
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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 TRANSACTION
REVISION OF ANNUAL CAPS UNDER THE PROPERTY LEASE
(PROCUREMENT) FRAMEWORK AGREEMENT 2022
(2) PROPOSED ELECTION OF EXECUTIVE DIRECTOR
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 13 of this circular.

A notice convening the EGM to be held at 10:00 a.m. on Wednesday, 15 February 2023 at the Office Building of Rizhao Port Jurong Co., Ltd. is set out on pages 29 to 30 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.

20 January 2023

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DEFINITIONS

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

“Announcement”	the announcement of the Company dated 26 November 2021
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Circular”	the circular of the Company dated 15 January 2022
“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
“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 10:00 a.m. on Wednesday, 15 February 2023 at the Office Building of Rizhao Port Jurong Co., Ltd. to consider and, if thought fit, approve the resolutions as set out in the Notice of EGM
“Existing Annual Caps”	the existing annual caps for the transactions contemplated under the Property Lease (Procurement) Framework Agreement 2022 for the three financial years ending 31 December 2024 as disclosed in the Announcement and the Circular
“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 Supplemental Agreement, the Revised Annual Caps and the transactions contemplated thereunder
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to conduct Type 6 (Advising on Corporate Finance) regulated activity under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the revision of annual caps under the Property Lease (Procurement) Framework Agreement 2022
“Independent Shareholders”	the Shareholders who are not required to abstain from voting at the EGM to approve the Supplemental Agreement, the Revised Annual Caps and the transactions contemplated thereunder
“Independent Third Party(ies)”	an individual or a company which, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, is not a connected person of the Company within the meaning of the Listing Rules
“Jurong Port”	Jurong Port Pte Ltd, a private company limited by shares established in Singapore, holding 100% interest in Jurong Port Holding as at the Latest Practicable Date
“Jurong Port Holding”	Jurong Port Rizhao Holding Pte Ltd, a private company limited by shares established in Singapore and holding approximately 21.69% of the total issued share capital of the Company as at the Latest Practicable Date
“Latest Practicable Date”	16 January 2023, being the latest practicable date for the purpose of ascertaining certain information contained in this circular prior to its publication
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Notice of EGM”	a notice convening the EGM set out on pages 29 to 30 of this circular

DEFINITIONS

“PRC”	the People’s Republic of China (excluding, for the purposes of this circular, Hong Kong, the Macau Special Administrative Region and Taiwan)
“Property Lease (Procurement) Framework Agreement 2022”	the property lease (procurement) framework agreement dated 26 November 2021 entered into between the Company and Rizhao Port Group (for itself and on behalf of its subsidiaries)
“Revised Annual Caps”	the proposed revised annual caps for the transactions contemplated under the Property Lease (Procurement) Framework Agreement 2022 (as amended by the Supplemental Agreement) for the financial 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 Grain Base Project”	the construction project of building 41 silos for storing grains, reconstructing the pier and building ancillary infrastructure at Shijiu port area in Rizhao port
“Rizhao Port Group”	Shandong Port Rizhao Port Group Co., Ltd. (山東港口日照港集團有限公司), a company incorporated in the PRC with limited liability, and a controlling shareholder of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shandong 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

DEFINITIONS

“Share(s)”	share (s) of RMB1.00 each in the share capital of the Company, comprising the Domestic Shares and the H Shares
“Shareholder(s)”	the holder (s) of the Share (s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement”	the property lease (procurement) supplemental framework agreement dated 7 December 2022 entered into between the Company and Rizhao Port Group (for itself and on behalf of its subsidiaries)
“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. SEOW Kok Leong Terence
Mr. NYAN Ming Ren Francis
Mr. FANG Lei
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

20 January 2023

To the Shareholders

Dear Sir or Madam,

**(1) CONTINUING CONNECTED TRANSACTION
REVISION OF ANNUAL CAPS UNDER THE PROPERTY LEASE
(PROCUREMENT) FRAMEWORK AGREEMENT 2022
(2) PROPOSED ELECTION OF EXECUTIVE DIRECTOR
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

1. INTRODUCTION

Reference is made to the announcement of the Company dated 7 December 2022 in relation to, among other things, the Supplemental Agreement, the Revised Annual Caps and the transactions contemplated thereunder.

Reference is also made to the announcement of the Company dated 13 January 2023, in relation to, among other things, the resignation and proposed election of executive Director.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among others, (i) further information on the Supplemental Agreement and the proposed election of executive Director; (ii) the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders on the Supplemental Agreement, the Revised Annual Caps and the transactions contemplated thereunder; (iii) the recommendation of the Independent Board Committee regarding the Supplemental Agreement, the Revised Annual Caps and the transactions contemplated thereunder; (iv) general information of the Company; and (v) a notice for convening the EGM.

2. SUPPLEMENTAL AGREEMENT AND REVISION OF ANNUAL CAPS

Reference is made to the Announcement and the Circular in relation to the Property Lease (Procurement) Framework Agreement 2022, pursuant to which the Company agreed to lease from Rizhao Port Group (a) land occupied by West-18 berth and the land behind it; (b) warehouses; (c) complex building; (d) anticipated new lease of lands; and (e) other properties the Company may lease from Rizhao Port Group in the future from time to time.

