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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)

**(1) CONTINUING CONNECTED TRANSACTIONS;
(2) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO
CONSTRUCTION CONTRACT;
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

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



A letter from the Board is set out on pages 1 to 28 of this circular.

A notice convening the EGM to be held at 10:30 a.m. on Wednesday, 28 December 2022 at the Office Building of Rizhao Port Jurong Co., Ltd. is set out on pages 64 to 65 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

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 13 October 2022 entered into between the Company and Shandong Gangwan with regard to the No. 8 Warehouse 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 10:30 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 Non-Exempt Continuing Connected Transactions, the relevant Proposed Annual Caps, the Construction Contract and the transactions contemplated thereunder
“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

DEFINITIONS

“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 Non-Exempt Continuing Connected Transactions, the relevant Proposed Annual Caps, the Construction Contract and the transactions contemplated thereunder
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Non-Exempt Continuing Connected Transactions, the Proposed Annual Caps, the Construction Contract and the transactions contemplated thereunder
“Independent Shareholders”	the Shareholders who are not required to abstain from voting at the EGM to approve the Non-Exempt Continuing Connected Transactions, the relevant Proposed Annual Caps, the Construction Contract 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

DEFINITIONS

“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“No. 8 Warehouse Project”	the construction project of two warehouses with steel portal frame structure and ancillary infrastructure such as construction of outdoor storage yard roads and weighbridge office and water and electricity works at Shijiu port area in Rizhao port
“Non-Exempt Continuing Connected Transactions”	the continuing connected transactions contemplated under each of the SPG General Service (Procurement) Framework Agreements
“Notice of EGM”	a notice convening the EGM set out on pages 64 to 65 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)
“Proposed Annual Caps”	the proposed annual caps for the transactions contemplated under the SPG General Service (Procurement) Framework Agreements for the period from the date of the conclusion of the EGM to 31 December 2022 and for the two years ending 31 December 2024
“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 Group”	Shandong Port Rizhao Port Group Co., Ltd. (山東港口日照港集團有限公司), a company incorporated in the PRC with limited liability, and a controlling shareholder of the Company
“Rizhao Port Information”	Rizhao Port Information Technology Co., Ltd.* (日照口岸信息技術有限公司), a company incorporated in the PRC with limited liability
“RMB”	Renminbi, the lawful currency of the PRC
“RPG General Service (Procurement) Framework Agreement 2019”	the general service (procurement) framework agreement dated 24 May 2019 entered into between the Company and Rizhao Port Group (for itself and on behalf of its subsidiaries)

DEFINITIONS

“RPG General Service (Procurement) Framework Agreement 2022”	the general service (procurement) framework agreement dated 26 November 2021 entered into between the Company and Rizhao Port Group (for itself and on behalf of its subsidiaries)
“SDP Logistics Group”	Shandong Port Luhai International Logistics Group Co., Ltd.* (山東港口陸海國際物流集團有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of Shandong Port Group
“SDP Logistics Group General Service (Procurement) Framework Agreement”	the general service (procurement) framework agreement dated 19 September 2022 entered into between the Company and SDP Logistics Group (for itself and on behalf of its subsidiaries)
“SDP Shipping Group”	Shandong Port Shipping Group Co., Ltd.* (山東港口航運集團有限公司), a company incorporated in the PRC with limited liability and a non-wholly owned subsidiary of Shandong Port Group
“SDP Shipping Group General Service (Procurement) Framework Agreement”	the general service (procurement) framework agreement dated 19 September 2022 entered into between the Company and SDP Shipping Group (for itself and on behalf of its subsidiaries)
“SDP Technology Group”	Shandong Port Technology Group Co., Ltd.* (山東港口科技集團有限公司), a company incorporated in the PRC with limited liability and a non-wholly owned subsidiary of Shandong Port Group
“SDP Technology Group General Service (Procurement) Framework Agreement”	the general service (procurement) framework agreement dated 19 September 2022 entered into between the Company and SDP Technology Group (for itself and on behalf of its subsidiaries)
“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

DEFINITIONS

“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)
“SPG General Service (Procurement) Framework Agreements”	collectively, the SDP Logistics Group General Service (Procurement) Framework Agreement, the SDP Shipping Group General Service (Procurement) Framework Agreement and the SDP Technology Group General Service (Procurement) Framework Agreement
“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.

LETTER FROM THE BOARD



(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,

**(1) CONTINUING CONNECTED TRANSACTIONS;
(2) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO
CONSTRUCTION CONTRACT;
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

1. INTRODUCTION

Reference is made to (i) the announcement of the Company dated 19 September 2022 in relation to, among other things, the Non-Exempt Continuing Connected Transactions and the Proposed Annual Caps; and (ii) the announcement of the Company dated 13 October 2022 in relation to, among other things, the Construction Contract and the transactions contemplated thereunder.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among others, (i) details of the Non-Exempt Continuing Connected Transactions, the Proposed Annual Caps, the Construction Contract and the transactions contemplated thereunder; (ii) the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders on the Non-Exempt Continuing Connected Transactions, the Proposed Annual Caps, the Construction Contract and the transactions contemplated thereunder; (iii) the recommendation of the Independent Board Committee regarding the Non-Exempt Continuing Connected Transactions, the Proposed Annual Caps, the Construction Contract and the transactions contemplated thereunder; (iv) general information of the Company; and (v) a notice for convening the EGM.

2. CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcement of the Company dated 26 November 2021 and the circular of the Company dated 15 January 2022 in relation to, among other things, the continuing connected transactions contemplated under the RPG General Service (Procurement) Framework Agreement 2022, pursuant to which the Company agreed to procure from Rizhao Port Group, a wholly-owned subsidiary of Shandong Port Group, services including port-related services, railway services, security services, maintenance services, port-related technology services, office and logistics services and utilities and consumables, and other services the Company may procure from Rizhao Port Group in the future from time to time.

On 19 September 2022 (after trading hours), the Company entered into the SPG General Service (Procurement) Framework Agreements, and the principal terms are set out as follows:

A. SDP Logistics Group General Service (Procurement) Framework Agreement

Date:	19 September 2022
Parties:	(a) the Company; and (b) SDP Logistics Group (for itself and on behalf of its subsidiaries).
Term:	From the conclusion of the EGM to 31 December 2024 (which will be automatically renewed for three years upon expiration (i) unless notified by one party to the other party to the contrary in writing one month prior to the expiration; or (ii) subject to the approval of the independent shareholders of the Company and/or compliance with other relevant securities regulatory requirements in accordance with the Listing Rules)

LETTER FROM THE BOARD

Nature of transaction: The Company agreed to procure from SDP Logistics Group services including but not limited to logistics and container logistics services, and other similar general services the Company may procure from SDP Logistics Group in the future from time to time.

Pricing policy: The fee rates for logistics services are determined with reference to the comparable service fee rates charged by Independent Third Parties. The fee rates for container logistics services are determined through arm's length negotiation with reference to (i) historical fee rates; (ii) the cost of the relevant services; and (iii) market price for similar services provided by Independent Third Parties.

Historical amounts

The Company and SDP Logistics Group did not conduct any similar transactions as those under the SDP Logistics Group General Service (Procurement) Framework Agreement in the past. Therefore, there is no historical amount for the transactions under the SDP Logistics Group General Service (Procurement) Framework Agreement.

Proposed Annual Caps

The Proposed Annual Caps for the transactions contemplated under the SDP Logistics Group General Service (Procurement) Framework Agreement are set out as follows:

	From the date of conclusion of the EGM to 31 December 2022	For the years ending 31 December	
		2023	2024
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
General Services	55,000,000	60,000,000	65,000,000

LETTER FROM THE BOARD

The Proposed Annual Caps for the transactions contemplated under the SDP Logistics Group General Service (Procurement) Framework Agreement were determined with reference to (a) the demand for procuring relevant services from SDP Logistics Group by the Company; (b) historical service fee rate and expected fluctuation in the rate; and (c) expected increase in need due to the Company's development plans.

The Company's demand for logistics services arises from some of its customers' use of railway as their mode of transportation for the Company's woodchips and grain business. For the six months ended 30 June 2022, delivery of grains by railway had a year-on-year increase of approximately 69% and the proportion of railway transportation in respect of woodchips increased to 73.1%. Currently, the Company has only engaged Independent Third Parties to provide railway logistics services at fair market prices so there is no historical amount for similar transactions under the SDP Logistics Group General Service (Procurement) Framework Agreement conducted with connected persons of the Company. As SDP Logistics Group has established a subsidiary principally engaged in railway transportation, the Company's development needs on railway logistics services can be met by engaging SDP Logistics Group to provide such services.

The calculation of the Proposed Annual Caps for the transactions contemplated under the SDP Logistics Group General Service (Procurement) Framework Agreement was based on the multiple of the estimated volume of logistics services and the estimated service fees. The estimated volume of logistics services for the year ending 31 December 2022 was determined with reference to the volume of logistics services for woodchips and grains for the year ended 31 December 2021 as procured from Independent Third Parties. The expected increase in volume of such services was estimated with reference to the historical transaction amounts with Independent Third Parties. The estimated logistics services for woodchips for the three years ending 31 December 2024 represented increases of approximately 8% to 12% comparing with the volumes for previous years; while the estimated logistics services for grains for the three years ending 31 December 2024 represented increases of approximately 9% to 11% comparing with the volumes for previous years. The estimated service fees for logistics services for the three years ending 31 December 2024 were the same as the service fees for logistics services for woodchips and grains as procured from Independent Third Parties. The historical transaction amount of logistics services for woodchips and grains procured from Independent Third Parties for the year ended 31 December 2021 was RMB49,163,060.

LETTER FROM THE BOARD

Further, the Proposed Annual Cap for the transactions contemplated under the SDP Logistics Group General Service (Procurement) Framework Agreement for the period from the date of conclusion of the EGM to 31 December 2022 was determined with reference to the above factors on a full year basis. The Company expects that the actual transaction amount under the SDP Logistics Group General Service (Procurement) Framework Agreement for the period from the date of conclusion of the EGM to 31 December 2022 would be substantially lower than the relevant Proposed Annual Cap, which is not revised in proportion to the full year basis considering the following factors:

- (a) Since the pre-approval procedure of the counterparty involves Shandong Port Group which is a state-owned enterprise, it may take up to a few months from the date of the Company's board meeting approval of the transaction to the agreement signing date. In this case, the SPG General Service (Procurement) Framework Agreements were approved by the Board in May 2022 and by the counterparty in September 2022 and hence were entered into in September 2022.
- (b) The Proposed Annual Caps are stipulated as a clause in the SPG General Service (Procurement) Framework Agreements. In the event that the Company intends to enter into supplemental agreements to the SPG General Service (Procurement) Framework Agreements to revise the Proposed Annual Cap for the period from the date of conclusion of the EGM to 31 December 2022 in proportion to the full year basis, it may take additional time for the counterparty to re-approve such supplemental agreement, which may be burdensome and uncontrollable, and the Company may not be able to convene the EGM before 31 December 2022.
- (c) The Proposed Annual Cap for the period from the date of conclusion of the EGM to 31 December 2022 can cover the estimated demand of relevant transactions contemplated under the SPG General Service (Procurement) Framework Agreements. The determination of the Proposed Annual Cap for the period from the date of conclusion of the EGM to 31 December 2022 on a full year basis can also avoid any burdensome procedures and unnecessary time cost.

