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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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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 and the accompanying form of proxy 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)**

**MAJOR AND CONNECTED TRANSACTION  
IN RELATION TO CONSTRUCTION CONTRACT AND  
EQUIPMENT PROCUREMENT CONTRACT  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

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



**Crescendo Capital Limited**

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A letter from the Board is set out on pages 1 to 15 of this circular.

A notice convening the EGM to be held at 11:00 a.m. on Wednesday, 28 December 2022 at the Office Building of Rizhao Port Jurong Co., Ltd. is set out on pages 43 to 44 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, as soon as possible and 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.

12 December 2022

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## DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“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(s)”	has the meaning ascribed to it under the Listing Rules
“Construction Contract”	the construction contract dated 18 October 2022 entered into between the Company and Shandong Gangwan with regard to the Rizhao Port Grain Base Project
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors 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”	an extraordinary general meeting or any adjournment thereof of the Company to be convened at 11:00 a.m. on Wednesday, 28 December 2022 at the Office Building of Rizhao Port Jurong Co., Ltd. to consider and, if thought fit, approve the Project Contracts and the transactions contemplated thereunder
“Equipment Procurement Contract”	the equipment procurement contract dated 18 October 2022 entered into between the Company and Qingdao Port Equipment with regard to the procurement of three gantry cranes for the Rizhao Port Grain Base Project
“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 and traded on the Main Board of the Stock Exchange
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

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## DEFINITIONS

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“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 Project Contracts and the transactions contemplated thereunder
“Independent Financial Adviser”	Crescendo 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 Project Contracts and the transactions contemplated thereunder
“Independent Shareholders”	the Shareholders who are not required to abstain from voting at the EGM to approve the Project Contracts 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”	5 December 2022, 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 from time to time
“Notice of EGM”	a notice convening the EGM set out on pages 43 to 44 of this circular
“PRC”	the People’s Republic of China (excluding, for the purposes of this circular, Hong Kong, the Macau Special Administrative Region and Taiwan)
“Project Contracts”	collectively, the Construction Contract and the Equipment Procurement Contract

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## DEFINITIONS

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“Qingdao Port Equipment”	Qingdao Port Equipment Manufacturing Co., Ltd.* (青島港口裝備製造有限公司), a company incorporated in the PRC with limited liability and a non-wholly owned subsidiary of Shandong Port Group
“Qingdao Port Group”	Shandong Port Qingdao Port Group Co., Ltd. (山東港口青島港集團有限公司), a company established in the PRC with limited liability, and a wholly-owned subsidiary of Shandong Port Group
“Qingdao Port International”	Qingdao Port International Co., Ltd. (青島港國際股份有限公司), a joint stock company established in the PRC with limited liability whose H shares are listed on the Main Board of the Stock Exchange (stock code: 6198) and A shares are listed on the Main Board of Shanghai Stock Exchange (stock code: 601298), which is held as to approximately 55.77% by Qingdao Port Group as at the Latest Practicable Date
“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
“Rizhao Port Grain Base Project”	the construction project of building 41 silos for storing grains, reconstructing the pier and building ancillary infrastructure at Shijiu port area in Rizhao port
“Rizhao Port Group”	Shandong Port Rizhao Port Group Co., Ltd. (山東港口日照港集團有限公司), a company established in the PRC with limited liability, and a controlling shareholder of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shandong Gangwan”	Shandong Gangwan Construction Group Co., Ltd.* (山東港灣建設集團有限公司), a company incorporated in the PRC with limited liability and a non-wholly owned subsidiary of Shandong Port Group

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## DEFINITIONS

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“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 SASAC”	Shandong Provincial State-owned Assets Supervision and Administration Commission
“Share(s)”	share(s) of RMB1.00 each in the share capital of the Company, comprising the Domestic Shares and the H Shares
“Shareholder(s)”	the holder (s) of the Share (s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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.*

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## LETTER FROM THE BOARD

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

**(Stock Code: 6117)**

**Non-executive Directors:**

Mr. CUI Liang (*Chairman*)

Mr. CHEN Lei

**Executive Director:**

Mr. ZHANG Feng

**Independent Non-executive Directors:**

Mr. ZHANG Zixue

Mr. WU Xibin

Mr. LEE Man Tai

**Registered office:**

South End

Haibin 5th Road

Rizhao City, Shandong Province

PRC

**Principal place of business in Hong Kong:**

40/F, Dah Sing Financial Centre

248 Queen's Road East

Wanchai

Hong Kong

12 December 2022

*To the Shareholders*

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTION  
IN RELATION TO CONSTRUCTION CONTRACT AND  
EQUIPMENT PROCUREMENT CONTRACT  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**1. INTRODUCTION**

Reference is made to the announcement of the Company dated 18 October 2022 in relation to, among other things, the entering into of the Project Contracts and the transactions contemplated thereunder.