On 7 December 2022 (after trading hours), the Company entered into the Supplemental Agreement with Rizhao Port Group (for itself and on behalf of its subsidiaries) to revise the Existing Annual Caps. Save for the revision of the Existing Annual Caps, all other terms and conditions under the Property Lease (Procurement) Framework Agreement 2022 remain unchanged.

The principal terms of the Supplemental Agreement are set out as follows:

Date

7 December 2022 (after trading hours)

Parties

- (a) The Company; and
- (b) Rizhao Port Group (for itself and on behalf of its subsidiaries), the controlling shareholder of the Company, and hence a connected person of the Company.

Subject matter

Pursuant to the Supplemental Agreement, upon the approval by the Independent Shareholders at the EGM, the Existing Annual Caps under the Property Lease (Procurement) Framework Agreement 2022 shall be revised to the Revised Annual Caps under the Supplemental Agreement.

LETTER FROM THE BOARD

Pricing Policy

The rent amount was determined after arm's length negotiations between the parties after considering the following factors, (i) the size of the leased area, geographical location and general situation of the surrounding area; (ii) historical rent; and (iii) rents charged by independent third parties for similar offices in the vicinity (applicable to the complex building only). In addition, 50% of the profit from the West-18 berth will be paid to Rizhao Port Group as part of the rental fee for the land occupied by and behind the West-18 berth.

The Existing Annual Caps under the Property Lease (Procurement) Framework Agreement 2022 are set out as follows:

<u>Property</u>	For the years ending 31 December		
	2022	2023	2024
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
<i>Right-of-use assets</i>			
Land occupied by and behind West-18 berth	32,000,000	0	0
Warehouses	19,000,000	0	0
Complex building	980,000	0	0
	<u>51,980,000</u>	<u>0</u>	<u>0</u>
Total value of right-of-use assets relating to the leases to be entered into by the Company	<u>51,980,000</u>	<u>0</u>	<u>0</u>
<i>Variable lease payments</i>			
Land occupied by and behind West-18 berth	22,880,000	22,880,000	22,880,000
Anticipated new lease of lands	4,628,000	4,628,000	4,628,000
Temporarily leased berths	2,893,000	2,893,000	2,893,000
	<u>30,401,000</u>	<u>30,401,000</u>	<u>30,401,000</u>
Total variable lease payments linked to revenue and short term lease payments payable by the Company	<u>30,401,000</u>	<u>30,401,000</u>	<u>30,401,000</u>
Total Existing Annual Caps	<u>82,381,000</u>	<u>30,401,000</u>	<u>30,401,000</u>

LETTER FROM THE BOARD

The Revised Annual Caps under the Supplemental Agreement are set out as follows:

<u>Property</u>	For the years ending 31 December		
	2022	2023	2024
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
<i>Right-of-use assets</i>			
Land occupied for Rizhao Port Grain			
Base Project	0	88,200,000	0
Land occupied by and behind West-18			
berth	32,000,000	0	0
Warehouses	19,000,000	0	0
Complex building	980,000	0	0
New lease of office building	<u>0</u>	<u>1,450,000</u>	<u>0</u>
Total value of right-of-use assets relating to the leases to be entered into by the Company	<u>51,980,000</u>	<u>89,650,000</u>	<u>0</u>
<i>Variable lease payments</i>			
Land occupied by and behind West-18			
berth	22,880,000	22,880,000	22,880,000
Anticipated new lease of lands	4,628,000	4,628,000	4,628,000
Temporarily leased berths	<u>2,893,000</u>	<u>2,893,000</u>	<u>2,893,000</u>
Total variable lease payments linked to revenue and short term lease payments payable by the Company	<u>30,401,000</u>	<u>30,401,000</u>	<u>30,401,000</u>
Total Revised Annual Caps	<u>82,381,000</u>	<u>120,051,000</u>	<u>30,401,000</u>

For the year ending 31 December 2023, the land occupied for Rizhao Port Grain Base Project under right-of-use assets amounts to approximately RMB88,200,000 which is based on the 20-year right-of-use of the land while the new lease of office building under right-of-use assets amounts to approximately RMB1,450,000 which is based on the two-year right-of-use of the office building.

Save for the revision of the Existing Annual Caps, all other terms and conditions of the Property Lease (Procurement) Framework Agreement 2022 remain unchanged.

For the principal terms of the Property Lease (Procurement) Framework Agreement 2022, please refer to the section headed “A. Continuing Connected Transactions – 2. Property Lease (Procurement) Framework Agreement 2022” in the Announcement and the section headed “2. Non-exempt Continuing Connected Transactions – A. Property Lease (Procurement) Framework Agreement 2022” in the Circular.