LETTER FROM THE BOARD

Reasons for the transaction

SDP Logistics Group is committed to building a first-class, internationally leading and innovative modern logistics service provider and establishing a whole-process, whole-chain logistics service system. The Company's demand for procuring such services is high in the process of providing the whole logistics and transportation services. Both the Company and SDP Logistics Group can complement each other's resources, facilitate transportation and achieve synergistic benefits, which is conducive to enhancing the overall business strategy development, innovating and developing new forms of port logistics, and enhancing the competitiveness of regional logistics and transportation.

B. SDP Technology Group General Service (Procurement) Framework Agreement

Date: 19 September 2022

Parties: (a) the Company; and
(b) SDP Technology Group (for itself and on behalf of its subsidiaries).

Term: From the conclusion of the EGM to 31 December 2024 (which will be automatically renewed for three years upon expiration (i) unless notified by one party to the other party to the contrary in writing one month prior to the expiration; or (ii) subject to the approval of the independent shareholders of the Company and/or compliance with other relevant securities regulatory requirements in accordance with the Listing Rules)

LETTER FROM THE BOARD

Nature of transaction: The Company agreed to procure from SDP Technology Group services including but not limited to facilities and equipment maintenance and other maintenance services; services of procurement and maintenance of software and IT systems in relation to port operation and management; and posts and telecommunications, telephone and networks services, and other similar general services the Company may procure from SDP Technology Group in the future from time to time.

Pricing policy:

- (a) For facilities and equipment maintenance and other maintenance services, the fee rates are determined with reference to the comparable service fee rates charged by Independent Third Parties.
- (b) For services of procurement and maintenance of software and IT systems in relation to port operation and management, the fee rates are determined through arm's length negotiation with reference to (i) historical fee rates; and (ii) the fee rates charged for similar services by Independent Third Parties.
- (c) For posts and telecommunications, telephone and networks services, the fee rates are determined through arm's length negotiation with reference to the fee rates charged for similar services by Independent Third Parties.

Historical amounts

The Company and SDP Technology Group did not conduct any similar transactions as those under the SDP Technology Group General Service (Procurement) Framework Agreement in the past, save that the Company and a subsidiary of SDP Technology Group, namely Rizhao Port Information, conducted similar transactions under the RPG General Service (Procurement) Framework Agreement 2019 and the RPG General Service (Procurement) Framework Agreement 2022.

LETTER FROM THE BOARD

Set out below are the historical transaction amounts paid by the Company to the subsidiary of SDP Technology Group under the RPG General Service (Procurement) Framework Agreement 2019 and the RPG General Service (Procurement) Framework Agreement 2022:

	For the years ended 31 December			For the period from 1 January 2022 to 26 October
	2019	2020	2021	2022
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
General Service	1,177,000	1,658,000	1,483,000	938,680

Proposed Annual Caps

The Proposed Annual Caps for the transactions contemplated under the SDP Technology Group General Service (Procurement) Framework Agreement are set out as follows:

	From the date of conclusion of the EGM to 31 December 2022	For the years ending 31 December	
	2023	2024	
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
General Services	9,580,000	12,520,000	19,420,000

The Proposed Annual Caps for the transactions contemplated under the SDP Technology Group General Service (Procurement) Framework Agreement were determined with reference to (a) the demand for procuring relevant services from SDP Technology Group and its subsidiary(ies) by the Company; (b) historical service fee rate and expected fluctuation in the rate; (c) expected increase in need due to the Company's development plans; and (d) with regard to the procurement of facilities and equipment maintenance and other maintenance services; and services of procurement and maintenance of software and IT systems in relation to port operation and management, the estimated maintenance fees for the Company's constructions, equipment and IT systems.

LETTER FROM THE BOARD

The calculation of the Proposed Annual Caps for the transactions contemplated under the SDP Technology Group General Service (Procurement) Framework Agreement was based on the sum of the estimated transaction amounts for the procurement of relevant services from SDP Technology Group and Rizhao Port Information. The estimated transaction amounts for the procurement of relevant services from Rizhao Port Information were determined based on the historical transaction amount paid by the Company to Rizhao Port Information for the year ended 31 December 2021, and such amount is similar to the estimated transaction amounts for the procurement of relevant services from Rizhao Port Information for the period from the date of the conclusion of the EGM to 31 December 2022 and for the two years ending 31 December 2024 with a difference of less than 5%. On the other hand, the estimated transaction amounts for the procurement of relevant services from SDP Technology Group for the period from the date of the conclusion of the EGM to 31 December 2022 and for the two years ending 31 December 2024 were determined with reference to the estimated number of projects to be carried out each year and the estimated contract price as contemplated under such projects. From 2022 to 2024, the Company plans to implement 35 information management projects in accordance with the smart port construction plan with investment amounts ranging from RMB69,300 to RMB4 million, and relevant services may be procured from SDP Technology Group regarding such projects. In the year of 2022, three information management projects have been awarded to SDP Technology Group after going through the procedures as described in the pricing policy and internal control measures applicable to the SDP Technology Group General Service (Procurement) Framework Agreement stipulated in this circular.

Further, the Proposed Annual Cap for the transactions contemplated under the SDP Technology Group General Service (Procurement) Framework Agreement for the period from the date of conclusion of the EGM to 31 December 2022 was determined with reference to the above factors on a full year basis. The Company expects that the actual transaction amount under the SDP Technology Group General Service (Procurement) Framework Agreement for the period from the date of conclusion of the EGM to 31 December 2022 would be substantially lower than the relevant Proposed Annual Cap, which is not revised in proportion to the full year basis considering the factors as stated in the section headed “2. Continuing Connected Transactions – A. SDP Logistics Group General Service (Procurement) Framework Agreement – Proposed Annual Caps” in the letter from the Board contained in this circular.

LETTER FROM THE BOARD

Reasons for the transaction

Based on the construction of smart ports, SDP Technology Group implements four key businesses, namely, information top-level design, research and development of core application systems, big data application and information project implementation with three core advantages, namely, building a logistics supply chain service platform, smart port solutions and automation application systems. The Company has many project requirements in informatization, digitalization and intellectualization construction, and the entering into of the SDP Technology Group General Service (Procurement) Framework Agreement is conducive to the business cooperation of both parties.

C. SDP Shipping Group General Service (Procurement) Framework Agreement

Date:	19 September 2022
Parties:	(a) the Company; and (b) SDP Shipping Group (for itself and on behalf of its subsidiaries).
Term:	From the conclusion of the EGM to 31 December 2024 (which will be automatically renewed for three years upon expiration (i) unless notified by one party to the other party to the contrary in writing one month prior to the expiration; or (ii) subject to the approval of the independent shareholders of the Company and/or compliance with other relevant securities regulatory requirements in accordance with the Listing Rules)
Nature of transaction:	The Company agreed to procure grain logistics services from SDP Shipping Group and other similar general services the Company may procure from SDP Shipping Group in the future from time to time.
Pricing policy:	The fee rates for logistics services are determined with reference to (i) the comparable service fee rates charged by Independent Third Parties; and (ii) the historical fee rates charged by SDP Shipping Group for general grain logistics services provided to Independent Third Parties.

LETTER FROM THE BOARD

Historical amounts

The Company and SDP Shipping Group did not conduct any similar transactions as those under the SDP Shipping Group General Service (Procurement) Framework Agreement in the past. Therefore, there is no historical amount for the transactions under the SDP Shipping Group General Service (Procurement) Framework Agreement.

Proposed Annual Caps

The Proposed Annual Caps for the transactions contemplated under the SDP Shipping Group General Service (Procurement) Framework Agreement are set out as follows:

	From the date of conclusion of the EGM to 31 December 2022	For the years ending 31 December	
	<i>RMB</i>	2023	2024
		<i>RMB</i>	<i>RMB</i>
General Services	5,000,000	5,000,000	5,000,000

The Proposed Annual Caps for the transactions contemplated under the SDP Shipping Group General Service (Procurement) Framework Agreement were determined with reference to (a) the demand for procuring relevant services from SDP Shipping Group by the Company; (b) historical service fee rate and expected fluctuation in the rate; and (c) expected increase in need due to the Company's development plans.

The Company expected that under the SDP Shipping Group General Service (Procurement) Framework Agreement, the services that the Company will procure from SDP Shipping Group will principally be grain logistics services conducted through waterway transportation in two shipping lines. In the past, there has been shipment of grain cargos from the Company's berths to the Yangtze River, Tianjin, Liaoning and other places every year and the one-stop "berth to factory" logistics transportation has been mainly operated by Independent Third Parties customers of the Company. According to the Company's development expectations, relying on its advantage of possessing port resources, the Company will develop potential one-stop "berth to factory" grain logistics business and engage other parties to operate waterway transportation and hence there is a demand for the services to be provided by SDP Shipping Group.

LETTER FROM THE BOARD

The calculation of the Proposed Annual Caps for the transactions contemplated under the SDP Shipping Group General Service (Procurement) Framework Agreement was based on the multiple of the estimated volume of logistics services and the estimated service fees. Since currently the Company's clients directly engage Independent Third Parties service providers for grain logistics services, the historical transaction amount of such business with Independent Third Parties is zero. The estimated volume of logistics services was based on the business volume for grain logistics services between Independent Third Parties service receivers (which may be the Company's clients) and Independent Third Parties service providers through the same two shipping lines of approximately 116,000 tonnes and 195,000 tonnes for the year ended 31 December 2021 with downward adjustment since the Company will procure such services from both SDP Shipping Group and Independent Third Parties. The Company expected that the volume of grain logistics services to be procured from SDP Shipping Group for the three years ending 31 December 2024 would be the same. The estimated service fees for the three years ending 31 December 2024 were based on the service fees charged by the Independent Third Parties for the grain logistics services provided through the same two shipping lines for the year ended 31 December 2021.