The purpose of this circular is to provide you with, among others, (i) details of the Construction Contract and the Equipment Procurement Contract; (ii) the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders on the Project Contracts and the transactions contemplated thereunder; (iii) the recommendation of the Independent Board Committee regarding the Project Contracts and the transactions contemplated thereunder; (iv) financial information of the Company; (v) general information of the Company; and (vi) a notice for convening the EGM.

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## LETTER FROM THE BOARD

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### 2. CONSTRUCTION CONTRACT

On 18 October 2022 (after trading hours), the Company entered into the Construction Contract with Shandong Gangwan, pursuant to which the Company agreed to engage Shandong Gangwan as the contractor for the Rizhao Port Grain Base Project. The principal terms of the Construction Contract are set out as follows:

**Date:** 18 October 2022

**Parties:** (a) the Company, as the principal; and  
(b) Shandong Gangwan, as the contractor.

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

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

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

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

The contract price may be adjusted in accordance with the following formula:

$$\text{Price difference} = \sum Q * | M - N * P |$$

- (a) Q represents the construction progress payment after the monthly approval.
- (b) M represents the lowest price of the information price of Rizhao Engineering Economic Information\* (《日照市工程經濟信息》) during the relevant month of the construction.

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## LETTER FROM THE BOARD

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- (c) If the unit price of raw materials in the tender offer is lower than the benchmark unit price, (i) when there is a price increase of more than 5% during the construction period, N represents the benchmark unit price, P represents 105% and the price difference is positive; and (ii) when there is a price decrease of more than 5% during the construction period, N represents the unit price in the tender offer, P represents 95% and the price difference is negative.
- (d) If the unit price of raw materials in the tender offer is higher than the benchmark unit price, (i) when there is a price increase of more than 5% during the construction period, N represents the unit price in the tender offer, P represents 105% and the price difference is positive; and (ii) when there is a price decrease of more than 5% during the construction period, N represents the benchmark unit price, P represents 95% and the price difference is negative.
- (e) The benchmark unit price is the lowest price of the information price of Rizhao Engineering Economic Information\* (《日照市工程經濟信息》) obtained 28 days prior to the closing date for the tender.

The contract price was the successful tender price offered by Shandong Gangwan in the public tender. The Company engaged Shandong Port Group Tender and Procurement Center for the tender of the Construction Contract under the Rizhao Port Grain Base Project and received bids from Shandong Gangwan and two independent third parties from the tender process. The Construction Contract was awarded to Shandong Gangwan by experts selected by Shandong Port Group Tender and Procurement Center after a comprehensive and objective assessment on various factors including the quotation, qualification, financial conditions, reputation and performance of each bidder.

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## LETTER FROM THE BOARD

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In accordance with the Bidding Law of the PRC, bidding was required to be carried out for the Rizhao Port Grain Base Project. The Company engaged Shandong Port Group Tender and Procurement Center for the tender of the Rizhao Port Grain Base Project for the following reasons: (i) The Company does not possess the capability to prepare tender documents and organise bid evaluation and other qualifications required under the Trial Measures for Self-Tender of Construction Projects (《工程建設項目自行招標試行辦法》) published by the PRC State Development and Planning Committee so the Company is required to engage a tender agent with requisite qualifications to organise the tender of the Rizhao Port Grain Base Project. (ii) Shandong Port Group Tender and Procurement Center is a level one centralised procurement implementation and management organisation with the qualification of professional tender agent. It was set up by Shandong Port Group on 30 June 2020 to centralise the organisation of tenders for procurement projects of companies under Shandong Port Group (including the Company), unify the tender process and standards within Shandong Port Group and reduce administrative costs and manpower for organising tenders. Shandong Port Group Tender and Procurement Center has a great influence in the port industry in China by having an open network service platform called Shandong Port Yangguang Huicai e-platform which has more than 23,000 registered users and hence bidding information can be reached to a wide coverage of potential tenderers, facilitating their participation in the tender and the smooth development of tender projects. (iii) No fees would be charged by Shandong Port Group Tender and Procurement Center for the use of the Shandong Port Yangguang Huicai e-platform while two-way fees would be charged to both the Company and also the winning tenderer by Independent Third Party tender agents.

