



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

GLOBAL OFFERING



Sole Sponsor



中信建投國際
CHINA SECURITIES INTERNATIONAL

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



中信建投國際
CHINA SECURITIES INTERNATIONAL



中泰國際
ZHONGTAI INTERNATIONAL



首控證券
FIRST CAPITAL SECURITIES LIMITED

Joint Bookrunners and Joint Lead Managers



農銀國際
ABC INTERNATIONAL



海通國際
HAITONG

IMPORTANT

IMPORTANT: If you are in any doubt about any of the contents of this Prospectus, you should obtain independent professional advice.

RIZHAO PORT JURONG CO., LTD.

日照港裕廊股份有限公司

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

GLOBAL OFFERING

Number of Offer Shares in the Global Offering : 400,000,000 H Shares (subject to the Over-allotment Option)

Number of Hong Kong Offer Shares : 40,000,000 H Shares (subject to adjustment)

Number of International Offer Shares : 360,000,000 H Shares (subject to adjustment and the Over-allotment Option)

Maximum Offer Price : HK\$1.51 per H Share, plus brokerage of 1%, Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.0027% (payable in full on application in Hong Kong Dollars and subject to refund)

Nominal Value : RMB 1.00 per H Share

Stock Code : 6117

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HAITONG

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Prospectus, make no representation as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus.

A copy of this Prospectus, having attached thereto the documents specified in "Appendix VIII — Documents Delivered to the Registrar of Companies and Available for Inspection" to this Prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance of Hong Kong (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this Prospectus or any other document referred to above.

The Offer Price is expected to be fixed by agreement between the Sole Representative (for itself and on behalf of the Hong Kong Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or about Thursday, June 6, 2019 and, in any event, not later than Monday, June 10, 2019. Unless otherwise announced, the Offer Price will be not more than HK\$1.51 and is currently expected to be not less than HK\$1.37.

Investors applying for Hong Kong Offer Shares must pay, on application, the maximum offer price of HK\$1.51 for each Hong Kong Offer Share together with brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price should be lower than HK\$1.51.

If, for any reason, the Sole Representative (for itself and on behalf of the Hong Kong Underwriters) and us are unable to reach an agreement on the Offer Price by Monday, June 10, 2019, the Global Offering will not proceed and will lapse.

The Sole Representative (for itself and on behalf of the Underwriters) may, with our consent, reduce the number of Offer Shares and/or the indicative Offer Price range that is stated in this Prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, a notice of the reduction in the number of Offer Shares and/or the indicative offer price range will be published in The Standard (in English) and Hong Kong Economic Journal (in Chinese) as well as on our website www.rzportjurong.com and the website of the Stock Exchange www.hkexnews.hk not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Further details are set forth in the sections entitled "Structure of the Global Offering — The Hong Kong Public Offering — Conditions of the Hong Kong Public Offering" and "How to Apply for Hong Kong Offer Shares" in this Prospectus.

If applications for Hong Kong Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offer, then such applications can be subsequently withdrawn if the number of Offer Shares and/or the indicative Offer Price range is so reduced.

We are incorporated, and substantially all of our businesses are located, in the PRC. Potential investors should be aware of the differences in legal, economic and financial systems between the PRC and Hong Kong and that there are different risk factors relating to investments in PRC-incorporated companies. Potential investors should also be aware that the regulatory framework in the PRC is different from the regulatory framework in Hong Kong and should take into consideration the different market nature of our H Shares. Such differences and risk factors are set out in "Risk Factors," "Appendix V — Summary of Principal Legal and Regulatory Provisions" and "Appendix VI — Summary of the Articles of Association" to this Prospectus. Prior to making an investment decision, prospective investors should consider carefully all the information set forth in this Prospectus, including but not limited to the risk factors set forth in the section headed "Risk Factors" in this Prospectus.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure applicants for the subscription for, the Hong Kong Offer Shares, are subject to termination by the Sole Representative (for itself and on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the day that trading in the H Shares commences on the Hong Kong Stock Exchange. Such grounds are set out in the section entitled "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination" in this Prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws of the United States and shall not be offered, sold, pledged or transferred within the United States, but the Offer Shares may be offered, sold or delivered outside the United States in offshore transactions in accordance with Rule 903 or Rule 904 of Regulation S.

May 31, 2019

EXPECTED TIMETABLE⁽¹⁾

If there is any change in the following expected timetable, we will issue an announcement on the respective websites of the Company at www.rzportjurong.com and the Stock Exchange at www.hkexnews.hk.

Latest time to complete electronic applications under the White Form eIPO service through the designated website at www.eipo.com.hk ⁽²⁾	11:30 am on Wednesday, June 5, 2019
Application lists open ⁽³⁾	11:45 am on Wednesday, June 5, 2019
Latest time to lodge WHITE and YELLOW Application Forms	12:00 noon on Wednesday, June 5, 2019
Latest time to give electronic application instructions to HKSCC ⁽⁴⁾	12:00 noon on Wednesday, June 5, 2019
Latest time to complete payment of White Form eIPO applications by effecting Internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Wednesday, June 5, 2019
Application lists close	12:00 noon on Wednesday, June 5, 2019
Expected Price Determination Date ⁽⁵⁾	Thursday, June 6, 2019
(1) Announcement of:	
• the Offer Price;	
• the level of indications of interest in the International Offering;	
• the level of applications in the Hong Kong Public Offering; and	
• the basis of allocations of the Hong Kong Offer Shares to be published in The Standard (in English) and Hong Kong Economic Journal (in Chinese), on or before	Tuesday, June 18, 2019
(2) Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where applicable) to be available through a variety of channels (see the section headed "How to Apply for Hong Kong Offer Shares — 11. Publication of Results" in this Prospectus) from	Tuesday, June 18, 2019
Announcement of (1) and (2) above to be published on the website of the Company at www.rzportjurong.com and the website of the Stock Exchange at www.hkexnews.hk on or before	Tuesday, June 18, 2019
Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) will be available at www.iporesults.com.hk (alternatively: English https://www.eipo.com.hk/en/Allotment ; Chinese https://www.eipo.com.hk/zh-hk/Allotment) with a "search by ID" function	Tuesday, June 18, 2019
Despatch/Collection of H Share certificates in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before ⁽⁶⁾⁽⁷⁾	Tuesday, June 18, 2019

EXPECTED TIMETABLE⁽¹⁾

Despatch/Collection of refund checks and White Form e-Refund payment instructions in respect of wholly or partially successful applications (if applicable) and wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or before ⁽⁶⁾⁽⁸⁾	Tuesday, June 18, 2019
Dealings in the H Shares on the Stock Exchange expected to commence on	9:00 am on Wednesday, June 19, 2019

Notes:

- (1) All times and dates refer to Hong Kong local times and dates unless otherwise stated.
- (2) You will not be permitted to submit your application through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website at or prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application money) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is a “black” rainstorm warning signal or a tropical cyclone warning signal number 8 or above is in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, June 5, 2019, the application lists will not open on that day. For further information please refer to the section headed “How to Apply for Hong Kong Offer Shares — 10. Effect of Bad Weather on the Opening of the Application Lists” in this Prospectus.
- (4) Applicants who apply for Hong Kong Offer Shares by giving electronic application instructions to HKSCC should refer to the section headed “How to Apply for Hong Kong Offer Shares — 6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS” in this Prospectus.
- (5) The Price Determination Date is expected to be on or around Thursday, June 6, 2019, and in any event will not be later than Monday, June 10, 2019. If, for any reason, the Offer Price is not agreed between the Sole Representative (for itself and on behalf of the Hong Kong Underwriters) and our Company on or before Monday, June 10, 2019, the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse.
- (6) Applicants who have applied with **WHITE** Application Forms for 1,000,000 or more Hong Kong Offer Shares under the Hong Kong Public Offering and have provided all information required by their Application Forms may collect their refund checks and H Share certificates (as applicable) in person from our H Share Registrar, Computershare Hong Kong Investor Services Limited at Shop 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, June 18, 2019 or such other date as notified by us in the newspapers. Applicants being individuals who are eligible for personal collection must not authorize any other person to make collection on their behalf. Applicants being corporations who are eligible for personal collection must attend by their authorized representatives bearing letters of authorization from their corporation stamped with the corporation’s chop. Both individuals and authorized representatives of corporations must produce, at the time of collection, identification and (where applicable) authorization documents acceptable to our H Share Registrar.

Applicants who have applied with **YELLOW** Application Forms for 1,000,000 or more Hong Kong Offer Shares under the Hong Kong Public Offering and have provided all information required by their Application Forms, may collect their refund checks (where applicable) in person but may not collect their H Share certificates, which will be deposited into CCASS for the credit to their designated CCASS Participants’ stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedures for collection of refund checks for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

Applicants who have applied through **White Form eIPO** service by paying the application monies through single bank accounts may have refund monies (if any) despatched to the bank account in the form of e-Refund payment instructions. Applicants who have applied through the **White Form eIPO** service and have paid their application monies through multiple bank accounts may have refund monies (if any) despatched to the address as specified in their application instructions in the form of refund checks by ordinary post at their own risk.

Applicants who have applied for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to the section headed “How to Apply for Hong Kong Offer Shares — 14. Despatch/Collection of Share Certificates and Refund Monies — Personal Collection — (d) If you apply via Electronic Application Instructions to HKSCC” in this Prospectus.

H Share certificates (if applicable) and/or refunded checks (if applicable) for applicants who have applied for less than 1,000,000 Hong Kong Offer Shares and any uncollected H Share certificates (if applicable) and/or refund checks (if

EXPECTED TIMETABLE⁽¹⁾

applicable) will be despatched by ordinary post, at the risk of the applicants, to the addresses specified in the relevant applications shortly after the expiry of the time for collection at the date of despatch of refund check as described in the sections headed “How to Apply for Hong Kong Offer Shares — 13. Refund of Application Monies” and “How to Apply for Hong Kong Offer Shares — 14. Despatch/Collection of Share Certificates and Refund Monies” in this Prospectus.

- (7) H Share certificates for the Hong Kong Offer Shares are expected to be issued on Tuesday, June 18, 2019 but will only become valid certificates of title provided that the Global Offering becomes unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms before 8:00 a.m. on the Listing Date. Investors who trade H Shares on the basis of publicly available allocation details prior to the receipt of H Share certificates or prior to the H Share certificates becoming valid certificates of title do so entirely at their own risk.
- (8) Refund checks will be issued (where applicable) and e-Refund payment instructions will be despatched (where applicable) in respect of wholly or partially unsuccessful applications and in respect of successful applications if the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant’s Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund check, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant’s Hong Kong identity card number or passport number before encashment of the refund checks. Inaccurate completion of an applicant’s Hong Kong identity card number or passport number may invalidate or delay encashment of the refund checks.

For details of the structure of the Global Offering, including its conditions, and the procedures for applications for Hong Kong Offer Shares, see the sections headed “Structure of the Global Offering” and “How to Apply for Hong Kong Offer Shares” in this Prospectus, respectively.

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IMPORTANT NOTICE TO INVESTORS

This Prospectus is issued by Rizhao Port Jurong Co., Ltd. solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this Prospectus pursuant to the Hong Kong Public Offering. This Prospectus may not be used for the purpose of, and does not constitute, an offer or a solicitation of an offer to subscribe for or buy, any security in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this Prospectus in any jurisdiction other than Hong Kong. The distribution of this Prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this Prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this Prospectus. Any information or representation not made in this Prospectus must not be relied on by you as having been authorized by us, the Sole Sponsor, the Sole Representative, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers, any of the Underwriters and their respective directors, officers or representatives, or any other person or party involved in the Global Offering.

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SUMMARY

This summary aims to give you an overview of the information contained in this Prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read this Prospectus in its entirety before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section entitled “Risk Factors” in this Prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are the largest port for grain and woodchip imports in China in terms of 2018 throughput. According to the CIC Report, in 2018, our throughput of both soybean and woodchip imports (including the throughput from our leased-out berths) ranked first in China and our throughput of dried tapioca imports ranked second in China. We have experienced significant growth since our establishment in 2011. Our total throughput increased from approximately 10.9 million tonnes in 2011 to approximately 25.9 million tonnes in 2018 at a CAGR of 13.2%. According to the CIC Report, future PRC demand for soybeans, woodchips and dried tapioca will continue to be significant considering the strong PRC economy, continued growth in global trade and attractive opportunities brought by the Belt and Road initiative. We believe we will be able to leverage our market position and experience in these cargo types as well as the favorable industry trends to enjoy continued business growth.

We are strategically located on the southern coast of the Shandong Peninsula opening to the Yellow Sea and enjoy favorable natural conditions and a well-connected transportation network. We are located at the Shijiu port area of the Port of Rizhao, a major coastal port for commodities trading that is ranked the seventh largest coastal port in China and 11th in the world in terms of 2018 throughput. The Port of Rizhao is a natural deepwater port that enjoys a temperate climate, ice-free and silt-free conditions, as well as open water and a flat seabed. Our berths have a natural water depth ranging from 8.0 to 15.2 meters, enabling us to handle the largest bulk grain vessels in the world. We also enjoy benefits from being the only port in China that is directly connected to two major rail lines of over 1,000 kilometers, namely, the Wa-Ri Rail Line (瓦日線) and the Xin-He-Yan-Ri-Longhai Rail Line (新菏兗日-隴海線), according to the CIC Report. According to the same source, as of the end of 2017, Shandong province had the second largest highway network in China. Likewise, the highway networks for the provinces in our hinterland are extensively-developed and well-maintained. Linking our facilities with those highway networks in Shandong province and beyond are three expressways and four national highways, providing our customers with fast, efficient and reliable land transportation.

We are equipped with comprehensive and advanced port infrastructure and our operations are highly efficient, which we believe is crucial to our ability to achieve an industry-leading collection and distribution capacity. We operate four berths (including one that we lease in) and lease out four berths, with a total designed annual throughput capacity of 18.1 million tonnes. Three of the berths we operate are multi-purpose berths and one is a bulk grain berth. Our 100,000-tonne bulk grain berth, West-5 berth, is one of the largest bulk grain berths in coastal China. Our highly automated and efficient conveyor belt and pipeline systems, industry-leading grain storage capacity and silo turnover rates and strong dispatching capacity allow us to provide highly efficient and comprehensive services to our customers.

Leveraging our favorable geographic location, industry-leading collection and distribution capacity and strong reputation, we have developed stable business relationships with a number of high-quality blue-chip customers, including Asia Symbol, Bunge Sanwei, Chinatex Rizhao and China's state-owned enterprise responsible for its national grain reserve. Six of our customers have consistently been our top 10 customers since 2016, accounting for 53.9%, 43.3% and 50.0% of our revenue for the years ended December 31, 2016, 2017 and 2018, respectively. As a testament to their commitment to us, many of our major customers have made significant investments to build processing and storage facilities in close vicinity to our port. A strategically-designed infrastructure connects our loading and unloading systems with our customers' facilities through a network of conveyor belt systems. We believe this enables optimal cargo handling with enhanced efficiency, customer satisfaction and loyalty, and reduced cost.

Our Listing constitutes a spin-off from Rizhao Port, whose shares are listed and traded on the Shanghai Stock Exchange (stock code: 600017). Our Controlling Shareholders, Rizhao Port and Rizhao

SUMMARY

Port Group, are the primary operators of the Port of Rizhao. Our substantial shareholder, Jurong Port, is an internationally-leading multi-purpose port operator in Singapore with extensive experience in port operations.

For the years ended December 31, 2016, 2017 and 2018, our revenue was RMB488.2 million, RMB520.5 million and RMB532.1 million, respectively, and our profit and total comprehensive income was RMB78.4 million, RMB127.0 million and RMB149.2 million, respectively.

OUR BUSINESS

We provide comprehensive port-related services, including stevedoring, berth leasing, port management, storage, and logistics agency services, primarily covering soybeans, woodchips, dried tapioca and, to a lesser extent, other cargo types including maize and wheat.

Our Berths

As of the Latest Practicable Date, we operated and leased out a total of eight berths, all of which are located at the Shijiu port area in the Port of Rizhao. Among these eight berths, we operated four and leased out four.

	Owner	Berth type	Major usage	Quay length	Water depth	Maximum berthing capacity	Designed annual throughput capacity
				(meters)		(in million tonnes)	
Berths we operate							
West-2 ⁽¹⁾	The Company	Multi-purpose	Grains, woodchips and cargos from domestic trade	180	10.2	0.04	0.6
West-3	The Company	Multi-purpose	Grains and woodchips	261	11.6	0.07	0.7
West-5	The Company	Bulk grain	Grains	350	15.0	0.10	5.2
West-18	Rizhao Port	Multi-purpose	Grains and woodchips	350	15.2	0.10	1.7
Sub-total				1,141			8.2

	Lessee	Berth type	Major usage	Quay length	Water depth	Maximum berthing capacity	Designed annual throughput capacity
				(meters)		(in million tonnes)	
Berths we lease out							
West-4	Asia Symbol	Woodchips	Woodchips	399	11.6	0.04	2.5
Woodchips-2	Asia Symbol	Woodchips	Woodchips	215	12.2	0.07	3.5
Woodchips-3	Asia Symbol	Woodchips	Woodchips	255	12.2	0.07	3.5
West-1	Rizhao Port Container	Multi-purpose	Containers and passengers	156	8.0	0.02	0.4
Sub-total				1,025			9.9
Total				2,166			18.1

- (1) The West-2 berth is adjacent to the West-1 berth, which we lease out to Rizhao Port Container. Because the West-1 berth is relatively short, large vessels at the West-1 berth would need to occupy part of the West-2 berth for handling. In such instances, we were paid a leasing fee for the West-2 berth under our leasing agreement with Rizhao Port Container. See “Business — Services and Cargo Types — Our Services — Berth Leasing Service — Multi-purpose Berth” and “Connected Transactions — Non-exempt Continuing Connected Transactions — 2. Property Lease (Procurement) Framework Agreement.”

SUMMARY

The following table sets forth the designed annual throughput capacity, throughput and utilization rates of the berths we operate for the period indicated.

	Designed annual throughput capacity	For the year ended December 31,					
		2016		2017		2018	
		Utilization	Utilization	Utilization	Utilization		
		Throughput	rate ⁽¹⁾	Throughput	rate ⁽¹⁾	Throughput	rate ⁽¹⁾
(in million tonnes, except percentages)							
Owned							
West-2 ⁽²⁾	0.6	0.4	66.7%	0.3	50.0%	0.4	66.7%
West-3 ⁽²⁾	0.7	2.5	357.1	3.6	514.3	3.4	485.7
West-5 ⁽²⁾	5.2	5.0	96.2	5.7	109.6	5.5	105.8
Leased in							
West-18 ⁽²⁾⁽³⁾ . .	1.7	2.6	152.9	2.9	170.6	3.6	211.8
Total	8.2	10.5	128.0%	12.5	152.4%	12.9	157.3%

(1) Calculated by dividing the throughput of a berth by its designed annual throughput capacity.

(2) For details of our utilization rates, see “Business — Our Operations — Our Berths — Berths We Operate.”

(3) We lease this berth from Rizhao Port. See “Business — Our Operations — Our Berths — Berths We Operate.”

Our Services

The following table sets forth our revenue by service type for the period indicated.

	For the year ended December 31,					
	2016		2017		2018	
	(RMB in thousands, except percentages)					
Stevedoring	393,876	80.7%	412,740	79.3%	413,751	77.8%
Berth leasing	70,783	14.5	74,651	14.3	76,293	14.3
Port management	12,512	2.5	13,995	2.7	13,587	2.5
Storage	11,043	2.3	19,128	3.7	19,573	3.7
Logistics agency	—	—	—	—	8,857	1.7
Total revenue	488,214	100.0%	520,514	100.0%	532,061	100.0%

Cargo Types

As of the Latest Practicable Date, we handled over 20 cargo types at our berths, primarily including soybeans, woodchips, dried tapioca and, to a lesser extent, other cargo types including maize and wheat. The following table sets forth our revenue breakdown by cargo type for the period indicated.

	For the year ended December 31,					
	2016		2017		2018	
	(RMB in thousands, except percentages)					
Soybeans	240,639	49.3%	287,593	55.3%	301,907	56.7%
Woodchips	76,895	15.8	87,006	16.7	71,442	13.4
Dried tapioca	74,887	15.3	57,719	11.1	54,528	10.2
Other cargo types	25,010	5.1	13,545	2.6	19,034	3.6
Others ⁽¹⁾	70,783	14.5	74,651	14.3	85,150	16.0
Total revenue	488,214	100.0%	520,514	100.0%	532,061	100.0%

(1) Represents revenue from our berth leasing and logistics agency services.

SUMMARY

The following table sets forth our throughput breakdown by cargo type for the period indicated.

	For the year ended December 31,					
	2016		2017		2018	
	(in million tonnes, except percentages)					
Soybeans	6.7	30.0%	7.8	32.2%	8.1	31.1%
Woodchips ⁽¹⁾	3.0	13.5	4.1	16.9	4.2	16.1
Dried tapioca	1.5	6.6	1.3	5.4	1.2	4.9
Other cargo types	0.4	1.9	0.5	2.1	0.7	2.7
Berth leasing ⁽²⁾	10.7	48.0	10.5	43.4	11.7	45.2
Total	22.3	100.0%	24.2	100.0%	25.9	100.0%

- (1) Consistent with industry reporting practice to the Ministry of Transport, these amounts represent the total freight volume of vessels carrying woodchip cargos in terms of tonnes. As the woodchips are light goods, our fees are calculated based on woodchip cargo unloading volume in terms of bone dry metric tonnes. In 2016, 2017 and 2018, our woodchip cargo unloading volume in terms of bone dry metric tonnes amounted to 1.3 million, 1.6 million and 1.2 million, respectively.
- (2) For details, see “Financial Information — Description of Certain Statements of Profit or Loss and Other Comprehensive Income Items — Revenue.”

FEES AND CHARGES

The fees we charge for our port services primarily include stevedoring service fees, port management fees, storage fees and logistics agency fees. Our stevedoring fees cover cargo handling services and certain other port value-added services. Such fees are the major source of our revenue. We set a standard fee rate for our services on an annual basis, which applies to most of our customers. The following table sets forth the average fees charged for stevedoring services by cargo type for the period indicated.

	For the year ended December 31,		
	2016	2017	2018
Soybeans ⁽¹⁾ (RMB per tonne)	34.8	34.1	34.3
Woodchips ⁽¹⁾ (RMB per bone dry metric tonne)	48.2	44.6	48.3
Dried tapioca ⁽¹⁾ (RMB per tonne)	49.2	40.2	42.1
Others ⁽¹⁾	N/A	N/A	N/A

- (1) See “Business — Fees and Charges” for more details.

CUSTOMERS AND SUPPLIERS

We believe that building a stable customer base with a steady and sustainable flow of business is crucial to our business growth. We have developed a portfolio of long-term customers with whom we have maintained four to eight years of business. Many of our major customers are high-quality, blue-chip companies that are market leaders in their respective cargo type in China, including: (i) Chinatex Rizhao, a subsidiary of the largest state-owned agriculture and food processing company in China; (ii) Bunge Sanwei, a major exporter of soybean products from Asia; (iii) Asia Symbol, a major commercial wood pulp producer in China; and (iv) China’s state-owned enterprise responsible for its national grain reserve. We believe that the throughput from these companies will be able to withstand market fluctuations and remain relatively stable. For the years ended December 31, 2016, 2017 and 2018, revenue generated from our five largest customers amounted to RMB241.9 million, RMB223.6 million and RMB248.3 million, respectively, contributing to 49.5%, 43.0% and 46.7% of our total revenue for the same periods, respectively.

For the years ended December 31, 2016, 2017 and 2018, all of our five largest suppliers were our Controlling Shareholders and their subsidiaries. For the same periods, procurement from our five largest suppliers amounted to RMB73.5 million, RMB99.1 million and RMB132.5 million, respectively, accounting for 41.6%, 61.7% and 65.3% of our total purchases for the same periods, respectively. These suppliers primarily provided property leasing and services to us. Property leasing is conducted in the ordinary course of business between subsidiaries of Rizhao Port Group (including our Company) and these arrangements have been in place for many years. We procured most of the services through public bidding

SUMMARY

processes. There is no guarantee that our connected persons will win the bids, and we have also procured such services from Independent Third Parties through public bidding during the Track Record Period. Therefore, our Directors believe that the continuing connected transactions between us and our Controlling Shareholders and/or their respective associates do not indicate any undue reliance by us on our Controlling Shareholders and are beneficial to us and our Shareholders as a whole.

COMPETITIVE STRENGTHS AND BUSINESS STRATEGY

We believe that the following competitive strengths will enable us to continue to strengthen our market position and ensure our sustainable growth: (i) we are the largest port for grain and woodchip imports in China, well positioned to benefit from strong industry growth; (ii) our strategic location and robust transportation network lay a solid foundation for our business; (iii) advanced port infrastructure and high operational efficiency enable us to achieve an industry-leading collection and distribution capacity; (iv) our stable base of high-quality and long-term customers and strong innovation capabilities support our sustainable growth; and (v) we have a senior management team with in-depth experience and strong support from our Controlling Shareholders.

Our mission is to become a world-leading hub for grains and woodchips. To that end, we intend to implement a business strategy with the following components: (i) leverage the Belt and Road initiative and expand our business capacity; (ii) provide one-stop integrated and efficient port services; (iii) strengthen our brand reputation and expand our customer base; (iv) become a “smart port”; and (v) develop a sustainable and environmentally-friendly port.

RISK FACTORS

There are certain risks in our operations and in connection with the Global Offering, many of which are beyond our control. We believe the most significant risks we face include but are not limited to the following: (i) our business, financial condition and results of operations are susceptible to fluctuations in the economic conditions of the PRC and our hinterland, as well as uncertainties in the global economic, geopolitical and market conditions; (ii) our historical operating results may not be indicative of our future financial performance; (iii) we primarily handle a limited number of major cargo types, and a decrease in the demand for these types of cargos could materially and adversely affect us; (iv) we rely on a number of major customers in our business; (v) our business and operations require significant capital resources on an ongoing basis; any failure to obtain sufficient and sustained funding may materially and adversely affect our business, financial condition and results of operations; (vi) we may not be able to achieve our future plans; and (vii) we had net current liabilities as of December 31, 2016, 2017 and 2018 and March 31, 2019. See “Risk Factors” of this Prospectus for details of our risk factors, which you should read carefully and in full before you decide to invest in the Offer Shares.

SUMMARY OF KEY FINANCIAL INFORMATION

Summary Data from Statement of Profit or Loss and Other Comprehensive Income

The following table sets forth details of our statements of profit or loss and other comprehensive income for the period indicated.

	For the year ended December 31,					
	2016		2017		2018	
	(RMB in thousands, except percentages)					
Revenue	488,214	100.0%	520,514	100.0%	532,061	100.0%
Cost of sales	(349,143)	(71.5)	(326,029)	(62.6)	(307,917)	(57.9)
Gross profit	139,071	28.5	194,485	37.4	224,144	42.1
Profit before tax	104,813	21.5	170,386	32.7	198,609	37.3
Income tax expense	(26,411)	(5.4)	(43,404)	(8.3)	(49,457)	(9.3)
Profit and total comprehensive income for the year	78,402	16.1%	126,982	24.4%	149,152	28.0%

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The following table sets forth the gross profit and gross profit margin by service type for the period indicated.

	For the year ended December 31,					
	2016		2017		2018	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
(RMB in thousands, except percentages)						
Stevedoring	78,415	19.9%	122,450	29.7%	135,311	32.7%
Berth leasing	61,657	87.1	62,577	83.8	67,748	88.8
Port management	(927)	(7.4)	1,448	10.3	4,248	31.3
Storage	(74)	(0.7)	8,010	41.9	15,484	79.1
Logistics agency	—	—	—	—	1,353	15.3
Total gross profit / overall gross profit margin	<u>139,071</u>	<u>28.5%</u>	<u>194,485</u>	<u>37.4%</u>	<u>224,144</u>	<u>42.1%</u>

Our revenue increased by 6.6% from 2016 to 2017, primarily due to a RMB18.9 million increase in revenue from stevedoring services mainly because of an increase in our soybean and woodchip throughput. Our storage revenue and berth leasing revenue also increased. During the same periods, our gross profit increased by 39.8% from 2016 to 2017 and our gross profit margin increased from 28.5% to 37.4%, primarily because our revenue increased while our cost of sales decreased by 6.6% primarily due to a decrease in our procurement and maintenance costs. Our storage and port management services had a gross loss in 2016, primarily because our revenue from these services were relatively low and were primarily offset by depreciation costs of certain fixed assets allocated to these services.

Our revenue increased by 2.2% from 2017 to 2018, primarily due to the RMB8.9 million logistics agency revenue we recorded for the year ended December 31, 2018, as we began to offer “berth to factory” services in 2018, as well as increased revenue from berth leasing and stevedoring services. During the same periods, our gross profit increased by 15.3% from 2017 to 2018 and our gross profit margin increased from 37.4% to 42.1%, primarily due to a decrease in our depreciation cost because of changes in accounting estimates of the useful lives of our property, plant and equipment and investment properties. See “Financial Information.”

Summary Data from Statements of Financial Position

The following table sets forth details of our statements of financial position as of the date indicated.

	As of December 31,			As of March 31,
	2016	2017	2018	2019
(RMB in thousands)				
				(unaudited)
Non-current assets	1,712,281	1,651,938	1,598,020	1,809,802
Total current assets	114,100	110,833	119,528	168,217
Total current liabilities	307,058	221,651	277,306	284,141
Net current liabilities	(192,958)	(110,818)	(157,778)	(115,924)
Non-current liabilities	84,301	32,116	32,626	250,160

Although we had net current liabilities during the Track Record Period, our Directors are of the opinion, and the Sole Sponsor concurs, that we have sufficient working capital to meet our present and future cash requirements for at least the next 12 months from the date of publication of this Prospectus, taking into account our cash flow generated from operating activities, bank borrowings and available banking facilities and the net proceeds from the Global Offering, due to the following:

- *Positive cash flow generated from our business.* We had positive net cash flow from operating activities during the Track Record Period and expect to continue to generate steady levels of cash

SUMMARY

from operating activities considering our long-term and stable flow of business from high-quality customers and the growth of our business.

- *Bank loans and available banking facilities.* As of the Latest Practicable Date, we had a total of RMB450.0 million available banking facilities that were unutilized and unrestricted. In addition, historically, we have been able to roll over our short-term bank borrowings at maturity, if needed, during the Track Record Period. We do not foresee any impediment in continuing to do so in the future.
- *One-time reclassification of a non-current loan.* During the Track Record Period, due to a technical breach of a loan agreement, we recorded outstanding bank borrowings under the loan agreement as a loan payable on demand instead of as a non-current liability, which contributed significantly to our net current liabilities position. See “Financial Information — Indebtedness” for details. As of December 31, 2016 and 2017, our balance for such loan was RMB141.0 million and RMB109.7 million, respectively. We entered into an early repayment agreement with the lending bank and have repaid the loan in full as of December 31, 2018.
- *Net proceeds from the Global Offering.* We expect to receive net proceeds from the Global Offering of approximately HK\$488.8 million based on the low end of the indicative Offer Price range set out in this Prospectus.

Going forward, we believe our liquidity requirements will be satisfied by using funds from a combination of our cash flow from operating activities, cash and cash equivalents, bank borrowings and net proceeds from the Global Offering.

Summary Data from Our Statements of Cash Flows

The following table sets forth details of our statements of cash flows for the period indicated.

	For the year ended December 31,		
	2016	2017	2018
	(RMB in thousands)		
Net cash from operating activities	191,199	233,800	212,248
Net cash (used in) investing activities	(14,366)	(48,156)	(18,114)
Net cash (used in) financing activities	(233,483)	(187,952)	(205,102)
Net decrease in cash and cash equivalents	(56,650)	(2,308)	(10,968)
Cash and cash equivalents at the beginning of the year	125,417	68,767	66,459
Cash and cash equivalents at the end of the year	68,767	66,459	55,491

Key Financial Ratios

The following table sets forth our key financial ratios for the period indicated.

	As of and for the year ended December 31,		
	2016	2017	2018
Return on equity	5.5%	8.6%	10.2%
Return on assets	4.1%	7.1%	8.6%
Current ratio	0.37	0.50	0.43
Quick ratio	0.36	0.48	0.42
Debt-to-equity ratio	20.1%	10.5%	— ⁽²⁾

(1) See “Financial Information — Key Financial Ratios” for the calculation methods.

(2) We did not have any indebtedness as of December 31, 2018.

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OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised), Rizhao Port will be interested in an aggregate of 52.5% of the issued share capital of our Company and will continue to be our Controlling Shareholder. Rizhao Port Group, being the controlling shareholder of Rizhao Port, will also be regarded as a Controlling Shareholder of our Company. See “History and Development,” “Relationship with Controlling Shareholders” and “Substantial Shareholders” for details.

We are primarily engaged in stevedoring, storage and transit of cargos including grains and woodchips (our “**Core Business**”). Rizhao Port (excluding our Company) is primarily engaged in stevedoring, storage and transit business of cargos including ores, coal, coke, timber, steel, nickel ores, bauxite and cement. In addition, Rizhao Port has been conducting grains stevedoring, storage and transit business (the “**Retained Business**”) with two clients (the “**Retained Business Clients**”). Rizhao Port Group (excluding Rizhao Port and its subsidiaries) is primarily engaged in port operations, logistics, construction, finance and trade. Its port operations primarily cover cargos including containers, crude oil and liquid chemicals.

The Directors are of the view that there is a clear delineation of the businesses of our Controlling Shareholders and our Company and there is no competition between them and us, because (i) the port operations of our Controlling Shareholders cover cargos that are different from cargos covered by our Core Business; (ii) the Retained Business Clients are not our potential clients; (iii) Rizhao Port and Rizhao Port Group (excluding our Company) have undertaken not to operate any stevedoring, storage and transit business that covers woodchips or grains (other than the Retained Business) which may compete with our Core Business; and (iv) we have undertaken not to operate any stevedoring, storage and transit business that covers ores, coal, coke, timber, steel, nickel ores, bauxite or cement which may compete with the primary business of Rizhao Port (excluding our Company). See “Relationship with Controlling Shareholders” for details.

Our Company has entered into certain continuing connected transactions with Rizhao Port Group. Despite the continuation of the connected transactions, we have been and will continue to function and operate independently from Rizhao Port Group for the reasons set out in “Relationship with Controlling Shareholders — Independence from Our Controlling Shareholders.”

SPIN-OFF OF THE COMPANY FROM RIZHAO PORT

Our Controlling Shareholders believe that the spin-off of our Company from Rizhao Port (the “**Spin-off**”) will better position Rizhao Port and the Company for growth in their respective businesses and deliver benefits to both of them. The Spin-off will facilitate the further growth of the Company and provide investors with a clear indicator of the standalone valuation of the Company, which may enhance the overall value of Rizhao Port. See “History and Development — Spin-off of the Company from Rizhao Port” for details.

RECENT DEVELOPMENT AND NO MATERIAL AND ADVERSE CHANGE

Since January 1, 2019 and up to the Latest Practicable Date, we have maintained steady business growth. To ensure that we have sufficient throughput capacity to support our future growth, we have entered into the Berth Acquisition Agreement with Rizhao Port Group and Rizhao Port Container for the acquisition of the West-6 berth. See “Business — Business Strategy” and “Future Plans and Use of Proceeds” for details. The total capital expenditure in relation to the West-6 berth is expected to be approximately RMB583.8 million.

Although China and the United States appeared close to reaching a new economic and trade agreement, this fell through after meetings between the two sides in mid-April of 2019. On May 10, 2019, the United States increased tariffs on US\$200 billion Chinese goods from 10% to 25%. The latest round of negotiations between China and the United States ended on May 11, 2019 without agreement. On May 13, 2019, China announced 5% to 25% tariffs on US\$60 billion American goods,

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expected to come into effect on June 1, 2019. The tariffs announced by China currently do not affect the major cargoes that we handle. On the same day, the United States announced up to 25% potential tariffs on an additional US\$300 million Chinese goods. Currently, China and the United States are still in the process of negotiating a new economic and trade agreement, however, due to recent escalations in the trade dispute, it is unlikely for both countries to enter into a new trade deal in a timely manner, according to the CIC Report. These tariffs and any further escalation of the trade war in the future may have a negative impact on U.S. imports to China, which may adversely affect our throughput and our results of operations.

For the annual periods beginning January 1, 2019, we have applied IFRS 16 “Leases”, under which most operating leases will be accounted for on the statement of financial position for lessees in the form of an asset (for the right of use) and a financial liability (for the payment obligation). We had non-cancellable operating lease commitments of RMB284.2 million as of December 31, 2018. We believe the application of IFRS 16 will result in a significant increase in our non-current assets and financial liabilities, but the impact on our current assets and liabilities and the net impact on our financial performance will be limited. As of March 31, 2019, we recognized RMB231.3 million in right of use assets in our non-current assets. As of the same date, we also recognized RMB13.5 million in current lease liability and RMB219.2 million in non-current lease liability. Our current ratio and quick ratio as of the same date was 0.59 and 0.58, respectively. Our debt-to-equity ratio was 16.1% as of the same date.

Our Directors confirm after performing all the due diligence work which our Directors consider sufficient, that, as of the date of this Prospectus, there had been no material adverse change in our financial, trading position, prospects, gross profit margin or revenue since January 1, 2019 and there has been no event since January 1, 2019 which would materially affect the information shown in the Accountants’ Report set out in Appendix I to this Prospectus.

GLOBAL OFFERING STATISTICS

The statistics in the following table are based on the assumptions that the Global Offering is completed and 400,000,000 H Shares are issued in the Global Offering and the Over-allotment Option is not exercised.

	Based on an Offer Price of HK\$ 1.37 per Share	Based on an Offer Price of HK\$1.51 per Share
Market capitalization of our Shares ⁽¹⁾	HK\$2,192,000,000	HK\$2,416,000,000
Unaudited pro forma adjusted net tangible assets of the Company attributable to owners of the Company per Share ⁽²⁾	HK\$1.31	HK\$1.34

(1) The calculation of market capitalization is based on 1,600,000,000 Shares expected to be in issue immediately upon completion of the Global Offering, assuming the Over-allotment Option is not exercised.

(2) The unaudited pro forma adjusted net tangible assets per Share is calculated after making adjustments referred to in “Appendix II — Unaudited Pro Forma Financial Information.”

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$516.0 million, after deducting the underwriting commissions and expenses payable by us in the Global Offering, and assuming an Offer Price of HK\$1.44 per Share, being the mid-point of the indicative Offer Price range stated in this Prospectus. Assuming an Offer Price of HK\$1.44 per Offer Share (being the mid-point of the indicative Offer Price range stated in this Prospectus) and that the Over-allotment Option is not exercised, we intend to apply these net proceeds for the following purposes: (i) approximately 70%, or HK\$361.2 million, will be used for the acquisition of the West-6 berth to ensure that we have sufficient berthing capacity to support our future business growth; (ii) approximately 20%, or HK\$103.2 million, will be used for the procurement of equipment and machinery for the West-6 berth, including port cranes, belt conveyors, steel structures and other miscellaneous equipment and machinery; and (iii) approximately

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10%, or HK\$51.6 million, will be used for our working capital and general corporate purposes. For details, see “Future Plans and Use of Proceeds — Use of Proceeds.”

LISTING EXPENSES

Listing expenses to be borne by us are estimated to be approximately RMB52.0 million (including underwriting commissions) and assuming the Over-allotment Option is not exercised. As of December 31, 2018, RMB6.5 million was charged to our statements of profit or loss and other comprehensive income. After December 31, 2018, approximately RMB12.4 million is expected to be charged to our statement of profit or loss and other comprehensive income, and approximately RMB33.8 million is expected to be accounted for as a deduction from equity upon the Listing. The listing expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate. Our Directors do not expect such listing expenses to have a material and adverse impact on our results of operations for the year ending December 31, 2019.

DIVIDENDS

For the years ended December 31, 2016, 2017 and 2018, we declared dividends of RMB50.0 million, RMB53.0 million and RMB250.0 million, respectively. As of December 31, 2018 and March 31, 2019, we had dividends payable of RMB210.0 million, respectively. We have obtained a bank borrowing of approximately RMB150.0 million in April 2019, of which RMB110.0 million has been used to pay the dividends. We have fully paid such dividends as of the Latest Practicable Date using RMB110.0 million in bank borrowings and RMB100.0 million from our cash and cash equivalents. We currently do not have a fixed dividend payout ratio. Our Board may declare dividends in the future after taking into account (i) our results of operations, financial condition, cash requirements and availability, and capital expenditure requirement; (ii) our historical dividend payout ratio; (iii) reference to other companies in the same industry listed on the Hong Kong Stock Exchange; and (iv) other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and relevant PRC laws and regulations.

PROPERTIES AND PROPERTY VALUATION

As of the Latest Practicable Date, we owned a total of seven buildings with a total GFA of approximately 8,536.1 sq.m. With respect to these properties, we have not been able to obtain the title certificates for our owned buildings because they were constructed on land leased from our Controlling Shareholders. Our Directors are of the opinion, and our PRC Legal Advisers concur, that (i) we will be able to continue to use such properties; (ii) the likelihood that we would be subject to penalties or required to demolish or relocate from our owned buildings as a result of the title defects is remote; and (iii) the lack of certificates for our owned buildings, individually or collectively, will not have a material and adverse impact on our operations. As of the Latest Practicable Date, we leased a total of three parcels of land with a total area of approximately 798,290 sq.m. from our Controlling Shareholders, and leased a total of four buildings with a total GFA of approximately 26,027.6 sq.m. from Rizhao Port Group. For details, see “Business — Properties.”

The Property Valuation Report from JLL, an independent property valuer, set out in Appendix III of this Prospectus, sets out details of the properties we owned and occupied as of March 31, 2019. JLL attributed no commercial value to such properties due to the leased nature of the land on which the buildings were erected. For reference, JLL is of the opinion that the depreciated replacement cost of the properties (excluding the land parcels) as of the valuation date would be approximately RMB1,282.9 million. See “Appendix III — Property Valuation Report” in this Prospectus.

DEFINITIONS

In this Prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below. Certain other terms are explained in the section headed “Glossary of Technical Terms” in this Prospectus.

“Application Form(s)”	WHITE Application Form(s), YELLOW Application Form(s) and GREEN Applications Form(s), or where the context so requires, any of them, relating to the Hong Kong Public Offering;
“Articles of Association” or “Articles”	the articles of association of our Company, as amended, which shall become effective on the Listing Date, a summary of which is set out in Appendix VI to this Prospectus;
“Asia Symbol”	Asia Symbol Shandong Co., Ltd. (亞太森博 (山東) 漿紙有限公司), a company established in the PRC with limited liability on August 17, 2005, a subsidiary of Asia Symbol Rizhao PTE. LTD. (新加坡亞太森博日照有限公司), and an Independent Third Party;
“associates”	has the meaning ascribed to it under the Listing Rules;
“Belt and Road initiative”	a development strategy adopted by the Chinese government involving infrastructure development and investments in countries in Europe, Asia and Africa;
“Berth Acquisition Agreement”	the asset purchase agreement in relation to the acquisition of the West-6 berth dated March 8, 2019 and entered into among our Company, Rizhao Port Group and Rizhao Port Container;
“Board” or “Board of Directors”	the board of Directors of our Company;
“Bohai Rim” or “Bohai Rim Region”	the economic hinterland surrounding the Bohai Sea, which includes Beijing, Tianjin, Hebei, Liaoning and Shandong provinces;
“Bunge Sanwei”	Bunge Sanwei Oil & Fat Co., Ltd. (邦基三維油脂有限公司), a company established in the PRC on August 8, 2005, an Independent Third Party;
“Business Day” or “business day”	a day on which banks in Hong Kong are generally open to the public for normal banking business and which is not a Saturday, Sunday or public holiday in Hong Kong;
“CAGR”	compound annual growth rate;
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC;
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant;
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant;
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual, joint individuals or a corporation;

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“CCASS Operational Procedures”	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operation and functions of CCASS, as from time to time in force;
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant;
“China” or the “PRC”	the People’s Republic of China, but for the purpose of this Prospectus and for geographical reference only and except where the context requires, references in this Prospectus to “China” and the “PRC” do not include Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“Chinatex Rizhao”	Chinatex Edible Oil (Rizhao) Co., Ltd. (中紡糧油(日照)有限公司), a state-owned enterprise established in the PRC on April 16, 2004, a subsidiary of China National Cereals, Oils and Foodstuffs Corporation (中糧集團有限公司), and an Independent Third Party;
“CIC”	China Insights Consultancy, our independent industry consultant and an Independent Third Party;
“CIC Report”	the independent industry report prepared by CIC;
“Civil Construction Agreements”	the West-6 berth bulk grain operation reconstruction civil construction agreement dated May 21, 2018 and a supplemental agreement dated March 1, 2019 entered into between our Company and Shandong Gangwan;
“close associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time;
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time;
“Company,” “our Company,” “we,” or “us”	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 on December 19, 2018, or, where the context requires (as the case may be), its predecessor, Rizhao Jurong Port Terminals Co., Ltd. (日照港裕廊碼頭有限公司), a sino-foreign equity joint venture limited company incorporated in the PRC on March 17, 2011;
“Connected Person(s)” or “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 and, unless the context requires otherwise, refers to Rizhao Port and Rizhao Port Group;
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules;

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“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the PRC national securities markets;
“CSRC Circular 67”	Circular on Several Issues Concerning the Standardization on Overseas Listing of Subordinated Enterprises of Domestically-Listed Companies (關於規範境內上市公司所屬企業到境外上市有關問題的通知) issued by the CSRC on August 10, 2004;
“Director(s)” or “our Directors”	the director(s) of our Company;
“Domestic Shares”	ordinary shares in the share capital of our Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi by PRC natural persons or entities established under PRC laws;
“EIT Law”	the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法), as amended, supplemented or otherwise modified from time to time;
“Exchange Participant(s)”	a person: (a) who, in accordance with the Listing Rules, may trade on or through the Hong Kong Stock Exchange; and (b) whose name is entered in a list, register or roll kept by the Hong Kong Stock Exchange as a person who may trade on or through the Hong Kong Stock Exchange;
“Foreign Shares”	ordinary shares in the share capital of our Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in currencies other than Renminbi by persons or entities other than PRC natural persons or entities established under the PRC laws;
“GDP”	gross domestic product;
“Global Offering”	the Hong Kong Public Offering and the International Offering;
“Green Application Form(s)”	the application form(s) to be completed by the White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited;
“H Share Registrar”	Computershare Hong Kong Investor Services Limited;
“H Share(s)”	overseas listed shares in the share capital of our Company with a nominal value of RMB1.00 each, which are to be subscribed for and traded in HK dollars and for which an application has been made for listing and permission to trade on the Hong Kong Stock Exchange;
“HK\$” or “Hong Kong dollars” “HK dollars” or “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong;
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited;
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;

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“Hong Kong Offer Shares”	the H Shares offered by us for subscription pursuant to the Hong Kong Public Offering;
“Hong Kong Public Offering”	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price on the terms and conditions described in this Prospectus and the Application Forms;
“Hong Kong Stock Exchange” or “Stock Exchange”	the Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited;
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering listed in the section headed “Underwriting — Hong Kong Underwriters” in this Prospectus;
“Hong Kong Underwriting Agreement”	the underwriting agreement dated May 29, 2019 relating to the Hong Kong Public Offering and entered into by, among others, our Company, Rizhao Port, Rizhao Port Group, Jurong Port, Jurong Port Holding, the Sole Representative and the Hong Kong Underwriters, as further described in “Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Hong Kong Underwriting Agreement” in this Prospectus;
“IFRS”	the International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by the International Accounting Standards Board (IASB);
“Independent Third Party(ies)”	an individual or a company which, to the best of our 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;
“International Offer Shares”	the 360,000,000 H Shares initially offered by our Company pursuant to the International Offering together with, where relevant, any additional H Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option (subject to reallocation as described in the section headed “Structure of the Global Offering” in this Prospectus);
“International Offering”	the offer of the International Offer Shares by the International Underwriters at the Offer Price outside the United States and in offshore transactions in accordance with Regulation S as further described in the section headed “Structure of the Global Offering” in this Prospectus;
“International Underwriters”	the group of international underwriters, led by the Sole Representative, that are expected to enter into the International Underwriting Agreement to underwrite the International Offering;
“International Underwriting Agreement”	the underwriting agreement expected to be entered into on or around June 6, 2019 by, among others, our Company and the International Underwriters in respect of the International Offering, as further described in the section headed “Underwriting — Underwriting Arrangements and Expenses — The International Offering” in this Prospectus;
“JLL”	Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuer;

DEFINITIONS

“Joint Bookrunners”	China Securities (International) Corporate Finance Company Limited, Zhongtai International Securities Limited, First Capital Securities Limited, ABCI Capital Limited, Haitong International Securities Company Limited;
“Joint Global Coordinators”	China Securities (International) Corporate Finance Company Limited, Zhongtai International Securities Limited, First Capital Securities Limited;
“Joint Lead Managers”	China Securities (International) Corporate Finance Company Limited, Zhongtai International Securities Limited, First Capital Securities Limited, ABCI Securities Company Limited, Haitong International Securities Company Limited, Livermore Holdings Limited;
“Jurong Port”	Jurong Port Pte Ltd, a private company limited by shares established on August 26, 2000 in Singapore, holding 100% interest in Jurong Port Holding as of the Latest Practicable Date;
“Jurong Port Holding”	Jurong Port Rizhao Holding Pte Ltd, a private company limited by shares established on March 2, 2011 in Singapore and holding 30% of our Shares as of the Latest Practicable Date;
“Latest Practicable Date”	May 22, 2019, being the latest practicable date for the purpose of ascertaining certain information in this Prospectus prior to its publication;
“Listing”	the listing of our H Shares on the Main Board of the Hong Kong Stock Exchange;
“Listing Committee”	the Listing Committee of the Hong Kong Stock Exchange;
“Listing Date”	the date expected to be on or about Wednesday, June 19, 2019, on which dealings in our H Shares first commence on the Hong Kong Stock Exchange;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time;
“Main Board”	the stock exchange (excluding the option market) operated by the Hong Kong Stock Exchange, which is independent from and operated in parallel with the Growth Enterprise Market of the Hong Kong Stock Exchange;
“Mandatory Provisions”	the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas (到境外上市公司章程必備條款), as promulgated by the State Council Securities Commission and the State Restructuring Commission on August 27, 1994 and became effective on the same date, as the same may be amended and supplemented or otherwise modified from time to time;
“MEC General Agreements”	the West-6 berth bulk grain operation reconstruction MEC general agreement dated March 16, 2018 and a supplemental agreement dated March 1, 2019 entered into between our Company and Shandong Gangwan;

DEFINITIONS

“Ministry of Transport”	Ministry of Transport of the PRC (中華人民共和國交通運輸部);
“MOFCOM”	Ministry of Commerce of the PRC (中華人民共和國商務部) or its predecessor, the Ministry of Foreign Trade and Economic Cooperation of the PRC (中華人民共和國對外貿易經濟合作部);
“NDRC”	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會);
“OFAC”	the U.S. Department of Treasury’s Office of Foreign Assets Control;
“Offer Price”	the final price per Offer Share in Hong Kong dollars (exclusive of brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) of not more than HK\$1.51 and expected to be not less than HK\$1.37, at which Hong Kong Offer Shares are to be subscribed for, to be determined in the manner further described in the section headed “Structure of the Global Offering — Pricing and Allocation” in this Prospectus;
“Offer Share(s)”	the Hong Kong Offer Shares and the International Offer Shares, together with, where relevant, any additional H Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option;
“Over-allotment Option”	the option expected to be granted by our Company to the International Underwriters, exercisable by the Sole Representative (on behalf of the International Underwriters) pursuant to the International Underwriting Agreement, pursuant to which our Company may be required to allot and issue up to an aggregate of 60,000,000 additional H Shares, representing 15% of the Offer Shares initially being offered under the Global Offering, at the Offer Price to, among other things, cover over-allocations in the International Offering, if any, further details of which are described in the section headed “Structure of the Global Offering” in this Prospectus;
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC;
“Port Law”	the Port Law of the PRC (中華人民共和國港口法), which took effect on January 1, 2004 and was last amended on December 29, 2018;
“Port of Rizhao”	the natural deep-water seaport on the coast of the city of Rizhao, Shandong Province, PRC, located on the southern shore of Shandong Peninsula, opening to the Yellow Sea;
“PRC Company Law”	the Company Law of the PRC (中華人民共和國公司法), as amended and adopted by the Standing Committee of the Tenth National People’s Congress on October 27, 2005 and effective on January 1, 2006, as amended, supplemented or otherwise modified from time to time;
“PRC Government”	the central government of the PRC and all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof or, where the context requires, any of them;

DEFINITIONS

“PRC Legal Advisers”	JunHe LLP, our legal advisers as to PRC laws;
“Price Determination Agreement”	the agreement to be entered into by the Sole Representative (for itself and on behalf of the Hong Kong Underwriters) and our Company on the Price Determination Date to record and fix the Offer Price;
“Price Determination Date”	the date, expected to be on or around Thursday, June 6, 2019 (Hong Kong time) on which the Offer Price is determined by the Sole Representative (for itself and on behalf of the Hong Kong Underwriters) and us, but in any event no later than Monday, June 10, 2019;
“Prospectus”	this Prospectus being issued in connection with the Hong Kong Public Offering;
“Reconstruction Supervision Agreements”	the West-6 berth bulk grain operation reconstruction supervision agreement dated May 19, 2018 and a supplemental agreement dated February 25, 2019 entered into between our Company and Rizhao Port Supervision;
“Regulation S”	Regulation S under the U.S. Securities Act;
“Rizhao Port”	Rizhao Port Co., Ltd. (日照港股份有限公司), a company established in the PRC on July 15, 2002 with limited liability whose shares are listed and traded on the Shanghai Stock Exchange (上海證券交易所) (Stock Code: 600017), our Controlling Shareholder, and, except where the context otherwise requires, all of its subsidiaries;
“Rizhao Port Container”	Rizhao Port Container Development Co., Ltd (日照港集裝箱發展有限公司), a company incorporated in the PRC with limited liability on May 17, 2007 with the registered address of Building 001, East Haibin 5th Road, Shanghai Road, Donggang District, Rizhao City, Shandong Province, PRC, and wholly owned by the Rizhao Port Group;
“Rizhao Port Group”	Rizhao Port Group Co., Ltd. (日照港集團有限公司), a company incorporated in the PRC with limited liability on February 24, 2004 with the registered address of No. 91, Huanghai 1st Road, Donggang District, Rizhao City, Shandong Province, PRC, holding 43.6% of the shares of Rizhao Port as of the Latest Practicable Date, our Controlling Shareholder, and, except where the context otherwise requires, all of its subsidiaries;
“Rizhao Port Supervision”	Rizhao Port Construction and Supervision Co., Ltd. (日照港建設監理有限公司), a company incorporated in the PRC with limited liability on April 30, 1998, and wholly owned by the Rizhao Port Group;
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC;
“RPG Finance”	Rizhao Port Group Finance Co., Ltd. (日照港集團財務有限公司), a company held as to 60% by Rizhao Port Group and 40% by Rizhao Port;
“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局);

DEFINITIONS

“SAT”	State Administration of Taxation of the PRC (中華人民共和國國家稅務總局);
“Securities and Futures Ordinance” or “SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time;
“Securities Law”	the Securities Law of the PRC (中華人民共和國證券法), promulgated by the Standing Committee of the National People’s Congress on December 29, 1998 and which became effective on July 1, 1999, as amended, supplemented or otherwise modified from time to time;
“SFC”	the Securities and Futures Commission of Hong Kong;
“SGD”	Singapore dollar, the lawful currency of Singapore;
“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 on September 3, 2001, and wholly owned by the Rizhao Port Group;
“Shandong Peninsula”	the peninsula in Shandong province in eastern China, between the Bohai Sea to the north and the Yellow Sea to the south;
“Shareholders”	holder(s) of our Share(s);
“Share(s)”	shares in the share capital of our Company, with a nominal value of RMB1.00 each, comprising (a) as at the date of this Prospectus, Domestic Shares and Foreign Shares (which will be converted into H Shares upon completion of the Global Offering); and (b) upon completion of the Global Offering, Domestic Shares and H Shares;
“SOE”	state-owned enterprises;
“Sole Representative”	China Securities (International) Corporate Finance Company Limited;
“Sole Sponsor”	China Securities (International) Corporate Finance Company Limited;
“Special Regulations”	Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (國務院關於股份有限公司境外募集股份上市的特別規定), promulgated by the State Council on August 4, 1994;
“Stabilizing Manager”	China Securities (International) Corporate Finance Company Limited;
“State Council”	State Council of the PRC (中華人民共和國國務院);
“subsidiary(ies)”	has the meaning ascribed thereto in the Companies Ordinance;
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules;
“Supervisor(s)”	supervisor(s) of our Company;
“Supervisory Board”	the board of Supervisors of our Company;

DEFINITIONS

“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time;
“Track Record Period”	the period comprising the years ended December 31, 2016, 2017 and 2018;
“U.S. dollars” or “US\$”	United States dollars, the lawful currency of the United States;
“Underwriters”	the Hong Kong Underwriters and the International Underwriters;
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement;
“United States” or “U.S.”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction;
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder;
“VAT”	value added tax;
“WHITE Application Form(s)”	the application form(s) for the Hong Kong Offer Shares for use by the public who require(s) such Hong Kong Offer Shares to be issued in the applicant’s own name;
“White Form eIPO”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of White Form eIPO at www.eipo.com.hk ;
“White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited; the White Form eIPO service provider designated by our Company as specified on the designated website at www.eipo.com.hk ; and
“YELLOW Application Form(s)”	the application form(s) for the Hong Kong Offer Shares for use by the public who require(s) such Hong Kong Offer Shares to be deposited directly into CCASS.

GLOSSARY OF TECHNICAL TERMS

In this Prospectus, unless the context otherwise requires, explanations and definitions of certain terms used in this Prospectus in connection with our Company and our business shall have the meanings set out below. The terms and their meanings may not correspond to standard industry meaning or usage of these terms.

“anhydrous ethanol”	one of the biofuels produced today and it is a subset of renewable energy;
“berth”	a designated location where a vessel may be moored, usually for the purposes of loading and unloading cargo;
“berthing capacity”	the tonnage of the largest fully loaded vessels that a berth can carry;
“biofuel”	a fuel that is produced through contemporary biological processes, such as agriculture, rather than a fuel produced by geological processes such as those involved in the formation of fossil fuels, such as coal and petroleum, from prehistoric biological matter;
“bone dry metric tonne”	one bone dry metric tonne is a volume of bulk material that would weigh one metric tonne if all the moisture content was removed;
“bulk cargo”	loose commodity cargo (dry or liquid) that is transported in volume or size;
“coastline”	the area where land meets the sea or ocean, a broad sense of seashore;
“conveyor belt system”	a conveyor system consists two or more pulleys, with an endless loop of the conveyor belt that rotates about them, which can be used in both general material handling and bulk material handling;
“designed annual throughput capacity”	the theoretical amount of work that a berth is capable of handling in 365 calendar days based on the engineering design of the berth, assuming normal working hours and standard operating efficiency;
“discharging capacity”	the capacity of transporting cargos via discharging systems, such as railway and highway;
“dried tapioca”	extracted from the cassava plant and sliced into different sizes;
“ether”	a chemical compound commonly used as a solvent or intermediate in industrial processes;
“GFA”	gross floor area;
“GIS”	geographic information system, a system designed to capture, store, manipulate, analyze, manage, and present spatial or geographic data;
“grains”	edible seeds of specific grasses, including soybeans, dried tapioca, wheat, maize, rice, barley, oats and sorghum;
“hinterland”	the inland region of cargo demand or supply connected with a port via transportation links;

GLOSSARY OF TECHNICAL TERMS

“km”	kilometer(s), a metric unit measure of distance;
“logistics agency services”	services provided as an intermediary between customers and various rail freight companies and logistics providers;
“port operations”	the provision of port facilities or services by a port operator for vessels, passengers and goods within port areas, including but not limited to providing facilities, engaging in services such as loading and unloading of goods, and jacking and towing of vessels so as to enter and exit ports, to dock or leave the wharf or berth;
“RFID”	radio-frequency identification, a technology where electromagnetic fields are used to automatically identify and track tags attached to objects;
“silo”	a structure for storing bulk materials such as grains, food and sawdust;
“sizeable ports”	refers to the coastal ports in the PRC with an annual throughput of more than 10 million tonnes and the inland ports in the PRC with an annual throughput of more than two million tonnes, according to the National Bureau of Statistics of China;
“sorbic acid”	a chemical compound commonly used as a preservative;
“sq.m.” or “m²”	square meter(s);
“stevedoring”	loading and stowing or unloading a ship;
“storage capacity”	the amount of cargo that a storage facility can accommodate;
“storage yard”	a yard used for stockpiling, storage and delivery of cargos;
“throughput”	a measure of the volume of cargo handled by a port. Where cargos are transshipped, each unloading and loading process is measured separately as part of throughput;
“tonne”	metric ton, a metric unit of weight; and
“unloading and transport efficiency”	the efficiency of discharging cargo from berths to storage facilities, primarily measured by tonnes of cargos that can be discharged per hour.

FORWARD-LOOKING STATEMENTS

This Prospectus contains certain forward-looking statements and information relating to us that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this Prospectus, the words “aim,” “anticipate,” “believe,” “could,” “estimate,” “expect,” “going forward,” “intend,” “may,” “might,” “plan,” “potential,” “predict,” “project,” “seek,” “should,” “will,” “would” and the negative of these words and other similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the risk factors as described in this Prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing us which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our operations and business prospects;
- future developments, trends and conditions in the industries and markets in which we operate;
- our business strategies and ability to implement these strategies;
- general economic, political and business conditions in the PRC and globally;
- changes in international trade, foreign relations and policies;
- changes to the regulatory environment, policies, operating conditions and general outlook in the industries and markets in which we operate;
- the actions of and developments affecting our major customers and suppliers;
- the ability of counterparties to perform in accordance with contractual terms and specifications;
- our ability to control or reduce costs;
- our dividend policy;
- our capital expenditure plans;
- the amount and nature of, and potential for, future development of our business;
- financial market developments;
- our future debt levels and capital needs;
- competitive environment of the industries and markets in which we operate;
- the actions of and developments affecting our competitors; and
- certain statements included in the section headed “Financial Information” in this Prospectus with respect to operations, margins, overall market trends, risk management and exchange rates.

FORWARD-LOOKING STATEMENTS

By their nature, certain disclosures relating to these and other risks are only estimates and should one or more of these uncertainties or risks materialize or should underlying assumptions prove to be incorrect, our financial condition and actual results of operations may be materially and adversely affected and may vary significantly from those estimated, anticipated or projected, as well as from historical results.

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this Prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Prospectus might not occur in the way we expect or at all. Accordingly, the forward-looking statements are not a guarantee of future performance and you should not place undue reliance on any forward-looking information. Moreover, the inclusion of forward-looking statements should not be regarded as representations by us that our plans and objectives will be achieved or realized. All forward-looking statements in this Prospectus are qualified by reference to the cautionary statements in this section.

In this Prospectus, statements of or references to our intentions or those of the Directors are made as of the date of this Prospectus. Any such information may change in light of future developments.

RISK FACTORS

You should carefully consider all of the information in this Prospectus, including the risks and uncertainties described below, before making an investment in our H Shares. Our business, financial condition and results of operations could be materially and adversely affected by any of these risks and uncertainties. The trading price of our H Shares could decline due to any of these risks, and you may lose all or part of your investment.

There are certain risks and uncertainties involved in our operations and this Global Offering, many of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks relating to our business and industry; (ii) risks relating to doing business in China; and (iii) risks relating to the Global Offering.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our business, financial condition and results of operations are susceptible to fluctuations in the economic conditions of the PRC and our hinterland, as well as uncertainties in the global economic, geopolitical and market conditions.

The primary cargo types we handled during the Track Record Period included soybeans, woodchips and dried tapioca. Our business, financial condition and results of operations are primarily dependent upon the market for these commodities. The market for these commodities is cyclical in nature and is affected by numerous factors beyond our control, including the overall macroeconomic conditions of the PRC, demand from our hinterland and the development of the relevant industries. Growth of the PRC economy has slowed in recent years and is expected to remain slow in the foreseeable future as the PRC Government focuses on more sustainable economic development. Our hinterland primarily includes Shandong, Henan and Shaanxi provinces. The economic conditions of these regions and the development of the soybean, woodchip and dried tapioca industries are crucial to our throughput and business, and any slowdown or adverse changes may materially and adversely affect our business, financial condition and results of operations.