LETTER FROM THE BOARD

3. HISTORICAL AMOUNTS

The historical transaction amounts under the Property Lease (Procurement) Framework Agreement 2022 for the eleven months ended 30 November 2022 are set out as follows:

	For the eleven months ended 30 November 2022
<u>Property</u>	<i>RMB</i>
<i>Right-of-use assets</i>	
Land occupied by and behind West-18 berth	0
Warehouses	0
Complex building	<u>195,992</u>
Total value of right-of-use assets relating to the leases entered into by the Company	<u><u>195,992</u></u>
<i>Variable lease payments</i>	
Land occupied by and behind West-18 berth	6,500,000
Anticipated new lease of lands	2,084,560
Temporarily leased berths	<u>247,298</u>
Total variable lease payments linked to revenue and short term lease payments paid by the Company	<u><u>8,831,858</u></u>

The actual amount of right-of-use assets recognized for the eleven months ended 30 November 2022 is far lower than the Existing Annual Cap for 2022 is mainly due to the fact that there were few new items of right-of-use. When determining the Revised Annual Caps, the Company mainly considers the following factors: (i) the previous property lease (procurement) framework agreement entered on 24 May 2019; (ii) the existing lease contracts we have entered into with Rizhao Port Group and the unperformed contractual amounts; (iii) historical rent and expected fluctuation in the rent; and (iv) additional lease we may enter into with Rizhao Port Group according to our development plans.

LETTER FROM THE BOARD

4. REVISED ANNUAL CAPS AND BASIS OF DETERMINATION

Pursuant to IFRS 16 – Leases, the lease of properties by the Company as lessee will be recognised as right-of-use assets. Correspondingly, the Company is required to set annual caps based on the total value of right-of-use assets relating to the leases to be entered into by the Company as a lessee in each year under the Property Lease (Procurement) Framework Agreement 2022 (as amended by the Supplemental Agreement).

In addition, pursuant to IFRS 16 – Leases, the variable lease payments linked to revenue generated from the leased properties and short-term lease payments will be recognised as expenses incurred by the Company. Accordingly, the Company is required to set annual caps for the variable lease payments and other short-term lease payments payable by the Company in each year under the Property Lease (Procurement) Framework Agreement 2022 (as amended by the Supplemental Agreement).

The Revised Annual Caps for the transactions contemplated under the Property Lease (Procurement) Framework Agreement 2022 (as amended by the Supplemental Agreement) represent the estimated maximum value of the sum of (i) the total value of right-of-use assets relating to the leases to be or expected to be entered into by the Company in each of the three years ending 31 December 2024; and (ii) the total variable lease payments linked to revenue generated from the leased properties and other short-term lease payments payable by the Company to Rizhao Port Group in each of the three years ending 31 December 2024.

The Board confirms that as at the Latest Practicable Date, the transaction amounts under the Property Lease (Procurement) Framework Agreement 2022 have not exceeded the Existing Annual Caps for the transactions contemplated under the Property Lease (Procurement) Framework Agreement 2022 for the financial year ending 31 December 2022.

The revision of the Existing Annual Caps as contemplated under the Supplemental Agreement was mainly due to the estimated total value of right-of-use assets relating to the lease of land for Rizhao Port Grain Base Project and office buildings expected to be entered into by the Company with Rizhao Port Group during the year ending 31 December 2023, which is determined with reference to the expected rental amount payable by the Company to Rizhao Port Group in respect of the lease of land for Rizhao Port Grain Base Project and office buildings.

The land occupied by the Rizhao Port Grain Base Project has a leased area of 147.8mu. With the unit price per mu of RMB50,000 per year (tax included), the expected amount of rental payable is RMB7.39 million (tax included). The lease of office building is a newly leased office space with a usable area of 2,790 square meters. With reference to the existing complex building rental unit price of RMB300 per square meter, its expected amount of rental payable is RMB837,000 (including tax).

LETTER FROM THE BOARD

5. INFORMATION OF THE PARTIES

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

Rizhao Port Group, a company incorporated in the PRC with limited liability, is principally engaged in port operations, logistics, construction, finance and trade.

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

6. REASONS FOR AND BENEFITS OF THE SUPPLEMENTAL AGREEMENT

The land and properties that the Company leases from Rizhao Port Group pursuant to the Property Lease (Procurement) Framework Agreement 2022 are located close to the Company's operations in Shijiu port area, and are mainly used for port operations and daily office use. The Company has been leasing such land and properties from Rizhao Port Group for a long period of time, and it is convenient and efficient for the Company to keep the Company's office close to operations. Therefore, the Directors believe the continuance of such transactions is cost efficient and is in the best interest of the Shareholders as a whole. Further, the Company enters into the Supplemental Agreement for the lease of the land and office buildings from Rizhao Port Group to implement the Rizhao Port Grain Base Project with the purpose to consolidate and improve the Company's position as the grain transfer, collection and distribution center among the national coastal ports in the PRC.

The terms of the Property Lease (Procurement) Framework Agreement 2022 (as amended by the Supplemental Agreement) have been arrived at after arm's length negotiations between the parties. The Directors (excluding all the independent non-executive Directors who will give their opinion based on the recommendations from the Independent Financial Adviser) have confirmed that the transactions contemplated under the Property Lease (Procurement) Framework Agreement 2022 (as amended by the Supplemental Agreement) (including the Revised 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 Supplemental Agreement and the transactions contemplated thereunder, and none of the Directors was required to abstain from voting on the board resolutions approving the Supplemental Agreement and the transactions contemplated thereunder.