Further, the Proposed Annual Cap for the transactions contemplated under the SDP Shipping Group General Service (Procurement) Framework Agreement for the period from the date of conclusion of the EGM to 31 December 2022 was determined with reference to the above factors on a full year basis. The Company expects that the actual transaction amount under the SDP Shipping Group General Service (Procurement) Framework Agreement for the period from the date of conclusion of the EGM to 31 December 2022 would be substantially lower than the relevant Proposed Annual Cap, which is not revised in proportion to the full year basis considering the factors as stated in the section headed "2. Continuing Connected Transactions – A. SDP Logistics Group General Service (Procurement) Framework Agreement – Proposed Annual Caps" in the letter from the Board contained in this circular.

Reasons for the transaction

SDP Shipping Group is committed to providing comprehensive, professional and quality integrated shipping services to its customers with advantages in marine transportation such as container, dry bulk and passenger transportation. The Company is engaged in grain stevedoring, storage and logistics transit services, which can provide customers with full logistics and transportation services. The entering into of the SDP Shipping Group General Service (Procurement) Framework Agreement can provide logistics and transportation convenience and synergistic benefits to both the Company and SDP Shipping Group, which are beneficial to the Company in increasing market business volume, stabilizing customer base, enhancing overall business strategy development, and enhancing regional market competitive advantages.

LETTER FROM THE BOARD

D. Internal Control Measures

The Company has established the following internal control measures to ensure that the pricing mechanism and the terms of the transactions contemplated under the SPG General Service (Procurement) Framework Agreements are fair and reasonable and no more favourable to the connected persons than the terms offered by the Company to the Independent Third Parties or no less favourable than the terms offered to the Company from the Independent Third Parties (as applicable):

- (a) Before entering into any individual agreement under the SPG General Service (Procurement) Framework Agreements, (i) the Company will obtain quotations from two or more Independent Third Party service providers through price inquiry and (ii) the staff of various departments (including marketing center, technical support center and securities affairs office) will collect transaction information of previous similar transactions (with Independent Third Parties) (if applicable), the transaction information of similar transactions between Shandong Port Group and other subsidiaries of Shandong Port Group, (if any) government prescribed price and (if any) available market price for similar transactions. The marketing center is mainly responsible for obtaining market price information from Independent Third Parties related to port shipping and logistics. The technical support center is mainly responsible for obtaining market price information from Independent Third Parties related to port information construction. The securities affairs office will perform a comparison of the fee quotations in accordance with the pricing policy, consider the transaction information collected and market price information obtained and further review and assess the specific terms and conditions of such individual agreements to ensure that (i) the individual agreements would be in accordance with the terms of the SPG General Service (Procurement) Framework Agreements and the pricing policies of the Company; and (ii) the overall terms of the individual agreements are fair and reasonable and no more favourable to the connected persons than those which have been offered or to be offered by the Company to the Independent Third Parties or no less favourable than the terms offered to the Company from the Independent Third Parties (as applicable);
- (b) The finance office of the Company will perform monthly review on the transactions entered into under the SPG General Service (Procurement) Framework Agreements to ensure compliance with pricing policies;

LETTER FROM THE BOARD

- (c) The finance office and the securities affairs office of the Company will closely monitor the actual transaction amounts under the SPG General Service (Procurement) Framework Agreements on a monthly basis. If the actual transaction amounts reach approximately 85% of the Proposed Annual Caps at any time of the year, the securities affairs office will report to the senior management of the Company, which will seek advice from the audit committee of the Company, and the Board will consider taking appropriate measures to revise the Proposed Annual Caps and comply with the relevant announcement and/or shareholders' approval requirements in accordance with the Listing Rules;
- (d) The finance office of the Company will perform quarterly check on the transactions entered into under the SPG General Service (Procurement) Framework Agreements and report to the audit committee of the Company and the Board to ensure that the Proposed Annual Caps are not exceeded;
- (e) The Company will conduct internal control review and financial audit on an annual basis, financial monitoring and decision analysis on a half-yearly basis, so as to ensure that the terms of the SPG General Service (Procurement) Framework Agreements and the pricing policies are complied with;
- (f) The auditors of the Company and the independent non-executive Directors will conduct annual review on the transactions entered into under the SPG General Service (Procurement) Framework Agreements in accordance with the Listing Rules; and
- (g) The Company's internal audit office will focus on the above internal control measures as part of their ongoing work plan and will report to the audit committee of the Company and the Board on a quarterly basis.

E. 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.

SDP Logistics Group, a company incorporated in the PRC with limited liability, is principally engaged in import and export agency; import and export of goods; operation of bonded logistics centres; internet information services; operation of export supervised warehouses; international shipping agency; road transportation of dangerous goods; domestic freight forwarding agency; international freight forwarding agency; loading and unloading; domestic shipping agency; non-vessel carrier business; sales agency; sale of lubricants; sale of grains; sale of beans and potatoes; sale of cotton and hemp; sale of agricultural by-products; internet sales and other businesses.

LETTER FROM THE BOARD

SDP Technology Group, a company incorporated in the PRC with limited liability, is principally engaged in development, wholesale, maintenance, repair, lease and technology transfer of computer hardware and software; computer system integration; multimedia technology design and production; computer graphics and animation design; wholesale: electronic products, computer and auxiliary equipment, computer network equipment, office automation equipment, building intelligent equipment, monitoring equipment and security equipment; security engineering; server room engineering; communication engineering; building intelligent engineering; network information technology services; website construction and maintenance; network engineering; industrial automation engineering; integrated wiring; enterprise information technology services and technology consultation; technology research, design and sales of automatic control system; logistics information consultation; design, production, agency and publication of domestic advertising business; e-commerce information consulting and other businesses.

SDP Shipping Group, a company incorporated in the PRC with limited liability, is principally engaged in the businesses of inter-provincial passenger ships and dangerous goods ships; inter-provincial general cargo ship transportation and intra-provincial ship transportation; waterway general cargo transportation; international liner transportation; domestic ship management business; supply of foreign ships at ports; waterway transportation of dangerous goods; international passenger ships and ship transportation for bulk liquid dangerous goods; ship leasing; international ship management business; domestic shipping agency; international shipping agency; NVOCC business; ship repair; ship sales; container sales; container maintenance; container leasing services; international container ship and general cargo ship transportation; international freight forwarder; domestic cargo transportation agency; maritime international freight forwarder; land international freight forwarder; and general cargo warehousing services.

As at the Latest Practicable Date, (i) SDP Logistics Group is a wholly-owned subsidiary of Shandong Port Group; and (ii) each of SDP Technology Group and SDP Shipping Group is a non-wholly owned subsidiary of Shandong Port Group. Shandong Port Group is a state-owned enterprise ultimately controlled by Shandong SASAC.

LETTER FROM THE BOARD

F. Reasons for and Benefits of the Continuing Connected Transactions

In addition to the reasons set out above, the Directors are of the view that the continuing connected transactions set out in this circular will be beneficial to the Company and will facilitate the growth and development of the Company.

Regarding each of the Non-Exempt Continuing Connected Transactions, 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 Non-Exempt Continuing Connected Transactions (including the Proposed Annual Caps) are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Company, and are in the interests of the Company and the Shareholders as a whole.

None of the Directors has any material interest in the SPG General Service (Procurement) Framework Agreements and the transactions contemplated thereunder, and none of the Directors was required to abstain from voting on the board resolutions approving the SPG General Service (Procurement) Framework Agreements and the transactions contemplated thereunder.

G. Listing Rules Implications

As at the Latest Practicable Date, (i) SDP Logistics Group is a wholly-owned subsidiary of Shandong Port Group; (ii) SDP Technology Group is a non-wholly owned subsidiary of and is held as to 80% by Shandong Port Group; (iii) SDP Shipping Group is a non-wholly owned subsidiary of and is held as to 70.36% by Shandong Port Group; and (iv) Shandong Port Group is a controlling shareholder of the Company. Accordingly, each of SDP Logistics Group, SDP Technology Group and SDP Shipping Group 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. Therefore, the entering into of the SPG General Service (Procurement) Framework Agreements and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

Since (i) SDP Logistics Group, SDP Technology Group and SDP Shipping Group are fellow subsidiaries of Shandong Port Group who are connected with one another; and (ii) the Company entered into each of the SPG General Service (Procurement) Framework Agreements to procure general services from subsidiaries of Shandong Port Group, the transactions contemplated under the each of the SPG General Service (Procurement) Framework Agreements shall be aggregated in accordance with Rules 14A.82(1) and 14A.83 of the Listing Rules for the purpose of calculating the applicable ratios under Chapter 14A of the Listing Rules.

Although (i) the transactions under the SPG General Service (Procurement) Framework Agreements are of the same nature with the transactions under the RPG General Service (Procurement) Framework Agreement 2022 in respect of services including but not limited to port-related services, maintenance services and port-related technology services, and (ii) the transactions are entered into by the Company with parties who are connected with one another, given that the Company has already complied with all the connected transactions requirements (including independent shareholders' approval requirement) for the RPG General Service (Procurement) Framework Agreement 2022, the relevant annual caps and the transactions contemplated thereunder, the Company is not required to aggregate the Proposed Annual Caps under the SPG General Service (Procurement) Framework Agreements and the annual caps under the RPG General Service (Procurement) Framework Agreement 2022.

Accordingly, the Proposed Annual Caps in respect of each of the SPG General Service (Procurement) Framework Agreements shall be aggregated, and such aggregate amounts are used when calculating the applicable ratios under Chapter 14A of the Listing Rules. As the highest of all applicable percentage ratios in respect of the Proposed Annual Caps under the SPG General Service (Procurement) Framework Agreements is higher than 5% on an annual basis, the entering into of the SPG General Service (Procurement) Framework Agreements and the transactions contemplated thereunder is subject to reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

3. DISCLOSEABLE AND CONNECTED TRANSACTION

On 13 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 No. 8 Warehouse Project. The principal terms of the Construction Contract are set out as follows.

A. Construction Contract

Date: 13 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 two warehouses with steel portal frame structure and ancillary infrastructure such as construction of outdoor storage yard roads and weighbridge office and water and electricity works at Shijiu port area in Rizhao port.

Construction period: 150 calendar days

Defects liability period: 2 years after completion acceptance of the No. 8 Warehouse Project

Contract price: The contract price is RMB51,689,505.56, subject to (i) adjustments on the raw materials price in the event that the price of reinforcement steel, steel and concrete to be used at the construction works fluctuates over 5% from the benchmark price published by the local authorities; and (ii) completion and settlement audit report issued by an Independent Third Party audit institution appointed by the Company.

LETTER FROM THE BOARD

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.
- (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.

LETTER FROM THE BOARD

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 No. 8 Warehouse Project and received bids from Shandong Gangwan and more than three 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.

