕廊股份有限公司), a joint stock company incorporated in the PRC with limited liability, the H Shares of which are listed on the Main Board of the Stock Exchange (stock code: 6117)
“connected person”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Domestic Share(s)”	ordinary shares in the share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB by PRC natural persons or entities established under PRC laws
“EGM”	the extraordinary general meeting or any adjournment thereof of the Company to be convened at 10:00 a.m. on Wednesday, 9 June 2021 at Office Building of Rizhao Port Jurong Co., Ltd.
“H Share(s)”	overseas listed shares in the share capital of the Company with a nominal value of RMB1.00 each in the share capital of the Company, listed on the Main Board of the Stock Exchange and traded in Hong Kong dollars
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising all independent non-executive Directors, namely Mr. Zhang Zixue, Mr. Lee Man Tai and Mr. Wu Xibin, established to advise the Independent Shareholders in respect of the Property Lease Second Supplemental Agreement, the Property Lease Annual Caps, the Property Lease Third Supplemental Agreement, the Shandong Port International Trade Rizhao Company Framework Agreement, the Shandong Port International Trade Rizhao Company Annual Caps and the transactions contemplated thereunder

DEFINITIONS

“Independent Financial Adviser”	Gram Capital Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Property Lease Second Supplemental Agreement, the Property Lease Annual Caps, the Property Lease Third Supplemental Agreement, the Shandong Port International Trade Rizhao Company Framework Agreement, the Shandong Port International Trade Rizhao Company Annual Caps and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders of the Company other than those who are required by the Listing Rules to abstain from voting on the resolutions to approve the Property Lease Second Supplemental Agreement, the Property Lease Annual Caps, the Property Lease Third Supplemental Agreement, the Shandong Port International Trade Rizhao Company Framework Agreement, the Shandong Port International Trade Rizhao Company Annual Caps and the transactions contemplated thereunder
“Independent Third Party(ies)”	an individual or a company which, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, is not a connected person of the Company within the meaning of the Listing Rules
“Jurong Port”	Jurong Port Pte Ltd, a private company limited by shares established in Singapore, holding 100% interest in Jurong Port Holding as at the Latest Practicable Date
“Jurong Port Holding”	Jurong Port Rizhao Holding Pte Ltd, a private company limited by shares established in Singapore and holding approximately 21.69% of the total issued share capital of the Company as at the Latest Practicable Date
“Latest Practicable Date”	20 April 2021, being the latest practicable date for the purpose of ascertaining certain information contained in this circular prior to its publication
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange as amended, supplemented or otherwise modified from time to time
“Notice of EGM”	a notice convening the EGM set out on pages 42 to 43 of this circular

DEFINITIONS

“Port-related Service (Sale) Framework Agreement”	the port-related service (sale) framework agreement dated 24 May 2019, as amended by the port-related service (sale) supplemental framework agreement dated 23 November 2020, entered into between the Company and Rizhao Port Group (for itself and on behalf of its subsidiaries)
“PRC”	the People’s Republic of China which, for the purpose of this circular, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Property Lease Annual Caps”	the proposed revised annual caps for the transactions contemplated under the Property Lease (Sale) Framework Agreement (as amended by the Property Lease Supplemental Agreements) for the financial year ending 31 December 2021
“Property Lease First Supplemental Agreement”	the property lease (sale) supplemental framework agreement entered into between the Company and Rizhao Port Group (for itself and on behalf of its subsidiaries) on 23 November 2020
“Property Lease (Sale) Framework Agreement”	the property lease (sale) framework agreement entered into between the Company and Rizhao Port Group (for itself and on behalf of its subsidiaries) on 24 May 2019
“Property Lease Second Supplemental Agreement”	the property lease (sale) supplemental framework agreement entered into between the Company and Rizhao Port Group (for itself and on behalf of its subsidiaries) on 23 February 2021
“Property Lease Supplemental Agreements”	collectively, the Property Lease First Supplemental Agreement, the Property Lease Second Supplemental Agreement and the Property Lease Third Supplemental Agreement
“Property Lease Third Supplemental Agreement”	the property lease (sale) supplemental framework agreement entered into between the Company and Rizhao Port Group (for itself and on behalf of its subsidiaries) on 19 April 2021
“Prospectus”	the prospectus of the Company dated 31 May 2019
“Rizhao Port”	Rizhao Port Co., Ltd. (日照港股份有限公司), a joint stock company established in the PRC with limited liability whose shares are listed and traded on the Shanghai Stock Exchange (stock code: 600017), and a controlling shareholder of the Company

DEFINITIONS

“Rizhao Port Group”	Rizhao Port Group Co., Ltd. (日照港集團有限公司), a company established in PRC with limited liability, and a controlling shareholder of the Company
“RMB”	Renminbi Yuan, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shandong Port Group”	Shandong Port Group Co., Ltd.* (山東省港口集團有限公司), a company incorporated in the PRC with limited liability, a controlling shareholder of the Company, and a state-owned enterprise ultimately controlled by Shandong SASAC
“Shandong Port International Trade”	Shandong Port International Trade Group Co., Ltd* (山東港口國際貿易集團有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of Shandong Port Group
“Shandong Port International Trade Rizhao Company”	Shandong Port International Trade Group Rizhao Co., Ltd* (山東港口國際貿易集團日照有限公司), a company incorporated in the PRC with limited liability and owned as to 51% by Shandong Port International Trade and 49% by Rizhao Port Group as at the Latest Practicable Date
“Shandong Port International Trade Rizhao Company Annual Caps”	the proposed annual caps for the transactions contemplated under the Shandong Port International Trade Rizhao Company Framework Agreement for the financial years ending 31 December 2021, 2022 and 2023
“Shandong Port International Trade Rizhao Company Framework Agreement”	the port-related service (sale) framework agreement dated 23 February 2021 entered into between the Company and Shandong Port International Trade Rizhao Company (for itself and on behalf of its subsidiaries)
“Shandong SASAC”	Shandong Provincial State-owned Assets Supervision and Administration Commission
“Share(s)”	comprising the Domestic Shares and the H Shares
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“substantial shareholder(s)” has the meaning ascribed to it under the Listing Rules

“Supervisor(s)” supervisor(s) of the Company

“%” per cent

* *Translated English names of Chinese entities for which no official English translation exists are unofficial translations for identification purpose only and should not be regarded as the official English translation of the Chinese names.*

Words importing the singular shall, where applicable, include the plural and vice versa. Words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall, where applicable, include corporations.

Any reference in this circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Listing Rules, the SFO or any modification thereof and used in this circular shall, where applicable, have the meaning assigned to it under the Listing Rules, the SFO or any modification thereof, as the case may be.

LETTER FROM THE BOARD



日照港裕廊股份有限公司
Rizhao Port Jurong Co., Ltd.

(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 6117)

Non-executive Directors:

Mr. WANG Yufu (*Chairman*)

Mr. OOI Boon Hoe

Mr. JIANG Zidan

Mr. PAY Cher Wee

Registered office:

South End

Haibin 5th Road

Rizhao City, Shandong Province

PRC

Executive Director:

Mr. HE Zhaodi

Principal place of business in Hong Kong:

40/F, Dah Sing Financial Centre

248 Queen's Road East

Independent Non-executive Directors:

Mr. ZHANG Zixue

Mr. WU Xibin

Mr. LEE Man Tai

Wanchai

Hong Kong

23 April 2021

To the Shareholders

Dear Sir or Madam,

**(1) CONTINUING CONNECTED TRANSACTION: SHANDONG PORT
INTERNATIONAL TRADE RIZHAO COMPANY FRAMEWORK AGREEMENT;
(2) CONTINUING CONNECTED TRANSACTION: AMENDMENTS TO THE
PROPERTY LEASE (SALE) FRAMEWORK AGREEMENT;
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

1. INTRODUCTION

The purpose of this circular is to provide you with, among others, (1) information regarding the continuing connected transactions, including (i) details of the Property Lease Second Supplemental Agreement, the Property Lease Third Supplemental Agreement, the Property Lease Annual Caps, the Shandong Port International Trade Rizhao Company Framework Agreement, the Shandong Port International Trade Rizhao Company Annual Caps and the transactions contemplated thereunder;

LETTER FROM THE BOARD

(ii) the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders on the Property Lease Second Supplemental Agreement, the Property Lease Annual Caps, the Property Lease Third Supplemental Agreement, the Shandong Port International Trade Rizhao Company Framework Agreement, the Shandong Port International Trade Rizhao Company Annual Caps and the transactions contemplated thereunder; and (iii) the recommendation of the Independent Board Committee regarding the Property Lease Second Supplemental Agreement, the Property Lease Annual Caps, the Property Lease Third Supplemental Agreement, the Shandong Port International Trade Rizhao Company Framework Agreement, the Shandong Port International Trade Rizhao Company Annual Caps and the transactions contemplated thereunder; (2) general information of the Company; and (3) a notice for convening the EGM.

2. CONTINUING CONNECTED TRANSACTIONS

Shandong Port International Trade Rizhao Company Framework Agreement

I. Background

References are made to the Prospectus and the announcement of the Company dated 23 November 2020 in relation to, among others, the Port-related Service (Sale) Framework Agreement, pursuant to which the Company agreed to provide stevedoring services and cargo supervision services to Rizhao Port Group and other port-related services that the Company may provide to Rizhao Port Group from time to time.

On 23 February 2021 (after trading hours), the Company entered into the Shandong Port International Trade Rizhao Company Framework Agreement with Shandong Port International Trade Rizhao Company, pursuant to which the Company agreed to provide stevedoring services and cargo supervision services to Shandong Port International Trade Rizhao Company and other port-related services that the Company may provide to Shandong Port International Trade Rizhao Company from time to time.