LETTER FROM THE BOARD

7. DETAILS OF THE RIZHAO PORT GRAIN BASE PROJECT

To consolidate and enhance the Company's position as a grain transshipment and distribution hub port in China, the Company is implementing the construction of a Rizhao Port Grain Base Project comprising the construction project of building 41 silos for storing grains, reconstructing the pier and building ancillary infrastructure at Shijiu port area in Rizhao port, with an investment amount of approximately RMB1.44 billion and it is expected to be completed and ready for use by June 2024.

8. INTERNAL CONTROL MEASURES

The Company has established the following internal control measures to ensure that the pricing mechanism and the terms of the continuing connected transactions contemplated under the Property Lease (Procurement) Framework Agreement 2022 (as amended by the Supplemental Agreement) are fair and reasonable and no less favourable than the terms offered to the Company from the Independent Third Parties:

- (a) Before entering into any individual property lease agreement under the Property Lease (Procurement) Framework Agreement 2022 (as amended by the Supplemental Agreement), the staff of various offices (including technical support center and securities affairs office) will collect transaction information of previous similar transactions (with Independent Third Parties) and check the historical rent information (if any) 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 Property Lease (Procurement) Framework Agreement 2022 (as amended by the Supplemental Agreement) and the pricing policies of the Company; and (ii) the overall terms of the individual agreements are fair and reasonable and less favourable than the terms offered to the Company from the Independent Third Parties;
- (b) The finance office of the Company will perform monthly review on the transactions entered into under the Property Lease (Procurement) Framework Agreement 2022 (as amended by the Supplemental Agreement) to ensure compliance with pricing policies;
- (c) The relevant office of the Company carrying out the specific connected transactions under the Property Lease (Procurement) Framework Agreement 2022 (as amended by the Supplemental Agreement) will closely monitor the actual transaction amount on a monthly basis. If the actual transaction amount reaches approximately 85% of the Revised Annual Caps at any time of the year, the securities affairs office of the Company 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 Revised Annual Caps and comply with the relevant announcement and/or Shareholders' approval requirements in accordance with the Listing Rules;

LETTER FROM THE BOARD

- (d) The finance office of the Company will perform quarterly check on the transactions entered into under the Property Lease (Procurement) Framework Agreement 2022 (as amended by the Supplemental Agreement) and report to the audit committee of the Company and the Board to ensure that the Revised 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 Property Lease (Procurement) Framework Agreement 2022 (as amended by the Supplemental Agreement) 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 Property Lease (Procurement) Framework Agreement 2022 (as amended by the Supplemental Agreement) 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.

9. LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Rizhao Port Group is a controlling shareholder of the Company and therefore a connected person of the Company under the Listing Rules. Therefore, the entering into of the Property Lease (Procurement) Framework Agreement 2022, the Supplemental Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

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

As the highest of all applicable percentage ratios in respect of the annual caps for the transactions contemplated under the Property Lease (Procurement) Framework Agreement 2022 as amended by the Supplemental Agreement is higher than 5% on an annual basis, the entering into of the Supplemental Agreement is subject to reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

10. PROPOSED ELECTION OF EXECUTIVE DIRECTOR

Mr. Zhang Feng (“**Mr. Zhang**”) has tendered his resignation as the executive Director and the general manager of the Company on 13 January 2023 due to change in work arrangements to serve as secretary of Party Committee and manager of Second Harbor Company of Rizhao Port Co., Ltd. (日照港股份有限公司第二港務分公司). Mr. Zhang’s resignation as the general manager of the Company is effective on 13 January 2023 and his resignation as the executive Director is effective upon the approval of the Shareholders on the appointment of a new executive Director at a general meeting of the Company. Upon his resignation as the executive Director, Mr. Zhang will cease to be the authorised representative of the Company (the “**Authorised Representative**”) under Rule 3.05 of the Listing Rules. Mr. Zhang confirmed that he has no disagreement with the Board and there are no other matters relating to his resignation which need to be brought to the attention of the Shareholders and the Stock Exchange. The Board would like to take this opportunity to express its sincere gratitude to Mr. Zhang for his valuable contribution to the Company.

The Board proposed to nominate Mr. Qin Yuning (秦玉寧) (“**Mr. Qin**”) as an executive Director who shall be appointed upon the approval of the Shareholders at the EGM for a term commencing from the date of approval by the Shareholders at the EGM until the expiry of the current session of the Board. The Board also proposed to appoint Mr. Qin in replacement of Mr. Zhang as the Authorised Representative upon the approval of the Shareholders on his appointment as an executive Director at the EGM.