For the years ended December 31, 2016, 2017 and 2018, 99.1%, 98.3% and 98.5% of our total throughput were cargo for international trade, respectively. As such, our business, financial condition and results of operations are also affected by fluctuations in foreign trade volume, changes in foreign trade relations and policies, and uncertainties in global economic, geopolitical and market conditions. In March 2018, the United States announced tariffs on over 1,300 categories of products imported from the PRC. In response, in April 2018, China announced retaliatory tariffs on 128 categories of products imported from the United States. These tariffs, which came into effect in July 2018, include a 25% tariff on soybeans. See “Industry Overview — The Coastal Port Service Industry in China — Impact of the China-U.S. Trade War.” Our revenue derived from soybean imports accounted for 49.3%, 55.3% and 56.7% of our total revenue for the years ended December 31, 2016, 2017 and 2018, respectively. We cannot guarantee that these tariffs and worsening trade relations between the United States and China will not have an effect on the PRC and global economy and trade at large. Although China and the United States appeared close to reaching a new economic and trade agreement, this fell through after meetings between the two sides in mid-April of 2019. On May 10, 2019, the United States increased tariffs on US\$200 billion Chinese goods from 10% to 25%. The latest round of negotiations between China and the United States ended on May 11, 2019 without agreement. On May 13, 2019, China announced 5% to 25% tariffs on US\$60 billion American goods, expected to

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come into effect on June 1, 2019. The tariffs announced by China currently do not affect the major cargoes that we handle. On the same day, the United States announced up to 25% potential tariffs on an additional US\$300 million Chinese goods. In such a case, our business, financial condition and results of operations may be materially and adversely affected.

Our historical operating results may not be indicative of our future financial performance.

For the years ended December 31, 2016, 2017 and 2018, our revenue amounted to RMB488.2 million, RMB520.5 million and RMB532.1 million, respectively, and our gross profit amounted to RMB139.1 million, RMB194.5 million and RMB224.1 million, respectively. For the same periods, our gross profit margin was 28.5%, 37.4% and 42.1%, respectively. Our historical revenue and profit margin are affected by many factors, including, but not limited to, global and local economic conditions, international trade volume, market competition and laws and regulations in relation to the coastal port industry. The increase in our gross profit and gross profit margin from 2017 to 2018 was primarily because our depreciation costs decreased, which was primarily due to changes in accounting estimates for property, plant and equipment and investment properties starting from January 1, 2018. In particular, the useful lives of (i) our terminal facilities have been extended from 40 years to 50 years; (ii) our storage facilities have been extended from 10 to 30 years to 10 to 40 years; (iii) our loading equipment have been extended from 8 to 12 years to 8 to 15 years; (iv) our machinery equipment have been extended from 8 to 10 years to 8 to 12 years; and (v) our investment properties have been extended from 20 to 40 years to 40 to 50 years. If we had not changed our accounting estimates, our gross profit and gross profit margin for the year ended December 31, 2018 would have been RMB185.5 million and 34.9%, respectively; and our profit and total comprehensive income and net profit margin for the same period would have been RMB110.5 million and 20.8%, respectively. As a result, our historical financial information mentioned in this Prospectus may not necessarily reflect our financial performance in the future. We cannot assure you that we will continue to be as profitable or be able to maintain positive profit margins in the future.

We primarily handle a limited number of major cargo types, and a decrease in the demand for these types of cargos could materially and adversely affect us.

During the Track Record Period, we primarily handled a limited number of major cargo types, namely, soybeans, woodchips and dried tapioca. For the years ended December 31, 2016, 2017 and 2018, our aggregate throughput for soybeans, woodchips and dried tapioca accounted for 50.2%, 54.5% and 52.1% of our total throughput, respectively. In the same periods, revenue generated from these cargo types represented 80.4%, 83.1% and 80.3% of our total revenue, respectively. As such, a decrease in the demand for these cargos in our hinterland and the availability of these cargos may have a material and adverse impact on our operations. Demand for cargos may decrease for political and other reasons. For example, the throughput of U.S. soybean imports to China in 2018 was affected by the China-U.S. trade war. In addition, our customers may elect to switch to alternative cargo types. As a result, throughput for these cargo types, and in particular for cargo types for niche markets with limited demand (such as dried tapioca), may decrease significantly. The cargo demanded by our customers may experience low production due to natural conditions or changes in local policies in their countries of origin. For example, agricultural commodities such as soybeans are affected by the weather conditions in countries of origin during the relevant planting seasons and harvest seasons, which determine their yields for the year. Natural disasters or severe weather conditions may lead to

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lower yields, and, if our customers are unable to find alternative sources, our throughput may be reduced. Tightening environmental regulations locally in the countries of origin for the cargos that we handle, such as restrictions on logging, may lower production of woodchips and reduce our woodchip throughput. As a result, our business, financial condition and results of operations could be materially and adversely affected.

We rely on a number of major customers in our business.

For the years ended December 31, 2016, 2017 and 2018, revenue generated from our five largest customers accounted for 49.5%, 43.0% and 46.7% of our total revenue, respectively. For the same periods, revenue generated from our largest customer accounted for 17.0%, 15.5% and 14.8% of our total revenue, respectively. We cannot guarantee that we will be able to continue to maintain strong relationships with our major customers, or that we will be able to derive significant business from them in the future. If these customers discontinue their businesses or experience financial difficulty, terminate their business relationship with us, or if we are unable to negotiate favorable contractual terms with them, and we are unable to secure new customers at all or on favorable or comparable terms, our business, financial condition and results of operations may be materially and adversely affected.

Our business and operations require significant capital resources on an ongoing basis; any failure to obtain sufficient and sustained funding may materially and adversely affect our business, financial condition and results of operations.

Our operations are generally capital-intensive. We require significant and sustained capital resources to fund our operations and to construct, maintain and operate the terminals, berths, storage facilities and logistic facilities for our business. To the extent that our funding requirements exceed our existing financial resources, we will be required to seek external debt or equity financing or to defer planned expenditures. For the years ended December 31, 2016, 2017 and 2018, we incurred capital expenditures (reflecting additions to property, plant and equipment) of RMB53.7 million, RMB70.1 million and RMB26.2 million, respectively. In the past, we have funded our capital requirements primarily with cash generated from our operations. As we further grow our business, we expect that our capital requirements will increase in the future. For example, as part of our strategic plan, we have been undertaking, and plan to further undertake in the future, a number of construction and expansion projects, including our planned acquisition of the West-6 berth and the procurement of equipment and machinery for the West-6 berth. As of the Latest Practicable Date, we had entered into the Berth Acquisition Agreement with Rizhao Port Group and Rizhao Port Container for the acquisition of the West-6 berth. See “Business — Business Strategy” and “Future Plans and Use of Proceeds.” Such projects generally require a significant amount of capital investment and may take a long period of time to complete and realize investment payback. The total capital expenditure in relation to the West-6 berth is expected to be approximately RMB583.8 million. We plan to incur capital expenditures of RMB568.5 million and RMB124.0 million for the years ending December 31, 2019 and 2020, respectively. Increased capital expenditure will cause us to incur higher depreciation costs and maintenance costs in the future and we may require additional borrowings and be subject to increased interest expenses for extended future periods, which may in turn negatively affect our profitability.

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We cannot assure you that we will have sufficient funding to finance our future development. If we are unable to obtain financing in a timely manner or at a reasonable cost, or at all, our development plans may be delayed, our projects may be hindered, and our financial performance and growth prospects may be materially and adversely affected. The availability of external funding is subject to various factors, including governmental policies, market conditions, credit availability, interest rates and our operational performance. Any disruptions, uncertainty or volatility in the capital and credit market resulting from any global financial crisis may also limit our ability to obtain financing to meet our funding requirements. If the PBOC raises the benchmark lending rates, the cost of our external funding could significantly increase and our fund-raising ability may be limited. If adequate funding is not available to us at commercially acceptable terms, it may materially and adversely affect our ability to fund our existing operations and to develop or expand our business, in which case our business, financial condition and results of operations may be materially and adversely affected.

We may not be able to achieve our future plans.

Our future plans as set forth in “Business — Business Strategy” and “Future Plans and Use of Proceeds” in this Prospectus are based on circumstances currently prevailing and the bases and assumptions that certain circumstances will or will not occur, as well as the risks and uncertainties inherent in various stages of development. We generally conduct feasibility studies to determine whether we should undertake significant strategic plans. However, actual results may differ significantly from those anticipated by our feasibility studies. There are significant challenges and uncertainties involved in our strategic plans, including whether (i) we will be able to complete these plans on schedule and within the anticipated budget, or at all; (ii) we will be able to generate anticipated revenues and profits from these plans to cover our indebtedness, costs or contingent liabilities associated with such plans; and (iii) these plans will be in line with the market demand and national and local policies in the future. Our future prospects must be considered in light of the risks, expenses and difficulties which may be encountered by us in our various stages of development of business. We cannot assure you that we will be successful in implementing our strategies or that our strategies, even if implemented, will lead to successful achievement of our objectives. If we are not able to implement our strategies effectively, our business, financial condition and results of operations may be adversely affected.

We had net current liabilities as of December 31, 2016, 2017 and 2018 and March 31, 2019.

We had net current liabilities of RMB193.0 million, RMB110.8 million, RMB157.8 million and RMB115.9 million as of December 31, 2016, 2017 and 2018, and March 31, 2019, respectively. Our net current liabilities position exposes us to liquidity risk. Our future liquidity and ability to make additional capital investments necessary for our operations and business expansion will depend primarily on our ability to maintain sufficient cash generated from operating activities and to obtain external financing. There can be no assurance that our net current liabilities position can be improved in the future. In the event that we continue to have net current liabilities, our working capital for business operations may be constrained. If we do not generate sufficient positive operating cash flow or obtain additional financing for our expansion plans and to meet our working capital needs, our business, financial condition and results of operations may be materially and adversely affected.

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Our indebtedness and the conditions and restrictive covenants imposed on us by our financing agreements could materially and adversely affect our business, financial condition and results of operations.

As of December 31, 2016 and 2017, our total indebtedness, representing our bank borrowings, was RMB288.5 million and RMB158.9 million, respectively. As of December 31, 2018 and March 31, 2019, we did not have any bank borrowings, respectively. In the future, we may obtain bank loans from time to time. During the Track Record Period, our bank loan agreements included various conditions and covenants that required us to obtain the lending bank's prior consent for certain transactions, such as disposal of material assets, merger or consolidation, and liquidation or winding-up. We may be required to comply with similar restrictive covenants or other terms under any new loan and other financing agreements in the future. These conditions and covenants may have important consequences for our business and operations, including, but not limited to:

- limiting or impairing our ability to obtain financing, refinance any of our existing indebtedness, or obtain equity or debt financing on commercially reasonable terms or at all, which could cause us to default on our obligations and materially impair our liquidity;
- reducing our flexibility to respond to changing business and economic conditions or to take advantage of business opportunities that may arise;
- requiring us to dedicate a substantial portion of our cash flow from operations to payments of principal and interest on our indebtedness, thereby reducing the availability of our cash flow for other purposes;
- placing us at a competitive disadvantage compared to our competitors that have lower leverage or better access to capital resources;
- limiting our ability to dispose of assets that secure our indebtedness or utilize the proceeds of such dispositions and, upon an event of default under any such secured indebtedness, allowing the lenders thereunder to foreclose upon our assets pledged as collateral; and
- increasing our vulnerability to downturns in general economic or industry conditions, or in our business.

Should market conditions deteriorate, or if our operating results were to be depressed, we may need to request amendments or waivers to the covenants and restrictions under our debt agreements. For example, during the Track Record Period, we had a technical breach of a loan agreement, where we did not comply with a covenant that restricted us from declaring dividends before repaying the loan. We entered into an early repayment agreement with the lending bank and have repaid the loan in full as of December 31, 2018. Pursuant to the early repayment agreement, the lending bank confirmed that all rights and obligations in the loan agreement had been terminated and there were no objections or disputes with respect to the loan agreement. As a result of our technical breach, we recorded outstanding bank borrowings under this agreement as a loan payable on demand instead of as a non-current liability, which contributed significantly to our net current liabilities position. As of December 31, 2016, 2017 and 2018, our balance for such loan was RMB141.0 million, RMB109.7 million and nil, respectively. There is no assurance that we will be able to obtain such relief under similar circumstances in the future. A breach of any of these covenants or restrictions could result in a

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default that would permit our lenders to declare all amounts outstanding thereunder to be due and payable, together with accrued and unpaid interest, trigger cross-default provisions under other debt agreements and, as applicable, cause the termination of commitments of relevant lenders to make further extensions of credit under our financing agreements or credit facilities. If we were unable to repay our indebtedness to our lenders in such an event, the lenders could, among other things, proceed against collateral, which could include substantially all of our assets. Any failure to comply with the covenants of our financing agreements or to obtain financing for our business could have a material and adverse effect on our business, financial condition, results of operations and prospects.

We have not obtained title certificates for some of our properties.

We have not been able to obtain the title certificates for our owned buildings because they were constructed on land leased from our Controlling Shareholders. Under applicable PRC laws and regulations currently in effect, we are required to own the land on which the buildings are constructed in order to obtain the title certificates for the buildings. As of the Latest Practicable Date, we had a total of seven buildings and structures built on the land we leased from our Controlling Shareholders, to which JLL attributed no commercial value due to the leased nature of the land on which they were erected. For reference, JLL is of the opinion that the depreciated replacement cost of these properties was RMB1,282.9 million as of March 31, 2019. See “Business — Properties” for details. We cannot assure you that we will not be subject to any challenges, lawsuits or other actions taken against us with respect to such properties. If any of such properties were successfully challenged, we may be forced to relocate our operations on the affected properties. Furthermore, we may be subject to fines or penalties imposed by government authorities with respect to the lack of title certificates. Our operational activities are located on the affected properties, and we may be forced to cease these activities, demolish our properties or relocate in the event we face challenges in relation to our properties. If we fail to find suitable replacement properties on terms acceptable to us or, if we are subject to any material liability resulting from third-party challenges for our ownership, usage or lease of properties for which we or our lessors do not hold valid titles, our business, financial condition and results of operations may be materially and adversely affected.

We face competition from other ports.

We primarily compete with coastal ports located in the Bohai Rim and surrounding areas, including but not limited to the Dong Jia Kou Port and the Lian Yun Gang Port. Some of our competitors have overlapping hinterland with us and attract similar types of customers and cargo as us. Our competitors may reduce fee rates, develop advanced technologies, employ advanced equipment or management techniques in handling various types of cargo or develop transportation networks. Some of our competitors may have greater and broader operational experience and longer-standing relationships with customers than us. Competition with our competitors may also result in a decrease in our average fee rates. For example, increased competition from neighboring ports was one of the major factors that resulted in the decrease in average fees charged for dried tapioca stevedoring service from RMB49.2 per tonne in 2016 to RMB40.2 per tonne in 2017. There is no assurance that our current or potential competitors will not provide services comparable or superior to those we provide or adapt more quickly than we do to evolving industry trends or changing market requirements, and we may have to compete more vigorously with these ports. Failure to maintain our competitive position will materially and adversely affect our business, financial condition and results of operations.

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We rely on certain connected persons for supplies and services and any shortage or interruption in supply could slow our growth and reduce our profitability.

For the years ended December 31, 2016, 2017 and 2018, all of our five largest suppliers were our connected parties. During the same periods, purchases from our five largest suppliers amounted to RMB73.5 million, RMB99.1 million and RMB132.5 million, respectively, accounting for 41.6%, 61.7% and 65.3% of our total purchases, respectively. For details, see “Relationship with Controlling Shareholders” and “Connected Transactions.” We rely on a single supplier or a limited number of suppliers for certain supplies and services, such as utilities. During the Track Record Period, we did not experience any incidents of interruption or delay in the supply of services and products from our suppliers, including those from our connected persons, that had a material and adverse effect on us. We cannot assure you that these suppliers will not breach their contractual obligations to us, or that our agreements will not be suspended, terminated or otherwise expired without renewal. The operations of these parties may be subject to natural disasters or other unanticipated events that could cause a delay in supplies or suspension of operations of these parties, which may affect the quality of their products and services or cause interruptions in our operations. Moreover, we cannot guarantee that these parties will have the capacity to meet our needs as we expand, or maintain the same level of quality in their supplies and services. Some of our suppliers are the only providers of certain services in the Port of Rizhao area. For example, Rizhao Port Group is the owner of all of the railways in the Port of Rizhao and is the only provider of railway services in the area. As such, we may not be able to find alternative providers if these parties are no longer able to meet our needs at acceptable costs and in a timely manner, or at all. Failure to take adequate steps to mitigate the likelihood or potential impact of such events, or to effectively manage such events if they occur, particularly when a product or service is provided by a single source, could materially and adversely affect our business, financial condition and results of operations.

We are required to obtain, maintain and renew a number of licenses, approvals and permits to operate our business and any revocation or non-renewal of these qualifications or licenses could have a material and adverse impact on our business, financial condition and results of operations.

In accordance with relevant PRC laws and regulations, we are required to obtain, maintain and renew a number of licenses, approvals and permits issued by relevant government authorities to conduct our business. As advised by our PRC Legal Advisers, as of the Latest Practicable Date, we had obtained all requisite licenses, approvals and permits from the relevant government authorities that are material to our business operations, except for the Statement of Compliance of a Port Facility (港口設施保安符合證書) for the West-18 berth that we leased from Rizhao Port. As of the Latest Practicable Date, we were in the process of obtaining the aforementioned permit for the West-18 berth. A few of our licenses and certificates will expire in 2019. For more details, see “Business — Licenses and Permits” in this Prospectus. We cannot guarantee that we will be able to obtain or renew such approvals, licenses or permits, comply with all conditions requested by government authorities to maintain those permits, or obtain, retain or renew other approvals, licenses and permits necessary for our business operations in the future. Changes in local laws, regulations and policies that are out of our control will affect our ability to obtain timely renewals for such permits and under such circumstance we may be required to cease our business activities in accordance with PRC laws and regulations. Any failure to obtain, retain or renew, or any delay in obtaining or renewing, such

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approvals, licenses or permits could subject us to a variety of administrative penalties or other government actions and could have a material and adverse impact on our business, financial condition and results of operations.

Non-compliance with, and changes to, laws, regulations and policies relating to us may have an adverse effect on our business, financial condition and results of operations.

We are subject to extensive laws and regulations regarding the operation of coastal ports. For example, we are required by the Ministry of Transport, State Administration for the Supervision of Work Safety, State Administration of Quality Supervision, Inspection and Quarantine, the Customs General Administration and other government authorities of the PRC to maintain certain security and customs standards at our facilities, including safety assessment schemes for port construction. If we fail to comply with any of the laws and regulations to which we are subject, we may be required to pay penalties or suspend our operations.

Our business may also be adversely affected by changes in national or local policies, as well as the laws and regulations relating to our industry, and there can be no assurance that the PRC Government will not change the existing laws or regulations, or adopt additional or more stringent laws or regulations applicable to us and our business operations. Any changes to such laws and regulations or their interpretation or enforcement may expose us to the risk of non-compliance and may require us to conform our activities and operations to comply with such laws and regulations. We cannot predict the nature of such future laws, regulations, interpretations or applications, nor can we predict their impact on our business. For example, fee rates of a number of the services we provide are set by the government or pursuant to government guidelines. We generally follow the Port Charge Rules (港口收費計費辦法). See “Regulatory Overview — Laws and Regulations for Operations at Ports” for details. If the PRC Government adjusts fee standards in the future in ways that are adverse to our business interests or if there is any change to the current system regulating fees and charges for certain port-related services and we are not able to effectively adapt to the new system, our business, financial condition and results of operations could be adversely affected.

We rely on third parties’ transportation networks and logistics agency services, and any significant disruptions to or changes in their operations could adversely affect our business operations.

Our business and operations rely on various methods of transportation and logistics agency services, including but not limited to railway, highway and waterway transportation, through which cargos arrive at and depart from our port and which affect the timing and volume of our cargo flow. In particular, we are directly connected to two major rail lines of over 1,000 kilometers, namely the Wa-Ri Rail Line (瓦日線) and the Xin-He-Yan-Ri-Longhai Rail Line (新菏兗日-隴海線) and we are accessible by three expressways and four national highways. A disruption to, or delay in, our transportation network or reduction of its carrying capacity due to maintenance or otherwise would directly affect the arrival and departure of cargo at our port, which would in turn affect our cargo throughput and could have a material and adverse effect on our business, financial condition and results of operations.

Moreover, natural disasters, accidents, adjustments to schedules or capacity, unexpected changes in transportation costs or other circumstances affecting our transportation network could in turn affect

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the timing and volume of cargos arriving at and departing from our port, and have a material and adverse effect on our business, financial condition and results of operations.

Unsatisfactory performance by our subcontractors or unavailability of subcontractors may adversely affect our business.

In line with industry practice, during the Track Record Period, we engaged labor subcontractors to provide services such as logistics, labor, cleaning and ship traction services. We also outsourced certain equipment operation and stevedoring services to qualified subcontractors. See “Business — Subcontracting” for details. Notwithstanding our evaluation and selection of subcontractors, we cannot assure you that the quality of our subcontractors can always meet our standards. Outsourcing exposes us to the risks associated with non-performance, delayed performance or sub-standard performance by our subcontractors. Therefore, we may incur additional costs or be subject to liability under the relevant contracts between us and our customers for our subcontractors’ unsatisfactory performance. Moreover, any misconduct or non-compliances of our subcontractors may subject us to potential penalties and negative publicity as a result. Such events may impact our financial performance and reputation. In addition, we cannot assure you that we will always be able to secure suitable subcontractors when required, or be able to negotiate commercially acceptable terms with our subcontractors. Therefore, any of the above events may adversely affect our business, financial condition and results of operations.

We are exposed to risks in relation to environmental protection.

We are subject to a wide range of national and local laws and regulations governing environmental protection. We have implemented measures to ensure that our operations are in compliance with such laws and regulations. However, we cannot guarantee that our operations will not have environmental risks or hazards. The handling of our dried tapioca and other grains may cause dust pollution and explosions. Environmental incidents could potentially subject us to administrative actions by environmental protection authorities or civil lawsuits. In addition, the construction of our port facilities may have an adverse environmental impact on the surrounding areas and thus subject us to more stringent governmental surveillance, inspections and regulations. The occurrence of any environmental hazards may cause personal injuries or property damage, delay our operations, result in liability to us and damage our reputation. Such incidents may also result in fines or penalties, breach of contract or revocation of our licenses, permits and approvals.

PRC environmental laws and regulations continue to develop and evolve, and are subject to change. In recent years, the PRC Government has introduced increasingly stringent environmental protection laws and regulations. To be in compliance with such laws and regulations, we may have to incur additional costs to develop or implement environmental protection measures and procedures, enhance our insurance coverage, as well as devote more personnel to environmental protection, which may have a material and adverse impact on our financial condition and results of operations. In 2016, 2017 and 2018, our costs and expenses in relation to environmental protection amounted to RMB5.7 million, RMB6.0 million and RMB5.4 million, respectively. In particular, certain of our customers, especially dried tapioca customers, are sensitive to changes in the PRC environmental laws and regulations. Increasingly stringent environmental protection laws and regulations may lead to lower domestic consumption in China and higher compliance costs for our customers, reducing their imports

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of relevant cargo types. Therefore, changes in PRC environmental laws and regulations may materially and adversely affect our business, financial condition and results of operations.

We are exposed to risks in relation to occupational health and safety.

Due to the nature of our business, our operations are exposed to occupational health and safety. For example, our operations involve the use and handling of heavy machinery and equipment. We have implemented a set of guidelines and rules regarding safe operations. During the Track Record Period, there was one accident on our premises that resulted in the fatality of one employee of our subcontractor. See “Business — Risk Management — Occupational Health and Safety.” We cannot guarantee that other accidents will not occur in the future. Occurrence of these workplace safety incidents may result in serious injuries, deaths, monetary losses, or property loss to us or our customers. Moreover, we may be required to suspend our operations, implement rectification measures and pay fines and penalties. Our licenses, approvals and permits may also be revoked as a result. Should any such accidents occur, our business, reputation, financial condition and results of operations may be adversely affected and we may be subject to penalties, civil liabilities or criminal liabilities.

Any reduction in our operation capacity or interruption to our operations due to equipment replacement, remodeling, upgrade, failure or maintenance and any significant costs associated with replacing failed, aging or obsolete equipment could have an adverse effect on our financial condition and results of operations.

Our port services rely on the proper functioning of critical pieces of complex equipment, such as ship unloaders, port cranes, loaders, forklifts and hydraulic grab feeders. Such equipment may require replacement, remodeling or upgrading as they age or experience unanticipated failures, any of which could reduce our cargo handling capacity or efficiency. Although we have not experienced any material shutdowns or material reductions in our cargo handling capacity, we cannot assure you that in the future we will not experience such shutdowns or periods of material reductions in our cargo handling capacity due to equipment replacement, remodeling, upgrade, failure or maintenance. Any such reduction in our capacity or interruption to our operations could have a material adverse effect on our business, financial condition and results of operations. Furthermore, if our equipment ages, fails or becomes obsolete, we may incur additional costs to maintain, repair or replace such equipment.

Our failure to retain our key management members could materially and adversely affect our business.

The success of our business depends, to a large extent, on the continued service of our key management members, who are essential to our continued business growth and the development and implementation of our business strategy. We devote considerable resources to recruiting and retaining these key management members. We do not maintain any key-man insurance. If we lose any of our key management members and are not able to replace them on a timely basis upon their departure, or if we fail to attract or retain additional key management personnel, our business, financial condition and results of operations could be materially and adversely affected.

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Potential labor shortages, increases in labor costs and labor disputes could materially and adversely affect our business, financial condition and results of operations.

Certain aspects of our port operations are labor-intensive and our success depends in part upon our ability to attract, motivate and retain a sufficient number of qualified employees. Due to increasing market competition, the market demand and competition for qualified employees have intensified. If we face labor shortages or significant increases in labor costs caused by the intense competition in the PRC coastal port industry, higher employee turnover rates, increases in wages or other employee benefit costs or changes to labor laws and regulations, our operating costs could increase significantly, which could materially and adversely affect our results of operations.

We cannot assure you that labor disputes will not occur between us and our employees in the future, or that we will not be involved in disputes with trade unions of port workers on both the national and international level. If such incidents do occur, we may be subject to fines by relevant governmental authorities and may incur settlement costs in order to resolve labor disputes. In addition, we may become subject to higher labor costs in the future when recruiting new employees due to the reputational damage caused by labor disputes. Such potential incidents could disrupt our operations, harm our reputation and divert our management's attention, which may have a material and adverse effect on our business, financial condition and results of operations.

We are exposed to credit risk in relation to defaults from counterparties.

During the Track Record Period, we had trade receivables due from customers for services we provided. As of December 31, 2016, 2017 and 2018, our trade receivables amounted to RMB9.1 million, RMB13.2 million and RMB22.3 million, respectively. We generally provide customers with a 15- to 90-day credit term. Our management regularly conducts credit assessments on our customers and monitors their financial health and makes provisions for doubtful debts as needed. As of December 31, 2016, 2017 and 2018, our allowance for impairment of trade receivables was RMB0.3 million, RMB0.4 million and RMB0.7 million, respectively. In addition, we maintained substantially all of our deposits with RPG Finance as of the Latest Practicable Date and expect to deposit around 50% of the net proceeds from the Global Offering with RPG Finance. See "Connected Transactions — Non-exempt Continuing Connected Transactions — 4. Financial Service Framework Agreement." We cannot assure you that all of our counterparties are creditworthy and reputable and will not default on us in the future. There is limited financial or public information on many of our counterparties, and as a result, we are exposed to risks that our counterparties may fail to fulfill their obligations to us under our contracts.

We rely on security procedures at other port facilities and by shipping companies, which may expose us to third-party liabilities that are beyond our control.

We rely upon the security procedures implemented by other shipping companies and cargo owners to supplement our own inspection to varying degrees for cargo that are being transshipped. However, there can be no assurance that the cargo that passes through our port will not be affected by breaches in security or acts of terrorism, either directly or indirectly, in other areas of the supply chain. Any security breach or act of terrorism that occurs at one or more unknown facilities, or at a shipping line or other port facility that handled the cargo prior to the cargo arriving at our port facilities, could subject us to significant liability, including the risk of litigation and loss of goodwill.

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In addition, any major security breach or act of terrorism that occurs at our facilities or at the facilities of other port operators may result in a temporary shutdown of the port terminals and/or the introduction of additional or more stringent security measures and other regulations affecting the port industry. The costs associated with any such events could materially and adversely affect our business, financial condition and results of operations.

Our property valuation is based on certain assumptions which, by their nature, are subjective and uncertain and may materially differ from actual results.

Valuations of our properties as of March 31, 2019 prepared by JLL, an independent property valuer, are set forth in the Property Valuation Report set out in Appendix III to this Prospectus. The valuations are made based on assumptions which, by their nature, are subjective and uncertain and may differ from actual results. In addition, unforeseeable changes in general and local economic conditions or other factors beyond our control may affect the value of our properties. As a result, the valuation of our properties may differ materially from the price we could receive in an actual sale of the properties in the market and should not be taken as their actual realizable value or an estimation of their realizable value.

The application of IFRS 16 will affect our statement of financial position, profile of profit and loss statement and certain key financial ratios (including debt-to-equity ratio) when it becomes effective due to our operating lease arrangement.

We are a lessee of various properties which are currently classified as operating leases. As of December 31, 2018, we had non-cancellable operating lease commitments of RMB284.2 million. Beginning on January 1, 2019, we have applied IFRS 16, which provides for a new accounting treatment for leases and no longer allows lessees to recognize certain leases outside of the statements of financial position. For more details, see note 3 of the Accountants' Report set out in Appendix I to this Prospectus. Upon the application of IFRS 16, we recognized right of use assets and a corresponding lease liability in respect of all leases unless they qualify for low value or short-term leases. Accordingly, we will recognize depreciation expenses on right of use assets and interest expenses on the lease liability, instead of operating lease expenses. The combination of the straight-line depreciation of right of use assets and the effective interest rate method applied to the lease liability will result in a higher total charge to profit or loss in the initial years of the lease, and decreasing expenses during the latter part of the lease term. As of March 31, 2019, we recognized RMB231.3 million in right of use assets in our non-current assets. As of the same date, we also recognized RMB13.5 million in current lease liability and RMB219.2 million in non-current lease liability. Our current ratio and quick ratio as of the same date was 0.59 and 0.58, respectively. Our debt-to-equity ratio was 16.1% as of the same date. Although we believe that the impact on our current assets and liabilities and the net impact on our financial performance will be limited, we believe the application of IFRS 16 will result in a significant increase in our non-current assets and financial liabilities, and therefore impact certain key financial ratios and our financial position.

Our Controlling Shareholders have substantial influence over us and their interests may not be aligned with the interests of our other Shareholders.

Our Controlling Shareholders have substantial influence over our business, including matters relating to our management, policies and decisions regarding acquisitions, mergers, expansion plans, consolidations and sales of all or substantially all of our assets, election of Directors and other

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significant corporate actions. Immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised), Rizhao Port will be interested in an aggregate of 52.5% of the issued share capital of our Company and will continue to be our Controlling Shareholder. Rizhao Port Group, being the controlling shareholder of Rizhao Port, will also be regarded as a Controlling Shareholder of our Company under Rule 1.01 of the Listing Rules. This concentration of ownership may discourage, delay or prevent a change in control of us, which could deprive other Shareholders of an opportunity to receive a premium for their Shares as part of a sale of us and might reduce the price of our Shares. These events may occur even if they are opposed by our other Shareholders. In addition, the interests of our Controlling Shareholders may differ from the interests of our other Shareholders. It is possible that our Controlling Shareholders may exercise their substantial influence over us and cause us to enter into transactions or take, or fail to take, actions or make decisions that conflict with the best interests of our other Shareholders. Rizhao Port, one of our Controlling Shareholders, has been conducting stevedoring, storage and transit business of grains in Lanshan Port area with COFCO Huanghai Grain and Oil Industry (Shandong) Co., Ltd and Shandong Sanwei Oil Group Co., Ltd. Although our Directors are of the view that there is a clear delineation of the businesses of our Controlling Shareholders and our Company and there is no competition between our Controlling Shareholders and us, there is no assurance that our Controlling Shareholders will not compete with us in the future, in which case our business, financial condition and results of operations may be materially and adversely affected.

Disagreements or disputes between our Shareholders may materially and adversely affect our business.

We cannot guarantee that our Shareholders, Rizhao Port and Jurong Port Holding, will not have disagreements and disputes with each other over their respective obligations and scope of responsibilities and inconsistent economic or business interests or goals. Certain decisions require unanimous approval of both Rizhao Port and Jurong Port Holding, such as to change our registered capital or issue any class of shares, warrants of share subscription or other similar securities, and bonds. For details, see “Appendix VI — Summary of the Articles of Association — Notice of Meetings and Business to Be Conducted Thereat.” To the extent unanimous consent cannot be obtained as a result of disagreements and disputes between them, we may not be able to effect these matters despite the potential benefits to our Company. As a result, our business operations could be materially and adversely affected.

We may be adversely affected by any negative publicity concerning us and our business, our shareholders, directors, officers, employees, third parties and the industry in which we operate, regardless of its accuracy, which could harm our reputation and business.

We, in the future, may be the target of adverse publicity, malicious allegations or other detrimental conduct by others, including our employees, customers, shareholders and other third parties, which may harm our brand and adversely affect public perception of our corporate image and service quality. For example, during the Track Record Period, several former officials of Rizhao Port Group, one of our Controlling Shareholders, were convicted of corruption and/or bribery, including accepting bribes and embezzlement, pursuant to a special anti-corruption investigation conducted by local government authorities. Although none of our Directors, Supervisors or senior and core management personnel was involved in such corruption and bribery incidents, we may be required to

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spend significant time and incur substantial costs in response to allegations or other detrimental conduct, and there is no assurance that we will be able to conclusively refute each of them within a reasonable period of time, or at all. Our reputation may be harmed as a result of the public dissemination of malicious allegations about our personnel, business, operations, accounting, prospects or business ethics, which in turn could adversely affect our business and the trading price of our Shares.

We may not have sufficient insurance coverage against potential operational risks.

Our business operations involve operational risks in relation to flammable and explosive commodities, such as woodchips and dried tapioca, and operation of heavy machinery and equipment that may lead to damage to or destruction of our properties or facilities, personal injuries and fatalities and legal expenses. We maintain social insurance for our full-time employees. Our subcontractors are responsible for maintaining insurance for their employees that provide services to us. See “Business — Subcontracting.” However, our business, financial condition and results of operations may be materially and adversely affected by any potential claims that are not sufficiently covered by our insurance. We cannot guarantee that the occurrence of and the consequence resulting from any aforementioned risk can be covered adequately, or at all, by our insurance policies. If our insurance coverage does not cover adequately any loss or compensation payments we are forced to make, our financial condition may be adversely affected. Further, no assurance can be given that insurance to cover the risks related to our activities will continue to be available at all or at acceptable terms to us.

Failure in our information and technology systems could interrupt our business operations.

We implement modern information and technology systems to store market data and our customers’ information, make logistics arrangements and manage our business operations. However, there is no assurance that we have sufficient ability to protect our information and technology systems from all possible damages including acts of nature, telecommunications breakdown, electricity failure or similar unexpected events which are beyond our control. We do not back up all data on a real-time basis and our business operations may be materially affected by any failure in our information and technology systems. If our information and technology systems do not function properly, or any partial or complete failure occurs to our systems, our business operations could be materially and adversely affected.

Legal disputes and other proceedings arising out of our operations from time to time may subject us to significant legal liabilities.




During the ordinary course of our business, we may be involved in disputes from time to time, including with customers regarding damages to the cargo being handled by us, the value of services performed by us in a particular period and the service fee that we are entitled to in the relevant period. There is no assurance that we will be able to resolve every dispute amicably by way of negotiation and/or mediation with the relevant parties. If we fail to do so, it may lead to legal and other proceedings against us. Consequently, we may have to incur extensive expenditure in defending ourselves in such actions. If we fail to obtain a favorable outcome in such proceedings, we may be required to pay significant sums of damages or subject to other legal liabilities, which may materially and adversely affect our reputation, business, financial condition and results of operations.

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We may not be able to adequately protect our intellectual property rights.

We rely on a combination of patents, trademarks, domain name registrations and confidentiality agreements to protect our intellectual property rights. We also possess a significant number of know-how or trade secrets in relation to proprietary processes and technologies, which we believe are material to our operations and which are not covered by patents. We rely on various protective measures to safeguard such unpatented proprietary information, including entering into confidentiality agreements with our relevant employees and third parties. However, we cannot assure you that our protective measures will be sufficient to protect our trade secrets, know-how or other proprietary information against any unauthorized use, misappropriation or disclosure. If we fail to effectively protect our intellectual property from inappropriate or unauthorized use by third parties in ways that adversely affect our brand name, our reputation could suffer, which in turn could have a material and adverse effect on our business, financial condition and results of operations. Furthermore, any litigation to protect our intellectual property would be time-consuming and costly, and may divert the attention of our senior management and key personnel from our business operations.

We license all of the material trademarks used in our business from our connected person.

The primary trademarks we use in our business, including “”, “” and “”, are licensed to us by Rizhao Port Group. We cannot guarantee that Rizhao Port Group will continue to license such trademarks to us, or the Trademark License Agreement will not be terminated for other reasons. In such event, we may no longer be able to use such trademarks in our business, and our business, financial condition and results of operations will be materially and adversely affected. Moreover, other affiliates of Rizhao Port Group may also use these trademarks. If these entities take any action that damages the “日照港” brand name, or if any material negative publicity is associated with them, our reputation, business, growth prospects, results of operations and financial condition may be adversely affected.

We may be subject to accidents, natural disasters, acts of war or terrorism or other factors beyond our control.

Accidents, natural disasters, acts of war or terrorism or other factors beyond our control may adversely affect the economy, infrastructure and livelihood of the people in the regions where we conduct our business. Our operations may be under the threat of floods, earthquakes, sandstorms, snowstorms, fire or drought, power, water or fuel shortages, failures, malfunction and breakdown of information management systems, unexpected maintenance or technical problems, or may be susceptible to potential wars or terrorist attacks. Serious natural disasters may result in loss of lives, injury, destruction of assets and disruption of our business and operations. Acts of war or terrorism may also injure our employees, cause loss of lives, disrupt our business network and destroy our markets. Any of these factors and other factors beyond our control could have an adverse effect on the overall business sentiment and environment, cause uncertainties in the regions where we conduct business, cause our business to suffer losses which we cannot predict, and materially and adversely impact our business, financial condition and results of operations.

We also face risks related to health epidemics. Past occurrences of epidemics or pandemics, depending on their scale of occurrence, have caused different degrees of damage to the national and local economies in China. An outbreak of any epidemics or pandemics in China may result in

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quarantines, temporary closures of our businesses or the sickness or death of key personnel. A public health outbreak may result in a decrease in the demand for cargo types that we operate. For example, we cannot guarantee that epidemics such as the African swine flu would not have a material and adverse effect on PRC soybean import volume. Any of the above may cause material disruptions to our operations, which in turn may materially and adversely affect our business, financial condition and results of operations.

We may not be able to detect and prevent fraud, bribery, or other misconduct or non-compliances committed by our employees, customers, related parties or other third parties.

We may be exposed to fraud, bribery, or other misconduct or non-compliances, such as money-laundering or OFAC-sanctioned transactions, committed by our employees, customers, related parties or third parties that could subject us to financial losses and sanctions imposed by governmental authorities, which may adversely affect our reputation. Our internal control procedures are designed to monitor our operations and ensure overall compliance. However, our internal control procedures may be unable to identify all incidents of non-compliance or suspicious transactions or incidents of corruption, bribery or other misconduct and non-compliances in a timely manner or at all. Furthermore, it is not always possible to detect and prevent fraud, bribery and other misconduct and non-compliances, and the precautions we take to prevent and detect such activities may not be effective. We cannot assure you that fraud, bribery, or other misconduct or non-compliances will not occur in the future. If such fraud, bribery, or other misconduct or non-compliances does occur, it may subject us to potential penalties and negative publicity as a result.

Our risk management and internal control systems may not fully protect us against various risks inherent in our business.

We have established risk management and internal control systems consisting of the relevant organizational framework policies, risk management policies and risk control procedures to manage our risk exposures, primarily our operational risk, legal risk and liquidity risk. However, we may not be successful in implementing our risk management and internal control systems. While we seek to continue to enhance such systems from time to time, we cannot assure you that our risk management and internal control systems are adequate or effective notwithstanding our efforts, and any failure to address any potential risks and internal control deficiencies could materially and adversely affect our business, financial condition and results of operations.

Since our risk management and internal control systems depend on their implementation by our employees, we cannot assure you that all of our employees will adhere to such policies and procedures, and the implementation of such policies and procedures may involve human errors or mistakes. Moreover, our growth and expansion may affect our ability to implement stringent risk management and internal control policies and procedures as our business evolves. If we fail to timely adopt, implement and modify, as applicable, our risk management and internal control policies and procedures, our business, financial condition and results of operations could be materially and adversely affected.

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RISKS RELATING TO DOING BUSINESS IN CHINA

PRC economic, political, social conditions as well as government policies could adversely affect our business, financial condition, results of operations and prospects.

We conduct our business operations in the PRC. Accordingly, our business, financial condition and results of operations are, to a significant degree, subject to economic, political and legal developments in the PRC. The PRC economy differs from the economies of most developed countries in many respects, including but not limited to structure, government involvement, level of development, growth rate, control of foreign exchange, capital reinvestment, allocation of resources, rate of inflation and trade balance position. Before the adoption of its reform and opening-up policies in 1978, China was primarily a planned economy. In recent years, the PRC Government has been reforming the PRC economic system and government structure. It has implemented measures emphasizing the utilization of market forces, the reduction of state ownership of productive assets and the establishment of sound corporate governance practices in business enterprises. However, the PRC Government continues to play a significant role in regulating industrial development, allocation of natural and other resources, production, pricing and management of currency, and there can be no assurance that the PRC Government will continue to pursue a policy of economic reform or that the direction of reform will continue to be market friendly. The economic growth over the past few decades in China was rapid; however, its continued growth has faced downward pressure since 2008 and its annual GDP growth rate has declined from 9.5% in 2011 to 6.6% in 2018, according to the National Bureau of Statistics of China (中華人民共和國國家統計局). There is no assurance that the future growth rate in China will increase or remain at the current level.

The PRC government exercise a substantial degree of control over the port industry. Our operations are subject to a range of national, provincial and local laws, regulations and policies in relation to, among other things, port operations, taxation, labor standards, occupational health and safety and environmental protection. Any changes to existing laws and regulations or to the interpretation or enforcement thereof, any introduction of new laws or regulations, or any development or introduction of new policies, such as the Belt and Road Initiative, may affect our operations, increase our costs and thus materially and adversely affect our business, financial condition and results of operations. Moreover, any failure by us to comply with changes in, or new, laws, regulations and policies applicable to us or any changes in existing laws, regulations, policies, standards and requirements may subject us to, among others, suspension of operations and penalties which could materially and adversely affect our business, reputation, financial condition and/or results of operations.

We are subject to PRC government controls on currency conversion, and the fluctuations of the Renminbi exchange rate may materially and adversely affect our business and our ability to pay dividends to holders of H shares.

Our revenue is denominated in Renminbi, which is currently not a fully freely convertible currency. A portion of our revenues must be converted into other currencies in order to meet our foreign currency obligations. For example, we need to obtain foreign currency to make payments of declared dividends, if any, on our H Shares.

Under China's existing laws and regulations on foreign exchange, following the completion of the Global Offering, we will be able to make dividend payments in foreign currencies by complying

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with certain procedural requirements and without prior approval from SAFE. However, in the future, the PRC Government may, at its discretion, take measures to restrict access to foreign currencies for capital account and current account transactions under certain circumstances. As a result, we may not be able to pay dividends in foreign currencies to holders of our H Shares.

The value of the Renminbi against the U.S. dollar and other currencies fluctuates from time to time and is affected by a number of factors, such as changes in China's and international political and economic conditions and the fiscal and foreign exchange policies prescribed by the PRC Government. From 1994 until July 2005, the conversion of the Renminbi into foreign currencies in the PRC, including the Hong Kong dollar and U.S. dollar, had been based on fixed rates set by the PBOC. On July 21, 2005, the PRC Government changed its decade-old policy of pegging the value of the Renminbi to the U.S. dollar where the Renminbi is permitted to fluctuate in a regulated band that is based on reference to a basket of currencies determined by the PBOC. On June 19, 2010, the PBOC announced that it intends to further reform the Renminbi exchange rate regime by enhancing the flexibility of the Renminbi exchange rate. Following this announcement, the Renminbi had appreciated from approximately RMB6.83 per U.S. dollar to RMB6.12 per U.S. dollar as of June 15, 2015. On August 11, 2015, PBOC further enlarged the floating band for trading prices in the interbank spot exchange market of Renminbi against the U.S. dollar to 2.0% around the closing price in the previous trading session, and the Renminbi depreciated against the U.S. dollar by approximately 1.9% as compared to August 10, 2015, and further depreciated nearly 1.6% on the next day. On November 30, 2015, the Executive Board of the International Monetary Fund completed the regular five-year review of the basket of currencies that make up the special drawing rights and decided that, with effect from October 1, 2016, the Renminbi is determined to be a freely useable currency and will be included in the special drawing rights basket as a fifth currency. With the development of foreign exchange market and progress towards interest rate liberalization and Renminbi internationalization, the PRC Government may in the future announce further reforms to the exchange rate system, and we cannot assure you that the Renminbi will not appreciate or depreciate significantly in value against the Hong Kong dollar or the U.S. dollar in the future.

We primarily handle imported cargo. If the Renminbi depreciates, imports will become more expensive for our customers in the PRC, which may affect their demand and, in turn, our throughput and our results of operations. In addition, the proceeds from the Global Offering will be received in Hong Kong dollars. As a result, any appreciation of the Renminbi against the U.S. dollar, the Hong Kong dollar or any other foreign currencies may result in the decrease in the value of our proceeds from the Global Offering. Conversely, depreciation of the Renminbi may adversely affect the value of, and any dividends payable on, our H Shares in foreign currency. In addition, there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs. Any of these factors could materially and adversely affect our business, financial condition, results of operation and prospects, and could reduce the value of, and dividends payable on, our H Shares in foreign currency terms.

The implementation of the PRC Labor Contract Law may increase our operating expenses and adversely affect our business, financial condition and results of operations.

On June 29, 2007, the PRC National People's Congress enacted the Labor Contract Law, which became effective on January 1, 2008. On December 28, 2012, the PRC National People's Congress

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amended the Labor Contract Law, which became effective on July 1, 2013. The currently effective Labor Contract Law formalizes workers' rights concerning overtime hours, pensions, layoffs, employment contracts and the role of trade unions and provides for specific standards and procedures for the termination of an employment contract. In addition, the Labor Contract Law requires the payment of statutory severance upon the termination of an employment contract in most cases. As there has been little guidance as to how the Labor Contract Law will be interpreted and enforced by the relevant PRC authorities, there remains substantial uncertainty as to its potential impact on our business, financial condition and results of operations. The implementation of the Labor Contract Law may increase our operating expenses, in particular, our personnel expenses and labor service expenses. In the event that we decide to significantly reduce the number of our employees or otherwise change our employment or labor practices, the Labor Contract Law may also limit our ability to effect these changes in a manner that we believe to be cost-effective or desirable, which could materially and adversely affect our business, financial condition and results of operations.

The PRC legal system has inherent uncertainties that could limit the legal protection available to you.

Our business is mainly conducted in mainland China and is governed by PRC laws and regulations. The PRC legal system is based on written statutes and prior court decisions can only be cited for reference. Additionally, written statutes in the PRC are often principle-oriented and require detailed interpretations by the enforcement bodies to further apply and enforce such laws. Since 1979, the PRC Government has developed a comprehensive system of laws, rules and regulations in relation to economic matters, such as foreign investment, corporate organization and governance, commerce, taxation and trade. However, the interpretation and enforcement of these laws, rules and regulations involve uncertainties and may not be as consistent or predictable as in other more developed jurisdictions. As these laws and regulations are continually evolving in response to changing economic and other conditions, and because of the limited volume of published cases and their non-binding nature, any particular interpretation of PRC laws and regulations may not be definitive. Moreover, we cannot predict the effect of future developments in the PRC legal system. Such unpredictability towards our contractual, property and procedural rights could adversely affect our business and impede our ability to continue our operations. In addition, the PRC legal system is based in part on government policies and internal rules (some of which are not published on a timely basis, if at all) that some rules may have a retroactive effect. Hence, we may not be aware of violation of these policies and rules until after such violation has occurred. Furthermore, the legal protections available to us and our investors under these laws, rules and regulations may be limited.

You may experience difficulty in effecting service of legal process, enforcing foreign judgments or bringing original actions in China or Hong Kong based on foreign laws against us, our Directors and senior management.

A majority of our existing Directors and senior management members reside in the PRC and substantially all of our assets and the assets of such persons are located in the PRC. Therefore, it may not be possible for investors from other countries or territories to effect service of process upon us or those persons inside China. China has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by courts of most other jurisdictions. On July 14, 2006, Hong Kong and China entered into the Arrangement on Reciprocal Recognition and

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Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) (the “Arrangement”), pursuant to which a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in China. Similarly, a party with a final judgment rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of such judgment in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between the parties after the effective date of the Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it may not be possible to enforce a judgment rendered by a Hong Kong court in China if the parties in the dispute do not agree to enter into a choice of court agreement in writing. As a result, it may be difficult or impossible for investors to effect service of process against our assets or Directors in China in order to seek recognition and enforcement of foreign judgments in China.

RISKS RELATING TO THE GLOBAL OFFERING

An active trading market for our H Shares may not develop.

Prior to the Global Offering, there was no public market for our H Shares. We cannot assure you that a public market for our H Shares with adequate liquidity will develop and be sustained following the completion of Global Offering. In addition, the Offer Price of our H Shares may not be indicative of the market price of our H Shares following the completion of the Global Offering. If an active public market for our H Shares does not develop following the completion of the Global Offering, the market price and liquidity of our H Shares could be materially and adversely affected.

The market price and trading volume of our H Shares may be volatile, which could result in substantial losses for investors who purchase our H Shares in the Global Offering.

The market price and trading volume of our H Shares may be highly volatile. Several factors, some of which are beyond our control, such as variations in our revenue, earnings and cash flow, strategic alliances or acquisitions, the addition or departure of key personnel, litigation, the removal of the restrictions on H Share transactions or volatility in market prices and changes in the demand for our services, could cause large and sudden changes to the market price and trading volume at which our H Shares will trade. The Stock Exchange and other securities markets have, from time to time, experienced significant price and trading volume volatility that are not related to the operating performance of any particular company. This volatility may also materially and adversely affect the market price of our H Shares.

Since there will be a gap of several days between the closing of application lists and the trading of the Offer Shares, holders of our H Shares are subject to the risk that the price of the H Shares could fall during the period before the trading of the H Shares begins.

The Offer Price for our H Shares is expected to be determined on the Price Determination Date. However, our H Shares will not commence trading on the Hong Kong Stock Exchange until they are

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delivered, which is expected to be five Hong Kong business days after the closing of application lists. As a result, investors may not be able to sell or deal in our H Shares during that period. Accordingly, holders of our H Shares are subject to the risk that the price of our H Shares could fall before trading begins as a result of unfavorable market conditions, or other adverse effects, that could occur between the time of the closing of application lists and the time trading begins.

A future significant increase or perceived significant increase in the supply of our H Shares in public markets, or re-registration of Shares held on our Domestic Share register and/or Foreign Share register, if applicable, into H Shares, could cause the market price of our H Shares to decrease significantly, and/or dilute shareholdings of holders of H Shares.

The market price of our H Shares could decline as a result of future sales of a substantial number of our H Shares or other securities relating to our H Shares in the public market, or the issuance of new shares or other securities, or the perception that such sales or issuances may occur. Future sales, or anticipated sales, of substantial amounts of our securities, including any future offerings, or re-registration of Shares held on our Domestic Share register and/or Foreign Share register, if applicable, into H Shares, could also materially and adversely affect our ability to raise capital at a specific time and on terms favorable to us. In addition, our Shareholders may experience dilution in their holdings if we issue more securities in the future. New shares or shares-linked securities issued by us may also confer rights and privileges that take priority over those conferred by the H Shares.

Certain statistics contained in this Prospectus are derived from third-party reports and publicly available official sources and they may not be reliable.

Certain statistics contained in this Prospectus relating to China, the PRC economy and the industry in which we operate have been derived from various official government publications or other third-party reports. We have taken reasonable care in the reproduction or extraction of the official government publications or other third-party reports for the purpose of disclosure in this Prospectus. However, we cannot guarantee the quality or reliability of such source materials. They have not been prepared or independently verified by us, the Underwriters or any of their respective affiliates or advisers and, therefore, we make no representation as to the accuracy of such statistics, which may not be consistent with other information compiled within or outside the PRC. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, such statistics in this Prospectus may be inaccurate or may not be comparable to statistics produced with respect to other economies. Moreover, certain statistics from different sources may not be comparable due to differences in calculation methods used in the industry and as required by different government authorities. Further, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy, as the case may be, in other jurisdictions. In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such statistics.

Payment of dividends is subject to restrictions under the PRC law and there is no assurance whether and when we will pay dividends.

For the years ended December 31, 2016, 2017 and 2018, we declared dividends of RMB50.0 million, RMB53.0 million and RMB250.0 million, respectively. Under the applicable PRC laws, the payment of dividends may be subject to certain limitations. The calculation of our profit

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under applicable accounting standards differs in certain respects from the calculation under IFRS. As a result, we may not be able to pay a dividend in a given year even if we were profitable as determined under IFRS. Our Board may declare dividends in the future after taking into account (i) our results of operations, financial condition, cash requirements and availability, and capital expenditure requirement; (ii) our historical dividend payout ratio; (iii) reference to other companies in the same industry listed on the Hong Kong Stock Exchange; and (iv) other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the PRC laws and regulations and requires approval at our shareholders' meeting. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution.

You should read the entire Prospectus carefully, and we strongly caution you not to place any reliance on any information contained in press articles or other media regarding ourselves and the Global Offering.

Prior to the publication of this Prospectus, there had been press and media coverage regarding us and the Global Offering, which contained, among other things, certain financial information, projections, valuations and other forward-looking information about us and the Global Offering. We have not authorized the disclosure of any such information in the press or media and do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us. To the extent such statements are inconsistent with, or conflict with, the information contained in this Prospectus, we disclaim responsibility for them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this Prospectus only, and should not rely on any other information.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation for the Global Offering, our Company has sought and has been granted the following waivers from strict compliance with the relevant provisions of the Listing Rules:

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rules 8.12 and 19A.15 of the Listing Rules, an issuer must have sufficient management presence in Hong Kong. This normally means that at least two of its executive directors must be ordinarily resident in Hong Kong.

We do not have sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rules 8.12 and 19A.15 of the Listing Rules. The Company's management, business operations and assets are primarily based in the PRC. The Directors consider that the appointment of executive Directors who will be ordinarily resident in Hong Kong would not be beneficial to, or appropriate for, the Company and therefore would not be in the best interests of the Company and the Shareholders as a whole. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 8.12 and 19A.15 of the Listing Rules. We will ensure that there is a regular and effective communication between us and the Stock Exchange by way of the following arrangements:

- (i) pursuant to Rule 3.05 of the Listing Rules, we have appointed and will continue to maintain two authorized representatives, who will act as our principal channel of communication with the Stock Exchange and ensure that our Company complies with the Listing Rules at all times. The two authorized representatives are Mr. Zhang Baohua, our chairman of the Board and non-executive Director, and Ms. Fok Po Yi, the joint company secretary. Each of our authorized representatives will be available to meet with the Stock Exchange within a reasonable time frame upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile and email. Each of the authorized representatives is authorized to communicate on our behalf with the Stock Exchange;
- (ii) both authorized representatives have means to contact all of our Directors (including our independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact our Directors for any matters. Our Directors who are not ordinarily resident in Hong Kong possess or can apply for valid travel documents to visit Hong Kong and will be able to meet with the Stock Exchange within a reasonable period of time, when required. To enhance communication between the Stock Exchange and our authorized representatives and Directors, we will implement a policy that (a) each Director will have to provide their respective mobile phone number, office phone number, fax number and email address to the authorized representatives; (b) in the event that a Director expects to travel or is otherwise out of office, he will endeavor to provide his phone number of the place of his accommodation to the authorized representatives or maintain an open line of communication via his mobile phone; and (c) all Directors and authorized representatives of our Company will provide their respective mobile phone number, office phone number, fax number and email address to the Stock Exchange;
- (iii) in compliance with Rule 3A.19 of the Listing Rules, we have appointed China Industrial Securities International Capital Limited as our compliance adviser (the “**Compliance Adviser**”) which has access at all times to our authorized representatives, Directors, senior management and other officers of our Company, and will act as an additional channel of

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

communication with the Stock Exchange. We will keep the Stock Exchange up to date in respect of any change to such details. Our authorized representatives, Directors and other officers of our Company will provide promptly such information and assistance as the Compliance Adviser may reasonably require in connection with the performance of the Compliance Adviser's duties as set forth in Chapter 3A of the Listing Rules. There will be adequate and efficient means of communication between our Company, authorized representatives, Directors and other officers and the Compliance Adviser, and to the extent reasonably practicable and legally permissible, we will keep the Compliance Adviser informed of the communications and dealings between the Stock Exchange and us; and

- (iv) meetings between the Stock Exchange and our Directors could be arranged through our authorized representatives or the Compliance Adviser, or directly with our Directors within a reasonable time frame. We will inform the Stock Exchange as soon as practicable in respect of any change of authorized representatives and/or the Compliance Adviser.

APPOINTMENT OF JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, the company secretary must be an individual who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of a company secretary. The Stock Exchange considers the following academic or professional qualifications to be acceptable: (i) a member of The Hong Kong Institute of Chartered Secretaries; (ii) a solicitor or barrister (as defined in the Legal Practitioners Ordinance); and (iii) a certified public accountant (as defined in the Professional Accountants Ordinance).

In assessing "relevant experience," the Stock Exchange will consider the individual's: (i) length of employment with the issuer and other listed companies and the roles he/she played, (ii) familiarity with the Listing Rules and other relevant law and regulations including the Securities and Futures Ordinance, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code, (iii) relevant training taken and/or to be taken in addition to the minimum requirement of taking not less than fifteen hours of relevant professional training in each financial year under Rule 3.29 of the Listing Rules, and (iv) professional qualifications in other jurisdictions.

We have appointed Mr. Zheng Shiqiang ("**Mr. Zheng**") and Ms. Fok Po Yi ("**Ms. Fok**") as our joint company secretaries. Mr. Zheng is the secretary of the Board and director of general office of our Company. Since Mr. Zheng does not possess a qualification nor the relevant experience stipulated in Rule 3.28 of the Listing Rules, he is not able to solely fulfill the requirements as a company secretary of a listed issuer stipulated under Rules 3.28 and 8.17 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules in relation to the appointment of Mr. Zheng as our joint company secretary. In order to provide support to Mr. Zheng, we have appointed Ms. Fok, a member of the Hong Kong Institute of Certified Public Accountants which meets the requirements under Rules 3.28 and 8.17, as a joint company secretary to provide assistance to Mr. Zheng, for a three-year period from the Listing Date so as to enable him to acquire the relevant experience (as required under Rule 3.28(2) of the Listing Rules) to duly discharge his duties.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

Such waiver will be revoked immediately if and when Ms. Fok ceases to provide such assistance. We will liaise with the Stock Exchange before the end of the three-year period to enable it to assess whether Mr. Zheng, having had the benefit of Ms. Fok's assistance for three years, has acquired relevant experience within the meaning of Rule 3.28 of the Listing Rules so that a further waiver will not be necessary.

See the section headed "Directors, Supervisors, Senior Management and Employees" in this Prospectus for further information regarding the qualifications of Mr. Zheng and Ms. Fok.

CONTINUING CONNECTED TRANSACTIONS

We have entered into, and expect to continue, transactions which will constitute non-exempt continuing connected transactions of our Company under the Listing Rules upon the Listing. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver in relation to such continuing connected transactions between us and certain connected persons under Chapter 14A of the Listing Rules. See "Connected Transactions" in this Prospectus for further details of these transactions.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This Prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules and the Listing Rules for the purpose of giving information to the public with regard to us. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this Prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other facts the omission of which would make this Prospectus or any statement in this Prospectus misleading.

CSRC APPROVAL

The CSRC issued an approval letter on March 13, 2019 for the Global Offering and for the submission of the application to list our H Shares on the Hong Kong Stock Exchange. In granting its approval, the CSRC accepts no responsibility for our financial soundness, nor for the accuracy of any of the statements made or opinions expressed in this Prospectus or in the Application Forms.

UNDERWRITING

This Prospectus is published solely in connection with the Hong Kong Public Offering which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this Prospectus and the related Application Forms contain the terms and conditions of the Hong Kong Public Offering. The Global Offering comprises the Hong Kong Public Offering of initially 40,000,000 H Shares and the International Offering of initially 360,000,000 H Shares (subject, in each case, to reallocation on the basis described in the section headed "Structure of the Global Offering" in this Prospectus).

The listing of the Shares on the Hong Kong Stock Exchange is sponsored by China Securities (International) Corporate Finance Company Limited as the Sole Sponsor. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering is underwritten by the Hong Kong Underwriters on a conditional basis, with one of the conditions that the Offer Price is agreed between the Sole Representative, on behalf of the Hong Kong Underwriters, and us. The International Offering is managed by the Sole Representative and is underwritten by the International Underwriters. The International Underwriting Agreement is expected to be entered into on or about Thursday, June 6, 2019, subject to agreement on the Offer Price between the Company and the Sole Representative, on behalf of the Hong Kong Underwriters. If, for any reason, the Offer Price is not agreed between the Company and the Sole Representative, on behalf of the Hong Kong Underwriters on or about Monday, June 10, 2019, or such later date or time as may be agreed between the Sole Representative (on behalf of the Hong Kong Underwriters) and the Company, the Global Offering will not proceed. Further details about the Underwriters and the underwriting arrangements are contained in the section headed "Underwriting" in this Prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which the Sole Representative (on behalf of the Hong Kong Underwriters) and the Company will determine on or around Thursday, June 6, 2019, and in any event no later than on or before Monday, June 10, 2019.

If the Sole Representative (on behalf of the Hong Kong Underwriters) and the Company are unable to reach an agreement on the Offer Price on or before Monday, June 10, 2019, or such later date or time as may be agreed between the Sole Representative (on behalf of the Hong Kong Underwriters) and the Company, the Global Offering will not become unconditional and will lapse.

RESTRICTIONS ON SALE OF SHARES

No action has been taken to permit a Hong Kong Public Offering of the Offer Shares or the general distribution of this Prospectus and/or the related Application Forms in any jurisdiction other than Hong Kong. Accordingly, this Prospectus may not be used for the purposes of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this Prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to confirm, or be deemed by his acquisition of Hong Kong Offer Shares to confirm, that he is aware of the restrictions on offers and sales of the Offer Shares described in this Prospectus. In particular, the Offer Shares have not been offered or sold, and will not be offered or sold, directly or indirectly, in the PRC.

The Offer Shares are offered for subscription solely on the basis of the information contained and representations made in this Prospectus and related Application Forms, and on the terms and subject to the conditions set out herein and therein. No person is authorized in connection with the Global Offering to give any information, or to make any representation not contained in this Prospectus, and any information or representation not contained in this Prospectus must not be relied upon as having been authorized by the Company, the Sole Representative, the Underwriters, any of their respective directors or any other persons or parties involved in the Global Offering. For further details of the structure of the Global Offering, including its conditions, and the procedures for applying for Hong Kong Offer Shares, see “Structure of the Global Offering”, “How to Apply for Hong Kong Offer Shares” and the relevant Application Forms.

APPLICATION FOR LISTING ON THE HONG KONG STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, our Offer Shares to be issued pursuant to the Global Offering, including (i) any H Shares which may be issued by us pursuant to the Global Offering and upon the exercise of the Over-allotment Option; and (ii) H Shares which will be converted from Foreign Shares currently held by Jurong Port Holding. Our Domestic Shares may be converted to H Shares upon the approval of the CSRC or the authorized approval of authorities of the State Council, details of which are set out in the section headed “Share Capital — Conversion of Our Domestic Shares into H Shares.”

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

Save as disclosed herein, no part of the Shares or loan capital of the Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or is proposed to be sought in the near future.

Dealings in the H Shares on the Hong Kong Stock Exchange are expected to commence at 9:00 a.m. on Wednesday, June 19, 2019. Except for the Company's pending application to the Hong Kong Stock Exchange for permission to list and to deal in the H Shares, no part of the Shares or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

The H Shares will be traded in board lot of 2,000 H Shares. The stock code of the H Shares is 6117.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotments made in respect of any applications will be invalid if the listing of, and permission to deal in, the Offer Shares on the Hong Kong Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to the Company by the Hong Kong Stock Exchange.