II. Principal terms of Shandong Port International Trade Rizhao Company Framework Agreement

The principal terms of the Shandong Port International Trade Rizhao Company Framework Agreement are set out as follows:

Date

23 February 2021

LETTER FROM THE BOARD

Parties

- (a) The Company; and
- (b) Shandong Port International Trade Rizhao Company (for itself and on behalf of its subsidiaries).

Term

The term of the Shandong Port International Trade Rizhao Company Framework Agreement will commence upon the conclusion of the EGM and end on 31 December 2023, subject to early termination by the Company giving at least 6 months' prior written notice to Shandong Port International Trade Rizhao Company. The Shandong Port International Trade Rizhao Company Framework Agreement can be renewed or extended upon written agreement by the parties, provided that the requirements under the relevant laws and regulations and the Listing Rules are complied with.

Nature of transaction

Pursuant to the Shandong Port International Trade Rizhao Company Framework Agreement, the Company agreed to provide stevedoring services and cargo supervision services to Shandong Port International Trade Rizhao Company and other port-related services that the Company may provide to Shandong Port International Trade Rizhao Company from time to time.

Pricing policy

The service fee rates in relation to the port-related services were determined by both parties through arm's length negotiation with reference to (a) the cost of the relevant services; and (b) the comparable service fee rate charged by the Company for such services provided for Independent Third Parties. The services to be provided by the Company include (a) stevedoring services and cargo supervision services, which shall be charged based on the weight of the cargoes; and (b) storage services, which shall be charged based on the weight of the cargoes and the number of days the cargoes are stored in the Company's storage yard.

The Company will comply with the pricing policy and the internal control procedures when assessing and approving the terms and conditions of individual agreements to be entered into under the Shandong Port International Trade Rizhao Company Framework Agreement. For details of the internal control measures adopted by the Company to ensure that the continuing connected transactions contemplated under the Shandong Port International Trade Rizhao Company Framework Agreement are on normal commercial terms or better, please refer to the paragraph headed "Internal Control Measures" below in this circular.

LETTER FROM THE BOARD

III. Historical Amounts

The historical transaction amounts paid by Shandong Port International Trade Rizhao Company to the Company under the Port-related Service (Sale) Framework Agreement for each of the financial years ended 31 December 2018, 2019 and 2020 are listed below:

	For the years ended 31 December		
	2018	2019	2020
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	(audited)	(audited)	(audited)
Port-related services	<u>0</u>	<u>94,000</u>	<u>3,324,000</u>

IV. Proposed Annual Caps and Basis of Determination

The proposed annual caps for the transactions contemplated under the Shandong Port International Trade Rizhao Company Framework Agreement for the financial years ending 31 December 2021, 2022 and 2023 are set out as follows:

	For the years ending 31 December		
	2021	2022	2023
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Port-related services	<u>28,000,000</u>	<u>30,000,000</u>	<u>32,000,000</u>

The proposed annual caps for the amount payable by Shandong Port International Trade Rizhao Company to the Company were determined with reference to (a) the historical amount of fees paid by Shandong Port International Trade Rizhao Company to the Company for the provision of stevedoring services and cargo supervision services; and (b) the anticipated demand for such services, taking into account the anticipated growth and development of the scale and operations of the businesses of Shandong Port International Trade Rizhao Company and its development of potential new clients.

The Shandong Port International Trade Rizhao Company Annual Caps represented a significant increase as compared to the historical transaction amounts for the three years ended 31 December 2020. Such increase was mainly due to the anticipated growth and development of the scale and operations of the businesses of Shandong Port International Trade Rizhao Company and the anticipated increase in the demand for port-related services arising therefrom.

LETTER FROM THE BOARD

The Shandong Port International Trade Rizhao Company Annual Caps were calculated by the estimated amounts for stevedoring services for the three years ending 31 December 2023, which comprised estimated stevedoring income, estimated storage income from storage yard and estimated demand for cargo supervision services and the calculation is as follows:

- (a) the estimated demand for stevedoring services of RMB28.00 million for the year ending 31 December 2021 was calculated by the aggregate of (i) the estimated stevedoring income of RMB22.50 million; (ii) the estimated storage income from storage yard of RMB4.50 million; and (iii) the estimated demand for cargo supervision services of RMB1.00 million;
- (b) the estimated demand for stevedoring services of RMB30.00 million for the year ending 31 December 2022 was calculated by the aggregate of (i) the estimated stevedoring income of RMB24.75 million; (ii) the estimated storage income from storage yard of RMB4.25 million; and (iii) the estimated demand for cargo supervision services of RMB1.00 million; and
- (c) the estimated demand for stevedoring services of RMB32.00 million for the year ending 31 December 2023 was calculated by the aggregate of (i) the estimated stevedoring income of RMB27.00 million; (ii) the estimated storage income from storage yard of RMB4.00 million; and (iii) the estimated demand for cargo supervision services of RMB1.00 million.

The estimated stevedoring income of RMB22.50 million for the year ending 31 December 2021 was calculated by the product of (i) the estimated cargo throughput (the “**Throughput**”) of approximately 0.50 million tonnes; and (ii) estimated service fee of RMB45 per tonne. The Company estimated that the cargo throughput would increase to approximately 0.55 million tonnes and approximately 0.60 million tonnes for each of the years ending 31 December 2022 and 2023, respectively. Such increases were due to the anticipated growth and development of the scale and operations of the businesses of Shandong Port International Trade Rizhao Company.

The estimated storage income from storage yard was calculated by the product of (i) estimated demand for storage capacity; and (ii) service fee rates.

The estimated demand for cargo supervision services of approximately RMB1.00 million for each of the three years ending 31 December 2023 was calculated by the aggregate of (i) historical demand for cargo supervision services for the year ended 31 December 2020 (i.e. the product of historical business volume and the service fee rate); and (ii) estimated additional demand for cargo supervision services arising from Shandong Port International Trade Rizhao Company (i.e. the product of Throughput and the estimated service fee rate).

LETTER FROM THE BOARD

V. Information of the Parties

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.

Shandong Port International Trade Rizhao Company, a company established in the PRC with limited liability, is primarily engaged in iron ore, coal, coke, wood, petroleum coke, dried tapioca, soybean, corn, asphalt, fuel oil, refined oil and other domestic and foreign trade business. Shandong Port International Trade Rizhao Company is a non-wholly owned subsidiary of Shandong Port International Trade, which is a wholly-owned subsidiary of Shandong Port Group, a state-owned enterprise ultimately controlled by Shandong SASAC, which is an institution directly under Shandong Provincial Government.

VI. Reasons for and the Benefits of Entering into the Shandong Port International Trade Rizhao Company Framework Agreement

The original transactions with Shandong Port International Trade Rizhao Company were covered under the Port-related Service (Sale) Framework Agreement since Shandong Port International Trade Rizhao Company was originally a wholly-owned subsidiary of Rizhao Port Group. At the end of 2020, upon completion of the acquisition of 51% equity interest in Shandong Port International Trade Rizhao Company by Shandong Port International Trade, Shandong Port International Trade Rizhao Company became the subsidiary of Shandong Port International Trade. Hence, the Company entered into the Shandong Port International Trade Rizhao Company Framework Agreement with Shandong Port International Trade Rizhao Company with the intention to continue the business relationship with Shandong Port International Trade Rizhao Company to provide stevedoring services and relevant cargo supervision services. Since the completion of the acquisition, the Company has not provided any port-related services to Shandong Port International Trade Rizhao Company.

The terms of the Shandong Port International Trade Rizhao Company Framework Agreement have been arrived at after arm's length negotiations between the parties. The Directors (excluding all the independent non-executive Directors who will give their opinion based on the recommendations from the Independent Financial Adviser) have confirmed that the terms of the Shandong Port International Trade Rizhao Company Framework Agreement (including the Shandong Port International Trade Rizhao Company Annual Caps) and the transactions contemplated under thereunder are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Company, and are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

None of the Directors has any material interest in the Shandong Port International Trade Rizhao Company Framework Agreement and the transactions contemplated thereunder, and none of the Directors was required to abstain from voting on the board resolutions approving the Shandong Port International Trade Rizhao Company Framework Agreement and the transactions contemplated thereunder.

VII. Listing Rules Implications

As at the Latest Practicable Date, Shandong Port International Trade Rizhao Company (i) is a non-wholly owned subsidiary of and is held as to 51% by Shandong Port International Trade, which is a wholly-owned subsidiary of Shandong Port Group, a controlling shareholder of the Company; and (ii) is held as to 49% by Rizhao Port Group, which is a controlling shareholder of the Company. Accordingly, Shandong Port International Trade Rizhao Company is an associate of Shandong Port Group and Rizhao Port Group pursuant to Rule 14A.13(1) and Rule 14A.13(3) of the Listing Rules, respectively, and therefore a connected person of the Company under the Listing Rules.

Since (i) the nature of services under the Port-related Service (Sale) Framework Agreement and the Shandong Port International Trade Rizhao Company Framework Agreement is the same and (ii) Shandong Port International Trade Rizhao Company is an associate of Rizhao Port Group pursuant to Rule 14A.13(3) of the Listing Rules, the transactions contemplated under the Port-related Service (Sale) Framework Agreement and the Shandong Port International Trade Rizhao Company Framework Agreement shall be aggregated in accordance with Rules 14A.82(1) and 14A.83 of the Listing Rules for the purpose of calculating the applicable ratios under Chapter 14A of the Listing Rules. Accordingly, the annual caps in respect of the Port-related Service (Sale) Framework Agreement and the Shandong Port International Trade Rizhao Company Annual Caps shall be aggregated, and such aggregate amounts (the “**Aggregate Annual Caps**”) are used when calculating the applicable ratios under Chapter 14A of the Listing Rules.