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

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## LETTER FROM THE BOARD

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At the time of bid opening, Shandong Port Group Tender and Procurement Center set up a bid evaluation committee which consisted of five members randomly selected from the bid evaluation expert database to evaluate the bid proposals submitted by the bidders, in accordance with the Bidding Law of the PRC. The members of the bid evaluation committee all have relevant experience in China's port construction industry, and have not held any positions in the tenderers in the past three years. The members of the bid evaluation committee strictly abide by the relevant provisions of the Bidding Law of the PRC, and signed a personal declaration and undertaking at the time of bid opening that they are independent from the tenderers and do not have interest in the tender of the Construction Contract, in order to ensure the fairness and impartiality of the bid evaluation process. Bid evaluation was divided into four parts, including the selection of the committee leader, preliminary review of proposals, commercial, technical and quotation review, and signing off by the bid evaluation committee members. In the process of bid evaluation, each member of the bid evaluation committee evaluated and scored the bidders in turn according to the requirements of the bidding and procurement plan through the bidding electronic system, and submitted the expert review opinions after scoring. In the process of bid evaluation, the experts reviewed bid documents submitted by the bidders, which included: the tender letter with the appendix, the identification of the legal representative of the bidder or the power of attorney with such identification, the bid security deposit, the list of works quantity with price, documents relating to the construction organisation and design, the project management organisation, the qualification examination data, the business and technical deviation table, and other documents specified in the instructions to bidders. Afterwards, the bid evaluation committee leader made a summary and prepared the bid evaluation report, and details of the three tenderers with the highest scores were made public on the platform. The bid evaluation committee might receive inquiries during the public notice period and determined the successful bidder after there was no objection at the expiration of the public notice period. Out of the three tenders with the highest scores, Shandong Gangwan attained the highest total score of the bid evaluation and the contract price offered by Shandong Gangwan represented the lowest bid as compared to the other two tenderers. The contract price offered by Shandong Gangwan was also lower than the project control price set by the Independent Third Party construction management and consulting company. The Company then issued the notification of award of the tender to Shandong Gangwan. On the basis of the foregoing, the Board considers the tendering process is independent.

The Company will engage an independent third party to conduct a full-process supervision and audit of the construction progress and amount of construction works status to ensure that the price of the Construction Contract is controlled within a reasonable range.

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## LETTER FROM THE BOARD

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**Payment terms:**

The contract price shall be paid in the following manner:

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

if Shandong Gangwan provides quality assurance,

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

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

- (c) up to 97% of the contract price to be paid after completion acceptance of the Rizhao Port Grain Base Project and Shandong Gangwan handing over the project documents and within 180 days of the issuance of the value-added tax invoice; and

- (d) the remaining 3% of the contract price as the quality assurance deposit to be paid after the expiry of defects liability period with no quality defects of the Rizhao Port Grain Base Project.

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

**Performance  
guarantee:**

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

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## LETTER FROM THE BOARD

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### 3. EQUIPMENT PROCUREMENT CONTRACT

On 18 October 2022 (after trading hours), the Company entered into the Equipment Procurement Contract with Qingdao Port Equipment, pursuant to which the Company agreed to engage Qingdao Port Equipment to supply three gantry cranes for the Rizhao Port Grain Base Project and provide relevant services to the Company. The principal terms of the Equipment Procurement Contract are set out as follows:

**Date:** 18 October 2022

**Parties:** (a) the Company; and  
(b) Qingdao Port Equipment.

**Scope of service:** Qingdao Port Equipment is responsible for designing, manufacturing, transporting and installing three gantry cranes for the Rizhao Port Grain Base Project, as well as providing insurance, test run, inspection, technical data, training to the Company's technical personnel and operators, after-sale services and other relevant services to the Company.

**Delivery date:** The system test shall be completed by 30 June 2023.

**Warranty period:** 2 years after acceptance of the gantry cranes

**Contract price:** The contract price is RMB50,580,000, which was the successful tender price offered by Qingdao Port Equipment in the public tender. The Company engaged Shandong Port Group Tender and Procurement Center for the tender of the Equipment Procurement Contract under the Rizhao Port Grain Base Project and received bids from Qingdao Port Equipment and three independent third parties from the tender process. The Equipment Procurement Contract was awarded to Qingdao Port Equipment by experts selected by Shandong Port Group Tender and Procurement Center after a comprehensive and objective assessment on various factors including the quotation, qualification, financial conditions, reputation and performance of each bidder.