In accordance with the Bidding Law of the PRC, bidding was required to be carried out for No. 8 Warehouse Project. The Company engaged Shandong Port Group Tender and Procurement Center for the tender of the No. 8 Warehouse 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 No. 8 Warehouse 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.

LETTER FROM THE BOARD

Before the implementation of the tender project of the Construction Contract, the Company (i) 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.

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.

LETTER FROM THE BOARD

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 tenderers with the highest scores, the contract price offered by Shandong Gangwan represented the second lowest bid as compared to the other two tenderers and was lower than the project control price. Considering Shandong Gangwan's extensive experience in port construction having undertaken a number of projects in the port area and its track record in ensuring projects to be properly scheduled, planned and managed to reduce costs on the premise of ensuring the construction schedule and quality, Shandong Gangwan attained the highest total score of the bid evaluation among the bidders under the tender process. 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.

LETTER FROM THE BOARD

The Company will also engage an Independent Third Party audit institution to conduct an audit of the construction works and the contract price after completion acceptance of the No. 8 Warehouse Project.

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 a letter of guarantee as quality assurance,

- (b) up to 100% of the contract price to be paid after completion acceptance of the No. 8 Warehouse Project, settlement and finishing the completion documents and within 180 days of the issuance of the value-added tax invoice;

if Shandong Gangwan provides a quality assurance deposit,

- (c) up to 97% of the contract price to be paid after completion acceptance of the No. 8 Warehouse Project, settlement and finishing the completion 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 within 30 working days after the expiry of defects liability period with no quality defects of the No. 8 Warehouse Project.

The contract price will be funded by internal resources of the Company.

LETTER FROM THE BOARD

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).

B. 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.

As at the Latest Practicable Date, Shandong Gangwan is a non-wholly owned subsidiary of Shandong Port Group, which is a state-owned enterprise ultimately controlled by Shandong SASAC.

LETTER FROM THE BOARD

C. Reasons for and Benefits of Entering into the Construction Contract

The entering into of the Construction Contract with Shandong Gangwan is based on its extensive experience in port construction, having undertaken a number of projects in the port area, and being able to ensure that projects are properly scheduled, planned and managed to reduce costs on the premise of ensuring the construction schedule and quality. The construction of warehouses under the No. 8 Warehouse Project can greatly alleviate the current situation of capacity shortage of the Company's silo and warehouse, and meet the regulatory and freight storage requirements. Moreover, the Company expects the No. 8 Warehouse Project will bring revenue to the Company since the warehouse construction period is short with fast turnaround and high efficiency in use.

The terms of the Construction Contract 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 Construction Contract 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 Construction Contract and the transactions contemplated thereunder, and none of the Directors was required to abstain from voting on the board resolutions approving the Construction Contract and the transactions contemplated thereunder.

D. 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; and (ii) Shandong Port Group is a controlling shareholder of the Company. Accordingly, Shandong Gangwan 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 Construction Contract exceeds 5% but is below 25% and the total consideration is more than HK\$10,000,000, the entering into of the Construction Contract and the transactions contemplated thereunder constitute a discloseable 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.

LETTER FROM THE BOARD

4. EGM

The EGM will be held at 10:30 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 64 to 65 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 Non-Exempt Continuing Connected Transactions (together with the Proposed Annual Caps), the Construction Contract 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.

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

As at the Latest Practicable Date, 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 Non-Exempt Continuing Connected Transactions, the Proposed Annual Caps, the Construction Contract 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 Non-Exempt Continuing Connected Transactions, the Proposed Annual Caps, the Construction Contract and the transactions contemplated thereunder at the EGM.

LETTER FROM THE BOARD

5. CLOSURE OF REGISTER OF MEMBERS

In order to determine the holders of H Shares who will be entitled to attend the EGM, the register of members of the Company will be closed from 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.

6. VOTING BY POLL

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

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, there is (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon any Shareholders; and (ii) no obligation or entitlement of any Shareholder as at the Latest Practicable Date, whereby it/he/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.

7. RECOMMENDATIONS

The Board (including the independent non-executive Directors whose views have been set out in this circular after taking into consideration the advice of the Independent Financial Adviser) is of the view that: (i) the Non-Exempt Continuing Connected Transactions, the Construction Contract and the transactions contemplated thereunder are entered into in the ordinary and usual course of business of the Company, on normal commercial terms, which are fair and reasonable and in the interest of the Company and the Shareholders as a whole; and (ii) the Proposed Annual Caps are fair and reasonable and in the interest of the Company and the Shareholders as a whole. Accordingly, the Board (including the independent non-executive Directors) recommends the Independent Shareholders to vote in favour of the resolutions for approving the Non-Exempt Continuing Connected Transactions, the Proposed Annual Caps, the Construction Contract and the transactions contemplated thereunder.

LETTER FROM THE BOARD

8. FURTHER INFORMATION

Your attention is also drawn to the letter from the Independent Board Committee set out on pages 29 to 30 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 31 to 59 of this circular, the additional information as set out in the appendix to this circular and the Notice of EGM.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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,

**(1) CONTINUING CONNECTED TRANSACTIONS;
AND
(2) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO
CONSTRUCTION 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 Non-Exempt Continuing Connected Transactions (together with the Proposed Annual Caps), the Construction Contract 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 Non-Exempt Continuing Connected Transactions, the Proposed Annual Caps, the Construction Contract and the transactions contemplated thereunder as set out in the Circular. Gram Capital Limited has been appointed as the Independent Financial Adviser to provide advice and recommendation to the Independent Board Committee and the Independent Shareholders in this regard. Details of the independent advice of the Independent Financial Adviser, together with the principal factors and reasons the Independent Financial Adviser has taken into consideration, are set out in pages 31 to 59 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 Non-Exempt Continuing Connected Transactions, the Proposed Annual Caps, the Construction Contract and the transactions contemplated thereunder. Your attention is also drawn to the additional information set out in the appendices to the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the terms of the Non-Exempt Continuing Connected Transactions (together with the Proposed Annual Caps), the Construction Contract and the transactions contemplated thereunder, the advice and recommendation of the Independent Financial Adviser and the relevant information contained in the Letter from the Board, we are of the view that: (i) the Non-Exempt Continuing Connected Transactions, the Construction Contract and the transactions contemplated thereunder are entered into in the ordinary and usual course of business of the Company, on normal commercial terms, which are fair and reasonable and in the interest of the Company and the Shareholders as a whole; and (ii) the Proposed Annual Caps are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolutions at the EGM so as to approve the Non-Exempt Continuing Connected Transactions, the Proposed Annual Caps, the Construction Contract 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*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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



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

12 December 2022

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

Dear Sirs,

(I) CONTINUING CONNECTED TRANSACTIONS; AND (II) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO CONSTRUCTION CONTRACT

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of (i) the Non-Exempt Continuing Connected Transactions; and (ii) the transactions contemplated under the Construction Contract (the “**Construction Transaction**”), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 12 December 2022 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

The Non-exempt Continuing Connected Transactions

On 19 September 2022, the Company entered into the SDP Logistics Group General Service (Procurement) Framework Agreement with SDP Logistics Group; the SDP Technology Group General Service (Procurement) Framework Agreement with SDP Technology Group; and the SDP Shipping Group General Service (Procurement) Framework Agreement with SDP Shipping Group, with a term commencing from the conclusion of the EGM to 31 December 2024.

With reference to the Board Letter, the Non-Exempt Continuing Connected Transactions constitute continuing connected transactions of the Company and are subject to the reporting, annual review, announcement and independent shareholders’ approval requirements for continuing connected transactions under Chapter 14A of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Construction Transaction

On 13 October 2022, 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 No. 8 Warehouse Project.

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

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

INDEPENDENCE

During the past two years immediately preceding the Latest Practicable Date, Gram Capital was engaged as the independent financial adviser to the independent board committee and independent shareholders of the Company in relation to (i) continuing connected transactions (details of which are set out in the Company's circular dated 23 April 2021); (ii) continuing connected transactions (details of which are set out in the Company's circular dated 15 January 2022); and (iii) major and continuing connected transactions (details of which are set out in the Company's circular dated 5 December 2022). Save for the aforesaid engagements, there was no other service provided by Gram Capital to the Company with executed agreement during the past two years immediately preceding the Latest Practicable Date.

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

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there are no undisclosed private agreements/arrangements or implied understanding with anyone concerning the Non-Exempt Continuing Connected Transactions and the Construction Transaction. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement as contained in the Circular or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, SDP Logistics Group, SDP Technology Group, SDP Shipping Group, Shandong Gangwan and each of their respective subsidiaries or associates, nor have we considered the taxation implication on the Company or the Shareholders as a result of the Non-Exempt Continuing Connected Transactions and the Construction Transaction. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

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

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Non-Exempt Continuing Connected Transactions and the Construction Transaction, we have taken into consideration the following principal factors and reasons:

Information on the Company

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

A. THE NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Information on the counterparties to the SPG General Service (Procurement) Framework Agreements

The counterparties to the SPG General Service (Procurement) Framework Agreements are SDP Logistics Group, SDP Technology Group and SDP Shipping Group. With reference to the Board Letter, each of SDP Technology Group, SDP Shipping Group and SDP Logistics Group is a subsidiary of Shandong Port Group, which is a state-owned enterprise ultimately controlled by Shandong Provincial State-owned Assets Supervision and Administration Commission. As at the Latest Practicable Date, Shandong Port Group is a controlling shareholder of the Company.

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SDP Logistics Group, a company incorporated in the PRC with limited liability, is principally engaged in import and export agency; import and export of goods; operation of bonded logistics centres; internet information services; operation of export supervised warehouses; international shipping agency; road transportation of dangerous goods; domestic freight forwarding agency; international freight forwarding agency; loading and unloading; domestic shipping agency; non-vessel carrier business; sales agency; sale of lubricants; sale of grains; sale of beans and potatoes; sale of cotton and hemp; sale of agricultural by-products; internet sales and other businesses.

SDP Technology Group, a company incorporated in the PRC with limited liability, is principally engaged in development, wholesale, maintenance, repair, lease and technology transfer of computer hardware and software; computer system integration; multimedia technology design and production; computer graphics and animation design; wholesale: electronic products, computer and auxiliary equipment, computer network equipment, office automation equipment, building intelligent equipment, monitoring equipment and security equipment; security engineering; server room engineering; communication engineering; building intelligent engineering; network information technology services; website construction and maintenance; network engineering; industrial automation engineering; integrated wiring; enterprise information technology services and technology consultation; technology research, design and sales of automatic control system; logistics information consultation; design, production, agency and publication of domestic advertising business; e-commerce information consulting and other businesses.