Since the applicable ratios (as defined in Rule 14.07 of the Listing Rules) of the Aggregate Annual Caps are more than 5% on an annual basis, the entering into of the Shandong Port International Trade Rizhao Company Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company subject to reporting, annual review, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

Property Lease Second Supplemental Agreement and Property Lease Third Supplemental Agreement

I. Background

References are made to the Prospectus and the announcements of the Company dated 23 November 2020, 23 February 2021 and 19 April 2021 in relation to the Property Lease (Sale) Framework Agreement entered into on 24 May 2019, the Property Lease First Supplemental Agreement on 23 November 2020, the Property Lease Second Supplemental Agreement on 23 February 2021 and the Property Lease Third Supplemental Agreement on 19 April 2021 by the Company and Rizhao Port Group (for itself and on behalf of its subsidiaries). Pursuant to the Property Lease (Sale) Framework Agreement and the Property Lease First Supplemental Agreement, Rizhao Port Group agreed to lease from the Company the West-1 berth, West-2 berth and temporarily leased berths and other relevant properties from time to time.

On 23 February 2021 (after trading hours), the Company entered into the Property Lease Second Supplemental Agreement with Rizhao Port Group (for itself and on behalf of its subsidiaries) to add one more property, namely the West-6 berth (which was originally proposed to be used to store grains), and revise the annual caps under the Property Lease (Sale) Framework Agreement (as amended by the Property Lease First Supplemental Agreement) by inclusion of the proposed transactions of the lease of the West-6 berth.

On 19 April 2021 (after trading hours), the Company entered into the Property Lease Third Supplemental Agreement with Rizhao Port Group (for itself and on behalf of its subsidiaries) to change the expiry date of the Property Lease (Sale) Framework Agreement (as amended by the Property Lease First Supplemental Agreement and the Property Lease Second Supplemental Agreement) from 18 June 2022 to 31 December 2021, and the term thereof can be renewed or extended upon written agreement by the parties.

Save as disclosed in this circular, all other terms and conditions of the Property Lease (Sale) Framework Agreement (as amended by the Property Lease First Supplemental Agreement) remain unchanged.

LETTER FROM THE BOARD

II. Principal terms of Property Lease (Sale) Framework Agreement (as amended by the Property Lease Supplemental Agreements)

The principal terms of the Property Lease (Sale) Framework Agreement (as amended by the Property Lease Supplemental Agreements) are set out as follows:

Date

24 May 2019 (as amended by the Property Lease Supplemental Agreements)

Parties

- (a) The Company; and
- (b) Rizhao Port Group (for itself and on behalf of its subsidiaries).

Term

From 19 June 2019 to 31 December 2021 (which can be renewed or extended upon written agreement by the parties)

Nature of transaction

Pursuant to the Property Lease (Sale) Framework Agreement (as amended by the Property Lease Supplemental Agreements), Rizhao Port Group agreed to lease from the Company the West-1 berth, West-2 berth, West-6 berth and temporarily leased berths and other relevant properties from time to time.

Pricing policy

The rent in respect of the lease of the West-1 berth, West-2 berth and temporarily leased berths was determined by both parties through arm's length negotiation with reference to (a) area leased, geographic location and profile of the surrounding area; (b) historical rent; (c) Jones Lang LaSalle Corporate Appraisal and Advisory Limited's opinion on the fairness of the rent as at the execution period in 2019; and (d) depreciation costs of such assets plus an expected rate of return.

The rent in respect of the lease of the West-6 berth was calculated by both parties through arm's length negotiation with reference to the depreciation of the berth, land rent, interest on loan and the estimated current reasonable profit. The annual rent of the West-6 berth is estimated to be approximately RMB16.13 million. The actual rent commencing from the effective date of the Property Lease Second Supplemental Agreement to the end of 2021 is estimated to be approximately RMB14.5 million.

LETTER FROM THE BOARD

The rent in respect of the lease of the West-6 berth is not comparable to the rent in respect of the lease of the West-1 berth and West-2 berth because of the following reasons:

- (a) West-1 berth and West-2 berth are well-developed and equipped with a storage yard at the rear. As for West-6 berth, the reconstruction has not been completed and there is no storage yard at the rear and hence the area which can be utilised and the cargo types which can be handled in West-6 berth are not comparable to those in West-1 berth and West-2 berth.
- (b) West-1 berth and West-2 berth are multi-purpose berths and West-6 berth is expected to be developed into a bulk grain berth after the acquisition of the necessary equipment and machinery.
- (c) The major usage of West-1 berth, West-2 berth and West-6 berth is (i) containers and passengers, (ii) grains, woodchips and cargos from domestic trade, and (iii) bulk grain, respectively.
- (d) The lease of West-1 berth and West-2 berth are long-term lease arrangements while the lease of West-6 berth is expected to be a temporary lease arrangement under current situation.

The Company has not leased similar properties situated in the locality of the West-6 berth to Independent Third Parties. As such, there was no available information which could be referred to when determining the rent of West-6 berth. The Directors, after taking into consideration of the current situation, status of West-6 berth and the difference between (i) West-1 berth and West-2 berth and (ii) West-6 berth, determined the rent for West-6 berth according to its depreciation costs, land costs and interest on loan. As the consideration of acquisition of the West-6 berth was financed by proceeds from the Company's global offering and interest-bearing bank borrowing, the Directors made reference to previous finance cost (i.e. interest on loan) as estimated current reasonable profit as mentioned above.

Having considered that (i) the expected time to resume reconstruction work for West-6 berth; (ii) the transactions contemplated under the Property Lease Second Supplemental Agreement would bring economic benefit; (iii) the difficulty for the Company to seek lessee for a temporary lease with a relatively shorter lease duration; (iv) status of West-6 berth; and (v) additional cost for the acquisition of West-6 berth (i.e. interest on loan), the Company considers that the estimated current reasonable profit for West-6 berth (which was made with reference to the previous finance cost (i.e. interest on loan)) is reasonable.

On the basis of the foregoing, the Directors are of the view that the rent for West-6 berth are on normal commercial terms or better.

LETTER FROM THE BOARD

III. Historical Amounts

The historical transaction amounts under the Property Lease (Sale) Framework Agreement for each of the financial years ended 31 December 2018, 2019 and 2020 are listed below:

Property	For the years ended 31 December		
	2018	2019	2020
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	(audited)	(audited)	(audited)
West-1 berth and West-2 berth	7,264,000	7,418,000	7,282,000
Temporarily leased berths	<u>331,000</u>	<u>338,000</u>	<u>4,459,000</u>
Total	<u><u>7,595,000</u></u>	<u><u>7,756,000</u></u>	<u><u>11,741,000</u></u>

IV. Proposed Revised Annual Caps and Basis of Determination

The original annual caps for the transactions contemplated under the Property Lease (Sale) Framework Agreement (as amended by the Property Lease First Supplemental Agreement) for the financial year ending 31 December 2021 are set out as follows:

Property	For the year ending
	31 December 2021
	<i>RMB</i>
West-1 berth and West-2 berth	8,260,000
Temporarily leased berths	<u>5,000,000</u>
Total	<u><u>13,260,000</u></u>

LETTER FROM THE BOARD

The proposed revised annual caps for the transactions contemplated under the Property Lease (Sale) Framework Agreement (as amended by the Property Lease Supplemental Agreements), which include the lease of the West-6 berth, for the financial year ending 31 December 2021 are set out as follows:

	For the year ending 31 December 2021
Property	<i>RMB</i>
West-1 berth and West-2 berth	8,260,000
West-6 berth	14,500,000
Temporarily leased berths	<u>5,000,000</u>
Total	<u><u>27,760,000</u></u>

Save for such revision in the annual caps, the scope of services, the pricing policy and the expiry date, other terms of the Property Lease (Sale) Framework Agreement shall remain valid and in full force and effect. The Board confirms that as at the Latest Practicable Date, the transaction amounts under the Property Lease (Sale) Framework Agreement (as amended by the Property Lease First Supplemental Agreement) have not exceeded the existing annual caps for the transactions contemplated under the Property Lease (Sale) Framework Agreement (as amended by the Property Lease First Supplemental Agreement) for the financial year ending 31 December 2021.

The revision of existing annual caps for the transactions contemplated under the Property Lease Second Supplemental Agreement was mainly due to the estimated rent from the West-6 berth, which were determined with reference to the expected rental amount payable by Rizhao Port Group to the Company in respect of the lease of the West-6 berth.

V. Information of the Parties

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.

Rizhao Port Group, a company established in the PRC with limited liability, is principally engaged in port operations, logistics, construction, finance and trade. Rizhao Port Group is a direct wholly-owned subsidiary of Shandong Port Group, which is a state-owned enterprise ultimately controlled by Shandong SASAC, which is an institution directly under Shandong Provincial Government.

LETTER FROM THE BOARD

VI. Reasons for and the Benefits of Entering into the Property Lease Second Supplemental Agreement and the Property Lease Third Supplemental Agreement

As disclosed in the interim report of the Company for the six months ended 30 June 2020 published on 18 September 2020, the Company successfully acquired the West-6 berth in November 2019 and the berth reconstruction project was slightly delayed due to the impact of COVID-19 pandemic and market factors but the reconstruction of the West-6 berth was expected to move forward by the end of 2020 with further improvement of the pandemic control and gradual stabilisation of market development.

In the second half of 2020, global market remains uncertain with the recurring outbreak of COVID-19 pandemic. There had been slow progress in the reconstruction of the West-6 berth due to the COVID-19 pandemic and various market factors and as such the completion time of the berth reconstruction project is uncertain.

Taking into account (a) the uncertainty of the completion time of the West-6 berth reconstruction project due to the factors as discussed above; (b) the Company's aim to work out an appropriate arrangement to ensure suitable economic benefits to be accrued to the Company after the completion of the acquisition of the West-6 berth; and (c) the West-6 berth is currently equipped with port facilities specialised for container cargoes, the Board considers that entering into the Property Lease Second Supplemental Agreement to lease the West-6 berth as a temporary arrangement will enable the Company to establish an additional revenue stream such that economic benefits can be accrued to the Company in relation to the West-6 berth.