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

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## LETTER FROM THE BOARD

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At the time of bid opening, Shandong Port Group Tender and Procurement Center set up a bid evaluation committee which consisted of five members randomly selected from the bid evaluation expert database to evaluate the bid proposals submitted by the bidders, in accordance with the Bidding Law of the PRC. The members of the bid evaluation committee all have relevant experience in China's port equipment industry, and have not held any positions in the tenderers in the past three years. The members of the bid evaluation committee strictly abide by the relevant provisions of the Bidding Law of the PRC, and signed a personal declaration and undertaking at the time of bid opening that they are independent from the tenderers and do not have interest in the tender of the Equipment Procurement Contract, in order to ensure the fairness and impartiality of the bid evaluation process. Bid evaluation was divided into four parts, including the selection of the committee leader, preliminary review of proposals, commercial, technical and quotation review, and signing off by the bid evaluation committee members. In the process of bid evaluation, each member of the bid evaluation committee evaluated and scored the bidders in turn according to the requirements of the bidding and procurement plan through the bidding electronic system, and submitted the expert review opinions after scoring. In the process of bid evaluation, the experts reviewed bid documents submitted by the bidders, which consisted of qualification examination documents, business documents and technical documents. The qualification examination documents included the business licence or registration certificate or other qualification documents of the bidder, and other qualification certification materials required by the bidding documents. The business documents included the tender letter, the identification of the legal representative of the bidder, the power of attorney from the legal representative (if authorised), quotation, a list of similar projects implemented by the bidder, business response table, joint tender agreement (if any), and power of attorney for joint bidding (if any). The technical documents included list of goods, technical response list, list of spare parts and special consumables and discount list of after-sales service (if any), and list of project implementation personnel (main employees and their technical qualifications). Afterwards, the bid evaluation committee leader made a summary and prepared the bid evaluation report, and details of the three tenderers with the highest scores were made public on the platform. The bid evaluation committee might receive inquiries during the public notice period and determined the successful bidder after there was no objection at the expiration of the public notice period. Out of the three tenders with the highest scores, Qingdao Port Equipment attained the highest total score of the bid evaluation and the contract price offered by Qingdao Port Equipment represented the lowest bid as compared to the other two tenderers. The Company then issued the notification of award of the tender to Qingdao Port Equipment. On the basis of the foregoing, the Board considers the tendering process is independent.

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## LETTER FROM THE BOARD

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For details of Shandong Port Group Tender and Procurement Center, please refer to the section headed “2. Construction Contract – Contract price” in the letter from the Board contained in this circular.

**Payment terms:**

The contract price shall be paid in the following manner:

- (a) 10% of the contract price to be paid within 60 days after the Equipment Procurement Contract takes effect and the review of design of the gantry cranes is completed;
- (b) 30% of the contract price to be paid within 60 days after confirming the materials and their specifications, quantity and quality required for manufacturing the equipment and the signing of contracts to acquire major purchased components;
- (c) 30% of the contract price to be paid within 60 days after delivery of all equipment; and
- (d) the remaining 30% of the contract price to be paid within 60 days after installation of the equipment, passing the test run, submission of completion materials, inspection and acceptance by the Company, and the signing of acceptance certificate by both the Company and Qingdao Port Equipment,

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

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

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

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## LETTER FROM THE BOARD

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### 4. 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 Gangwan, a company incorporated in the PRC with limited liability, is principally engaged in earthwork blasting, underwater reef blasting and demolition works; installation of pressure pipelines; installation and maintenance of lifting machineries; maintenance and operation of port facilities; contracting foreign engineering projects commensurate with its strength, scale and performance; dispatching labor required for the implementation of the abovementioned overseas projects; port and waterway engineering construction; construction of housing construction engineering, steel structure engineering, ground and foundation engineering, highway subgrade engineering and municipal utility engineering; production of ready-mixed commercial concrete and prefabricated components; manufacture of material conveying equipment; installation of construction equipment; installation of mechanical and electrical equipment; leasing of machineries and equipment; asphalt (excluding hazardous chemicals) sales; other auxiliary activities of water transportation; loading, unloading and handling; and design and survey (geotechnical engineering, engineering survey) of water transportation engineering, industrial and civil construction engineering within the scope of qualifications.

Qingdao Port Equipment, a company incorporated in the PRC with limited liability, is principally engaged in container handling machinery, harbour portal crane, port continuous handling process system, marine engineering and ship building and repairing crane, ship repair, steel structure manufacturing and installation, tank and pipeline installation, grabs, port machinery maintenance and other products and services.

As at the Latest Practicable Date, (i) Shandong Gangwan is a non-wholly owned subsidiary of Shandong Port Group; (ii) Qingdao Port Equipment is a wholly-owned subsidiary of Qingdao Port International, which is in turn held as to approximately 55.77% by Qingdao Port Group, a wholly-owned subsidiary of Shandong Port Group; and (iii) Shandong Port Group is a state-owned enterprise ultimately controlled by Shandong SASAC.

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## LETTER FROM THE BOARD

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### 5. REASONS FOR AND BENEFITS OF ENTERING INTO THE PROJECT CONTRACTS

In order to consolidate and improve the Company's position as the grain transfer, collection and distribution center among the national coastal ports in the PRC, the Company implements the Rizhao Port Grain Base Project expected to be completed and put into use in June 2024. The construction of 41 silos and reconstruction of pier under the Construction Contract will enable the Company to improve its grain storage and stevedoring capacity and berth unloading efficiency, such that the increasing demand for grain stevedoring arising from the increase in grain throughput of the Company can be satisfied. And the entering into of the Equipment Procurement Contract is an ancillary project to procure three gantry cranes to support the construction under the Rizhao Port Grain Base Project.