COMPLIANCE WITH LISTING RULES

We will comply with applicable laws and regulations in Hong Kong (including the Listing Rules) and any other undertakings which have been given in favor of the Hong Kong Stock Exchange from time to time. If the Listing Committee finds that there has been a breach by us of the Listing Rules or such other undertakings which may have been given by us in favor of the Hong Kong Stock Exchange from time to time, the Listing Committee may instigate cancellation or disciplinary proceedings in accordance with the Listing Rules.

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF H SHARES

We have instructed the H Share Registrar, and the H Share Registrar has agreed, not to register the subscription, purchase or transfer of any H Shares in the name of any particular holders unless the holder delivers a signed form to the H Share Registrar in respect of those H Shares bearing statements to the effect that the holder:

- (i) agrees with us and each of our Shareholders, and we agree with each Shareholder, to observe and comply with the PRC Company Law, the Special Regulations and our Articles of Association;
- (ii) agrees with us, each of our Shareholders, Directors, Supervisors, managers and officers, and we, acting for ourselves and for each of our Directors, Supervisors, managers and officers agree with each Shareholder, to refer all differences and claims arising from our Articles of Association or any rights or obligations conferred or imposed by the Company Law or other relevant laws and administrative regulations concerning our affairs to arbitration in accordance with our Articles of Association, and any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award, which shall be final and conclusive;

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

- (iii) agrees with us and each of our Shareholders that our H Shares are freely transferable by the holders of our H Shares; and
- (iv) authorizes us to enter into a contract on his or her behalf with each of our Directors, Supervisors, managers and officers whereby such Directors, Supervisors, managers and officers undertake to observe and comply with their obligations to our Shareholders as stipulated in our Articles of Association.

H SHARE REGISTRAR AND STAMP DUTY

All H Shares issued pursuant to applications made in the Hong Kong Public Offering and the International Offering will be registered on the Company's H Share register of members to be maintained in Hong Kong. We will maintain the Company's principal register of members at our current registered office in the PRC.

Dealings in our H Shares registered in the H Share register of members of the Company in Hong Kong will be subject to Hong Kong stamp duty. See "Appendix IV — Taxation and Foreign Exchange" for further details.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, our H Shares on the Hong Kong Stock Exchange and our compliance with the stock admission requirements of HKSCC, our H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our H Shares on the Hong Kong Stock Exchange or any other date as HKSCC chooses. Settlement of any transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for our H Shares to be admitted into CCASS.

PROFESSIONAL TAX ADVICE RECOMMENDED

Applicants for the Offer Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposing of and dealing in our H Shares or exercising rights attached to them. None of the Company, the Underwriters, the Sole Sponsor, any of their respective directors, supervisors, agents or advisers or any other persons involved in the Global Offering accepts responsibility for any tax effects or liabilities of holders of Shares resulting from the subscription, purchase, holding or disposal of our H Shares.

OVER-ALLOTMENT AND STABILIZATION

In connection with the Global Offering, the Stabilizing Manager (on behalf of the International Underwriters) or any persons acting for it may over-allot shares or effect any other transactions with a view to prevent a decline in the market price of our H Shares for a limited period after the issue date. However, there is no obligation on the Stabilizing Manager or any person acting for it to do this. Such

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

stabilization action, if taken, may be discontinued at any time and is required to end after a limited period. In Hong Kong and certain other jurisdictions, activities aimed at reducing the market price are prohibited, and the price at which stabilization is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, the Company intends to grant to the Sole Representative (on behalf of the International Underwriters) the Over-allotment Option, which will be exercisable by the Sole Representative (on behalf of the International Underwriters) for up to 30 days after the last day for the lodging of applications under the Hong Kong Public Offering. Pursuant to the Over-allotment Option, the Company may be required to issue and allot at the Offer Price up to an aggregate of 60,000,000 additional H Shares, representing 15% of the total number of H Shares initially available for subscription under the Global Offering, in connection with over-allocations in the Global Offering, if any.

Further details with respect to stabilization and the Over-allotment Option are set out in the section headed “Structure of the Global Offering” of this Prospectus.

PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedures for applying for the Hong Kong Offer Shares are set out in the section headed “How to Apply for Hong Kong Offer Shares” in this Prospectus and on the relevant Applications Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure of the Global Offering” in this Prospectus.

LANGUAGE

The English names of the PRC nationals, entities, departments, facilities, certificates, titles, laws, regulations and the like are translations of their Chinese names and are included for identification purposes only. If there is any inconsistency, the Chinese name prevails.

ROUNDING

Certain amounts and percentage figures included in this Prospectus have been subject to rounding adjustments, or have been rounded to one decimal place. Any discrepancies in any tables or charts between the total shown and the sums of the amounts listed are due to rounding.

MARKET SHARE DATA

The statistical and market share information contained in this Prospectus has been derived from official government publications, market data providers and other independent third-party sources. Unless otherwise indicated, the information has not been verified by us independently. This statistical information may not be consistent with other statistical information from other sources within or outside the PRC. Our Directors have reproduced the data and statistics extracted from such official government publications and other sources in a reasonably cautious manner.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

CURRENCY TRANSLATIONS

Solely for your convenience, certain translations among amounts in RMB, HK\$ or US\$ are contained in this Prospectus. None should be regarded as and be interpreted as an amount in one currency that can be on the relevant dates or any other dates actually converted into that in another currency at the rates below or cannot be converted at all. Unless otherwise specified:

- (i) all amounts in RMB are translated into HK\$ at an exchange rate of RMB0.87896 to HK\$1.00, being the middle exchange rate set by the PBOC prevailing on May 22, 2019; and
- (ii) all amounts in RMB are translated into US\$ at an exchange rate of RMB6.8992 to US\$1.00, being the middle exchange rate set by the PBOC prevailing on May 22, 2019.

Further information on exchange rates is set forth in “Appendix IV — Taxation and Foreign Exchange” in this Prospectus.

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Address	Nationality
Executive/Non-executive Directors		
Mr. Zhang Baohua (張保華)	Room 401, Unit 1, Building 37 28 Haibin 3rd Road Donggang District Rizhao City Shandong Province PRC	Chinese
Mr. Ng Chee Keong (吳子強)	22 Jalan Labu Manis Singapore	Singaporean
Mr. He Zhaodi (賀照第)	Room 101, Unit 1, Building 5 12 Haibin 4th Road Donggang District Rizhao City Shandong Province PRC	Chinese
Mr. Ooi Boon Hoe (黃文豪)	04-06, 6 Ridgewood Close Singapore	Singaporean
Mr. Shi Ruxin (石汝欣)	Room 201, Unit 2, Building 44 128 Weihai Road Donggang District Rizhao City Shandong Province PRC	Chinese
Mr. Jiang Zidan (姜子旦)	Room 602, Unit 3, Building 33 128 Weihai Road Donggang District Rizhao City Shandong Province PRC	Chinese

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Name	Address	Nationality
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Independent Non-executive Directors

Mr. Zhang Zixue (張子學)	Building 2, Wealth Garden 1 Nanli Donghuashi Dongcheng District Beijing PRC	Chinese
Mr. Lau Wai Leung Anders (劉偉良)	Flat C, 30/F, Block 5 18 Wylie Road Parc Palais, Ho Man Tin Kowloon Hong Kong	Canadian
Mr. Wu Xibin (吳西彬)	4-1-601, No. 33 Yard Tianzhu East Road Shunyi District Beijing PRC	Chinese

SUPERVISORS

Name	Address	Nationality
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Mr. Wang Wei (王偉)	Room 602, Unit 3, Building 2 79 Haibin 5th Road Donggang District Rizhao City Shandong Province PRC	Chinese
Mr. Li Weiqing (李維慶)	Room 602, Unit 2, Building 2 388 Jinan Road Donggang District Rizhao City Shandong Province PRC	Chinese
Mr. Tham Wai Kong (譚偉光)	2 Shan Road #05-01 Singapore	Singaporean

Please see the section headed “Directors, Supervisors, Senior Management and Employees” in this Prospectus for further details of our Directors and Supervisors.

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor	China Securities (International) Corporate Finance Company Limited 18/F Two Exchange Square 8 Connaught Place Central Hong Kong
Sole Representative	China Securities (International) Corporate Finance Company Limited 18/F Two Exchange Square 8 Connaught Place Central Hong Kong
Joint Global Coordinators	China Securities (International) Corporate Finance Company Limited 18/F Two Exchange Square 8 Connaught Place Central Hong Kong Zhongtai International Securities Limited 19 Floor Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong First Capital Securities Limited Unit 4512, 45/F, The Centre 99 Queen's Road Central Hong Kong
Joint Bookrunners	China Securities (International) Corporate Finance Company Limited 18/F Two Exchange Square 8 Connaught Place Central Hong Kong Zhongtai International Securities Limited 19 Floor Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

	First Capital Securities Limited Unit 4512, 45/F, The Centre 99 Queen's Road Central Hong Kong
	ABCI Capital Limited 11/F, Agricultural Bank of China Tower 50 Connaught Road Central Hong Kong
	Haitong International Securities Company Limited 22/F Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
Joint Lead Managers	China Securities (International) Corporate Finance Company Limited 18/F Two Exchange Square 8 Connaught Place Central Hong Kong
	Zhongtai International Securities Limited 19 Floor Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
	First Capital Securities Limited Unit 4512, 45/F, The Centre 99 Queen's Road Central Hong Kong
	ABCI Securities Company Limited 10/F, Agricultural Bank of China Tower 50 Connaught Road Central Hong Kong

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Haitong International Securities Company Limited

22/F Li Po Chun Chambers
189 Des Voeux Road
Central
Hong Kong

Livermore Holdings Limited

Unit 1214A, 12/F, Tower II Cheung Sha Wan Plaza
833 Cheung Sha Wan Road
Kowloon
Hong Kong

Legal Advisers to our Company

As to Hong Kong and United States laws:

Sidley Austin

39/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong

As to PRC laws:

JunHe LLP

20/F, China Resources Building
8 Jianguomenbei Avenue
Dongcheng District, Beijing
PRC

Legal Advisers to the Underwriters and the Sole Sponsor

As to Hong Kong and United States laws:

Linklaters

10/F, Alexandra House
18 Chater Road
Hong Kong

As to PRC laws:

Deheng Shanghai Law Office

23/F, Sinar Mas Plaza
No. 501 East Da Ming Road
Shanghai
PRC

Auditor and Reporting Accountant

Deloitte Touche Tohmatsu

Certified Public Accountants
35/F One Pacific Place
88 Queensway, Admiralty
Hong Kong

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Property Valuer	Jones Lang LaSalle Corporate Appraisal and Advisory Limited 7th Floor, One Taikoo Place 979 King's Road Hong Kong
Industry Consultant	China Insights Consultancy 10/F, Tomorrow Square 399 West Nanjing Road Huangpu District Shanghai PRC
Compliance Adviser	China Industrial Securities International Capital Limited 7/F, Three Exchange Square 8 Connaught Road, Central Hong Kong
Receiving Bank	Bank of China (Hong Kong) Limited 1 Garden Road Hong Kong

CORPORATE INFORMATION

Registered office and headquarters in the PRC	South End Haibin 5th Road Rizhao City, Shandong Province PRC
Principal place of business in Hong Kong	40/F, Sunlight Tower 248 Queen's Road East Wanchai Hong Kong
Company's website	www.rzportjurong.com <i>(The information on the website does not form part of this Prospectus)</i>
Joint company secretaries	Mr. Zheng Shiqiang (鄭世強) City View 659 Binzhou Road Donggang District Rizhao City Shandong Province PRC Ms. Fok Po Yi (霍寶兒) (CPA) 40/F, Sunlight Tower 248 Queen's Road East Wanchai Hong Kong
Authorized representatives	Mr. Zhang Baohua (張保華) Room 401, Unit 1, Building 37 28 Haibin 3rd Road Donggang District Rizhao City Shandong Province PRC Ms. Fok Po Yi (霍寶兒) 40/F, Sunlight Tower 248 Queen's Road East Wanchai Hong Kong
Audit Committee	Mr. Lau Wai Leung Anders (劉偉良) (Chairman) Mr. Zhang Zixue (張子學) Mr. Shi Ruxin (石汝欣)

CORPORATE INFORMATION

Nomination Committee

Mr. Zhang Baohua (張保華) (Chairman)
Mr. Lau Wai Leung Anders (劉偉良)
Mr. Zhang Zixue (張子學)
Mr. Wu Xibin (吳西彬)
Mr. Ng Chee Keong (吳子強)

Remuneration Committee

Mr. Zhang Zixue (張子學) (Chairman)
Mr. Wu Xibin (吳西彬)
Mr. Jiang Zidan (姜子旦)

H Share Registrar

Computershare Hong Kong Investor
Services Limited
Shops 1712-1716
17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Principal Bank

Agricultural Bank of China
Rizhao Branch
No. 255, Beijing Road
Rizhao City
Shandong Province
PRC

INDUSTRY OVERVIEW

Certain information and statistics set out in this section and elsewhere in this Prospectus relating to the industry in which we operate are derived from the CIC Report prepared by CIC, an independent industry consultant which was commissioned by us. The information extracted from the CIC Report should not be considered as a basis for investments in the Offer Shares or as an opinion of CIC to the value of any securities or the advisability of investing in our Company. The CIC Report is prepared based on the most up-to-date information available to CIC, which does not include certain data for 2018, and will be updated as such information becomes available. We believe that the sources of such information and statistics are appropriate and have taken reasonable care in extracting and reproducing such information and statistics. We have no reason to believe that such information and statistics are false or misleading or that any fact has been omitted that would render such information and statistics false or misleading in any material respect. Our Directors have further confirmed, after making reasonable enquiries and exercising reasonable care, that there is no adverse change in the market information since the date of publication of the CIC Report or any of the other reports which may qualify, contradict or have an impact on the information in this section. No independent verification has been carried out on such information and statistics by us, the Sole Sponsor, Sole Representative, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any other parties (other than CIC) involved in the Global Offering or their respective directors, officers, employees, advisers, or agents, and no representation is given as to the accuracy or completeness of such information and statistics. Such information may not be consistent with other information compiled within or outside the PRC. Accordingly, you should not place undue reliance on such information and statistics. Unless and except otherwise specified, the market and industry information and data presented in this Industry Overview section is derived from the CIC Report.⁽¹⁾

THE COASTAL PORT SERVICE INDUSTRY IN CHINA

Overview

There are two types of ports, coastal ports and inland ports. A coastal port is located on a coast or shore containing one or more harbors. An inland port is located on a navigable lake, river or canal with access to the ocean.

Operators of coastal ports primarily provide stevedoring services to load and unload cargo between the vessel and berth. Coastal ports may also offer storage services, logistics agency services and various other value-added services, such as freight inspection and customs clearance services. In terms of cargo, coastal ports primarily handle dry or liquid bulk freight (such as grains and crude oil), break bulk freight (such as steel), containers (such as equipment and machinery) and roll-on-roll-off cargo (such as vehicles).

Market Size

China has the largest coastal port service industry in the world, with 10 ports listed among the 15 largest coastal ports in the world in terms of throughput in 2018, contributing approximately 69% of the total throughput of these 15 ports in 2018. In particular, the total throughput of grains of the top 10 ports in

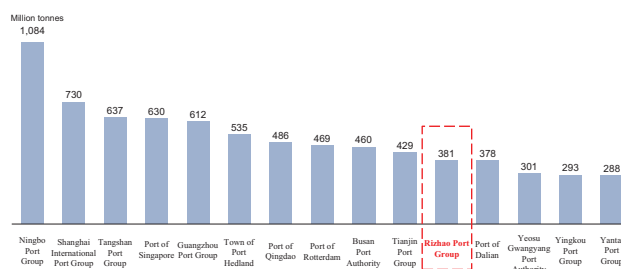
⁽¹⁾ We commissioned CIC, an independent advisory firm with relevant industry experience, to conduct an analysis of, and to report on, the China's coastal port service industry. The report we commissioned, or the CIC Report, has been prepared by CIC independent of our influence. We agreed to pay CIC a fee of RMB390,000, which we consider reflects market rates. Our payment of such fee is not contingent upon the results of the report or the analysis therein. CIC's independent research was undertaken through both primary and secondary research using various resources. Primary research involved interviewing key industry experts and leading industry participants. Secondary research involved analyzing data from various publicly available data sources, including the International Monetary Fund, National Bureau of Statistics of China, the Ministry of Transport, the United States Department of Agriculture, Ministry of Commerce of China, company reports and CIC's internal database. The CIC Report was based on the following assumptions: (i) the overall social, economic and political environment in China is expected to remain stable during the forecast period; (ii) related key industry drivers are likely to propel continued growth in China's coastal port service industry throughout the forecast period; and (iii) there is no extreme force majeure or unforeseen industry regulations in which the market may be affected in either a dramatic or fundamental way.

CIC is an investment consulting company originally established in Hong Kong. Its services include industry consulting services, commercial due diligence, strategic consulting, and so on. Its consultant team has been tracking the latest market trends in agriculture, chemicals, consumer goods, culture and entertainment, energy and industry, finance and related services, healthcare, technology, media and telecom, transportation, among others.

INDUSTRY OVERVIEW

China amounted to 50.8 million tonnes in 2018, accounting for approximately 78.7% of total throughput of grains of the 15 largest coastal ports in the world. The Port of Rizhao ranked 11th in the world, with a throughput of 380.7 million tonnes in 2018. The following chart illustrates the top 15 coastal ports in the world in terms of 2018 throughput.

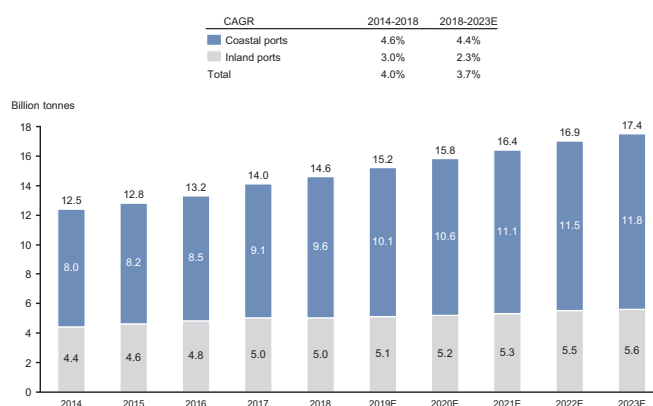
Top 15 Port Operators in the World by Throughput, 2018



Source: Ministry of Transport, the CIC Report

According to the CIC Report, the coastal port service industry in China experienced stable growth from 2014 to 2018. The throughput volume of China's coastal ports increased from 8.0 billion tonnes in 2014 to 9.6 billion tonnes in 2018, representing a CAGR of 4.6%. The increasing demand for manufacturing and industrial raw materials, the growing domestic consumption of grains and the recovery of international trade were key drivers of such growth. Going forward, the Belt and Road initiative is expected to stimulate regional and international trade. Enhanced import and export volumes are expected to increase demand for coastal port services and boost the throughput volume of China's coastal ports. In addition, the overall growth of the PRC economy and population, increasing urbanization and consumption upgrades are expected to drive the coastal port service industry in China. Throughput volume of China's coastal ports is expected to reach 11.8 billion tonnes in 2023, growing at a CAGR of 4.4% from 2018 to 2023. The following chart illustrates the actual and forecasted market size of the coastal port service industry in China by throughput volume for the period indicated.

Market Size of the Coastal Port Service Industry by Throughput, China, 2014-2023E



Source: the CIC Report

Impact of the China-U.S. Trade War

The business of a coastal port is highly dependent on the downstream industries that it serves. Factors affecting the market conditions of industries and businesses in a port's hinterland, changes in geopolitical conditions, government policies, foreign trade and relations, and fluctuations in the demand for the types of cargo a coastal port handles may impact its throughput and business. In March 2018, the United States announced tariffs on over 1,300 categories of products imported from the PRC. In response, in April 2018, China announced retaliatory tariffs on 128 categories of products imported from the United States. These

INDUSTRY OVERVIEW

tariffs, which became effective in July 2018, include a 25% tariff on soybeans. In September 2018, the United States and China each announced additional tariffs on imports. In early December, China and the United States reached a 90-day truce on imposing new tariffs, with the United States agreeing to postpone the plan of increasing tariffs on products imported from the PRC until March 2019 (originally to be carried out on January 1, 2019), and China agreeing to cancel similar tariff increases on products imported from the United States in early 2019, pending the results of further negotiations. On March 5, 2019, the Office of the United States Trade Representative issued a notice in the Federal Register to suspend the scheduled tariff increase until further notice, which was a promising sign for a deal between China and the U.S. The PRC government has also promised to buy more products from the U.S., including soybeans. Although China and the United States appeared close to reaching an agreement, this fell through after meetings between the two sides in mid-April of 2019. On May 10, 2019, the United States increased tariffs on US\$200 billion Chinese goods from 10% to 25%. The latest round of negotiations between China and the United States ended on May 11, 2019 without agreement. On May 13, 2019, China announced 5% to 25% tariffs on US\$60 billion American goods, expected to come into effect on June 1, 2019. The tariffs announced by China currently do not affect the major cargoes that we handle. On the same day, the United States announced up to 25% potential tariffs on an additional US\$300 million Chinese goods. Currently, China and the United States are still in the process of negotiating a new economic and trade agreement between the two countries, however, due to recent escalations in the trade dispute, it is unlikely for both countries to enter into a new trade deal in a timely manner, according to the CIC Report. For the specific impact of the China-U.S. trade war on soybeans, see “— Grains Segment — Soybeans.”

Grains Segment

As the most populated country in the world, China has a high demand for grains. To supplement China's domestic grain production, China imports significant volumes of grains each year. The total throughput of imported grains to China increased from 100.4 million tonnes in 2014 to 115.6 million tonnes in 2018 at a CAGR of 3.6%, and is expected to reach 173.0 million tonnes by 2023 at a CAGR of 8.4%.

Soybeans

In 2018, China imported approximately 58.1% of soybeans traded worldwide. Soybeans are the most imported grain in China in terms of 2018 throughput. China's soybean imports had a throughput of 88.0 million tonnes in 2018, accounting for 76.2% of China's total imported grain throughput in the same year. China relies heavily on soybean imports for the following reasons:

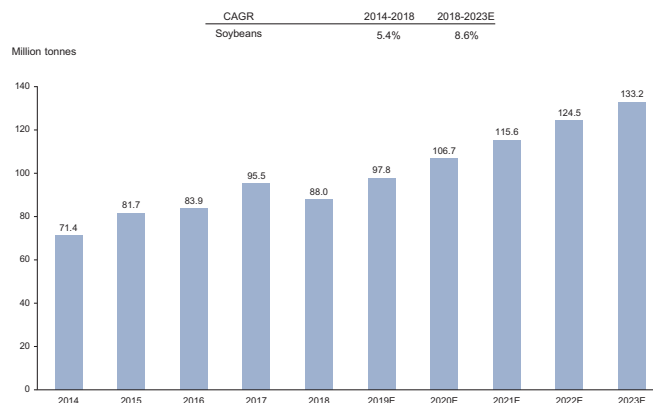
- *Increasing consumption.* Soybeans are used for a wide range of purposes, including as raw materials for edible oil production, intermediates for animal feed and for human consumption. Soybeans have experienced strong and inelastic demand due to urbanization and a growing middle class, as well as an increasing need for soybean feed to support large-scale commercialized operations in the livestock sector. Total soybean consumption in China increased from 87.5 million tonnes in 2014 to 105.0 million tonnes in 2018 at a CAGR of 4.7%, and is expected to reach 152.7 million tonnes by 2023 at a CAGR of 7.8%.
- *Limited arable land available for soybean cultivation.* China has allocated significant arable land to grow other crops pursuant to national policies, leaving limited arable land for domestic soybean production. Available arable land for soybeans amounted to only 8.4 million hectares in 2018, and is not expected to increase significantly in the future. It is estimated that more than 46.7 million hectares of additional soybean acreage was needed to meet PRC demand in 2018, assuming an average soybean output of 1.9 tonnes per hectare in the same year. The per capita area of arable land for soybeans was only 59.3 sq.m. per person in China in 2018 while that number in the U.S. was 1,112.0 sq.m. per person.
- *Limited domestic yield.* China's domestic yield of soybeans has been consistently low at 12.2 million tonnes in 2014 and 16.0 million tonnes in 2018, in part because only northeastern China has suitable climate and arable land for soybean production. Moreover, the outdated production methods and technologies, as well as the small price gap compared to soybean imports reduce the willingness of Chinese farmers to plant soybeans.

As a result of the reasons discussed above, soybean import throughput in China increased from 71.4 million tonnes in 2014 to 88.0 million tonnes in 2018 at a CAGR of 5.4%, and is expected to increase

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to 133.2 million tonnes in 2023 at a CAGR of 8.6%. The following chart illustrates the actual and forecasted soybean import throughput in China for the period indicated.

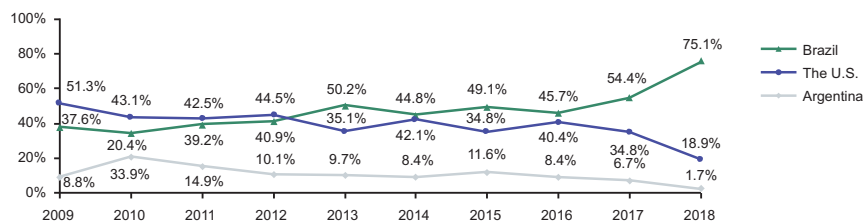
Imported Throughput of Soybeans, China, 2014-2023E



Source: the CIC Report

Historically, China primarily imported soybeans from Brazil and the United States and, to a lesser extent, from Argentina. Since 2013, Brazil has been the largest supplier of China's soybean imports, with a throughput ranging from approximately 45% to 54% of China's total soybean imports between 2013 and 2017. The United States ranked second with a throughput ranging from approximately 35% to 42% of China's total soybean imports in the same period. The following chart illustrates the share of China's soybean imports from major exporting countries for the period indicated.

Share of Soybean Imports to China, 2009-2018



Source: United States Department of Agriculture, Ministry of Commerce, the CIC Report

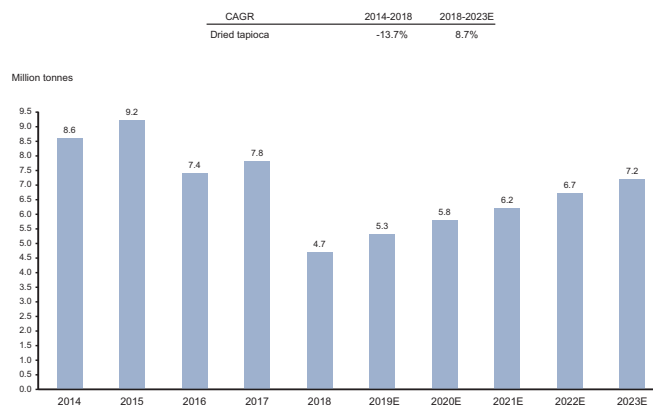
As part of the China-U.S. trade war, in April 2018, China announced a 25% tariff on soybean imports from the United States, which has been in effect since July 2018. Since then, China's soybean imports from the United States have decreased from approximately 23.5 million tonnes for the period from April to December 2017 to approximately 4.4 million tonnes for the corresponding period in 2018. Although China's soybean imports from the United States in 2018 have decreased significantly, China has been able to secure alternative import sources to meet its inelastic demand for soybeans. Soybean imports from Brazil have increased significantly from approximately 48.2 million tonnes for the period from April to December 2017 to approximately 59.9 million tonnes for the corresponding period in 2018. As a result, the throughput volume of imported soybeans from Brazil, as a percentage of China's total soybean imports, increased significantly to approximately 75.1% in 2018. The Ministry of Agriculture of Brazil has announced its plan to increase its soybean acreage by two million hectares over the next two years, which is expected to result in an increase in its annual soybean output and, in turn, its imports to China. Businesses in China are also seeking soybean supplies from other countries such as Argentina to meet domestic demand. As a result, despite the trade war, China's total soybean imports in 2018 amounted to approximately 88.0 million tonnes, and are expected to bounce back in 2019.

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Dried Tapioca

Dried tapioca ranked third among imported grains in terms of throughput in China with a throughput of 4.7 million tonnes in 2018, accounting for 4.1% of China's total imported grain throughput in the same year. Dried tapioca is extracted from the cassava plant and used as a raw material to produce anhydrous ethanol, a clean biofuel and source of renewable energy. Dried tapioca is also used as a raw material to produce sorbic acid and ether, which have a wide range of industrial uses. In China, cassava production is concentrated in the subtropical region in southern China and domestic output is limited. As a result, most of the dried tapioca consumed in China is imported from Southeast Asian countries, especially from Thailand and Vietnam. The following chart illustrates the actual and forecasted dried tapioca import throughput in China for the period indicated.

Imported Throughput of Dried Tapioca, China, 2014-2023E



Source: the CIC Report

From 2014 to 2017, year-to-year fluctuations in the throughput of dried tapioca imports primarily depended on the level of harvest in the countries of origin. In 2018, due to low cassava harvest in Thailand and Vietnam, the output of dried tapioca in these countries decreased significantly, leading to an increase in dried tapioca import prices in China, which in turn lowered the throughput of China's dried tapioca imports. In 2018, the throughput volume of dried tapioca imports in China experienced a decrease of approximately 40% compared to 2017. However, driven by the PRC Government's support of ethanol fuel production, the demand for dried tapioca in China is expected to recover in the foreseeable future. As a result, the throughput of dried tapioca imports is expected to be 7.2 million tonnes in 2023.

The handling of dried tapioca may cause dust pollution and adversely affect the environment. With the increasingly stringent environmental regulations in China, some coastal ports have reduced their handling volume of dried tapioca or discontinued their dried tapioca handling services. As the throughput of dried tapioca imports is expected to increase in the future, coastal ports that are equipped with advanced environment protection equipment will have an opportunity to increase their market share in the dried tapioca handling business.

Maize

Maize has a broad range of applications, including as an intermediate for livestock feed and industrial products, such as ethanol and corn syrup, and for human consumption. PRC demand for maize has increased steadily in recent years due to the expansion of livestock farming industry and government promotion of ethanol fuel production. In the past, China produced most of the maize it consumed. Domestic output of maize fluctuated between approximately 250 million tonnes and 265 million tonnes between 2014 and 2018. Heilongjiang, Jilin and Liaoning provinces are major maize-producing provinces in China, with a total maize output volume of more than 124 million tonnes in 2018, accounting for more than 48% of China's total maize domestic output. To meet the significant demand for maize in China, in 2018, more than 90 million tonnes of maize produced in these provinces were transported to the rest of China, especially to southern China. Domestic output is supplemented by maize imports, which fluctuated between 2.6 million tonnes and 4.7 million tonnes between 2014 and 2018.

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Shandong, Henan and Shaanxi provinces are home to a large number of industrial, chemical and agricultural businesses that process maize, with an aggregate demand of approximately 45.0 million tonnes per year. In particular, demand for maize is high in Shandong province due to the high concentration of such companies in Shandong. Given that Shandong province is not a major maize production area in China, a significant portion of the maize consumed in Shandong province is from other regions in China, such as Heilongjiang, Jilin and Liaoning provinces, or imported. In 2018, the maize consumption volume in Shandong was 35.0 million tonnes, accounting for nearly 17% of the total maize consumption volume in China. However, in the same year, total maize output in Shandong was only 17.1 million tonnes, indicating a significant gap between the demand and supply of maize. The PRC maize processing industry is expected to experience steady growth in the future due to favorable government policies for ethanol fuel and the increasing demand for maize products. As Shandong is a major maize-consuming province in China, it is expected that the maize processing industry in Shandong will maintain steady growth, and as a result of limited maize production in Shandong, the demand for maize sourced from outside Shandong is expected to increase.

Others

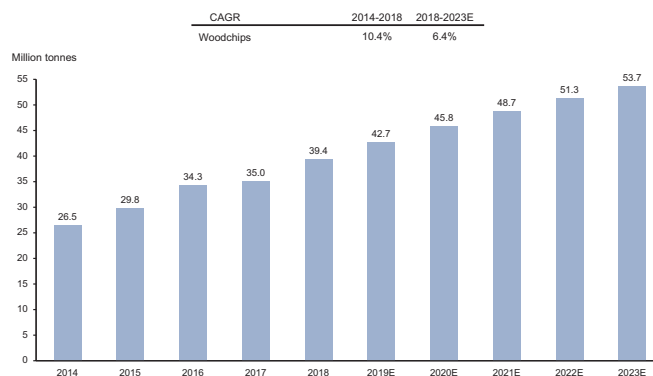
Other major grains imported to China include barley and sorghum, which ranked the second and fourth most imported grain in China in terms of 2018 throughput, respectively. From 2014 to 2018, the throughput of barley imports in China increased from 5.4 million tonnes to 6.8 million tonnes. In 2014 and 2015, the throughput of sorghum imports increased significantly primarily because Chinese farmers were more willing to sell sorghum to the PRC governments due to favorable prices. From 2014 to 2017, the throughput of sorghum imports in China fluctuated between 5.1 million tonnes and 10.7 million tonnes and dropped to 3.7 million tonnes in 2018 due to the China-U.S. trade war. Considering the strong demand for barley and sorghum in China, the throughput of barley and sorghum imports are expected to steadily increase in the foreseeable future.

Woodchips Segment

Woodchips are a major raw material for paper pulp and textile production. In recent years, China has imposed increasingly stringent environmental regulations, including domestic logging quotas and commercial logging restrictions, to protect its forestry, and as a result, domestic production of woodchips is expected to remain stable or even decline. At the same time, China is experiencing increasing consumption of paper products and demand for textiles as a result of urbanization and consumption upgrades in recent years. For these reasons, China is expected to rely heavily on woodchip imports going forward.

According to the CIC Report, China's throughput of woodchip imports increased from 26.5 million tonnes in 2014 to 39.4 million tonnes in 2018 at a CAGR of 10.4%, and is expected to further increase to 53.7 million tonnes in 2023 at a CAGR of 6.4%. The following chart illustrates the actual and forecasted woodchip import throughput in China for the period indicated.

**Imported Throughput of Woodchips, China,
2014-2023E**



Source: the CIC Report

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COMPETITIVE LANDSCAPE OF THE COASTAL PORT SERVICE INDUSTRY IN CHINA

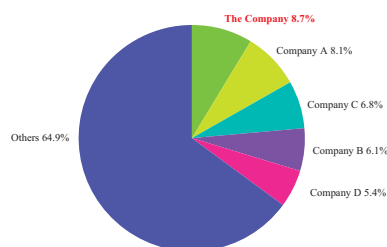
Overview

Coastal ports primarily compete directly with those that share their hinterland and handle the same cargo types. We primarily compete with coastal ports located in the Bohai Rim Region and surrounding areas, including but not limited to the Dong Jia Kou Port (董家口港) and the Lian Yun Gang Port (連雲港港). The Dong Jia Kou Port is located at approximately 50 kilometers to the north of the Port of Rizhao and the Lian Yun Gang Port is located at approximately 120 kilometers to the south of the Port of Rizhao. The Dong Jia Kou Port mainly handles ores and crude oil, while the Lian Yun Gang Port focuses on iron ore, grain, and coal handling. Compared to the Dong Jia Kou Port and the Lian Yun Gang Port, the Port of Rizhao has the distinct advantage of having direct access to two major rail lines, namely Wa-Ri Rail Line (瓦日線) and Xin-He-Yan-Ri-Longhai Rail Line (新菏兗日-隴海線), which is crucial as rail is a major mode of transportation for bulk cargo. Unlike the Lian Yun Gang Port, the Port of Rizhao is not constrained by mountains inland, which limits the available land for port development.

Competitive Landscape of the Grains Segment

The grain import market is fragmented for port operators, with the top five players holding a 35.1% share of the market in terms of 2018 throughput. The Company is the largest port for grain imports, handling 8.7% of China's total grain imports in terms of 2018 throughput. The following chart illustrates the market share of the top five players in grain imports in 2018.

Market Share of the Top 5 Port Operators by Imported Throughput of Grains, China, 2018

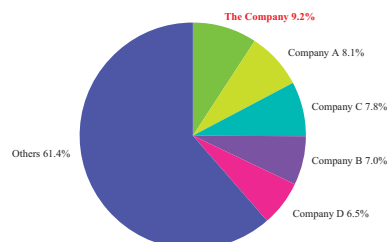


Source: the CIC Report

Competitive Landscape of the Soybean Segment

The soybean import market is fragmented for port operators, with the top five players holding a 38.6% share of the market in terms of 2018 throughput. The Company is the largest port for soybean imports in China, handling 9.2% of China's total soybean imports in terms of 2018 throughput. The following chart illustrates the market share of the top five players in soybean imports in 2018.

Market Share of the Top 5 Port Operators by Imported Throughput of Soybeans, China, 2018



Source: the CIC Report

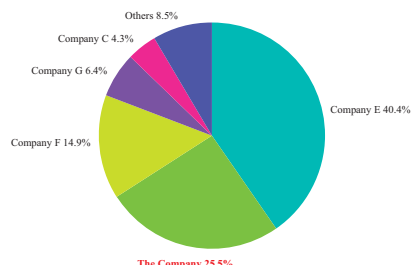
Competitive Landscape of the Dried Tapioca Segment

The dried tapioca import market is relatively concentrated for port operators, with the top five players holding a 91.5% share of the market in terms of 2018 throughput. The Company is the second

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largest port for dried tapioca imports, handling 25.5% of China's total dried tapioca imports in terms of 2018 throughput. The following chart illustrates the market share of the top five players in dried tapioca imports in 2018.

Market Share of the Top 5 Port Operators by Imported Throughput of Dried Tapioca, China, 2018

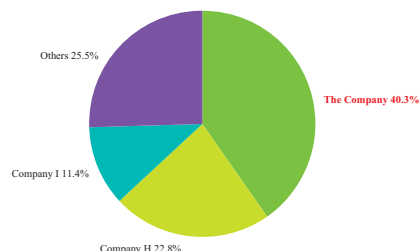


Source: the CIC Report

Competitive Landscape of the Woodchips Segment

The woodchip import market is concentrated for port operators, with the top three players holding a 74.5% share of the market in terms of 2018 throughput. The Company owned the largest woodchip import distribution center in China in terms of designed annual throughput capacity (including that of the berths the Company leases out). The total throughput of woodchip imports handled by berths owned by the Company ranked first in China with 15.9 million tonnes in 2018 (including those from the Company's leased-out berths), accounting for 40.3% of China's total woodchip imports in terms of 2018 throughput. The following chart illustrates the market share of the top three players in woodchip imports in 2018.

Market Share of the Top 3 Port Operators by Imported Throughput of Woodchips, China, 2018



Source: the CIC Report

MARKET DRIVERS AND FUTURE TRENDS

The primary market drivers and future trends for China's coastal port service industry include the following:

- Economic growth.** Downstream industries such as industrial production and manufacturing play a significant role in China's economy. Growth in these industries and the PRC economy is expected to stimulate the coastal port service industry. China's nominal GDP increased from RMB64.1 trillion in 2014 to RMB90.0 trillion in 2018 at a CAGR of 8.9%, and is expected to reach RMB131.7 trillion by 2023. The purchasing managers' index ("PMI"), an indicator of the performance of the manufacturing industry, has increased steadily since March 2016, passing the critical 50% mark that indicates strong development of the manufacturing industry. Although the PMI dropped below 50% in December 2018 in part due to the China-U.S. trade war, the suspension of tariff increases is expected to boost PMI in the future. Furthermore, the robust economy in a coastal port's hinterland is also critical to its business. The total nominal GDP of Shandong, Henan, Shanxi, Shaanxi, Sichuan provinces and Xinjiang autonomous region, together being the hinterland of the Company, increased from RMB16.3 trillion in 2014 to RMB21.9 trillion in 2018, and is expected to maintain stable growth in the foreseeable future.

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- *Favorable government policies.* The PRC Government is making continuous efforts to support China's coastal port industry. In 2014, the Ministry of Transport issued the Guidance on Promoting the Transformation and Upgrade of Ports (關於推進港口轉型升級的指導意見), which focuses on accelerating port development. In 2016, the Standing Committee of Shandong People's Congress issued Regulations of Shandong Province on Waterway Traffic (山東省水路交通條例), which requires local governments in Shandong province to integrate port resources, optimize port layout, accelerate construction of port collection and delivery systems, and establish an integrated transportation system. As set out in the Thirteenth Five-Year Plan for the Grains Logistics Industry (糧食物流業“十三五”發展規劃) issued in 2017, the PRC Government intends to develop the grains logistics industry by upgrading facilities of major coastal ports in China. In 2018, the Standing Committee of the Communist Party of China Shandong Provincial Committee issued the Action Plan to Build the Maritime Economy in Shandong Province (山東海洋強省建設行動方案), aiming to build a strong maritime economy in the Shandong province by 2035.

Moreover, the Belt and Road initiative is expected to promote growth of China's import and export value. In 2015, the State Council issued the Promote the Construction of the Silk Road Economic Belt and the Vision and Action of the Maritime Silk Road in the 21st Century (推動共建絲綢之路經濟帶和21世紀海上絲綢之路的願景與行動), pursuant to which the PRC government aims to improve the infrastructure in coastal ports, increase coastal routes and strengthen collaboration with countries involved in the Belt and Road initiative with respect to maritime logistics. The PRC government subsequently issued several favorable policies and regulations, such as Vision and Action on Jointly Promoting Agricultural Cooperation on the Belt and Road (共同推進“一帶一路”建設農業合作的願景與行動) in order to enhance agriculture-related trade with countries involved in the Belt and Road initiative and encourage PRC grain enterprises to invest in such countries. It is expected that such favorable policies will stimulate the international trade of grains, including maize and dried tapioca, which in turn may increase the imported throughput volume of grains in China.

- *Increasing consumption.* As the PRC population increases steadily and experiences consumption upgrades as a result of increasing disposable income, China's consumption of and demand for grains, such as soybeans, and woodchips are expected to grow.
 - *Soybean.* Soybean is a major grain consumed in China, and is also used to produce edible oil and animal feed for commercialized livestock and poultry productions. Consumption of soybeans is expected to increase from 105.0 million tonnes in 2018 to 152.7 million tonnes in 2023. Dietary preferences towards healthy and nutritious foods are also expected to promote the consumption of soybeans. Because domestically-produced soybeans are limited in China, soybean imports are expected to increase in the future.
 - *Woodchips.* Throughput of China's woodchip imports is expected to increase steadily from 39.4 million tonnes in 2018 to 53.7 million tonnes in 2023. The increase in woodchip imports is primarily driven by strong demand for paper pulp and textiles due to urbanization and consumption upgrades, as well as logging restrictions in China that limit the volume of domestically-produced woodchips.
- *Stringent environmental regulations and renewable energy.*
 - *Woodchips.* Under the overarching goal of the PRC Government to protect the environment, the paper and woodchips industries are expected to be affected by recently implemented environmental regulations. Woodchips are used to make wood pulp, one of the three types of paper pulp. The other two types of paper pulp are non-wood fiber and waste paper pulp. Non-wood fiber production has a serious negative impact on the environment. As a result, paper producers are switching to wood pulp. In 2017, waste paper pulp accounted for nearly 80% of total paper pulp consumed in China, with approximately 32% imported. The PRC Government introduced a new policy in August 2017 to prohibit the import of unclassified waste paper. In 2018, waste paper imports in China decreased by six million tonnes compared to 2017 and accounted for approximately 27% of total paper pulp consumed in China for the same year. It is expected that waste paper imports will continue to decrease in the foreseeable future and

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will be replaced in part by wood pulp. These factors are expected to increase demand for woodchip imports in China.

- *Dried tapioca.* China is focused on developing green and renewable energy, including ethanol fuel. According to China's 13th Five-year Plan for Biomass Energy Development released at the end of 2016, domestic production of ethanol fuel in China is targeted to reach 4 million tonnes by 2020 from 2.7 million tonnes from 2017. Dried tapioca is one of the raw materials that can be used to produce ethanol.
- *Technology upgrade.* Ports are gradually applying information technologies such as automation, big data, Internet of Things, cloud computing and artificial intelligence to their operations to increase operational efficiency and develop new services. For example, some port operators have developed automatic loading and unloading technology and robotic technology to conduct unmanned operations. As larger vessels are increasingly preferred by carriers around the world, it is necessary for ports to have larger berthing capacities. Moreover, ports are transforming from providing traditional port services, such as stevedoring and storage, to providing big data platforms and information management systems that connect various players in the port industry and offer additional value-added services.

ENTRY BARRIERS

Key barriers to enter the coastal port service industry in China include:

- *High capital investment.* Operating and maintaining coastal ports in China is very capital-intensive. Port operators invest significant capital to procure heavy equipment and machinery. Because of the high costs of these equipment and machinery, the period for return on investment is relatively long. Moreover, significant investment is required to fund operations and to construct, maintain and operate the berths, storage facilities and logistic facilities in the port area. More stringent environmental regulations also require higher compliance costs for coastal ports.
- *Geographical and natural conditions.* Favorable geographical and natural conditions are one of the most important factors in the success of a coastal port business. A port that has deep water and temperate climates allow berthing of large vessels year round. In addition, a well-developed transportation network of railways, highways and waterways is key to customers when choosing ports. The Company is connected to its hinterland by three expressways and four national highways, and is the only port in China that is directly connected to two major rail lines, namely, the Wa-Ri Rail Line and the Xin-He-Yan-Ri-Longhai Rail Line. There are also a number of highways and railways under construction that connect to the Port of Rizhao. For example, the Qingdao-Lanzhou Highway, with a designed total length of 1,852 km, will pass through Shandong, Hebei, Shanxi, Shaanxi and Gansu provinces, and the Dezhou-Beijing Highway, with a designed total length of 280 km, will connect Shandong province with Hebei province and Beijing. The expansion of transportation networks is expected to broaden a port's hinterland to reach strong economies, industries and businesses, which is crucial to a port's business.
- *Regulatory approval.* The planning and construction of coastal ports are strictly regulated by the Port Law, pursuant to which the construction of a new coastal port can only be initiated after the planning scheme is approved by both the local government and the State Council. Due to the strict regulations and vetting procedures, only a limited number of new entrants may enter this market.
- *Ability to develop strong relationships with high-quality customers.* The coastal port service industry is cyclical and sensitive to fluctuations in global and PRC economic conditions. High-quality customers that have large-scale operations, such as blue-chip or state-owned companies, have a stable and sustainable business flow and an inelastic demand for port services. Strong relationships with these customers may take years to develop. Moreover, in order to reduce costs and increase operational efficiency, some customers build production and storage facilities near the ports, making it challenging for new entrants to enter the market.
- *Technology.* The success of coastal ports is driven by operational efficiency. For example, ports have increasingly applied automation technologies to control labor costs and increase operating efficiency. New entrants that lack the capacity of developing and applying the latest technologies may be disadvantaged in the industry.

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Our operations have been and will continue to be subject to the governance of the laws and regulations of China. The relevant laws and regulations are promulgated and implemented by government departments of China, including national and local laws and regulations in respect of port-related services including stevedoring, berth leasing, port management, storage and logistics agency services. This section contains a summary of the existing regulatory and legal requirements in relation to the operation of our Company. The laws and regulations are subject to changes and we are unable to predict the impact of the changes to our operations and the additional costs of compliance.

MAJOR REGULATORY AUTHORITIES FOR PORT OPERATION IN CHINA

Ministry of Transport

Pursuant to the Port Law, the Ministry of Transport is responsible for the administration of all the ports in China. Pursuant to the Maritime Law of the People's Republic of China (中華人民共和國海商法) which took effect on July 1, 1993, sea transportation comes under the management of the Ministry of Transport. Pursuant to the Regulations of the People's Republic of China on International Ocean Shipping (中華人民共和國國際海運條例) (the “**Ocean Shipping Regulations**”) which took effect on January 1, 2002 and was last amended on February 6, 2016, the Ministry of Transport and the transport authorities of the relevant local governments are responsible for the supervision and administration of international sea transportation and the auxiliary business operations related thereto. The “auxiliary business operations related to international sea transportation” include international ship agencies, international ship management, port handling of international ocean shipping, the storage of goods related to international ocean shipping, container stations and stacking of international ocean shipping, and other operations.

Pursuant to the Allocation of Functions, Internal Organizations and Personnel Establishment Regulations of the Ministry of Transport (交通部職能配置、內設機構和人員編制規定) (the “**Regulations on Functions of the Ministry of Transport**” (交通部職能規定)) issued by the General Office of the State Council on June 18, 1998, the Resolution on the Proposed Restructuring of State Council Bodies passed at the First Meeting of the 11th National People's Congress (第十一屆全國人民代表大會第一次會議關於國務院機構改革方案的決定) (the “**Proposed Restructuring of State Council Bodies**” (國務院機構改革方案)) announced by the National People's Congress on March 15, 2008, the Notice on the Major Duties, Internal Organizations and Personnel Establishment Regulations of the Ministry of Transport issued by the General Office of the State Council (國務院辦公廳關於印發交通運輸部主要職責內設機構和人員編制規定的通知) (“**Notice on the Duties of the Ministry of Transport**” (交通運輸部職責通知)) issued by the General Office of the State Council on March 2, 2009, the Resolution on the Proposal for Restructuring and Change of Duties of State Council Bodies passed at the First Meeting of the 12th National People's Congress (第十二屆全國人民代表大會第一次會議關於國務院機構改革和職能轉變方案的決定) announced on March 14, 2013 by the National People's Congress and the Decision of the First Session of the Thirteenth National People's Congress on the State Council Institutional Reform Proposal (第十三屆全國人民代表大會第一次會議關於國務院機構改革方案的決定) announced on March 17, 2018 by the National People's Congress, the Ministry of Transport is responsible for the administration of the road and water transportation industries, including, among others, the construction, maintenance, management and fee collection of the port and channel facilities in China, the supervision of marine ports and channels, the inspection of ships and aquatic facilities, and the industry administration of coastline usage for the construction of ports, channels and port-and-channel-related facilities.

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Maritime Safety Administration of the People's Republic of China (中華人民共和國海事局)

The Maritime Safety Administration is a subordinate administrative body directly under the Ministry of Transport and is responsible for supervision and administration of the safety of water transportation, inspection and registration of ships and relevant marine facilities, prevention of pollution by ships and navigation security. In addition, according to the Notice of the General Office of the State Council on Issuing the Proposal for the Establishment of Subordinated Maritime Bodies Directly under the Ministry of Transport (國務院辦公廳關於印發交通部直屬海事機構設置方案通知) promulgated by the General Office of the State Council on October 27, 1999, the Ministry of Transport has also established local offices and regional branches of the Maritime Safety Administration. The local regulatory authority of our Company in terms of maritime safety is Rizhao Maritime Safety Administration (日照海事局).

Water Transport Bureau of the Ministry of Transport (交通運輸部水運司)

Pursuant to the Regulations on Functions of the Ministry of Transport, the Proposed Restructuring of State Council Bodies and the Notice on the Duties of the Ministry of Transport, the Ministry of Transport has established the Water Transport Bureau which is responsible for the administration of international and domestic water transportation, port operations, vessel agencies, freight management and other water transportation services.

Local Authorities of Port Administration

According to the Provisions on the Administration of Port Operations (港口經營管理規定) which was published by the Ministry of Transport on November 6, 2009, took effect on March 1, 2010 and last amended in July 31, 2018, the administration by the local people's government of the ports within its own jurisdiction shall be determined in accordance with the provisions of the State Council on port administration system. The department for the specific administration of ports, which is determined by the people's government of a province, autonomous region or municipality directly under the central government, or the people's government of a city (prefecture) divided into districts or a county where a port is located, shall be responsible for the administration and management of the port operations of the port. The existing provincial port administrative management department overseeing our Company is the Port and Shipping Bureau under the Transport Department of Shandong Province (山東省交通運輸廳港航局).

LAWS AND REGULATIONS FOR OPERATIONS AT PORTS

Use of Sea Areas

Pursuant to the Law of the People's Republic of China on the Administration of the Use of Sea Areas (中華人民共和國海域使用管理法) which took effect on January 1, 2002, the sea areas shall belong to the state, and the State Council shall exercise ownership over the sea areas on behalf of the state. No entity or individual may usurp on, buy or sell or by any other means transfer sea areas. The entities and individuals may apply to the maritime administrative department of the people's government on the county level or above for using the sea areas. The right to use sea areas may not only be obtained in the way as aforementioned, but also be obtained by way of tenders or auctions. The bid-winner or auction winner shall obtain the right to use sea areas on the day when he obtains the

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certificate of right to use sea areas. Entities or individuals who use sea areas shall pay sea usage fees according to the requirements of the State Council.

Use of Coastline

According to the Port Law and the Measures for the Approval and Administration of the Use of Coastline for Ports (港口岸線使用審批管理辦法) which took effect on July 1, 2012 and amended on May 3, 2018, construction of port facilities including quays within the overall port planning zone which use the coastlines shall obtain approval for the use of coastline according to PRC laws. The Ministry of Transport is responsible for the administration of coastlines for ports in the PRC as well as the approval for the use of deep-water coastlines for ports jointly with the NDRC. The construction of port facilities which use non-deep water coastlines requires the approval by port administrative authorities. The relevant procedures for the grant of approvals for the use of coastlines for ports shall be conducted by the port administrative authorities under the local people's governments at county level or above according to PRC laws. If projects of port facilities which require the use of coastlines have not obtained an approval for the use of coastlines at the port or the opinions of the Ministry of Transport on the use of coastlines at the port, approvals for the initial design and work commencement permit will not be granted in respect of the port facilities project. However, for port construction projects approved and permitted by the State Council or the NDRC, when they submit feasibility study report or project application report to the NDRC, they should also submit a copy of the same to the Ministry of Transport. When the Ministry of Transport provides industry opinions on the port construction project, opinions on the use of coastlines should be provided at the same time; other port projects to be approved and permitted by the State Council or the NDRC on the use of coastlines for the port, after obtaining opinions of the Ministry of Transport on the use of port coastline by the construction project, are not required to complete further approval procedures on the use of port coastlines.

Port Operations

Pursuant to the Port Law and the Provisions on the Administration of Port Operations, the term “operation of port” means provision of port facilities or services by a port operator for vessels, passengers and goods within the port areas, including but not limited to providing facilities for vessels such as wharfs, anchorage grounds for lightering, pontoons, etc.; engaging in services such as loading and unloading of goods (including unloading goods by lightering); and providing services such as jacking and towing of vessels so as to enter and exit ports, to dock or leave the wharf or to move or berth. Enterprises engaged in the operation of ports and other port facilities, transportation services to port passengers, loading and unloading, lighterage, warehousing of goods, port tugboats and cargo handling services within the port areas, shall obtain the Permit for Port Operations (港口經營許可證) by applying to the Ministry of Transport or the port administrative authorities in compliance with the Port Law and the Provisions on the Administration of Port Operations, and complete the industrial and commercial registration procedure in accordance with the laws. A port operator shall use and maintain the business facilities and equipment of the port in accordance with the functions being checked and ratified, and keep them in normal conditions.

Security of Port Facilities

Pursuant to the Port Facility Security Rules of the PRC (中華人民共和國港口設施保安規則) which was published by the Ministry of Transport on December 17, 2007 and amended and took

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effect on September 2, 2016, the operator or manager of the port facilities for passenger vessels navigating international routes, cargo vessels of and above 500 gross tonnes, special purpose vessels of and above 500 gross tonnes, and mobile offshore drilling platform services shall be responsible for developing the Security Plan for Port Facilities (港口設施保安計劃). The port operator or manager shall draft and formulate the Security Plan for Port Facilities in accordance with the Port Facilities Security Assessment Report (港口設施保安評估報告) issued by the local port administrative authority and Guidelines for the Development of Port Facilities Security Plan (港口設施保安計劃制訂導則) issued by the Ministry of Transport and organize experts for on-site inspection and review, and modify the Security Plan for Port Facilities according to the result of on-site inspection and the review opinions. After the Security Plan for Port facilities is reviewed by the local port administrative authority, the port operator or manager shall apply to the Ministry of Transport for the Statement of Compliance of a Port Facility (港口設施保安符合證書). A Statement of Compliance of a Port Facility shall be valid for 5 years, and shall be verified by the provincial transport (port) administrative department annually within the validity period. An operator or manager of the port facilities shall also comply with the other requirements set out in the Port Facility Security Rules of the PRC. According to Decision of the State Council to Cancel and Delegate to Lower-level Authorities a Group of Administrative Licensing Items (Guo Fa [2019] No.6) (國務院關於取消和下放一批行政許可事項的決定(國發[2019]6號)) which was published by the State Council, the power to issue the Statement of Compliance of a Port Facility has been delegated to the provincial transportation administration authorities.

Charges for Port Services

Pursuant to the Notice of the Ministry of Transport and the National Development and Reform Commission on Issues Concerning Opening Competitive Port Service Charges (交通運輸部、國家發展和改革委員會關於放開港口競爭性服務收費有關問題的通知) which took effect on January 1, 2015 and the Port Charge Rules (港口收費計費辦法) which issued on July 12, 2017 and took effect on September 15, 2017, port charges include government-determined, government-guided and market-adjusted operational service charges. In particular, government-determined port charges include cargo and port management fees and port facility security fees; government-guided port charges include pilotage (berth moving) fee, towage fee, berthing fee, lightering pick-up and delivery fee, special trimming fee and fee for use of oil containment boom; market-adjusted port charges include fee for port operation contracting, storage and custody fee and fee for use of storage yard, as well as water (material) supply service fee, oil (gas) supply service fee, electricity supply service fee, waste collection and treatment service fee, oily water collection and treatment service fee and cargo handling service fee. The fee for port operation contracting covers the whole process of handling of containers and bulk cargos at ports; port operators shall not separately collect fees for handling of any containers and bulk cargos at ports apart from fee for port operation contracting and storage and custody fee.

Handling of Dangerous Goods at Ports

In addition to the requirements of Provisions on the Administration of Port Operations, port operators engaged in the operation of dangerous goods at ports shall also apply to the port administrative authorities for the operational qualification certification of handling dangerous goods at ports in accordance with the requirements under the Regulations on Safety Management of Hazardous Goods at Ports (港口危險貨物安全管理規定) which took effect on October 15, 2017 and annulled the

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Regulations on Safety Management of Hazardous Goods at Ports which took effect on February 1, 2013, in order to obtain the Permit for Port Operations and the Annexed Certificate on Hazardous Goods Operations at Ports (港口危險貨物作業附證) for each of their hazardous goods workplace. In accordance with Article 23 of the Regulations on Safety Management of Hazardous Goods at Ports, the local port administrative authorities at the place where the relevant port is located is responsible for issuing the Annexed Certificate on Hazardous Goods Operations at Ports. The period of validity of the Annexed Certificate on Hazardous Goods Operations at Ports shall not exceed that of the corresponding Permit for Port Operations.

Pursuant to the Regulations on Safety Management of Hazardous Goods at Ports, an operator of hazardous goods at ports shall comply with the requirements for operation management, emergency management, and the safety supervision and management set out therein. Such requirements include, among others, that an operator of hazardous goods at ports shall, according to the names and hazardous property of the hazardous goods as specified in the Annexed Certificate on Hazardous Goods Operations at Ports, set up corresponding monitoring, controlling, ventilation, sun-proof, temperature-controlled, fireproof, firefighting, blast-proof, pressure discharging, poison-proof, neutralizing, moisture-proof, lightening-proof, static-proof, antiseptis, anti-leakage, protection dams, segregated operation and other safety facilities and equipment at the operation sites, and maintain normal and correct use of them.

Customs Supervision and Control Locations

The Interim Measures of the PRC for Administration of Areas under Customs Supervision (中華人民共和國海關監管區管理暫行辦法), which was promulgated by the General Administration of Customs (海關總署) on August 8, 2017 and amended on May 29, 2018 (the revision on May 29, 2018 became effective on July 1, 2018), annulled the Administration Measures for Customs Supervision and Control Locations of the PRC (中華人民共和國海關監管場所管理辦法), which was promulgated by the General Administration of Customs on January 30, 2008 and revised on April 28, 2015. Pursuant to Article 2 of the Interim Measures of the PRC for Administration of Areas under Customs Supervision, areas under customs supervision refer to places and sites prescribed in Article 100 of the Customs Law of the PRC (中華人民共和國海關法) where the customs office conducts the supervision and administration of transport vehicles, goods and articles that enter or leave China, including the areas under special customs supervision, bonded places under customs supervision, workplaces under customs supervision, duty-free shops and other places and sites with the businesses under customs supervision. Workplaces under customs supervision means the places that are operated and managed by enterprises, used for the entry, exit and berth of transport vehicles that enter or leave the PRC or transport vehicles within the PRC that carry goods under customs supervision, and the relevant business activities such as the entry, exit, loading, unloading, storage, consolidation and temporary storage of goods under customs supervision, that comply with the Standards for the Setup of Workplaces under Customs Supervision (海關監管作業場所設置規範, the “**Rules for the Setup of Workplaces**”), and where the handling of relevant customs formalities is conducted.

Pursuant to the Interim Measures of the PRC for Administration of Areas under Customs Supervision, infrastructure, inspection and check facilities and corresponding supervision equipment shall be set up in an area under customs supervision in compliance with the customs’ regulatory requirements. Any enterprise applying for establishing workplaces under customs supervision (the

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“**application enterprise**”) shall satisfy the following requirements: (i) possessing independent corporate legal person qualifications; (ii) having obtained the registration with administrative departments for industry and commerce in accordance with the scope of operation of the workplaces under customs supervision; and (iii) having the operated sites in accordance with the Rules for the Setup of Workplaces. After receiving the application from the application enterprises, the competent customs shall carry out the administrative licensing matters in accordance with the Administrative License Law of the PRC (中華人民共和國行政許可法) and the Measures of the Customs of the PRC on Implementing the Administrative License Law of the PRC (中華人民共和國海關實施《中華人民共和國行政許可法》辦法). The operating enterprise shall only load, unload, store, consolidate and temporary store the goods under customs supervision at the workplaces under customs supervision.

Ports and Cargo Transport Services under the Belt and Road Initiative

Pursuant to the Outline of the 13th Five-Year Plan for the National Economic and Social Development of the People’s Republic of China (中華人民共和國國民經濟和社會發展第十三個五年規劃綱要, the “**13th Five-Year Plan**”), to advance the development of international economic cooperation corridors under the Belt and Road Initiative, the PRC governmental authorities will actively advance the construction of strategic maritime hubs along the 21st Century Maritime Silk Road, participate in the building and operation of major ports along the road, and promote the joint development of industrial clusters around these ports to ensure that maritime trade routes are clear and free-flowing; the PRC governmental authorities will also advance the development of multi-modal transportation that integrates expressways, railways, waterways, and airways, build international logistics thoroughfares, and strengthen infrastructure development along major routes and at major ports of entry. According to the 13th Five-Year Plan, to improve the bilateral and multilateral cooperation mechanisms of the Belt and Road initiative, the PRC governmental authorities will make further efforts to facilitate transport among countries along the routes, and simplify customs clearance procedures along the routes.

LAWS AND REGULATIONS FOR FOREIGN INVESTMENT AND CHINESE-FOREIGN JOINT VENTURES

Pursuant to the Provisional Regulations on the Establishment of Foreign-Funded Joint Stock Limited Companies promulgated by the MOFCOM on January 10, 1995 and amended on October 28, 2015, foreign companies, enterprises and other economic organizations or individuals may, in the spirit of equality and mutual benefit, establish foreign-funded joint stock limited companies in the PRC together with Chinese companies, enterprises or other economic organizations. A foreign-funded joint stock limited company may be established by means of promotion or public offer. If a company is established by means of promotion, after the promoter selects the members of the Board of Directors and the Supervisory Committee, the Board of Directors should apply for registration of establishment by submitting approval documents, the articles of association and other documents concerning establishment of the company to the company registration authority. Transfer of shares of the promoter shall be conducted three years after registration of establishment of the company and subject to approval by the original examination and approval authority of the company.

The Catalogue of Industries for Guiding Foreign Investment (2017 Revision) (外商投資產業指導目錄, the “**Catalogue**”) was promulgated by the NDRC and the MOFCOM on June 28, 2017. Special Administrative Measures (Negative List) for the Access of Foreign Investment (2018) (外商投資准

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入特別管理措施(負面清單)) (“**Negative List**”) was promulgated by the NDRC and the MOFCOM on June 28, 2018 and came into effect on July 28, 2018. Under the Catalogue and the Negative List, ports operation is allowed and such industry is not a restricted or prohibited category of business.