The biographical details of Mr. Qin are set out as follows:

Mr. Qin Yuning (秦玉寧), aged 49, has over 17 years in the port industry. From March 2020 to July 2021 and since November 2022, he has served as a member of the party committee and deputy general manager (executive level) of the Company. From July 2021 to November 2022, he served as a member of the party committee and deputy manager of the First Port Branch of Rizhao Port Co., Ltd. (日照港股份有限公司第一港務分公司). From April 2019 to March 2020, he served as a member of the party committee and deputy general manager of Rizhao Port Jurong Company (日照港裕廊公司). From August 2010 to April 2019, he served various positions in the Third Port Branch of Rizhao Port Co., Ltd. (日照港股份有限公司第三港務分公司), including member of the party committee and deputy manager, secretary and director of the party branch of the production dispatching center, director of the production scheduling center and head of the production and business department. From May 2005 to August 2010, he worked in the warehouse team and production and business department of Rizhao Port No. 3 Company (日照港三公司).

Mr. Qin obtained a bachelor’s degree in management specialising in national economic management from Qingdao University.

Save as disclosed above, as at the Latest Practicable Date, Mr. Qin (i) does not have any relationship with any Directors, Supervisors, senior management, substantial shareholders or controlling shareholders of the Company; (ii) does not hold any other directorships in any public

LETTER FROM THE BOARD

companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years; (iii) does not hold any other positions in the Company; and (iv) has no interest in shares of the Company within the meaning of Part XV of the SFO.

Save as disclosed above, there are no other matters in connection with the above appointment that need to be disclosed according to Rules 13.51(2) (h) to (v) of the Listing Rules or to be brought to the attention of the Shareholders.

Subject to the approval by the Shareholders at the EGM, the Company will enter into a service contract with Mr. Qin in respect of his appointment as an executive Director for a term commencing from the date of approval by the Shareholders at the EGM until the expiry of the current session of the Board, and his annual remuneration will be determined by the Board with reference to his duties, responsibilities, experience and the market condition.

Upon the approval of the Shareholders on the appointment of Mr. Qin as the executive Director at the EGM followed by his appointment as the Authorised Representative by the Board, the Authorised Representatives will be Mr. Qin and Ms. Ho Yin Kwan, the joint company secretary of the Company.

In this regard, an ordinary resolution will be proposed at the EGM to consider and approve the proposed election of Mr. Qin as an executive director of the Company.

In compliance with Rule 13.51 of the Listing Rules, the Company will make further announcement upon approval of the proposed election of the executive Director by the Shareholders at the EGM as soon as possible.

11. EGM

The EGM will be held at 10:00 a.m. on Wednesday, 15 February 2023 at the Office Building of Rizhao Port Jurong Co., Ltd. for the purpose of allowing Shareholders to consider and, if thought fit, approve the resolution as set out in the Notice of EGM on pages 29 to 30 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.

LETTER FROM THE BOARD

An Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders as to whether the terms of the Supplemental Agreement (together with the Revised Annual Caps) 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 on the relevant resolution at the EGM.

Gram Capital has been appointed as the independent financial adviser of the Company to advise the Independent Board Committee and the Independent Shareholders in this respect.

As at the Latest Practicable Date, Rizhao Port Group and its associates are interested in 840,000,000 Domestic Shares, representing approximately 50.6% of the total issued share capital of the Company, and are required to abstain from voting on the relevant resolution approving the Supplemental Agreement, the Revised Annual Caps 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 Supplemental Agreement, the Revised Annual Caps and the transactions contemplated thereunder at the EGM.

12. 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 Friday, 10 February 2023 to Wednesday, 15 February 2023 (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, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, and in any case no later than 4:30 p.m. on Thursday, 9 February 2023.

13. 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.

LETTER FROM THE BOARD

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.

14. 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 Supplemental Agreement and the transactions contemplated thereunder are entered into in the ordinary and usual course of business of the Company, on normal commercial terms, which are fair and reasonable and in the interest of the Company and the Shareholders as a whole; and (ii) the Revised 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 resolution for approving the Supplemental Agreement, the Revised Annual Caps and the transactions contemplated thereunder.

The Board (including the independent non-executive Directors) considers that the other resolution set out in the Notice of EGM is fair and reasonable and in the best interests of the Company and its Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the other resolution set out in the Notice of EGM.

15. FURTHER INFORMATION

Your attention is also drawn to the letter from the Independent Board Committee set out on pages 14 to 15 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 16 to 25 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



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

(Stock Code: 6117)

20 January 2023

To the Independent Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTION
REVISION OF ANNUAL CAPS UNDER THE PROPERTY LEASE
(PROCUREMENT) FRAMEWORK AGREEMENT 2022**