The Construction Contract was entered into on the basis that Shandong Gangwan has extensive experience in port construction and has undertaken a number of projects in the port area, and is able to ensure that projects are reasonably scheduled, planned and managed to reduce costs and lay a solid foundation for the future silo construction of the Company on the premise of ensuring the construction period and quality.

The Equipment Procurement Contract was entered into on the basis that Qingdao Port Equipment is able to professionally provide overall intelligent solutions for machinery and equipment in the whole logistics chain of the port, and has the production capacity to undertake large-scale, non-standard and bulk port equipment, with business scope covering port, mining, power, metallurgy and other industries. Based on its extensive experience in port construction, Qingdao Port Equipment is able to meet the target of the Company's purchased equipment to be put into use as soon as possible, thereby improving the efficiency of cargo loading and unloading.

The terms of the Project Contracts 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) are of the view that the terms of the Project Contracts and the transactions contemplated 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.

None of the Directors has any material interest in the Project Contracts and the transactions contemplated thereunder, and none of the Directors was required to abstain from voting on the board resolutions approving the Project Contracts and the transactions contemplated thereunder.

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## LETTER FROM THE BOARD

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### 6. FINANCIAL EFFECTS OF ENTERING INTO THE PROJECT CONTRACTS

When the construction costs under the Project Contracts (being the contract price) are incurred, the relevant portion of the contract price will be capitalised to “construction in progress” in the balance sheet of the Company. Upon completion of the construction works under the Rizhao Port Grain Base Project, the amount under “construction in progress” will be transferred to “property, plant and equipment”. The payment of the contract price, and the payments and expenses incurred and to be incurred in connection with the Rizhao Port Grain Base Project would result in a decrease in “cash and cash equivalents” and/or an increase in “bank borrowings”. It is expected that completion of the Rizhao Port Grain Base Project will have no impact on the net assets of the Company as the contract price will be settled by internal resources and/or bank borrowings of the Company.

The Company considers that there will not be any material effect on the earnings of the Company immediately due to the execution of the Project Contracts. Since the contract price is expected to be funded by internal resources and/or bank borrowings of the Company, the cash and cash equivalents of the Group will decrease and/or the Company’s bank borrowings will increase, and as a result, the bank interest income of the Company will be reduced and/or the finance costs from interest-bearing loans will increase. The finance costs from interest-bearing loans that are directly attributable to the Rizhao Port Grain Base Project will be capitalised in the construction cost of the plant during the construction period.

### 7. LISTING RULES IMPLICATIONS

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

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

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## LETTER FROM THE BOARD

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### 8. EGM

The EGM will be held at 11:00 a.m. on Wednesday, 28 December 2022 at the 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 43 to 44 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, as soon as possible and 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 Project Contracts and the transactions contemplated thereunder are fair and reasonable and are in the interests of the Company and its Shareholders a whole, and to advise the Independent Shareholders as to how to vote at the EGM.

Crescendo Capital Limited has been appointed to advise the Independent Board Committee and the Independent Shareholders in this respect.

As at the Latest Practicable Date, Shandong 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 Project Contracts and the transactions contemplated thereunder at the EGM.

Save as disclosed above, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholders will be required to abstain from voting on the relevant resolutions approving the Project Contracts and the transactions contemplated thereunder at the EGM.

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## LETTER FROM THE BOARD

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### 9. 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 Wednesday, 21 December 2022 to Wednesday, 28 December 2022 (both days inclusive), during which period no transfer of H 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 Tuesday, 20 December 2022.

### 10. 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/she has or may have temporarily or permanently passed control over the exercise of the voting right in respect of its/his/her Shares to a third party, either generally or on a case-by-case basis.

### 11. 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 the Project Contracts 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. Accordingly, the Board (including the independent non-executive Directors) recommends the Independent Shareholders to vote in favour of the resolutions for approving the Project Contracts and the transactions contemplated thereunder.

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## LETTER FROM THE BOARD

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### 12. FURTHER INFORMATION

Your attention is also drawn to the letter from the Independent Board Committee set out on pages 16 to 17 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 18 to 34 of this circular, the additional information as set out in the appendices to this circular and the Notice of EGM.

Yours faithfully,  
By Order of the Board  
**Rizhao Port Jurong Co., Ltd.**  
**Cui Liang**  
*Chairman*



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)**

12 December 2022

*To the Independent Shareholders*

Dear Sir or Madam,

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

We refer to the circular dated 12 December 2022 (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 Project Contracts 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 Project Contracts and the transactions contemplated thereunder as set out in the Circular. Crescendo 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 18 to 34 of the Circular.