The establishment of the Chinese-foreign joint venture shall comply with the Law of the People’s Republic of China on Chinese-Foreign Equity Joint Ventures (中華人民共和國中外合資經營企業法), effective from July 8, 1979 and last amended on September 3, 2016, and Regulations for the Implementation of the Law of the People’s Republic of China on Chinese-Foreign Equity Joint Ventures (中華人民共和國中外合資經營企業實施條例), which took effect on September 20, 1983 and was last amended on February 19, 2014. The parties to the venture shall sign the joint venture agreement, contract and articles of association and submit the foregoing documents to the competent authorities of foreign economic relations and trade for approval. After approval, the joint venture shall register with the state competent authorities of administration for industry and commerce to obtain a license to do business and start operations. A joint venture shall take the form of a limited liability company. The proportion of the investment contributed by the foreign joint venture(s) shall generally not be less than 25% of the registered capital of a joint venture.

The Chinese-foreign joint venture operating in China may distribute after-tax profits which are calculated in accordance with the Law of the People’s Republic of China on Chinese-Foreign Equity Joint Ventures, PRC accounting standards, rules and principles.

LAWS AND REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION

In accordance with the Environmental Protection Law of the PRC (中華人民共和國環境保護法) which took effect on December 26, 1989 and was last amended on April 24, 2014, the Marine Environmental Protection Law of the People’s Republic of China (中華人民共和國海洋環境保護法) which took effect on March 1, 1983 and was last amended on November 4, 2017, the Law on the Prevention and Control of Water Pollution of the People’s Republic of China (中華人民共和國水污染防治法) which took effect on November 1, 1984 and was last amended on June 27, 2017, the Law on the Prevention and Control of Air Pollution of the People’s Republic of China (中華人民共和國大氣污染防治法) which took effect on June 1, 1988 and was last amended on October 26, 2018, the Law on the Prevention and Control of Solid Waste Pollution of the People’s Republic of China (中華人民共和國固體廢物污染環境防治法) which took effect on April 1, 1996 and was last amended on November 7, 2016 and the Law on the Prevention and Control of Noise Pollution of the People’s Republic of China (中華人民共和國環境噪聲污染防治法) which took effect on March 1, 1997 and amended on December 29, 2018, enterprises which may cause environmental pollution and other public hazards shall adopt effective measures to prevent and control the pollution and damage to the environment caused by waste gas, sewage, waste residues, dust, malodorous gases, radiation, noise, vibration and electromagnetic radiation generated during the production, construction and other activities.

In accordance with the Outline of the 13th Five-Year Plan for the National Economic and Social Development of the People’s Republic of China (《中華人民共和國國民經濟和社會發展第十三個五年規劃綱要》), which was promulgated by the National People’s Congress on March 16, 2016, the PRC governmental authorities shall work to advance infrastructural construction for logistics and develop green logistics. In accordance with the State Strategic New Industries Development Plan under the 13th Five-Year Plan (《「十三五」國家戰略性新興產業發展規劃》), the relevant PRC governmental authorities shall work to facilitate the deep integration among industries including, among others, the

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energy industry and the logistics and delivery industry. In accordance with the Three-Year (2018-2020) Action Plan for Promoting Structural Adjustment of Transportation (《推進運輸結構調整三年行動計劃 (2018-2020年) 》) which was promulgated by the General Office of the State Council (國務院辦公廳) on September 17, 2018, the relevant PRC governmental authorities shall aim to strengthen the support for establishing smart service platforms for green logistics. In accordance with the Guiding Opinions of the General Office of the State Council on Vigorously Advancing the Innovation on and Application of Supply Chains (《國務院辦公廳關於積極推進供應鏈創新與應用的指導意見》) which was promulgated by the General Office of the State Council on October 5, 2017, the relevant PRC authorities shall aim to advance the research and application of new technologies and equipment relevant to green logistics, implement green standards in transportation, loading and storage, develop and utilize green packaging material, and establish a green logistics system.

LAWS AND REGULATIONS RELATING TO PRODUCTION SAFETY

Pursuant to the Production Safety Law of the PRC (中華人民共和國安全生產法), which took effect on November 1, 2002 and was last amended on August 31, 2014, and other PRC laws and regulations relating to production safety, production enterprises shall strengthen the management of production safety, establish and develop production safety accountability system and maintain safe production facilities to ensure production safety. Education and trainings for production safety shall be provided for employees to ensure that the employees (i) have necessary work safety knowledge; (ii) are familiar with the relevant work safety policies and rules and safe operating procedures; (iii) possess the safe operating skills for their respective posts; (iv) know the emergency response measures for accidents; and (v) are informed of their rights and obligations in work safety. Employees failing the work safety education and training shall not take their posts. Any business entity shall establish a work safety management body or have full-time work safety management personnel if the number of its employees exceeds 100; or shall have full-time or part-time work safety management personnel if the number of its employees is 100 or less. Safety equipment shall be designed, manufactured, installed, used, tested, maintained, improved, and retired in accordance with national or industry standards. Production business entities shall provide their employees with labor protection equipment meeting the national or industry standards, and supervise and educate their employees on wearing or using such equipment in accordance with the rules of use. Special operation workers shall receive special training on safe operation as required by the State, and may take their posts only after obtaining a corresponding qualification.

In accordance with the Production Safety Law of the PRC, the State Administration of Work Safety (國家安全生產監督管理總局) established by the State Council exercises comprehensive supervision and control over work safety throughout the country. The work safety supervision and administration departments of local governments at the county level and above are responsible for supervision and administration of production safety within their respective local jurisdiction. Any responsible individual or enterprise that fails to perform its duty to meet the safety production standards may be ordered to rectify within a prescribed period and/or pay a fine. Failure to rectify within the prescribed period may result in suspension or shutdown of the business. Serious violations that result in any production safety accident may result in criminal liabilities imposed to the responsible individuals.

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LAWS AND REGULATIONS RELATING TO LABOR PROTECTION

The PRC has formulated various labor and safety laws, including the PRC Labor Law (中華人民共和國勞動法), the PRC Labor Contract Law (中華人民共和國勞動合同法), the PRC Social Insurance Law (中華人民共和國社會保險法), the Regulation of Insurance for Work-Related Injury (工傷保險條例), the Unemployment Insurance Law (失業保險條例), the Provisional Measures on Insurance for Maternity of Employees (企業職工生育保險試行辦法), the Interim Provisions on Registration of Social Insurance (社會保險登記管理暫行辦法), the Interim Regulation on the Collection and Payment of Social Insurance Premiums (社會保險費徵繳暫行條例), and other related regulations, rules and provisions in respect of business operations in the PRC issued by the relevant governmental authorities from time to time.

In accordance with the PRC Labor Law, which was promulgated on July 5, 1994 and last amended on December 29, 2018, and the PRC Labor Contract Law, which took effect on January 1, 2008 and was subsequently amended on December 28, 2012, labor contracts in written form shall be executed to establish labor relationships between employers and employees. Employers shall establish and develop labor rules, regulations and systems according to PRC laws to protect the rights and ensure the performance of duties of employees, and professional training systems shall be formed. Employers shall also set up and develop the labor safety and health system in strict compliance with the regulations and standards of labor safety and sanitation of the PRC and provide education on labor safety and sanitation for the employees to prevent work-related accidents and occupational harm. Necessary articles for labor protection in compliance with the labor safety and health requirements shall be provided to employees and regular health examination for employees engaged in work with occupational hazards shall be conducted.

The PRC Labor Contract Law sets out provisions to regulate labor dispatch. In accordance with the PRC Labor Contract Law, labor dispatch service providers are employers as defined therein and shall perform an employer's obligations for its employees. The labor contracts between a labor dispatch service provider and the workers to be dispatched shall be fixed-term labor contract with a term of not less than two years. The labor dispatch service provider shall pay the remunerations on a monthly basis. An accepting entity of dispatched labor shall implement state labor standards and provide the corresponding working conditions and labor protection; communicate the job requirements and labor compensations for the dispatched labor; pay overtime remunerations and performance bonuses and provide benefits relevant to the position; provide the dispatched employees who assume the positions with required training; and implement a normal wage adjustment system in the case of continuous dispatch. Labor dispatch shall exclusively apply to provisional, auxiliary or substitutive positions. The employer shall strictly control the number of dispatched labor, which shall not exceed a certain proportion of its total employees, and the specific proportion shall be prescribed by the labor administrative department of the State Council. Dispatched employees shall have the right to receive the same pay with that received by the employers' employees for the same work.

In accordance with the PRC Social Insurance Law which took effect on July 1, 2011 and amended on December 29, 2018, the Interim Regulation on the Collection and Payment of Social Insurance Premiums which took effect on January 22, 1999, the Decision of the State Council on the Establishment of Basic Medical Insurance System for Urban Workers (國務院關於建立城鎮職工基本醫療保險制度的決定) promulgated by the State Council on December 14, 1998, the Decisions of the

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State Council on the Establishment of Unified System of Basic Retirement Insurance Fund for the Employees of Enterprises (國務院關於建立統一的企業職工基本養老保險制度的決定) promulgated by the State Council on July 16, 1997, the Regulations of Insurance for Work-Related Injury (工傷保險條例) which took effect on January 1, 2004 and subsequently amended on December 20, 2010, the Regulations of Insurance for Unemployment (失業保險條例) which took effect on January 22, 1999, and the Provisional Measures on Insurance for Maternity of Employees which took effect on January 1, 1995, an employer is required to make contributions to social insurance schemes for its employees, including basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance and maternity insurance. If the employer fails to make social insurance contributions in full and on time, the social insurance authorities may demand the employer to make payments or supplementary payments for the unpaid social insurance premium within a specified period together with a 0.05% surcharge of the unpaid social insurance premium from the date on which the payment is due. If the employer fails to settle the overdue payment within such time limit, the relevant regulatory authorities may impose a fine from one to three times the amount of overdue payment on such employer.

Under the Administrative Regulations on Housing Provident Funds (住房公積金管理條例), which were promulgated by the State Council on April 3, 1999 and amended on March 24, 2002, employers are required to make contribution to housing provident funds for their employees. Where an employer fails to pay up housing provident funds within the prescribed time limit, the housing fund administration center shall order it to make payment within a certain period of time. If the employer still fails to do so, the housing fund administration center may apply to the court for compulsory enforcement of the unpaid amount.

LAWS AND REGULATIONS RELATING TO TAXATION

Enterprise Income Tax (the “EIT”)

Pursuant to the EIT Law which was promulgated by the NPC on March 16, 2007 and newly amended on December 29, 2018 and the Implementation Rules of the Enterprise Income Tax Law (企業所得法實施條例, the “**Implementation Rules**”) which was promulgated by the State Council on December 6, 2007 and came into effect on January 1, 2008, the unified income tax rate for PRC enterprises, foreign-invested enterprises and foreign enterprises which established production and operation facilities in the PRC is 25%. Enterprises are classified into “resident enterprises” or “non-resident enterprises”.

Pursuant to the EIT Law and the Implementation Rules, dividends income generated in China of non-resident enterprises that do not have an establishment or premise of business in China or, despite the existence of such establishment or premise in China, the relevant income is not actually connected with such establishment or premise in China is generally subject to a 10% withholding tax rate (subject to dividends income derived from China) unless the jurisdiction of such non-resident enterprises has an applicable tax treaty with China that may reduce or exempt such taxes. Similarly, any incomes realized on the transfer of shares of such investors is subject to a 10% PRC income tax if such incomes are regarded as incomes derived from the PRC.

Pursuant to the Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion

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with Respect to Taxes on Incomes (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) which was promulgated by the SAT on August 21, 2006, a company incorporated in Hong Kong will be subject to a 5% withholding tax rate in respect of the dividends received from a company incorporated in China in which it holds 25% or more equity interests.

Pursuant to the Measures for the Administration of Non-Resident Taxpayers Enjoyment of the Treatment under Tax Agreements (非居民納稅人享受稅收協定待遇管理辦法), which came into force on November 1, 2015, any non-resident taxpayer who needs to enjoy favorable tax treatments under the relevant tax arrangements shall report to the competent tax authorities for record filling on its own or make a declaration through a withholding agent, subject to the subsequent administration by the tax authorities.

Withholding tax on dividend distribution

According to the EIT Law and the implementing regulations of the EIT Law, income such as dividends, rental, interest and royalty from PRC derived by a non-resident enterprise which has no establishment in the PRC or has establishment but the income has no relationship with such establishment is subject to a 10% withholding tax, subject to reduction as provided by any applicable double taxation treaty, unless the relevant income is specifically exempted from tax under the applicable income tax laws, regulations, notices and decisions which relate to foreign investment enterprises and their investors.

According to Arrangement between the Mainland and Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion with Respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (the “Tax Arrangement”) promulgated by the State Administration of Taxation (國家稅務總局) on August 21, 2006, as amended from time to time, the applicable income tax rate for dividends arising from enterprises incorporated in the PRC to an enterprise incorporated in Hong Kong or a foreign enterprise incorporated outside Hong Kong but being controlled or managed in Hong Kong is 5%, if such enterprise beneficially owns not less than 25% equity interest in the said enterprises incorporated in the PRC.

VAT

Pursuant to the Provisional Regulations of the PRC Concerning Value-Added Tax (中華人民共和國增值稅暫行條例), which was promulgated by the State Council on December 13, 1993 and amended respectively on November 10, 2008, February 6, 2016 and November 19, 2017, and the Implementation Rules of the Provisional Regulations on Value-added Tax of the PRC (中華人民共和國增值稅暫行條例實施細則), which was promulgated by the Ministry of Finance of the PRC (中華人民共和國財政部, the “MOF”) and became effective as from December 25, 1993, and were amended on December 15, 2008 and October 28, 2011, all entities or individuals in the PRC engaged in the sale of goods, the supply of processing services, repairs and replacement services, and the importation of goods are required to pay VAT. VAT payable is calculated as “output VAT” minus “input VAT”. The rate of VAT is normally 17% or in certain limited circumstances, the tax rate changes subject to the product type.

Pursuant to the Notice of the Comprehensive Implementation of the Pilot Reform for Transition from Business Tax to Value-added Tax (關於全面推開營業稅改徵增值稅試點的通知) which was

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promulgated by the MOFCOM and SAT on March 23, 2016 and came into effect on May 1, 2016 and amended on July 11, 2017, and its appendix Implementation Measures of the Pilot Reform for Transition from Business Tax to Value-added Tax (營業稅改徵增值稅試點實施辦法), all taxpayers of business tax engaged in the building industry, the real estate industry, the financial industry and the life service industry shall be included in the scope of the pilot reform with regard to payment of VAT instead of business tax. The provision of services related to transportation, posting, basic telecommunications, construction, real estate leasing, the sale of real estate and the transfer of land use right shall be subject to a VAT rate of 11%. The provision of leasing services for tangible assets movables may be subject to a rate of 17%. The tax rate of VAT is nil for cross-border taxable activities provided by units and individual within the PRC and 6% for industry other than disclosed aforesaid. According to Notice of the Ministry of the Finance and the State Administration of Taxation on Adjusting Value-added Tax Rates (Cai Shui [2018] No.32) (“**Notice on Adjusting Value-added Tax Rates**”) promulgated by the MOF and SAT, the previous VAT rates of 17% and 11% applicable to any taxpayer’s VAT taxable sale or import of goods shall be adjusted to 16% and 10%, respectively; if the relevant regulations and the VAT rates, deduction rate and export tax rebate rate stipulated in the Notice on Adjusting the Value-added Tax Rates are inconsistent, the Notice on Adjusting the Value-added Tax Rates shall prevail.

LAWS AND REGULATIONS RELATING TO THE UTILIZATION OF MARKET FORCES

In accordance with PRC Constitution (《中華人民共和國憲法》) which was last amended on March 11, 2018, China implements socialist market economy, and non-state controlled economy is an important component of the socialist market economy.

In accordance with the 13th Five-Year Plan, to facilitate the deepening of reform, the PRC governmental authorities will improve the systems by which the markets plays the decisive role in resource allocation. The 13th Five-Year Plan also require public-benefit state-owned enterprises to give greater play to market forces and introduce market mechanisms. The PRC governmental authorities will also accelerate the development of a unified and open market system that ensures orderly competition, establish mechanisms for ensuring fair competition, and remove market barriers in order to promote the free and orderly flow and equitable exchange of goods and factors of production.

LAWS AND REGULATIONS RELATING TO THE REDUCTION OF STATE OWNERSHIP OF PRODUCTIVE ASSETS

Pursuant to Several Opinions of the State Council on Encouraging, Supporting and Guiding the Development of Individual and Private Economy and Other Non-Public Sectors of the Economy (《國務院關於鼓勵支持和引導個體私營等非公有制經濟發展的若干意見》), private capital is allowed to enter industries and fields not forbidden by laws or regulations, including, among others, monopolized industries and fields of public utilities and infrastructure.

Pursuant to Several Opinions of the State Council on Encouraging and Guiding the Healthy Development of Private Investment (《國務院關於鼓勵和引導民間投資健康發展的若干意見》) and the Notice of the General Office of the State Council on the Allocation of Key Tasks to Encourage and Guide the Healthy Development of Private Investments (《國務院辦公廳關於鼓勵和引導民間投資健康發展重點工作分工的通知》), the responsible PRC governmental authorities shall work to encourage

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and guide private capital to, among others, invest in basic industries and fields of infrastructure (including to encourage private investments to invest in water transport, ports and wharfs, etc.), enter the fields of municipal public utilities, participate in the reform of state-owned enterprises, etc.

LAWS AND REGULATIONS RELATING TO ESTABLISHING SOUND CORPORATE GOVERNANCE PRACTICES

The PRC Company Law was enacted on December 29, 1993, and was last amended on October 26, 2018. It regulates, among others, the establishment and organizational structures of limited liabilities (including wholly state-owned companies) and joint stock limited companies. With regard to joint stock limited companies, the PRC Company Law provides specific requirements for their shareholders' assemblies, boards of directors, managers, and boards of supervisors. The PRC Company Law also comprises a section setting out requirements exclusively for the organizational structure of a listed company, including provisions on independent directors, the board secretary, and corporate decision-making process involving connected transactions. According to the Decision of the Standing Committee of the National People's Congress on Amending the Company Law of the People's Republic of China (2018) (《全國人民代表大會常務委員會關於修改〈中華人民共和國公司法〉的決定(2018)》), amending and improving the provisions of the Company Law is conducive to advancing and improving corporate governance.

Pursuant to the 13th Five-Year Plan, to improve China's basic economic institutions, the PRC governmental authorities will work to ensure that state-owned enterprises introduce corporate and shareholding systems and improve their modern corporate structures and corporate governance. In accordance with the Guiding Opinions of the CPC Central Committee and the State Council on Deepening the Reform of State-owned Enterprises (《中共中央、國務院關於深化國有企業改革的指導意見》, “the SOE Reform Guiding Opinions”), the modern corporate system shall be improved, and to achieve such improvement, the corporate governance structure shall be fine-tuned. the SOE Reform Guiding Opinions calls for, among others, the development of the board of directors in an state-owned enterprise, establish and improve the decision implementation and supervision mechanism of coordinated operation and effective checks and balances where powers match responsibilities, regulate the acts of the chairman of the board of directors and the general manager to exercise powers, give full play to the decision-making role of the board of directors, the supervisory role of the board of supervisors, the operation and management role of the management. In addition, the Guiding Opinions points out that it is vital to effectively enforce and safeguard the lawful exercise of the rights to make material decisions, select and appoint personnel, distribute remunerations, etc. by the board of directors, and guarantee the operational autonomy of the management.

LAWS AND REGULATIONS RELATING TO THE MERGERS AND ACQUISITIONS OF DOMESTIC ENTERPRISES BY FOREIGN INVESTORS

The Regulations on Merger and Acquisition of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定) (the “M&A Rules”), which took effect on September 8, 2006 and was last amended on June 22, 2009, regulates the mergers and acquisitions of domestic enterprises by foreign investors. According to the M&A Rules, a foreign investor is required to obtain necessary approvals when it (i) acquires the equity of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (ii) subscribes the increased capital of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (iii) establishes a

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foreign-invested enterprise through which it purchases the assets of a domestic enterprise and operates these assets; or (iv) purchases the assets of a domestic enterprise, and then invests such assets to establish a foreign-invested enterprise.

On March 8, 2019, the Draft Foreign Investment Law of the PRC (《中華人民共和國外商投資法(草案)》), the “**Draft Foreign Investment Law**”) was deliberated by the Second Session of the Thirteenth National People’s Congress. The Draft Foreign Investment Law reaffirms the “pre-establishment national treatment & negative list” principle. The Draft Foreign Investment Law also requires that when foreign investors partake in the concentration of business operators through mergers and acquisitions of domestic enterprises or other means, they shall be subject to the examination on the concentration of business operators in accordance with the Anti-Monopoly Law of the PRC (《中華人民共和國反壟斷法》). Should the Draft Foreign Investment Law be approved by the National People’s Congress and becomes formal legislation, it will replace three existing laws related to foreign investment, namely the Law of the People’s Republic of China on Chinese-Foreign Equity Joint Ventures (《中外合資經營企業法》), the Law of the People’s Republic of China on Chinese-Foreign Contractual Joint Ventures (《中外合作經營企業法》) and the Law of the People’s Republic of China on Wholly Foreign-Owned Enterprises (《外資企業法》).

HISTORY AND DEVELOPMENT

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The Port of Rizhao commenced operations in 1986 and is the seventh largest coastal port in China and 11th in the world in terms of 2018 throughput, according to the CIC Report. Our predecessor, Rizhao Jurong Port Terminals Co., Ltd. (日照港裕廊碼頭有限公司), was an equity joint venture company established in the PRC in March 2011 by Rizhao Port Group and Jurong Port. We are the largest port for grain and woodchip imports in China, in terms of 2018 throughput, according to the CIC Report. As of the Latest Practicable Date, we operated a total of four berths and leased out four berths, all of which are located at the Shijiu port area in the Port of Rizhao.

The history of Rizhao Port Group can be traced back to the establishment of its predecessors, Rizhao Port Authority and Lanshan Port Authority, which were established in 1984 and 1985, respectively. Rizhao Port Group is a limited liability company established in February 2004 in the PRC with a registered capital of RMB5,000,000,000, and is wholly owned by the Rizhao Municipal People's Government. Rizhao Port Group is authorized by the Rizhao Municipal People's Government to manage and operate the Port of Rizhao and is primarily engaged in port operations, logistics, construction, finance and trade.

Jurong Port commenced operations in 1965 and was established as a private company limited by shares in August 2000 in Singapore with a paid-up capital of SGD683,400,002. Jurong Port is wholly owned by JTC Corporation, a Singaporean state owned real estate company and a statutory board under the Ministry of Trade and Industry of the Government of Singapore. Jurong Port is principally engaged in port operations in handling general, bulk and containerized cargos.

In preparation for the Global Offering, our Company was converted to a joint stock limited liability company under the PRC Company Law in December 2018.

MILESTONES

The following table sets forth the key milestones and achievements in our history and development:

- | | |
|------|---|
| 2011 | • Incorporated and registered in Rizhao, Shandong, PRC |
| 2012 | • Passed the Quality, Environmental, Occupational Health and Safety system certification |
| 2013 | • Passed the preliminary acceptance by China's Administration of Quality Supervision, Inspection and Quarantine ("AQSIQ") as a designated port for grain import |
| 2014 | • Obtained Class A status as grain imports inspection point in the Port of Rizhao and became one of the first batch of 58 designated ports for grain imports in China
• Commencement of operations for our first automated bulk grain rail loading station |
| 2015 | • Completion of bulk grain storage silo capacity expansion |
| 2016 | • Completion of woodchip belt conveyor capacity expansion |
| 2017 | • First trial operations of grains using open-top containers loaded onto train wagons
• Implementation of port system for collection and distribution of cargos |
| 2018 | • Received and completed cargo discharge for the maiden voyage of woodchip bulk carrier, "Sun Plus", from Australia
• Commencement of operations for our second automated bulk grain rail loading station |

HISTORY AND DEVELOPMENT

MAJOR SHAREHOLDING CHANGES OF OUR COMPANY

Establishment of Our Company

Our Company was established as a sino-foreign equity joint venture company with limited liability on March 17, 2011 pursuant to the sino-foreign joint venture contract (the “**JV Contract**”) entered into on February 1, 2011 between Rizhao Port Group and Jurong Port. Upon establishment, our Company was held as to 70% by Rizhao Port Group and 30% by Jurong Port, with a registered capital of RMB1,170,000,000. Rizhao Port Group contributed certain assets, including berths, storage facilities and ancillary constructions, at a valuation of RMB819,000,000, as capital contribution subscribed by it, and Jurong Port paid its contribution by cash in US dollars equivalent to RMB351,000,000. The valuation of the assets contributed by Rizhao Port Group was based on an asset valuation report dated December 2010 issued by an Independent Third Party (the “**Valuation Report**”). As part of the establishment arrangement under the JV Contract, Rizhao Port Group further transferred certain assets to us. See the section headed “— Major Acquisitions — The Acquisition under the JV Contract” for details.

Share Transfer from Jurong Port to Jurong Port Holding

On September 1, 2011, Jurong Port and Jurong Port Holding entered into a share transfer agreement, pursuant to which Jurong Port transferred the share capital of RMB351,000,000 to Jurong Port Holding for a consideration of SGD67,749,047 (equivalent to RMB351,000,000). The consideration was paid by Jurong Port Holding by issuing 67,749,047 shares with a par value of SGD1 each to Jurong Port. The transfer was made for the purpose of shareholding restructuring of Jurong Port. Upon completion of the transfer on January 5, 2012, our Company was held as to 70% by Rizhao Port Group and 30% by Jurong Port Holding.

Jurong Port Holding is a private company limited by shares established in Singapore in March 2011 with a paid-up capital of SGD68,000,001. Jurong Port Holding is an investment holding company wholly owned by Jurong Port.

Share Transfer from Rizhao Port Group to Rizhao Port

On August 8, 2011, Rizhao Port Group and Rizhao Port entered into a subscription agreement for non-public offer shares, pursuant to which Rizhao Port Group subscribed for 195,339,971 non-public offer A shares of Rizhao Port. As a consideration of the share subscription, Rizhao Port Group transferred the share capital of RMB819,000,000 of our Company to Rizhao Port, the valuation of which was based on an asset evaluation report dated August 2011 issued by an Independent Third Party. The transfer was made for the purpose of asset restructuring within Rizhao Port Group. Upon completion of the transfer on March 31, 2012, our Company was held as to 70% by Rizhao Port and 30% by Jurong Port Holding.

Rizhao Port is a joint stock company established in the PRC in July 2002 with a registered capital of RMB3,075,653,888 and is listed on the Shanghai Stock Exchange (stock code: 600017). Rizhao Port is primarily engaged in comprehensive port-related services that cover cargos including ores, coal, coke, timber, steel, nickel ores, bauxite and cement. As of the Latest Practicable Date, Rizhao Port was held as to 43.6% by Rizhao Port Group.

HISTORY AND DEVELOPMENT

Conversion into a Joint Stock Company

Pursuant to the promoters' agreement dated December 10, 2018 entered into between Rizhao Port and Jurong Port Holding and the resolution passed by the shareholders' general meeting on December 10, 2018, our Company was converted into a joint stock company with limited liability on December 19, 2018, with our name changed to Rizhao Port Jurong Co., Ltd (日照港裕廊股份有限公司).

MAJOR ACQUISITIONS

The Acquisition under the JV Contract

Pursuant to the JV Contract, as part of the establishment arrangement, Rizhao Port Group transferred certain assets located in west district of Shijiu port area to us for a consideration of RMB832,999,778. The consideration was determined based on the Valuation Report. As advised by the PRC Legal Advisers, all necessary approvals for the transaction have been obtained from the relevant authorities and the JV Contract was legal and valid and was binding on both parties. The transaction was settled on May 25, 2011 and funded by the capital injection of Jurong Port and bank loans.

The Acquisition of the West-6 Berth

To ensure that we have sufficient berthing capacity to support our future business growth, our Company entered into the Berth Acquisition Agreement on March 8, 2019 with Rizhao Port Group and Rizhao Port Container to acquire the West-6 berth, for a consideration of RMB464,257,800. The consideration was determined based on the valuation report prepared by an independent asset valuer and will be paid on or before the earlier of (i) October 30, 2019 and (ii) the 45th day following the Listing Date. As advised by the PRC Legal Advisers, the acquisition does not require any approval from relevant government authorities. It is anticipated that the acquisition will be completed within 90 days after the consideration is fully paid.

Up to the Latest Practicable Date, save as disclosed above, we did not conduct any other major acquisitions, disposals or mergers.

SPECIAL RIGHTS AND RESTRICTIONS

Pursuant to the JV Contract, Jurong Port Holding was granted certain special rights (the “Special Rights”), including but not limited to the following:

- (i) veto rights on implementation of material matters including (a) amendments to our articles of association; (b) merger, separation, change of company form, dissolution or liquidation of our Company; (c) increase or decrease of share capital; (d) transfer of equity interest of our Company by our shareholders; (e) transfer, purchase, lease, pledge, mortgage, guarantee or any other encumbrance of any individual assets exceeding RMB50 million; and (f) other material matters;
- (ii) pre-emptive rights on any increased share capital of our Company;
- (iii) anti-dilution rights on its shareholding in our Company;

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- (iv) right to appoint Directors, operation manager and financial manager; and
- (v) right of dividends preference on foreign currencies.

On December 10, 2018, Rizhao Port and Jurong Port Holding entered into an agreement (the “**Special Rights and Restriction Agreement**”), pursuant to which both parties agreed that:

- (i) Jurong Port Holding shall no longer enjoy the Special Rights after our conversion into a joint stock company. If our Listing fails, Rizhao Port and Jurong Port Holding shall enter into a new joint venture agreement or adopt new articles of association, with same terms and forms as the JV Contract and its amendments, and shall re-convert us back to a sino-foreign equity joint venture company with limited liability. In addition, in the event that the Listing is not completed by December 31, 2020, Rizhao Port and Jurong Port Holding will review the progress of the Listing and negotiate in good faith on any next steps in the Listing process;
- (ii) during the period between the date of our conversion into a joint stock company and the Listing Date, we shall be restricted from implementation of any matters which are restricted by the Special Rights or may jeopardize any effectuated results of the Special Rights, except for the following, under the condition of written consent from Jurong Port Holding (the “**Restrictions**”):
 - (a) appointment or discharge of operation manager and financial manager of the Company according to the articles of association or relevant rules;
 - (b) transfer, disposal or purchase of any material assets;
 - (c) borrowing from banks or obtaining of bank facilities;
 - (d) decision making on business strategies; and
 - (e) relevant matters necessary to the Listing, including (A) special distribution of dividend before the Listing; (B) matters in relation to use of proceeds; (C) necessary rectifications for the purpose of compliance before the Listing; and (D) actions in relation to substantial dispute, litigation or arbitration for purpose of the Listing; and
- (iii) the JV Contract and its amendments shall be terminated upon our conversion into a joint stock company.

On December 10, 2018, Rizhao Port and Jurong Port Holding entered into a termination agreement, pursuant to which the JV Contract was terminated, together with the Special Rights. Pursuant to the Special Rights and Restriction Agreement, the Restrictions imposed on our Company will be terminated upon Listing.

MAJOR SUBSIDIARIES OF OUR COMPANY

All of our business activities are conducted directly by our Company and we have not had any subsidiaries since our establishment.

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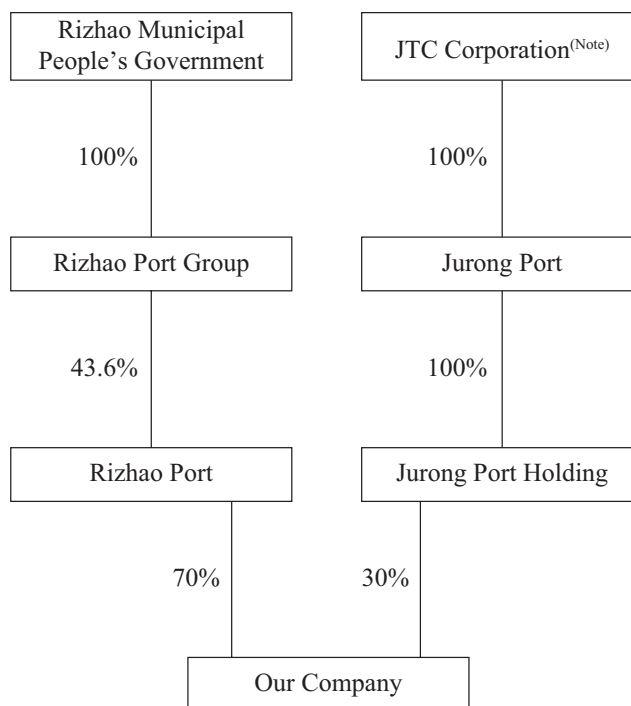
REASONS FOR EXCLUDING CERTAIN BUSINESS FROM OUR COMPANY

Our Controlling Shareholder, Rizhao Port, retained its business of grain stevedoring, storage and transit business with two clients. For reasons of not including such business in our Company, see “Relationship with Controlling Shareholders”.

OUR SHAREHOLDING AND CORPORATE STRUCTURE

Immediately before Completion of the Global Offering

The chart below sets out the shareholding structure of our Company immediately before completion of the Global Offering.

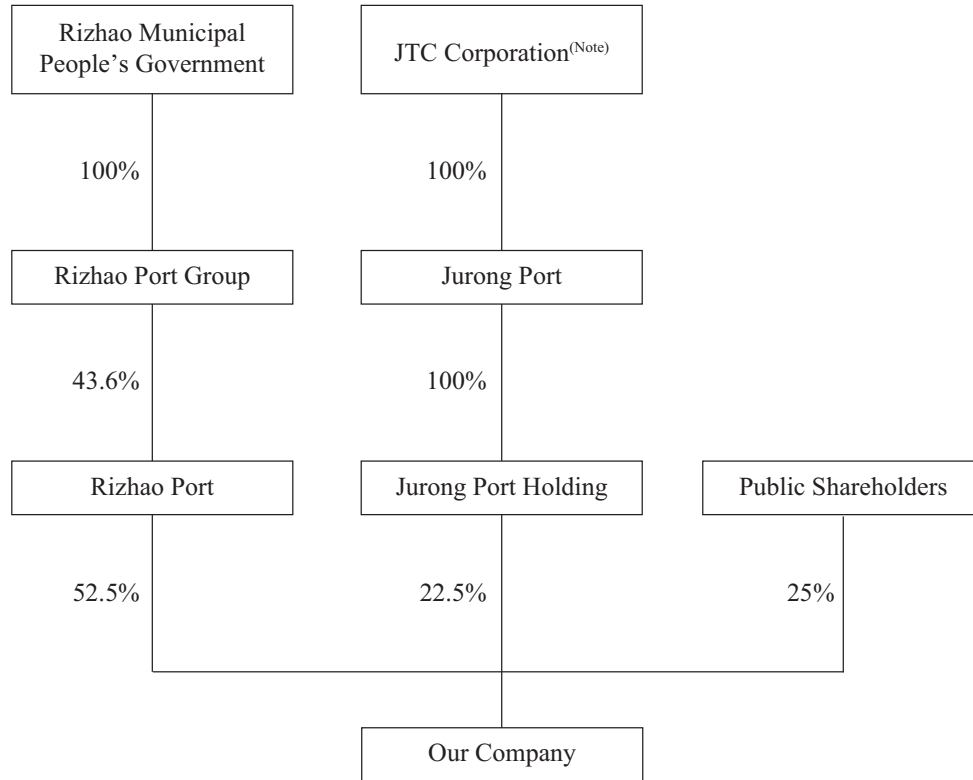


Note: JTC Corporation is a statutory board under the Ministry of Trade and Industry of the Government of Singapore.

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Immediately after Completion of the Global Offering

The chart below sets out the shareholding structure of our Company immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised).



Note: JTC Corporation is a statutory board under the Ministry of Trade and Industry of the Government of Singapore.

SPIN-OFF OF THE COMPANY FROM RIZHAO PORT

Our Controlling Shareholders believe that the spin-off of our Company from Rizhao Port (the “**Spin-off**”) will better position Rizhao Port and the Company for growth in their respective businesses and deliver benefits to both of them. The Spin-off will facilitate the further growth of the Company and provide investors with a clear indicator of the standalone valuation of the Company, which may enhance the overall value of Rizhao Port.

The Spin-off will strengthen the operational management ability of both Rizhao Port and the Company, where their management teams can focus more effectively on their respective businesses. The Spin-off will also allow the Company to enhance its corporate governance through public scrutiny.

As a result of the Spin-off, Rizhao Port and the Company will have separate fundraising platforms, which will increase their respective financial flexibility and enhance their ability to maintain stable cash flow to support sustainable growth.

The Company’s revenues and profits will continue to be consolidated in the financial statements of Rizhao Port following the Spin-off, which will benefit the overall financial performance of Rizhao

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Port. In addition, the Spin-off will enhance the brand value and market influence of Rizhao Port and the Company respectively, facilitate the transformation and development of Rizhao Port and the Company, further consolidate their core competitiveness and promote their sustainable development.

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We are the largest port for grain and woodchip imports in China in terms of 2018 throughput. According to the CIC Report, in 2018, our throughput of both soybean and woodchip imports (including the throughput from our leased-out berths) ranked first in China and our throughput of dried tapioca imports ranked second in China. We have experienced significant growth since our establishment in 2011. Our total throughput increased from approximately 10.9 million tonnes in 2011 to approximately 25.9 million tonnes in 2018 at a CAGR of 13.2%. According to the CIC Report, future PRC demand for soybeans, woodchips and dried tapioca will continue to be significant considering the strong PRC economy, continued growth in global trade and attractive opportunities brought by the Belt and Road initiative. We believe we will be able to leverage our market position and experience in these cargo types as well as the favorable industry trends to enjoy continued business growth.

We are strategically located on the southern coast of the Shandong Peninsula opening to the Yellow Sea and enjoy favorable natural conditions and a well-connected transportation network. We are located at the Shijiu port area of the Port of Rizhao, a major coastal port for commodities trading that is ranked the seventh largest coastal port in China and 11th in the world in terms of 2018 throughput. The Port of Rizhao is a natural deepwater port that enjoys a temperate climate, ice-free and silt-free conditions, as well as open water and a flat seabed. Our berths have a natural water depth ranging from 8.0 to 15.2 meters, enabling us to handle the largest bulk grain vessels in the world. We also enjoy benefits from being the only port in China that is directly connected to two major rail lines of over 1,000 kilometers, namely, the Wa-Ri Rail Line (瓦日線) and the Xin-He-Yan-Ri-Longhai Rail Line (新菏兗日-隴海線), according to the CIC Report. According to the same source, as of the end of 2017, Shandong province had the second largest highway network in China. Likewise, the highway networks for the provinces in our hinterland are extensively-developed and well-maintained. Linking our facilities with those highway networks in Shandong province and beyond are three expressways and four national highways, providing our customers with fast, efficient and reliable land transportation.

We are equipped with comprehensive and advanced port infrastructure and our operations are highly efficient, which we believe is crucial to our ability to achieve an industry-leading collection and distribution capacity. We operate four berths (including one that we lease in) and lease out four berths, with a total designed annual throughput capacity of 18.1 million tonnes. Three of the berths we operate are multi-purpose berths and one is a bulk grain berth. Our 100,000-tonne bulk grain berth, West-5 berth, is one of the largest bulk grain berths in coastal China. Our highly automated and efficient conveyor belt and pipeline systems, industry-leading grain storage capacity and silo turnover rates and strong dispatching capacity allow us to provide highly efficient and comprehensive services to our customers.

Leveraging our favorable geographic location, industry-leading collection and distribution capacity and strong reputation, we have developed stable business relationships with a number of high-quality blue-chip customers, including Asia Symbol, Bunge Sanwei, Chinatex Rizhao and China's state-owned enterprise responsible for its national grain reserve. Six of our customers have consistently been our top 10 customers since 2016, contributing to 53.9%, 43.3% and 50.0% of our revenue for the years ended December 31, 2016, 2017 and 2018, respectively. As a testament to their

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commitment to us, many of our major customers have made significant investments to build processing and storage facilities in close vicinity to our port. A strategically-designed infrastructure connects our loading and unloading systems with our customers' facilities through a network of conveyor belt systems. We believe this optimizes cargo handling with enhanced efficiency, customer satisfaction and loyalty, and reduced cost.

Our Listing constitutes a spin-off from Rizhao Port, whose shares are listed and traded on the Shanghai Stock Exchange (stock code: 600017). Our Controlling Shareholders, Rizhao Port and Rizhao Port Group, are the primary operators of the Port of Rizhao. Our substantial shareholder, Jurong Port, is an internationally-leading multi-purpose port operator in Singapore with extensive experience in port operations. Under the leadership and support of our senior management and Controlling Shareholders, we have achieved rapid growth since our establishment in 2011.

For the years ended December 31, 2016, 2017 and 2018, our revenue was RMB488.2 million, RMB520.5 million and RMB532.1 million, respectively, and our profit and total comprehensive income was RMB78.4 million, RMB127.0 million and RMB149.2 million, respectively.

COMPETITIVE STRENGTHS

We believe that the following competitive strengths will enable us to continue to strengthen our market position and ensure our sustainable growth.

We are the largest port for grain and woodchip imports in China, well positioned to benefit from strong industry growth.

We are the largest port for grain and woodchip imports in China in terms of 2018 throughput. According to the CIC Report, in 2018, our throughput of both soybean and woodchip imports (including the throughput from our leased-out berths) ranked first in China and our throughput of dried tapioca imports ranked second in China. We have experienced significant growth since our establishment in 2011. Our total throughput increased from approximately 10.9 million tonnes in 2011 to approximately 25.9 million tonnes in 2018 at a CAGR of 13.2%. As a result of our operational efficiency as well as our focus on providing services for international trade which enjoy higher fee rates than domestic trade, we have achieved relatively high profit margins compared to industry peers. For the years ended December 31, 2016, 2017 and 2018, our gross profit margin was 28.5%, 37.4% and 42.1%, respectively.

According to the CIC Report, future PRC demand for soybeans, woodchips and dried tapioca will continue to be significant considering the strong PRC economy, continued growth in global trade and attractive opportunities brought by the Belt and Road initiative. We believe we will be able to leverage our market position and experience in these cargo types as well as the favorable industry trends to enjoy continued business growth.

- *Soybeans.* According to the CIC Report, China is the largest consumer and importer of soybeans in the world. PRC consumption of soybeans increased from 87.5 million tonnes in 2014 to 105.0 million tonnes in 2018 at a CAGR of 4.7%, of which soybean imports increased from 71.4 million tonnes in 2014 to 88.0 million tonnes in 2018 at a CAGR of 5.4%. China's demand for soybean imports has steadily increased in recent years due to limited arable land allocated to soybean production and an increased need for soybean feed

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to support large-scale commercialized operations in the livestock sector, as well as increased demand due to urbanization and a growing middle class. Historically, strong demand for soybean imports has been a primary driver of our business growth. We are the largest port for soybean imports in China, with a 2018 throughput of 8.1 million tonnes, accounting for 9.2% of total soybean imports in the PRC, according to the CIC Report. According to the same source, soybean imports in China are expected to increase at a CAGR of 8.6% from 2018 to 2023 to reach 133.2 million tonnes by 2023, which is expected to further drive our growth.

- *Woodchips.* Woodchips are a major raw material for paper pulp and textile production. According to the CIC Report, woodchip imports in China have increased from 26.5 million tonnes in 2014 to 39.4 million tonnes in 2018 at a CAGR of 10.4%. This trend is primarily because China's increasing consumption of paper products and demand for textiles exceed domestic woodchip supply. According to the CIC Report, woodchip imports in China are expected to grow at a CAGR of 6.4% from 2018 to 2023. During the Track Record Period, we owned the largest woodchip import distribution center in China in terms of designed annual throughput capacity. Our total throughput of woodchip imports ranked first in China with 15.9 million tonnes in 2018 (including throughput from our leased-out berths), accounting for 40.3% of China's total woodchip imports. We believe that our market position in woodchips will allow us to continue to benefit from favorable market trends.
- *Dried tapioca.* Dried tapioca is used as a raw material to produce anhydrous ethanol, a clean biofuel and a source of renewable energy. Dried tapioca is also used as a raw material to produce sorbic acid and ether, which have a wide range of industrial uses. The throughput of dried tapioca imports in China ranged from approximately 4.7 to 9.2 million tonnes per year from 2014 to 2018. In 2018, our throughput of dried tapioca imports ranked second in China with 1.2 million tonnes, accounting for 25.5% of China's total dried tapioca imports. As a result of national policies that encourage clean energy, demand for dried tapioca is expected to remain strong.

Our strategic location and robust transportation network lay a solid foundation for our business.

We are located at the Shijiu port area of the Port of Rizhao, the seventh largest coastal port in China and 11th in the world in terms of 2018 throughput. The Port of Rizhao is strategically located on the southern coast of the Shandong Peninsula opening to the Yellow Sea, along the eastern coastline of China. Leveraging its favorable natural conditions, strategic location and well-connected transportation network, the Port of Rizhao has become a major coastal port for commodities trading:

- *Favorable natural conditions.* The Port of Rizhao is a natural deepwater port that enjoys a temperate climate, ice-free and silt-free conditions, as well as open water and a flat seabed. Our berths have a natural water depth ranging from 8.0 to 15.2 meters, enabling us to handle the largest bulk grain vessels in the world.
- *Unparalleled railway network connection.* We benefit from being the only port in China that is directly connected to two major rail lines of over 1,000 kilometers, namely, the Wa-Ri Rail Line (瓦日線) and the Xin-He-Yan-Ri-Longhai Rail Line (新菏兗日-隴海線),

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according to the CIC Report. These rail lines run through central and western China, including Shandong, Henan, Shaanxi, Shanxi and Sichuan provinces, enabling us to expand our hinterland and reach more customers. According to the CIC Report, these rail lines run through some of the most populated provinces in China, which have strong demand for commodities such as grains. According to the same source, the Xin-He-Yan-Ri-Longhai Rail Line and Wa-Ri Rail Line together directly covered approximately 34% of the woodchip processing capacity and approximately 30% of the grain processing capacity in China in 2018.

- *Extensive highway network coverage.* According to the CIC Report, as of the end of 2017, Shandong province had the second largest highway network in China with a total highway length of 40,900 kilometers. Likewise, the highway networks for the provinces in our hinterland are extensively-developed and well-maintained. Linking our facilities with those highway networks in Shandong province and beyond are the Ri-Lan expressway (日蘭高速公路), Shen-Hai expressway (沈海高速公路) and Wei-Ri expressway (濰日高速公路), and four national highways, providing our customers with fast, efficient and reliable land transportation.
- *Well-connected waterway network.* The Port of Rizhao has an extensive waterway network connecting us with over 100 countries and regions all over the world. In addition, regional access to sea routes connect us to other ports in the Bohai Rim Region, along the Yangtze River and those in northeast Asia.

We believe that these favorable conditions have been key to our historical success and will continue to be the foundation of our future growth.

Advanced port infrastructure and high operational efficiency enable us to achieve an industry-leading collection and distribution capacity.

We are equipped with comprehensive and advanced port infrastructure, a large berthing capacity, high unloading and transport efficiency, robust storage capacity and superior discharging capacity, which we believe enables us to achieve an industry-leading collection and distribution capacity:

- *Large berthing capacity.* We operate four berths (including one that we lease in) and lease out four berths, with a total quay length of 2,166 meters, a designed annual throughput capacity of 18.1 million tonnes as of December 31, 2018, and a total throughput of 25.9 million tonnes in 2018. Three of the berths we operate are multi-purpose berths and one is a bulk grain berth. Our 100,000-tonne bulk grain berth, West-5 berth, is one of the largest bulk grain berths in coastal China. With a water depth of 15.0 meters, our West-5 berth is designed to handle the largest bulk grain vessels in the world, according to the CIC Report. Moreover, according to the CIC Report, we own the largest berths designated for woodchip handling in China, with a maximum berthing capacity of 70,000 tonnes.
- *High unloading and transport efficiency.* We have built highly automated and efficient conveyor belt and pipeline systems to seamlessly unload and transport cargo from our berths to our storage facilities and to our customers' neighboring facilities. We have a dual

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conveyor belt system for grains with a discharging rate of 3,000 tonnes per hour, which is one of the highest in China according to the CIC Report. The woodchips unloading system in our port area (including the berths we lease out) connects directly to our key customer's production facilities or our storage yards, with an industry-leading discharging rate of 1,400 tonnes per hour and a designed annual throughput capacity of 15 million tonnes. We have also built the first and only fully-enclosed dried tapioca unloading system in China, which allows us to unload dried tapioca automatically from vessel to delivery truck in an environmentally-friendly manner at a discharging rate of 200 tonnes per hour.

- *Robust storage capacity.* We have one of the largest grain storage capacities and one of the highest turnover rates in the industry. As of the Latest Practicable Date, we owned 80 silos with a total storage capacity of 467,000 tonnes. According to the CIC Report, for three consecutive years in 2016, 2017 and 2018, our silos had one of the highest turnover rates among sizeable ports in China. We also have two bulk grain warehouses with an aggregate area of 18,000 sq.m. In addition to our storage facilities, a number of our major customers own and manage storage facilities in close vicinity to our port, creating a synergistic effect with our operations. As of the Latest Practicable Date, our customers located within a five kilometer radius from our port owned approximately 1.2 million tonnes of storage capacity, bringing the total storage capacity available to us and our customers to 1.7 million tonnes.
- *Superior discharging capacity.* Leveraging our well-connected transportation network and advanced discharging systems, we can efficiently transport cargos to our hinterland via railway and highway. We have one of the largest train loading capacities among PRC ports in terms of designed annual dispatching capacity, according to the CIC Report. Two of our train loading lines are automatic loading lines for grains with an annual dispatching capacity of approximately 3.9 million tonnes. We were the first port in China to use industrial robots on train loading lines, according to the CIC Report. Our award-winning robotic processing automation technology has enabled us to achieve 24-hour, all-weather and automatic train loading. Using such technology, we have been able to increase loading productivity for each train loading line approximately five-fold from 35 minutes per 70-tonne wagon to seven minutes and reduce our need for manpower. As of the Latest Practicable Date, we had 58 truck loading lines that connect to three expressways and four national highways that are a part of the nationwide highway network. With our in-house developed logistics management system combining RFID, GIS and automatic weighing technologies to optimize highway transportation and improve customer experience, we are able to achieve a maximum daily truck dispatch volume of 44,380 tonnes as of the Latest Practicable Date.

Our stable base of high-quality and long-term customers and strong innovation capabilities support our sustainable growth.

In a cyclical industry such as ours, we believe that building a stable base of high-quality customers with a steady and sustainable flow of business is critical to our business growth. We have developed a portfolio of long-term customers with whom we have maintained four to eight years of business. Many of our major customers are high-quality, blue-chip companies that are market leaders

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in their respective cargo types in China, including: (i) Chinatex Rizhao, a subsidiary of the largest state-owned agriculture and food processing company in China; (ii) Bunge Sanwei, a major exporter of soybean products from Asia; (iii) Asia Symbol, a major commercial wood pulp producer in China; and (iv) China's state-owned enterprise responsible for its national grain reserve. Six of our customers have consistently been our top 10 customers since 2016, contributing to 53.9%, 43.3% and 50.0% of our revenue for the years ended December 31, 2016, 2017 and 2018, respectively.

As a testament to their commitment to us, many of our major customers have made significant investments to build processing and storage facilities in close vicinity to our port, and we expect these customers to continue to engage us for port-related services in the foreseeable future. In particular, as of the Latest Practicable Date, our soybean customers had processing facilities with a total capacity of over 5.0 million tonnes and a key woodchip customer had processing facilities with a total capacity of over 1.5 million tonnes. A strategically-designed infrastructure connects our loading and unloading systems with our customers' facilities through a network of conveyor belt systems. We believe this enables optimal cargo handling with enhanced efficiency, customer satisfaction and loyalty, and reduced cost.

We dedicate significant efforts to address our customers' pain points by offering services aimed at improving our customers' operational and cost efficiency. For example, we have become aware of the unmet needs of our customers for one-stop "berth to factory" services, which eliminate their need to interface with a range of service providers and agents for various port-related and logistics services. To address these needs, we began to offer one-stop "berth to factory" services in 2018, such as integrated freight agency services in 2018 by arranging rail freight on behalf of our grain and woodchip customers. Such expansion of our value-adding propositions will become a major selling point for existing and potential customers, enabling us to enhance customer loyalty and achieve business growth.

We have a senior management team with in-depth experience and strong support from our Controlling Shareholders.

Our historical success is owed in large part to the vision and leadership of our senior management team, which we believe will continue to be crucial to our success in the future. Our Chairman of the Board, Mr. Zhang Baohua (張保華), has served at the Port of Rizhao since 1994, with approximately 25 years of experience in port management and operations. Our general manager, Mr. He Zhaodi (賀照第), has over 20 years of experience in port operations. Mr. He has been named as an "Advanced Individual in the Port and Shipping Systems in Shandong Province" and a "National Advanced Individual of Returned Overseas Chinese." Our deputy general manager, Mr. Sim Kwee Kiat (沈貴傑), has over 25 years of experience in the international maritime port industry, having previously served at internationally-leading shipping and logistics companies such as Maersk, APL and Jurong Port.

Our Controlling Shareholders, Rizhao Port and Rizhao Port Group, are the primary operators of the Port of Rizhao. The Port of Rizhao is the seventh largest coastal port in China and 11th in the world with a throughput of 380.7 million tonnes in 2018, according to the CIC Report. The Port of Rizhao is an important hub in China for grains, ores, coal and timber. In terms of coastline resources, the Port of Rizhao is a natural deepwater port with a coastline of over 30 kilometers, of which only one-third has been developed. The robust deepwater coastline resources of the Port of Rizhao provide

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us with significant potential for future business development. In line with the overall business strategy of our Controlling Shareholders, we are strategically focused on grain and woodchip handling. Moreover, our Controlling Shareholders provide support to our business by leasing a berth and storage facilities to us, which enhance our operational capacity and competitiveness.

Our substantial shareholder, Jurong Port, is an internationally-leading multi-purpose port operator in Singapore primarily engaged in handling bulk cargo, break bulk cargo and container cargo. Jurong Port has received numerous international awards in the port and shipping industries, including the “Terminal Operator of the Year,” “Singapore Quality Class,” “Green Mark for Building Award — Platinum Class,” and “ABC Waters Certifications,” and it has also been awarded the “Asia-Pacific Multi-purpose Terminal Operator of the Year” six consecutive times.

Under the leadership and support of our senior management and Controlling Shareholders, we have achieved rapid growth since our establishment in 2011. Our cargo types have expanded from three in 2011 (soybeans, woodchips and dried tapioca) to over 20 in 2018 (adding maize and wheat, among others). Through our efforts, we have become the largest port for grain and woodchip imports in China in terms of 2018 throughput.

We have received numerous awards during the Track Record Period, including the “First Place in China Port Technology Development,” “First Batch of Designated Grain Import Port in China,” “National Transportation and Logistics Reputable Enterprise,” “National Transportation and Logistics Quality Management Outstanding Enterprise,” “Leading Enterprise of Equipment Management in Shandong Province” and “Leading Enterprise of Port and Shipping Safety Production of Rizhao City.” We believe that our strong results of operations, leading market position and strong reputation are reflected in the industry awards that we have received.

BUSINESS STRATEGY

Our mission is to become a world-leading hub for grains and woodchips. To that end, we intend to implement a business strategy with the following components.

Leverage the Belt and Road initiative and expand our business capacity

With China’s rapid growth in its maritime influence, the Port of Rizhao, being a key coastal port in China and the eastern end of the New Eurasian Land Bridge, is expected to become an important hub of international trade and transportation under the Belt and Road initiative. We are at the forefront of the international expansion and development of the Port of Rizhao and endeavor to leverage the strategic opportunities created by China’s development. We intend to further solidify our market position as the largest port for grain and woodchip imports in China, and become a world-leading hub for grains and woodchips.

After years of rapid development, we have consistently achieved a high berth utilization rate during the Track Record Period. In order to meet increasing throughput demand and provide better port services to our customers, we intend to acquire a berth and increase our bulk grain storage capacity. Our expansion plans include:

- *Throughput capacity.* We intend to acquire the West-6 berth from Rizhao Port Group and Rizhao Port Container, which will allow us to increase our throughput capacity. As of the

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Latest Practicable Date, we had entered into the Berth Acquisition Agreement with Rizhao Port Group and Rizhao Port Container for the acquisition of the West-6 berth. The West-6 berth is located close to our existing berths, with a quay length of 422 meters and a water depth of 16.0 meters. We plan to acquire the necessary equipment and machinery to develop the West-6 berth into a bulk grain berth with a designed annual throughput capacity of over 6.5 million tonnes, capable of handling bulk grain vessels of 100,000 tonnes. See “Future Plans and Use of Proceeds” for details.

- *Storage capacity.* We have evaluated options to build additional storage facilities for bulk grains and plan to implement in stages based on business volume.

In addition to solidifying our leading position in existing cargo types that we handle, we will also endeavor to develop new cargo types to diversify our business. We are actively developing our maize and wheat business, and are converting parts of our storage facility to handle these cargo types. Regions in our hinterland, such as Shandong, Henan and Shaanxi provinces, are home to a large number of industrial, chemical and agricultural businesses that process maize, with an aggregate demand of approximately 45.0 million tonnes per year. According to the CIC Report, Shandong province alone had a maize consumption volume of 35.0 million tonnes in 2018. Both PRC domestic and imported maize require transit at a coastal port such as ours. Considering the high demand for maize and the importance of coastal ports in maize trade, we endeavor to become a major port in China for maize handling.

Consistent with the Belt and Road initiative, we also plan to expand our business into emerging grain markets. Moreover, we believe that the Belt and Road initiative would bring business opportunities in emerging markets of Central Asia, such as Kazakhstan, Southeast Asia, such as Vietnam and Thailand, and Africa, such as Ethiopia. As PRC companies are encouraged to increase their investment in the agriculture and other sectors of these countries pursuant to favorable Belt and Road initiative policies, we expect PRC imports of grains (such as soybeans and dried tapioca) and woodchips from these countries to increase, which in turn supports our business growth.

Provide one-stop integrated and efficient port services

We believe that port operators are transforming from traditional ports that typically provide loading, unloading and storage services into modern ports that serve as international logistic hubs, business and financial centers, and information and technology centers. Through integration of a comprehensive range of value-added services, modern coastal ports in China are expected to become a key player in the economies of their hinterland. We will actively embrace such market trend and drive our transformation.

We plan to provide our customers with integrated logistics solutions that meet their needs. We have launched freight agency services for a Rizhao-Yancheng North rail line for our woodchip customers and a Rizhao-Jiaxiang rail line for our soybean customers. We believe that these services are convenient and cost-efficient for our customers, and have received positive feedback to that effect. We have commenced preparations to rent rail wagons to provide one-stop freight integration services for our customers. In addition, we plan to tailor our “berth to factory” services to existing key customers to strengthen customer loyalty, as well as target new customers in central and western China.

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With our “berth to factory” services as a foundation, we intend to connect upstream and downstream industries by building a coastal port supply chain platform for cargo owners, trading companies, financial institutions such as banks and financing companies, logistics agents and logistics providers for railways, highways and waterways. Moreover, our coastal port supply chain platform will provide customs, inspection and quarantine agency services and manage maritime and port relationships for our customers, which we believe will enable us to provide fully-integrated and efficient one-stop port services.

Strengthen our brand reputation and expand our customer base

Integrity is our core value and the cornerstone of building a highly capable management team and cultivating high-quality talent to operate our business. We believe that a corporate culture and brand built on integrity helps us to establish a strong reputation, enhance our soft power and create a business environment of mutual trust, which together enables us to continue to expand our high-quality blue-chip customer base.

Our goal is to continue to enhance our reputation as a “port of integrity.” In order to achieve this goal, we will focus on enhancing the quality of our stevedoring, storage and other services by improving our service process management and establishing a logistics quality accountability system. In addition, we intend to enhance our service quality and our business reputation by offering more employee training, optimizing our management system and building our corporate culture. Through these measures, we endeavor to improve customer satisfaction in all aspects of our operations.

Concurrently, we plan to continue to develop new customers, expand our hinterland, and cooperate more closely with high-quality domestic grain and woodchip processing companies and coastal railway operators in order to create mutually-beneficial strategic partnerships.

Become a “smart port”

We believe that the port industry is undergoing a transformation with the continuous evolution and widespread application of information technologies such as big data, Internet of Things, cloud computing and artificial intelligence. Ports have increasingly applied information and intelligent technologies in their operations and have applied their strategic focus from resource control to specialized resource management.

In line with this industry trend, we plan to be a forerunner in building a “smart port” through the following three phases:

- *Phase I — digital transformation of key aspects of our operations.* We intend to improve all major aspects of our information and technology system and invest additional resources in our technological infrastructure, such as installing wireless devices, sensory devices and communication and network transmission devices. We expect that these upgrades will allow us to achieve digital transformation of key aspects of our operations. We commenced preparations for phase I in 2018.
- *Phase II — data sharing and interconnection.* Upon completion of digital transformation of key aspects of our operations, we plan to achieve data sharing through interconnectivity among our operating systems, including our customer management system, equipment and

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materials management system, production scheduling system, human resources system, financial system and other systems. We believe that interconnectivity and centralized data processing and analysis will provide greater insights into our business operations and enhance efficiency and accessibility for our employees and business partners. We plan to commence phase II in 2020.

- *Phase III — creation of a data platform.* We plan to create a big data platform for port services, consolidating information relating to relevant laws and regulations, logistics tools, cargo types, geographic locations, funding and financing, and production and operation. Through this platform, we intend to connect various participants of the port industry, such as shipping companies, logistics companies, financial enterprises, governments and the public, providing them with a diverse range of value-added services such as smart dispatching, logistics and management services. We plan to commence phase III in 2021.

By the end of 2018, we completed the preliminary upgrade of our existing information and technology system. We will gradually launch a collection and dispatching system, wireless terminal production management system, business management system, human resources system, storage management system, online equipment monitoring and warning system and an upgraded silo filling system, with the goal of transforming our port to a “smart port.”

Develop a sustainable and environmentally-friendly port

We endeavor to be a sustainable green port, striking a balance between port development, resource consumption and environmental protection. We are committed to being energy-efficient and lowering our environmental footprint, while achieving strong growth and economies of scale.

In recent years, we have continued to improve the functional layout of our port and optimize our cargo handling procedures and equipment with the goal of increasing the use of clean and renewable energy, lowering dust emissions and enhancing environmental awareness of our employees. Going forward, we will focus on the following aspects:

- *Water.* We plan to improve the water conditions in our port area by implementing comprehensive water processing and resource management policies targeting sewage handling, water recycling and rainwater utilization. In the foreseeable future, we target to handle all types of sewage and wastewater from our operations in a more environmentally-friendly manner.
- *Air.* We plan to construct more dust-proof facilities and enhance environmental management of roads and enclosed facilities. With respect to dust pollution from dried tapioca, we expect to further improve our fully-enclosed dried tapioca unloading system by installing new equipment, such as dried tapioca dust removal funnels, and implementing new handling procedures that are more efficient and environmentally friendly.
- *Waste disposal.* We plan to enhance our monitoring systems for the collection, transport and disposal of waste. In the foreseeable future, we intend to collect and dispose of all of our household waste and solid waste through more eco-friendly methods.

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- *Energy consumption.* We intend to actively promote the use of clean energy in our port operations. In particular, we plan to upgrade our loading and unloading and logistics facilities and equipment from being gasoline-powered to electricity-powered or natural gas-powered.

OUR LOCATION

We are located at the Port of Rizhao, the seventh largest coastal port in China and 11th in the world in terms of 2018 throughput, and an important hub in China for grains, ores, coal and timber, according to the CIC Report. The Port of Rizhao sits on the southern coast of the Shandong Peninsula opening to the Yellow Sea, along the eastern coastline of China. The following map indicates the geographical location of the Port of Rizhao.

Geographical Location of the Port of Rizhao



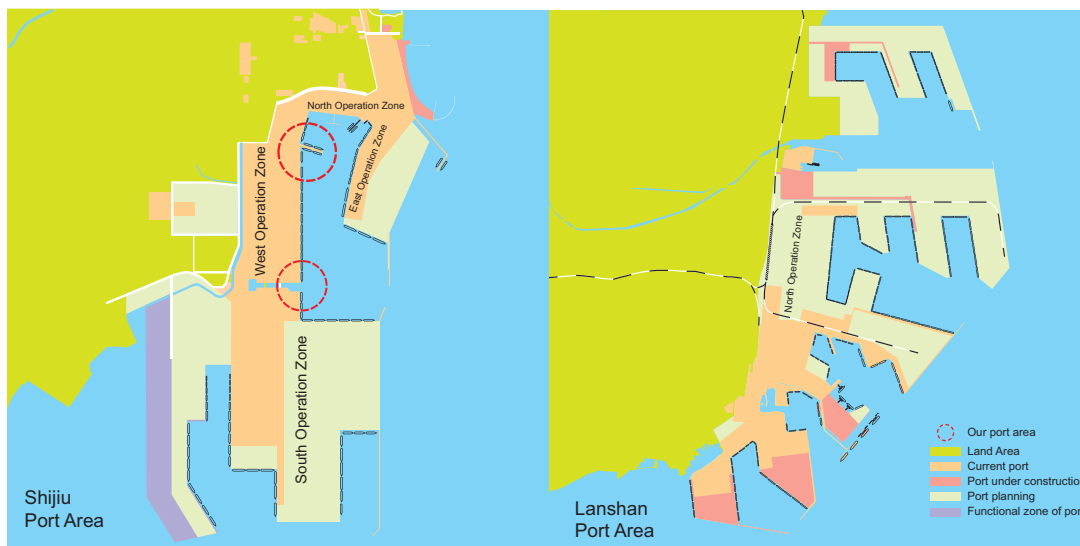
Source: the CIC Report

The Port of Rizhao is a natural deepwater port with a coastline of over 30 kilometers, of which only one-third has been developed. It enjoys favorable natural conditions, with a temperate climate, ice-free and silt-free conditions, as well as open water and a flat seabed. Leveraging its natural conditions and geographic location, the Port of Rizhao connected to over 100 countries and regions all over the world as of December 31, 2018.