The lease of West-6 berth and temporarily leased berths will not cause any adverse material impact to the current business and operation of the Company but will generate revenue to the Company. As at the Latest Practicable Date, the Company will evaluate the need to renew the lease agreement with West-6 berth subject to the situation of COVID-19 pandemic and the market situation.

The entering into of the Property Lease Third Supplemental Agreement to change the expiry date of the Property Lease (Sale) Framework Agreement (as amended by the Property Lease First Supplemental Agreement and the Property Lease Second Supplemental Agreement) was the result of arm's length negotiations between the parties with a view to facilitating the renewal negotiation process expected to happen in the second half year of 2021 and the calculation of the proposed annual caps under the proposed renewal transactions.

LETTER FROM THE BOARD

The terms of the Property Lease (Sale) Framework Agreement (as amended by the Property Lease Supplemental Agreements) have been arrived at after arm's length negotiations between the parties. The Directors (excluding all the independent non-executive Directors who will give their opinion based on the recommendations from the Independent Financial Adviser) have confirmed that the transactions contemplated under the Property Lease (Sale) Framework Agreement (as amended by the Property Lease Supplemental Agreements) (including the Property Lease Annual Caps) are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Company, and are in the interests of the Company and the Shareholders as a whole.

None of the Directors has any material interest in the Property Lease Second Supplemental Agreement, the Property Lease Third Supplemental Agreement and the transactions contemplated thereunder, and none of the Directors was required to abstain from voting on the board resolutions approving the Property Lease Second Supplemental Agreement, the Property Lease Third Supplemental Agreement and the transactions contemplated thereunder.

VII. Listing Rules Implications

Rizhao Port Group is a controlling shareholder of the Company and hence is a connected person of the Company under the Listing Rules. Therefore, the entering into of the Property Lease (Sale) Framework Agreement, the Property Lease First Supplemental Agreement, the Property Lease Second Supplemental Agreement, the Property Lease Third Supplemental Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

According to Rule 14A.54 of the Listing Rules, if the Company proposes to revise the annual caps for its continuing connected transactions, the Company will be required to re-comply with the provisions of Chapter 14A of the Listing Rules applicable to the relevant continuing connected transactions.

As the change of the expiry date of the Property Lease (Sale) Framework Agreement (as amended by the Property Lease First Supplemental Agreement and the Property Lease Second Supplemental Agreement) constitutes a material change to the terms of the Property Lease (Sale) Framework Agreement (as amended by the Property Lease First Supplemental Agreement and the Property Lease Second Supplemental Agreement), the Company will be required to re-comply with the announcement and shareholders' approval requirements under Rule 14A.54 of the Listing Rules.

LETTER FROM THE BOARD

As the highest of all applicable percentage ratios in respect of the annual caps for the transactions contemplated the Property Lease (Sale) Framework Agreement as amended by the Property Lease Supplemental Agreements is higher than 5% on an annual basis, the entering into of the Property Lease Second Supplemental Agreement and the Property Lease Third Supplemental Agreement is subject to reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Internal Control Measures

The Company has established the following internal control measures to ensure that the pricing mechanism and the terms of the continuing connected transactions contemplated under the Shandong Port International Trade Rizhao Company Framework Agreement and the Property Lease (Sale) Framework Agreement (as amended by the Property Lease Supplemental Agreements) are fair and reasonable and no more favourable to the connected persons than the terms offered by the Company to the Independent Third Parties:

- (a) Before entering into any individual agreement under the Shandong Port International Trade Rizhao Company Framework Agreement, the staff of various departments (including Marketing Center, Securities Affairs Office) will review at least three contracts with Independent Third Parties and collect historical data of service fee rates charged by the Company for similar types of services provided for Independent Third Parties and (if any) the prevailing market service fee rates for the provision of similar types of services in the same or nearby service area by Independent Third Parties and further review and assess the specific terms and conditions of such individual agreements to ensure that (i) the individual agreements would be in accordance with the terms of the Shandong Port International Trade Rizhao Company Framework Agreement and the pricing policies of the Company; and (ii) the overall terms of the individual agreements are no more favourable to the connected persons than those which have been offered or to be offered by the Company to the Independent Third Parties;
- (b) Before entering into any individual property lease agreement under the Property Lease (Sale) Framework Agreement (as amended by the Property Lease Supplemental Agreements), the finance office and the internal audit office of the Company would review the terms of the proposed individual agreements and (if any) check the historical rent information and relevant cost (i.e. depreciation, land rent, interests on loan) to ensure that (i) the transactions would be conducted in accordance with the terms of the Property Lease (Sale) Framework Agreement (as amended by the Property Lease Supplemental Agreements) and the pricing policies of the Company; and (ii) the overall terms of the proposed transactions are no more favourable to the connected persons than those which have been offered or to be offered by the Company to the Independent Third Parties;

LETTER FROM THE BOARD

- (c) The finance office of the Company will perform half-yearly check on the transactions entered into under the Shandong Port International Trade Rizhao Company Framework Agreement and the Property Lease (Sale) Framework Agreement (as amended by the Property Lease Supplemental Agreements) to ensure compliance with pricing policies and that the Shandong Port International Trade Rizhao Company Annual Caps and Property Lease Annual Caps will not be exceeded;
- (d) The relevant department of the Company carrying out the specific connected transactions under the Shandong Port International Trade Rizhao Company Framework Agreement with Shandong Port International Trade Rizhao Company and the Property Lease (Sale) Framework Agreement (as amended by the Property Lease Supplemental Agreements) with Rizhao Port Group will closely monitor the actual transaction amounts on a monthly basis. If the actual transaction amounts reach approximately 85% of the Shandong Port International Trade Rizhao Company Annual Caps or Property Lease Annual Caps (as the case may be) at any time of the year, the relevant department will report to the senior management of the Company, which will seek advice from the audit committee of the Company, and the Board will consider taking appropriate measures to revise the Shandong Port International Trade Rizhao Company Annual Caps or Property Lease Annual Caps (as the case may be) and comply with the relevant announcement and/or shareholders' approval requirements in accordance with the Listing Rules;
- (e) The finance office of the Company will perform quarterly check on the transactions entered into under the Shandong Port International Trade Rizhao Company Framework Agreement and the Property Lease (Sale) Framework Agreement (as amended by the Property Lease Supplemental Agreements) and report to the audit committee of the Company and the Board to ensure that the the Shandong Port International Trade Rizhao Company Annual Caps or Property Lease Annual Caps (as the case may be) are not exceeded;
- (f) The Company will conduct internal control review and financial audit on an annual basis, financial monitoring and decision analysis on a half-yearly basis, so as to ensure that the terms of the Shandong Port International Trade Rizhao Company Framework Agreement and the Property Lease (Sale) Framework Agreement (as amended by the Property Lease Supplemental Agreements) and the pricing policies are complied with;
- (g) The auditors of the Company and the independent non-executive Directors will conduct annual review on the transactions entered into under the Shandong Port International Trade Rizhao Company Framework Agreement and the Property Lease (Sale) Framework Agreement (as amended by the Property Lease Supplemental Agreements) in accordance with the Listing Rules; and

LETTER FROM THE BOARD

- (h) The Company's internal audit office will focus on the above internal control measures as part of their ongoing work plan and will report to the audit committee of the Company and the Board on a quarterly basis.

3. EGM

The EGM will be held at 10:00 a.m. on Wednesday, 9 June 2021 at Office Building of Rizhao Port Jurong Co., Ltd. for the purpose of allowing Shareholders to consider and, if thought fit, approve the resolutions as set out in the Notice of EGM on pages 42 to 43 of this circular.

A form of proxy for use at the EGM are enclosed. Whether or not you are able to attend the EGM in person, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon. For holders of the H Shares, the form of proxy should be returned to the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, in any event not less than 24 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting should you so wish and in such event, the form of proxy shall be deemed to be revoked.

An Independent Board Committee comprising the independent non-executive Directors has been formed to advise the Independent Shareholders as to whether the terms of the Property Lease Second Supplemental Agreement, the Property Lease Annual Caps, the Property Lease Third Supplemental Agreement, the Shandong Port International Trade Rizhao Company Framework Agreement, the Shandong Port International Trade Rizhao Company Annual Caps and the transactions contemplated thereunder are fair and reasonable and are in the interests of the Company and its Shareholders as a whole, and to advise the Independent Shareholders as to how to vote at the EGM.

The Independent Financial Adviser, Gram Capital Limited, has been appointed to advise the Independent Board Committee and the Independent Shareholders in this respect.

As at the Latest Practicable Date, Rizhao Port Group and its associates are 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 Property Lease Second Supplemental Agreement, the Property Lease Annual Caps, the Property Lease Third Supplemental Agreement, the Shandong Port International Trade Rizhao Company Framework Agreement, the Shandong Port International Trade Rizhao Company Annual Caps and the transactions contemplated thereunder at the EGM.

LETTER FROM THE BOARD

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 Property Lease Second Supplemental Agreement, the Property Lease Annual Caps, the Property Lease Third Supplemental Agreement, the Shandong Port International Trade Rizhao Company Framework Agreement, the Shandong Port International Trade Rizhao Company Annual Caps and the transactions contemplated thereunder at the EGM.

5. CLOSURE OF REGISTER OF MEMBERS

In order to determine the holders of H Shares who will be entitled to attend the EGM, the register of members of the Company will be closed from Monday, 10 May 2021 to Wednesday, 9 June 2021 (both days inclusive), during which period no transfer of Shares will be registered. In order for the holders of H Shares to qualify for attending the EGM, all completed share transfer documents accompanied by the relevant share certificates must be lodged with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, and in any case no later than 4:30 p.m. on Friday, 7 May 2021.

6. VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, all resolutions put forward at the EGM will be voted on by poll except where the chairman of the meeting, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Poll results will be announced by the Company in accordance with Rule 13.39(5) of the Listing Rules after the EGM.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, there is (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon any Shareholders; and (ii) no obligation or entitlement of any Shareholder as at the Latest Practicable Date, whereby it/he has or may have temporarily or permanently passed control over the exercise of the voting right in respect of its/his Shares to a third party, either generally or on a case-by-case basis.