We refer to the circular dated 20 January 2023 (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 Supplemental Agreement (together with the Revised Annual Caps) and the transactions contemplated thereunder as set out in the Circular as to the fairness and reasonableness and to recommend whether or not the Independent Shareholders should approve the Supplemental Agreement, the Revised Annual Caps and the transactions contemplated thereunder as set out in the Circular. Gram Capital Limited has been appointed as the Independent Financial Adviser to provide advice and recommendation to the Independent Board Committee and the Independent Shareholders in this regard. Details of the independent advice of the Independent Financial Adviser, together with the principal factors and reasons the Independent Financial Adviser has taken into consideration, are set out in pages 16 to 25 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 Supplemental Agreement, the Revised Annual Caps 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 Supplemental Agreement (together with the Revised Annual Caps) and the transactions contemplated thereunder, the advice and recommendation of the Independent Financial Adviser and the relevant information contained in the Letter from the Board, we are of the view that: (i) the Supplemental Agreement and the transactions contemplated thereunder are entered into in the ordinary and usual course of business of the Company, on normal commercial terms, which are fair and reasonable and in the interest of the Company and the Shareholders as a whole; and (ii) the Revised 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 resolution at the EGM so as to approve the Supplemental Agreement, the Revised Annual Caps 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 Annual Caps Revision 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

20 January 2023

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

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS REVISION OF ANNUAL CAPS UNDER THE PROPERTY LEASE (PROCUREMENT) FRAMEWORK AGREEMENT 2022

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the revision of the Existing Annual Caps pursuant to the Supplemental Agreement (the “**Annual Caps Revision**”), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 20 January 2023 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 26 November 2021, the Company entered into the Property Lease (Procurement) Framework Agreement 2022 regarding the provision of lease services (“**Leases Transactions**”) by Rizhao Port Group (for itself and on behalf of its subsidiaries) for the three years ending 31 December 2024. On 7 December 2022, the Company entered into the Supplemental Agreement with Rizhao Port Group (for itself and on behalf of its subsidiaries) to revise the Existing Annual Caps. Save for the Annual Caps Revision, all other terms and conditions under the Property Lease (Procurement) Framework Agreement 2022 remain unchanged.

With reference to the Board Letter, the Annual Caps Revision constitutes continuing connected transactions of the Company and is 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 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 Annual Caps Revision are on normal commercial terms and are fair and reasonable; (ii) whether the Annual Caps Revision is in the interests of the Company and the Shareholders as a whole and is conducted in the ordinary and usual course of business of the Company; and (iii) how the Independent Shareholders should vote in respect of the resolutions to approve the Annual Caps Revision 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); (iii) major and continuing connected transactions (details of which are set out in the Company's circular dated 5 December 2022); and (iv) continuing connected transactions, discloseable and connected transaction (details of which are set out in the Company's circular dated 12 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.

Having considered the above and that (i) none of the circumstances as set out under the Rule 13.84 of the 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.

LETTER FROM 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 Annual Caps Revision. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

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

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, Rizhao Port Group, 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 Annual Caps Revision. 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. BACKGROUND

Information on the Company

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

Information on the Rizhao Port Group

With reference to the Board Letter, Rizhao Port Group, a company incorporated in the PRC with limited liability and a controlling shareholder of the Company, is principally engaged in port operations, logistics, construction, finance and trade. Rizhao Port Group is a direct wholly-owned subsidiary of Shandong Port Group, which is a state-owned enterprise ultimately controlled by Shandong SASAC.

Reasons for and benefits of the Annual Caps Revision

With reference to the Board Letter, the land and properties that the Company leases from Rizhao Port Group pursuant to the Property Lease (Procurement) Framework Agreement 2022 are located close to the Company's operations in Shijiu port area, and are mainly used for port operations and daily office use. The Company has been leasing such land and properties from Rizhao Port Group for a long period of time, and it is convenient and efficient for the Company to keep the Company's office close to operations. Therefore, the Directors believe the continuance of such transactions is cost efficient and is in the best interest of the Shareholders as a whole.

In addition, we understood from the Directors, should the Company decide to relocate from the land and properties the Company leases from Rizhao Port Group, additional cost (such as relocation cost and decoration cost) will be incurred.

Based on the above, we are of the view that the transactions contemplated under the Property Lease (Procurement) Framework Agreement 2022 are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Further, the Company enters into the Supplemental Agreement for the lease of the land and office buildings from Rizhao Port Group to implement the Rizhao Port Grain Base Project (details of which are set out under the section headed “Details of the Rizhao Port Grain Base Project” of the Board Letter) with the purpose to consolidate and improve the Company’s position as the grain transfer, collection and distribution center among the national coastal ports in the PRC. As the proposed leases of the aforesaid office buildings/land will be included in the Property Lease (Procurement) Framework Agreement 2022, the Existing Annual Caps were not sufficient to cover the aforesaid office buildings/land. Therefore, the Company proposed to revise the Existing Annual Caps.

Having considered the above reasons, we concur with the Directors that the Annual Caps Revision is in the interests of the Company and the Shareholders as a whole and is conducted in the ordinary and usual course of business of the Group.

Principal terms of the Leases Transaction and the Annual Caps Revision

Summarised below are the major terms of the Supplemental Agreement and the Annual Caps Revision, details of which are set out under the section headed “SUPPLEMENTAL AGREEMENT AND REVISION OF ANNUAL CAPS” of the Board Letter:

Date

7 December 2022 (after trading hours)

Parties

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

Subject matter

Pursuant to the Supplemental Agreement, upon the approval by the Independent Shareholders at the EGM, the Existing Annual Caps under the Property Lease (Procurement) Framework Agreement 2022 shall be revised to the Revised Annual Caps under the Supplemental Agreement.