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 Project Contracts and the transactions contemplated thereunder. Your attention is also drawn to the additional information set out in the appendices to the Circular.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Having considered the terms of the Project Contracts 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 the Project Contracts 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.

Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolutions at the EGM so as to approve the Project Contracts and the transactions contemplated thereunder.

Yours 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*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the text of a letter of advice from Crescendo Capital Limited, the Independent Financial Adviser, to the Independent Board Committee and the Independent Shareholders in relation to the Project Contracts and the transactions contemplated thereunder for inclusion in this circular.*



1105 Tai Tung Building  
8 Fleming Road  
Wanchai, Hong Kong

12 December 2022

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

*To the Independent Board Committee and the Independent Shareholders*

Dear Sirs,

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

#### **INTRODUCTION**

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

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

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

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

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

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

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

### **BASIS OF OUR OPINION**

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

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

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### PRINCIPAL FACTORS AND REASONS CONSIDERED

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

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

##### (i) Information on the Company

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

##### (ii) Information on Shandong Gangwan

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

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

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *(iii) Information on Qingdao Port Equipment*

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

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

## **2. Reasons for entering into the Project Contracts**

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

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

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

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

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

### 3. Principal terms of the Project Contracts

#### *(i) Construction Contract*

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

Date: 18 October 2022

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

(b) Shandong Gangwan, as the contractor

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- Scope of services: Shandong Gangwan is responsible for the construction of 41 silos for storing grains, the reconstruction of the pier and the construction of ancillary infrastructure at the Shijiu port area in Rizhao port.
- Construction period: The construction period is expected to end on or about 30 June 2023.
- Defects liability period: 2 years after the completion acceptance of the Rizhao Port Grain Base Project.
- Contract price: The contract price is RMB499,980,953, subject to (i) adjustments on the raw materials price in the event that the price of steel and concrete to be used at the construction works fluctuates from the benchmark price published by the local authorities or benchmark price stated in the website of an industry data service provider; and (ii) completion and settlement audit report issued by an Independent Third Party audit institution appointed by the Company.
- Payment terms: The contract price shall be paid in the following manner:
- (a) up to 80% of the contract price to be paid before the 20th day of every month based on the monthly project progress and the actual amount of the construction work completed;
- if Shandong Gangwan provides quality assurance,
- (b) up to 100% of the contract price to be paid after the completion acceptance of the Rizhao Port Grain Base Project and Shandong Gangwan handing over the project documents and within 180 days after the Company receives the value-added tax invoice issued by Shandong Gangwan and receives the letter of guarantee as quality assurance from Shandong Gangwan of 3% of the project settlement price determined by an Independent Third Party audit institution;

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

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

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

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

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

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

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

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

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

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

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

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

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

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

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

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

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*(ii) Equipment Procurement Contract*

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

Date: 18 October 2022

Parties: (a) the Company; and  
(b) Qingdao Port Equipment

Scope of services: Qingdao Port Equipment is responsible for designing, manufacturing, transporting and installing three gantry cranes for the Rizhao Port Grain Base Project, as well as providing insurance, test run, inspection, technical data, training to the Company's technical personnel and operators, after-sale services and other relevant services to the Company.

Delivery date: The system test shall be completed by 30 June 2023.

Warranty period: 2 years after the acceptance of the gantry cranes.

Contract price: The contract price is RMB50,580,000, which was the successful tender price offered by Qingdao Port Equipment in the public tender.

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

- (a) 10% of the contract price to be paid within 60 days after the Equipment Procurement Contract takes effect and the review of the design of the gantry cranes is completed;
- (b) 30% of the contract price to be paid within 60 days after confirming the materials and their specifications, quantity and quality required for manufacturing the equipment and the signing of contracts to acquire major purchased components;
- (c) 30% of the contract price to be paid within 60 days after delivery of all equipment; and

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

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

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

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

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

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

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

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

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

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

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

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

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

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

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### RECOMMENDATION

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

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

**Amilia Tsang**  
*Managing Director*

**Helen Fan**  
*Director*

*Notes:*

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

**1. FINANCIAL RESULTS OF THE COMPANY**

Details of the audited financial results of the Company for each of the financial years ended 31 December 2019, 31 December 2020 and 31 December 2021 and the unaudited financial results of the Company for the six months ended 30 June 2022 are available on the website of the Stock Exchange (<http://www.hkex.com.hk>) and the website of the Company (<http://www.rzportjurong.com>) in the following documents:

- (a) for the year ended 31 December 2019, on pages 62 to 139 of the annual report of the Company for the year ended 31 December 2019 released on 31 March 2020 at <https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0331/2020033101842.pdf>;
- (b) for the year ended 31 December 2020, on pages 61 to 135 of the annual report of the Company for the year ended 31 December 2020 released on 30 March 2021 at <https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0330/2021033000925.pdf>;
- (c) for the year ended 31 December 2021, on pages 69 to 139 of the annual report of the Company for the year ended 31 December 2021 released on 26 April 2021 at <https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0426/2022042600950.pdf>; and
- (d) for the six months ended 30 June 2022, on pages 21 to 44 of the interim report of the Company for six months ended 30 June 2022 released on 23 September 2022 at <https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0923/2022092300419.pdf>.