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The Port of Rizhao is generally divided into two main port areas, namely, the Shijiu (石臼) port area and the Lanshan (嵐山) port area, with a total of 59 berths as of the Latest Practicable Date. The following map illustrates the Shijiu port area and the Lanshan port area, which are approximately 50 kilometers apart from each other.

Shijiu Port Area and Lanshan Port Area



Source: Company's internal information

We are neighbored by the Dong Jia Kou Port (董家口港) approximately 50 kilometers to the north and the Lian Yun Gang Port (連雲港港) approximately 120 kilometers to the south, both of which have overlapping hinterland with us. Compared to the Dong Jia Kou Port and the Lian Yun Gang Port, we benefit from being the only port in China that is directly connected to two major rail lines of over 1,000 kilometers, namely Wa-Ri Rail Line (瓦日線) and Xin-He-Yan-Ri-Longhai Rail Line (新菏兗日-隴海線), which is crucial as rail is a major mode of transportation for bulk cargo. Unlike the Lian Yun Gang Port, we are not constrained by mountains inland, which limits the available land for port development. For details of our transportation network, see “— Our Hinterland and Transportation Network.” For details of our competitive landscape, see “Industry Overview — Competitive Landscape of the Coastal Port Service Industry in China.”

OUR OPERATIONS

Overview

We are the largest port for grain and woodchip imports in China in terms of 2018 throughput, according to the CIC Report. Our Company was established in 2011 by Rizhao Port Group and Jurong Port. Rizhao Port Group is a state-owned enterprise with over 15 years of experience in the port operating business and the ultimate owner and operator of the Port of Rizhao. Jurong Port is an international multi-purpose port operator based in Singapore with a long operating history since 1965.

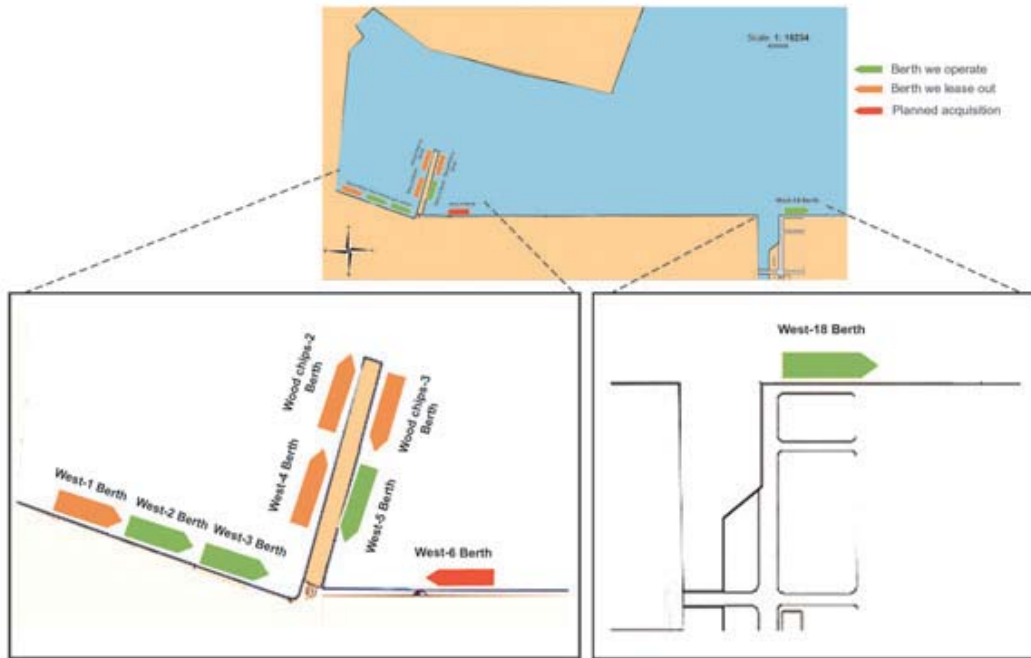
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Our Berths

As of the Latest Practicable Date, we operated and leased out a total of eight berths, all of which are located at the Shijiu port area. Among these eight berths, we operated four and leased out four. See “— Services and Cargo Types — Our Services — Berth Leasing Service.”

The following map shows the locations of these eight berths, as well as the West-6 berth.

Location of Our Berths and the West-6 Berth



Source: Company's internal information

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The following table sets forth details of these eight berths as of December 31, 2018.

	Owner	Berth type	Major usage	Quay length	Water depth	Maximum berthing capacity	Designed annual throughput capacity
				(meters)		(in million tonnes)	
Berths we operate							
West-2	The Company	Multi-purpose	Grains, woodchips and cargos from domestic trade	180	10.2	0.04	0.6
West-3	The Company	Multi-purpose	Grains and woodchips	261	11.6	0.07	0.7
West-5	The Company	Bulk grain	Grains	350	15.0	0.10	5.2
West-18	Rizhao Port	Multi-purpose	Grains and woodchips	350	15.2	0.10	1.7
Sub-total				<u>1,141</u>			<u>8.2</u>
	Lessee	Berth type	Major usage	Quay length	Water depth	Maximum berthing capacity	Designed annual throughput capacity
				(meters)		(in million tonnes)	
Berths we lease out							
West-4	Asia Symbol	Woodchips	Woodchips	399	11.6	0.04	2.5
Woodchips-2	Asia Symbol	Woodchips	Woodchips	215	12.2	0.07	3.5
Woodchips-3	Asia Symbol	Woodchips	Woodchips	255	12.2	0.07	3.5
West-1	Rizhao Port	Multi-purpose	Containers and passengers	156	8.0	0.02	0.4
	Container						
Sub-total				<u>1,025</u>			<u>9.9</u>
Total				<u>2,166</u>			<u>18.1</u>

Berths We Operate

The four berths we operate have maximum berthing capacities ranging from 40,000 tonnes to 100,000 tonnes, with a total quay length of 1,141 meters and a water depth ranging from 10.2 to 15.2 meters, enabling us to handle the largest bulk grain vessels of 100,000 tonnes in the world. Our 100,000-tonne bulk grain berth, West-5 berth, is one of the largest bulk grain berths in coastal China, according to the CIC Report.

We own three of the four berths that we operate. These berths are built on land leased from our Controlling Shareholders. We have also leased in the West-18 berth from Rizhao Port since 2016. Our lease agreement for the West-18 berth has an initial term of five years, and upon the expiration of the agreement, we have the pre-emptive right to renew the lease. Under the lease agreement, we pay a fixed yearly rent and starting from January 2018, we also pay a percentage of our profits generated from the West-18 berth to Rizhao Port. We will revise the terms of this agreement based on the Property Lease (Sale) Framework Agreement, which will become effective upon Listing.

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The following table sets forth the designed annual throughput capacity, throughput and utilization rates of the berths we operate for the period indicated.

	Designed annual throughput capacity	For the year ended December 31,					
		2016		2017		2018	
		Utilization		Utilization		Utilization	
		rate ⁽¹⁾		rate ⁽¹⁾		rate ⁽¹⁾	
		Throughput	rate ⁽¹⁾	Throughput	rate ⁽¹⁾	Throughput	rate ⁽¹⁾
(in million tonnes, except percentages)							
<i>Owned</i>							
West-2 ..	0.6	0.4	66.7%	0.3	50.0%	0.4	66.7%
West-3 ..	0.7	2.5	357.1	3.6	514.3	3.4	485.7
West-5 ..	5.2	5.0	96.2	5.7	109.6	5.5	105.8
<i>Leased in</i>							
West-18 ..	1.7	2.6	152.9	2.9	170.6	3.6	211.8
Total	8.2	10.5	128.0%	12.5	152.4%	12.9	157.3%

(1) Calculated by dividing the throughput of a berth by its designed annual throughput capacity.

During the Track Record Period, the utilization rates of our West-2 berth were lower than the other berths we operate, because we primarily used the West-2 berth to handle cargos from domestic trade, which had relatively low throughputs during the Track Record Period.

The designed annual throughput capacity for our berths is the theoretical amount of cargo that the berth is capable of handling in 365 calendar days based on the engineering design of the berth, assuming normal working hours and standard operating efficiency, which is defined at the design and construction phase. Designed annual throughput capacities of berths are in many cases conservatively computed during the engineering design of a port, and the designed annual throughput capacities may not be updated even though the berth has undergone infrastructure and technological upgrades to become more efficient or have larger capacities. For example, the West-3 berth was built over 16 years ago in 2002 with a designed annual throughput capacity of 0.7 million tonnes, which was sufficient for the business at the time. Since then, the West-3 berth underwent further construction to expand its berthing capacity, which has enabled it to achieve higher annual throughputs. Actual annual throughput is closely tied to the efficiency of port operations such as vessel turnaround time, rate of cargo loading, number and length of work shifts and experience of the workforce. For these reasons, the utilization rates of the West-3, West-5 and West-18 berths have at times exceeded 100% during the Track Record Period. According to the CIC Report, it is not uncommon for a berth to have actual annual throughput that is considerably higher than the stated designed annual throughput capacity.

As advised by our PRC Legal Advisers, PRC laws and regulations do not explicitly prohibit a berth from operating at a throughput that is higher than its designed annual throughput capacity. Our PRC Legal Advisers are of the view that the fact that our berths' actual annual throughputs are higher than their respective designed annual throughput capacities does not violate any mandatory provision of PRC laws and regulations, considering that we have obtained a written confirmation from the relevant competent authority confirming that (i) the authority is aware of the fact that our berths' actual annual throughputs are higher than their respective designed annual throughput capacities, (ii) this is not a violation of PRC laws or regulations, and (iii) the authority will not penalize us for this matter.

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Berths We Lease Out

As of the Latest Practicable Date, we leased out a total of four berths that we own. We lease out our West-4, Woodchips-2 and Woodchips-3 berths to Asia Symbol, a wood pulp producer and an Independent Third Party. We lease out our West-1 berth to Rizhao Port Container. Because the West-1 berth is relatively short, large vessels at the West-1 berth would need to occupy part of the West-2 berth, which is adjacent to the West-1 berth, for handling. In such instances, we were paid a leasing fee for the West-2 berth under our leasing agreement with Rizhao Port Container. See “— Services and Cargo Types — Our Services — Berth Leasing Service” for details.

Borrowed Berths

In the early years of our operations, we entered into a leasing agreement with a key woodchip customer to lease out three berths. As our business expanded, we no longer had sufficient capacity at the berths we operate to serve our customers, and as a result, we borrowed berths from this woodchip customer and, to a lesser extent, from Rizhao Port, when we required additional throughput capacity. In cases where our berths were not available for our customers’ vessels to berth, we may negotiate with Rizhao Port to borrow their berths to discharge our customers’ vessels. Although the berths we borrowed from Rizhao Port may not be designated for the cargo types we handle, we were able to set up temporary equipment and machinery on these berths and leverage our qualified labor with relevant operation skills in using the equipment and machinery to accommodate our needs. For example, when we borrow berths from Rizhao Port to handle bulk grain cargos, we implement a number of measures to meet our operation standards, primarily including (i) replacing the grab feeders at the borrowed berths that are designed for other cargo types with our own removable grab feeders that are designed for bulk grains; (ii) installing a removable funnel designed for bulk grains to discharge the grains directly from vessels to our trucks to avoid using other facilities at the borrowed berths, which enables us to avoid contamination and maintain the quality and integrity of our cargos; and (iii) designating our qualified workers to oversee and handle the stevedoring process. Due to the additional measures we implement when using borrowed berths, we only borrow berths in cases where our berths are otherwise occupied and not available for use. The fees for borrowed berths are determined by mutual agreement between both parties with reference to the market price for discharging at berths. Fees for the borrowed berths are settled on an annual basis based on the total throughput from borrowed berths in that year. The total throughput from borrowed berths amounted to 1.1 million, 1.2 million and 1.3 million for the years ended December 31, 2016, 2017 and 2018, respectively.

Expansion Plan

To ensure that we have sufficient throughput capacity to support our future growth, we have entered into the Berth Acquisition Agreement with Rizhao Port Group and Rizhao Port Container for the acquisition of the West-6 berth. See “— Business Strategy” and “Future Plans and Use of Proceeds.” The total capital expenditure in relation to the West-6 berth is expected to be approximately RMB583.8 million. The West-6 berth is located close to our existing berths, with a quay length of 422 meters and a water depth of 16.0 meters. The West-6 berth is used by Rizhao Port Container and is currently equipped with port facilities specialized for container cargo, such as container unloading equipment and storage facilities for container cargo. We plan to develop the West-6 berth into a bulk grain berth with a designed annual throughput capacity of over 6.5 million tonnes, capable of handling bulk grain vessels of 100,000 tonnes. We have also entered into the MEC

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General Agreements, the Civil Construction Agreements and the Reconstruction Supervision Agreements with respect to the West-6 berth. See “Connected Transactions” for details.

SERVICES AND CARGO TYPES

Our Services

We provide comprehensive port-related services, including stevedoring, berth leasing, port management, storage and logistics agency services. The following table sets forth our revenue by service type for the period indicated.

	For the year ended December 31,					
	2016		2017		2018	
	(RMB in thousands, except percentages)					
Stevedoring	393,876	80.7%	412,740	79.3%	413,751	77.8%
Berth leasing	70,783	14.5	74,651	14.3	76,293	14.3
Port management	12,512	2.5	13,995	2.7	13,587	2.5
Storage	11,043	2.3	19,128	3.7	19,573	3.7
Logistics agency	—	—	—	—	8,857	1.7
Total revenue	<u>488,214</u>	<u>100.0%</u>	<u>520,514</u>	<u>100.0%</u>	<u>532,061</u>	<u>100.0%</u>

During the Track Record Period, most of our services were provided for international trade rather than domestic trade. Pursuant to PRC laws and regulations governing port operations and industry practice, international cargos are generally subject to higher fee rates compared to domestic cargos. As a vast majority of our throughput consisted of international cargo, we believe price competition in domestic cargo has a limited effect on our business operations. The following table sets forth a breakdown of our throughput by international and domestic trade for the period indicated.

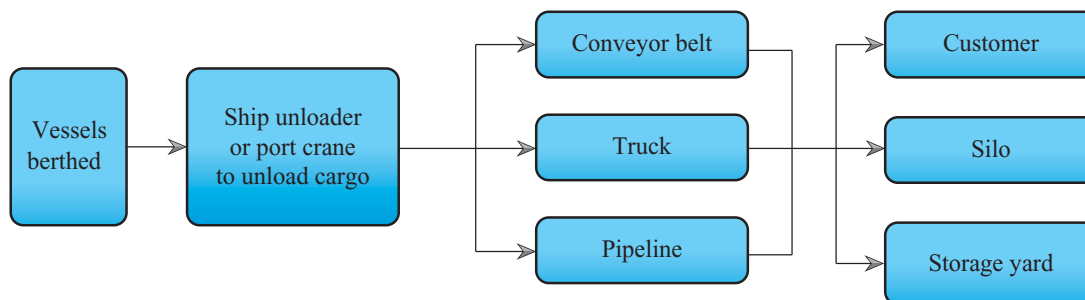
	For the year ended December 31,					
	2016		2017		2018	
	(in million tonnes, except percentages)					
International trade	22.1	99.1%	23.8	98.3%	25.5	98.5%
Domestic trade	0.2	0.9	0.4	1.7	0.4	1.5
Total	<u>22.3</u>	<u>100.0%</u>	<u>24.2</u>	<u>100.0%</u>	<u>25.9</u>	<u>100.0%</u>

Stevedoring Service

During the Track Record Period, we generated a significant majority of our revenue from our stevedoring service. Our stevedoring service primarily involves the unloading of bulk cargos, including grains and woodchips. At the end of each month, we collect freight information from each of our customers to create a work forecast and a preliminary berthing and operation schedule for the coming month. Generally, at least three days before berthing, a vessel will report its upcoming arrival information, including its loading and draft, to us. We will then arrange a detailed berthing schedule for the vessel based on such information.

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The following diagram summarizes the major steps involved in our stevedoring service.



Berth Leasing Service

Woodchip Berths

In the early years of our operations, we entered into a long-term leasing agreement to lease out three woodchip berths, namely, the West-4 berth, the Woodchips-2 berth and the Woodchips-3 berth, to Asia Symbol, an Independent Third Party engaged in wood pulp production. Asia Symbol pays a fixed rent to us annually and is responsible for maintenance of the leased berths and the relevant berth equipment. The leased berths are generally used to unload woodchips belonging to Asia Symbol. We borrowed these berths when we required additional throughput capacity during the Track Record Period. For details, see “— Our Operations — Our Berths — Borrowed Berths.”

Multi-purpose Berth

In February 2017, we entered into a leasing agreement with Rizhao Port Container to lease out a multi-purpose berth, our West-1 berth, which is primarily used to handle containers and passengers. Because the West-1 berth is relatively short, large vessels at the West-1 berth would need to occupy part of the West-2 berth, which is adjacent to the West-1 berth, for handling. In such instances, we were paid a leasing fee for the West-2 berth under our leasing agreement with Rizhao Port Container. Rent is paid to us on a semi-annual basis. Rizhao Port Container is responsible for maintaining the West-1 berth and providing the necessary safety, fire and environmental protection facilities in accordance with relevant laws and regulations during the use of the West-1 berth. Our current leasing agreement does not have a fixed term, and we will revise the terms of this agreement based on the Property Lease (Sale) Framework Agreement, which will become effective upon Listing.

Port Management Services

Our port management services include a variety of services, such as berthing services and port facility security services. Generally, we charge vessels berthing at our berths a berthing fee and a security fee set by the government for the maintenance and repair of public facilities at our berths.

Storage Service

We offer storage service to meet the needs of customers that require short-term storage for bulk cargos before they are transported to the next destination. We provide three types of storage, namely, silo storage, storage yard and warehouse storage. Our silos and warehouses are generally used to store grains. We have one multi-purpose storage yard for grains, woodchips and dried tapioca and another storage yard for woodchips. For details of our storage facilities, see “— Our Facilities — Storage

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Facilities.” Customers of our storage service primarily include grain processing companies, industrial and chemical processing companies and trade companies. We offer our stevedoring customers a limited storage period for free.

Logistics Agency Service

Our berths are connected inland through a network of railways and highways and to a number of international cities through waterways. For details, see “— Our Hinterland and Transportation Network — Transportation Network.” We began to offer freight agency services in 2018 to address the unmet needs of our customers for one-stop “berth to factory” services. As part of our “berth to factory” services, we endeavor to provide all of the major services required to deliver cargos from the vessel to our customers’ facilities, eliminating the customers’ need to interface with a range of service providers and agents for various port-related and logistics services, which we believe can reduce our customers’ time and costs incurred. We have begun to provide one-stop integrated freight agency services by arranging rail freight on behalf of our grain and woodchip customers. We have commenced preparations to rent rail wagons and plan to continue to develop additional “berth to factory” services going forward. See “— Business Strategy — Provide one-stop integrated and efficient port services.”

Cargo Types

As of the Latest Practicable Date, we handled over 20 cargo types at our berths, primarily including soybeans, woodchips, dried tapioca and, to a lesser extent, other cargo types including maize and wheat. The following table sets forth our revenue breakdown by cargo type for the period indicated.

	For the year ended December 31,					
	2016		2017		2018	
	(RMB in thousands, except percentages)					
Soybeans	240,639	49.3%	287,593	55.3%	301,907	56.7%
Woodchips	76,895	15.8	87,006	16.7	71,442	13.4
Dried tapioca	74,887	15.3	57,719	11.1	54,528	10.2
Other cargo types	25,010	5.1	13,545	2.6	19,034	3.6
Others ⁽¹⁾	70,783	14.5	74,651	14.3	85,150	16.0
Total revenue	488,214	100.0%	520,514	100.0%	532,061	100.0%

(1) Represents revenue from our berth leasing and logistics agency services that are not allocated to any cargo type.

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For the years ended December 31, 2016, 2017 and 2018, our total throughput amounted to 22.3 million tonnes, 24.2 million tonnes and 25.9 million tonnes, respectively. The following table sets forth our throughput breakdown by cargo type for the period indicated.

	For the year ended December 31,					
	2016		2017		2018	
	(in million tonnes, except percentages)					
Soybeans	6.7	30.0%	7.8	32.2%	8.1	31.1%
Woodchips ⁽¹⁾	3.0	13.5	4.1	16.9	4.2	16.1
Dried tapioca	1.5	6.6	1.3	5.4	1.2	4.9
Other cargo types	0.4	1.9	0.5	2.1	0.7	2.7
Berth leasing ⁽²⁾	10.7	48.0	10.5	43.4	11.7	45.2
Total	22.3	100.0%	24.2	100.0%	25.9	100.0%

(1) Consistent with industry reporting practice to the Ministry of Transport, these amounts represent the total freight volume of vessels carrying woodchip cargos in terms of tonnes. As the woodchips are light goods, our fees are calculated based on woodchip cargo unloading volume in terms of bone dry metric tonnes. In 2016, 2017 and 2018, our woodchip cargo unloading volume in terms of bone dry metric tonnes amounted to 1.3 million, 1.6 million and 1.2 million, respectively.

(2) For details, see “Financial Information — Description of Certain Statements of Profit or Loss and Other Comprehensive Income Items – Revenue.”

Soybeans

We are the largest port for soybean imports in China in terms of 2018 throughput, according to the CIC Report. For the years ended December 31, 2016, 2017 and 2018, our soybean import throughput was approximately 6.7 million tonnes, 7.8 million tonnes and 8.1 million tonnes, respectively, accounting for approximately 8.0%, 8.2% and 9.2% of total soybean imports in China in the same periods, respectively, according to the CIC Report. China is a major importer of soybeans, accounting for approximately 58.1% of soybeans traded worldwide in 2018. China’s demand for soybean imports is relatively inelastic and has grown steadily from 2014 to 2018 at a CAGR of 5.4%, and is expected to grow at a CAGR of 8.6% from 2018 to 2023. This trend is largely due to the increased demand due to urbanization and a growing middle class, as well as an increasing need for soybean feed to support large-scale commercialized operations in the livestock sector, according to the CIC Report. However, according to the same source, significant arable land in China has been allocated to grow other crops pursuant to national policies, leaving limited arable land for domestic soybean production. For details, see “Industry Overview — The Coastal Port Service Industry in China — Grains Segment — Soybeans.” Strong demand for soybean imports is a primary driver of our business growth.

We generally handle soybeans imported from Brazil and the United States. In 2017, soybeans imported from Brazil and the United States accounted for 58.7% and 33.1% of our soybean throughput, respectively. Since China announced a 25% tariff on soybean imports from the United States in April 2018, China’s soybean imports from the United States have decreased from approximately 23.5 million tonnes for the period from April to December 2017 to approximately 4.4 million tonnes for the corresponding period in 2018. However, we believe that our business would not be significantly affected, considering that a vast majority of our soybean throughput has historically been imported from Brazil and businesses have found alternative import sources to meet China’s

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inelastic demand for soybeans. For example, soybean imports from Brazil have increased significantly from approximately 48.2 million tonnes for the period from April to December 2017 to approximately 59.9 million tonnes for the corresponding period in 2018. As a result, the throughout volume of imported soybeans from Brazil, as a percentage of China's total soybean imports, increased significantly to approximately 75.1% in 2018.

All four of the berths we operate can handle bulk grains, with a total designed annual throughput capacity of approximately 8.2 million tonnes. Our West-5 berth, which is primarily used for soybeans, is one of the largest bulk grain berths in coastal China and is designed to handle the largest bulk grain vessels in the world, according to the CIC Report. After we unload the soybeans from vessels, the soybeans are either transported via conveyor belts directly to our customers' facilities or to our storage facilities.

Our major soybean customers are blue-chip, state-owned agriculture and food processing companies, with a strong and stable demand for soybean imports. A number of our major customers have built production and storage facilities in close vicinity to our port and we have built a conveyor belt system to transport soybeans directly to these facilities. We believe that this is a reflection of our major customers' commitment and loyalty to us. For details of our customers, see “— Our Customers, Sales and Marketing — Our Customers.”

For our other soybean customers that do not have facilities near us, we believe we are able to provide ample short-term storage in our port area, which we offer free of charge for a limited period. As of the Latest Practicable Date, we owned 80 silos within the port with a storage capacity of 467,000 tonnes and two bulk grain warehouses with an aggregate area of 18,000 sq.m. When requested by customers, soybeans stored in our facilities will be transported by train or truck to their next destination. We have two automatic train loading lines that are dedicated to loading grains, primarily soybeans, with an annual dispatching capacity of approximately 3.9 million tonnes. For details of our facilities, see “— Our Facilities.”

Woodchips

Woodchips are a major raw material for paper pulp and textile production. PRC demand for woodchips has risen in recent years primarily due to increasing consumption of paper products and demand for textiles driven by urbanization and consumption upgrades. However, as a result of domestic logging quotas and commercial logging restrictions, China relies heavily on woodchip imports. For details, see “Industry Overview — The Coastal Port Service Industry in China — Woodchips Segment.” The total throughput of woodchip imports handled by berths owned by us ranked first in China in 2018 (including those from the woodchip berths we lease out). According to the CIC Report, we own the largest berths designated for woodchip handling in China, with a maximum berthing capacity of 70,000 tonnes. Our woodchip handling business consists of providing stevedoring, storage and logistics agency services at our multi-purpose berths. See “— Our Services — Berth Leasing Service” for details.

Our customers for woodchips are primarily paper pulp companies. For the years ended December 31, 2016, 2017 and 2018, our self-operated woodchip throughput amounted to 3.0 million tonnes, 4.1 million tonnes and 4.2 million tonnes, respectively. The woodchips unloading system in our port area (including the berths we lease out) connects directly to the facilities of nearby paper pulp

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processing companies or our storage yards, which we believe enables us to increase efficiency and enhance customer satisfaction.

Dried Tapioca

Dried tapioca is a raw material used to produce anhydrous ethanol, a clean biofuel and a source of renewable energy, as well as other chemicals such as sorbic acid and ether. In China, most of the dried tapioca consumed is imported from Southeast Asian countries, especially from Thailand and Vietnam. We are the second largest port for dried tapioca imports in China in terms of 2018 throughput. Our dried tapioca throughput was approximately 1.5 million tonnes, 1.3 million tonnes and 1.2 million tonnes for the years ended December 31, 2016, 2017 and 2018, respectively, accounting for approximately 20.3%, 16.7% and 25.5% of the total throughput of dried tapioca imports in China in the same periods, respectively, according to the CIC Report. Our customers for dried tapioca are primarily industrial chemical companies.

The handling of dried tapioca may cause dust pollution and adversely affect the environment. With the increasingly stringent environmental regulations in China, some coastal ports have reduced their handling volume of dried tapioca or discontinued their dried tapioca handling services. As demand for dried tapioca is expected to increase primarily due to the PRC Government's support for ethanol fuel production, coastal ports that are equipped with advanced environmental protection equipment have the opportunity to increase their market share in the dried tapioca handling business. For details, see "Industry Overview — The Coastal Port Service Industry in China — Grains Segment — Dried Tapioca."

In light of these industry and regulatory trends, we have put in place comprehensive systems to handle dried tapioca in accordance with environmental regulations. Our West-3 berth is equipped with a fully-enclosed dried tapioca unloading system, the first and only one for dried tapioca in China according to the CIC Report, enabling us to unload dried tapioca automatically from the vessel and minimize dust pollution. As a result, we expect to further solidify our leadership position. After unloading, most dried tapioca cargos are picked up by customers and some are transported to our storage yard or warehouse for short-term storage. In addition, we have two automatic enclosed truck loading lines, equipped with various dust-control equipment including a 340-meter anti-pollution net, to load the dried tapioca cargos from our storage facilities.

Others

We also handle a variety of other cargo types, such as maize and wheat. Our other cargo types had an aggregate throughput of 0.4 million tonnes, 0.5 million tonnes and 0.7 million tonnes for the years ended December 31, 2016, 2017 and 2018, respectively, accounting for 1.9%, 2.1% and 2.7% of our total throughput for the same periods.

We provide maize handling services at our multi-purpose berths, namely, the West-2 berth, West-3 berth and West-18 berth, as well as the West-5 berth, which is primarily used for grains. For the years ended December 31, 2016, 2017 and 2018, our maize throughput amounted to 0.1 million tonnes, 0.3 million tonnes and 0.4 million tonnes, respectively. We intend to further develop our maize handling business by equipping our facilities with specialized equipment in the future.

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OUR FACILITIES

We invest significantly in our facilities and technologies in order to provide high-quality services to our customers. Our facilities are located behind our berths in a port area of approximately 780,000 sq.m. Our facilities primarily consist of unloading and transport systems to discharge cargo from our berths, storage facilities and train and truck loading and unloading lines. The following photograph illustrates the location of our major facilities.

Location of Our Major Facilities



Source: Company's internal information

Berth Unloading and Transportation Systems

We equip our berths with advanced ship unloaders that work continuously in a fully-enclosed environment and using a funnel system, which delivers higher efficiency and lower environmental impact compared to the traditional grab crane ship unloaders that many of our competitors use. Our ship unloaders also require less manpower during operations, reducing safety incidents and labor costs. As of the Latest Practicable Date, we had three continuous ship unloaders installed on our berths.

We have built conveyor belt systems to discharge bulk cargo directly from our berths to our storage facilities and to our customers' neighboring facilities. We have built a 14,200-meter dual conveyor belt system for grains with a discharging rate of 3,000 tonnes per hour, which is one of the most efficient berth discharging systems in China according to the CIC Report.

Our West-3 berth is equipped with a fully-enclosed dried tapioca unloading system, the first and only one for dried tapioca in China according to the CIC Report. The fully-enclosed system allows us to unload dried tapioca automatically from the vessel to delivery truck in an environmentally-friendly manner at a discharging rate of over 200 tonnes per hour. The woodchips unloading system in our port area (including the berths we lease out) connects directly to our key customer's production facilities or

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our storage yards, with an industry-leading discharging rate of 1,400 tonnes per hour and a designed annual throughput capacity of 15 million tonnes.

Storage Facilities

We have three types of storage facilities, namely, silos, warehouses and storage yards. As of the Latest Practicable Date, we owned 80 silos with a total storage capacity of 467,000 tonnes, which we usually use to store grains. According to the CIC Report, for three consecutive years in 2016, 2017 and 2018, our silos had one of the highest turnover rates among sizeable ports in China. We also have two bulk grain warehouses with an aggregate area of 18,000 sq.m., as well as a multi-purpose transit warehouse with an area of 10,000 sq.m. In addition, we have two storage yards. One is a multi-purpose storage yard with an area of 182,000 sq.m. The other is a storage yard for woodchips with an area of 100,000 sq.m.

Our storage facilities are technologically advanced to preserve cargo freshness and integrity. For example, we have installed a centralized monitoring system and temperature sensors in each silo, allowing us to monitor the temperature of silos remotely in real time. In addition, we have installed a remote-controlled ventilation system in our silos. These systems allow us to ensure that grains are stored under optimal physical conditions.

In addition to our storage facilities, a number of our major customers own and manage storage facilities in close vicinity to our port, creating a synergistic effect with our operations. As of the Latest Practicable Date, our customers located within a five kilometer radius from our port owned approximately 1.2 million tonnes of storage capacity, bringing the total storage capacity available to us and our customers to 1.7 million tonnes. With larger storage capacities, our customers are able to increase their cargo volume, which may translate to higher throughputs for our business. Moreover, by transporting bulk cargo directly to their facilities, we are able to increase our throughput by freeing up storage facilities to serve other customers. For details, see “— Our Customers, Sales and Marketing — Our Customers.”

Train and Truck Discharging Systems

Our port areas are equipped with advanced loading and unloading lines and utilize automation technologies to enhance our efficiency. We have one of the largest train loading capacities among PRC ports in terms of designed annual dispatching capacity, according to the CIC Report. As of the Latest Practicable Date, there were a total of five train loading lines in our port area for our use, two of which are automatic loading lines for grains with a designed annual dispatching capacity of approximately 3.9 million tonnes. We were the first port in China to use industrial robots in train loading lines, according to the CIC Report. Our award-winning robotic processing automation technology has enabled us to achieve 24-hour, all-weather and automatic train loading. The automatic train loading lines are able to package and seal cargo, and transport the cargo automatically to the train loading lines where robotic arms are installed to load bagged cargos onto freight wagons. Using such technology, we have been able to increase loading productivity for each train loading line approximately five-fold from 35 minutes per 70-tonne wagon to seven minutes. We have also been able to reduce the need for manpower, only requiring a supervisor to monitor packaging and loading processes that used to be labor-intensive.

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As of the Latest Practicable Date, we had 58 truck loading lines for silos that connect to three expressways and four national highways that are a part of the nationwide highway network. Two of our truck loading lines are automatic and enclosed, and equipped with various dust-control equipment, including a 340-meter anti-pollution net, for dried tapioca handling. With our in-house developed logistics management system combining RFID, GIS and automatic weighing technologies to optimize highway transportation and improve customer experience, we are able to achieve a maximum daily truck dispatch volume of 44,380 tonnes as of the Latest Practicable Date.

OUR HINTERLAND AND TRANSPORTATION NETWORK

Hinterland

Our hinterland stretches across northern, central and western China, including Shandong, Henan, Shanxi, Shaanxi and Sichuan provinces and Xinjiang autonomous region, covering more than one-third of China's total population. Our hinterland encompasses some of the most robust provincial economies in China. Our top three throughput-contributing provinces in 2018, namely, Shandong, Henan and Shaanxi provinces, together accounted for approximately 16.5% of China's total nominal GDP and approximately 9.3% of China's total value of foreign trade in 2018, according to the National Bureau of Statistics of China.

In line with China's western development strategy and the Belt and Road initiative, regions in western China are expected to experience increased economic growth in the future. Our hinterland includes a number of these fast-growing regions in western China, including Xinjiang autonomous region. Xinjiang autonomous region recorded a real GDP growth rate of 7.6% in 2016 and 2017, respectively, higher than the national real GDP growth rate of 6.7% and 6.8% for the same periods, according to the National Bureau of Statistics of China. According to the same source, Xinjiang autonomous region had a real GDP growth rate of 6.1% in 2018. We believe that the strong and growing local economies in our hinterland will continue to drive our business growth.

Transportation Network

We are connected to a well-developed transportation network consisting of railways, highways and waterways. We believe that our strategic location, transportation connectivity and diverse transportation modes are key strengths and reduce our customers' logistics time and costs.

Railways

Rail transportation is a cost-effective mode of land transportation and often the first choice of transportation for customers with bulk shipments. It is primarily used for long-distance transportation of substantially all of our major cargo types, including soybeans, woodchips and dried tapioca. We are currently the only port in China that directly connects to two rail lines of over 1,000 kilometers, namely, the Wa-Ri Rail Line (瓦日線) and the Xin-He-Yan-Ri-Longhai Rail Line (新荷兗日-隴海線), according to the CIC Report. The Xin-He-Yan-Ri-Longhai Rail Line runs through Shandong, Henan and Shaanxi provinces and connects to major rail lines that together form one of the most efficient routes from coastal China to western China, according to the CIC Report. According to the same source, the Wa-Ri Rail Line and the Xin-He-Yan-Ri-Longhai Rail Line reach some of the most populated provinces in China, including Shandong, Henan and Shanxi provinces, and expand our hinterland to these regions. According to the CIC Report, the Wa-Ri Rail Line and the

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Xin-He-Yan-Ri-Longhai Rail Line together directly covered approximately 34% of the woodchip processing capacity and approximately 30% of the grain processing capacity in China in 2018.

The following map shows our major rail transportation routes.

Our Major Rail Transportation Routes



Source: the CIC Report

Highways (公路)

Highways (particularly expressways (高速公路)) are primarily used for transporting our major cargo types with a destination or origination location in Shandong province, which has the second largest highway network in China with a total highway length of 40,900 kilometers. Likewise, the highway networks for the provinces in our hinterland are extensively-developed and well-maintained. Linking our facilities with highway networks in Shandong province and beyond are the Ri-Lan expressway (日蘭高速公路), Shen-Hai expressway (沈海高速公路) and Wei-Ri expressway (濰日高速公路), and four national highways, providing our customers with fast, efficient and reliable land transportation.

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The following map shows our highway network.

Our Highway Network



Source: the CIC Report

In the future, we will endeavor to improve highway transportation services to our customers by building advanced trucking loading lines and optimizing our cargo discharging process.

Waterways

Waterway transportation is utilized to transport our major cargo types domestically and internationally. We have an extensive waterway network connecting us with over 100 countries and regions all over the world. In addition, regional access to sea routes connects us and other ports in the Bohai Rim Region, along the Yangtze River and those in northeast Asia.

FEES AND CHARGES

The fees we charge for our port services primarily include stevedoring service fees, port management fees, storage fees and logistics agency fees. Our stevedoring fees cover cargo handling services and certain other port value-added services. Such fees are the major source of our revenue.

We set a standard fee rate for our services on an annual basis, which applies to most of our customers. Typically, we determine a proposed standard fee rate each year based on operating costs, government policies and the competitive landscape. We have formed a pricing team that conducts market research to set an initial fee rate proposal. The initial fee rate proposal is then vetted by various departments, including our finance department, sales and marketing department and operational personnel. We may also set customized fee rates for, or offer discounts to, certain customers on a case-by-case basis upon consideration of a number of factors, including cargo type, operational method, storage period, market rate and historical relationship with the customer. The fees that we charge for each cargo type may also vary based on the different equipment utilized, storage requirement and other services requested by customers. With respect to stevedoring services, we have adopted a tiered pricing model for our major cargo types primarily based on the cargo type and

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throughput volume. Under our tiered pricing model, we set a different fee rate for each tier of throughput volume. When a customer's throughput volume reaches a higher tier, we charge the customer a lower fee rate for the amount of throughput in that higher tier. With respect to storage services, we have also adopted a tiered pricing model based on the cargo type and length of the storage period. We generally offer our stevedoring customers a limited storage period for free.

Pursuant to the policies, rules and regulations promulgated by the relevant regulatory authorities in China, fees and charges for certain port-related services, such as port management and water supply, are set by the government or pursuant to government guidelines. We generally follow the Port Charge Rules promulgated by the Ministry of Transport and the NDRC. For further information, see "Regulatory Overview — Laws and Regulations for Operations at Ports." Our PRC Legal Advisers have advised us that, based on the written confirmation issued by the competent governmental authorities, we complied with relevant laws and regulations with respect to port charges in all material respects during the Track Record Period.

The following table sets forth the pricing model and fee rates of our major fee types in 2018.

Fee type	Pricing method	Unit	Fee rates	
			International cargo	Domestic cargo
Stevedoring service fees				
Stevedoring fees	Market rate	RMB/tonne (RMB/ bone dry metric tonne for woodchips)	Negotiated on a case-by-case basis	
Cargo dues	Government-determined ⁽¹⁾	RMB/tonnes	0.70 –3.30	0.50
Port management fees				
Security fees	Government-determined	RMB	0.25	N/A ⁽²⁾
		RMB/tonne/day (for vessels berthing at berths for discharging)	0.25	0.08
Berthing fees	Government-guided ⁽³⁾	RMB/tonne/hour (for vessels berthing at berths for other reasons)	0.15	0.12
		RMB/tonne/day (for vessels berthing at anchorage)	0.05	N/A ⁽²⁾
Storage fees	Market rate	RMB/day	Negotiated on a case-by-case basis	
Logistics agency fees . . .	Market rate	RMB	Negotiated on a case-by-case basis	
Water supply fees				
Fresh water fee	Government-determined	RMB/tonne	6.35	
Water supply labor cost . .	Market rate	RMB/tonne	Negotiated on a case-by-case basis	

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- (1) Under a government-determined pricing model, fee rates are fixed by the PRC government.
- (2) Such fees are not applicable to domestic cargos.
- (3) Under a government-guided pricing model, fee rate ceilings are set by the PRC government.

The following table sets forth the average fees charged for stevedoring services by cargo type for the period indicated.

	For the year ended December 31,		
	2016	2017	2018
Soybeans ⁽¹⁾ (RMB per tonne)	34.8	34.1	34.3
Woodchips ⁽¹⁾ (RMB per bone dry metric tonne)	48.2	44.6	48.3
Dried tapioca ⁽¹⁾ (RMB per tonne)	49.2	40.2	42.1
Others ⁽²⁾	N/A	N/A	N/A

- (1) Average fees are calculated by dividing total stevedoring revenue generated for each cargo type in a period by the total throughput (in the case of woodchips, by dividing self-operated stevedoring revenue by self-operated cargo unloading volume in terms of bone dry metric tonnes) for such cargo type in the same period.
- (2) Average fees charged for other cargo types are not meaningful as they include a variety of cargo types with different fee rates and throughput volumes in each period.

See “Financial Information — Key Factors Affecting Our Results of Operations — Fees and Charges” for details.

OUR CUSTOMERS, SALES AND MARKETING

Our Customers

As a port operator, we operate in a cyclical industry that is sensitive to fluctuations in global and PRC economic conditions. Therefore, we believe that building a stable customer base with a steady and sustainable flow of business is crucial to our business growth. As such, we have strategically focused on developing long-term business relationships with customers that have large-scale operations in industries with relatively inelastic demand, such as the grains industry. We have developed a portfolio of long-term customers with whom we have maintained four to eight years of business. Many of our major customers are high-quality, blue-chip companies that are market leaders in their respective cargo type in China, including: (i) Chinatex Rizhao, a subsidiary of the largest state-owned agriculture and food processing company in China; (ii) Bunge Sanwei, a major exporter of soybean products from Asia; (iii) Asia Symbol, a major commercial wood pulp producer in China; and (iv) China’s state-owned enterprise responsible for its national grain reserve. Six of our customers have consistently been our top 10 customers since 2016, contributing to 53.9%, 43.3% and 50.0% of our revenue for the years ended December 31, 2016, 2017 and 2018, respectively. In addition, as of the Latest Practicable Date, our soybean customers had processing facilities with a total capacity of over 5.0 million tonnes and a key woodchip customer had processing facilities with a total capacity of over 1.5 million tonnes. We believe that the throughput from these companies will be able to withstand market fluctuations and remain relatively stable.

We strive to provide high-quality services to enhance customer satisfaction, which we believe have enabled us to develop long-term and strategic relationships with our major customers. To better

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serve our major customers, we have built comprehensive loading and unloading systems, such as our conveyor belts and pipelines, to directly transport our customers' cargos to their facilities. We believe this enables optimal cargo handling with enhanced efficiency, customer satisfaction and loyalty, and reduced cost. Many of our major customers have built processing and storage facilities in close vicinity to our port which have a total annual processing capacity of over 5.0 million tonnes and a total storage capacity of approximately 1.2 million tonnes. Our customers' significant capital investment in these processing and storage facilities reflects their commitment and loyalty to continue engaging our services, considering the costs associated with relocating or using a different port.

Generally, we enter into one-year framework agreements with our long-term customers. The key terms of our framework agreements are set out below.

- *Service.* The agreements will stipulate the specific cargo handling services we provide to our customers.
- *Cargo and vessel schedule.* Our customers are required to provide us with information related to the cargo (such as cargo volume and type), vessel schedule and operational requirements in advance.
- *Pricing.* Depending on the cargo type, we charge customers different fees.
- *Payment and credit terms.* Our customers are required to either pay our fees in full before unloading cargo or pay a portion of our fees in advance and settle the remainder before the cargo departs from our port. We generally grant 15- to 90-day credit terms to our customers.
- *Indemnification.* Failure of either party to perform its obligations under the agreements shall be deemed as breach of contract. The breaching party shall indemnify the non-breaching party for all losses caused by its breach.

We also enter into separate service agreements with certain customers for each vessel berthed at our berths. The service agreements typically set out the services to be performed, fee rate, cargo type and volume of cargo.

For the years ended December 31, 2016, 2017 and 2018, revenue generated from our largest customer amounted to RMB83.0 million, RMB80.6 million and RMB78.6 million, respectively, contributing to 17.0%, 15.5% and 14.8% of our total revenue for the same periods, respectively. For the same periods, revenue generated from our five largest customers amounted to RMB241.9 million, RMB223.6 million and RMB248.3 million, respectively, contributing to 49.5%, 43.0% and 46.7% of our total revenue for the same periods, respectively.

The following table sets forth details of our five largest customers during the Track Record Period.

<u>Customers</u>	<u>Transaction amount</u>	<u>% of total revenue</u>	<u>Background and operations</u>
	(RMB in thousands)	(%)	
2018			
Customer A	78,615	14.8	A major commercial wood pulp producer in China

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<u>Customers</u>	<u>Transaction amount</u>	<u>% of total revenue</u>	<u>Background and operations</u>
	(RMB in thousands)	(%)	
Customer B	48,140	9.1	A large-scale domestic company engaged in soybean processing, production, logistics, agricultural products trading and plastic processing business
Customer C	46,331	8.7	A major exporter of soybean products from Asia
Customer D	39,767	7.5	A subsidiary of the largest state-owned agriculture and food processing company in China
Customer E	35,414	6.6	A company engaged in sugar processing and sales business
Total	<u>248,267</u>	<u>46.7</u>	
2017			
Customer A	80,614	15.5	A major commercial wood pulp producer in China
Customer E	41,391	8.0	A company engaged in sugar processing and sales business
Customer F	36,449	7.0	A company engaged in research and development, production and sales of paper products
Customer D	32,851	6.3	A subsidiary of the largest state-owned agriculture and food processing company in China
Customer B	32,334	6.2	A large-scale domestic company engaged in soybean processing, production, logistics, agricultural products trading and plastic processing business
Total	<u>223,639</u>	<u>43.0</u>	
2016			
Customer A	82,984	17.0	A major commercial wood pulp producer in China
Customer F	56,061	11.5	A company engaged in research and development, production and sales of paper products
Customer D	41,556	8.5	A subsidiary of the largest state-owned agriculture and food processing company in China
Customer C	31,794	6.5	A major exporter of soybean products from Asia
Customer B	29,479	6.0	A large-scale domestic company engaged in soybean processing, production, logistics, agricultural products trading and plastic processing business
Total	<u>241,874</u>	<u>49.5</u>	

To the best knowledge of our Directors, none of our Directors, their associates or Shareholders holding more than 5% of our share capital as of the Latest Practicable Date had any interest in any of our five largest customers during the Track Record Period. Historically, a number of our five largest

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customers during the Track Record Period were also our suppliers during the same period. See “— Overlapping Customers and Suppliers.”

Sales and Marketing

Sales and Marketing Team

Our sales and marketing department is primarily responsible for business development, marketing, customer service and management of customer contracts. As of the Latest Practicable Date, our sales and marketing department comprised 16 members. We designate one or two personnel for each of our major cargo types. These personnel are generally responsible for managing customer relationships and business development, including conducting market research and seeking potential customers in our hinterland, maintaining strong relationships with existing customers and developing new business opportunities with these customers. We identify customers that we believe are key to our growth and strategically focus on developing business relationships with them by allocating more resources to serve such customers. We assign account managers to each major customer. The customer feedback obtained by these account managers enables us to better understand customer needs and industry pain points, allowing us to improve our services and enhance customer satisfaction.

Our account managers are responsible for liaising with customers on a day-to-day basis to understand their needs. Our sales and marketing team holds daily meetings with operational teams to formulate service plans. We also hold monthly meetings with senior management and department heads to touch base on our business performance and customer feedback and devise business development strategies.

Sales and Marketing Strategies

Considering the cyclical nature of our industry and the impact of fluctuations in global and PRC economic, geopolitical and market conditions, we implement a number of strategic sales and marketing measures to ensure a steady business flow and maintain a healthy growth, which our Directors believe have been effective during the Track Record Period:

- *Inelastic demand and reliance on imports.* We have focused on cargo types for which China has an inelastic demand and a strong reliance on imports, such as soybeans. In addition, our major cargo types generally may be sourced from a number of countries. We believe that economic and political cyclicity have a limited effect on these cargo types. For example, despite the China-U.S. trade war in 2018, businesses have found alternative import sources, such as Brazil and Argentina, to meet China’s demand for soybeans.
- *Cargo type diversification.* We focus our sales and marketing efforts on expanding our cargo type coverage to reduce reliance on certain cargo types. Since our establishment in 2011, the cargo types we handled increased from three to over 20 in 2018. We are actively developing our maize and wheat business, and will continue to assess potential business opportunities in other cargo types.
- *Service type diversification.* We endeavor to provide innovative services to meet our customers’ needs. For example, in 2018, we introduced our one-stop “berth to factory”

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logistics agency services, which contributed RMB8.9 million in revenue in the same year. We believe that a diversified service portfolio not only enables us to have different sources of revenue, but also increases customer satisfaction and loyalty.

- *High quality customers.* We believe that a stable base of high quality customers is crucial to our business. As such, we have strategically focused on developing relationships with blue-chip companies, such as state-owned enterprises and other major players in the grains and woodchips industries. See “— Our Customers” for details. Given their market position, many of our major customers have a relatively inelastic demand for the cargo types we handle. Moreover, many have built processing and storage facilities in our close vicinity, which ensure a sustainable flow of business.

PROCUREMENT

Equipment and Machinery

We require a wide range of equipment and machinery in our operations, which we generally categorize into quayside machinery, mobile equipment and conveying equipment. Our quayside machinery primarily includes ship unloaders and port cranes. Our mobile equipment primarily includes loaders, forklifts and hydraulic grab feeders. Our conveying equipment primarily consists of belt conveyors, scraper conveyors and bucket elevators. We own most of the major equipment and machinery used in our operations. We generally procure our equipment from reputable and reliable brands, many of which are international brands. From time to time, we may lease equipment and machinery, such as trucks and tire cranes, from third-party suppliers or from our Controlling Shareholders.

The following table sets forth the average age of our self-owned material equipment and machinery, which have useful lives ranging from eight to 15 years, as of the Latest Practicable Date:

Equipment and machinery	Average number of years in use (years)
Ship unloaders	12
Port cranes	12
Loaders	1
Forklifts	4
Hydraulic grab feeders	5
Belt conveyors	8
Scraper conveyors	4
Bucket elevators	8

We have implemented a series of policies, procedures and guidelines for the operation, management and maintenance of our equipment and machinery. Our technical support center is responsible for setting plans for, and conducting, periodic and annual maintenance on our equipment and machinery. We carry out daily inspections to assess the conditions of our equipment and machinery. The maintenance team is responsible for devising daily maintenance plans. In addition, our operational staff is responsible for reporting any issues discovered to the maintenance team and the maintenance department will order repairs, replacements and maintenance services from the manufacturer.

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Since January 2019, we have procured equipment and machinery independently. However, during the Track Record Period, we procured major equipment and machinery used in our port areas through a centralized procurement system managed by the tendering and procurement center of Rizhao Port. Suppliers were selected through a monthly tendering process. Our procurement personnel placed our orders directly with the selected suppliers. We made payments for equipment and machinery procurement based on payment terms set out in the procurement agreements. Generally, we were required to settle the purchase price within three months of acceptance, save for a warranty fee which we withheld until the end of the warranty period.

Materials and Consumables

The materials and consumables we use in our business operations mainly include fuel oil, lubricant and equipment parts. We procure materials and consumables used in our operations through a bidding process. We generally procure these materials and consumables from domestic suppliers by entering into procurement agreements for each purchase. Our procurement agreements set out detailed information of the supplied product, including model, volume, unit price and quality requirement. We conduct quality inspections upon receipt of the supplies before acceptance. Our suppliers generally provide us with a warranty period and we withhold a certain amount as warranty fees. We generally settle payments for materials and consumables on a monthly or quarterly basis, with a portion of the purchase price settled at the end of the warranty period.

Utilities

We primarily procure electricity and water from Rizhao Port, a connected person and the only provider of utilities in the Port of Rizhao. See “Connected Transactions” and “Financial Information — Related Party Transactions.”

SUPPLIERS

For the years ended December 31, 2016, 2017 and 2018, all of our five largest suppliers were our Controlling Shareholders and their subsidiaries. These suppliers primarily provided property leasing and services to us. Property leasing is conducted in the ordinary course of business between subsidiaries of Rizhao Port Group (including our Company) and these arrangements have been in place for many years. We procured most of the services through public bidding processes. There is no guarantee that our connected persons will win the bids, and we have also procured such services from Independent Third Parties through public bidding during the Track Record Period. Therefore, our Directors believe that the continuing connected transactions between us and our Controlling Shareholders and/or their respective associates do not indicate any undue reliance by us on our Controlling Shareholders and are beneficial to us and our Shareholders as a whole. See “Relationship with Controlling Shareholders.” For the years ended December 31, 2016, 2017 and 2018, procurement from our five largest suppliers amounted to RMB73.5 million, RMB99.1 million and RMB132.5 million, respectively, accounting for 41.6%, 61.7% and 65.3% of our total purchases for the same periods, respectively. For the same periods, procurement from our largest supplier amounted to RMB37.8 million, RMB37.5 million and RMB52.5 million, respectively, accounting for 21.4%, 23.4% and 25.8% of our total purchases for the same periods, respectively.

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The following table sets forth details of our five largest suppliers during the Track Record Period.

<u>Suppliers</u>	<u>Purchase amount</u> (RMB in thousands)	<u>% of total purchases</u> (%)	<u>Background and operations</u>
2018			
Rizhao Port	52,451	25.8	One of our Controlling Shareholders
Rizhao Port Handling Co., Ltd.	48,976	24.1	A provider of labor services for loading, unloading, handling and construction projects
Rizhao Port Group	24,482	12.1	One of our Controlling Shareholders
Rizhao Zhongran Marine Fuel Supply Co., Ltd.	4,991	2.5	A company engaged in the wholesale business of gasoline, kerosene and diesel in the transportation system, and cargo warehousing
Rizhao Gangda Ship Heavy Industry Co., Ltd. ...	1,588	0.8	A company engaged in the set-up, repair and modification of ships
Total	132,488	65.3	
2017			
Rizhao Port	37,516	23.4	One of our Controlling Shareholders
Rizhao Port Group	24,254	15.1	One of our Controlling Shareholders
Rizhao Port Logistics Co., Ltd.	21,122	13.1	A provider of logistics services
Rizhao Port Handling Co., Ltd.	12,213	7.6	A provider of labor services for loading, unloading, handling and construction projects
Rizhao Zhongran Marine Fuel Supply Co., Ltd.	3,983	2.5	A company engaged in the wholesale business of gasoline, kerosene and diesel in the transportation system, and cargo warehousing
Total	99,088	61.7	
2016			
Rizhao Port	37,771	21.4	One of our Controlling Shareholders
Rizhao Port Group	26,777	15.2	One of our Controlling Shareholders
Rizhao Port Import and Export Trade Co., Ltd. ...	4,633	2.6	A trading company engaged in procurement, import and export trade
Rizhao Zhongran Marine Fuel Supply Co., Ltd.	3,015	1.7	A company engaged in the wholesale business of gasoline, kerosene and diesel in the transportation system, and cargo warehousing
Rizhao Port Power Engineering Co., Ltd.	1,285	0.7	A provider of overall engineering, power transmission and transformation, electromechanical equipment and installation of power facilities
Total	73,481	41.6	

Other than the foregoing, to the best knowledge of our Directors, none of our Directors, their associates or Shareholders holding more than 5% of our share capital as of the Latest Practicable Date had any interest in any of our five largest suppliers during the Track Record Period. During the

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Track Record Period, a number of our five largest suppliers were also our customers during the same period. See “— Overlapping Customers and Suppliers.”

During the Track Record Period, we did not experience any material disputes with suppliers, any difficulties in the procurement of equipment or materials, any interruption in our operations due to a shortage of equipment or materials or any significant fluctuations in their prices.

OVERLAPPING CUSTOMERS AND SUPPLIERS

A number of our five largest customers or suppliers during the Track Record Period were also our suppliers or customers, respectively, during the same period:

- *Transactions with a key woodchip customer.* During the Track Record Period, we generated revenue from leasing berths and providing port-related services to a key woodchip customer. In addition, we also incurred costs for borrowing berths from such customer when we required additional throughput capacity. These transactions were conducted independent of each other. Our revenue generated from berth leasing and port-related services for such customer amounted to RMB83.0 million, RMB80.6 million and RMB78.6 million for the years ended December 31, 2016, 2017 and 2018, respectively. Fees we paid for berths borrowed from such customer amounted to RMB10.9 million, RMB9.7 million and RMB9.4 million for the years ended December 31, 2016, 2017 and 2018, respectively.
- *Transactions with related parties.* During the Track Record Period, we engaged in a number of transactions with our Controlling Shareholders and other related parties, details of which are set forth below and in “Connected Transactions,” “Relationship with Controlling Shareholders,” and “Financial Information — Related Party Transactions”.
 - *Related parties as customers.* During the Track Record Period, we provided stevedoring services to Rizhao Commodity Exchange Centre Co., Ltd. We also leased the West-1 berth and, when necessary, the West-2 berth to Rizhao Port Container. To a lesser extent, we also lent berths to related parties. Revenue generated from these services amounted to RMB16.9 million, RMB30.8 million and RMB10.1 million for the years ended December 31, 2016, 2017 and 2018, respectively.
 - *Related parties as suppliers.* During the Track Record Period, we procured a number of services, including but not limited to port-related services, utilities services and office and logistics services, from various related parties. We also procured spare parts of equipment and machinery from related parties. In addition, we leased in the West-18 berth, office buildings, storage facilities and land use rights and borrowed berths from our Controlling Shareholders. We incurred a total of RMB99.8 million, RMB168.7 million and RMB159.1 million for the years ended December 31, 2016, 2017 and 2018, respectively, from these transactions.

Negotiations of the terms of the abovementioned transactions were not inter-dependent and the transactions were neither inter-connected nor inter-conditional with each other. Our Directors confirmed that the terms of these transactions were in line with industry norm.

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SUBCONTRACTING

In line with industry practice, during the Track Record Period, we engaged labor subcontractors to provide services such as logistics, labor, cleaning and ship traction services. We also outsourced certain equipment operation and stevedoring services to qualified subcontractors. We believe that such subcontracting arrangements enable us to increase our cost efficiency in operating and managing our port areas. For the years ended December 31, 2016, 2017 and 2018, our subcontracting costs were RMB60.8 million, RMB62.9 million and RMB63.5 million, respectively, accounting for approximately 17.4%, 19.3% and 20.6% of our cost of sales, respectively.

We prepare subcontracting plans based on our needs and engage subcontractors through a tendering process. We generally select subcontractors based on their track record, ability or capability to handle the relevant cargo and the cost of service. We closely monitor the work quality of our subcontractors and ensure that they operate in accordance with our standards and procedures. We review the performance of our subcontractors on a regular basis and require them to comply with relevant PRC laws and regulations, including maintaining social insurance for their employees.

During the Track Record Period, our subcontractors consisted of Independent Third Parties as well as connected persons, including Rizhao Port Handling Co., Ltd. (日照海港装卸有限公司), which provided port-related services and other labor services to us. For details, see “Connected Transactions” and “Financial Information — Related Party Transactions.” We generally entered into subcontracting agreements on port-related services and subcontracting agreements on labor services with a term of one year. The salient terms of our subcontracting agreements are set out below.

- *Work scope.* The agreements will specify the types of equipment and services to be provided by our subcontractor.
- *Quality control.* We require our subcontractor to follow national regulations and our standards and procedures in relation to quality and occupational safety. We also require our subcontractor to hold the necessary qualifications or licenses required for the services provided. In particular, labor subcontractors can only staff qualified workers to provide services to us, and all equipment provided by equipment operation subcontractors should be in good condition.
- *Safety management.* Our subcontractors are required to conduct safety management and be responsible for handling any safety accidents and labor disputes that occur during the provision of services.
- *Equipment provision.* In general, our subcontractors are required to prepare the necessary materials, gear and equipment for provision of services. We provide the safety gear to workers staffed by our labor and stevedoring subcontractors.
- *Price and payment.* Fees paid to labor and stevedoring subcontractors are determined based on the actual amount of services provided, costs incurred by the subcontractor and the quality of the services provided. Fees paid to equipment operation subcontractors are calculated based on the equipment used and the actual amount of services provided. We settle subcontracting fees with our subcontractors for each month in the following month or within 35 business days.

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- *Indemnification.* We and our subcontractors each bear the economic losses incurred by the other party due to termination of the subcontracting agreements resulting from a breach of contract.
- *Termination and renewal.* The agreements may be terminated if breached or upon mutual agreement of the parties. The renewal of these agreements depends on negotiation between the parties. Agreements with labor subcontractors will be renewed automatically for three months if neither party notifies the other party to terminate the agreement or if the parties do not sign any new agreement.




During the Track Record Period, we did not experience any material disputes with our subcontractors. See “Risk Factors — Risks Relating to Our Business and Industry — Unsatisfactory performance by our subcontractors or unavailability of subcontractors may adversely affect our business.”

RESEARCH AND DEVELOPMENT

Due to the nature of our business, our research and development is relatively limited and primarily involves improving existing technologies used in our operations.

INTELLECTUAL PROPERTY

As of the Latest Practicable Date, we had two patents registered in the PRC relating to the loading and unloading of rail wagons. We also rely on a number of trade secrets and know-how in our operations.

We use the trademark “日照港”, which is owned by Rizhao Port Group for business operation purposes. On January 30, 2019, we entered into a Trademark License Agreement with Rizhao Port Group to use the trademarks “”, “” and “” on a royalty-free basis for a term of 20 years, which can be renewed by mutual agreement of the parties. For more information on the Trademark License Agreement, see “Connected Transactions.” For more information on our intellectual property rights, see “Appendix VII — Statutory and General Information.”

During the Track Record Period and up to the Latest Practicable Date, we were not subject to any intellectual property rights disputes or legal proceedings pending, or, to our knowledge, threatened, against us that would have a material and adverse effect on our business.

COMPETITION

Coastal ports primarily compete directly with those that share their hinterland and handle the same cargo types. We believe that we primarily compete with ports in the Bohai Rim Region and surrounding areas, including but not limited to the Dong Jia Kou Port (董家口港) and the Lian Yun Gang Port (連雲港港). The Dong Jia Kou Port mainly handles ores and crude oil, while the Lian Yun Gang Port focuses on iron ore, grain, and coal handling. For details, see “Industry Overview.”

We believe that we primarily compete with these 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. See “Industry Overview.”

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RISK MANAGEMENT

We believe that risk management is crucial to our success. We have a comprehensive system to manage the risks associated with our operations, which primarily relates to quality control, occupational health and safety and environmental protection. Our safety and environmental protection department, comprising eight employees as of the Latest Practicable Date, oversees such matters. The department is led by a manager with over 20 years of related experience and holding the certified safety engineer qualification.

Quality Control

We believe that quality excellence is crucial to customer satisfaction. We have developed and implemented a set of quality control policies, rules and procedures meeting ISO9001 standards to ensure high quality in all aspects of our port-related services. In 2012, we established an integrated management system for occupational health and safety and quality, which we review and audit annually. We have established quality control guidelines for the handling for each cargo type and for each type of service we provide. In addition, we have installed centralized temperature and ventilation systems to closely monitor the cargo we handle and store in our facilities.

We have received numerous awards from government authorities with respect to our quality control, including Shandong Equipment Management Model Company (山東省企業設備管理先進單位) from Shandong Association for Equipment Management (山東省設備管理協會) in 2013, 2015 and 2016.

Occupational Health and Safety

We place significant emphasis on occupational health and safety control and endeavor to minimize the number and impact of safety accidents on our premises. We have established a comprehensive occupational health and safety management system demonstrated in the following aspects:

- *Committee oversight.* We have established a safety committee, which is in charge of overall supervision, review and management of safety matters. The safety committee convenes a meeting on a quarterly basis to discuss any major safety concerns or accidents and to review and update our safety control measures. Our safety committee is comprised of 14 members, which include our general manager, deputy general manager and the head of each department.
- *Detailed management procedures and reporting system.* We have developed and implemented a set of guidelines, standards and procedures with respect to occupational health and safety. These guidelines include operational manuals, procedures for handling dangerous materials and heavy machinery, emergency plans and reporting and accident handling, among other things. In respect of the different equipment and processes used to handle different cargo types, we have specific operational manuals that set out safety procedures targeting each major cargo type that we handle.
- *Frequent inspections by dedicated personnel.* We conduct daily inspections of our facilities and equipment and machinery to ensure that they are in good conditions and may

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be operated safely. These inspections are carried out by dedicated teams responsible for safety control across different operations in our business.