Save for the revision of the Existing Annual Caps, all other terms and conditions of the Property Lease (Procurement) Framework Agreement 2022 remain unchanged.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

With reference to the Board Letter, the Company has established certain internal control measures to ensure that the pricing mechanism and the terms of the transactions contemplated under the Property Lease (Procurement) Framework Agreement 2022 and the Supplemental Agreement 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. Having considered that (i) there will be information collection procedures and review and assessment procedures before entering into any individual agreement under the Property Lease (Procurement) Framework Agreement 2022 and the Supplemental 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 Property Lease (Procurement) Framework Agreement 2022 and the Supplemental Agreement according to the pricing policies and the proposed annual cap will not be exceeded.

Furthermore, 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 Property Lease (Procurement) Framework Agreement 2022 and the Supplemental Agreement.

Having considered our findings above, we do not doubt the effectiveness of implementation of the internal control measures.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Revised Annual Caps

Set out below are the Existing Annual Cap and the Revised Annual Cap for the year ending 31 December 2023 (“FY2023”) under the Supplemental Agreement:

	The Existing Annual Cap for FY2023	The Revised Annual Cap for FY2023
	<i>RMB</i>	<i>RMB</i>
<i>Right-of-use assets</i>		
Land occupied for Rizhao Port Grain Base Project	0	88,200,000
Land occupied by and behind West-18 berth	0	0
Warehouses	0	0
Complex building	0	0
New lease of office building	0	1,450,000
Total value of right-of-use assets relating to the leases to be entered into by the Company	0	89,650,000
<i>Variable lease payments</i>		
Land occupied by and behind West-18 berth	22,880,000	22,880,000
Anticipated new lease of lands	4,628,000	4,628,000
Temporarily leased berths	2,893,000	2,893,000
Total variable lease payments linked to revenue and short term lease payments payable by the Company	30,401,000	30,401,000
Total Proposed Annual Cap	30,401,000	120,051,000

Save for the revision of the Existing Annual Cap for FY2023, the Existing Annual Caps for FY2022 and FY2024 remain unchanged.

The bases for determining the Revised Annual Cap for FY2023 were set out under the section headed “REVISED ANNUAL CAPS AND BASIS OF DETERMINATION” of the Board Letter.

Pursuant to the Supplemental Agreement, the revision of the Existing Annual Caps as contemplated under the Supplemental Agreement was mainly due to the estimated total value of right-of-use assets relating to the lease of land for Rizhao Port Grain Base Project (the “**Land**”) and office buildings (the “**Office Buildings**”) expected to be entered into by the Company with Rizhao Port Group during the year ending 31 December 2023, which is determined with reference to the expected rental amount payable by the Company to Rizhao Port Group in respect of the lease of land for Rizhao Port Grain Base Project and office buildings.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Upon our enquiry, the Company advised us the leasable area of the Land (i.e. 147.8 mu) and Office Buildings (i.e. 2,790 square metres). We also obtained the draft individual agreements in respect of the lease of the Land and the Office Buildings. The estimated leasable area represented the leasable area as advised by the Company and as shown in the draft individual agreements.

The estimated rental amount payable by the Company to Rizhao Port Group was calculated by the estimated rental area multiplying the estimated annual rental fees of the Land and the Office Buildings respectively.

In respect of the annual rental fees of the Office Buildings, the Company made reference to the existing office building leased by the Company from Rizhao Port Group, with the per square metre per month rental fee (i.e. RMB300) the same as the estimated per square metre monthly rental fees of the Office Buildings (i.e. RMB300).

In respect of the annual rental fees of the Land, the Company made reference to an internal notice issued by Rizhao Port Group (the “**Internal Notice**”). Pursuant to the internal notice, the estimated annual rental fees per mu (i.e. RMB50,000) represented the minimum fees to be charged by Rizhao Port Group to all members of the Rizhao Port Group in respect of lease of land.

Having considered the above, we are of the view that the estimated monthly rental fees of the Land and the Office Buildings are fair and reasonable.

Right-of-use assets

With reference to the Board Letter, pursuant to IFRS 16 – Leases, the lease of properties by the Company as lessee will be recognised as right-of-use assets. Correspondingly, the Company is required to set annual caps based on the total value of right-of-use assets relating to the leases to be entered into by the Company as a lessee in each year under the Property Lease (Procurement) Framework Agreement 2022 (as amended by the Supplemental Agreement).

Upon our request, the Directors further provided us the calculation of right-of-use assets relating to the Land and the Office Buildings (the “**Calculation**”). We noted that the right-of-use assets are the present value of estimated rental fees (tax exclusive), which was calculated by (i) estimated rental fees, (ii) duration of the leases; and (iii) estimated discount rate. In respect of the aforesaid factors:

- (i) the estimated rental fees (tax exclusive) for both of the Land and the Office Buildings were adopted, both of which being fair and reasonable as analysed above;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (ii) the estimated duration of the lease of Land and Office Buildings to be twenty years and two years respectively. The Company, after discussing and preliminarily agreeing with its auditors, advised us that (a) although the duration of the lease of Land pursuant to the draft individual agreement is approximately three years, 20 years was adopted for the purpose of calculation of right-of-use assets as the Company planned to lease the Land for 20 years; and (b) pursuant to the Internal Notice, the duration for the lease of land between Rizhao Port Group and its members should be no more than three years in principle. Therefore, we consider that the duration of the leases for the calculation of right-of-use assets is justifiable.