7. RECOMMENDATIONS

The Board (including the independent non-executive Directors whose views have been set out in this circular after taking into consideration the advice of the Independent Financial Adviser) is of the view that: (i) the Property Lease Second Supplemental Agreement, the Property Lease Third Supplemental Agreement, the Shandong Port International Trade Rizhao Company Framework Agreement and the transactions contemplated thereunder are entered into in the ordinary and usual course of business of the Company, on normal commercial terms, which are fair and reasonable

LETTER FROM THE BOARD

and in the interest of the Company and the Shareholders as a whole; and (ii) the Property Lease Annual Caps and the Shandong Port International Trade Rizhao Company Annual Caps are fair and reasonable and in the interest of the Company and the Shareholders as a whole. Accordingly, the Board (including the independent non-executive Directors) recommends the Independent Shareholders to vote in favour of the resolutions for approving the Property Lease Second Supplemental Agreement, the Property Lease Annual Caps, the Property Lease Third Supplemental Agreement, the Shandong Port International Trade Rizhao Company Framework Agreement, the Shandong Port International Trade Rizhao Company Annual Caps and the transactions contemplated thereunder.

8. FURTHER INFORMATION

Your attention is also drawn to the letter from the Independent Board Committee set out on pages 20 to 21 of this circular, the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 22 to 37 of this circular, the additional information as set out in the appendix to this circular and the notice of the EGM.

Yours faithfully,
By Order of the Board
Rizhao Port Jurong Co., Ltd.
Wang Yufu
Chairman



(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 6117)

23 April 2021

To the Independent Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS:
(1) SHANDONG PORT INTERNATIONAL TRADE RIZHAO COMPANY
FRAMEWORK AGREEMENT;
AND
(2) AMENDMENTS TO THE PROPERTY LEASE (SALE)
FRAMEWORK AGREEMENT**

We refer to the circular dated 23 April 2021 (the “**Circular**”) issued by the Company to its Shareholders of which this letter forms part. Terms defined in the Circular shall have the same meanings herein unless the context otherwise requires.

We have been appointed as the Independent Board Committee to consider and to advise the Independent Shareholders on the terms of the Property Lease Second Supplemental Agreement (including the Property Lease Annual Caps), the Property Lease Third Supplemental Agreement, the Shandong Port International Trade Rizhao Company Framework Agreement (including the Shandong Port International Trade Rizhao Company Annual Caps) and the transactions contemplated thereunder as set out in the Circular as to the fairness and reasonableness and to recommend whether or not the Independent Shareholders should approve the Property Lease Second Supplemental Agreement, the Property Lease Annual Caps, the Property Lease Third Supplemental Agreement, the Shandong Port International Trade Rizhao Company Framework Agreement, the Shandong Port International Trade Rizhao Company Annual Caps and the transactions contemplated thereunder as set out in the Circular. Gram Capital Limited has been appointed as the Independent Financial Adviser to provide advice and recommendation to the Independent Board Committee and the Independent Shareholders in this regard. Details of the independent advice of the Independent Financial Adviser, together with the principal factors and reasons the Independent Financial Adviser has taken into consideration, are set out in pages 22 to 37 of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We wish to draw your attention to the Letter from the Board and the Letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders which contains its advice to us in respect of the Property Lease Second Supplemental Agreement, the Property Lease Annual Caps, the Property Lease Third Supplemental Agreement, the Shandong Port International Trade Rizhao Company Framework Agreement, the Shandong Port International Trade Rizhao Company Annual Caps and the transactions contemplated thereunder. Your attention is also drawn to the additional information set out in the appendix to the Circular.

Having considered the terms of the Property Lease Second Supplemental Agreement (including the Property Lease Annual Caps), the Property Lease Third Supplemental Agreement, the Shandong Port International Trade Rizhao Company Framework Agreement (including the Shandong Port International Trade Rizhao Company Annual Caps) and the transactions contemplated thereunder, the advice and recommendation of the Independent Financial Adviser and the relevant information contained in the Letter from the Board, we are of the view that: (i) the Property Lease Second Supplemental Agreement, the Property Lease Third Supplemental Agreement, the Shandong Port International Trade Rizhao Company Framework Agreement and the transactions contemplated thereunder are entered into in the ordinary and usual course of business of the Company, on normal commercial terms, which are fair and reasonable and in the interest of the Company and the Shareholders as a whole; and (ii) the Property Lease Annual Caps and the Shandong Port International Trade Rizhao Company Annual Caps are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolutions at the EGM so as to approve the Property Lease Second Supplemental Agreement, the Property Lease Annual Caps, the Property Lease Third Supplemental Agreement, the Shandong Port International Trade Rizhao Company Framework Agreement, the Shandong Port International Trade Rizhao Company Annual Caps and the transactions contemplated thereunder.

Your faithfully,

The Independent Board Committee of

Rizhao Port Jurong Co., Ltd.

Mr. ZHANG Zixue, *Independent non-executive Director*

Mr. WU Xibin, *Independent non-executive Director*

Mr. LEE Man Tai, *Independent non-executive Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Transactions for the purpose of inclusion in this circular.



Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

23 April 2021

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

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of (i) the Property Lease Second Supplemental Agreement, the Property Lease Annual Caps (the “**Lease Transactions**”); and (ii) transactions contemplated under the Shandong Port International Trade Rizhao Company Framework Agreement (the “**Port-related Services**”, together with the Lease Transactions, the “**Transactions**”), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 23 April 2021 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 23 February 2021 (after trading hours), the Company entered into the Shandong Port International Trade Rizhao Company Framework Agreement with Shandong Port International Trade Rizhao Company, pursuant to which the Company agreed to provide stevedoring services and cargo supervision services to Shandong Port International Trade Rizhao Company and other port-related services that the Company may provide to Shandong Port International Trade Rizhao Company from time to time.

On the even date, the Company the Company entered into the Property Lease Second Supplemental Agreement with Rizhao Port Group (for itself and on behalf of its subsidiaries) to add one more property, namely the West-6 berth, and revise the annual caps under the Property Lease (Sale) Framework Agreement (as amended by the Property Lease First Supplemental Agreement) by inclusion of the proposed transactions of the lease of the West-6 berth.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

On 19 April 2021, the Company entered into the Property Lease Third Supplemental Agreement with Rizhao Port Group (for itself and on behalf of its subsidiaries) to change the expiry date of the Property Lease (Sale) Framework Agreement (as amended by the First Supplemental Agreement and the Second Supplemental Agreement) from 18 June 2022 to 31 December 2021, and the term thereof can be renewed or extended upon written agreement by the parties.

With reference to the Board Letter, the Transactions constitute continuing connected transactions of the Company and are subject to the reporting, annual review, announcement and independent shareholders' approval requirements for continuing connected transactions under Chapter 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 Transactions are on normal commercial terms and are fair and reasonable; (ii) whether the Transactions are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolutions to approve the Transactions 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

We were not aware of any relationships or interests between Gram Capital and the Company during the past two years immediately preceding the Latest Practicable Date, or any other parties that could be reasonably regarded as hindrance to Gram Capital's independence to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Transactions. 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 Hong Kong 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, Rizhao Port Group, Shandong Port International Trade Rizhao Company and each of their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Transactions. 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 Transactions, we have taken into consideration the following principal factors and reasons:

1. BACKGROUND

Information on the Group

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.

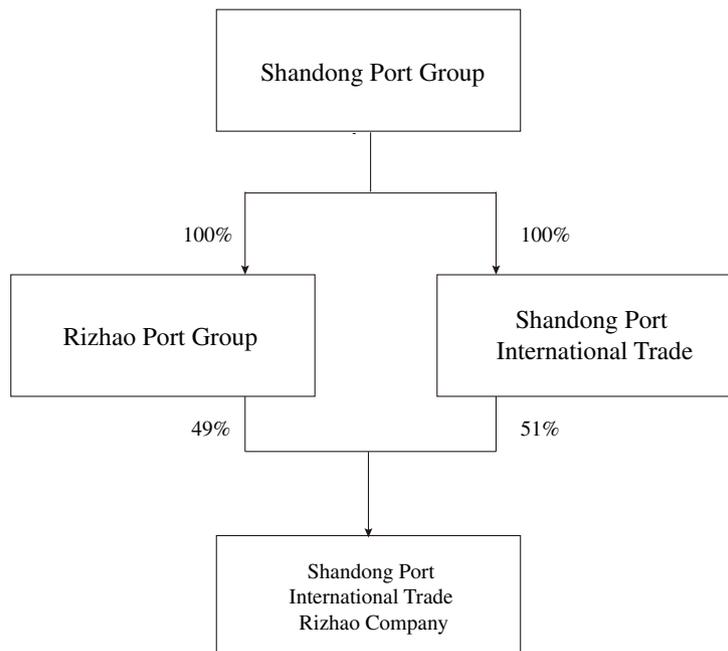
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

A. PORT-RELATED SERVICES

Information on Shandong Port International Trade Rizhao Company

Shandong Port International Trade Rizhao Company, a company established in the PRC with limited liability, is primarily engaged in iron ore, coal, coke, wood, petroleum coke, dried tapioca, soybean, corn, asphalt, fuel oil, refined oil and other domestic and foreign trade business. Shandong Port International Trade Rizhao Company is a non-wholly owned subsidiary of Shandong Port International Trade, which is a wholly-owned subsidiary of 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 Port Group is the controlling Shareholder of the Company.