- *Training and incentive system.* We provide occupational safety training to all of our employees as new hires and periodically during their tenure with us. We have a manual that sets out the proper conduct during operations. We require employees to wear appropriate safety gear and hold specific qualifications and licenses to operate certain equipment. In addition, we have established an incentive system to reward and penalize employees based on their safety track record.
- *Subcontractor management.* Under the terms of our subcontracting agreements, we require subcontractors to meet our safety standards and follow our procedures in relation to work quality and occupational safety. If our subcontractors fail to comply with our standards and procedures, we typically have a right to request that the subcontractor replace the non-complying employees, or impose a financial penalty on the subcontractor.

In December 2016, there was one fatality resulting from a subcontractor's employee being struck by a lighting fixture in our port area. The subcontractor was engaged by us to maintain and upgrade the lighting systems in our facilities, and the accident occurred while the employee was working on these lighting systems. Under the terms of our subcontracting agreements, the subcontractor should bear all costs and liabilities from accidents that occur during the provision of their services. The direct economic loss from this accident was approximately RMB1.3 million, which was borne by the subcontractor. Based on an administrative decision issued by Rizhao Municipal Administration of Work Safety (日照市安全生產監督管理局) in April 2017, we were subject to a fine of RMB50,000, which we promptly paid. We took the accident seriously and implemented enhanced safety measures in addition to our regular safety procedures to prevent repeat occurrences on our premises, including: (i) conducting more frequent safety inspections within the port area; and (ii) increasing safety awareness and training of our employees and subcontractors.

Other than the foregoing, during the Track Record Period and up to the Latest Practicable Date, our operations were in compliance with applicable PRC laws, regulations and rules with respect to safety control in all material aspects, and we were not subject to any penalties associated with any material violation of the existing safety control laws or regulations in the PRC.

Environmental Protection

We are subject to PRC national and local laws and regulations relating to environmental protection, prevention and control of pollution, and incident reporting. For details, see "Regulatory Overview — Laws and Regulations Relating to Environmental Protection." In addition, our operations comply with ISO14001 standards with respect to environmental protection. During the Track Record Period and as of the Latest Practicable Date, we complied with the applicable PRC environmental laws and regulations in all material aspects, and we were not subject to any material penalties associated with the material violation of any environmental laws or regulations.

We regard environmental protection as an important corporate responsibility and are committed to implementing a comprehensive environmental management system in our daily operations. Our safety and environmental protection department is responsible for developing and implementing our

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environmental management system. We have invested in a wide variety of equipment to lower our environmental footprint, and expect to continue to procure new equipment and upgrade our existing equipment as necessary in the future. During the Track Record Period, we primarily focused our environmental protection efforts on air quality, wastewater handling and waste disposal.

- *Air quality.* For certain cargo types or services that affect air quality, such as the dust pollution caused by handling dried tapioca, we have developed and implemented specific measures to minimize the impact. For example, our employees are required to follow a detailed operational manual with respect to handling dried tapioca. We have built the only fully-enclosed dried tapioca unloading system in China at our West-3 berth, which reduces the amount of dust produced during the unloading process. To unload dried tapioca at other berths, we set a humidifying machine at each point in the unloading process where dust is typically produced.
- *Wastewater handling.* In recent years, we have reduced wastewater disposal by building a system to handle and process wastewater generated from our operations. We have been able to reuse the processed water for greenery and to reduce dust on the roads in our port area, which in turn improves air quality.
- *Waste disposal.* We have improved our waste disposal system, especially with respect to hazardous waste such as the disposal of lubricants and oils used for our equipment and machinery. In line with increasingly stringent PRC environmental laws and regulations, we have built a facility to store such hazardous wastes, which are then sent to qualified third parties for handling.

In 2016, 2017 and 2018, our costs and expenses in relation to environmental protection, which primarily consisted of port cleaning, greenery and waste disposal expenses, amounted to RMB5.7 million, RMB6.0 million and RMB5.4 million, respectively. We expect our environmental protection costs in 2019 to be approximately RMB6.0 million to RMB7.0 million. In addition, we plan to undertake certain equipment replacement and upgrade projects from time to time that are expected to improve our environmental sustainability.

INSURANCE

We maintain insurance policies that are required under PRC laws and regulations as well as based on our assessment of our operational needs and industry practice. We maintain social insurance for our full-time employees. Our subcontractors are responsible for maintaining insurance for their employees that provide services to us. See “— Subcontracting.” We also maintain property insurance for our equipment and machinery. Our Directors consider that our existing insurance coverage is sufficient for our present operations and in line with industry practice. See “Risk Factors — Risks Relating to Our Business and Industry — We may not have sufficient insurance coverage against potential operational risks.”

PROPERTIES

The Property Valuation Report from JLL, an independent property valuer, set out in Appendix III of this Prospectus, sets out details of the properties we owned and occupied as of March 31, 2019. JLL attributed no commercial value to such properties due to the leased nature of the land on which

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the buildings were erected. For reference, JLL is of the opinion that the depreciated replacement cost of the properties (excluding the land parcels) as of the valuation date would be approximately RMB1,282.9 million.

Owned Buildings

As of the Latest Practicable Date, we owned a total of seven buildings with a total GFA of approximately 8,536.1 sq.m. Our buildings are used as power substations, office buildings and a pump house.

With respect to these properties, we have not been able to obtain the title certificates for our owned buildings because they were constructed on land leased from our Controlling Shareholders. Under applicable PRC laws and regulations currently in effect, we are required to own the land on which the buildings are constructed in order to obtain the title certificates for the buildings.

Although the title defects will prevent the relevant properties from being sold or pledged as security as advised by our PRC Legal Advisers, our Directors are of the opinion, and our PRC Legal Advisers concur, that (i) we will be able to continue to use such properties; (ii) the likelihood that we would be subject to penalties or required to demolish or relocate from our owned buildings as a result of the title defects is remote; and (iii) the lack of certificates for our owned buildings, individually or collectively, will not have a material and adverse impact on our operations. Such opinion is reached on the following bases:

- we have obtained written confirmations from the relevant competent authorities for the construction and use of buildings, confirming that: (i) the relevant competent authorities are aware of the status of our owned buildings; (ii) we may and have the right to continue to use such buildings; (iii) we will not be required to demolish such buildings; and (iv) we will not be penalized by the relevant competent authorities for the lack of certificates;
- during the Track Record Period, we were not subject to any penalties and fines, nor were we required by competent authorities to demolish our owned buildings or relocate as a result of the title defects of these buildings;
- during the Track Record Period, we were not involved in any third-party claims to title or involved in any disputes with respect to these buildings due to the lack of certificates;
- our Controlling Shareholders have obtained the necessary land use right certificates for the land we leased in accordance with PRC laws and regulations; considering that the parcels of land on which such buildings are constructed are owned by our Controlling Shareholders, and not by Independent Third Parties, the likelihood that we will be involved in any third-party claims to title or required to demolish or relocate will continue to be remote going forward;
- we have obtained an Indemnity Undertaking from Rizhao Port Group to indemnify us against any losses incurred by us as a result of title defects of our owned properties or leased properties and to assist us in the title registration of such properties under our name; and

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- we have entered into a Property Lease (Procurement) Framework Agreement with Rizhao Port Group (for itself and on behalf of its subsidiaries) covering the parcels of land leased from our Controlling Shareholders, under which we have the exclusive right to use such properties and the unilateral right to renew the leases; Rizhao Port Group cannot terminate the agreement, or sell, pledge or otherwise dispose of any of the properties, without our prior written consent; we believe this arrangement allows us to secure our continued use of the leased land and the buildings we have constructed on such land. See “Connected Transactions.”

In addition, we have completed the inspection and acceptance procedures with respect to the quality and safety of our owned buildings, which are carried out by the construction company, the supervisor, the construction quality supervising authority and us. As such, we believe that the owned buildings are in good safety conditions.

Leased Properties

Our owned properties are built on leased land. As of the Latest Practicable Date, we leased a total of three parcels of land with a total area of approximately 798,290 sq.m. from our Controlling Shareholders.

Use	Expiry date of land use right	Lessor	Gross site area (sq.m.)	Expiry date of the lease
Land occupied by and behind the West-1, West-2, West-3, West-4, West-5, Woodchips-2 and Woodchips-3 berths and waters under such berths . . .	August 28, 2057 for the land use right 日國用 (2008) 第6446 號, August 28, 2057 for the land use right 日國用 (2008) 第6450 號	Rizhao Port Group	438,000	March 30, 2031
Storage and other port facilities	August 28, 2053	Rizhao Port Group	80,290	May 31, 2032
Land occupied by and behind the West-18 berth	April 10, 2067	Rizhao Port	280,000	December 31, 2020

As of the Latest Practicable Date, we leased a total of four buildings with a total GFA of approximately 26,027.6 sq.m. from Rizhao Port Group.

Use	Gross site area (sq.m.)	Expiry Date
Headquarters	2,309.6	December 31, 2019
Three storage facilities	23,718	December 31, 2022

Such leases will be automatically renewed for another three years upon expiration unless notified by us to the contrary in writing six months prior to expiration and cannot be terminated by Rizhao Port Group without our prior written consent.

As advised by our PRC Legal Advisers, as of the Latest Practicable Date, our lessors had provided us with valid title certificates of all of our leased properties. We have not registered our lease agreements with the relevant local real estate administrative authorities (房地產管理局). Our PRC Legal Advisers are of the view that the non-registration of lease agreements will not affect the validity of the lease agreements, but the relevant local real estate administrative authorities can require us to

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complete registrations within a specified timeframe and we may be subject to a fine of between RMB1,000 and RMB10,000 for any delay in making these registrations. Our PRC Legal Advisers are of the view that it is unlikely that our operations would be materially and adversely affected if we do not complete the registration procedure, considering that (i) during the Track Record Period, we were not subject to administrative penalties by the relevant real estate authorities for non-registration of lease agreements, and (ii) the amount of potential penalties accounts for a minimal portion of our total net assets as of December 31, 2018.

SEA AREA USE RIGHTS

The sea area use rights for sea areas surrounding the Port of Rizhao are owned by Rizhao Port Group and Rizhao Port Container. Rizhao Port Group and Rizhao Port Container have confirmed that the vessels of our customers may use and pass through the relevant sea areas. As of the Latest Practicable Date, we owned the sea area use rights for a site area of approximately 322 sq.m., which was obtained pursuant to certain engineering construction work done in our port area.

EMPLOYEES

We believe that our employees are key to our success. Our general administration office is responsible for recruiting, managing and training our employees. As of the Latest Practicable Date, we had 282 full-time employees, all of whom are based in the PRC.

The table below sets forth a breakdown of our employees by function as of the Latest Practicable Date.

Function	Number of Employees
Cargo handling	63
Maintenance	57
Operation	39
Storage management	32
Administrative	27
Technology support	16
Sales and marketing	16
Safety and environmental protection	11
Senior management	6
Finance	5
Others	10
Total	282

In general, we recruit employees through referrals, social recruitment, on-campus recruitment and introduction of special talents. We conduct training for new staff before they start work and have periodic training for our employees based on their respective responsibilities. Generally, our training focuses on developing the skills of management personnel and technical personnel relevant to their work.

We enter into employment contracts with our employees to cover matters such as remuneration and grounds for termination. We determine employee remuneration based on factors such as education background, professional qualification and working experience. During the Track Record Period, we

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made full and timely contributions to social insurance and housing provident funds through the social insurance and housing provident accounts of Rizhao Port. As of the Latest Practical Date, we opened our own social insurance and housing provident fund accounts to make contributions for our employees. Our PRC Legal Advisers have advised us that, based on the written confirmations from relevant competent authorities, (i) the method of our contribution is consistent with local social insurance administration policies and practice; and (ii) no administrative penalty would be imposed on us due to such contribution. Our employees participate in labor unions in the PRC to protect their rights, help us achieve our economic goals and encourage employees to participate in our management decisions.

We believe we generally have a good relationship with our employees. Our Directors confirm that there were no material labor disputes or strikes that had a material and adverse effect on our business, financial condition or results of operations during the Track Record Period and up to the Latest Practicable Date.

LICENSES AND PERMITS

We are required to obtain numerous licenses, approvals and permits from numerous government entities on municipal, provincial and national levels to operate our business. See “Regulatory Overview” for further information on the material laws and regulations that we are subject to. The table below sets forth the material licenses and approvals required for our operations.

License/ Approval	Issuing Authority	Grant Date	Expiration Date
Permit for Port Operation (港口經營許可證)	Rizhao Transport Administrative Bureau (日照市交通運輸局)	March 5, 2019	August 10, 2019
Affiliate Permit for Handling Hazardous Goods at Ports (港口危險貨物作業附證) for West-2 berth and West-3 berth	Rizhao Transport Administrative Bureau (日照市交通運輸局)	March 5, 2019	August 10, 2019
Statement of Compliance of a Port Facility (港口 設施保安符合證書)	Shandong Transport Administrative Bureau (中華人民共和國山東省 交通運輸廳)	March 31, 2019	March 30, 2024
Sanitary Permit for Coastal Ports (國境口岸衛生許 可證)	Rizhao Customs Authority of the PRC (中華人民共和國日照海 關)	December 26, 2018	December 25, 2022

As advised by our PRC Legal Advisers, as of the Latest Practicable Date, we had obtained all requisite licenses, approvals and permits from the relevant government authorities that are material to our business operations, except one permit for the West-18 berth as discussed below. We have leased West-18 berth from Rizhao Port since January 2016. Although we are currently operating the West-18 berth, as of the Latest Practicable Date, the holder of the Statement of Compliance of a Port Facility (港口設施保安符合證書) for the West-18 berth was still Rizhao Port. As of the Latest Practicable Date, we were in the process of obtaining the Statement of Compliance of a Port Facility for the West-18 berth. Our PRC Legal Advisers have advised that this is not a material non-compliance under relevant PRC laws and regulations and this will not have a material and adverse impact on our operations, based on the written confirmation we obtained from the relevant competent authority confirming

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that: (i) it is aware of the relevant facts; (ii) it would not penalize us or Rizhao Port for this matter; and (iii) this is not a material non-compliance under relevant PRC laws and regulations.

Our Permit for Port Operation and Affiliate Permit for Handling Hazardous Goods at Ports for West-2 berth and West-3 berth will expire in August 2019. We plan to submit applications to renew such permits prior to their expiration, and we are not aware of any significant difficulties in such renewals.

COMPLIANCE AND LEGAL PROCEEDINGS

As we have obtained written confirmations from the relevant competent authorities, our Directors are of the opinion that, during the Track Record Period and as of the Latest Practicable Date, we have complied with the PRC laws and regulations relevant to our business operations in all material respects. Our PRC Legal Advisers have advised us that, during the Track Record Period and as of the Latest Practicable Date, we were not involved in any legally non-compliant matters which would materially and adversely affect our business operations.

We may be involved in legal proceedings in the ordinary course of business from time to time. As of the Latest Practicable Date, no litigation, arbitration or administrative proceedings were pending or threatened against us or our Directors which could have a material adverse impact on our business, financial condition or results of operations.

CORPORATE GOVERNANCE AND INTERNAL CONTROL

To monitor the continuous implementation of internal control policies and corporate governance measures after the Listing, we have adopted or will continue to adopt, among other things, the following measures:

- establish an audit committee to review and supervise our financial reporting process and internal control system. Our audit committee consists of three members, namely Mr. Lau Wai Leung Anders, Mr. Zhang Zixue and Mr. Shi Ruxin. For the qualifications and experiences of these members, see “Directors, Supervisors, Senior Management and Employees;”
- adopt various policies to ensure compliance with the Listing Rules, including but not limited to policies in respect of risk management, connected transactions and information disclosure;
- adopt OFAC, anti-corruption and anti-money laundering internal control measures and provide regular compliance training for senior management and employees in order to enhance their knowledge of and compliance with applicable laws and regulations; and
- arrange for our Directors and senior management to attend training seminars on Listing Rules requirements and the responsibilities as a director of a Hong Kong-listed company.

We have appointed an internal control consultant to review the effectiveness of our internal control measures related to our major business processes, to identify deficiencies for improvement, advise on rectification measures and review the implementation of such measures. The internal control consultant provided a number of findings and recommendations in its report. We are in the process of

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adopting corresponding internal control measures to make improvements on certain ordinary internal control issues identified. As of the Latest Practicable Date, our internal control consultant had completed the follow-up procedures on our internal control system and did not identify any material deficiencies in our internal control system.

During the Track Record Period, several former officials of Rizhao Port Group, one of our Controlling Shareholders, were convicted of corruption and/or bribery. We believe, and the Sole Sponsor and the PRC Legal Advisers concur, that such incidents did not have a material and adverse impact on our business operations or our management in conducting their fiduciary duties, considering that (i) none of our Directors, Supervisors or senior or core management personnel was involved in such incidents; (ii) as confirmed by Rizhao Port Group, it was not charged or convicted in such corruption and bribery cases and we, the Sole Sponsor and the PRC Legal Advisers did not find any publicly available information contrary to such confirmation; and (iii) we have adopted independent anti-corruption internal control measures and our internal control consultant did not identify any material deficiencies in such measures. Based on foregoing reasons, we believe, and the Sole Sponsor concurs, that such incidents did not have a material and adverse impact on the suitability of our Directors under Rules 3.08 and 3.09 of the Listing Rules.

We cannot guarantee that our internal control measures will be effective in protecting us against various risks in our business. See “Risk Factors — Risks Relating to Our Business and Industry — We may not be able to detect and prevent fraud, bribery or other misconduct or non-compliances committed by our employees, customers, related parties or other third parties” and “Risk Factors — Risks Relating to Our Business and Industry — Our risk management and internal control systems may not fully protect us against various risks inherent in our business.”

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OVERVIEW

Immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised), Rizhao Port will be interested in an aggregate of 52.5% of the issued share capital of our Company and will continue to be our Controlling Shareholder. Rizhao Port Group, being the controlling shareholder of Rizhao Port, will also be regarded as a Controlling Shareholder of our Company under Rule 1.01 of the Listing Rules. For further details of our Controlling Shareholders, please see the section headed “History and Development”.

COMPETITION

Our Controlling Shareholders confirm that as of the Latest Practicable Date, save as disclosed in this section, they do not have any interest in a business, apart from the business of our Company, which competes or is likely to compete, directly or indirectly, with our business, and requires disclosure under Rule 8.10 of the Listing Rules.

DELINEATION OF BUSINESS

We are primarily engaged in stevedoring, storage and transit of cargos including grains and woodchips (our “**Core Business**”).

Rizhao Port (excluding our Company) is primarily engaged in stevedoring, storage and transit business of cargos including ores, coal, coke, timber, steel, nickel ores, bauxite and cement (the “**Principal Business of Rizhao Port**”). In addition, apart from the Core Business of our Company, Rizhao Port has been conducting stevedoring, storage and transit business of grains (the “**Retained Business**”) in Lanshan port area with COFCO Huanghai Grain and Oil Industry (Shandong) Co., Ltd. (“**COFCO Huanghai**”) and Shandong Sanwei Oil Group Co., Ltd. (“**Shandong Sanwei**”) since May 2002 and April 2002, respectively (collectively the “**Retained Business Clients**”). For the years ended December 31, 2016, 2017 and 2018, the total throughput of the Retained Business amounted to 3.31 million tonnes, 2.45 million tonnes and 2.14 million tonnes, respectively, representing approximately 1.6%, 1.1% and 0.9% of the total throughput of Rizhao Port (excluding our Company) and approximately 14.8%, 10.1% and 8.3% of the total throughput of our Company, for the relevant period.

Rizhao Port Group (excluding Rizhao Port and its subsidiaries) is primarily engaged in port operations, logistics, construction, finance and trade. Its port operations primarily cover cargos including containers, crude oil and liquid chemicals.

The Directors are of the view that there is a clear delineation of the businesses of our Controlling Shareholders and our Company and there is no competition between our Controlling Shareholders and us, on the following basis:

- (i) the Principal Business of Rizhao Port (excluding the business of our Company and the Retained Business) covers cargos including ores, coal, coke, timber, steel, nickel ores, bauxite and cement, and the port operation business of Rizhao Port Group (excluding Rizhao Port and its subsidiaries) primarily covers cargos including containers, crude oil and liquid chemicals, both of which are different from cargos covered by our Core

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Business, being grains and woodchips. Grains and woodchips have significant differences from other cargos in the following aspects:

- *Regulatory policies and operational qualifications.* Grains and woodchips are subject to special quarantine inspections and all vessels carrying grains and woodchips can only be docked after passing such quarantine inspections. In addition, only designated ports for grain imports recognized by China's Administration of Quality Supervision, Inspection and Quarantine are allowed to handle imported grains;
 - *Specialized port facilities.* The port facilities to handle grains and woodchips, including ship unloaders, cranes, conveyor belts, silos, warehouses and storage yards, are specially designed and are generally not suitable for other types of cargos;
 - *Cargo Nature.* Grains and woodchips are agricultural products and are mainly used to produce food, grease and paper products, therefore they do not share berths with other cargos such as ores, coal or crude oil to avoid contamination; and
 - *Qualified Labor.* Grains and woodchips are sensitive to temperature and humidity and require qualified labor with knowledge on their storage. In addition, the specialized port facilities require qualified labor with relevant operation skills.
- (ii) the Retained Business Clients are not our potential clients because (a) the Retained Business Clients have long-term business relationships with Rizhao Port and have been procuring port-related services from Rizhao Port since 2002, which is earlier than our establishment; (b) COFCO Huanghai has already built its own conveyor belt systems and warehouses in Lanshan port area, and moving or rebuilding of such equipment and warehouses may incur substantial cost and will be commercially impracticable; (c) it is not commercially sensible for Shandong Sanwei to ship its goods through Shijiu port area due to higher trucking cost arising from longer distances; and (d) both of the Retained Business Clients confirmed that they would not use our berths in Shijiu port area to unload their bulk grains;
- (iii) Rizhao Port and Rizhao Port Group (excluding our Company) have undertaken not to operate any stevedoring, storage and transit business that covers woodchips or grains (other than the Retained Business) which may compete with our Core Business; and
- (iv) we have undertaken not to operate any stevedoring, storage and transit business that covers ores, coal, coke, timber, steel, nickel ores, bauxite or cement which may compete with the Principal Business of Rizhao Port.

NON-COMPETITION UNDERTAKINGS

Non-Competition Undertaking by Rizhao Port and Rizhao Port Group

Rizhao Port provided a non-competition undertaking on November 16, 2018 and Rizhao Port Group provided a non-competition undertaking on May 24, 2019, in favor of our Company, pursuant to which each of them undertook that, other than the Retained Business, none of itself or any entities directly or indirectly controlled by it (excluding our Company) will engage in any business which directly or indirectly competes with the Core Business of our Company.

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Each of Rizhao Port and Rizhao Port Group undertook that if it or any entities directly or indirectly controlled by it becomes aware of a business opportunity (other than the Retained Business) which competes with our Core Business (the “**Competing Business Opportunity**”), it will promptly notify us and will, or ensure that it or any entities directly or indirectly controlled by it will refer such Competing Business Opportunity to us.

If Rizhao Port intends to transfer or license the Retained Business to a third party, we shall be entitled to exercise the pre-emptive rights at fair and reasonable price and terms.

Our Directors will be responsible for reviewing, considering and deciding whether or not to take up the Competing Business Opportunity or exercise the pre-emptive rights in relation to the Retained Business. Any Director who has a conflict of interest shall abstain from voting. In assessing whether or not to take up the Competing Business Opportunity or exercise the pre-emptive rights in relation to the Retained Business, our Directors will consider a range of factors including, where applicable, the price and terms, counterparty risk, estimated profitability, our business and the legal, regulatory and contractual landscape with a view to arriving at a decision which is in the best interests of the Shareholders and our Company as a whole.

Non-competition Undertaking by Our Company

Since Rizhao Port is a company listed on the Shanghai Stock Exchange, pursuant to the CSRC Circular 67, we provided a non-competition undertaking in favor of Rizhao Port on November 16, 2018, which has taken effect on December 19, 2018, to avoid potential competition and clearly delineate our business from that of Rizhao Port. Pursuant to this undertaking, we undertook that we and any entities directly or indirectly controlled by us will not engage in any business which directly or indirectly competes with the Principal Business of Rizhao Port. If we or any entities directly or indirectly controlled by us become aware of a business opportunity which competes with the Principal Business of Rizhao Port, we will promptly notify Rizhao Port and will, or ensure that we or any entities directly or indirectly controlled by us will refer such business opportunity to Rizhao Port.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying on our business independently from our Controlling Shareholders and their respective close associates after the Listing.

Management Independence

Save as disclosed below, none of our Directors, Supervisors or members of senior management serves as directors, supervisors or members of senior management in any of our Controlling Shareholders or their respective close associates:

Name	Position in our Company	Positions held in our Controlling Shareholders and their close associates	
		Name of company	Position
Zhang Baohua (張保華)	Chairman of the Board and non-executive Director	Rizhao Port COSCO Shipping Logistics Co., Ltd. (日照港中遠海運物流有限公司)	director
		Rizhao Port	supervisor

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Name	Position in our Company	Positions held in our Controlling Shareholders and their close associates	
		Name of company	Position
Shi Ruxin (石汝欣)	Non-executive Director	Rizhao Port Group	deputy general manager
		Rizhao Port Group	director of asset and finance department
		RPG Finance	director
		Rizhao City Finance Guarantee Co., Ltd. (日照市融資擔保股份有限公司)	director
		Rizhao Port Container	director
		Rizhao Port Group Shanghai Commercial Factoring Co., Ltd. (日照港集團上海商業保理有限公司)	director
		Rizhao Port (Hong Kong) Company Limited (日照港(香港)有限公司)	director
		Rizhao Lanshan Wanhe Liquefaction Dock Co., Ltd. (日照嵐山萬和液化碼頭有限公司)	supervisor
		Hualu International Financial Leasing Co., Ltd. (華魯國際融資租賃有限公司)	supervisor
		Rizhao Shihua Crude Oil Terminal Co., Ltd. (日照實華原油碼頭有限公司)	supervisor
		Shandong Hyundai Wia Automotive Engine Co. (山東現代威亞汽車發動機有限公司)	supervisor
Jiang Zidan (姜子旦)	Non-executive Director	Rizhao Ocean Shipping Tally Co., Ltd (日照中理外輪理貨有限公司)	director
		Rizhao Port Container	director
		Rizhao Lanshan Wanhe Liquefaction Dock Co., Ltd. (日照嵐山萬和液化碼頭有限公司)	director
		Rizhao City Finance Guarantee Co., Ltd. (日照市融資擔保股份有限公司)	director
		RPG Finance	director
Li Weiqing (李維慶)	Supervisor	Rizhao Port Group	supervisor
		Rizhao Lanshan Wansheng Harbour Company Limited (日照嵐山萬盛港業有限責任公司)	director
		Rizhao Lanshan Wanhe Liquefaction Dock Co., Ltd.	director
		Rizhao Port COSCO Shipping Logistics Co., Ltd.	supervisor

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Name	Position in our Company	Positions held in our Controlling Shareholders and their close associates	
		Name of company	Position
Ding Dong (丁東)	Financial director	Rizhao Kaidi Ecological Energy Co., Ltd. (日照凱迪生態能源有限公司)	supervisor
		Rizhao Port Machinery Industry Co., Ltd. (日照港船機工業有限公司)	supervisor
		Rizhao Port Handling Co., Ltd. (日照海港裝卸有限公司)	non-executive director

Our Directors are of the view that our Board and senior management team are able to manage our business independently from the Controlling Shareholders and their respective close associates for the following reasons:

- (i) none of our executive Director or members of senior management serves as executive director or senior management member in our Controlling Shareholders or any of their respective close associates;
- (ii) our Articles of Association, the relevant procedural rules of the general meetings and Board meetings include provisions to avoid conflicts of interest by providing, among other things, that in the event of conflict of interest, the relevant Directors who are connected with our Controlling Shareholders shall abstain from voting and shall not be counted towards the quorum of the relevant meeting;
- (iii) we have appointed three independent non-executive Directors to provide a balance of the number of potentially interested Directors and independent Directors with a view to promoting the interests of our Company and the Shareholders as a whole;
- (iv) each of our Directors is aware of his fiduciary duties as a director and responsibilities under the Listing Rules, which require that he acts in the best interests of our Company and our Shareholders as a whole;
- (v) where a Shareholders' meeting is held to consider a proposed transaction in which any Controlling Shareholder has a material interest, the relevant Controlling Shareholder shall abstain from voting and shall not be counted towards the quorum for the voting; and
- (vi) we have appointed China Industrial Securities International Capital Limited as our compliance adviser, which will provide advice and guidance to our Company in respect of compliance with the applicable laws and Listing Rules, including various requirements relating to Directors' duties and corporate governance.

Financial Independence

Our Company has an independent financial system. We make financial decisions independently according to our own business needs and none of our Controlling Shareholders or their respective close associates intervene with our use of funds. We have opened accounts with banks independently

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and do not share any bank account with our Controlling Shareholders or their respective close associates. We have made tax filings and paid tax independently from our Controlling Shareholders and their respective close associates pursuant to applicable laws and regulations. We have established an independent finance department consisting of independent financial staff and have also implemented sound and independent audit, accounting and financial management systems. We have adequate internal resources and credit profile to support our daily operations. We have comprehensive systems for financial information data access. We have sufficient working capital to operate our business independently. We have obtained and have the ability to continue to obtain financing from Independent Third Parties without relying on our Controlling Shareholders or their respective close associates. No loans or guarantees provided by, or granted to, our Controlling Shareholders or their respective close associates are outstanding.

Based on the above, our Company considers there is no financial dependence on our Controlling Shareholders and their respective close associates.

Operational Independence

We engage in our business operations independently, making and implementing operational decisions independently. Save as disclosed in the section headed “Business — Licenses and Permits”, we have obtained all material licenses and permits necessary for our business operations and are not dependent upon our Controlling Shareholders or their respective close associates for any such licenses or permits. In addition, we have established our internal organizational and management structure which includes shareholders’ meetings, our Board of Directors, the Supervisory Board and other committees and formulated the terms of reference of these bodies in accordance with the requirements of the laws and regulations, the Listing Rules and the Articles of Association, so as to establish a regulated and effective corporate governance structure with independent departments, each with specific areas of responsibilities.

During the Track Record Period, our Company conducted certain transactions with our Controlling Shareholders and their respective close associates which are expected to continue after the Listing and will constitute continuing connected transactions of our Company under the Listing Rules. Details of each of the continuing connected transactions are set out in the section headed “Connected Transactions” in this Prospectus. Such transactions are entered into in the ordinary and usual course of business of our Company and our Directors confirm that the terms of such transactions are determined at arm’s length negotiations and are no less favorable to our Company than terms offered by Independent Third Parties. Our Directors believe that the continuing connected transactions between our Company and our Controlling Shareholders and their close associates do not indicate any undue reliance by our Company on our Controlling Shareholders and are beneficial to our Company and our Shareholders as a whole.

Trademark License

We have entered into a Trademark License Agreement with Rizhao Port Group, details of which are set out in the section headed “Connected Transactions”, pursuant to which Rizhao Port Group agreed to license the Licensed Trademarks for our use in connection with our operations on a royalty-free basis for a term of 20 years, and can be renewed upon mutual agreement of the parties. Considering that (i) the Trademark License Agreement is of a term of 20 years and cannot be

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terminated by Rizhao Port Group without our prior written consent, unless both of Rizhao Port Group and Rizhao Port cease to be our Controlling Shareholders or our Company ceases to be listed on the Stock Exchange; and (ii) our clients generally consider location, price competitiveness and efficiency, rather than intangible assets such as trademarks, as the key parameters in choosing port operators, we believe that the Trademark License Agreement does not constitute our undue reliance on Rizhao Port Group and secures our rights to use the Licensed Trademarks in our operations in a cost-efficient and sustainable manner and thus adequately protect our interests.

Property Lease (Sale)

We have entered into a Property Lease (Sale) Framework Agreement with Rizhao Port Group (for itself and on behalf of its subsidiaries), pursuant to which we agreed to lease certain properties to Rizhao Port Group and its subsidiaries, details of which are set out in the section headed “Connected Transactions”.

During the Track Record Period, revenue attributable to such properties leased by us to Rizhao Port Group for the years ended December 31, 2016, 2017 and 2018 accounted for less than 1.5% of our total revenue for the relevant period, respectively, which is insignificant for our Company. Thus, the Directors are of the view that transactions conducted under the Property Lease (Sale) Framework Agreement do not constitute our undue reliance on Rizhao Port Group.

Port-related Service (Sale)

We have entered into a Port-related Service (Sale) Framework Agreement with Rizhao Port Group (for itself and on behalf of its subsidiaries), pursuant to which Rizhao Port Group agreed to procure port-related services from us, details of which are set out in the section headed “Connected Transactions”.

During the Track Record Period, revenue attributable to such port-related services provided by us to Rizhao Port Group for the years ended December 31, 2016, 2017 and 2018 accounted for approximately 3.3%, 4.7% and 0.5% of our total revenue for the relevant period, respectively, which is insignificant for our Company. Therefore, our Directors believe that transactions conducted under the Port-related Service (Sale) Framework Agreement do not constitute our undue reliance on Rizhao Port Group.

West-6 Berth Reconstruction

We have entered into the West-6 Berth Reconstruction Agreements with two subsidiaries of Rizhao Port Group, pursuant to which they agreed to provide us with construction and supervising services, respectively, for the reconstruction of West-6 berth, details of which are set out in the section headed “Connected Transactions”.

As (i) the two suppliers were selected through public bidding processes; (ii) we can easily procure such services from Independent Third Parties at comparable terms; and (iii) the West-6 Berth Reconstruction Agreements will terminate upon completion of the reconstruction of West-6 Berth, our Directors believe that transactions conducted under the West-6 Berth Reconstruction Agreements do not constitute our undue reliance on Rizhao Port Group.

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Property Lease (Procurement)

We have entered into a Property Lease (Procurement) Framework Agreement with Rizhao Port Group (for itself and on behalf of its subsidiaries), pursuant to which we agreed to lease certain properties from Rizhao Port Group, details of which are set out in the section headed “Connected Transactions”.

Considering that (i) these transactions were conducted between subsidiaries of Rizhao Port Group (including our Company) and have lasted for a long period of time; (ii) the rent and the service fee rate is fair and reasonable and is determined taking into account various factors, among others, (a) area leased, geographic location and profile of the surrounding area; (b) historical rent; (c) JLL’s opinion on the fairness of the rent; and (d) the rent charged by Independent Third Parties for similar offices nearby (applicable to the complex building only); (iii) port-related services have specific requirement for geographic location and it is in the best interest of our Company and Rizhao Port Group to continue these transactions; and (iv) the Property Lease (Procurement) Framework Agreement will be automatically renewed for another three years upon expiration unless notified by us to the contrary in writing six months prior to expiration and cannot be terminated by Rizhao Port Group without our prior written consent, the Directors are of the view that transactions conducted under the Property Lease (Procurement) Framework Agreement do not constitute undue reliance on Rizhao Port Group.

General Service (Procurement)

We have entered into a General Service (Procurement) Framework Agreement with Rizhao Port Group (for itself and on behalf of its subsidiaries), pursuant to which we agreed to procure port-related services, railway services, security services, maintenance services, port-related technology services, office and logistics services, utilities and consumables, and other relevant or similar services from Rizhao Port Group and its subsidiaries, details of which are set out in the section headed “Connected Transactions”.

Considering that (i) the suppliers of certain services under the agreement are selected through public bidding processes, through which Rizhao Port Group may not win the bids, and our Company procured such services from Independent Third Parties through public bidding processes during the Track Record Period; (ii) as for certain services which Rizhao Port Group is the only provider due to regulatory and/or geographic reasons, the agreement will be automatically renewed upon expiration unless notified by us to the contrary in writing one month prior to expiration, and Rizhao Port Group cannot terminate the agreement without our prior consent, our Directors believe that transactions conducted under the General Service (Procurement) Framework Agreement do not constitute our undue reliance on Rizhao Port Group.

Financial Service

We have entered into the Financial Service Framework Agreement with RPG Finance, pursuant to which it agreed to provide us with financial services including deposits and settlement services, details of which are set out in the section headed “Connected Transactions”.

Because (i) the deposit interest rates are determined in accordance with the rates published by the PBOC and are in line with the market rates provided by independent commercial banks; (ii) we are

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

able to withdraw our deposits at any time upon our request; and (iii) we will maintain around 50% of our deposits with independent commercial banks, our Directors believe that transactions conducted under the Financial Service Framework Agreement do not constitute our undue reliance on our Controlling Shareholders.

Based on the above, the Directors are of the view that the Company operates independently from our Controlling Shareholders and their respective close associates.

CORPORATE GOVERNANCE MEASURES

Our Company will comply with the provisions of the Corporate Governance Code set out in Appendix 14 to the Listing Rules, which sets out principles of good corporate governance.

Our Controlling Shareholders have confirmed that they fully comprehend their obligations to act in our Shareholders' and our best interests as a whole. Our Directors believe that there are adequate corporate governance measures in place to manage existing and potential conflicts of interest. In order to further avoid potential conflicts of interest, we have implemented the following measures:

- (i) where a Board meeting or Shareholders' meeting is to be held for considering proposed transactions in which any of our Directors or Controlling Shareholders or any of their respective close associates has a material interest, the relevant Director or Controlling Shareholder will not vote on the relevant resolutions and will not be counted in quorum;
- (ii) the independent non-executive Directors will review, on an annual basis, whether there are any conflicts of interests between the Company and our Controlling Shareholders (the "**Annual Review**") and provide impartial and professional advice to protect the interests of our minority Shareholders;
- (iii) our Controlling Shareholders will provide all information necessary, including all relevant financial, operational and market information and any other necessary information as required by the independent non-executive Directors for the Annual Review;
- (iv) we will disclose decisions on matters reviewed by the independent non-executive Directors either in its annual reports or by way of announcements;
- (v) where our Directors reasonably request the advice of independent professionals, such as financial advisers, the appointment of such independent professionals will be made at our Company's expenses; and
- (vi) we have appointed China Industrial Securities International Capital Limited as our compliance adviser to provide advice and guidance to us in respect of compliance with the applicable laws and regulations, as well as the Listing Rules, including various requirements relating to corporate governance.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest that may arise between our Company and our Controlling Shareholders, and to protect our minority Shareholders' interests after the Listing.

CONNECTED TRANSACTIONS

We will continue to engage in certain transactions with Rizhao Port Group and its subsidiaries after Listing. These transactions will constitute our continuing connected transactions under Chapter 14A of the Listing Rules.

RELEVANT CONNECTED PERSONS

The following entities with whom we have entered into transactions will be regarded as our connected persons under the Listing Rules:

Connected Persons	Connected Relationship
Rizhao Port Group (for itself and on behalf of its subsidiaries)	Rizhao Port Group is a Controlling Shareholder of our Company
RPG Finance	RPG Finance is held as to 60% by Rizhao Port Group and 40% by Rizhao Port
Shandong Gangwan	Shandong Gangwan is wholly owned by Rizhao Port Group
Rizhao Port Supervision	Rizhao Port Supervision is wholly owned by Rizhao Port Group

CONTINUING CONNECTED TRANSACTIONS

The following table sets forth a summary of our continuing connected transactions:

Transaction	Applicable Listing Rules	Waiver Sought	Proposed annual caps for the year ending December 31, (RMB in thousands)		
			2019	2020	2021
Trademark License Agreement	14A.76(1)(a)	N/A	Nil	Nil	Nil
Property Lease (Sale) Framework Agreement	14A.34, 14A.35, 14A.49, 14A.51 to 14A.59 and 14A.71	Waiver from announcement requirement	8,810	8,860	8,910
Port-related Service (Sale) Framework Agreement	14A.34, 14A.35, 14A.49, 14A.51 to 14A.59 and 14A.71	Waiver from announcement requirement	15,700	17,250	18,800
West-6 Berth Reconstruction Agreements	14A.34 to 14A.36, 14A.49, 14A.51 to 14A.59 and 14A.71	Waiver from announcement requirement and independent shareholders' approval requirements	70,302 ^(Note)	70,302 ^(Note)	Nil
Property Lease (Procurement) Framework Agreement	14A.34 to 14A.36, 14A.49, 14A.51 to 14A.59 and 14A.71	Waiver from announcement requirement and independent shareholders' approval requirements	60,678	66,390	69,730

CONNECTED TRANSACTIONS

Transaction	Applicable Listing Rules	Waiver Sought	Proposed annual caps for the year ending December 31, (RMB in thousands)		
			2019	2020	2021
General Service (Procurement) Framework Agreement	14A.34 to 14A.36, 14A.49, 14A.51 to 14A.59 and 14A.71	Waiver from announcement requirement and independent shareholders' approval requirements	143,737	154,475	161,510




Transaction	Applicable Listing Rules	Waiver Sought	For the period from January 1, 2019 to the earlier of (i) one year after the Listing Date and (ii) the Company's 2019 annual general meeting	
			For the year ending December 31, 2019	
Financial Service Framework Agreement (maximum daily balance of deposits)	14A.34 to 14A.36, 14A.49, 14A.51 to 14A.59 and 14A.71	Waiver from announcement requirement and independent shareholders' approval requirements	300,000	100,000
Financial Service Framework Agreement (interest income)	14A.34 to 14A.36, 14A.49, 14A.51 to 14A.59 and 14A.71	Waiver from announcement requirement and independent shareholders' approval requirements	900	500

Note: The total contractual amount of the West-6 Berth Reconstruction Agreements is approximately RMB70.3 million. As the payment will be made according to the actual progress of the relevant construction work and the time of revenue recognition, the payment schedule is not fixed and it is possible that all of such amount is paid in 2019 or 2020.

FULLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

We set out below a summary of the continuing connected transactions for our Company, which will be exempt from the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

1. Trademark License Agreement

Rizhao Port Group and the Company entered into a trademark license agreement on January 30, 2019 (the "Trademark License Agreement"), pursuant to which Rizhao Port Group granted to our Company the right to use the trademarks "RZ" , "RIZHAO"  and "RIZHAO PORT"  in connection with our operations (the "Licensed Trademarks") on a royalty-free basis for a term of 20 years, and can be renewed upon mutual agreement of the parties. The Trademark License Agreement cannot be terminated by Rizhao

CONNECTED TRANSACTIONS

Port Group without our prior written consent, unless (i) both of Rizhao Port Group and Rizhao Port cease to be our Controlling Shareholders; or (ii) our Company ceases to be listed on the Stock Exchange.

We have been using the Licensed Trademarks for free during the Track Record Period. In order to maintain the consistency of our market image and our corporate culture as a subsidiary of Rizhao Port Group, we will continue to use the Licensed Trademarks after Listing.

The Trademark License Agreement is of a term longer than three years as otherwise normally permitted for the connected transactions under the Listing Rules. Our Directors consider that the terms of the Trademark License Agreement are consistent with normal commercial terms and can secure long-term trademark use right for us, thus avoiding unnecessary disruptions to our business and operations. As such, the Sole Sponsor is of the view that it is consistent with normal business practice for us to enter into the Trademark License Agreement with a term longer than three years.

As the license of the trademarks by Rizhao Port Group to our Company is on a royalty-free basis, each of the applicable percentage ratios (other than the profit ratio) calculated for the purpose of Chapter 14A of the Listing Rules will not exceed 0.1% on an annual basis. Accordingly, the transactions under the Trademark License Agreement fall within the de minimis threshold under Rule 14A.76(1)(a) of the Listing Rules and are exempt from the annual review, reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

PARTIALLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

We set out below a summary of the continuing connected transactions for our Company, which are subject to the annual review, reporting and announcement requirements under Chapter 14A of the Listing Rules.

1. Property Lease (Sale) Framework Agreement

Principal Terms

Rizhao Port Group (for itself and on behalf of its subsidiaries) entered into a property lease (sale) framework agreement with our Company on May 24, 2019 (the “**Property Lease (Sale) Framework Agreement**”), pursuant to which Rizhao Port Group agreed to lease from us the West-1 berth, West-2 berth and temporarily leased berths and other relevant properties from us from time to time.

The Property Lease (Sale) Framework Agreement has an initial term of three years commencing from the Listing Date, and can be renewed or extended upon written agreement by the parties. We have the right to terminate all or part of the lease by serving a six-month prior notice to Rizhao Port Group. Rizhao Port Group may not terminate the agreement without our prior written consent.

Pricing Policy

The rent was determined by both parties through arm's length negotiation with reference to (i) area leased, geographic location and profile of the surrounding area; (ii) historical rent; (iii) JLL's opinion on the fairness of the rent; and (iv) depreciation costs of such assets plus an expected rate of return.

CONNECTED TRANSACTIONS

Reasons for the Transactions

We will continue to lease the properties to Rizhao Port Group, for the following reasons: (i) these transactions were conducted between subsidiaries of Rizhao Port Group (including our Company) and have lasted for a long period of time; (ii) the West-1 berth may not meet our clients' need as it is relatively short and has been primarily used to cater passengers and containers since it was leased to Rizhao Port Container; (iii) part of the West-2 berth, which is adjacent to the West-1 berth, may be occupied by large vessels at the West-1 berth; (iv) temporarily leasing our berths to other subsidiaries within Rizhao Port Group from time to time when they are not fully utilized by our clients may increase efficiency and generate revenue, which is beneficial for our Company; and (v) Rizhao Port Group has the commercial and operational needs to rent such properties from us in Shijiu port area.

Historical Amounts

The transaction amount under the Property Lease (Sale) Framework Agreement for the years ended December 31, 2016, 2017 and 2018 is listed below:

Property	For the year ended December 31,		
	2016	2017	2018
	(RMB in thousands)		
West-1 berth and West-2 berth	0	6,329	7,264
Temporarily leased berths	152	25	331
Total	152	6,354	7,595

Annual Caps

The following table sets forth the proposed annual caps for the transactions under the Property Lease (Sale) Framework Agreement:

Property	For the year ending December 31,		
	2019	2020	2021
	(RMB in thousands)		
West-1 berth and West-2 berth	8,260	8,260	8,260
Temporarily leased berths	550	600	650
Total	8,810	8,860	8,910

The proposed annual caps have been estimated based on: (i) the existing lease contracts we have entered into with Rizhao Port Group during the Track Record Period and the unperformed contractual amounts; (ii) historical rent of the relevant property and expected fluctuation in the rent; and (iii) additional lease we may enter into with Rizhao Port Group according to the estimated utilization rate of our properties.

JLL has confirmed that the rent in relation to properties under the Property Lease (Sale) Framework Agreement is fair and reasonable as at the current execution period in 2019 and represents the prevailing market rate for similar properties situated in the locality that are used for similar purposes in the PRC at the relevant dates of leases.

Taking into account the foregoing pricing policy and JLL's opinion, the Directors are of the view that the Property Lease (Sale) Framework Agreement is on normal commercial terms.

CONNECTED TRANSACTIONS

As the applicable percentage ratios (other than the profit ratio) calculated for the purpose of Chapter 14A of the Listing Rules will not exceed 5% on an annual basis, transactions conducted under the Property Lease (Sale) Framework Agreement qualify under Rule 14A.76(2) of the Listing Rules as continuing connected transactions exempt from the circular (including independent financial advice) and shareholders' approval requirements but are subject to the annual review, reporting and announcement requirements set out in Chapter 14A of the Listing Rules.

2. Port-related Service (Sale) Framework Agreement

Principal Terms

Rizhao Port Group (for itself and on behalf of its subsidiaries) entered into a port-related service (sale) framework agreement with our Company on May 24, 2019 (the “**Port-related Service (Sale) Framework Agreement**”), pursuant to which our Company agreed to provide stevedoring services and cargo supervision services to Rizhao Port Group and other port-related services we may provide to Rizhao Port Group in the future from time to time.

The Port-related Service (Sale) Framework Agreement has an initial term of three years commencing from the Listing Date, and can be renewed and extended upon written agreement by the parties. We have the right to terminate all or part of the services by serving a six-month prior notice to Rizhao Port Group. Rizhao Port Group may not terminate the agreement without our prior written consent.

Pricing Policy

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

Reasons for the Transactions

We provide stevedoring services and relevant cargo supervision services to Rizhao Port Group under the Port-related Service (Sale) Framework Agreement. Rizhao Port Group provides financing and agency services to cargo owners and take their instructions to load and unload cargos at designated berths. It will procure stevedoring services from us when it deals with grains and woodchips cargo owners in the Shijiu port area, and procure cargo supervision services from us when such cargos are pledged to it, because we are the only provider of such services in relation to grains and woodchips in Shijiu port area.

Historical Amounts

The transaction amount under the Port-related Service (Sale) Framework Agreement for the years ended December 31, 2016, 2017 and 2018 is listed below:

Transaction	For the year ended December 31,		
	2016	2017	2018
	(RMB in thousands)		
Stevedoring services	16,878	24,469	2,793
Cargo supervision services	0	0	0
Total	16,878	24,469	2,793

CONNECTED TRANSACTIONS

Annual Caps

Transaction	For the year ending December 31,		
	2019	2020	2021
	(RMB in thousands)		
Stevedoring services	15,000	16,500	18,000
Cargos supervision services	700	750	800
Total	15,700	17,250	18,800

The proposed annual caps have been estimated based on: (i) the expected increase in needs for such services by Rizhao Port Group as a result of its development of potential new clients, and (ii) historical service fee rate and expected fluctuation in the rate.

Taking into account the foregoing pricing policy and the price for similar services charged to Independent Third Parties, the Directors are of the view that the Port-related Service (Sale) Framework Agreement is on normal commercial terms.

As the applicable percentage ratios (other than the profit ratio) calculated for the purpose of Chapter 14A of the Listing Rules will not exceed 5% on an annual basis, transactions conducted under the Port-related Service (Sale) Framework Agreement qualify under Rule 14A.76(2) of the Listing Rules as continuing connected transactions exempt from the circular (including independent financial advice) and shareholders' approval requirements but are subject to the annual review, reporting and announcement requirements set out in Chapter 14A of the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We set out below a summary of the continuing connected transactions for our Company, which are subject to the annual review, reporting, announcement, circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules.

1. West-6 Berth Reconstruction Agreements

Principal Terms

We entered into the MEC General Agreements and the Civil Construction Agreements with Shandong Gangwan, and the Reconstruction Supervision Agreements with Rizhao Port Supervision (collectively, the "**West-6 Berth Reconstruction Agreements**").

Pursuant to the MEC General Agreements, we agreed to procure from Shandong Gangwan the electromechanical equipment to be used for the reconstruction of West-6 berth and the relevant installation services. Pursuant to the Civil Construction Agreements, we agreed to procure from Shandong Gangwan civil construction services including ground treatment, foundation construction, concrete placement and rail installation on West-6 berth. Pursuant to the Reconstruction Supervision Agreements, we agreed to procure from Rizhao Port Supervision supervising services in relation to the reconstruction of West-6 Berth. The West-6 Berth Reconstruction Agreements will terminate upon completion of the reconstruction of West-6 berth.

CONNECTED TRANSACTIONS

Pricing Policy

Shandong Gangwan and Rizhao Port Supervision were selected as the construction and supervising service providers for the reconstruction of West-6 berth through public bidding process, which were conducted pursuant to the bidding requirements under relevant laws and regulations. The fee rates are determined with reference to (i) the comparable service fee rates charged by Independent Third Parties and (ii) the estimated workload of the reconstruction project.

Reasons for the Transactions

We intend to acquire the West-6 berth from Rizhao Port Group and Rizhao Port Container in the aim to increase our throughput capacity to support our future growth. We plan to reconstruct and develop the West-6 berth into a bulk grain berth capable of handling large-scale bulk grain vessels. See the section headed “Business — Business Strategy”. The transactions under the West-6 Berth Reconstruction Agreements will continue after Listing because the reconstruction projects are expected to commence after the completion of the Global Offering and will take approximately eight months to be completed.

Historical Amounts

No historical amount was recorded during the Track Record Period because the transactions under the West-6 Berth Reconstruction Agreements will commence upon completion of the acquisition of West-6 berth.

Annual Caps

The proposed annual caps for the transactions under the West-6 Berth Reconstruction Agreements for the years ending December 31, 2019, 2020 and 2021 are RMB70.3 million, RMB70.3 million, and nil, respectively. The total contractual amount of the West-6 Berth Reconstruction Agreements is RMB70.3 million. As the payment will be made according to the actual progress of the relevant construction work and the time of revenue recognition, the payment schedule is not fixed and it is possible that all of such amount is paid in 2019 or 2020.

2. Property Lease (Procurement) Framework Agreement

Principal Terms

Rizhao Port Group (for itself and on behalf of its subsidiaries) entered into a property lease (procurement) framework agreement with our Company on May 24, 2019 (the “**Property Lease (Procurement) Framework Agreement**”), pursuant to which we agreed to lease from Rizhao Port Group the following properties and other properties we may lease from Rizhao Port Group in the future from time to time:

<u>Property/land</u>	<u>Owner</u>	<u>Location</u>	<u>Total Area</u>	<u>Use of property/land</u>
Land occupied by and behind the West-1, West-2, West-3, West-4, West-5, Woodchips-2 and Woodchips-3 berths and waters under such berths	Rizhao Port Group	West-1, West-2, West-3, West-4, West-5, Woodchips-2 and Woodchips-3 berths, Shijiu port area, Rizhao, Shandong Province, PRC	Approximately 438,000 sq.m.	Port operations

CONNECTED TRANSACTIONS

<u>Property/land</u>	<u>Owner</u>	<u>Location</u>	<u>Total Area</u>	<u>Use of property/land</u>
Land occupied by storage and other port facilities	Rizhao Port Group	West operation area, Shijiu port area, Rizhao, Shandong Province, PRC	Approximately 80,290 sq.m.	Port operations
Land occupied by and behind the West-18 berth	Rizhao Port Group	West-18 berth, Shijiu port area, Rizhao, Shandong Province, PRC	Approximately 280,000 sq.m.	Port operations
Warehouses	Rizhao Port Group	West of west-17 road, Shijiu port area, Rizhao, Shandong Province, PRC	Approximately 23,718 sq.m.	Storage
Complex building	Rizhao Port Group	South End, Haibin 5th Road, Rizhao, Shandong Province, PRC	Approximately 2,309.6 sq.m.	Office
Temporarily leased berths	Rizhao Port Group	Shijiu port area, Rizhao, Shandong Province, PRC	N/A ^{Note}	Port operations

Note: The total area is not fixed as we may lease berths from Rizhao Port Group according to our needs from time to time.

The Property Lease (Procurement) Framework Agreement has an initial term of three years commencing from the Listing Date, and will be automatically renewed for another three years upon expiration unless notified by us to the contrary in writing six months prior to expiration. We have the right to terminate all or part of the lease by serving a six-month prior notice to Rizhao Port Group. Rizhao Port Group cannot terminate the agreement, or sell, pledge or otherwise dispose of any of the properties without our prior written consent. The Company also has the pre-emptive right to purchase from Rizhao Port Group any of the properties, under the same terms and conditions offered by Rizhao Port Group to any other third parties. If any of the properties leased to us is transferred to any third parties by Rizhao Port Group, Rizhao Port Group shall procure and guarantee that any transferee of the properties should abide by the terms and conditions of the agreement.

Pricing Policy

The rent is determined by both parties through arm's length negotiation with reference to (i) area leased, geographic location and profile of the surrounding area; (ii) historical rent; (iii) JLL's opinion on the fairness of the rent; and (iv) the rent charged by Independent Third Parties for similar offices nearby (applicable to the complex building only). In addition, a certain percentage of our 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.

Reasons for the Transactions

The land/properties we lease from Rizhao Port Group pursuant to the Property Lease (Procurement) Framework Agreement are located close to our operations in the Shijiu port area, and are mainly used for port operations and daily office use. We did not purchase such properties from Rizhao Port Group because acquisition of such properties may incur substantial cost and is not commercially sensible for us. We have been leasing such properties from Rizhao Port Group for a long period of time, and it is convenient and efficient for us to keep our office close to our operations. Therefore, we believe the continuance of such transactions is cost efficient and is in the best interest of our Shareholders as a whole.

CONNECTED TRANSACTIONS

Historical Amounts

The transaction amount under the Property Lease (Procurement) Framework Agreement for the years ended December 31, 2016, 2017 and 2018 is listed below:

Property	For the year ended December 31,		
	2016	2017	2018
	(RMB in thousands)		
Land occupied by and behind the West-1, West-2, West-3, West-4, West-5, Woodchips-2 and Woodchips-3 berths and waters under such berths	18,225	16,419	16,568
Land occupied by storage and other port facilities	3,434	3,255	3,531
Land occupied by and behind the West-18 berth	12,220	11,009	28,457 ^(Note)
Warehouses	1,193	1,193	1,531
Complex building	745	714	568
Temporarily leased berths	2,224	1,903	309
Total	38,041	34,493	50,964

Note: Our transaction amounts increased for the year ended December 31, 2018 because we pay 50% of our profits generated from the West-18 berth to Rizhao Port starting from January 2018.

Annual Caps

The following table sets forth the proposed annual caps for the transactions under the Property Lease (Procurement) Framework Agreement:

Property	For the year ending December 31,		
	2019	2020	2021
	(RMB in thousands)		
Land occupied by and behind the West-1, West-2, West-3, West-4, West-5, Woodchips-2 and Woodchips-3 berths and waters under such berths	18,226	18,226	18,226
Land occupied by storage and other port facilities	3,975	3,975	3,975
Land occupied by and behind the West-18 berth	31,000	34,100	35,100
Anticipated new lease of lands ⁽¹⁾	64	2,378	4,628
Warehouses ⁽²⁾	3,720	3,938	3,938
Complex building	800	880	970
Temporarily leased berths	2,893	2,893	2,893
Total	60,678	66,390	69,730

(1) Such land are expected to be used for construction of port facilities.

(2) Since the warehouses were renovated in 2018, the rent was re-negotiated.

The proposed annual caps have been estimated based on: (i) the existing lease contracts we have entered into with Rizhao Port Group and the unperformed contractual amounts; (ii) historical rent and expected fluctuation in the rent; and (iii) additional lease we may enter into with Rizhao Port Group according to our development plans.

JLL has confirmed that the rent in relation to properties under the Property Lease (Procurement) Framework Agreement is fair and reasonable as at the current execution period in 2019 and represents the prevailing market rate for similar properties situated in the locality that are used for similar purposes in the PRC at the relevant dates of leases.

Taking into account the foregoing pricing policy and JLL's opinion, the Directors are of the view that the Property Lease (Procurement) Framework Agreement is on normal commercial terms.

CONNECTED TRANSACTIONS

3. General Service (Procurement) Framework Agreement

Principal Terms

Rizhao Port Group (for itself and on behalf of its subsidiaries) entered into a general service (procurement) framework agreement with our Company on May 24, 2019 (the “**General Service (Procurement) Framework Agreement**”), pursuant to which we agreed to procure from Rizhao Port Group the following services and other services we may procure from Rizhao Port Group in the future from time to time:

Transaction	Description
Port-related services	Logistics, labor contracting, port cleaning, ship traction and other port-related services
Railway services	Use of railways in the Port of Rizhao
Security services	Port facilities security services and security inspection services
Maintenance services	Maintenance of buildings, facilities and equipment
Port-related technology services	Procurement and maintenance of software and IT systems in relation to port operation and management
Office and logistics services	Printing, catering, accommodation, meeting, employee benefits, garbage removal, telephone, networks and protective gears supplies and other related or similar office and logistics services
Utilities and consumables	Procurement of water, electricity and fuel

The General Service (Procurement) Framework Agreement has an initial term of three years commencing from the Listing Date, and will be automatically renewed for another three years upon expiration unless notified by us to the contrary in writing one month prior to expiration. We have the right to terminate all or part of the services by serving a six-month prior notice to Rizhao Port Group. Rizhao Port Group cannot terminate the agreement without our prior written consent.

Pricing Policy

A. Port-related services

The fee rates for logistics (other than container logistics), labor contracting and port cleaning services are determined with reference to (i) the comparable service fee rates charged by Independent Third Parties and (ii) the workload and the suppliers are selected through public bidding processes. The fee rates for ship traction and container logistics services are determined by both parties through arm’s length negotiation with reference to (i) historical fee rates; (ii) the cost of the relevant services; and (iii) the fee rates charged for similar services by Independent Third Parties (applicable to container logistics services only).

B. Railway services

The fee rates for the railway services are determined by both parties through arm’s length negotiation with reference to (i) relevant regulations published by the Ministry of Transport, (ii) historical fee rates and (iii) transportation distances.

C. Security services

The fee rates for the port facilities security services are determined by the Ministry of Transport. The fee rates for the security inspection services are determined by both parties through arm’s length negotiation with reference to (i) historical fee rates and (ii) the cost of the relevant services.

CONNECTED TRANSACTIONS

D. Maintenance services

The fee rates for maintenance services are determined with reference to (i) the comparable service fee rates charged by Independent Third Parties (ii) the workload, (iii) the construction period, and (iv) the other cost of such services and the suppliers are selected through public bidding processes.

E. Port-related technology services

The fee rates for port-related technology services are determined by both parties through arm's length negotiation with reference to (i) historical fee rates and (ii) the cost of the relevant services.

F. Office and logistics services

The fee rates for printing, catering, accommodation, meeting, employee benefits, garbage removal services are determined with reference to the comparable service fee rates charged by Independent Third Parties and the suppliers are selected through public bidding processes. The fee rates for telephone, networks and protective gears supplies services are determined by both parties through arm's length negotiation with reference to (i) historical fee rates; (ii) the cost of the relevant services; and (iii) the fee rates charged for similar services by Independent Third Parties.

G. Utilities and consumables

The fee rates for utilities and consumables are determined by both parties through arm's length negotiation with reference to (i) historical fee rates; (ii) the market price of the utilities and consumables.

Reasons for the Transactions

We will continue to procure such services from Rizhao Port Group because (i) these transactions were conducted between subsidiaries of Rizhao Port Group (including our Company) and have lasted for a long period of time and (ii) ceasing such transactions may incur unnecessary costs to us and is not commercially sensible. In addition, with respect to each type of the services:

A. Port-related services

Rizhao Port Group is the operator of the Port of Rizhao and the only provider of ship traction and container logistics services in the area. For labor contracting, port cleaning and rest of the logistics services, Rizhao Port Group may win the bids through public bidding process.

B. Railway services

Rizhao Port Group is the owner of all of the railways in the Port of Rizhao and is the only provider of such services.

C. Security services

We are required by the Ministry of Transport to procure port facilities security services from Rizhao Port Group. As to security inspection services, Rizhao Port Group is the only provider of such services in the Port of Rizhao.

CONNECTED TRANSACTIONS

D. Maintenance services

All of our buildings, facilities and equipment are located in the Port of Rizhao and Rizhao Port Group has the expertise and experience in providing such services. Rizhao Port Group may win the bids through public bidding process.

E. Port-related technology services

We procure port-related technology services to access the centralized port operation and management system, which is essential for the operation of our business. Rizhao Port Group is the only provider of such services in the Port of Rizhao.

F. Office and logistics services

Rizhao Port Group is the only provider of telephone, networks and protective gears supplies services in the Port of Rizhao. For rest of the office and logistics services, Rizhao Port Group may win the bids through public bidding process.

G. Utilities and consumables

Rizhao Port Group is the only provider of water, electricity and fuels in the Port of Rizhao.

Historical Amounts

The transaction amount under the General Service (Procurement) Framework Agreement for the years ended December 31, 2016, 2017 and 2018 is listed below:

Transaction	For the year ended December 31,		
	2016	2017	2018
	(RMB in thousands)		
Port-related services	44	32,670	49,856
Railway services	8,120	9,610	11,508
Security services	651	684	1,571 ^(Note)
Maintenance services	10,139	2,619	3,605
Port-related technology services	0	768	376
Office and logistics services	2,569	3,179	3,490
Utilities and consumables	23,755	25,729	26,115
Total	45,279	75,260	96,521

Note: We started to procure security inspection services in 2018.

CONNECTED TRANSACTIONS

Annual Caps

The following table sets forth the proposed annual caps for the transactions under the General Service (Procurement) Framework Agreement:

Transaction	For the year ending December 31,		
	2019	2020	2021
	(RMB in thousands)		
Port-related services ⁽¹⁾	75,740	82,895	85,317
Railway services	14,520	15,400	15,400
Security services	1,600	1,696	1,786
Maintenance services ⁽¹⁾	16,265	16,547	18,451
Port-related technology services ⁽²⁾	1,554	1,860	2,238
Office and logistics services	4,335	4,374	4,634
Utilities and consumables	29,722	31,703	33,684
Total	143,737	154,475	161,510

- (1) The annual caps were estimated taking into account that Rizhao Port Group may win the bids for the services previously provided by Independent Third Parties. However, there is no guarantee that Rizhao Port Group will be successful in such bids. Hence, the final amount of the services to be procured may not reach the proposed annual caps.
- (2) Taking into account our strategy of becoming a “smart port”. See the section headed “Business — Business Strategy”.