- (iii) as confirmed by the Directors, the estimated discount rate adopted for the calculation of right-of-use assets was the same as the discount rate for the calculation of right-of-use assets for the year ended 31 December 2021 and six months ended 30 June 2022. Therefore, we are of the view that the estimated discount rate is justifiable.

Based on the above and that the expected individual agreement dates of the leases of Land and Office Buildings will be in 2023, we are of the view that the Revised Annual Cap for FY2023 is fair and reasonable.

Shareholders should note that as the Annual Caps Revision is relating to future events and was 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 Property Lease (Procurement) Framework Agreement 2022 (as supplemented by the Supplemental Agreement). Consequently, we express no opinion as to how closely the actual cost to be incurred from the transactions contemplated under the Property Lease (Procurement) Framework Agreement 2022 (as supplemented by the Supplemental Agreement) will correspond with the Revised Annual Caps.

LISTING RULES IMPLICATIONS

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Listing Rules pursuant to which (i) the values of the transactions contemplated under the Property Lease (Procurement) Framework Agreement 2022 (as supplemented by the Supplemental Agreement) must be restricted by the Revised Annual Caps; (ii) the terms of the transactions contemplated under the Property Lease (Procurement) Framework Agreement 2022 (as supplemented by the Supplemental Agreement) must be reviewed by the independent non-executive Directors annually; (iii) details of independent non-executive Directors' annual review on the terms of the transactions contemplated under the Property Lease (Procurement) Framework Agreement 2022 (as supplemented by the Supplemental Agreement) must be included in the Company's subsequent published annual reports.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Furthermore, it is also required by the Listing Rules that the auditors of the Company must provide a letter to the Board confirming, among other things, whether anything has come to their attention that causes them to believe that the transactions contemplated under the Property Lease (Procurement) Framework Agreement 2022 (as supplemented by the Supplemental Agreement) (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.

In the event that the actual amounts of the transactions contemplated under the Property Lease (Procurement) Framework Agreement 2022 (as supplemented by the Supplemental Agreement) are anticipated to exceed the annual caps, or that there is any proposed material amendment to the terms of the transactions contemplated under the Property Lease (Procurement) Framework Agreement 2022 (as supplemented by the Supplemental Agreement), as confirmed by the Directors, the Company shall comply with the applicable provisions of the Listing Rules governing continuing connected transactions.

Given the above stipulated requirements for continuing connected transactions pursuant to the Listing Rules, we are of the view that there are adequate measures in place to monitor the transactions contemplated under the Property Lease (Procurement) Framework Agreement 2022 (as supplemented by the Supplemental Agreement) and thus the interest of the Independent Shareholders would be safeguarded.

RECOMMENDATION

Having taken into account that above factors and reasons, we are of the opinion that (i) the terms of the Annual Caps Revision are on normal commercial terms and are fair and reasonable; and (ii) the Annual Caps Revision 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 relevant ordinary resolution to be proposed at the EGM to approve the Annual Caps Revision and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

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

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

* *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. Fang Lei, a non-executive Director, is the director of the corporate development department of Rizhao Port.
- (d) Mr. Seow Kok Leong Terence, a non-executive Director, is the chief executive officer of Jurong Port.
- (e) Mr. Nyan Ming Ren Francis, a non-executive Director, is the chief financial officer of Jurong Port.
- (f) Mr. Li Weiqing, a Supervisor, is the director of legal audit department of Rizhao Port Group.
- (g) 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 20 January 2023 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

A copy of the Supplemental Agreement 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).

NOTICE OF EXTRAORDINARY GENERAL MEETING



日照港裕廊股份有限公司
RIZHAO PORT JURONG CO., LTD.

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

(Stock Code: 6117)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (“EGM”) of Rizhao Port Jurong Co., Ltd. (the “**Company**”) will be held at 10:00 a.m. on Wednesday, 15 February 2023 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 20 January 2023 in relation to the EGM:

ORDINARY RESOLUTIONS

1. To consider and approve the Supplemental Agreement, the Revised Annual Caps and the transactions contemplated thereunder.
2. To consider and approve the proposed election of Mr. Qin Yuning as an executive director of the Company.

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

Rizhao, PRC, 20 January 2023

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. Seow Kok Leong Terence, Mr. Nyan Ming Ren Francis, Mr. Fang Lei and Mr. Chen Lei as the non-executive Directors; and Mr. Zhang Zixue, Mr. Wu Xibin and Mr. Lee Man Tai as the independent non-executive Directors.

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. All votes of the resolution 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.rzportjorong.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 Friday, 10 February 2023 to Wednesday, 15 February 2023 (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 Thursday, 9 February 2023.
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.