According to public information, the relationship between Shandong Port Group and Shandong Port International Trade Rizhao Company is set out as follows:



Reasons for and benefits of the Port-related Services

With reference to the Board Letter, the original transactions with Shandong Port International Trade Rizhao Company were covered under the Port-related Service (Sale) Framework Agreement since Shandong Port International Trade Rizhao Company was originally a wholly-owned subsidiary of Rizhao Port Group. At the end of 2020, upon completion of the acquisition of 51% equity interest in Shandong Port International Trade Rizhao Company by Shandong Port International Trade, Shandong Port International Trade Rizhao Company became the subsidiary of Shandong Port International Trade. Hence, the Company entered into the Shandong Port International Trade

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Rizhao Company Framework Agreement with Shandong Port International Trade Rizhao Company with the intention to continue the business relationship with Shandong Port International Trade Rizhao Company to provide port-related services.

Furthermore, as confirmed by the Directors, the Shandong Port International Trade Rizhao Company Framework Agreement is entered into in the ordinary and usual course of business of the Group and on a frequent and regular basis. As such, it would be costly and impracticable to make regular disclosure of each of the relevant transactions and obtain the prior approval from the Independent Shareholders, as required by the Listing Rules, if necessary. Accordingly, the Directors are of the view that the entering into of the Shandong Port International Trade Rizhao Company Framework Agreement will be beneficial to the Company and the Shareholders as a whole.

Having considered the above factors, we consider that the Port-related Services are conducted in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole.

Principal terms of the Port-related Services

Summarised below are the major terms of the Port-related Services, details of which are set out under the section headed “Shandong Port International Trade Rizhao Company Framework Agreement” of the Board Letter:

Date

23 February 2021

Parties

- (i) the Company; and
- (ii) Shandong Port International Trade Rizhao Company (for itself and on behalf of its subsidiaries)

Nature of transaction

Pursuant to the Shandong Port International Trade Rizhao Company Framework Agreement, the Company agreed to provide stevedoring services and cargo supervision services to Shandong Port International Trade Rizhao Company and other port-related services that the Company may provide to Shandong Port International Trade Rizhao Company from time to time.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Pricing policy

The service fee rates in relation to the port-related services were determined by both parties through arm's length negotiation with reference to (a) the cost of the relevant services; and (b) the comparable service fee rate charged by the Company for such services provided for Independent Third Parties.

Having considered that the original transactions with Shandong Port International Trade Rizhao Company were covered under the Port-related Service (Sale) Framework Agreement since Shandong Port International Trade Rizhao Company was originally a wholly-owned subsidiary of Rizhao Port Group, we therefore decided to compare the pricing terms between provision of port-related services to Shandong Port Group/its subsidiaries and Independent Third Parties.

For our due diligence purpose, we obtained four contracts/invoices in respect of the provision of port-related services to (i) Shandong Port Group's subsidiaries; and (ii) Independent Third Parties. We noted from the aforesaid contracts and invoices that for comparable port-related services, service fee rates charged by the Company to Shandong Port Group's subsidiaries were not lower than those charged by the Company to Independent Third Parties.

With reference to the Board Letter, the Group has established the certain internal control measures to ensure the pricing mechanism and the terms of the continuing connected transactions contemplated under the Shandong Port International Trade Rizhao Company Framework Agreement being fair and reasonable and no more favourable to the Company than the terms offered to the Company from Independent Third Parties, details of which are set out under the section headed "Internal Control Measures" of the Board Letter. We consider that the effectiveness of implementation of the internal control measures will ensure the fair pricing of the Port-related Services.

Having considered our findings above, we do not doubt the effectiveness of implementation of the methods and procedures.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Proposed annual caps

Set out below are (i) historical transaction amounts paid by Shandong Port International Trade Rizhao Company to the Company under the Port-related Service (Sale) Framework Agreement for each of the financial years ended 31 December 2019 and 2020; and (ii) Shandong Port International Trade Rizhao Company Annual Caps for the financial years ending 31 December 2021, 2022 and 2023:

	For the year ended 31 December 2019	For the year ended 31 December 2020	
	<i>Approximate</i>	<i>Approximate</i>	
	<i>RMB'000</i>	<i>RMB'000</i>	
	(audited)	(audited)	
Historical transaction amounts	94	3,324	
	For the year ending 31 December 2021	For the year ending 31 December 2022	For the year ending 31 December 2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Proposed annual caps	28,000	30,000	32,000

The basis for determining Shandong Port International Trade Rizhao Company Annual Caps for the three years ending 31 December 2023 are set out under sub-section headed “Proposed Annual Caps and Basis of Determination” of section headed “Shandong Port International Trade Rizhao Company Framework Agreement” of the Board Letter.

We noted that the Shandong Port International Trade Rizhao Company Annual Cap for the year ending 31 December 2021 represented a significant increase as compared to the historical transaction amounts for the year ended 31 December 2020. As advised by the Directors, such increase was mainly due to the anticipated increase in the demand for port-related services arising from Shandong Port International Trade Rizhao Company.

Upon our request, the Directors provided us the calculation for the Shandong Port International Trade Rizhao Company Annual Caps for the three years ending 31 December 2023. We noted that the Shandong Port International Trade Rizhao Company Annual Caps were calculated by the estimated amounts for stevedoring services for the three years ending 31 December 2023, which comprised estimated stevedoring income, estimated storage income from storage yard and estimated demand for cargo supervision services.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

According to the calculation,

- (a) the estimated demand for stevedoring services of RMB28.00 million for the year ending 31 December 2021 was calculated by the aggregate of (i) the estimated stevedoring income of RMB22.50 million; (ii) the estimated storage income from storage yard of RMB4.50 million; and (iii) the estimated demand for cargo supervision services of RMB1.00 million;
- (b) the estimated demand for stevedoring services of RMB30.00 million for the year ending 31 December 2022 was calculated by the aggregate of (i) the estimated stevedoring income of RMB24.75 million; (ii) the estimated storage income from storage yard of RMB4.25 million; and (iii) the estimated demand for cargo supervision services of RMB1.00 million; and
- (c) the estimated demand for stevedoring services of RMB32.00 million for the year ending 31 December 2023 was calculated by the aggregate of (i) the estimated stevedoring income of RMB27.00 million; (ii) the estimated storage income from storage yard of RMB4.00 million; and (iii) the estimated demand for cargo supervision services of RMB1.00 million.

The estimated stevedoring income of RMB22.50 million during 2021 was calculated by the product of (i) the estimated cargo throughput (the “**Throughput**”) of approximately 0.50 million tonnes; and (ii) estimated service fee of RMB45 per tonne. As advised by the Directors, based on their understanding, (i) an independent third party client (the “**End Client**”) proposed to engage Shandong Port International Trade Rizhao Company to provide stevedoring services for the three years ending 31 December 2023; (ii) Shandong Port International Trade Rizhao Company will further entrust the Company to provide aforesaid services; and (iii) services fees which shall be entitled to the Company will be settled between the Group and Shandong Port International Trade Rizhao Company. Upon our further request, the Directors provided us a document from the End Client, showing the End Client’s information and its over 2,000 tonnes daily processing capacity. Therefore, we consider the Throughput to be justifiable.

We also obtained four contracts in total entered into by the Company in respect of the provision of stevedoring services and noted that the service fee amounted to RMB38.5 per tonne. Accordingly, we consider the estimated service fee of RMB45 per tonne to be justifiable.

As advised by the Directors, the Company estimated that the cargo throughput would increase to approximately 0.55 million tonnes and approximately 0.60 million tonnes for each of the years ending 31 December 2022 and 2023, respectively. Such increases were due to the anticipated growth and development of the scale and operations of the businesses of Shandong Port International Trade Rizhao Company. We consider the increased cargo throughput (represented a 10% increase for the year ending 31 December 2022 and a 9% increase for the year ending 31 December 2023 as compared to estimated cargo throughput in respective prior year) to be acceptable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We understood from the Directors that the estimated storage income from storage yard was calculated by the product of (i) estimated demand for storage capacity; and (ii) service fee rates. Upon our request, we obtained the aforesaid calculation of estimated income from use of storage yard.

As further advised by the Directors, the estimated demand for cargo supervision services of approximately RMB1.00 million for each of the three years ending 31 December 2023 was calculated by the aggregate of (i) historical demand for cargo supervision services for the year ended 31 December 2020 (i.e. the product of historical business volume and the service fee rate); and (ii) estimated additional demand for cargo supervision services arising from Shandong Port International Trade Rizhao Company (i.e. the product of Throughput and the estimated service fee rate). For our due diligence purpose, we obtained a contract entered into by the Company in respect of cargo supervision services and noted that the service fee rate adopted in the estimation was the same as the service fee rate as set out in the contract.

Shareholders should note that as the Shandong Port International Trade Rizhao Company Annual Caps are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2023, and they do not represent forecasts of revenue/income to be generated from the Port-related Services. Consequently, we express no opinion as to how closely the actual revenue/income to be generated from the Port-related Services will correspond with the Shandong Port International Trade Rizhao Company Annual Caps.

B. THE LEASE TRANSACTIONS

Information on Rizhao Port Group

With reference to the Board Letter, Rizhao Port Group, a company established in the PRC with limited liability, is principally engaged in port operations, logistics, construction, finance and trade. Rizhao Port Group is a direct wholly-owned subsidiary of Shandong Port Group, which is a state-owned enterprise ultimately controlled by Shandong Provincial State-owned Assets Supervision and Administration Commission. As at the Latest Practicable Date, Shandong Port Group is the controlling Shareholder of the Company.

Reasons for and benefit of the Lease Transactions

As disclosed in the interim report of the Company for the six months ended 30 June 2020, the Company successfully acquired the West-6 berth in November 2019 and the berth reconstruction project was slightly delayed due to the impact of COVID-19 pandemic and market factors but the reconstruction of the West-6 berth was expected to move forward by the end of 2020 with further improvement of the pandemic control and gradual stabilisation of market development.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In the second half of 2020, global market remains uncertain with the recurring outbreak of COVID-19 pandemic. There had been continuous delay in the reconstruction of the West-6 berth due to the COVID-19 pandemic and various market factors and as such the completion time of the berth reconstruction project is uncertain.