There was no qualified opinion issued for the audited financial results of the Company for the last three financial years.

**2. INDEBTEDNESS STATEMENT**

As at the close of business on 31 October 2022, being the latest practicable date for the purpose of ascertaining information contained in this statement of indebtedness prior to the printing of this circular, the details of the Company's indebtedness are as follows:

- (a) the amount of unaudited outstanding interest-bearing bank loan and other borrowings was nil; and
- (b) the amount of unaudited outstanding lease liabilities was approximately RMB362,014,445.96.

Save as disclosed in this circular and apart from intra-group liabilities and normal trade payables in the ordinary course of business, as at the close of business on 31 October 2022, the Company did not have any debt securities issued and outstanding, or authorised or otherwise created but unissued, any term loans, any other borrowings or indebtedness in the nature of borrowing including bank overdrafts and liabilities under acceptance (other than normal trade bills) or acceptance credits or hire purchase commitments, any mortgages or charges or any other contingent liabilities or guarantees.

### **3. WORKING CAPITAL**

Taking into account the effect of the transactions contemplated under the Project Contracts and the present financial resources available to the Company, including cash and cash equivalents as well as the internal resources, the Directors are of the opinion that, the Company has sufficient working capital for its requirements for at least 12 months from the date of publication of this circular.

### **4. 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 2021, the date to which the latest published audited financial statements of the Company were made up.

### **5. FINANCIAL AND TRADING PROSPECT OF THE COMPANY**

Based on our analysis of cargo type of the Company, we estimate that the Company's main cargo business will continue to grow, and with the integrated capacity of berths, yards and warehousing resources, there is still spacious room for the Company to increase its market share. To this end, the Company will focus on the following tasks:

#### **Seizing and exploring market opportunities**

The Company intends to explore the opportunities brought by the new production capacity of the industry, by scaling up our grain businesses, through strategic partnership with core customers, leverage on railway policies to collaborate and develop a logistics connectivity to new hinterland locations of Linyi, Lanzhou, Sichuan and Chongqing regions.

**Enhancing speedy and precision operations for optimal efficiency**

To boost port service through “fast access to shoreline, fast unloading and fast evacuation”, with planning precision, timeliness and efficient customs and quarantine handling, non-production downtime will be compressed by 10%, and the unloading rate of a single vessel will be increased to further improve the overall efficiency.

**Continuing efforts in cost control**

The Company will strengthen its process planning in production to focus on improving operational efficiency and rationalising the allocation of resources to better control its unit cost of operation for cost rationalisation.

**Establishing a stronger accountability in the prevention and control of the pandemic and strengthening the normalised prevention and control of the pandemic**

As the coastal port is the first line of “inbound control”, the Company will coordinate the safe production and prevention and control of pandemic. The Company’s pandemic prevention and control effort has normalized the operation of boarding vessels, through systematic risk assessment and decision making to establish joint prevention and control protocol with port units in ensuring a continued healthy operating environment for the Company.

**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. 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.

**3. DIRECTORS' AND SUPERVISORS' EMPLOYMENT WITH SUBSTANTIAL SHAREHOLDER**

As at the Latest Practicable Date, each of the following Directors and Supervisors was a director, supervisor or employee of the following companies, which have 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. Cui Liang, a non-executive Director and the chairman of the Board of the Company, was a member of the Party Committee of Rizhao Port.
- (b) Mr. Chen Lei, a non-executive Director of the Company, was the deputy minister of the finance management department of Rizhao Port Group.
- (c) Mr. Li Weiqing, a Supervisor of the Company, was the director of legal audit department of Rizhao Port Group.

- (d) Mr. Tham Wai Kong, a Supervisor of the Company, was the vice chairman of the legal and company secretariat of Jurong Port.

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. 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.

#### **5. 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)).

#### **6. 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 2021 (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.

**7. 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:

<b>Name</b>	<b>Qualifications</b>
Crescendo Capital Limited	a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO

- (b) As at the Latest Practicable Date, Crescendo 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) Crescendo 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 12 December 2022 and reference to its name in the form and context in which they appear.
- (d) The letter and recommendation given by Crescendo Capital Limited are given as at the date of this circular for incorporation herein.
- (e) As at the Latest Practicable Date, Crescendo 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 2021, being the date to which the latest published audited accounts of the Company were made up.