SDP Shipping Group, a company incorporated in the PRC with limited liability, is principally engaged in the businesses of inter-provincial passenger ships and dangerous goods ships; inter-provincial general cargo ship transportation and intra-provincial ship transportation; waterway general cargo transportation; international liner transportation; domestic ship management business; supply of foreign ships at ports; waterway transportation of dangerous goods; international passenger ships and ship transportation for bulk liquid dangerous goods; ship leasing; international ship management business; domestic shipping agency; international shipping agency; NVOCC business; ship repair; ship sales; container sales; container maintenance; container leasing services; international container ship and general cargo ship transportation; international freight forwarder; domestic cargo transportation agency; maritime international freight forwarder; land international freight forwarder; and general cargo warehousing services.

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Reasons for and benefits of the Non-Exempt Continuing Connected Transactions

With reference to the Board Letter, reasons for and benefits of the Non-Exempt Continuing Connected Transactions are set out as follows:

- SDP Logistics Group is committed to building a first-class, internationally leading and innovative modern logistics service provider and establishing a whole-process, whole-chain logistics service system. The Company's demand for procuring such services is high in the process of providing the whole logistics and transportation services. Both the Company and SDP Logistics Group can complement each other's resources, facilitate transportation and achieve synergistic benefits, which is conducive to enhancing the overall business strategy development, innovating and developing new forms of port logistics, and enhancing the competitiveness of regional logistics and transportation.
- Based on the construction of smart ports, SDP Technology Group implements four key businesses, namely, information top-level design, research and development of core application systems, big data application and information project implementation with three core advantages, namely, building a logistics supply chain service platform, smart port solutions and automation application systems. The Company has many project requirements in informatization, digitalization and intellectualization construction, and the entering into of the SDP Technology Group General Service (Procurement) Framework Agreement is conducive to the business cooperation of both parties.
- SDP Shipping Group is committed to providing comprehensive, professional and quality integrated shipping services to its customers with advantages in marine transportation such as container, dry bulk and passenger transportation. The Company is engaged in grain stevedoring, storage and logistics transit services, which can provide customers with full logistics and transportation services. The entering into of the SDP Shipping Group General Service (Procurement) Framework Agreement can provide logistics and transportation convenience and synergistic benefits to both the Company and SDP Shipping Group, which are beneficial to the Company in increasing market business volume, stabilizing customer base, enhancing overall business strategy development, and enhancing regional market competitive advantages.

As further advised by the Directors, the Non-Exempt Continuing Connected Transactions are conducted in the ordinary course of business of the Company, and are conducted on a continuous and frequent basis. Accordingly, the Directors are of the view that the Non-Exempt Continuing Connected Transactions will be beneficial to the Company and the Shareholders as a whole.

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Pursuant to the SPG General Service (Procurement) Framework Agreements, fee rates of the Non-Exempt Continuing Connected Transactions will be determined with reference to, among other things, historical fee rates or market price provided by the Independent Third Parties. In addition, we also noted that the Company has established certain internal control measures to ensure that the pricing mechanism and the terms of the transactions contemplated under the Non-Exempt Continuing Connected Transactions are fair and reasonable and no less favourable than the terms offered to the Company from the Independent Third Parties (as applicable).

Having considered the above factors, we consider that the Non-Exempt Continuing Connected Transactions are conducted 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.

A.1 TRANSACTIONS CONTEMPLATED UNDER THE SDP LOGISTICS GROUP GENERAL SERVICE (PROCUREMENT) FRAMEWORK AGREEMENT

Principal terms of the transactions

Summarised below are the major terms of the transactions contemplated under the SDP Logistics Group General Service (Procurement) Framework Agreement, details of which are set out under the section headed “1. SDP Logistics Group General Service (Procurement) Framework Agreement” of the Board Letter:

Date

19 September 2022

Parties

- (a) the Company; and
- (b) SDP Logistics Group (for itself and on behalf of its subsidiaries).

Term

From the conclusion of the EGM to 31 December 2024.

Nature of transaction

The Company agreed to procure from SDP Logistics Group services including but not limited to logistics and container logistics services, and other similar general services the Company may procure from SDP Logistics Group in the future from time to time.

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Pricing policy

The fee rates for logistics services are determined with reference to the comparable service fee rates charged by Independent Third Parties. The fee rates for container logistics services are determined through arm's length negotiation with reference to (i) historical fee rates; (ii) the cost of the relevant services; and (iii) market price for similar services provided by Independent Third Parties.

Having considered that the bases for determination of services fees for above services will be made with reference to, historical fee rates or the fee rates charged for similar services by Independent Third Parties, we are of the view that the fee rates to be fair and reasonable.

With reference to the Board Letter, the Company has established the certain internal control measures to ensure that the pricing mechanism and the terms of the transactions contemplated under the SDP Logistics Group General Service (Procurement) Framework Agreement are fair and reasonable and no less favourable than the terms offered to the Company from the Independent Third Parties. Having considered that (i) there will be information collection procedures (i.e. to obtain quotations from two or more Independent Third Party service providers through price inquiry) by marketing center; comparison, review and assessment procedures by securities affairs office before entering into any individual agreement under the SDP Logistics Group General Service (Procurement) Framework Agreement; and (ii) the Company's adoption of procedures to govern the utilisation of proposed annual caps, pursuant to which there will be internal reporting procedure if the utilisation rate of proposed annual caps exceed 85%, we consider that the internal control measures are sufficient to ensure fair pricing of the transactions contemplated under the SDP Logistics Group General Service (Procurement) Framework Agreement according to the pricing policies and the proposed annual cap will not be exceeded.

For our due diligence purpose, we discussed with staffs of marketing center, and securities affairs office of the Company (being the departments which will be involved in the internal control procedures) and understood that the staffs of the aforesaid departments (i) were aware of the internal control measures and (ii) would continuously comply with such measures when conducting the transactions contemplated under the SDP Logistics Group General Service (Procurement) Framework Agreement.

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

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The proposed annual caps

The proposed annual caps for the transactions contemplated under the SDP Logistics Group General Service (Procurement) Framework Agreement are set out as follows:

	From the date of conclusion of the EGM to 31 December 2022 (the “2022 Period”) RMB’000	For the year ending 31 December 2023 (“FY2023”) RMB’000	For the year ending 31 December 2024 (“FY2024”) RMB’000
Proposed annual caps	55,000	60,000	65,000

With reference to the Board Letter, the Company and SDP Logistics Group did not conduct any similar transactions as those under the SDP Logistics Group General Service (Procurement) Framework Agreement in the past. Therefore, there is no historical amount for the transactions under the SDP Logistics Group General Service (Procurement) Framework Agreement.

After our discussion with the Directors, we understood that the proposed annual caps for the 2022 Period, FY2023 and FY2024 were determined with reference to the estimated demand of logistic services pursuant to the SDP Logistics Group General Service (Procurement) Framework Agreement for the 2022 Period, FY2023 and FY2024, which was mainly further determined with reference to the following factors:

- two types of cargo were mainly considered in the logistic services to be provided by SDP Logistics Group, being (a) woodchips; and (b) grain. The Directors advised us that logistic services by way of rail transportation will be the principal transportation method under the SDP Logistics Group General Service (Procurement) Framework Agreement, as rail transportation is a cost-effective mode of land transportation and often the first choice of transportation for customers with bulk shipments, which is also primarily used for long-distance transportation of substantially all of the Company’s major cargo types, including soybeans, woodchips and dried tapioca.
- The Company recorded amounts of logistic services provided by Independent Third Parties of approximately RMB49.2 million for FY2021. As advised by the Directors, the estimated volume of logistic service for woodchips and grain for FY2022 was determined with reference to the volume of similar logistic service for woodchips and grain for FY2021 as provided by Independent Third Parties. According to the historical record, the estimated logistic service for woodchips for FY2022, FY2023 and FY2024 represented increases of

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approximately 8% to 12% as compared to those for previous years; while the estimated logistic service for grain for FY2022, FY2023 and FY2024 represented increases of approximately 9% to 11% as compared to those for previous years.

We consider the abovementioned increase rates to be reasonable, after considering the following factors:

- for woodchips, the Company integrated berth resources designated for woodchips, extended rail connectivity, increased turnaround for yard efficiency, and resolved operational issue timely for the six months ended 30 June 2022 (the proportion of rail transportation increased to 73.1%). In addition, the volume of similar logistic service for woodchips as provided by Independent Third Parties for FY2021 were approximately 88.2% more than that for FY2020; and
- for grain, the Company deepened the “door to door” logistics service, with the increase in railway delivering of approximately 69% for the six months ended 30 June 2022. In addition, the volume of similar logistic service for grains provided by Independent Third Parties for FY2021 were approximately 5.7% more than that for FY2020.
- As advised by the Directors, the estimated service fee for logistic service for woodchips and grain for the three years ending 31 December 2024 were based on the logistic service fees for relevant type of cargo for FY2021.

Upon request, the Directors provided us two copies of agreements in relation to the provision of logistic services for woodchips by Independent Third Parties in 2021 (being the only two agreements in relation to logistic services for woodchips in 2021) and a copy of invoice in relation to the provision of logistic services for three different types of grain by an Independent Third Party in 2022.

According to the agreements and invoice, we noted that the estimated service fee for logistic service for woodchips and grain for FY2022, FY2023 and FY2024 are the same as the service fee for logistic services by Independent Third Parties. Accordingly, we consider the estimated services fees for logistic services for woodchips and grain, which are the same for the three years, for the three years ending 31 December 2024 to be reasonable.

The estimated demand of logistic services pursuant to the SDP Logistics Group General Service (Procurement) Framework Agreement for FY2022, FY2023 and FY2024 were calculated by the multiple of the estimated volume of logistic services and the estimated service fee, both of which are reasonable as analysed above.

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We further noted that the estimated demand of logistic services pursuant to the SDP Logistics Group General Service (Procurement) Framework Agreement for the 2022 Period was the same as that for the year ending 31 December 2022 on a full year basis. As advised by the Company, having considered the following factors, it would be acceptable for the Company to estimate the estimated demand for the 2022 Period based on a full year basis:

- based on the experience of the Company's managements, as the counterparty to the framework is a state-owned enterprise, the pre-approval procedure of the counterparty may be burdensome and uncontrollable. In previous transactions between the Company and its connected persons, it may take a few days from the date of the Company's board meeting approval of such transaction to the agreement signing date; and it may also take few months from the date of the Company's board meeting approval such transaction to the agreement signing date. Therefore, it is difficult for the Company to accurately schedule the date of general meetings for obtaining the Shareholders' approval.

In this case, the SPG General Service (Procurement) Framework Agreements were approved by the Board in May 2022 and by the counterparty in September 2022. Therefore, the framework agreement was entered into in September 2022.