Taking into account (a) the uncertainty of the completion time of the West-6 berth reconstruction project due to the factors as discussed above, (b) the Company's aim to work out an appropriate arrangement to ensure suitable economic benefits to be accrued to the Company after the completion of the acquisition of the West-6 berth, and (c) the West-6 berth is currently equipped with port facilities specialised for container cargoes, the Board considers that entering into the Property Lease Second Supplemental Agreement to lease the West-6 berth as a temporary arrangement will enable the Company to establish an additional revenue stream such that economic benefits can be accrued to the Company in relation to the West-6 berth.

As further advised by the Directors, the reconstruction work for West-6 berth was expected to resume in 2022. The West-6 berth, if not leased by the Group, could not generate any economic benefit during the idle period. In addition, based on the Directors' understanding, it would be difficult for the Group to seek lessee who is willing to temporarily lease the Group's berth with a relative shorter lease duration.

In view of the above, in particular the expected time to resume reconstruction work for West-6 berth, the Lease Transactions would bring economic benefit and the difficulty for the Group to seek lessee for the temporarily lease with a relative shorter lease duration, we concur with the Directors that the Lease Transactions are conducted in the ordinary and usual course of business of the Group and the Lease Transactions are in the interests of the Company and the Shareholders as a whole.

Principal terms of the Lease Transactions

The following table summarizes the principal terms of the Lease Transactions, details of which are set out under the section headed "Property Lease Second Supplemental Agreement and Property Lease Third Supplemental Agreement" of the Board Letter:

Date

23 February 2021

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Parties

- (i) the Company; and
- (ii) Rizhao Port Group (for itself and on behalf of its subsidiaries)

Term

From 19 June 2019 to 31 December 2021 (which can be renewed or extended upon written agreement by the parties)

Nature of transaction

Pursuant to the Property Lease (Sale) Framework Agreement (as further amended by the Property Lease Second Supplemental Agreement), Rizhao Port Group agreed to lease from the Company the West-1 berth, West-2 berth, West-6 berth and temporarily leased berths and other relevant properties from time to time.

Pricing policy

The rent in respect of the lease of the West-1 berth, West-2 berth and temporarily leased berths was determined by both parties through arm's length negotiation with reference to (a) area leased, geographic location and profile of the surrounding area; (b) historical rent; (c) Jones Lang LaSalle Corporate Appraisal and Advisory Limited's opinion on the fairness of the rent as at the execution period in 2019 (the "**Fairness Opinion**"); and (d) depreciation costs of such assets plus an expected rate of return.

For our due diligence purpose, we obtained (i) the contract entered into between the Company's subsidiary and a connected person in respect of the lease of the West-1 berth, West-2 berth; and (ii) Jones Lang LaSalle Corporate Appraisal and Advisory Limited's opinion on the fairness of the rent as at the execution period in 2019. We noted from the Fairness Opinion that the rentals of the West-1 berth, West-2 berth were fair and reasonable as at the execution period in 2019 and represented the prevailing market rates for similar properties situated in the locality that were used for similar purposes in the PRC at relevant dates of leases.

The rent in respect of the lease of the West-6 berth was calculated by both parties through arm's length negotiation with reference to the depreciation of the berth, land rent, interest on loan and the estimated current reasonable profit.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As advised by the Directors, the Company could not find the leasing information of similar properties situated in the locality as compared to West-6 berth. In addition, the Directors, after taking into consideration of, among other things, berth status (West-1 berth and West-2 berth: well-developed and equipped with a storage yard at the rear; West-6 berth^(Note): reconstruction has not been completed and there is no storage yard at the rear), berth type (West-1 berth: multi-purpose; West-2 berth: multi-purpose; West-6 berth^(Note): bulk grain), major usage (West-1 berth: containers and passengers; West-2 berth: grains, woodchips and cargos from domestic trade; West-6 berth^(Note): bulk grain), expected duration of the lease (the duration of West-1 berth and West-2 berth is expected to be long-term lease arrangements; West-6 berth: a temporary lease arrangement under current situation), advised that the rent for West-6 berth was not comparable to the rents for West-1 berth and West-2 berth. As such, there was no available information which could be reference to when determining the rent of West-6 berth. Having also considered the current situation and status of West-6 berth, we concur with the Directors that rent for West-6 berth was not comparable to the rents for West-1 berth and West-2 berth.

The Directors, after taking into consideration of the current situation and status of West 6 berth, determined the rent for West-6 berth according to its depreciation costs, land costs and interest on loan. (Note: as mentioned above, the Company successfully acquired the West-6 berth in November 2019. As advised by the Directors, the consideration of acquisition was financed by proceeds from the Group's global offering and interest-bearing bank borrowing. As the Company bore finance cost for being the owner of West-6 berth, the Directors made reference to previous finance cost (i.e. interest on loan) as estimated current reasonable profit as mentioned above).

Having considered that (i) the expected time to resume reconstruction work for West-6 berth; (ii) the Lease Transactions would bring economic benefit; and (iii) the difficulty for the Group to seek lessee for the temporarily lease with a relative shorter lease duration, we consider the basis for determination of rent for West-6 berth to be acceptable. For our due diligence purpose, we obtained the calculation of the rent with relevant supporting documents. Details of our assessment of the rent was set out under the section headed "The revised annual caps" below.

With reference to the Board Letter, the Company has taken necessary internal control measures to (i) ensure that the pricing mechanism and the terms of the continuing connected transactions contemplated under the Property Lease (Sale) Framework Agreement (as amended by the Property Lease Supplemental Agreements) are fair and reasonable and no more favourable than the terms offered by the Company to independent third parties and (ii) strengthen the reporting and documentation systems of the Company, details of which are set out under the section headed "Internal Control Measures" of the Board Letter. We consider that the effectiveness of implementation of the internal control measures will ensure the fair pricing of the Leases Transactions.

Note: According to the Company's prospectus dated 31 May 2019, the Group planned to acquire the necessary equipment and machinery to develop the West-6 berth into a bulk grain berth.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The revised annual caps

The table below demonstrates the historical transaction amounts and existing annual cap for the year ended 31 December 2020, existing annual cap and the Property Lease Annual Caps for the year ending 31 December 2021:

	For the year ended 31 December 2020
	<i>Approximate RMB'000 (audited)</i>
Historical transaction amounts	11,741
Existing annual cap	12,760
<i>Utilisation rates (%)</i>	92.0%
	For the year ending 31 December 2021
	<i>RMB'000</i>
Existing annual cap	13,260.00
Revised annual cap	27,760.00

The basis for determining the Property Lease Annual Caps for the year ending 31 December 2021 are set out under sub-section headed “Proposed Revised Annual Caps and Basis of Determination” of section headed “Property Lease Second Supplemental Agreement and Property Lease Third Supplemental Agreement” of the Board Letter.

The Property Lease Annual Caps for the year ending 31 December 2021 represented a substantial increase as compared to the existing annual cap for the year ending 31 December 2021. As confirmed by the Directors, the difference between the Property Lease Annual Caps and existing annual cap for the year ending 31 December 2021 was the estimated rent for West-6 berth during 2021.

To assess the fairness and reasonableness of the estimated rent for West-6 berth during 2021, we obtained the calculation for such item, which comprised (i) estimated depreciation cost of West-6 berth during 2021; (ii) land cost for land occupied by the West-6 berth during 2021; and (iii) implied finance cost of West-6 berth during 2021.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The estimated depreciation cost was calculated based on the total value of West-6 berth (including but not limited to West-6 berth and relevant construction-in-progress (which was expected to complete in 2021)) and estimated remaining useful life of West-6 berth (in accounting treatment aspect). We understood from the Directors that the estimated remaining useful life of West-6 berth (in accounting treatment aspect) was in compliance with the Company's accounting policy requirements. In addition, we also obtained the calculation for estimated depreciation cost.

The land cost for land occupied by the west-6 berth (including related equipment) during 2021 was calculated based on the estimated unit cost and site area of such land. Upon our request, (i) the Directors advised us the size of such land; and (ii) we obtained a lease agreement entered into between the Company and Rizhao Port Group in 2011 for the lease of land occupied by and behind the Group's two other berths and water under such berths. We noted from the lease agreement that (i) the estimated unit cost was same as the unit cost for the lease of land occupied behind two berths as shown in the agreement; and (ii) the unit cost for the lease of land occupied behind the two berths is a fixed amount for the initial lease period of 20 years.

In addition, the Directors also adjusted the sum of estimated depreciation cost for West-6 berth and land cost on a pro rata basis according to the expected effective date of the Lease Transactions.

The implied finance cost of West-6 berth was based on the historical borrowing costs involving in the acquisition of West-6 berth. For our due diligence purpose, we obtained loan agreements in respect of the aforesaid borrowing and noted that the implied finance cost of West-6 berth is slightly less than the annual finance cost pursuant to the loan agreements. As also confirmed by the Directors, the Company repaid the historical borrowing and there was no other outstanding borrowing in respect of the acquisition of West-6 berth. Having considered that there was no outstanding borrowing in respect of the acquisition of West-6 berth, we consider the inclusion of the finance cost (value-added tax exclusion) will be beneficial to the Company.

We understood from the Directors that a buffer of approximately 4% was adopted in addition to the sum of (i) estimated depreciation cost; (ii) estimated land cost; and (iii) implied finance cost for the purpose of estimating the rent. Having considered that (i) the Directors determined and approved the revised cap in the end of 2020; and (ii) sum of estimated depreciation cost for West-6 berth and land cost was adjusted on a pro rata basis according to the expected effective date of the Lease Transactions; and (iii) the actual effective date may take place earlier before the effective date when determining and approving the revised cap, accordingly, we consider the buffer of 4% to be justifiable.

Based on the above, we consider the estimated rent for West-6 berth during 2021 to be reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As the only difference between the Property Lease Annual Caps and existing annual cap for the year ending 31 December 2021 is the estimated rent for West-6 berth during 2021, we consider that the Property Lease Annual Caps of RMB27,760,000 for the year ending 31 December 2021 to be fair and reasonable.