**8. LITIGATION**

As at the Latest Practicable Date, the Company was not engaged in any litigation or claim of material importance, and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company.

**9. GENERAL**

- (a) The English text of this circular shall prevail over the Chinese text.
- (b) The joint company secretaries of the Company are Mr. Zheng Shiqiang (“**Mr. Zheng**”) and Ms. Ho Yin Kwan (“**Ms. Ho**”). Mr. Zheng obtained his bachelor’s degree in economics from China University of Mining and Technology (中國礦業大學) in July 1992 and after graduation, he participated in a Postgraduate training course of Shandong University on industrial economics. Mr. Zheng was recognized as accountant in 1998 and senior economist by Human Resources and Social Security Department of Shandong Province in 2006. Ms. Ho is a vice president of SWCS Corporate Services Group (Hong Kong) Limited. She has over 20 years of professional experience in corporate secretarial field and has been providing corporate secretarial services to both listed and private companies incorporated in Hong Kong and overseas. Ms. Ho holds a bachelor’s degree in business and finance from the University of Portsmouth and a master’s degree in corporate governance from the Open University of Hong Kong (currently known as Hong Kong Metropolitan University). Ms. Ho is a member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.
- (c) The registered office of the Company is situated at South End, Haibin 5<sup>th</sup> Road, Rizhao City, Shandong Province, the PRC. The principal place of business of the Company is at 40/F, Dah Sing Financial Centre, 248 Queen’s Road East, Wanchai, Hong Kong.
- (d) The H Share registrar of the Company is Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17<sup>th</sup> Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.

**10. MATERIAL CONTRACTS**

The following contracts (not being contracts in the ordinary course of business of the Company) have been entered into by the Company within two years immediately preceding the Latest Practicable Date which are or may be material:

- (a) the Construction Contract;
- (b) the Equipment Procurement Contract;
- (c) the financial service framework agreement dated 28 October 2022 entered into between the Company and Qingdao Port Finance Co., Ltd. (青島港財務有限責任公司) (“**QDP Finance**”), pursuant to which QDP Finance agrees to provide deposit and settlement services to the Company for the term commencing on the effective date and ending on 31 December 2024; and
- (d) the financial service supplemental framework agreement dated 1 April 2021 entered into between the Company and Rizhao Port Group Finance Co., Ltd (日照港集團財務有限公司) (“**RPG Finance**”), pursuant to which the parties agreed to revise the annual caps for the transactions of the provision of deposit and settlement services for the years ending 31 December 2021 and 2022 under the financial service framework agreement dated 27 March 2020 entered into between the Company and RPG Finance.

**11. DOCUMENTS ON DISPLAY**

Copies of the following documents will be published on the website of the Stock Exchange (<http://www.hkexnews.hk>) and the website of the Company ([www.rzportjurong.com](http://www.rzportjurong.com)) for a period of 14 days from the date of this circular (both days inclusive):

- (a) the Construction Contract;
- (b) the Equipment Procurement Contract;
- (c) the letter from the Independent Financial Adviser dated 12 December 2022, the text of which is set out on pages 18 to 34 of this circular; and
- (d) the letter of consent from the Independent Financial Adviser dated 12 December 2022 referred to in the above paragraph headed “7. Expert’s Qualification and Consent” in this appendix.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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*(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 11:00 a.m. on Wednesday, 28 December 2022 at the 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 12 December 2022 in relation to the EGM:

#### ORDINARY RESOLUTIONS

1. To consider and approve the Construction Contract and the transactions contemplated thereunder.
2. To consider and approve the Equipment Procurement Contract and the transactions contemplated thereunder.

By Order of the Board  
**Rizhao Port Jurong Co., Ltd.**  
**Cui Liang**  
*Chairman*

Rizhao, PRC, 12 December 2022

*As at the date of this notice, the board of directors of the Company comprises Mr. Cui Liang as Chairman and non-executive Director; Mr. Zhang Feng as the executive Director; Mr. Chen Lei as non-executive Director; and Mr. Zhang Zixue, Mr. Wu Xibin and Mr. Lee Man Tai as the independent non-executive Directors.*

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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*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](http://www.hkexnews.hk)) and the Company ([www.rzportjuron.com](http://www.rzportjuron.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 Wednesday, 21 December 2022 to Wednesday, 28 December 2022 (both days inclusive), during which period no transfer of H 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, 17<sup>th</sup> Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, and in any case no later than 4:30 p.m. on Tuesday, 20 December 2022.
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 5<sup>th</sup> 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. 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.
6. The contact of the Company:  
  
Address: South End, Haibin 5<sup>th</sup> Road, Rizhao City, Shandong Province, the PRC  
Telephone: +86 0633 7381 569  
Fax: +86 0633 7381 530
7. 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.