- the proposed annual caps are stated in the framework agreement as a clause. In the event that the Company enters into the SPG General Service (Procurement) Framework Agreements with connected persons and set the proposed annual cap in proportional to the full year basis, it may take additional time for counterparty to re-approve the updated framework agreement and the Company may not be able to meet the schedule.
- the proposed annual cap for FY2022 can cover the estimated demand of relevant transactions contemplated under the SPG General Service (Procurement) Framework Agreements and also avoid any burdensome procedures and unnecessary time cost.

Therefore, we are of the estimated demand for the 2022 Period (estimated based on full year basis) is justifiable after considering the above reasons and that the pricing policy under the SDP Logistics Group General Service (Procurement) Framework Agreement are fair and reasonable.

As the proposed annual caps for the 2022 Period, FY2023 and FY2024 were close to (with difference of less than 5%) the estimated demand of logistic service pursuant to the SDP Logistics Group General Service (Procurement) Framework Agreement for the 2022 Period, FY2023 and FY2024, we are of the view that the proposed annual caps for the 2022 Period, FY2023 and FY2024 to be fair and reasonable.

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Shareholders should note that as the proposed annual caps are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2024, and they do not represent forecasts of cost to be incurred from the transactions contemplated under the SDP Logistics Group General Service (Procurement) Framework Agreement. Consequently, we express no opinion as to how closely the cost to be incurred from the transactions contemplated under the SDP Logistics Group General Service (Procurement) Framework Agreement will correspond with the proposed annual caps.

A.2 TRANSACTIONS CONTEMPLATED UNDER THE SDP TECHNOLOGY GROUP GENERAL SERVICE (PROCUREMENT) FRAMEWORK AGREEMENT

Principal terms of the transactions

Summarised below are the major terms of the transactions contemplated under the SDP Technology Group General Service (Procurement) Framework Agreement, details of which are set out under the section headed “2. SDP Technology Group General Service (Procurement) Framework Agreement” of the Board Letter:

Date

19 September 2022

Parties

- (a) the Company; and
- (b) SDP Technology Group (for itself and on behalf of its subsidiaries)

Term

From the conclusion of the EGM to 31 December 2024.

Nature of transaction

The Company agreed to procure from SDP Technology Group services including but not limited to facilities and equipment maintenance and other maintenance services; services of procurement and maintenance of software and IT systems in relation to port operation and management; and posts and telecommunications, telephone and networks services, and other similar general services the Company may procure from SDP Technology Group in the future from time to time.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Pricing policy

- a. For facilities and equipment maintenance and other maintenance services, the fee rates are determined with reference to the comparable service fee rates charged by Independent Third Parties.
- b. For services of procurement and maintenance of software and IT systems in relation to port operation and management, the fee rates are determined through arm's length negotiation with reference to (i) historical fee rates; and (ii) the fee rates charged for similar services by Independent Third Parties.
- c. For posts and telecommunications, telephone and networks services, the fee rates are determined through arm's length negotiation with reference to the fee rates charged for similar services by Independent Third Parties.

Having considered that the bases for determination of services fees for above services will be made with reference to, historical fee rates and/or the fee rates charged for similar services by Independent Third Parties, we are of the view that the fee rates to be fair and reasonable.

With reference to the Board Letter, the Company has established the certain internal control measures to ensure that the pricing mechanism and the terms of the transactions contemplated under the SDP Technology Group General Service (Procurement) Framework Agreement are fair and reasonable and no less favourable than the terms offered to the Company from the Independent Third Parties. Having considered that (i) there will be information collection procedures (i.e. to obtain quotations from two or more Independent Third Parties service providers through price inquiry) by technical support center; comparison, review and assessment procedures by securities affairs office before entering into any individual agreement under the SDP Technology Group General Service (Procurement) Framework Agreement; and (ii) the Company's adoption of procedures to govern the utilisation of proposed annual caps, pursuant to which there will be internal reporting procedure if the utilisation rate of proposed annual caps exceed 85%, we consider that the internal control measures are sufficient to ensure fair pricing of the transactions contemplated under the SDP Technology Group General Service (Procurement) Framework Agreement according to the pricing policies and the proposed annual cap will not be exceeded.

During the course of analysing proposed annual caps of the SDP Technology Group General Service (Procurement) Framework Agreement, we noted that the Directors determined the proposed annual caps based on, among other things, the estimated procurement amounts of relevant services from SDP Technology Group which were determined on project basis. Among those projects, three projects were awarded to connected persons. Upon our further request, the Directors provided us two quotations offered by Independent Third Parties for each of the projects. We noted that the prices offered by connected persons were no less favourable than those offered by Independent Third Parties for the same project.

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For our due diligence purpose, we discussed with staffs of technical support center and securities affairs office of the Company (being the departments which will be involved in the internal control procedures) and understood that the staffs of the aforesaid departments (i) were aware of the internal control measures and (ii) would continuously comply with such measures when conducting the transactions contemplated under the SDP Technology Group General Service (Procurement) Framework Agreement.

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

The proposed annual caps

The proposed annual caps for the transactions contemplated under the SDP Technology Group General Service (Procurement) Framework Agreement are set out as follows:

	From the date of conclusion of the EGM to 31 December 2022	For the year ending 31 December 2023	For the year ending 31 December 2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Proposed annual caps	9,580	12,520	19,420

With reference to the Board Letter, the Company and a subsidiary of SDP Technology Group (i.e. Rizhao Port Information, being owned as to approximately 50.98% by SDP Technology Group and approximately 49.02% by Rizhao Port Group according to the public information) conducted similar transactions under the RPG General Service (Procurement) Framework Agreement 2019 and the RPG General Service (Procurement) Framework Agreement 2022.

After our discussion with the Directors, we understood that the proposed annual cap for the 2022 Period, FY2023 and FY2024 were determined with reference to the estimated demand of relevant services pursuant to the SDP Technology Group General Service (Procurement) Framework Agreement for the 2022 Period, FY2023 and FY2024, which was mainly further determined with reference to the following factors:

- estimated procurement amounts of relevant services from two different entities were mainly considered, being (a) SDP Technology Group; and (b) Rizhao Port Information.

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- **Estimated procurement amounts of relevant services from Rizhao Port Information:** As further advised by the Directors, the estimated procurement of relevant services from Rizhao Port Information was determined based on the historical amounts of procurement of relevant services from Rizhao Port Information for FY2021 (i.e. RMB1.483 million).

According to the historical figure, the estimated procurement amounts of relevant services from Rizhao Port Information for FY2022, FY2023 and FY2024 were close to (with difference of less than 5%) the historical amounts of procurement of relevant services from Rizhao Port Information for FY2021. Accordingly, we are of the view that the estimated procurement amounts of relevant services from Rizhao Port Information for FY2022, FY2023 and FY2024 are fair and reasonable.

- **Estimated procurement amounts of relevant services from SDP Technology Group:** We understood that the estimated procurement amounts of relevant services from SDP Technology Group were determined on project basis.

Upon our request, the Directors provided us a list, showing all relevant individual projects (the “**Individual Project(s)**”) for FY2022, FY2023 and FY2024 together with estimated contract values for such projects. The estimated procurement amounts of relevant services from SDP Technology Group for FY2022, FY2023 and FY2024 represented the summation of the estimated contract value of projects which were expected to proceed in each of the year.

To assess the reasonableness of the estimated contract values, we randomly selected approximately 40% (in number of projects) of the aforesaid projects and requested the Company to further provide supporting information in respect of the selected projects. In this regard, we obtained following types of supporting documents, (i) quotations from Independent Third Parties or connected persons for relevant Individual Projects; and (ii) technical proposal prepared by the Company, showing the estimated budget of relevant Individual Projects. According to the supporting documents, we noted that the estimated contract values of the selected projects were (i) in line with the estimated budget of relevant projects or quotations provided by connected persons for such Individual Projects; or (ii) lower than quotations provided by Independent Third Parties (on unit price basis) for such Individual Projects. In addition, as mentioned above, for those projects awarded to connected persons, the prices offered by connected persons were not less favourable than those offered by Independent Third Parties for the same project. Accordingly, we are of the view that the estimated contract values of the selected projects are reasonable. As the number of selected projects represented approximately 40% of total number of projects in FY2022, FY2023 and FY2024 in total, we are of the view that the number of selected projects are sufficient for us to form our view. Accordingly, we are also of the view that the estimated procurement of relevant services from SDP Technology Group for FY2022, FY2023 and FY2024 are reasonable.

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The estimated demand of relevant services pursuant to the SDP Technology Group General Service (Procurement) Framework Agreement for FY2022, FY2023 and FY2024 were calculated by the summation of the estimated procurement amounts of relevant services from SDP Technology Group and Rizhao Port Information, both of which are reasonable as analysed above.

We further noted that the Company estimated demand of relevant services pursuant to the SDP Technology Group General Service (Procurement) Framework Agreement for 2022 Period being same as that for the year ending 31 December 2022 on a full year basis. After considering the reasons as set out in the section headed “A.1 TRANSACTIONS CONTEMPLATED UNDER THE SDP LOGISTICS GROUP GENERAL SERVICE (PROCUREMENT) FRAMEWORK AGREEMENT” above and that the pricing policy under the SDP Technology Group General Service (Procurement) Framework Agreement are fair and reasonable, we are of the view that the estimated demand for the 2022 Period (estimated based on full year basis) is justifiable.

As the proposed annual caps for the 2022 Period, FY2023 and FY2024 represented the estimated demand of relevant service pursuant to the SDP Technology Group General Service (Procurement) Framework Agreement for the 2022 Period, FY2023 and FY2024, we are of the view that the proposed annual caps for the 2022 Period, FY2023 and FY2024 to be fair and reasonable.

Shareholders should note that as the proposed annual caps are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2024, and they do not represent forecasts of cost to be incurred from the transactions contemplated under the SDP Technology Group General Service (Procurement) Framework Agreement. Consequently, we express no opinion as to how closely the cost to be incurred from the transactions contemplated under the SDP Technology Group General Service (Procurement) Framework Agreement will correspond with the proposed annual caps.

A.3 TRANSACTIONS CONTEMPLATED UNDER THE SDP SHIPPING GROUP GENERAL SERVICE (PROCUREMENT) FRAMEWORK AGREEMENT

Principal terms of the transactions

Summarised below are the major terms of the transactions contemplated under the SDP Shipping Group General Service (Procurement) Framework Agreement, details of which are set out under the section headed “3. SDP Shipping Group General Service (Procurement) Framework Agreement” of the Board Letter:

Date

19 September 2022

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Parties

- (a) the Company; and
- (b) SDP Shipping Group (for itself and on behalf of its subsidiaries).