Shareholders should note that as the Property Lease Annual Caps are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2021, and they do not represent forecasts of revenue/income to be generated from the transactions contemplated under the Property Lease Second Supplemental Agreement. Consequently, we express no opinion as to how closely the actual revenue/income to be generated from the transactions contemplated under the Property Lease Second Supplemental Agreement will correspond with the Property Lease Annual Caps.

LISTING RULES IMPLICATIONS

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Listing Rules pursuant to which (i) the values of the Transactions must be restricted by respective revised/proposed annual caps; (ii) the terms of the of the Transactions must be reviewed by the independent non-executive Directors annually; (iii) details of independent non-executive Directors' annual review on the terms of the Transactions must be included in the Company's subsequent published annual reports and financial accounts.

Furthermore, it is also required by the Listing Rules that the auditors of the Company must provide a letter to the Board confirming, among other things, whether anything has come to their attention that causes them to believe that the Transactions (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group; (iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iv) have exceeded the annual caps.

In the event that the total amounts of the transactions contemplated under the Transactions are anticipated to exceed the revised/proposed annual caps, or that there is any proposed material amendment to the terms of the Transactions, as confirmed by the Directors, the Company shall comply with the applicable provisions of the Listing Rules governing continuing connected transactions.

Given the above stipulated requirements for continuing connected transactions pursuant to the Listing Rules, we are of the view that there are adequate measures in place to monitor the Transactions and thus the interest of the Independent Shareholders would be safeguarded.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

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

1. RESPONSIBILITY STATEMENT

This 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 herein or this circular misleading.

2. MATERIAL ADVERSE CHANGE

The Directors confirm that, as at the Latest Practicable Date, there had been no material adverse change in the financial or trading position of the Company since 31 December 2020, the date to which the latest published audited financial statements of the Company were made up.

3. DISCLOSURE OF INTERESTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

As at the Latest Practicable Date, none of the Directors, Supervisors and chief executive of the Company and their respective associates had any interests and/or short positions in the Shares, underlying Shares and debentures of the Company and its associated corporations which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they have taken or which they are deemed to have taken under such provisions of the SFO), or which were required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or otherwise required to be notified to the Company pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers under Appendix 10 of the Listing Rules.

As at the Latest Practicable Date, none of the other Directors, Supervisors and chief executive was a director, supervisor or employee of a company which had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

4. DIRECTORS' AND SUPERVISORS' EMPLOYMENT WITH SUBSTANTIAL SHAREHOLDER

As at the Latest Practicable Date, each of the following Directors and Supervisors is a director, supervisor or employee of the following companies, each of which has interests or short positions in the Shares and underlying Shares of equity derivatives or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

- (a) Mr. Wang Yufu, the chairman and non-executive Director, is the deputy general manager and member of party committee of Rizhao Port Group.
- (b) Mr. Ooi Boon Hoe, a non-executive Director, is the chief executive officer and director of Jurong Port.
- (c) Mr. Pay Cher Wee, a non-executive Director, is the chief financial officer of Jurong Port.
- (d) Mr. Li Weiqing, a Supervisor, is the director of legal audit department of Rizhao Port Group.
- (e) Mr. Tham Wai Kong, a Supervisor, is the legal and company secretariat of Jurong Port.

5. INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or controlling shareholders (as defined in the Listing Rules) and their respective close associates was interested in any business apart from the Company's business which competes or is likely to compete, either directly or indirectly, with the Company's businesses.

6. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors or Supervisors had any existing or proposed service contract with the Company (excluding contracts expiring or terminable by the employer within a year without payment of any compensation (other than statutory compensation)).

7. INTERESTS IN ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE COMPANY

As at the Latest Practicable Date, none of the Directors or Supervisors had any interest in any assets which have been, since 31 December 2020 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to the Company, or are proposed to be acquired or disposed of by or leased to the Company.

As at the Latest Practicable Date, none of the Directors or Supervisors was materially interested in any contract or arrangement subsisting at the date of this circular, which is significant in relation to the business of the Company.

8. EXPERT'S QUALIFICATION AND CONSENT

- (a) The following is the qualification of the expert who has given its opinion or advice which is contained in this circular:

Name	Qualifications
Gram Capital Limited	a licensed corporation under the SFO to carry on type 6 (advising on corporate finance) regulated activity

- (b) As at the Latest Practicable Date, Gram Capital Limited did not have any shareholding in the Company nor any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the Company.
- (c) Gram Capital Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and opinion dated 23 April 2021 and reference to its name in the form and context in which they appear.
- (d) The letter and recommendation given by Gram Capital Limited are given as at the date of this circular for incorporation herein.
- (e) As at the Latest Practicable Date, Gram Capital Limited has no direct or indirect interest in any assets which have been acquired or disposed of by, or leased to, or which are proposed to be acquired or disposed of by, or leased to, the Company since 31 December 2020, being the date to which the latest published audited accounts of the Company were made up.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copy of the following documents will be made available for inspection at the Company's principal place of business in Hong Kong at 40/F, Dah Sing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong during normal business hours on any weekday (except for public holidays) up to the date which is 14 days from the date of this circular:

- (a) the Property Lease Second Supplemental Agreement;
- (b) the Property Lease Third Supplemental Agreement;

- (c) the Shandong Port International Trade Rizhao Company Framework Agreement;
- (d) the letter from the Board dated 23 April 2021, the text of which is set out on pages 1 to 19 of this circular;
- (e) the letter from the Independent Board Committee dated 23 April 2021, the text of which is set out on pages 20 to 21 of this circular;
- (f) the letter from the Independent Financial Adviser dated 23 April 2021, the text of which is set out on pages 22 to 37 of this circular;
- (g) the letter of consent from the Independent Financial Adviser dated 23 April 2021 referred to in the above paragraph headed “8. Expert’s Qualifications and Consents” in this appendix;
- (h) a copy of this circular.

NOTICE OF EXTRAORDINARY GENERAL MEETING



日照港裕廊股份有限公司 Rizhao Port Jurong Co., Ltd.

(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 6117)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (“EGM”) of Rizhao Port Jurong Co., Ltd. (the “Company”) will be held at 10:00 a.m. on Wednesday, 9 June 2021 at Office Building of Rizhao Port Jurong Co., Ltd. for the purpose of considering and, if thought fit, passing the following resolutions. Unless otherwise indicated, capitalised terms used herein shall have the same meaning as those defined in the circular of the Company dated 23 April 2021 in relation to the EGM:

ORDINARY RESOLUTIONS

1. To consider and approve the Property Lease Second Supplemental Agreement, the Property Lease Annual Caps, the Property Lease Third Supplemental Agreement, and the transactions contemplated thereunder.
2. To consider and approve the Shandong Port International Trade Rizhao Company Framework Agreement, the Shandong Port International Trade Rizhao Company Annual Caps and the transactions contemplated thereunder.

By Order of the Board
Rizhao Port Jurong Co., Ltd.
Wang Yufu
Chairman

Rizhao, PRC, 23 April 2021

As at the date of this notice, the board of directors of the Company comprises Mr. Wang Yufu as Chairman and non-executive director of the Company; Mr. He Zhaodi as the executive director; Mr. Pay Cher Wee, Mr. Ooi Boon Hoe and Mr. Jiang Zidan as non-executive directors; and Mr. Zhang Zixue, Mr. Wu Xibin and Mr. Lee Man Tai as the independent non-executive directors.

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. All votes of resolutions at the EGM will be taken by poll pursuant to the Listing Rules and the results of the poll will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.rzportjurong.com) in accordance with the Listing Rules.
2. In order to determine the holders of H Shares who will be entitled to attend the EGM, the register of members of the Company will be closed from Monday, 10 May 2021 to Wednesday, 9 June 2021 (both days inclusive), during which period no transfer of Shares will be registered. In order for the holders of H Shares to qualify for attending the EGM, all completed share transfer documents accompanied by the relevant share certificates must be lodged with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, and in any case no later than 4:30 p.m. on Friday, 7 May 2021.
3. Any Shareholders entitled to attend and vote at the EGM can appoint one or more proxies to attend and, on a poll, vote on his/her behalf. A proxy need not be a shareholder.
4. The instrument appointing a proxy shall be in writing under the hand of the shareholder or of his/her attorney duly authorised in writing or, if the shareholder is a corporation, either under its common seal or under the hand of its directors or an attorney duly authorised in writing to sign the same. If that instrument is signed by an attorney of the Shareholder, the power of attorney authorising the attorney to sign, or other authorisation documents shall be notarised. The aforementioned documents must be lodged with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H Shares) or the office of the Board at South End, Haibin 5th Road, Rizhao City, Shandong Province, the PRC (for holders of Domestic Shares) not less than 24 hours before the time appointed for holding the EGM or any adjournment thereof in order for such documents to be valid. Completion and delivery of the form of proxy shall not preclude a Shareholder of the Company from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
5. Holders of H Shares who intend to attend the EGM by proxy are required to complete the proxy form in accordance with the instructions printed thereon and return the same to the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 24 hours before the time appointed for the holding of the EGM or any adjournment thereof.
6. If a proxy attends the EGM on behalf of a Shareholder, he/she should produce his/her identification document and the power of attorney or other documents signed by the appointer or his/her legal representative, which specifies the date of its issuance. If a representative of a corporate Shareholder attends the EGM, such representative shall produce his/her identification document and the notarised copy of the resolution passed by the board of directors or other authority or other notarised copy of any authorisation documents issued by such corporate Shareholder.
7. The contact of the Company:

Address: South End, Haibin 5th Road, Rizhao City, Shandong Province, the PRC
Telephone: +86 0633 7381 569
Fax: +86 0633 7381 530
8. The EGM is expected to last for no more than half a day. Shareholders who attend the EGM (in person or by proxy) shall bear their own travelling and accommodation expenses.