The proposed annual caps have been estimated based on: (i) the existing service contracts we have entered into with Rizhao Port Group and the unperformed contractual amounts; (ii) historical service fee rate and expected fluctuation in the rate; (iii) expected increase in need due to our development plans; and (iv) the estimated maintenance fees for our constructions, equipment and IT systems.

Taking into account the foregoing pricing policy and the price for similar services charged by Independent Third Parties, the Directors are of the view that the General Service (Procurement) Framework Agreement is on normal commercial terms.

4. Financial Service Framework Agreement

Principal Terms

We entered into a financial service framework agreement with RPG Finance on May 24, 2019 (the “**Financial Service Framework Agreement**”), pursuant to which RPG Finance will provide deposit and settlement services to us. The term of the Financial Service Framework Agreement begins on the Listing Date and ends on the earlier of (i) the date of one year after the Listing Date and (ii) the date of the Company’s 2019 annual general meeting and can be renewed or extended upon written agreement by the parties, subject to requirements under Chapter 14A of the Listing Rules.

Pricing Policy

The deposit interest rates are determined in accordance with the rates published by the PBOC and are in line with the market rates provided by independent commercial banks. The settlement service provided by RPG Finance is free of charge.

CONNECTED TRANSACTIONS

Reasons for the Transactions

RPG Finance is a limited liability company established on May 20, 2016 with a registered capital of RMB1 billion and a licensed non-bank financial institution regulated by China Banking and Insurance Regulatory Commission and it provides deposit, settlement and other financial services only to Rizhao Port Group and its subsidiaries/affiliated companies. A board of directors comprising of five members, namely Mr. Gao Zhenqiang (高振強) (chairman of the board), Mr. Jiang Zidan (姜子旦), Mr. Shi Ruxin (石汝欣), Mr. Sun Shaobo (孫少波) and Mr. Ma Xianhua (馬先驊) (general manager of RPG Finance), is responsible for the operation and management of RPG Finance. Among the five directors of RPG Finance, Mr. Jiang Zidan and Mr. Shi Ruxin are also Directors of our Company, Mr. Gao Zhenqiang is deputy general manager of Rizhao Port Group and director of Rizhao Port, Mr. Sun Shaobo is deputy general manager and financial director of Rizhao Port, and Mr. Ma Xianhua does not hold positions in other subsidiaries within Rizhao Port Group. In our ordinary course of business, we transact with various subsidiaries/affiliated companies of Rizhao Port Group. Such subsidiaries/affiliated companies generally maintain settlement accounts with RPG Finance. The centralized maintenance of deposits by us with RPG Finance will facilitate clearing with other members of Rizhao Port Group, reduce the processing time and is generally more administratively efficient than settlement through independent banks.

We maintain substantially all of our deposits with RPG Finance as of the Latest Practicable Date and plan to maintain around 50% of our deposits with independent commercial banks after Listing.

Historical Amounts

The transaction amount under the Financial Service Framework Agreement for the years ended December 31, 2016, 2017 and 2018 is listed below:

Transaction	For the year ended December 31,		
	2016	2017	2018
	(RMB in thousands)		
Maximum daily balance of deposits	91,415	108,292	135,313
Interest income	68	327	851
Settlement service	0	0	0

Annual Caps

The following table sets forth the proposed annual caps for the transactions under the Financial Service Framework Agreement:

Transaction	For the year ending December 31, 2019	For the period from January 1, 2019 to the earlier of (i) one year after the Listing Date and (ii) the Company's 2019 annual general meeting
	(RMB in thousands)	
Maximum daily balance of deposits	300,000	100,000
Interest income	900	500
Settlement service	0	0

CONNECTED TRANSACTIONS

The proposed annual caps have been estimated based on (i) historical daily deposit balance during the Track Record Period; (ii) the proceeds from the Global Offering to be deposited with RPG Finance to satisfy the settlement needs for the acquisition and reconstruction of West-6 berth; (iii) the banking facilities we expect to obtain; and (iv) the expected settlement needs for other connected transactions. Given that (i) we may further obtain banking facilities in the future to settle our connected transactions; (ii) we expect to deposit with RPG Finance around 50% of the net proceeds of HK\$488.8 million (which will be exchanged into Renminbi) from the Global Offering after the Listing to facilitate the settlement of the acquisition of the West-6 berth, which we plan to pay in installments; and (iii) such proceeds will be used shortly after the Listing, we consider the annual caps for maximum daily balance could satisfy our future settlement needs for connected transactions.

WAIVER APPLICATION FOR PARTIALLY EXEMPT AND NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

By virtue of Rule 14A.76(2) of the Listing Rules, each of the transactions under the sub-section “— Partially Exempt Continuing Connected Transactions” will constitute connected transactions which are subject to reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules. Each of the transactions under the sub-section “— Non-Exempt Continuing Connected Transactions” will constitute connected transactions subject to reporting, annual review, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

As the above partially exempt and non-exempt continuing connected transactions are expected to continue on a recurring and continuing basis, our Directors consider that compliance with the above announcement and/or independent shareholders’ approval requirements would be impractical, would add unnecessary administrative costs to us and would be unduly burdensome to us.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver to us under Rule 14A.105 of the Listing Rules from compliance with the announcement and/or independent shareholders’ approval requirements in respect of the above partially exempt and non-exempt continuing connected transactions. In addition, we confirm that we will comply with the Listing Rules in relation to the disclosable and non-exempt continuing connected transactions.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on the continuing connected transactions referred to in this Prospectus, our Company will take immediate steps to ensure compliance with such new requirements within a reasonable time.

CONFIRMATION FROM OUR DIRECTORS

Our Directors (including our independent non-executive Directors) are of the view that (i) the continuing connected transactions as set out above have been and will be entered into in our ordinary and usual course of business on normal commercial terms or terms better to us, and are fair and reasonable and in the interest of us and our Shareholders as a whole; and (ii) the proposed annual caps for these transactions are fair and reasonable and in the interest of us and our Shareholders as a whole.

CONNECTED TRANSACTIONS

CONFIRMATION FROM THE SOLE SPONSOR

The Sole Sponsor is of the view that: (i) the continuing connected transactions have been and will be entered into in the ordinary and usual course of business of our Company on normal commercial terms which are fair and reasonable, and in the interests of our Company and our Shareholders as a whole; and (ii) the proposed annual caps in respect of such transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

DIRECTORS

Our Board consists of nine Directors, comprising one executive Director, five non-executive Directors and three independent non-executive Directors. Our Directors are elected to serve a term of three years, which is renewable upon re-election and/or re-appointment.

The following table sets out certain information in respect of the Directors:

Name	Age	Position	Date of joining our Company	Date of appointment as a Director	Roles and responsibilities
Zhang Baohua (張保華)	49	Chairman of the Board and non-executive Director	February 26, 2018	February 26, 2018	Overseeing the management and strategic development
Ng Chee Keong (吳子強)	70	Deputy chairman of the Board and non-executive Director	October 1, 2016	October 1, 2016	Overseeing the management and strategic development
He Zhaodi (賀照第)	49	Executive Director	December 25, 2017	February 26, 2018	Overseeing strategic development, overall operation and management of our company
Ooi Boon Hoe (黃文豪)	52	Non-executive Director	July 24, 2015	July 24, 2015	Participating in formulating the Company's corporate and business strategies
Shi Ruxin (石汝欣)	55	Non-executive Director	March 11, 2012	March 11, 2012	Participating in formulating the Company's corporate and business strategies
Jiang Zidan (姜子旦)	55	Non-executive Director	January 7, 2014	January 7, 2014	Participating in formulating the Company's corporate and business strategies
Zhang Zixue (張子學)	50	Independent non-executive Director	December 20, 2018	December 20, 2018	Supervising and providing independent judgement to the Board
Lau Wai Leung Anders (劉偉良)	63	Independent non-executive Director	December 20, 2018	December 20, 2018	Supervising and providing independent judgement to the Board
Wu Xibin (吳西彬)	49	Independent non-executive Director	January 10, 2019	January 10, 2019	Supervising and providing independent judgement to the Board

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Executive and Non-executive Directors

Zhang Baohua(張保華), aged 49, was appointed as chairman of the Board and non-executive Director of our Company on February 26, 2018. He is mainly responsible for overseeing the management and strategic development of our Company. He served as general manager at our Company from August 2011 to November 2013.

From July 1994 to February 1995, Mr. Zhang served as assistant political engineer at political affairs division of Rizhao Port Authority Power Company (日照港務局動力公司). From February 1995 to December 2001, he served as assistant political engineer and then political engineer at commission for discipline inspection of Rizhao Port Authority (日照港務局). From December 2001 to June 2003, he served as deputy office manager at Rizhao Port Authority. He served at Rizhao Port Group as deputy office manager from June 2003 to August 2004 and office manager from August 2004 to August 2011. He also served as secretary of the board of Rizhao Port Group from June 2003 to December 2005 and from August 2008 to August 2011. He worked at the Second Harbor Branch of Rizhao Port as manager from November 2013 to December 2017. Mr. Zhang has been serving as deputy general manager and a member of the party committee at Rizhao Port Group since October 2017. In addition, he has been serving as director of Rizhao Port COSCO Shipping Logistics Co., Ltd. (日照港中遠海運物流有限公司) since March 2018 and supervisor of Rizhao Port since November 2018.

Mr. Zhang was recognized as senior political engineer (高級政工師) by the Senior Review Committee for Professional Positions of Ideological and Political Workers in the Enterprises and Public Institutions of Shandong Province (山東省企(事)業思想政治工作人員專業職務高級評審委員會) in December 2002.

Mr. Zhang graduated from Liaocheng Normal College (聊城師範學院) (currently known as Liaocheng University (聊城大學)) with a bachelor's degree in ideological and political science in July 1991. He obtained his master's degree in history of the Communist Party of China from Tianjin Normal University (天津師範大學) in July 1994.

Ng Chee Keong (吳子強), aged 70, was appointed as deputy chairman of the Board and non-executive Director on October 1, 2016. He is mainly responsible for overseeing the management and strategic development of our Company.

Mr. Ng worked at PSA Singapore from July 1971 to January 2005 and held various positions, including but not limited to administrative officer, director, president and chief executive officer. He has been the chairman of the board at Jurong Port since October 1, 2016. In addition, he has been director at Mencast Holdings Ltd since October 2009, Jurong Port Jakarta Holding Pte Ltd since June 2013, Jurong Port Marunda Holding Pte Ltd since June 2013, Samudera Shipping Line Ltd since July 2014, Jurong Port Hainan Holding Pte Ltd since October 2016 and JTC Corporation since April 2017.

Mr. Ng obtained his bachelor's degree in social science from National University of Singapore in June 1971. He participated in the Stanford-NUS executive program in 1984 and the advanced management program at Institute Europe' en d' Administration des Affaires in 1993.

He Zhaodi(賀照第), aged 49, was appointed as executive Director on February 26, 2018 and has been serving as general manager of our Company since December 25, 2017. He is primarily responsible for overseeing strategic development, overall operation and management of our Company.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Prior to joining our Company, Mr. He worked at Rizhao Port Authority Railway Transportation Company (日照港務局鐵路運輸公司) from October 1997 to December 2003 and held positions including deputy chief of safety and technology department, chief of safety and technology department, chief of technology department and deputy manager. He worked at Railway Transportation Branch of Rizhao Port Group (日照港集團鐵路運輸公司) as deputy manager from December 2003 to November 2013 and secretary of the party committee from November 2013 to January 2017. He served as chief dispatcher of production and operation department at Rizhao Port from January 2017 to December 2017.

Mr. He was recognized as senior engineer on December 15, 2003 by Human Resources and Social Security Department of Shandong Province (山東省人力資源和社會保障廳).

Mr. He obtained his bachelor's degree in electrical technology from Shandong Industry University (山東工業大學) in July 1991. He received a master's degree in transport engineering from Wuhan University of Technology (武漢理工大學) in June 2006.

Ooi Boon Hoe (黃文豪), aged 52, was appointed as non-executive Director of our Company on July 24, 2015. He is mainly responsible for participating in formulating the Company's corporate and business strategies.

From May 1987 to August 2000, Mr. Ooi served as a naval officer of Singapore Navy. He served as director of operations at Portek Systems & Equipment Pte Ltd from July 2002 to March 2005 and as executive director at Portek International from March 2005 to August 2014.

Mr. Ooi has been director and chief executive officer of Jurong Port since August 2014. In addition, he has been director at various companies, including YMCA of Singapore since May 2013, Jurong Port Hainan Holding Pte Ltd since November 2014, Jurong Port Jakarta Holding Pte Ltd since November 2014, Jurong Port Marunda Pte Ltd since November 2014, SDIC Jurong Yangpu Port Co. Ltd. since July 2015 and Jurong Port Tank Terminals Pte Ltd since April 2017.

Mr. Ooi graduated from Britannia Royal Naval College with a certificate in naval general training and Science, mathematics and engineering science in July 1987. He obtained his bachelor's degree in science (economics) from University of London in August 1990. He graduated from Collège Interarmées de Défense in June 1997.

Shi Ruxin(石汝欣), aged 55, was appointed as non-executive Director of our Company on March 11, 2012. He is primarily responsible for participating in formulating the Company's corporate and business strategies.

From March 1989 to October 1990, Mr. Shi served as assistant director at the business office of the internal bank department at Shijiu Port Authority (石臼港務局). From October 1990 to July 1993, he served as director of the internal bank department at Rizhao Port Authority. From July 1993 to May 1996, he served as director of finance department at Rizhao Port Property Development Corporation (日港物產開發總公司). From May 1996 to December 2001, he served as chief of finance department and planning and finance department at the Second Loading and Unloading Company of Rizhao Port (日照港第二裝卸公司). From December 2001 to August 2002, he worked as deputy office manager at the preparatory committee of Rizhao Luqiao Port Industry Co., Ltd (日照陸橋港業股份有限公司). From August 2002 to April 2003, he worked as deputy manager of the finance department at Rizhao

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Luqiao Port Industry Co., Ltd.. From June 2003 to August 2011, he worked as deputy director of the financial budget department at Rizhao Port Group. From August 2011 to December 2016, he worked as financial director at Rizhao Port. He has been serving as director of asset and finance department at Rizhao Port Group since December 2016.

Mr. Shi has been serving as chairman of the board at Rizhao Port Group (Shanghai) Financial Leasing Co., Ltd. (日照港集團上海融資租賃有限公司) since October 2018. He has been director at various companies, including Zaolin Railway Co., Ltd. (棗臨鐵路有限責任公司) since June 2012, RPG Finance since May 2016, Rizhao City Finance Guarantee Co., Ltd. since April 2017, Rizhao Port Container since September 2017, and Rizhao Port Group Shanghai Commercial Factoring Co., Ltd. since October 2018. In addition, he has been supervisor at Rizhao Lanshan Wanhe Liquefaction Dock Co., Ltd. since March 2007, Hualu International Financial Leasing Co., Ltd. since January 2017, Rizhao Shihua Crude Oil Terminal Co., Ltd. since January 2017, Rizhao Port (Hong Kong) Company Limited since January 2017, Jincheng Blue Flame Coal Industry Co., Ltd. since January 2017, and Shandong Hyundai Wia Automotive Engine Co. since June 2017.

Mr. Shi was recognized as senior accountant by Human Resources and Social Security Department of Shandong Province in February 2006.

Mr. Shi graduated from Shanghai Harbor School (上海港灣學校) with a certificate in water transportation financial accounting in August 1983.

Jiang Zidan(姜子旦), aged 55, was appointed as non-executive Director of our Company on January 7, 2014. He is primarily responsible for participating in formulating the Company's corporate and business strategies.

From June 1989 to April 1991, Mr. Jiang served as deputy director at repair center of communication station at Shijiu Port Authority. He worked at Rizhao Port Authority Communications Company (日照港務局通信公司) as chief of business department from April 1991 to April 1995 and deputy manager from April 1995 to June 1996. He worked at communication information center of Rizhao Port Authority as deputy director from June 1996 to May 2001 and director from May 2001 to June 2003. From June 2003 to August 2011, he served as manager at Communication Branch of Rizhao Port (日照港股份通信信息公司, previously known as Communication Branch of Rizhao Luqiao Port Industry Co., Ltd. (日照陸橋港業股份有限公司通信信息公司)). From August 2011 to December 2013, he served as deputy general manager at the Third Harbor Branch of Rizhao Port. From December 2013 to June 2018, he served as director of operations management department at Rizhao Port Group.

Mr. Jiang has been serving as director at Rizhao Ocean Shipping Tally Co., Ltd since January 2014, Rizhao Port Container since February 2015, Rizhao Lanshan Wanhe Liquefaction Dock Co., Ltd. since May 2016, RPG Finance since May 2016 and Rizhao City Finance Guarantee Co., Ltd. since April 2017. He has been supervisor at Rizhao Port Group since October 2017.

Mr. Jiang was recognized as senior engineer by Human Resources and Social Security Department of Shandong Province in December 1996.

Mr. Jiang graduated from Dalian Maritime Transport College (大連海運學院) (currently known as Dalian Maritime University (大連海事大學)) with a bachelor's degree in radio technology in July 1983.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Independent Non-executive Directors

Zhang Zixue (張子學), aged 50, was appointed as independent non-executive Director on December 20, 2018, with the appointment to take effect upon Listing. Mr. Zhang is primarily responsible for supervising and providing independent judgment to the Board.

From May 1997 to September 2016, Mr. Zhang worked at the China Securities Regulatory Commission and held positions of director of supervision department of listed companies, full-time member of administrative penalty committee and deputy chief of the administrative punishment committee. He has been serving as a professor at Civil, Commercial and Economic Law School of China University of Political Science and Law (中國政法大學民商經濟法學院) since July 2016. He has been the independent non-executive director of Shenzhen Prince New Materials Co., Ltd. (深圳王子新材料股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 002735) since December 2018, Bank Of Communications Schroder Fund Management Co., Ltd. (交銀施羅德基金管理有限公司) since October 2018 and Guizhou Baishan Cloud Technology Co., Ltd. (貴州白山雲科技股份有限公司) since September 2018.

Mr. Zhang obtained a bachelor's degree in law in July 1989 and a master's degree in litigation law in January 1993 from Renmin University of China (中國人民大學). He also received a master of law degree from Temple University in the U.S. in May 2002. He received his doctorate degree in corporate law and securities law from China University of Political Science and Law (中國政法大學) in June 2008. Mr. Zhang was granted the legal professional qualification certificate by the Ministry of Justice of People's Republic of China in June 1991.

Lau Wai Leung Anders (劉偉良), aged 63, was appointed as independent non-executive Director of our Company on December 20, 2018, with the appointment to take effect upon Listing. Mr. Lau is primarily responsible for supervising and providing independent judgement to the Board.

Mr. Lau worked at KPMG from July 1980 to September 1983. He worked at Ernst & Young from September 1983 to June 2016 and was admitted as partner in January 1997. He has been independent non-executive director of the Sincere Company, Limited (a company listed on the Stock Exchange, stock code: 244) since March 2018. He has been independent non-executive director of Shanghai Dongzheng Automotive Finance Co., Ltd (上海東正汽車金融股份有限公司) (a company listed on the Stock Exchange, stock code: 2718) since March 2019.

Mr. Lau graduated from the University of Hull in England with bachelor's degree in economics with honors in July 1980. He became a member of Hong Kong Institute of Certified Public Accountants in October 1990 and a member of American Institute of Certified Public Accountants in February 1990.

Wu Xibin (吳西彬), aged 49, was appointed as independent non-executive Director of our Company on January 10, 2019, with the appointment to take effect upon Listing. Mr. Wu is primarily responsible for supervising and providing independent judgement to the Board.

Mr. Wu served as securities lawyer at Henan Jinyan Law Firm (河南金研律師事務所) from August 1993 to October 2001 and Beijing Liwen Law Firm (北京李文律師事務所) from October 2001 to August 2006. From May 2006 to February 2013, he served as partner at Beijing Honor Base Law Firm (北京市衡基律師事務所). He has been senior partner of Beijing Great Wall Law Firm (北京華城律師事務所) since June 2013.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Wu has been serving as the chairman of the board of China Investment Merger and Acquisition Consulting (Beijing) Co., Ltd. (中投併購管理諮詢(北京)有限公司) since July 2016. In addition, he has been director at Shengruisi (Beijing) Sports Culture Development Co., Ltd. (勝瑞斯(北京)體育文化發展有限公司, previously known as Beijing Super Creative Culture Communication Co., Ltd. (北京超創意文化傳播有限公司)) since January 2016. He has been non-executive director at NAURA Technology Group Co., Ltd. (北方華創科技集團股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 002371) since October 2016. He has been serving as supervisor at Shiqing Chao Sports Development (Beijing) Co., Ltd. (世青超體育發展(北京)有限公司) since May 2017, Beijing Sunrise Ansheng Capital Management Co., Ltd. (北京日出安盛資本管理有限公司) since June 2017, Xi'an Sunrise Weixue Enterprise Management Consulting Co., Ltd. (西安日出為學企業管理諮詢有限公司) since October 2017, and Beijing Sunrise Investment Management Co., Ltd. (北京日出投資管理有限公司) since January 2018.

Mr. Wu obtained his bachelor's degree in law at Zhongnan College of Political Science and Law (中南政法學院, later merged into Zhongnan University of Economics and Law (中南財經政法大學)) in July 1992. He received his master's degree in business administration at China Europe International Business School (中歐國際工商學院) in September 2012. Mr. Wu was granted the securities law business qualification certificate by the Ministry of Justice of People's Republic of China in October 1996.

Save as disclosed above, none of our Directors has any other directorships in listed companies during the three years immediately prior to the date of this Prospectus.

Save as disclosed above, each of our Directors has confirmed that there are no other matters relating to his appointment as a Director that need to be brought to the attention of our Shareholders and there is no other information in relation to his appointment which is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

SUPERVISORS

The Board of Supervisors comprises three Supervisors. The following table sets out certain information relating to the Supervisors of the Company.

Name	Age	Position	Date of joining our Company	Date of appointment as a Supervisor	Roles and responsibilities
Wang Wei (王偉)	34	Chairman of the Board of Supervisors and employee Supervisor	May 18, 2011	December 9, 2018	Supervising the performance of duties by Directors and senior management
Li Weiqing (李維慶)	52	Supervisor	February 26, 2018	February 26, 2018	Supervising the performance of duties by Directors and senior management
Tham Wai Kong (譚偉光)	45	Supervisor	May 14, 2014	May 14, 2014	Supervising the performance of duties by Directors and senior management

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Wang Wei(王偉), aged 34, was appointed as the chairman of the Board of Supervisors on December 10, 2018 and employee Supervisor on December 9, 2018. Mr. Wang is mainly responsible for supervising the performance of duties by Directors and senior management. He worked at our Company as legal and contract manager from May 2011 to November 2015 and deputy office manager from November 2015 to January 2017. He has been deputy director of marketing center at our Company since January 2017.

Mr. Wang worked at Collection and Distribution Branch of Rizhao Port Logistics Co., Ltd., (日照港物流公司集發分公司) as tally clerk from May 2008 to June 2009 and station manager from June 2009 to August 2010. He served as sales specialist at Bonded Logistics Center (保稅物流中心) of Rizhao Port Logistics Company from August 2010 to May 2011.

Mr. Wang obtained his bachelor's degree in law from the Second Northwest University for Nationalities (西北第二民族學院) (currently known as North Minzu University (北方民族大學)) in July 2007.

Li Weiqing (李維慶), aged 52, was appointed as Supervisor of our Company on February 26, 2018. Mr. Li is primarily responsible for supervising the performance of duties by Directors and senior management.

Mr. Li worked at Lanshan Port Authority (嵐山港務局) and held positions of deputy chief of the accounting division from June 1989 to January 1993, chief of the accounting division from January 1993 to September 1997, chief accountant from September 1997 to July 2002, and deputy director from July 2002 to May 2003. He served as deputy manager at Rizhao Port Group Lanshan Port Company Limited (日照港集團嵐山港務有限公司) from May 2003 to September 2015 and from December 2016 to November 2017. He worked at Rizhao Port Group Lanshan Port Company Limited as deputy secretary of the party committee from September 2015 to December 2016. He has been the deputy director of audit department at Rizhao Port since December 2017.

Mr. Li has been director at Rizhao Jinqiao Investment Co., Ltd. (日照金橋投資有限公司) since July 2003, Rizhao Laoshan Wanhe Liquefaction Dock Co., Ltd. since March 2007, Rizhao Lanshan Wansheng Harbour Company Limited since February 2011, and Rizhao Starlight Asphalt Co., Ltd. (日照星光瀝青有限公司) since February 2017. He has been supervisor at Rizhao Port COSCO Shipping Logistics Co., Ltd. since April 2018 and Rizhao Kaidi Ecological Energy Co., Ltd. since June 2018.

Mr. Li was recognized as senior accountant by Accounting Qualification Senior Review Committee of Shandong Province in December 2003.

Mr. Li graduated from Shandong Economics College (山東經濟學院) (later merged into Shandong University of Finance and Economics (山東財經大學)) in statistics and accounting in June 1985.

Tham Wai Kong (譚偉光), aged 45, was appointed as Supervisor of our Company on May 14, 2014. Mr. Tham is primarily responsible for supervising the performance of duties by Directors and senior management.

Mr. Tham served as senior lawyer at Allen & Gledhill LLP from 1999 to 2003. He served as Asian legal adviser at Tyco International Inc, Asia from 2003 to 2007 and Asian legal adviser at

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United Technologies Corporation from 2007 to 2012. He has been vice president of legal and company secretariat at Jurong Port Pte Ltd since February 2013.

Mr. Tham graduated from King's College London with a bachelor's degree of Laws (Honors) in 1997. Mr. Tham was admitted to the Singapore Bar in 1999.

Save as disclosed above, none of our Supervisors has any other directorships in listed companies during the three years immediately prior to the date of this Prospectus.

Save as disclosed above, each of our Supervisors has confirmed that there are no other matters relating to his appointment as a Supervisor that need to be brought to the attention of our Shareholders and there is no other information in relation to his appointment which is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our business. The table below shows certain information in respect of the senior management of our Company:

Name	Age	Position	Date of joining our Company	Date of appointment as senior management	Roles and responsibilities
He Zhaodi (賀照第)	49	General manager	December 25, 2017	December 25, 2017	Overseeing strategic development, overall operation and management of our company
Sim Kwee Kiat (沈貴傑)	49	Deputy general manager	April 1, 2017	April 1, 2017	Marketing and production management
Zhang Feng (張峰)	43	Deputy general manager	December 22, 2016	December 22, 2016	Human resources, administration and business relationships
Liu Naifeng (劉乃峰)	48	Deputy general manager	March 17, 2011	December 13, 2017	Asset, equipment and construction management
Ding Dong (丁東)	43	Financial director	December 10, 2018	December 10, 2018	Financial and investment management
Zheng Shiqiang (鄭世強)	48	Secretary of the Board and director of general office	March 17, 2011	December 10, 2018	The Board related matters, information disclosure and liaison with the securities regulatory authority

He Zhaodi(賀照第), aged 49, is also our executive Director. See the paragraph headed “Directors” for his biography.

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Sim Kwee Kiat (沈貴傑), aged 49, was appointed as deputy general manager of our Company on April 1, 2017. He is mainly responsible for the marketing and production management.

Prior to joining our Company, Mr. Sim held positions at various companies and organizations, including trade banking officer at United Overseas Bank Limited from October 1993 to August 1994, Maersk International Shipping Education (MISE) from August 1994 to August 1997, marketing and customer services executive at Maersk New Zealand from November 1996 to June 1998, regional marketing manager at Maersk Logistics (Asia) Ltd from June 1998 to October 2000, Shenzhen Branch manager at Maersk Logistics (China) Ltd from October 2000 to May 2001, head of south China region at Maersk Logistics (China) Ltd from May 2001 to December 2002, director of global sales-Asia at Maersk (Singapore) Pte Ltd from January 2003 to March 2004, director at APL Intra Asia from March 2004 to April 2009, regional sales director at APL Hong Kong & South PRC from May 2009 to May 2011, managing director at APL Sri Lanka from June 2011 to February 2014, global head of project cargo & special equipment trade at APL Singapore from March 2014 to April 2016, head of pricing, Intra-Asia trade at APL Singapore from May 2016 to October 2016, and assistant vice president of business development at Jurong Port from October 2016 to March 2017.

Mr. Sim graduated from National University of Singapore with bachelor's degree in science in June 1993. He obtained his master's degree of business administration from Nanyang Business School of Nanyang Technological University in April 2006.

Zhang Feng (張峰), aged 43, was appointed as deputy general manager of our Company on December 22, 2016. He is mainly responsible for human resources, administration and business relationships.

Prior to joining our Company, Mr. Zhang worked at Rizhao Port Group and held positions of deputy chief of the general division of the office from April 2007 to November 2007, director of general duty office from November 2007 to May 2012, chief of the general division of the office from May 2012 to December 2013, director of general division of the labor union from December 2013 to December 2016.

Mr. Zhang was recognized as senior economist by the Senior Review Committee for Economics Professional Service of Shandong Province (山東省經濟專業服務高級評審委員會) in March 2012. He was awarded advanced individual for earthquake relief of the provincial transportation system (全省交通系統抗震救災先進個人) and third class merit by Communication and Transportation Department of Shandong Province (山東省交通運輸廳) in January 2009 and was awarded May 1st labor medal (五一勞動獎章) by Rizhao City Federation of Trade Union (日照市總工會) in March 2016.

Mr. Zhang obtained his bachelor's degree in business administration joint granted by Dongbei University of Finance & Economics (東北財經大學) and China Central Radio and TV University (中央廣播電視大學) in December 2008.

Liu Naifeng (劉乃峰), aged 48, was appointed as deputy general manager of our Company on December 13, 2017. He is mainly responsible asset, equipment and construction management. He served as manager of the equipment engineering department and then director of the technology department at our Company from May 2011 to December 2017.

Mr. Liu worked at the Third Harbor Company of Rizhao Port Authority (日照港務局第三港務公司) as deputy captain of mechanical team from February 2002 to April 2003. He worked as

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captain of mechanical team at Rizhao Port Container from April 2003 to December 2006. He successively served as captain of second equipment team, captain of third equipment team and captain of bulk grain team at the Third Harbor Branch of Rizhao Port Group from December 2006 to April 2011.

Mr. Liu was recognized as senior engineer by Human Resources and Social Security Department of Shandong Province in December 2003.

Mr. Liu received his bachelor's degree in welding technology and welders from Shandong Industry University (山東工業大學) (later merged into Shandong University) in July 1993.

Ding Dong (丁東), aged 43, was appointed as financial director of our Company on December 10, 2018. He is mainly responsible for financial and investment management.

Prior to joining our Company, Mr. Ding served as accountant at various companies, including Rizhao Port First Harbor Company (日照港第一港務分公司) from November 1997 to June 1999, Rizhao Port Industry Corporation (日照港口實業總公司) from June 1999 to April 2002, planning and finance division of Rizhao Port Authority from April 2002 to June 2003 and finance and budget department of Rizhao Port Group from June 2003 to February 2008. He served as chief of the agency affairs division of finance and budget department at Rizhao Port Group from February 2008 to June 2010. He worked at Rizhao Shihua Crude Oil Terminal Co., Ltd. as finance manager from June 2010 to March 2017. He worked at the Second Harbor Branch of Rizhao Port as director of planning and finance office from March 2017 to October 2017. He worked as deputy director of asset and finance department at Rizhao Port Group from October 2017 to December 2018. In addition, he has been supervisor at Rizhao Port Machinery Industry Co., Ltd. since December 2017 and non-executive director at Rizhao Port Handling Co., Ltd. since August 2018.

Mr. Ding received his bachelor's degree from Qingdao University (青島大學) in accounting in July 1997. He obtained his master's degree in business administration from Huazhong University of Science and Technology (華科技大學) in March 2016.

Zheng Shiqiang (鄭世強), aged 48, was appointed as the secretary of the Board on December 10, 2018. He is mainly responsible for the Board related matters, information disclosure and liaison with the securities regulatory authority. He worked at our Company as marketing manager from May 2011 to March 2013. He has been director of general office of our Company since May 2013.

Prior to joining our Company, Mr. Zheng worked as accountant at Rizhao Port Authority Railway Transportation Company from September 1992 to February 1993 and at planning and finance division of Rizhao Port Authority from February 1993 to March 1998. He served as financial manager at Port Service Center of Rizhao Port Industry Corporation (日照港口實業總公司港口服務中心) from March 1998 to June 1999. He served as the chief of production preparation group and executive finance team of Rizhao Port Wood and Chip Terminal (日照港木片碼頭) from June 1999 to March 2001. He worked at the Third Harbor Company of Rizhao Port Authority as deputy office manager from January 2001 to June 2001 and office manager from June 2001 to April 2003. He worked at Rizhao Port Container as officer manager from April 2003 to December 2006. He served as office manager at the Third Harbor Branch of Rizhao Port Group from December 2006 to April 2011.

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Mr. Zheng was recognized as accountant in 1998 and senior economist by Human Resources and Social Security Department of Shandong Province in 2006.

Mr. Zheng obtained his bachelor's degree in finance and accounting from China University of Mining and Technology (中國礦業大學) in July 1992. After graduation, he participated in a Postgraduate training course of Shandong University on industrial economics.

CORE MANAGEMENT

Our Company's core management team is responsible for our daily operations and comprises of its senior management members and the following key management personnel. The key management personnel are responsible for key aspects of our Company's day-to-day management and operations, including finance, port operations, resource allocation, logistics and storage.

Mr. Chuah Pak Seong (蔡百祥), aged 54, has been serving as financial manager at our Company since June 2013, responsible for financial management, including the management and supervision of the accounting system, fund management, financial risk management and financial data analysis. Mr. Chuah obtained his MBA degree in Clayton University in July 1997. Mr. Chuah became a fellow member of institute of public accountants, Australia in February 2003, a fellow member of the association of international accountants, UK in May 2011, a fellow member of chartered institute of management accountants, UK in August 2017 and a member of chartered global management accountants, UK in August 2017.

Mr. Ma Tianyou (馬天友), aged 49, has been serving as director of storage facilities at our Company since October 2015, responsible for the daily management of warehouses, stacking yards and silos, as well as overseeing the warehousing, inspection and operation of cargos that are stored in the storage facilities. Mr. Ma graduated from CPC Shandong Provincial Party School with a certificate in corporate administration in June 2007.

Mr. Zhang Ningning (張寧寧), aged 40, has been serving as director of dispatch center of our Company since October 2015, responsible for the allocation and coordination of manpower, machinery and transportation resources, the preparation of production plans, as well as production data analysis. Mr. Zhang joined our Company in May 2011 and served as office manager from May 2011 to March 2013 and manager of marketing and sales department from March 2013 to October 2015. Mr. Zhang graduated from Shandong University with a bachelor's degree in chemical equipment and mechanics in July 2002. Mr. Zhang was recognized as an engineer by Human Resources and Social Security Bureau of Rizhao in December 2007.

Mr. Liu Baojun (劉保軍), aged 40, has been serving as director of operations of our Company since October 2015, responsible for the management of loading, unloading and other port operations, as well as the management and maintenance of machineries, equipment and tools. Mr. Liu joined our Company in May 2011 and served as chief of human resources of the office from May 2011 to October 2011 and deputy office manager from October 2011 to October 2015. Mr. Liu graduated from Shandong University with a bachelor's degree in business administration in July 2002. Mr. Liu was recognized as an intermediate economist by Ministry of Human Resources and Social Security of the People's Republic of China in November 2006.

Mr. Chen Dongsheng (陳東升), aged 48, has been serving as director of logistics of our Company since October 2015, responsible for the management of railway and highway logistics,

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including transportation management, coordination of the railway authorities, loading and unloading operations related to trains and trucks and logistics data analysis. Mr. Chen joined our Company in April 2011 and held positions including deputy chief of marketing and sales center, chief of business department and chief of marketing center before he was appointed as director of logistics. Mr. Chen graduated from CPC Shandong Provincial Party School with a certificate in economics and management in December 2009. He was recognized as an assistant engineer by Rizhao Port Authority in March 1997.

JOINT COMPANY SECRETARIES

Zheng Shiqiang (鄭世強) is one of the joint company secretaries of the Company and was appointed in December 2018 with his appointment to take effect on the Listing Date of our H Shares. See the paragraph headed “— Senior Management” for his biography.

Fok Po Yi (霍寶兒) is one of the joint company secretaries of the Company and was appointed in December 2018 with her appointment to take effect on the Listing Date of our H Shares. She is a vice president of SWCS Corporate Services Group (Hong Kong) Limited (“SWCS”). Prior to joining SWCS, Ms. Fok worked for an international accounting firm and the Listing Division of the Hong Kong Stock Exchange for over thirteen years. Ms. Fok is a member of the Hong Kong Institute of Certified Public Accountants. She obtained a Bachelor of Business Administration degree with honors major in accounting in the Chinese University of Hong Kong and a Master of Laws in Corporate and Financial Law in the University of Hong Kong.

BOARD COMMITTEES

The Board delegates certain responsibilities to various committees. In accordance with the relevant PRC laws, regulations, the Articles of Association and the Listing Rules, the Company established the Audit Committee, Remuneration Committee and Nomination Committee.

Audit Committee

The Company established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The Audit Committee consists of three members, namely Mr. Lau Wai Leung Anders, Mr. Zhang Zixue and Mr. Shi Ruxin. Mr. Lau Wai Leung Anders has been appointed as the chairman of the Audit Committee, and is our independent non-executive Director holding the appropriate professional qualifications. The primary duties of the Audit Committee are to review and supervise the financial report and internal audit system of our Company, oversee the audit process, engage, renew or remove external auditors, review and oversee the existing and potential risks of our Company and perform other duties and responsibilities as assigned by our Board.

Remuneration Committee

The Company established the Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The Remuneration Committee consists of three members, namely Mr. Zhang Zixue, Mr. Wu Xibin and Mr. Jiang Zidan. Mr. Zhang Zixue has been appointed as the chairman of the Remuneration Committee. The primary duties of the Remuneration Committee are to

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establish and review the remuneration policy and structure for the Directors and senior management and make recommendations on employee benefit arrangement.

Nomination Committee

The Company established the Nomination Committee with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The Nomination Committee consists of five members, namely Mr. Zhang Baohua, Mr. Lau Wai Leung Anders, Mr. Zhang Zixue, Mr. Wu Xibin and Mr. Ng Chee Keong. Mr. Zhang Baohua has been appointed as the chairman of the Nomination Committee. The primary duties of the Nomination Committee are to review the structure, size and members of the Board, make recommendations to our Board on the appointment and removal of Directors of our Company, and review the independence of independent non-executive Directors.

REMUNERATION OF DIRECTORS AND SUPERVISORS

For the details of the service contracts and appointment letters that we have entered into with our Directors and Supervisors, see the section headed “Statutory and General Information — C. Further Information about Our Directors, Supervisors and Substantial Shareholder — 1. Directors and Supervisors — (ii) Particulars of Service Contracts” in Appendix VII to this Prospectus.

The aggregate amount of fees, salaries, allowances and retirement benefit scheme contributions we paid to our Directors in respect of the financial years ended December 31, 2016, 2017 and 2018 was approximately RMB0.5 million, RMB0.6 million and RMB0.6 million, respectively. Further information on the remuneration of each Director for the years ended December 31, 2016, 2017 and 2018 is set out in note 13 in the Accountants’ Report set out in Appendix I to this Prospectus.

The aggregate amount of fees, salaries, allowances and retirement benefit scheme contributions we paid to our Supervisors in respect of the financial years ended December 31, 2016, 2017 and 2018 was nil, nil, and RMB0.3 million, respectively. Further information on the remuneration of each Supervisor for the years ended December 31, 2016, 2017 and 2018 is set out in note 13 in the Accountants’ Report set out in Appendix I to this Prospectus.

During the Track Record Period, no remuneration was paid to our Directors or Supervisors by our Company as an inducement to join or upon joining our Company. No compensation was paid or payable to our Directors, past Directors, Supervisors or past Supervisors during the Track Record Period for the loss of office as director or supervisor of any member of our Company or of any other office in connection with the management of the affairs of any member of our Company. None of our Directors or Supervisors waived any emoluments during the Track Record Period.

Under the arrangements currently in force, the aggregate amount of remuneration (excluding any discretionary bonus which may be paid) payable by our Company to our Directors and Supervisors for the financial year ending December 31, 2019 is expected to be approximately RMB0.6 million.

The five highest paid individuals of our Company for the financial years ended December 31, 2016, 2017 and 2018 included one, one and two Directors, respectively, whose remunerations are included in the aggregate amount of fees, salaries, allowances and retirement benefits scheme contributions we paid to the relevant Directors set out above. For the financial years ended

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December 31, 2016, 2017 and 2018, the aggregate amount of fees, salaries, allowances and retirement benefits scheme contributions we paid to the remaining four, four and three highest paid individuals who are neither Directors nor chief executives of our Company were RMB1.4 million, RMB1.3 million and RMB1.4 million, respectively.

During the Track Record Period, no remuneration was paid to the five highest paid individuals of our Company as an inducement to join or upon joining our Company. No compensation was paid or payable to such individuals during the Track Record Period for the loss of any office in connection with the management of the affairs of any member of our Company.

Save as disclosed above, no Director or Supervisor is entitled to receive other special benefits from the Company.

DIVERSITY

We are committed to promoting the culture of diversity in the Company. We have strived to promote diversity to the extent practicable by taking into consideration a number of factors in our corporate governance structure.

We have adopted the board diversity policy which sets out the objective and approach to achieve and maintain diversity of our Board in order to enhance the effectiveness of our Board. Pursuant to the board diversity policy, we seek to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, race, language, cultural background, educational background, industry experience and professional experience. Our Directors have a balanced mix of knowledge and skills, including knowledge and experience in the areas of port operations, business management, finance, education, legal profession, auditing and accounting. They obtained degrees in various majors including political science, social science, engineering, economics, law and business administration. Furthermore, our Board has a wide range of age, ranging from 49 years old to 70 years old. We have also taken, and will continue to take steps to promote gender diversity at all levels of our Company, including but without limitation at the Board and the management levels. In particular, one of our joint company secretaries is female. While we recognize that the gender diversity at the Board level can be improved given its current composition of all-male directors, we will continue to apply the principle of appointments based on merits with reference to our diversity policy as a whole.

We are also committed to adopting similar approach to promote diversity of the management (including but not limited to the senior management) of the Company to enhance the effectiveness of our corporate governance as a whole.

Our Nomination Committee is delegated by our Board to be responsible for compliance with relevant codes governing board diversity under the Corporate Governance Code. After the Listing, our Nomination Committee will review the board diversity policy from time to time to ensure its continued effectiveness and we will disclose in our corporate governance report about the implementation of the board diversity policy on an annual basis.

COMPLIANCE ADVISER

We have appointed China Industrial Securities International Capital Limited as our Compliance Adviser upon the Listing of our Shares on the Stock Exchange in compliance with Rule 3A.19 of the

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Listing Rules. Pursuant to Rule 3A.23 and Rule 19A.05 of the Listing Rules, the Compliance Adviser will provide advice when consulted by our Company in relation to the followings:

- the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- where we propose to use the proceeds from the Global Offering in a manner different from that detailed in the Prospectus or where our business activities, developments or results deviate from any forecast, estimate, or other information in the Prospectus; and
- where the Stock Exchange makes an inquiry to our Company regarding unusual movement in the price or trading volume of the Shares of our Company.

The term of the appointment shall commence on the Listing Date and end on the date on which our Company distributes its annual report in respect of its financial results for the first full financial year commencing after the Listing Date in compliance with Rule 13.46 of the Listing Rules and this appointment may be subject to extension by mutual agreement.

CORPORATE GOVERNANCE CODE

The Company is committed to achieving a high standard of corporate governance (which is of critical importance to our development) to protect the interest of shareholders. To realize this objective, we intend to comply with the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules after Listing.

SHARE CAPITAL

OUR SHARE CAPITAL UPON COMPLETION OF THE GLOBAL OFFERING

As of the Latest Practicable Date, the registered share capital of our Company is RMB1,200,000,000, divided into 1,200,000,000 Shares, including 840,000,000 Domestic Shares and 360,000,000 Foreign Shares, with a nominal value of RMB1.00 each. All of the Domestic Shares are held by Rizhao Port and all of the Foreign Shares are held by Jurong Port Holding.

Following completion of the Global Offering and according to the approvals issued by the CSRC on March 13, 2019, the Foreign Shares held by Jurong Port Holding will be converted into H Shares on a one-for-one basis and listed on Stock Exchange for trading.

Immediately following completion of the Global Offering, assuming that the Over-allotment Option is not exercised, our registered and issued share capital would be as follows:

Description of Shares	Number of shares	Approximate Percentage of the enlarged registered share capital
Domestic Shares	840,000,000	52.5%
H Shares to be converted from Foreign Shares	360,000,000	22.5%
H Shares to be issued pursuant to the Global Offering	400,000,000	25.0%
Total Share Capital	1,600,000,000	100%

Immediately following completion of the Global Offering, assuming that the Over-allotment Option is fully exercised, our registered and issued share capital would be as follows:

Description of Shares	Number of shares	Approximate Percentage of the enlarged registered share capital
Domestic Shares	840,000,000	50.6%
H Shares to be converted from Foreign Shares	360,000,000	21.7%
H Shares to be issued pursuant to the Global Offering	460,000,000	27.7%
Total Share Capital	1,660,000,000	100%

CLASS OF SHARES

The H Shares to be converted from Foreign Shares and issued pursuant to the Global Offering and the Domestic Shares are ordinary shares in the share capital of our Company. However, apart from Chinese qualified domestic institutional investors, H Shares generally cannot be subscribed for by or traded between legal or natural persons of the PRC. All dividends in respect of the H shares are to be paid by us in Hong Kong dollars.

H Shares and Domestic Shares are regarded as different classes of shares under our Articles of Association. The differences between the two classes of shares, including provisions on class rights, the despatch of notices and financial reports to shareholders, dispute resolution, registration of shares in different share registrars, the method of share transfer and the appointment of dividend receiving agents are set out in our Articles of Association and summarized in Appendix VI to this Prospectus. Further, any change or abrogation of the rights of a class of shareholders should be approved by way of a special resolution of the general meeting of Shareholders and by a separate meeting of

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Shareholders of the affected class of shares. However, the special procedures for voting by a class of shareholders shall not apply (i) where we issue, upon approval by a special resolution of our Shareholders in a general meeting, either separately or concurrently every twelve months, not more than 20% of each of the existing issued Domestic Shares and overseas listed foreign shares; (ii) where our plan to issue Domestic Shares and overseas listed foreign shares on establishment is implemented within fifteen months from the date of approval by the securities regulatory authorities under the State Council; or (iii) upon approval by the securities regulatory authority under the State Council, the holders of Domestic Shares transfer their shares to overseas investors and list or trade their shares in an overseas securities exchange. However, apart from differences in classes of shares as specified in laws, the Listing rules and our Articles of Association, H Shares and Domestic Shares will rank *pari passu* with each other in all other respects and, in particular, will have the same right (save for the currency of payment) in any distribution of dividend or other forms. H Shares and Domestic Shares are generally neither interchangeable nor fungible.

CONVERSION OF OUR DOMESTIC SHARES INTO H SHARES

Conversion of Domestic Shares

According to the stipulations by the State Council's securities regulatory authorities, our Domestic Shares may be converted into H Shares, and such converted H Shares may be listed or traded on an overseas stock exchange provided that prior to the conversion and trading of such converted shares, the requisite internal approval processes have been duly completed and the approval from the relevant PRC regulatory authorities, including the CSRC, have been obtained. In addition, such conversion, trading and listing shall in all respects comply with the regulations prescribed by the State Council's securities regulatory authorities and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange.

If any of our Domestic Shares are to be converted and to be traded as H Shares on the Stock Exchange, such conversion will be subject to the approval of the relevant PRC regulatory authorities including the CSRC. Approval of the Hong Kong Stock Exchange is required for the listing of such converted shares on the Hong Kong Stock Exchange. Based on the methodology and procedures for the conversion of our Domestic Shares into H Shares as described in this section, we can apply for the listing of all or any portion of our Domestic Shares on the Hong Kong Stock Exchange as H Shares in advance of any proposed conversion to ensure that the conversion process can be completed promptly upon notice to the Hong Kong Stock Exchange and delivery of shares for entry on the H Share register. As any listing of additional shares after our initial listing on the Hong Kong Stock Exchange is ordinarily considered by the Hong Kong Stock Exchange to be a purely administrative matter, it does not require such prior application for listing at the time of our initial listing in Hong Kong.

No Shareholder voting by class is required for the listing and trading of the converted shares on an overseas stock exchange. Any application for listing of the converted shares on the Hong Kong Stock Exchange after our initial listing is subject to prior notification by way of announcement to inform our Shareholders and the public of any proposed conversion.

Mechanism and Procedures for Conversion

After all the requisite approvals have been obtained, the following procedure will need to be completed in order to effect the conversion: the relevant Domestic Shares will be withdrawn from the

SHARE CAPITAL

Domestic Share register and we will re-register such Shares on our H Share register maintained in Hong Kong and instruct our H Share Registrar to issue H Share certificates. Registration on our H Share register will be conditional on (i) our H Share Registrar lodging with the Hong Kong Stock Exchange a letter confirming the proper entry of the relevant H Shares on the H Share register and the due despatch of H Share certificates; and (ii) the admission of the H Shares to trade on the Hong Kong Stock Exchange in compliance with the Listing Rules, the General Rules of CCASS and the CCASS Operational Procedures in force from time to time. Until the converted shares are re-registered on our H Share register, such Shares would not be listed as H Shares.

So far as our Directors are aware, Rizhao Port does not propose to convert any of the Domestic Shares held by it into H Shares. Our PRC legal Advisers advised that our Articles of Association is not inconsistent with the relevant PRC laws and regulations regarding the conversion.

TRANSFER OF SHARES ISSUED PRIOR TO LISTING DATE

The PRC Company Law provides that in relation to the public offering of a company, the shares issued prior to the public offering shall not be transferred within one year from the date on which the publicly offered shares are listed on any stock exchange. Accordingly, Shares issued by our Company prior to the Listing Date shall be subject to this statutory restriction and shall not be transferred within one year from the Listing Date.

REGISTRATION OF SHARES NOT LISTED ON THE OVERSEAS STOCK EXCHANGE

According to the Notice of Centralized Registration and Deposit of Non-overseas Listed Shares of Companies Listed on an Overseas Stock Exchange (關於境外上市公司非境外上市股份集中登記存管有關事宜的通知) issued by the CSRC, an overseas listed company in the initial public offering of H Shares is required to register its shares that are not listed on the overseas stock exchange with CSDCC within 15 Business Days upon listing of H Shares and provide a written report to the CSRC regarding the centralized registration and deposit of its non-overseas listed Shares as well as the current offering and listing of shares.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

For details of circumstances under which our Shareholders' general meeting and class Shareholders' meeting are required, please see "Appendix VI — Summary of the Articles of Association — Notice of Meetings and Business to be Conducted Thereat" in this Prospectus.

SUBSTANTIAL SHAREHOLDERS

To the best of the knowledge of our Directors, the following person(s) will, immediately after the completion of the Global Offering (assuming the Over-allotment Option is not exercised), have an interest or short position in the Shares or underlying shares which are required to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at the general meetings of the Company:

Name of shareholder	Nature of interest	Number of Shares	Class	Approximate percentage of interest in our Company (assuming the Over-allotment Option is not exercised)	Approximate percentage of interest in our Company (assuming the Over-allotment Option is fully exercised)
Rizhao Port . . .	Beneficial owner	840,000,000	Domestic Shares	52.5%	50.6%
Rizhao Port Group ⁽¹⁾	Interest in a controlled corporation	840,000,000	Domestic Shares	52.5%	50.6%
Jurong Port Holding	Beneficial owner	360,000,000	H Shares	22.5%	21.7%
Jurong Port ⁽²⁾	Interest in a controlled corporation	360,000,000	H Shares	22.5%	21.7%

(1) Rizhao Port Group is the controlling shareholder of Rizhao Port and held 43.6% of the equity interest in Rizhao Port as of the Latest Practicable Date. Therefore, Rizhao Port Group is deemed to be interested in the 840,000,000 Domestic Shares held by Rizhao Port.

(2) Jurong Port is the sole shareholder of Jurong Port Holding and held 100% of the equity interest in Jurong Port Holding as of the Latest Practicable Date. Therefore Jurong Port is deemed to be interested in the 360,000,000 H Shares held by Jurong Port Holding.

Save as disclosed above, our Directors are not aware of any other person(s) who will, immediately after completion of the Global Offering, have an interest or short position in the Shares which are required to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at the general meetings of our Company.

We are not aware of any arrangement which may result in any change of control in our Company.

CORNERSTONE INVESTORS

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements (each a “**Cornerstone Investment Agreement**”, and together the “**Cornerstone Investment Agreements**”) with the cornerstone investors set out below (each a “**Cornerstone Investor**”, and together, the “**Cornerstone Investors**”), pursuant to which Penavico & CL Hong Kong (as defined below), Yankuang Hong Kong (as defined below) and Shanghai Guhui (as defined below) have agreed to subscribe for 105,990,000 Offer Shares, 50,000,000 Offer Shares and 44,000,000 Offer Shares, respectively, at the Offer Price (together, the “**Cornerstone Placing**”).

The total number of Offer Shares to be subscribed by the Cornerstone Investors would be 199,990,000 Offer Shares, representing approximately 49.998% of the Offer Shares pursuant to the Global Offering and approximately 12.5% of our total issued share capital immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised).

Set out below is the aggregate number of Offer Shares, and the corresponding percentage to the total number of Offer Shares and our Company’s total issued share capital under the Cornerstone Placing:

				Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full	
				Percentage to our total issued share capital immediately upon completion of the Global Offering	Percentage to our total issued share capital immediately upon completion of the Global Offering	
Based on the Offer Price of:	Total number of Offer Shares to be subscribed by the Cornerstone Investors	Total investment amount by the Cornerstone Investors	Percentage to the total number of Offer Shares			
HK\$1.37 (being the low-end of the indicative Offer Price range)						
Penavico & CL Hong Kong						
Kong	105,990,000	HK\$ 145,206,300	26.5%	6.6%	23.0%	6.4%
Yankuang Hong Kong						
Kong	50,000,000	HK\$ 68,500,000	12.5%	3.1%	10.9%	3.0%
Shanghai Guhui	44,000,000	HK\$ 60,280,000	11.0%	2.8%	9.6%	2.7%
Total	199,990,000	HK\$273,986,300	49.998%	12.5%	43.5%	12.0%
HK\$1.44 (being the mid-point of the indicative Offer Price range)						
Penavico & CL Hong Kong						
Kong	105,990,000	HK\$ 152,625,600	26.5%	6.6%	23.0%	6.4%
Yankuang Hong Kong						
Kong	50,000,000	HK\$ 72,000,000	12.5%	3.1%	10.9%	3.0%
Shanghai Guhui	44,000,000	HK\$ 63,360,000	11.0%	2.8%	9.6%	2.7%
Total	199,990,000	HK\$287,985,600	49.998%	12.5%	43.5%	12.0%
HK\$1.51 (being the high-end of the indicative Offer Price range)						
Penavico & CL Hong Kong						
Kong	105,990,000	HK\$ 160,044,900	26.5%	6.6%	23.0%	6.4%
Yankuang Hong Kong						
Kong	50,000,000	HK\$ 75,500,000	12.5%	3.1%	10.9%	3.0%
Shanghai Guhui	44,000,000	HK\$ 66,440,000	11.0%	2.8%	9.6%	2.7%
Total	199,990,000	HK\$301,984,900	49.998%	12.5%	43.5%	12.0%

Each of the Cornerstone Investors is an Independent Third Party and is making independent investment decisions, and none of the Cornerstone Investors is a connected person or an existing

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shareholder or a close associate of our Company. For the Cornerstone Investor who subscribes for our H Shares through an asset manager that is a qualified domestic institutional investor (“**QDII**”), such asset manager is an independent third party of our Company and is not a connected client of the lead broker or of any distributors (as defined in paragraph 5 of the Placing Guidelines under the Listing Rules).

The Cornerstone Placing will form part of the International Offering, and the Cornerstone Investors will not acquire any Offer Shares under the Global Offering other than pursuant to the Cornerstone Investment Agreements. The Offer Shares to be subscribed by the Cornerstone Investors will rank *pari passu* in all respect with the fully paid H Shares in issue. Immediately following the completion of the Global Offering, none of the Cornerstone Investors will have any Board representation in the Company or become a substantial shareholder of the Company (as defined under the Listing Rules). The Cornerstone Investors do not have any preferential rights in the Cornerstone Investment Agreements compared with other investors.

The total number of Offer Shares to be subscribed by the Cornerstone Investors pursuant to the Cornerstone Placing may be affected by reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in the section headed “Structure of the Global Offering — Pricing and Allocation — Reallocation.”

Details of the actual number of the Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement to be issued by the Company on or around June 18, 2019.

THE CORNERSTONE INVESTORS

The information about the Cornerstone Investors set forth below has been provided by the Cornerstone Investors in connection with the Cornerstone Placing.

Penavico & CL (Hong Kong) Co., Limited (中遠海運物流(香港)有限公司) (“Penavico & CL Hong Kong”)

Pursuant to the cornerstone investment agreement entered into between the Company, China Securities (International) Corporate Finance Company Limited and Penavico & CL Hong Kong dated May 24, 2019, Penavico & CL Hong Kong has agreed to subscribe for 105,990,000 Offer Shares at the Offer Price.

Penavico & CL Hong Kong is an investment holding company established in Hong Kong, which is wholly owned by COSCO Shipping Logistics Co., Ltd (中遠海運物流有限公司). Penavico & CL Hong Kong is primarily engaged in the businesses of logistics, global shipping and forwarding agency.

Yankuang Group (Hong Kong) Limited (兗礦集團(香港)有限公司) (“Yankuang Hong Kong”)

Pursuant to the cornerstone investment agreement entered into between the Company, China Securities (International) Corporate Finance Company Limited and Yankuang Hong Kong dated May 24, 2019, Yankuang Hong Kong has agreed to subscribe for 50,000,000 Offer Shares at the Offer Price.

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Yankuang Hong Kong is a wholly-owned subsidiary of Yankuang Group Co., Ltd. (兗礦集團有限公司) (“**Yankuang Group**”) and is primarily engaged in investment management. Yankuang Group is a large-scale state-owned energy enterprise mainly engaged in the businesses of mining, processing and trade, high-end chemical industry and modern logistics. The ultimate controlling shareholder of Yankuang Group is Shandong Provincial State-owned Assets Supervision and Administration Commission. As of the Latest Practicable Date, Rizhao Port is held as to 5.5% by Yankuang Group.

Shanghai Guhui Industrial Co., Ltd. (上海谷匯實業有限公司) (“Shanghai Guhui”)

Pursuant to the cornerstone investment agreement entered into between the Company, China Securities (International) Corporate Finance Company Limited and Shanghai Guhui dated May 23, 2019, Shanghai Guhui has agreed to subscribe for 44,000,000 Offer Shares at the Offer Price, through an asset manager that is a QDII.

Shanghai Guhui is a wholly-owned subsidiary of Zhonggu Shipping Group Co., Ltd (中谷海運集團有限公司) (“**Zhonggu Shipping**”). Established in 2003, Zhonggu Shipping is one of the first companies specializing in domestic container shipping. With its development of over 15 years, Zhonggu Shipping has become a comprehensive modern enterprise integrating shipping, logistics, ship management, crew management and internet technology.

CLOSING CONDITIONS

The obligation of the Cornerstone Investors to acquire the Offer Shares under the Cornerstone Investment Agreements is subject to, among other things, the following closing conditions:

- (1) the Hong Kong Underwriting Agreement and International Underwriting Agreement being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in these underwriting agreements;
- (2) neither of the aforesaid underwriting agreements having been terminated;
- (3) the Offer Price having been agreed according to underwriting agreements and price determination agreement to be signed among the parties thereto in connection with the Global Offering;
- (4) the Listing Committee having granted the listing of, and permission to deal in, the H Shares as well as other applicable waivers and approvals and such approval, permission or waiver having not been revoked prior to the commencement of dealings in the H Shares on the Hong Kong Stock Exchange;
- (5) no laws shall have been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Hong Kong Public Offering, the International Offering or herein and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and
- (6) the respective representations, warranties, acknowledgements, undertakings and confirmations of the Cornerstone Investors under the Cornerstone Investment Agreements

CORNERSTONE INVESTORS

are (as of the date of the Cornerstone Investment Agreements) and will be (as of the Listing Date) accurate and true in all material respects and not misleading and that there is no material breach of the Cornerstone Investment Agreements on the part of the Cornerstone Investors.

RESTRICTIONS ON THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed that without the prior written consent of each of the Company, the Sole Sponsor and the Joint Global Coordinators, it will not, and will cause its affiliates not to, whether directly or indirectly, at any time during the period of six months starting from and inclusive of the Listing Date (the “**Lock-up Period**”): (i) dispose of, in any way, any Offer Shares it has purchased pursuant to relevant Cornerstone Investment Agreements or any interest in any company or entity holding such shares; (ii) allow itself to undergo a change of control (as defined in The Codes on Takeovers and Mergers and Share Buy-backs promulgated by the SFC); or (iii) enter into any transactions directly or indirectly with the same economic effect as any aforesaid transaction, pursuant to the Cornerstone Investment Agreements.

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You should read the following discussion and analysis in conjunction with our audited financial statements included in “Appendix I — Accountants’ Report” to this Prospectus, together with the accompanying notes. Our financial information has been prepared in accordance with IFRSs, which may differ in material aspects from generally accepted accounting principles in other jurisdictions. You should read the entire Accountants’ Report and not merely rely on the information contained in this section.

The following discussion and analysis contain forward-looking statements that reflect the current views of our management with respect to future events and financial performance. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate under the circumstances. However, whether the actual outcome and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control. For details, see “Forward-looking Statements” and “Risk Factors.”

OVERVIEW

We are the largest port for grain and woodchip imports in China in terms of 2018 throughput. According to the CIC Report, in 2018, our throughput of both soybean and woodchip imports (including the throughput from our leased-out berths) ranked first in China and our throughput of dried tapioca imports ranked second in China. We have experienced significant growth since our establishment in 2011. Our total throughput (including the throughput from our leased-out berths) increased from approximately 10.9 million tonnes in 2011 to approximately 25.9 million tonnes in 2018 at a CAGR of 13.2%. For the years ended December 31, 2016, 2017 and 2018, our revenue was RMB488.2 million, RMB520.5 million and RMB532.1 million, respectively, and our profit and total comprehensive income was RMB78.4 million, RMB127.0 million and RMB149.2 million, respectively.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

We believe that key factors affecting our results of operations, financial position and cash flows include the following:

Throughput and Cargo Type

Our results of operations depend primarily on the volume and cargo type. During the Track Record Period, the primary cargo types we handled included soybeans, woodchips and dried tapioca. The markets for the commodities we handle are cyclical in nature and demand for these commodities is affected by the overall macroeconomic conditions of the PRC, demand from our major hinterland, such as Shandong, Henan and Shaanxi provinces, and the development of the relevant industries. These commodities are also affected by fluctuations in foreign trade volume, changes in foreign trade relations and policies, and uncertainties in global economic, geopolitical and market conditions, as well as output volume of such commodities, which may be affected by seasonality, weather conditions, local environmental or other laws and regulations. These factors may affect our customers’ demand for, and supply of, these commodities, which in turn may impact our throughput. Changes in our cargo mix may affect our results of operations from period to period.

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In 2018, we were the largest port for soybean imports in China, with a throughput accounting for 9.2% of China's total soybean imports in 2018, according to the CIC Report. Our revenue derived from soybean imports accounted for 49.3%, 55.3% and 56.7% of our total revenue for the years ended December 31, 2016, 2017 and 2018, respectively. China and the United States commenced a trade war in early 2018 where tariffs were announced by both governments, including a 25% tariff on U.S. soybeans imported to China. See "Industry Overview — The Coastal Port Service Industry in China — Impact of the China-U.S. Trade War." These tariffs have reduced, and may continue to reduce, soybean imports from the United States to China. As our customers increased their soybean imports from countries such as Brazil to meet demand, such tariffs have not had a material adverse impact on our soybean throughput. However, these tariffs and any further escalation of the trade war in the future or other changes in global economic, geopolitical and market conditions may have an impact on our throughput and our results of operations.