Term

From the conclusion of the EGM to 31 December 2024.

Nature of transaction

The Company agreed to procure grain logistics services from SDP Shipping Group and other similar general services the Company may procure from SDP Shipping Group in the future from time to time.

Pricing policy

The fee rates for logistics services are determined with reference to (i) the comparable service fee rates charged by Independent Third Parties; and (ii) the historical fee rates charged by SDP Shipping Group for general grain logistics services provided to Independent Third Parties.

Having considered that the bases for determination of services fees for above services will be made with reference to, historical fee rates and/or the fee rates charged for similar services by Independent Third Parties, we are of the view that the fee rates to be fair and reasonable.

With reference to the Board Letter, the Company has established the certain internal control measures to ensure that the pricing mechanism and the terms of the transactions contemplated under the SDP Shipping Group General Service (Procurement) Framework Agreement are fair and reasonable and no less favourable than the terms offered to the Company from the Independent Third Parties. Having considered that (i) there will be information collection procedures (i.e. to obtain quotations from two or more Independent Third Party service providers through price inquiry) by marketing center; comparison, review and assessment procedures by securities affairs office before entering into any individual agreement under the SDP Shipping Group General Service (Procurement) Framework Agreement; and (ii) the Company's adoption of procedures to govern the utilisation of proposed annual caps, pursuant to which there will be internal reporting procedure if the utilisation rate of proposed annual caps exceed 85%, we consider that the internal control measures are sufficient to ensure fair pricing of the transactions contemplated under the SDP Shipping Group General Service (Procurement) Framework Agreement according to the pricing policies and the proposed annual cap will not be exceeded.

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For our due diligence purpose, we discussed with staffs of marketing center, and securities affairs office of the Company (being the departments which will be involved in the internal control procedures) and understood that the staffs of the aforesaid departments (i) were aware of the internal control measures and (ii) would continuously comply with such measures when conducting the transactions contemplated under the SDP Shipping Group General Service (Procurement) Framework Agreement.

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

The proposed annual caps

The proposed annual caps for the transactions contemplated under the SDP Shipping Group General Service (Procurement) Framework Agreement are set out as follows:

	From the date of conclusion of the EGM to 31 December 2022 <i>RMB'000</i>	For the year ending 31 December 2023 <i>RMB'000</i>	For the year ending 31 December 2024 <i>RMB'000</i>
Proposed annual caps	5,000	5,000	5,000

With reference to the Board Letter, the Company and SDP Shipping Group did not conduct any similar transactions as those under the SDP Shipping Group General Service (Procurement) Framework Agreement in the past. Therefore, there is no historical amount for the transactions under the SDP Shipping Group General Service (Procurement) Framework Agreement.

After our discussion with the Directors, we understood that the proposed annual caps for the 2022 Period, FY2023 and FY2024 were determined with reference to, the estimated demands of logistic services pursuant to the SDP Shipping Group General Service (Procurement) Framework Agreement for the 2022 Period, FY2023 and FY2024, which was mainly further determined with reference to the following factors:

- the Directors expected that grain logistic services from SDP Shipping Group pursuant to the SDP Shipping Group General Service (Procurement) Framework Agreement will be conducted through waterway transportation. The Company expected to transport grain through two shipping lines with the SDP Shipping Group.

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As further advised by the Directors, when determining the proposed annual caps for the three years ending 31 December 2024, the Directors mainly considered (i) the estimated demand of grain logistic services (in volume) from the SDP Shipping Group for the three years ending 31 December 2024; and (ii) the estimated service fees for the three years ending 31 December 2024.

- Upon our further discussion with the Directors, we understood that (i) the estimated demand of grain logistic services (in volume) from the SDP Shipping Group for the three years ending 31 December 2024 were estimated to be same; (ii) the estimated demand of grain logistic services from the SDP Shipping Group (in volume) was determined based on the historical demand (in volume) of grain logistic services by Independent Third Parties service receivers (which may be the Company's clients for port services) from Independent Third Parties service providers through the same two shipping lines of approximately 116,000 tonnes and 195,000 tonnes for FY2021 (the "**Historical Volume**") with further adjustment.

As advised by the Directors, the Company expected to provide more comprehensive port and port related services (including the grain logistic services by way of subcontracting the grain logistic services to relevant services suppliers (including Independent Third Parties and SDP Shipping Group)) to its potential clients. Under the existing arrangement, Independent Third Parties service providers directly provide the grain logistic services to Independent Third Parties service receivers.

Upon our request, we obtained figures showing the Historical Volume. The aforesaid figures (for FY2021) for each of the two shipping lines were significantly larger than the estimated demand of grain logistic services from the SDP Shipping Group (in volume) for the three years ending 31 December 2024, which indicated the Company's possible demand of grain logistic services from SDP Shipping Group and Independent Third Parties. Accordingly, we are of the view that the estimated demand of grain logistic services from the SDP Shipping Group (in volume) for the three years ending 31 December 2024 are justifiable.

- As advised by the Directors, the estimated service fee for grain logistic services from the SDP Shipping Group for the three years ending 31 December 2024 were based on the logistic service fees for such services through the same shipping lines as charged by the Independent Third Parties for FY2021.

For our due diligence purpose, we obtained four copies of invoices showing the aforesaid logistic service fees charged by Independent Third Parties in 2022 for same/similar shipping lines and noted that the estimated service fee are in line with such fees charged by Independent Third Parties in 2022. Accordingly, we consider the estimated service fee for grain logistic services from the SDP Shipping Group, which are the same during the three years, for the three years ending 31 December 2024 to be reasonable.

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The estimated demand of logistic services pursuant to the SDP Shipping Group General Service (Procurement) Framework Agreement for FY2022, FY2023 and FY2024 were calculated by the multiple of the estimated volume of logistic services and the estimated service fee, both of which are reasonable as analysed above.

We further noted that the Company estimated demand of logistic services pursuant to the SDP Shipping Group General Service (Procurement) Framework Agreement for 2022 Period being same as that for the year ending 31 December 2022 on a full year basis. After considering the reasons as set out in the section headed “A.1 TRANSACTIONS CONTEMPLATED UNDER THE SDP LOGISTICS GROUP GENERAL SERVICE (PROCUREMENT) FRAMEWORK AGREEMENT” above and that the pricing policy under the SDP Shipping Group General Service (Procurement) Framework Agreement are fair and reasonable, we are of the view that the estimated demand for the 2022 Period (estimated based on full year basis) is justifiable.

As the proposed annual caps for the 2022 Period, FY2023 and FY2024 were close to (with difference of less than 5%) the estimated demand of logistic service pursuant to the SDP Shipping Group General Service (Procurement) Framework Agreement for the 2022 Period, FY2023 and FY2024, we are of the view that the proposed annual caps for the 2022 Period, FY2023 and FY2024 to be fair and reasonable.

Shareholders should note that as the proposed annual caps are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2024, and they do not represent forecasts of cost to be incurred from the transactions contemplated under the SDP Shipping Group General Service (Procurement) Framework Agreement. Consequently, we express no opinion as to how closely the cost to be incurred from the transactions contemplated under the SDP Shipping Group General Service (Procurement) Framework Agreement will correspond with the proposed annual caps.

LISTING RULES IMPLICATIONS

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

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

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

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

Recommendation on the Non-Exempt Continuing Connected Transactions

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

B. THE CONSTRUCTION TRANSACTION

Information on Shandong Gangwan

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

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Shandong Gangwan formally assigned 7 staffs as members of project management team (i.e. project manager, technique responsible officer, safety construction responsible officer, etc..) for the No. 8 Warehouse Project. All of the members of project management team are senior engineers (高級工程師) or engineers (工程師).

Information on the No. 8 Warehouse Project

With reference to the Board Letter, the No.8 Warehouse Project is a construction project of two warehouses with steel portal frame structure and ancillary infrastructure such as construction of outdoor storage yard roads and weighbridge office and water and electricity works at Shijiu port area in Rizhao port.

Reasons for and benefit of the Construction Transaction

With reference to the Board Letter, the entering into of the Construction Contract with Shandong Gangwan is based on its extensive experience in port construction, having undertaken a number of projects in the port area, and being able to ensure that projects are properly scheduled, planned and managed to reduce costs on the premise of ensuring the construction schedule and quality. The construction of warehouses under the No. 8 Warehouse Project can greatly alleviate the current situation of capacity shortage of the Company's silo and warehouse, and meet the regulatory and freight storage requirements. Moreover, the Company expects the No. 8 Warehouse Project will bring revenue to the Company since the warehouse construction period is short with fast turnaround and high efficiency in use.

We further understood from the Directors that the Company is not qualified to complete the construction of the No. 8 Warehouse Project by itself, therefore the Company is necessary to seek a qualified supplier to provide the construction services. Furthermore, as advised by the Directors, as per requirement under the 《中華人民共和國招標投標法實施條例》(Tender and Bidding Law of the People's Republic of China*) and 《必須招標的工程項目規定(國家發展改革委2018年第16號令)》(Provisions on Projects Requiring Bid Invitation (Order No. 16 of the National Development and Reform Commission in 2018)*), the Company is required to proceed the open tender procedure according to 《中華人民共和國招標投標法實施條例》(Tender and Bidding Law of the People's Republic of China*). Shandong Gangwan was awarded as the service provider on a successful tendering basis.

As advised by the Directors, the Company believes that the Company primarily competes with its competitors on the basis of berthing and storage capacity, ability to handle different types of cargo, location, transportation network, operational efficiency, reputation and service quality. Upon the completion of the construction of the No. 8 Warehouse Project, the Company will own additional two warehouses with gross floor area of approximately 18,616 square metres and the Company's storage capacity will therefore increase.

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In addition, we also obtained a document (the “**Score Document**”) showing scores of three aspects, namely business aspects, quotation aspects and technical aspects under the bidding documents as graded by each member of a bid evaluation panel. We noted that Shandong Gangwan was graded the highest total score among all other participants, of which Shandong Gangwan was also graded the highest scores in business aspects and technical aspects in respect of the No.8 Warehouse Project, which indicated that (i) Shandong Gangwan has good reputation and experience; and (ii) Shandong Gangwan’s development and construction plan was better than those of other participants.

Pursuant to the 《工程建設項目自行招標試行辦法》(Trail Measures for Self-tendering of Engineering Construction Projects*), should the Company intend to organize the tender for No.8 Warehouse Project, the Company shall have the ability to prepare tender documents and organize the bid evaluation, including but not limited to, (i) possesses technical experts and professionals in engineering technique, budgeting, financial and engineering management; (ii) has experiences in organizing of tenders for similar engineering construction projects; and (iii) established bidding agency or has more than three personnel specialized in tendering. As advised by the Directors, due to the fact that the Company (A) did not have any expert, professional or personnel or did not establish bidding agency as mentioned in (i) and (iii), and (B) did not have experiences in organizing tenders for similar engineering construction projects, the Company itself is not qualified to organize tenders pursuant to the 《工程建設項目自行招標試行辦法》(Trail Measures for Self-tendering of Engineering Construction Projects*). Therefore, the Company engaged Shandong Port Group Tender and Procurement Center for the tender of the No. 8 Warehouse Project. Despite that Shandong Port Group Tender and Procurement Center is a level one centralised procurement implementation and management organisation set up by Shandong Port Group on 30 June 2020, having considered that (i) the responsibility of Shandong Port Group Tender and Procurement Center is to organize tender of No.8 Warehouse Project; (ii) the bidding results was evaluated by the Panel (as defined below) but not by Shandong Port Group Tender and Procurement Center; (iii) the bidding and tendering process of No. 8 Warehouse Project is also governed by Tender and Bidding Law of the PRC, we do not doubt the fairness of the tendering process. Furthermore, the engagement of Shandong Port Group Tender and Procurement Center to organize tender of No.8 Warehouse Project is free of charge and therefore will save the Company’s administrative and time cost. Accordingly, we consider that it is appropriate to engage Shandong Port Group Tender and Procurement Center for the tender of the No.8 Warehouse Project.

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

Principal terms of the Construction Transaction

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

Date:

13 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 two warehouses with steel portal frame structure and ancillary infrastructure such as construction of outdoor storage yard roads and weighbridge office and water and electricity works at Shijiu port area in Rizhao port.

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Construction period:

150 calendar days

According to tender documents for the No. 8 Warehouse Project (the “**Project Tender Document**”), construction period of the No. 8 Warehouse Project under the Construction Contract is in line with the construction period requirement as set out in the Project Tender Document, which applied to all participants (i.e. possible service providers).

Defects liability period:

2 years after completion acceptance of the No. 8 Warehouse Project

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

Contract price:

The contract price is RMB51,689,505.56, subject to (i) adjustments on the raw materials price in the event that the price of reinforcement steel, steel and concrete to be used at the construction works fluctuates over 5% from the benchmark price published by the local authorities; and (ii) completion and settlement audit report issued by an Independent Third Party audit institution appointed by the Company. Please refer to the subsection headed “Contract Price” under the section headed “Construction Contract” of the Board Letter for details.

With reference to the Board Letter, 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 No. 8 Warehouse Project and received bids from Shandong Gangwan and more than Three 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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To assess the fairness and reasonableness of the considerations, we performed the following analyses:

- We discussed with staff of the Company and noted that possible cost (the “**Estimated Cost**”) of the No. 8 Warehouse Project was estimated based on, among other things, the 《工程勘察設計收費標準》 (Charging Standards of Surveying and Designing of Construction Projects*), then market price of relevant equipment and construction materials, etc.

The contract price is lower than the Estimated Cost for same scope of service.

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

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

According to the Project Tender Document, the Company set maximum contract value of RMB53.23 million. The contract value of the Construction Contract was lower than the maximum contract value.

According to the Bidding Documents, the Bidding Documents comprised three sections, i.e. the business proposal, technical proposal and quotations proposal for the No. 8 Warehouse Project. In addition, the contract price is the same as the quotation stated in the Bidding Document submitted by Shandong Gangwan.

A bid evaluation panel (the “**Panel**”) were established to evaluate the proposals. Based on the information provided by the Company, most members of the Panel have no less than 10 years’ experience in engineering construction. According to documents (showing scores of the proposals), save for the score of quotations proposals, Shandong Gangwan obtained highest scores in business proposal and technical proposal among the scores of all participants (including more than three Independent Third Parties). The scores for quotation proposal of Shandong Guangwan fell within the range of scores for quotation proposal of other Independent Third Parties (including more than three Independent Third Parties).

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Despite that certain members of the Panel hold positions in members of Shandong Port Group (other than Shandong Gangwan), having considered the following factors, we do not doubt the fairness of the evaluation results:

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

We obtained an undertaking jointly signed by each member of the Panel, pursuant to which, among other things, (i) the evaluation will be in compliance with relevant laws and regulations and be objective and fair; and (ii) they will abstain from evaluation of bidding should there be any conflict of interests. According to the Score Document, no member of the Panel abstained from evaluation of bidding in respect of the No.8 Warehouse Project.

- As also confirmed by the Directors, each member of the Panel did not hold any position in all the participants (including Shandong Gangwan) to the open tender for No.8 Warehouse Project from two years immediately prior to establishment of the relevant Panel to the closing of the tendering of No.8 Warehouse Project.
- We also noted from the bidding result announcement (showing quotations offered by top three participants (i.e. Shandong Gangwan and two Independent Third Parties) in terms of total scores graded by the Panel) that the price offered by Shandong Gangwan fell within the range of quotations offered by the two participants.

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

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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 a letter of guarantee as quality assurance,
- (b) up to 100% of the contract price to be paid after completion acceptance of the No. 8 Warehouse Project, settlement and finishing the completion documents and within 180 days of the issuance of the value-added tax invoice;

if Shandong Gangwan provides a quality assurance deposit,
- (c) up to 97% of the contract price to be paid after completion acceptance of the No. 8 Warehouse Project, settlement and finishing the completion 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 within 30 working days after the expiry of defects liability period with no quality defects of the No. 8 Warehouse Project.

The contract price will be funded by internal resources of the Company.

According to Project Tender Document, payment terms (a), (c) and (d) above under the Construction Contract is in line with the payment terms requirement as set out in the Project Tender Document, which applied to all participants (i.e. possible service providers). As advised by the Directors, payment term (b) was newly added in addition to the original payment terms requirement as set out in the Project Tender Document. As further advised by the Director, the payment term (b) was essentially similar to the quality assurance deposit arrangement as the guarantee amount will be 3% of the contract price and the purpose of the letter of guarantee is the same as the purpose of quality assurance deposit. Having considered the aforesaid factors, we are of the view that the payment terms are justifiable.

Having considered that (i) contract price of the Construction Contract is fair and reasonable; and (ii) save for the contract price, which was the bidding price offered by the successful bidder for the open tender for the No. 8 Warehouse Project, other key terms of the No. 8 Warehouse Project (i.e. completion settlement (竣工結算), insurance, and dispute resolution (爭議解決)) were substantially the same as those set out in the Project Tender Document and applied to all participants (i.e. possible service providers), we are of the view that terms of the Construction Transaction are on normal and commercial terms and are fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Recommendation on the Construction Transaction

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

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

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

* *For the identification purposes only*

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. MATERIAL ADVERSE CHANGE

The Directors confirm that, as at the Latest Practicable Date, there had been no material adverse change in the financial or trading position of the Company since 31 December 2021, the date to which the latest published audited financial statements of the Company were made up.

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

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

4. DIRECTORS' AND SUPERVISORS' EMPLOYMENT WITH SUBSTANTIAL SHAREHOLDER

As at the Latest Practicable Date, each of the following Directors and Supervisors is a director, supervisor or employee of the following companies, 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, is a member of the Party Committee of Rizhao Port.
- (b) Mr. Chen Lei, a non-executive Director, is the deputy minister of the financial management department of Rizhao Port Group.
- (c) Mr. Li Weiqing, a Supervisor, is the director of legal audit department of Rizhao Port Group.
- (d) Mr. Tham Wai Kong, a Supervisor, is 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.

5. INTERESTS IN COMPETING BUSINESS

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

6. SERVICE CONTRACTS

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

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

As at the Latest Practicable Date, none of the Directors or Supervisors had any interest in any assets which have been, since 31 December 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.

8. EXPERT'S QUALIFICATION AND CONSENT

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

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

- (b) As at the Latest Practicable Date, Gram Capital Limited did not have any shareholding in the Company nor any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the Company.
- (c) Gram Capital Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and opinion dated 12 December 2022 and reference to its name in the form and context in which they appear.
- (d) The letter and recommendation given by Gram Capital Limited are given as at the date of this circular for incorporation herein.
- (e) As at the Latest Practicable Date, Gram Capital Limited has no direct or indirect interest in any assets which have been acquired or disposed of by, or leased to, or which are proposed to be acquired or disposed of by, or leased to, the Company since 31 December 2021, being the date to which the latest published audited accounts of the Company were made up.

9. 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) for a period of 14 days from the date of this circular (both days inclusive):

- (a) the SDP Logistics Group General Service (Procurement) Framework Agreement;
- (b) the SDP Shipping Group General Service (Procurement) Framework Agreement;
- (c) the SDP Technology Group General Service (Procurement) Framework Agreement; and
- (d) the Construction Contract.

NOTICE OF EXTRAORDINARY GENERAL MEETING



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

(Stock Code: 6117)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (“EGM”) of Rizhao Port Jurong Co., Ltd. (the “Company”) will be held at 10:30 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 SDP Logistics Group General Service (Procurement) Framework Agreement, the relevant Proposed Annual Caps and the transactions contemplated thereunder.
2. To consider and approve the SDP Shipping Group General Service (Procurement) Framework Agreement, the relevant Proposed Annual Caps and the transactions contemplated thereunder.
3. To consider and approve the SDP Technology Group General Service (Procurement) Framework Agreement, the relevant Proposed Annual Caps and the transactions contemplated thereunder.
4. To consider and approve the Construction 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.

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. All votes of resolutions at the EGM will be taken by poll pursuant to the Listing Rules and the results of the poll will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.rzportjurong.com) in accordance with the Listing Rules.
2. In order to determine the holders of H Shares who will be entitled to attend the EGM, the register of members of the Company will be closed from 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.
3. Any shareholders entitled to attend and vote at the EGM can appoint one or more proxies to attend and, on a poll, vote on his/her behalf. A proxy need not be a shareholder.
4. The instrument appointing a proxy shall be in writing under the hand of the shareholder or of his/her attorney duly authorised in writing or, if the shareholder is a corporation, either under its common seal or under the hand of its directors or an attorney duly authorised in writing to sign the same. If that instrument is signed by an attorney of the shareholder, the power of attorney authorising the attorney to sign, or other authorisation documents shall be notarised. The aforementioned documents must be lodged with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H Shares) or the office of the Board at South End, Haibin 5th Road, Rizhao City, Shandong Province, the PRC (for holders of Domestic Shares) not less than 24 hours before the time appointed for holding the EGM or any adjournment thereof in order for such documents to be valid. Completion and delivery of the form of proxy shall not preclude a shareholder of the Company from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
5. 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 5th 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.