Our throughput is also affected by the competitive landscape in the coastal port service industry and competition from neighboring ports. See "Industry Overview — Competitive Landscape of the Coastal Port Service Industry in China."

Fees and Charges

The fees we charge for our port services primarily include stevedoring service fees, port management fees, storage fees and logistics agency fees. Our stevedoring fees cover cargo handling services and certain other port value-added services.

We use different pricing mechanisms for different types of services we provide. Each year, we set prices for our services based on a number of factors, including operating costs, government policies and the competitive landscape. With respect to our stevedoring services, we have adopted a tiered pricing model for our major cargo types primarily based on the cargo type and throughput volume. Under our tiered pricing model, we set a different fee rate for each tier of throughput volume. When a customer's throughput volume reaches a higher tier, we charge the customer a lower fee rate for the amount of throughput in that higher tier. The following table sets forth the average fees charged for stevedoring services by cargo type for the period indicated.

	For the year ended December 31,		
	2016	2017	2018
Soybeans ⁽¹⁾ (RMB per tonne)	34.8	34.1	34.3
Woodchips ⁽¹⁾ (RMB per bone dry metric tonne)	48.2	44.6	48.3
Dried tapioca ⁽¹⁾ (RMB per tonne)	49.2	40.2	42.1
Others ⁽²⁾	N/A	N/A	N/A

(1) Average fees are calculated by dividing total stevedoring revenue generated for each cargo type in a period by the total throughput (in the case of woodchips, by dividing self-operated stevedoring revenue by the self-operated cargo unloading volume in terms of bone dry metric tonnes) for such cargo type in the same period.

(2) Average fees charged for other cargo types are not meaningful as they include a variety of cargo types with different fee rates and throughput volumes in each period.

A decrease in average fees charged for our stevedoring service for certain cargo types from 2016 to 2017 primarily reflected an increase in throughput under our tiered pricing model. In particular, from 2016 to 2017, our average fees charged for dried tapioca decreased from RMB49.2 per tonne to RMB40.2 per tonne primarily because in 2016 a number of our dried tapioca customers stored their

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cargo at our storage facilities and our stevedoring fees also included fees for transporting their cargo to our facilities. In 2017, we encouraged our dried tapioca customers to be more environmentally friendly and collect cargo directly after unloading instead of having the cargo transported to our facilities, resulting in a decrease in our average fees charged for stevedoring for dried tapioca. The decrease in our average fees charged for dried tapioca from 2016 to 2017 was also due to increased competition from neighboring ports.

Pursuant to the policies, rules and regulations promulgated by the relevant regulatory authorities in China, fees and charges for certain port-related services, such as port management and water supply, are set by the government or pursuant to government guidelines. We generally follow the Port Charge Rules. For further information, see “Regulatory Overview — Laws and Regulations for Operations at Ports.”

Cost of Sales

During the Track Record Period, our cost of sales primarily consisted of depreciation costs, subcontracting costs, rent, staff costs, procurement and maintenance costs, and utilities costs. For the years ended December 31, 2016, 2017 and 2018, our cost of sales amounted to RMB349.1 million, RMB326.0 million and RMB307.9 million, respectively. Fluctuations in cost of sales may impact our gross profit and gross profit margin. Our largest cost component was depreciation costs during the Track Record Period. See “— Depreciation of Property, Plant and Equipment and Investment Properties.”

Our subcontracting costs and utilities costs remained relatively stable during the Track Record Period. Our rent decreased from RMB52.4 million in 2016 to RMB47.7 million in 2017, primarily due to a new government policy in May 2016 requiring payment of VAT in lieu of business tax. Our rent increased from RMB47.7 million in 2017 to RMB62.0 million in 2018, primarily because starting from January 2018, we also paid a percentage of our profits generated from the West-18 berth to Rizhao Port. See “Business — Our Operations — Our Berths — Berths We Operate.” Our procurement and maintenance cost decreased from RMB40.4 million in 2016 to RMB24.7 million in 2017, primarily because we conducted significant upgrades and renovation of our equipment and facilities in 2016, and did not need to conduct such upgrades and renovations in 2017. Our procurement and maintenance cost remained relatively stable from 2017 to 2018. Our staff costs remained relatively stable from 2016 to 2017, and increased from RMB34.8 million in 2017 to RMB40.6 million in 2018, which was primarily due to increases in both the headcount and compensation level of our employees engaged in providing port services. Future fluctuations in our cost items will continue to have an impact on our results of operations. For details, see “— Description of Certain Statements of Profit or Loss and Other Comprehensive Income Items — Cost of Sales,” “— Results of Operations — Year Ended December 31, 2018 Compared to Year Ended December 31, 2017 — Cost of Sales” and “— Results of Operations — Year Ended December 31, 2017 Compared to Year Ended December 31, 2016 — Cost of Sales.”

Depreciation of Property, Plant and Equipment and Investment Properties

We invest significant capital in the procurement of property, plant and equipment and investment properties. For the years ended December 31, 2016, 2017 and 2018, our capital expenditure (reflecting additions to property, plant and equipment) was RMB53.7 million, RMB70.1

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million and RMB26.2 million, respectively. We depreciate our property, plant and equipment and investment properties on a straight line basis, and our depreciation costs are the largest component in our cost structure. For the years ended December 31, 2016, 2017 and 2018, our depreciation costs accounted for 38.9%, 39.5% and 28.7% of our cost of sales, respectively. As a percentage of cost of sales, depreciation costs decreased significantly from 39.5% for the year ended December 31, 2017 to 28.7% for the year ended December 31, 2018, primarily due to the changes in our accounting estimates as discussed in the following paragraph. As we continue to procure additional property, plant and equipment, our depreciation costs are expected to increase and affect our results of operations. In particular, our depreciation costs are expected to increase significantly as we acquire significant property, plant and equipment in relation to the West-6 berth.

Our results of operations were affected by changes in accounting estimates of the useful lives of our property, plant and equipment and investment properties. As of December 31, 2016, 2017 and 2018, the carrying value of our property, plant and equipment was RMB1,364.3 million, RMB1,316.3 million and RMB1,262.2 million, respectively, and the carrying value of our investment properties was RMB337.5 million, RMB326.7 million and RMB318.5 million, respectively. In 2016 and 2017, we charged RMB135.9 million and RMB128.6 million as depreciation costs to our statement of profit or loss and other comprehensive income for the years ended December 31, 2016 and 2017, respectively. Starting from January 1, 2018, in order to more accurately reflect the usage conditions of our fixed assets, we have changed accounting estimates of the useful lives of our property, plant and equipment and investment properties. For details, see note 16 in the Accountant's Report set out in Appendix I to this Prospectus. In particular, the useful lives of (i) our terminal facilities have been extended from 40 years to 50 years; (ii) our storage facilities have been extended from 10 to 30 years to 10 to 40 years; (iii) our loading equipment have been extended from 8 to 12 years to 8 to 15 years; (iv) our machinery equipment have been extended from 8 to 10 years to 8 to 12 years; and (v) our investment properties have been extended from 20 to 40 years to 40 to 50 years. Our depreciation costs decreased from RMB128.6 million for the year ended December 31, 2017 to RMB88.4 million for the year ended December 31, 2018. As a result of our accounting estimate change, our depreciation costs related to the remaining useful life of our existing property, plant and equipment and investment properties are expected to be lower than 2016 and 2017 levels going forward.

The increase in our gross profit from RMB194.5 million for the year ended December 31, 2017 to RMB224.1 million for the year ended December 31, 2018, and the increase in our gross profit margin from 37.4% for the year ended December 31, 2017 to 42.1% for the year ended December 31, 2018 was primarily because our depreciation costs decreased due to the change in accounting estimates. If we had not changed our accounting estimates, our gross profit and gross profit margin for the year ended December 31, 2018 would have been RMB185.5 million and 34.9%, respectively; and our profit and total comprehensive income and net profit margin for the same period would have been RMB110.5 million and 20.8%, respectively. The level of our depreciation costs is expected to continue to have an effect on our results of operations.

Expansion Plan

Our continued business expansion depends in part on our ability to expand our throughput capacity and storage capacity to take on more throughput from our customers. To that end, we intend

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to acquire the West-6 berth from Rizhao Port Group and Rizhao Port Container, which is designed to achieve an annual throughput capacity of over 6.5 million tonnes. As of the Latest Practicable Date, we had entered into the Berth Acquisition Agreement with Rizhao Port Group and Rizhao Port Container for the acquisition of the West-6 berth. Our expected capital expenditure in relation to the West-6 berth is approximately RMB583.8 million. We intend to finance such capital expenditure primarily through net proceeds from the Global Offering, cash from operations and other sources of financing. Considering that we will devote significant capital resources to our West-6 berth, we may be required to obtain additional external financing for our other projects or investments in equipment and machinery, and incur significant finance costs as a result. For details of our expansion plan, see “Future Plans and Use of Proceeds — Future Plans.”

BASIS OF PRESENTATION

We were jointly established on March 17, 2011 by Rizhao Port Group and Jurong Port. In 2012, Jurong Port Holding acquired all the equity interests held by Jurong Port and Rizhao Port acquired all the equity interests held by Rizhao Port Group. Our financial statements have been prepared in accordance with IFRSs and requirements of the Companies Ordinance. Our financial statements have been prepared on a historical cost basis, except for bills receivable at fair value through other comprehensive income. See note 4 in the Accountants’ Report set out in Appendix I to this Prospectus.

SIGNIFICANT AND CRITICAL ACCOUNTING POLICIES AND ESTIMATES

For the purpose of preparing and presenting the historical financial information for the Track Record Period, we have applied all International Accounting Standards (“IASs”), IFRSs, amendments and related interpretations (“IFRICs”) issued by the International Accounting Standards Board (the “IASB”) that were effective for the accounting period beginning on January 1, 2018, including IFRS 15 “Revenue from Contracts with Customers”, consistently throughout the Track Record Period, except that we adopted IFRS 9 “Financial Instruments” on January 1, 2018 and applied IAS 39 “Financial Instruments: Recognition and Measurement” for the two years ended December 31, 2017. We consider that the adoption of IFRS 15 would have no significant impact on our financial position and performance compared to the requirements of IAS 18 “Revenue”.

Our critical accounting policies and estimates, which are important for an understanding of our financial condition and results of operations, are set forth in detail in note 4, note 5 and note 5A to the Accountants’ Report set out in Appendix I to this Prospectus. Critical accounting estimates are those that are most important to the portrayal of our financial condition and results of operations and require our management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and their accompanying disclosures, often as a result of the need to make estimates about the effect of matters that are inherently uncertain and may change in subsequent periods.

We continually evaluate these estimates based on our own historical experience, knowledge and assessment of current business and other conditions, and our expectations regarding the future based on available information and our best assumptions, which together form our basis for making judgments about matters that are not readily apparent from other sources. Since the use of estimates is an integral component of the financial reporting process, our actual results could differ from those

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estimates and expectations. Some of our accounting policies require a higher degree of judgment than others in their application. We believe the following accounting policies involve the most significant estimates and judgments used in the preparation of our financial statements.

Revenue Recognition

Revenue from Contracts with Customers

Under IFRS 15, we recognize revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services relating to the particular performance obligation is transferred to the customer. A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met: (i) the customer simultaneously receives and consumes the benefits provided by our performance as we perform; (ii) our performance creates and enhances an asset that the customer controls as we perform; or (iii) our performance does not create an asset with an alternative use to us and we have an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents our right (which is not yet unconditional) to consideration in exchange for goods or services that we have transferred to a customer. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents our unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due. A contract liability represents our obligation to transfer goods or services to a customer for which we have received consideration (or an amount of consideration is due) from the customer. A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

Contracts with Multiple Performance Obligations (Including Allocation of Transaction Price)

For contracts that contain more than one performance obligation (including stevedoring service, storage service and port management service), we allocate the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service relating to each performance obligation is determined at contract inception. It represents the price at which we would sell a promised good or service separately to a customer.

Revenue Recognition Over Time: Measurement of Progress towards Complete Satisfaction of a Performance Obligation

Output Method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to directly measure the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract that best depicts our performance in transferring control of goods or services.

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Principal versus agent

When another party is involved in providing goods or services to a customer, we determine whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. we are a principal) or to arrange for those goods or services to be provided by the other party (i.e. we are an agent).

We are a principal if we control the specified good or service before that good or service is transferred to a customer.

We are an agent if our performance obligation is to arrange for the provision of the specified good or service by another party. In this case, we do not control the specified good or service provided by another party before that good or service is transferred to the customer. When we act as an agent, we recognize revenue in the amount of any fee or commission to which we expect to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Estimated Useful Lives of Property, Plant and Equipment, and Investment Properties

In applying the accounting policy on property, plant and equipment, and investment properties with respect to depreciation, our management estimates the useful lives of investment properties and various categories of property, plant and equipment according to the experiences over the usage of them and also by reference to the relevant industrial norm. If the actual useful lives of them are less than the original estimated useful lives due to changes in commercial and technological environment, such difference will impact the depreciation charge for the remaining useful life. We adjusted our accounting estimates for property, plant and equipment and investment properties on January 1, 2018. For details, see “— Key Factors Affecting Our Results of Operations — Depreciation of Property, Plant and Equipment and Investment Properties.”

Estimate Useful Lives of Intangible Assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and any accumulated impairment losses, if any. Amortization for intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of and any changes in estimates being accounted for on a prospective basis.

Our intangible assets are computer software used in our operation system and are amortized on a straight-line basis based on an estimated useful life of 10 years. Our management considers that such software is rather simple and does not involve high degree of technical, technological or commercial obsolescence. Therefore, our management estimates that the software is able to be used for a period of 10 years.

Estimated Impairment of Trade Receivables and Contract Assets

Prior to the adoption of IFRS 9, our management estimated the recoverability of trade receivables and contract assets based on objective evidence. When there is objective evidence of impairment loss, we take into consideration the estimated future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present

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value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

Since the adoption of IFRS 9 on January 1, 2018, our management has estimated the amount of impairment loss for ECL on trade receivables and contract assets based on the credit risk of trade receivables and contract assets. The amount of the impairment loss is measured as the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit loss of the respective financial instrument. The assessment of the credit risk of the respective financial instrument involves high degree of estimation and uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise, accordingly.

Adoption of IFRS 9

IFRS 9 "Financial Instruments" replaced the previous standard IAS 39 "Financial Instruments and Measurements" and related interpretations. The standard is effective for annual periods beginning on or after January 1, 2018. On January 1, 2018, we have applied IFRS 9 "Financial Instruments" and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for (i) the classification and measurement of financial assets and financial liabilities; (ii) ECL for financial assets and other items (for example, contract assets); and (iii) general hedge accounting. We have applied IFRS 9 in accordance with the transition provisions set out in IFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognized as of January 1, 2018 (date of initial application) and did not apply the requirements to instruments that have already been derecognized as of January 1, 2018. The difference between carrying amounts as of December 31, 2017 and the carrying amounts as of January 1, 2018, if any, are recognized in the opening retained profits and other components of equity, without restating comparative information. There were no financial assets or financial liabilities which we have designated as at FVTPL under IAS 39 that were subject to reclassification, or which we have elected to reclassify upon the application of IFRS 9. There were no financial assets or financial liabilities which we have elected to designate as at FVTPL at the date of initial application of IFRS 9. For details, see note 3 to the Accountants' Report set out in Appendix I to this Prospectus. Based on the assessment set out therein, the adoption of IFRS 9 did not have a significant impact on our financial position and results of operations.

Adoption of IFRS 16

IFRS 16 "Leases" addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that most operating leases will be accounted for on statement of financial position for lessees. We are a lessee of various properties which are currently classified as operating leases. Our current accounting policy for such leases is set out in note 4 of the Accountants' Report set out in Appendix I to this Prospectus. As of December 31, 2018, we had non-cancellable operating lease commitments of RMB284.2 million. IFRS 16 provides new provisions for the accounting treatment of leases and will in the future no

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longer allow lessees to recognize certain leases outside of the balance sheet. Instead, almost all leases must be recognized in the form of an asset (for the right of use) and a financial liability (for the payment obligation). Thus each lease will be mapped in our statements of financial position. Short-term leases of less than twelve months and leases of low-value assets are exempt from the reporting obligation. The new standard will therefore result in an increase in assets and financial liabilities in the statements of financial position. As for the financial performance impact in the income statements, the operating lease expenses will decrease, while depreciation and amortization and interest expense will increase. The combination of the straight-line depreciation of right of use assets and the effective interest rate method applied to the lease liability will result in a higher total charge to profit or loss in the initial years of the lease, and decreasing expenses during the latter part of the lease term. We plan to apply IFRS 16 from the annual periods beginning January 1, 2019, which we believe will result in a significant increase in our non-current assets and financial liabilities. However, we believe that the impact on our current assets and liabilities and the net impact on our financial performance will be limited. As of March 31, 2019, we recognized RMB231.3 million in right of use assets in our non-current assets. As of the same date, we also recognized RMB13.5 million in current lease liability and RMB219.2 million in non-current lease liability. Our current ratio and quick ratio as of the same date was 0.59 and 0.58, respectively. Our debt-to-equity ratio was 16.1% as of the same date. For a detailed description of the impact of the implementation of IFRS 16 on our financial statements, see note 3 of the Accountants' Report set out in Appendix I to this Prospectus.

Valuation of Financial Assets at Fair Value through Other Comprehensive Income

Our Company has engaged an independent qualified professional valuer (the "Independent Valuer") who has appropriate qualification and recent experience in the valuation of similar instrument as management's expert to aid the management in the determination of fair value of financial assets at fair value through other comprehensive income for the preparation of the financial statements for the Track Record Period.

Our Company has performed the following independent works in ascertaining the accuracy of the valuation report prepared by the Independent Valuer:

- (i) performed independent investigations and assessments on aspects including but not limited to the nature of its financial assets, the merits of financial assets and any information material to the valuation of the financial assets;
- (ii) discussed with the Independent Valuer on the valuation methodology and approach in carrying out the valuation; and
- (iii) obtained and reviewed its underlying working papers in deriving the valuation.

In relation to the valuation, our reporting accountants have performed the following procedures:

- (i) understood the management consideration and process for identification of the financial assets which are eligible for level 3 fair value measurement;
- (ii) evaluated the competence, capabilities and objectivity of the Independent Valuer engaged by the Company;

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- (iii) assessed the appropriateness of methodologies and key assumptions used in the fair value measurement of the financial assets and discussed the bases and assumptions with the Company and the Independent Valuer; and
- (iv) evaluated the reasonableness of the key inputs used in the valuation.

In relation to the valuation, the Sole Sponsor has performed the following independent work:

- (i) discussed with the Company and the reporting accountants regarding the valuation of the investment;
- (ii) reviewed relevant information obtained from the Company and the Independent Valuer and participated in the discussion between the reporting accountants and the Independent Valuer;
- (iii) reviewed the valuation report and discussed with the Independent Valuer to understand its valuation methodology and approach, and
- (iv) conducted due diligence interview with the Company, the reporting accountants and the Independent Valuer to better understand the methodology and approach.

For details of the fair value measurement of these financial assets at fair value through other comprehensive income, particularly the fair value hierarchy, the valuation techniques and key inputs, see note 36 to the Accountants' Report set out in Appendix I to this Prospectus. For details of the reporting accountants' opinion on the historical financial information of our Company for the Track Record Period, please refer to Appendix I to this Prospectus.

Based on the above, our Directors are of the view, and the Sole Sponsor concurs, that the duty of care, skill and diligence of Directors in determining the valuation has been discharged.

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DESCRIPTION OF CERTAIN STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME ITEMS

The following table sets forth a summary of our statement of profit or loss and other comprehensive income for the period indicated. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period.

	For the year ended December 31,					
	2016		2017		2018	
	(RMB in thousands, except percentages)					
Revenue	488,214	100.0%	520,514	100.0%	532,061	100.0%
Cost of sales	(349,143)	(71.5)	(326,029)	(62.6)	(307,917)	(57.9)
Gross profit	139,071	28.5	194,485	37.4	224,144	42.1
Other income	1,238	0.3	784	0.2	1,259	0.2
Impairment losses, net of reversal	(112)	(0.0)	(83)	(0.0)	221	0.1
Other gains and losses	326	0.0	404	0.1	129	0.0
Selling and distribution expenses	(2,217)	(0.5)	(2,211)	(0.4)	(2,765)	(0.5)
Administrative expenses	(13,370)	(2.7)	(10,877)	(2.1)	(12,243)	(2.3)
Listing expenses	—	—	—	—	(6,468)	(1.2)
Finance cost	(20,123)	(4.1)	(12,116)	(2.3)	(5,668)	(1.1)
Profit before tax	104,813	21.5	170,386	32.7	198,609	37.3
Income tax expense	(26,411)	(5.4)	(43,404)	(8.3)	(49,457)	(9.3)
Profit and total comprehensive income for the year	78,402	16.1%	126,982	24.4%	149,152	28.0%

Revenue

Our revenue represents net revenue exclusive of VAT. Our port-related services include stevedoring, berth leasing, storage, port management and logistics agency services. For the years ended December 31, 2016, 2017 and 2018, our revenue was RMB488.2 million, RMB520.5 million and RMB532.1 million, respectively. During the Track Record Period, a significant portion of our revenue was derived from stevedoring services, which in turn depends on our throughput volume and average fees charged. The following table sets forth a breakdown of our revenue by service type for the period indicated.

	For the year ended December 31,					
	2016		2017		2018	
	(RMB in thousands, except percentages)					
Stevedoring						
Soybeans	232,595	47.6%	265,946	51.1%	276,508	52.0%
Woodchips	71,963	14.7	81,683	15.7	66,367	12.5
Dried tapioca	73,037	15.0	51,976	10.0	52,929	9.9
Others	16,281	3.3	13,135	2.5	17,947	3.4
Sub-total	393,876	80.7	412,740	79.3	413,751	77.8
Berth leasing	70,783	14.5	74,651	14.3	76,293	14.3
Port management	12,512	2.5	13,995	2.7	13,587	2.5
Storage	11,043	2.3	19,128	3.7	19,573	3.7
Logistics agency	—	—	—	—	8,857	1.7
Total revenue	488,214	100.0%	520,514	100.0%	532,061	100.0%

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The following table sets forth our throughput breakdown by cargo type for the period indicated.

	For the year ended December 31,					
	2016		2017		2018	
	(in million tonnes, except percentages)					
Soybeans	6.7	30.0%	7.8	32.2%	8.1	31.1%
Woodchips ⁽¹⁾	3.0	13.5	4.1	16.9	4.2	16.1
Dried tapioca	1.5	6.6	1.3	5.4	1.2	4.9
Other cargo types	0.4	1.9	0.5	2.1	0.7	2.7
Berth leasing ⁽²⁾	10.7	48.0	10.5	43.4	11.7	45.2
Total	22.3	100.0%	24.2	100.0%	25.9	100.0%

- (1) Consistent with industry reporting practice to the Ministry of Transport, these amounts represent the total freight volume of vessels carrying woodchip cargos in terms of tonnes. As the woodchips are light goods, our fees are calculated based on woodchip cargo unloading volume in terms of bone dry metric tonnes. In 2016, 2017 and 2018, our woodchip cargo unloading volume in terms of bone dry metric tonnes amounted to 1.3 million, 1.6 million and 1.2 million, respectively.
- (2) Includes the throughput of the woodchip berths we leased out and excludes the throughput of the West-1 berth we leased out to Rizhao Port Container. We are privy to the throughput data on the three woodchip berths we lease out because a portion of the fees paid to us is linked to throughput volume. In contrast, Rizhao Port Container pays us a flat fee for the berth it leases from us and hence does not report its throughput data to us.

The following table sets forth the average fees charged for stevedoring services by cargo type for the period indicated.

	For the year ended December 31,		
	2016	2017	2018
Soybeans ⁽¹⁾ (RMB per tonne)	34.8	34.1	34.3
Woodchips ⁽¹⁾ (RMB per bone dry metric tonne)	48.2	44.6	48.3
Dried tapioca ⁽¹⁾ (RMB per tonne)	49.2	40.2	42.1
Others ⁽²⁾	N/A	N/A	N/A

- (1) Average fees are calculated by dividing total stevedoring revenue generated for each cargo type in a period by the total throughput (in the case of woodchips, by dividing self-operated stevedoring revenue by self-operated cargo unloading volume in terms of bone dry metric tonnes) for such cargo type in the same period.
- (2) Average fees charged for other cargo types are not meaningful as they include a variety of cargo types with different fee rates and throughput volumes in each period.

A decrease in average fees charged for our stevedoring service for certain cargo types from 2016 to 2017 primarily reflected an increase in throughput under our tiered pricing model. In particular, from 2016 to 2017, our average fees charged for dried tapioca decreased from RMB49.2 per tonne to RMB40.2 per tonne primarily because in 2016, a number of our dried tapioca customers stored their cargo at our storage facilities and our stevedoring fees also included fees for transporting their cargo to our facilities. In 2017, we encouraged our dried tapioca customers to be more environmentally friendly and collect cargo directly after unloading instead of having the cargo transported to our facilities, resulting in a decrease in our average fees charged for stevedoring for dried tapioca. The decrease in our average fees charged for dried tapioca from 2016 to 2017 was also due to increased competition from neighboring ports.

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Cost of Sales

Our cost of sales primarily consists of (i) depreciation of our property, plant and equipment and investment properties; (ii) subcontracting costs, representing fees we paid to our subcontractors for outsourced port-related services and miscellaneous services such as maintenance, cleaning, safety and security services; (iii) rent, which is primarily rent paid for the leased-in West-18 berth, borrowed berths and other properties that we leased from our Controlling Shareholders; (iv) staff costs, representing salaries and benefits for our employees engaged in providing port services; (v) procurement and maintenance costs for our facilities and equipment; (vi) utilities costs, including electricity and water; and (vii) other miscellaneous costs in relation to our port services. For the years ended December 31, 2016, 2017 and 2018, our cost of sales was RMB349.1 million, RMB326.0 million and RMB307.9 million, respectively. The following table sets forth a breakdown of our cost of sales by nature for the period indicated.

For the year ended December 31,						
	2016		2017		2018	
	(RMB in thousands, except percentages)					
Depreciation	135,865	38.9%	128,648	39.5%	88,362	28.7%
Subcontracting	60,828	17.4	62,922	19.3	63,494	20.6
Rent	52,446	15.0	47,699	14.6	62,034	20.1
Staff	33,341	9.6	34,796	10.7	40,597	13.2
Procurement and maintenance	40,369	11.6	24,676	7.6	22,305	7.2
Utilities	20,577	5.9	21,592	6.6	21,165	6.9
Others	5,717	1.6	5,696	1.7	9,960	3.2
Total cost of sales	<u>349,143</u>	<u>100.0%</u>	<u>326,029</u>	<u>100.0%</u>	<u>307,917</u>	<u>100.0%</u>

As a percentage of cost of sales, depreciation costs decreased significantly from 39.5% for the year ended December 31, 2017 to 28.7% for the year ended December 31, 2018, primarily due to changes in accounting estimates of the useful lives of our property, plant and equipment. For details, see “— Key Factors Affecting Our Results of Operations — Depreciation of Property, Plant and Equipment and Investment Properties.”

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Gross Profit and Gross Profit Margin

Our gross profit was RMB139.1 million, RMB194.5 million and RMB224.1 million for the years ended December 31, 2016, 2017 and 2018, respectively. Our gross profit margin was 28.5%, 37.4% and 42.1% for the same periods, respectively. The following table sets forth the gross profit and gross profit margin by service type for the period indicated.

	For the year ended December 31,					
	2016		2017		2018	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
(RMB in thousands, except percentages)						
Stevedoring	78,415	19.9%	122,450	29.7%	135,311	32.7%
Berth leasing	61,657	87.1	62,577	83.8	67,748	88.8
Port management	(927)	(7.4)	1,448	10.3	4,248	31.3
Storage	(74)	(0.7)	8,010	41.9	15,484	79.1
Logistics agency	—	—	—	—	1,353	15.3
Total gross profit / overall gross profit margin	<u>139,071</u>	28.5%	<u>194,485</u>	37.4%	<u>224,144</u>	42.1%

Our storage and port management services had a gross loss in 2016, primarily because our revenue from these services were relatively low and were primarily offset by depreciation costs of certain fixed assets allocated to these services.

Other Income

Our other income consists of (i) interest income from banks and RPG Finance; and (ii) other miscellaneous income. The following table sets forth the breakdown of our other income for the period indicated.

	For the year ended December 31,		
	2016	2017	2018
(RMB in thousands)			
Interest income	744	329	851
Others	494	455	408
Other income	<u>1,238</u>	<u>784</u>	<u>1,259</u>

Impairment Losses, Net of Reversal

Our Impairment losses, net of reversal comprises (i) impairment losses reversed on contract assets; (ii) impairment losses recognized or reversed on other receivables; and (iii) impairment losses on trade receivables, net of reversal. For the years ended December 31, 2016 and 2017, we had impairment losses, net of reversal of RMB0.1 million, respectively. For the year ended December 31, 2018, we had reversed impairment losses of RMB0.2 million.

Other Gains and Losses

Our other gains and losses comprises (i) gains on disposal of property, plant and equipment; and (ii) other miscellaneous items. For the years ended December 31, 2016, 2017 and 2018, we had other

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gains of RMB0.3 million, RMB0.4 million and RMB0.1 million, respectively. The following table sets forth the breakdown of our other gains and losses for the period indicated.

	For the year ended December 31,		
	2016	2017	2018
	(RMB in thousands)		
Gain on disposal of property, plant and equipment	–	233	7
Others	326	171	122
Other gains and losses	326	404	129

Selling and Distribution Expenses

Our selling and distribution expenses primarily consists of (i) staff costs, which includes wages, bonuses and labor union expenses for our sales and marketing staff; (ii) travel expenses; (iii) business development expenses in relation to our marketing activities; and (iv) other miscellaneous expenses, including conferences expenses. For the years ended December 31, 2016, 2017 and 2018, our selling and distribution expenses amounted to RMB2.2 million, RMB2.2 million and RMB2.8 million, respectively. The following table sets forth the breakdown of our selling and distribution expenses for the period indicated.

	For the year ended December 31,					
	2016		2017		2018	
	(RMB in thousands, except percentages)					
Staff costs	2,000	90.2%	2,043	92.4%	2,304	83.3%
Travel expenses	62	2.8	36	1.6	182	6.6
Business development expenses	122	5.5	125	5.6	176	6.4
Others	33	1.5	8	0.4	103	3.7
Total selling and distribution expenses	2,217	100.0%	2,211	100.0%	2,765	100.0%

Administrative Expenses

Our administrative expenses primarily consists of (i) staff costs, which includes wages, bonuses and benefits for our administrative personnel; (ii) taxes and surcharges; (iii) office-related expenses, which primarily includes consumables used, postal expenses and conference and meeting expenses; (iv) rent and utilities for our offices; (v) travel expenses for our administrative staff; and (vi) amortization and depreciation. The following table sets forth the breakdown of our administrative expenses for the period indicated.

	For the year ended December 31,					
	2016		2017		2018	
	(RMB in thousands, except percentages)					
Staff costs	5,287	39.5%	4,994	45.9%	6,056	49.5%
Taxes and surcharges	3,353	25.1	2,259	20.8	2,557	20.9
Office-related expenses	2,296	17.2	1,675	15.4	1,564	12.8
Rent and utilities	930	7.0	905	8.3	884	7.2
Travel expenses	373	2.8	571	5.2	330	2.7
Amortization and depreciation	193	1.5	222	2.0	299	2.4
Others	938	7.0	251	2.3	553	4.5
Total administrative expenses	13,370	100.0%	10,877	100.0%	12,243	100.0%

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Listing Expenses

We recorded listing expenses of RMB6.5 million for the year ended December 31, 2018. We did not have listing expenses for the years ended December 31, 2016 and 2017.

Finance Cost

We recorded finance cost of RMB20.1 million, RMB12.1 million and RMB5.7 million for the years ended December 31, 2016, 2017 and 2018, respectively, which represented interest paid on bank borrowings. For details of our bank borrowings, see “— Indebtedness.”

Income Tax Expense

Our income tax expense was RMB26.4 million, RMB43.4 million and RMB49.5 million for the years ended December 31, 2016, 2017 and 2018, respectively. During the Track Record Period, we were subject to a uniform income tax rate of 25%. Our effective income tax rates were affected by expenses not deductible for taxation purpose and over-provisions of the previous year. Our effective income tax rate, which is calculated by dividing income tax expense by profit before tax for the same period, was approximately 25.2%, 25.5% and 24.9% for the years ended December 31, 2016, 2017 and 2018, respectively. As of the Latest Practicable Date, we fulfilled all of our previous and existing tax obligations and we were not aware of any outstanding or potential disputes with relevant tax authorities.

RESULTS OF OPERATIONS

Year Ended December 31, 2018 Compared to Year Ended December 31, 2017

The following table sets forth our results of operations for the year ended December 31, 2018 compared to the year ended December 31, 2017.

	For the year ended December 31,		Period-to-period change	
	2017	2018		
	(RMB in thousands, except percentages)			
Revenue	520,514	532,061	11,547	2.2%
Cost of sales	(326,029)	(307,917)	(18,112)	(5.6)
Gross profit	194,485	224,144	29,659	15.3
Other income	784	1,259	475	60.6
Impairment losses, net of reversal	(83)	221	304	366.3
Other gains and losses	404	129	(275)	(68.1)
Selling and distribution expenses	(2,211)	(2,765)	554	25.1
Administrative expenses	(10,877)	(12,243)	1,366	12.6
Listing expenses	—	(6,468)	6,468	—
Finance cost	(12,116)	(5,668)	(6,448)	(53.2)
Profit before tax	170,386	198,609	28,223	16.6
Income tax expense	(43,404)	(49,457)	6,053	13.9
Profit and total comprehensive income for the year	126,982	149,152	22,170	17.5

Revenue

Our revenue increased by 2.2% from RMB520.5 million for the year ended December 31, 2017 to RMB532.1 million for the year ended December 31, 2018, primarily due to (i) the RMB8.9 million

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logistics agency revenue we recorded for the year ended December 31, 2018, as we began to offer “berth to factory” services in 2018; (ii) a RMB1.6 million increase in our berth leasing revenue, primarily due to a decrease in the VAT rate applicable to our berth leasing income as a result of a change in PRC tax policies; and (iii) a RMB1.1 million increase in our stevedoring revenue.

Our stevedoring services increased from RMB412.7 million in 2017 to RMB413.8 million in 2018, primarily due to (i) a RMB10.6 million increase in stevedoring revenue from soybeans reflecting an increase in our soybean throughput and an increase in average stevedoring fees charged for soybeans; and (ii) a RMB4.8 million increase in stevedoring revenue from other cargo types as we began to provide stevedoring services for sorghum in 2018; partially offset by a RMB15.3 million decrease in stevedoring revenue from woodchips, which was primarily due to periodic fluctuations in downstream demand for certain types of woodchips, which affected our customers’ woodchip import volume.

The increase in our revenue was partially offset by a RMB0.4 million decrease in our revenue from port management services, primarily due to a decreased customer demand for such services.

Cost of Sales

Our cost of sales decreased by 5.6% from RMB326.0 million for the year ended December 31, 2017 to RMB307.9 million for the year ended December 31, 2018, primarily due to a RMB40.3 million decrease in our depreciation costs, which was mainly due to the change in accounting estimates of the useful lives of our property, plant and equipment and investment properties. See “— Key Factors Affecting Our Results of Operations — Depreciation of Our Property, Plant and Equipment and Investment Properties.” The decrease in our cost of sales is partially offset by (i) a RMB14.3 million increase in rent primarily due to an increase in berth leasing cost for the West-18 berth because of a change in fee calculation methodology; See “Business — Our Operations — Our Berths — Berths We Operate;” and (ii) a RMB5.8 million increase in staff costs primarily due to increases in both the headcount and compensation level of our employees engaged in providing port services.

Gross Profit and Gross Profit Margin

Our gross profit increased by 15.3% from RMB194.5 million for the year ended December 31, 2017 to RMB224.1 million for the year ended December 31, 2018 and our gross profit margin increased from 37.4% to 42.1%, primarily due to (i) a RMB12.9 million increase in our gross profit from stevedoring service and an increase in the correspondent gross profit margin from 29.7% to 32.7%; (ii) a RMB7.5 million increase in our gross profit from storage service and an increase in the correspondent gross profit margin from 41.9% to 79.1%; (iii) a RMB5.2 million increase in gross profit from berth leasing service and an increase in the correspondent gross profit margin from 83.8% to 88.8%; and (iv) a RMB2.8 million increase in our gross profit from port management service and an increase in the correspondent gross profit margin from 10.3% to 31.3%. Such changes were primarily due to a decrease in our depreciation cost, which in turn was primarily due to changes in accounting estimates of the useful lives of our property, plant and equipment and investment properties. In 2018, we also had gross profit from logistics agency service of RMB1.4 million with a gross profit margin of 15.3%, as we began to offer “berth to factory” services in 2018.

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Other Income

Our other income increased by 60.6% from RMB0.8 million for the year ended December 31, 2017 to RMB1.3 million for the year ended December 31, 2018, primarily due to an increase in interest income, reflecting the level of cash and cash equivalents we had in such period, partially offset by a decrease in other miscellaneous income items.

Impairment Losses, Net of Reversal

For the year ended December 31, 2017, our impairment losses, net of reversal primarily comprised impairment losses on trade receivables, net of reversal, of RMB0.1 million. For the year ended December 31, 2018, our reversed impairment losses primarily comprised impairment losses reversed on contract assets of RMB0.3 million.

Other Gains and Losses

We had other gains of RMB0.4 million and RMB0.1 million for the years ended December 31, 2017 and 2018, respectively. The RMB0.4 million other gains as of December 31, 2017 primarily represented gain on disposal of property, plant and equipment of RMB0.2 million and other miscellaneous gains of RMB0.2 million. The RMB0.1 million other gains as of December 31, 2018 primarily represented other miscellaneous gains of RMB0.1 million.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 25.1% from RMB2.2 million for the year ended December 31, 2017 to RMB2.8 million for the year ended December 31, 2018, primarily due to (i) a RMB0.3 million increase in staff costs as a result of increases in both the headcount and compensation level of our sales and marketing staff, and (ii) a RMB0.1 million increase in travel expenses, which was primarily due to an increase in our sales and marketing activities to develop new customers in our hinterland and maintain strong relationships with existing customers. As a percentage of revenue, our selling and distribution expenses was 0.4% and 0.5% for the year ended December 31, 2017 and 2018, respectively.

Administrative Expenses

Our administrative expenses increased by 12.6% from RMB10.9 million for the year ended December 31, 2017 to RMB12.2 million for the year ended December 31, 2018, primarily due to a RMB1.1 million increase in staff costs as a result of increases in both the headcount and compensation level of our administrative personnel.

Listing Expenses

We had listing expenses of RMB6.5 million for the year ended December 31, 2018, while we did not have listing expenses for the year ended December 31, 2017.

Finance Cost

Our finance cost decreased by 53.2% from RMB12.1 million for the year ended December 31, 2017 to RMB5.7 million for the year ended December 31, 2018, reflecting a decrease in our bank borrowings as a result of repayment.

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Income Tax Expense

Our income tax expense increased by 13.9% from RMB43.4 million for the year ended December 31, 2017 to RMB49.5 million for the year ended December 31, 2018, primarily due to the increase in our profit before tax. Our effective income tax rate remained relatively stable at 25.5% and 24.9% for the years ended December 31, 2017 and 2018, respectively.

Profit and Total Comprehensive Income for the Year

As a result of the foregoing, our profit and total comprehensive income increased by 17.5% from RMB127.0 million for the year ended December 31, 2017 to RMB149.2 million for year ended December 31, 2018.

Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

The following table sets forth our results of operations for the year ended December 31, 2017 compared to the year ended December 31, 2016.

	For the year ended December 31,		Period-to-period change	
	2016	2017		
	(RMB in thousands, except percentages)			
Revenue	488,214	520,514	32,300	6.6%
Cost of sales	(349,143)	(326,029)	(23,114)	(6.6)
Gross profit	139,071	194,485	55,414	39.8
Other income	1,238	784	(454)	(36.7)
Impairment losses, net of reversal	(112)	(83)	29	(25.9)
Other gains and losses	326	404	78	23.9
Selling and distribution expenses	(2,217)	(2,211)	(6)	(0.3)
Administrative expenses	(13,370)	(10,877)	(2,493)	(18.6)
Listing expenses	—	—	—	—
Finance cost	(20,123)	(12,116)	(8,007)	(39.8)
Profit before tax	104,813	170,386	65,573	62.6
Income tax expense	(26,411)	(43,404)	16,993	64.3
Profit and total comprehensive income for the year	78,402	126,982	48,580	62.0%

Revenue

Our revenue increased by 6.6% from RMB488.2 million for the year ended December 31, 2016 to RMB520.5 million for the year ended December 31, 2017, primarily due to an increase in our stevedoring revenue, storage revenue and berth leasing revenue.

The RMB18.9 million increase in revenue from stevedoring services from 2016 to 2017 was mainly due to a RMB33.4 million increase in stevedoring revenue from soybeans and a RMB9.7 million increase in stevedoring revenue from woodchips, which was primarily a result of an increase in our soybean and woodchip throughput. The revenue increase was partially offset by a RMB21.1 million decrease in stevedoring revenue from dried tapioca, mainly due to a decrease in average stevedoring fees primarily (i) because in 2016 a number of our dried tapioca customers stored their cargo at our storage facilities and our stevedoring fees also included fees for transporting their cargo to our facilities. In 2017, we encouraged our dried tapioca customers to be more environmentally

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friendly and collect cargo directly after unloading instead of having the cargo transported to our facilities, resulting in a decrease in our average fees charged for stevedoring for dried tapioca; and (ii) due to increased competition from neighboring ports.

The RMB8.1 million increase in our storage revenue reflected our customers' increased need for storage services during such period, which we believe reflected their anticipation of increasing market fluctuations, particularly for soybeans.

The RMB3.9 million increase in our berth leasing revenue was mainly because we started to lease out the West-1 and West-2 berths to Rizhao Port Container in 2017.

Cost of Sales

Our cost of sales decreased by 6.6% from RMB349.1 million for the year ended December 31, 2016 to RMB326.0 million for the year ended December 31, 2017, primarily due to (i) a RMB15.7 million decrease in our procurement and maintenance costs because we upgraded and renovated our equipment and facilities in 2016, and did not need to conduct such upgrades and renovations in 2017; (ii) a RMB7.2 million decrease in our depreciation costs as certain of our machinery and communication equipment had reached the end of their respective estimated useful life; and (iii) a RMB4.7 million decrease in our rent, primarily due to a new government policy in May 2016 requiring payment of VAT in lieu of business tax.

Gross Profit and Gross Profit Margin

Our gross profit increased by 39.8% from RMB139.1 million for the year ended December 31, 2016 to RMB194.5 million for the year ended December 31, 2017 and our gross profit margin increased from 28.5% to 37.4%, primarily due to (i) a RMB44.0 million increase in our gross profit from stevedoring service and an increase in the correspondent gross profit margin from 19.1% to 29.7%; and (ii) a RMB2.4 million increase in our gross profit from port management service and an increase in the correspondent gross profit margin from -0.7% to 10.3%. Such changes were primarily because our revenue from such service increased while our cost of sales allocated to such service, in particular, procurement and maintenance cost, decreased. The increases in our gross profit and gross profit margin were also in relation to a RMB8.1 million increase in our gross profit from storage service and an increase in the correspondent gross profit margin from -0.7% to 41.9%, primarily because our revenue from such service increased while the relevant depreciation costs of certain fixed assets allocated to such service remained relatively stable. Our gross profit from berth leasing service increased from RMB61.7 million in 2017 to RMB62.6 million in 2018, reflecting an increase in our revenue from such service. In the same period, our gross profit margin for such service decreased from 87.1% to 83.8%, primarily because our revenue from berth leasing service provided to Asia Symbol decreased primarily due to the impact of changes in PRC tax policies, while relevant costs remained relatively stable.

Other Income

Our other income decreased by 36.7% from RMB1.2 million for the year ended December 31, 2016 to RMB0.8 million for the year ended December 31, 2017, primarily due to a decrease in interest income, reflecting the level of cash and cash equivalents we had in such period.

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Impairment Losses, Net of Reversal

For the years ended December 31, 2016 and 2017, our impairment losses, net of reversal remained relatively stable at RMB0.1 million, respectively.

Other Gains and Losses

Our other gains increased by 23.9% from RMB0.3 million for the year ended December 31, 2016 to RMB0.4 million for the year ended December 31, 2017, primarily because we recognized gains on disposal of property, plant and equipment of RMB0.2 million in 2017.

Selling and Distribution Expenses

Our selling and distribution expenses remained stable at RMB2.2 million for the years ended December 31, 2016 and 2017. As a percentage of revenue, our selling and distribution expenses remained relatively stable at 0.5% and 0.4% for the years ended December 31, 2016 and 2017, respectively.

Administrative Expenses

Our administrative expenses decreased by 18.6% from RMB13.4 million for the year ended December 31, 2016 to RMB10.9 million for the year ended December 31, 2017, primarily due to (i) a RMB1.1 million decrease in taxes and surcharges, primarily due to a new government policy in May 2016 requiring payment of VAT in lieu of business tax; and (ii) a RMB0.7 million decrease in other miscellaneous administrative expenses.

Finance Cost

Our finance cost decreased by 39.8% from RMB20.1 million for the year ended December 31, 2016 to RMB12.1 million for the year ended December 31, 2017, reflecting a decrease in bank borrowings as a result of repayment.

Income Tax Expense

Our income tax expense increased by 64.3% from RMB26.4 million for the year ended December 31, 2016 to RMB43.4 million for the year ended December 31, 2017, primarily due to the increase in our profit before tax. Our effective income tax rate remained relatively stable at 25.2% and 25.5% for the year ended December 31, 2016 and 2017, respectively.

Profit and Total Comprehensive Income for the Year

As a result of the foregoing, our profit and total comprehensive income increased by 62.0% from RMB78.4 million for the year ended December 31, 2016 to RMB127.0 million for the year ended December 31, 2017.

DISCUSSION OF CERTAIN BALANCE SHEET ITEMS

Property, Plant and Equipment

Our property, plant and equipment primarily includes our buildings, berths, storage facilities and equipment and machinery. The carrying value of our property, plant and equipment decreased from

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RMB1,364.3 million as of December 31, 2016 to RMB1,316.3 million as of December 31, 2017 and further to RMB1,262.2 million as of December 31, 2018, primarily due to the depreciation of our property, plant and equipment.

Investment Properties

Our investment properties primarily consists of berths and storage facilities that we lease out to other parties. The carrying value of our investment properties decreased from RMB337.5 million as of December 31, 2016 to RMB326.7 million as of December 31, 2017 and further to RMB318.5 million as of December 31, 2018, primarily due to the depreciation of our investment properties.

Intangible Asset

Our intangible asset primarily consists of the software for administrative and port management services that we purchased. As of December 31, 2016, 2017 and 2018, our intangible asset amounted to RMB0.4 million, RMB1.3 million and RMB2.0 million, respectively. The increase in our intangible asset from RMB0.4 million as of December 31, 2016 to RMB1.3 million as of December 31, 2017 and further to RMB2.0 million as of December 31, 2018 was primarily due to an increase in our software purchases.

Inventories

Our inventories represents various materials and consumables used in our business operations, such as fuel oil, lubricant and equipment spare parts. Due to the nature of our business, we generally do not maintain a significant inventory. Our inventories remained relatively low and stable at RMB4.0 million, RMB3.9 million and RMB3.9 million as of December 31, 2016, 2017 and 2018. As of March 31, 2019, RMB2.3 million, or 59.0% of our inventories as of December 31, 2018, were subsequently consumed.

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Trade, Bills and Other Receivables

Our trade, bills and other receivables primarily consists of (i) trade receivables, which represents receivables due from customers for services that we have provided; (ii) bills receivable which represents bank acceptance notes from customers; (iii) prepayments, which primarily represents prepaid transportation expenses and rent; (iv) VAT recoverable and (v) deferred issue costs. The following table sets forth a breakdown of our trade, bills and other receivables as of the date indicated.

	As of December 31,		
	2016	2017	2018
	(RMB in thousands)		
Trade receivables			
— Due from third parties	9,148	6,148	22,333
— Due from related parties	—	7,025	—
<i>Sub-total</i>	<i>9,148</i>	<i>13,173</i>	<i>22,333</i>
Less: allowance for impairment	(274)	(395)	(680)
<i>Total trade receivables</i>	<i>8,874</i>	<i>12,778</i>	<i>21,653</i>
Deferred issue costs	—	—	7,045
VAT recoverable	—	4,806	3,985
Prepayments	20	19	1,860
Other receivables	850	—	100
Bills receivable	5,700	—	—
Less: allowance for impairment	(38)	—	(2)
	812	—	98
Total trade, bills and other receivables	15,406	17,603	34,641

Trade Receivables

Our trade receivables represents outstanding amounts due from our customers for services we have provided in the ordinary course of business. We conduct credit assessments on our customers and generally grant our creditworthy and high-quality customers a credit period ranging from 15 to 90 days. The following table sets forth the aging analysis (net of allowance of doubtful debts) and turnover days of our trade receivables as of the date indicated.

	As of December 31,		
	2016	2017	2018
	(RMB in thousands)		
Within 3 months	8,388	12,778	21,653
Over 1 year	486	—	—
Total trade receivables	8,874	12,778	21,653
Average trade receivables turnover days ⁽¹⁾	5.5	7.6	11.8

(1) Average trade receivables turnover days for each period equals the average of the beginning and ending balances of trade receivables for that period divided by revenue for that period and multiplied by the number of days in that period.

Our trade receivables increased by 44.0% from RMB8.9 million as of December 31, 2016 to RMB12.8 million as of December 31, 2017, and our average trade receivables turnover days increased from 5.5 days in 2016 to 7.6 days in 2017, mainly reflecting the trade receivables due to us from Rizhao Port Container for the West-1 and West-2 berths we leased out. Our trade receivables further

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increased to RMB21.7 million as of December 31, 2018, and our average trade receivables turnover days increased to 11.8 days for the year ended December 31, 2018, primarily because we offered more favorable credit terms to key customers.

We have implemented a credit assessment system to evaluate the creditworthiness and financial condition of our customers. We require customers to provide us with bank credit scores and historical financial statements, and we conduct in-person evaluations of our customers' operations as necessary. We review our trade receivables balance and follow up with customers with past due trade receivables on a monthly basis. We recognize trade receivables as impaired and provision for doubtful debts with reference to historical experience of the recoverability of these receivables and the aging periods of such receivables. Impairment of trade receivables is reviewed by our finance department and submitted to our financial director for approval. As of December 31, 2016, 2017 and 2018, our allowance for impairment of trade receivables was RMB0.3 million, RMB0.4 million and RMB0.7 million, respectively. We do not hold collateral over these balances.

As of March 31, 2019, all of our trade receivables as of December 31, 2018, were subsequently settled.

Deferred Issue Costs

We recorded deferred issue costs of RMB7.0 million as of December 31, 2018, which represented capitalized listing expenses. We did not have deferred issue costs as of December 31, 2016 and 2017.

VAT Recoverable

We recorded VAT recoverable of nil, RMB4.8 million and RMB4.0 million as of December 31, 2016, 2017 and 2018. Since 2017, a percentage of our VAT paid on property, plant and equipment purchased was no longer available for recovery in the same year and may only be reclaimed the following year pursuant to new government policies, and as a result, our VAT recoverable increased as of December 31, 2017. As of December 31, 2018, our VAT recoverable decreased to RMB4.0 million, primarily due to an increase of output tax resulting from our increased revenue.

Prepayments

Our prepayments primarily represents prepayments to transportation providers of rail freight wagons for our logistics agency services. As we commenced our "berth to factory" services in 2018, our prepayments increased significantly from RMB20,000 and RMB19,000 as of December 31, 2016 and 2017, respectively, to RMB1.9 million as of December 31, 2018.

Bills Receivable

Our bills receivable represents bank acceptance notes from customers, which amounted to RMB5.7 million as of December 31, 2016. Such bills receivable was subsequently settled and we did not have bills receivable as of December 31, 2017. Since our adoption of IFRS 9 on January 1, 2018, we have reclassified our bills receivable as bills receivable at FVTOCI. See "— Bills Receivable at Fair Value through Other Comprehensive Income."

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Bills Receivable at Fair Value through Other Comprehensive Income

We began to adopt IFRS 9 on January 1, 2018. Pursuant to IFRS 9, bills receivable would be reclassified as bills receivable at FVTOCI instead of being recorded as trade, bills and other receivables under IAS 39. As such, we recorded bills receivable at fair value through other comprehensive income of RMB15.8 million as of December 31, 2018. Bills receivable represents bank acceptance notes and the average aging based on the maturity date is from 15 days to 90 days. For details of the impact of adopting IFRS 9, see “— Significant and Critical Accounting Policies and Estimates — Adoption of IFRS 9.” For details of our bills receivable as of December 31, 2016 and 2017, see “— Trade, Bills and Other Receivables — Bills Receivable.”

Contract Assets

Our contract assets represents consideration that we have a right to receive for services that we have already provided to customers, but for which we have not provided invoices to customers for payment. Our contract assets decreased from RMB25.9 million as of December 31, 2016 to RMB22.9 million as of December 31, 2017, and further to RMB9.7 million as of December 31, 2018, because we accelerated our issuance of invoices to collect payments from customers.

Cash and Cash Equivalents

Our cash and cash equivalents represented deposits we had in bank accounts and our account with RPG Finance, which provides centralized maintenance of settlement accounts to facilitate clearing with other members of Rizhao Port Group. As of December 31, 2016, 2017 and 2018, our cash and cash equivalents amounted to RMB68.8 million, RMB66.5 million and RMB55.5 million, respectively. Our cash and cash equivalents are denominated in Renminbi and carried interest at prevailing market interest rates ranging from 0.3% to 1.54% per annum throughout the Track Record Period.

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Trade and Other Payables

Our trade and other payables mainly includes (i) trade payables due to related parties and third parties for the procurement of services; (ii) other tax payables; (iii) payroll payable; (iv) interest payables; (v) payable for acquisition of property, plant and equipment; (vi) retention payable due within one year; and (vii) accrued issue cost and listing expenses. The following table sets forth the details of our trade and other payables as of the date indicated.

	As of December 31,		
	2016	2017	2018
	(RMB in thousands)		
Trade payables			
— Due to related parties	1,244	2,820	3,730
— Due to third parties	20,138	12,020	8,819
<i>Total trade payables</i>	<i>21,382</i>	<i>14,840</i>	<i>12,549</i>
Other tax payables	4,170	248	349
Payroll payable	1,717	2,008	2,645
Interest payables	543	260	—
Payable for acquisition of property, plant and equipment	2,457	10,440	17,331
Retention payable due within one year	15,204	7,246	8,869
Accrued issue cost and listing expenses	—	—	12,929
Other payables	4,488	7,171	5,380
Total trade and other payables	49,961	42,213	60,052

Our Directors confirm that, we did not have material defaults in payment of trade and other payables during the Track Record Period.

Trade Payables

Our trade payables primarily represents amounts due to related parties and third parties for the procurement of services. During the Track Record Period, our suppliers generally granted us credit periods ranging from 30 days to 90 days upon receipt of the VAT invoices.

The following table sets forth the aging analysis of our trade payables and turnover days as of the date indicated.

	As of December 31,		
	2016	2017	2018
	(RMB in thousands)		
Within 3 months	19,087	12,919	10,352
Over 3 months but within 6 months	2,114	1,682	1,795
Over 6 months but within 9 months	32	31	168
Over 9 months but within 1 year	—	—	85
Over 1 year but within 2 years	149	208	149
Total trade payables	21,382	14,840	12,549
Average trade payables turnover days ⁽¹⁾	21.9	20.3	16.2

- (1) Average trade payables turnover days for each period equals the average of the beginning and ending balances of trade payables for that period divided by cost of sales for that period and multiplied by the number of days in that period.

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Our trade payables decreased from RMB21.4 million as of December 31, 2016 to RMB14.8 million as of December 31, 2017, and further decreased to RMB12.5 million as of December 31, 2018, reflecting the level of procurement and amounts due to suppliers as of these dates. Our trade payables turnover days remained relatively stable at 21.9 days and 20.3 days for the years ended December 31, 2016 and 2017, respectively, and decreased to 16.2 days for the year ended December 31, 2018, primarily due to a decrease in our trade payables as a result of our settlement of such payables with suppliers.

As of March 31, 2019, RMB8.5 million, or 67.7% of our trade payables as of December 31, 2018 were subsequently settled.

Other Tax Payables

Our other tax payables primarily represents VAT payable. Our other tax payables was RMB4.2 million as of December 31, 2016, and decreased to RMB0.2 million and RMB0.3 million as of December 31, 2017 and 2018, respectively, primarily reflecting the settlement of our tax payables.

Payroll Payable

Our payroll payable primarily represents salaries and bonuses to be paid to our employees. Our payroll payable remained relatively stable at RMB1.7 million, RMB2.0 million and RMB2.6 million as of December 31, 2016, 2017 and 2018, respectively.

Payable for Acquisition of Property, Plant and Equipment

Our payable for acquisition of property, plant and equipment represents payable for construction projects and equipment procurement to our suppliers. Our payable for acquisition of property, plant and equipment increased from RMB2.5 million as of December 31, 2016 to RMB10.4 million as of December 31, 2017 and further to RMB17.3 million as of December 31, 2018, reflecting the level of procurement from suppliers as of those dates.

Retention Payable Due Within One Year

Our retention payable due within one year represents the warranty fees withheld from suppliers. Our retention payable due within one year decreased from RMB15.2 million as of December 31, 2016 to RMB7.2 million as of December 31, 2017 primarily because our construction projects and equipment procured gradually reached the end of their warranty period and we settled the retention payables with our suppliers. Our retention payable due within one year increased from RMB7.2 million as of December 31, 2017 to RMB8.9 million as of December 31, 2018 primarily in relation to our new construction projects and equipment procured from suppliers.

Accrued Issue Cost and Listing Expenses

We recorded accrued issue cost and listing expenses of RMB12.9 million as of December 31, 2018, which represented our accrued listing fee payables. We did not have accrued issue cost and listing expenses as of December 31, 2016 and 2017.

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Other Payables

Our other payables primarily represents port construction fees that we collect from customers and pay on their behalf to the relevant government authority. Our other payables amounted to RMB4.5 million, RMB7.2 million and RMB5.4 million as of December 31, 2016, 2017 and 2018, respectively.

Contract Liabilities

Our contract liabilities primarily represents the advances which we generally request from our new customers. Our contract liabilities increased from RMB6.7 million as of December 31, 2016 to RMB7.2 million as of December 31, 2017, primarily due to an increase in new customers. Our contract liabilities decreased from RMB7.2 million as of December 31, 2017 to RMB1.6 million as of December 31, 2018, primarily due to a decrease in the number of new customers.

Advance from Customers

Our advance from customers primarily represents advanced berth leasing payments from a key woodchip customer. Our advance from customers remained relatively stable at RMB2.4 million as of December 31, 2016, 2017 and 2018, respectively.

Tax Payable

Our tax payable represents PRC EIT payable. Our tax payable increased from RMB8.7 million as of December 31, 2016 to RMB11.0 million as of December 31, 2017, primarily reflecting an increase in our tax obligations as a result of the increase in our profit before tax. Our tax payable decreased from RMB11.0 million as of December 31, 2017 to RMB3.3 million as of December 31, 2018, primarily due to a decrease in our tax obligation as a result of a change in PRC tax policies which increased the amount that can be deducted when calculating our PRC EIT payable.

Dividends Payable

We declared dividends of RMB250.0 million in 2018, and had dividends payable of RMB210.0 million as of December 31, 2018. We have fully paid such dividends as of the Latest Practicable Date.

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NET CURRENT LIABILITIES

The following table sets forth details of our current assets and current liabilities as of the date indicated.

	As of December 31,			As of
	2016	2017	2018	March 31,
	(RMB in thousands)			2019
				(unaudited)
Current assets				
Inventories	3,997	3,917	3,901	4,047
Trade, bills and other receivables	15,406	17,603	34,641	42,596
Bills receivable at fair value through other comprehensive income (“FVTOCI”)	—	—	15,808	16,296
Contract assets	25,930	22,854	9,687	—
Cash and cash equivalents	68,767	66,459	55,491	105,278
Total current assets	114,100	110,833	119,528	168,217
Current liabilities				
Trade and other payables	49,961	42,213	60,052	50,545
Contract liabilities	6,696	7,173	1,603	797
Advance from customers	2,375	2,375	2,375	2,375
Bank borrowings	239,320	158,867	—	—
Tax payable	8,706	11,023	3,276	6,902
Dividends payable	—	—	210,000	210,000
Lease liability	—	—	—	13,522
Total current liabilities	307,058	221,651	277,306	284,141
Net current liabilities	(192,958)	(110,818)	(157,778)	(115,924)

We had net current liabilities of RMB193.0 million as of December 31, 2016 primarily because we had significant bank borrowings to finance our capital expenditure requirements and certain bank borrowings were reclassified from non-current liabilities to current liabilities due to our technical breach of a loan agreement. See “— Indebtedness” for details. Although we repaid certain bank borrowings in 2017, we continued to record net current liabilities of RMB110.8 million as of December 31, 2017 for the same reason as 2016. We continued to repay certain bank borrowings in 2018, and as of December 31, 2018 and March 31, 2019 we had net current liabilities of RMB157.8 million and RMB115.9 million primarily because we recorded dividends payable of RMB210.0 million, respectively.

Our net current liabilities decreased to RMB110.8 million as of December 31, 2017, primarily due to a decrease in our current liabilities, including (i) a RMB80.5 million decrease in our bank borrowings as a result of repayment; and (ii) a RMB7.7 million decrease in our trade and other payables, reflecting a decrease in trade payables to our suppliers and a decrease in other tax payables due to the settlement of such tax payables, while our current assets remained relatively stable.

Our net current liabilities increased to RMB157.8 million as of December 31, 2018, primarily due to (i) a RMB210.0 million dividends payable we recorded; and (ii) a RMB17.8 million increase in our trade and other payables, partially offset by (i) a RMB158.9 million decrease in our bank borrowings as a result of repayment; (ii) a RMB17.0 million increase in our trade, bills and other

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receivables; and (iii) a RMB15.8 million increase in our bills receivable at FVTOCI, representing an increase in bank acceptance notes from customers.

Our net current liabilities decreased to RMB115.9 million as of March 31, 2019, primarily due to (i) a RMB49.8 million increase in cash and cash equivalents; (ii) a RMB9.5 million decrease in trade and other payables, which was primarily because we accelerated the settlement of outstanding payables; partially offset by (i) lease liability of RMB13.5 million as of March 31, 2019, which was in relation to the adoption of IFRS 16, and (ii) a RMB9.7 million decrease in contract assets, primarily reflecting the issuance of invoices to our customers to whom we have provided services.

For more discussion on our historical net current liabilities, see “— Liquidity and Capital Resources.” For a discussion of relevant risks, see “Risk Factors — Risks Relating to Our Business and Industry — We had net current liabilities as of December 31, 2016, 2017 and 2018 and March 31, 2019.”

LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash are for working capital and to satisfy our capital expenditure needs. During the Track Record Period, our principal sources of liquidity and capital resources were cash flow generated from operating activities and bank borrowings. As of December 31, 2016, 2017 and 2018 and March 31, 2019, we had cash and cash equivalents of RMB68.8 million, RMB66.5 million, RMB55.5 million and RMB105.3 million, respectively. We monitor our cash flows and cash balance on a regular basis and strive to maintain an optimum liquidity that can meet our working capital needs.

Although we had net current liabilities during the Track Record Period, our Directors are of the opinion, and the Sole Sponsor concurs, that we have sufficient working capital to meet our present and future cash requirements for at least the next 12 months from the date of publication of this Prospectus, taking into account our cash flow generated from operating activities, bank borrowings and available banking facilities and the net proceeds from the Global Offering, due to the following:

- *Positive cash flow generated from our business.* We had net cash flow from operating activities in the amount of RMB191.2 million, RMB233.8 million and RMB212.2 million in 2016, 2017 and 2018, respectively. We expect to continue to generate steady levels of cash from operating activities considering our long-term and stable flow of business from high-quality customers and the growth of our business.
- *Bank loans and available banking facilities.* As of the Latest Practicable Date, we had a total of RMB450.0 million available banking facilities that were unutilized and unrestricted. In addition, historically, we have been able to roll over our short-term bank borrowings at maturity, if needed, during the Track Record Period. We do not foresee any impediment in continuing to do so in the future.
- *One-time reclassification of a non-current loan.* During the Track Record Period, due to a technical breach of the loan agreement, we recorded outstanding bank borrowings under a loan agreement as a loan payable on demand instead of as a non-current liability, which contributed significantly to our net current liabilities position. See “— Indebtedness” for details. As of December 31, 2016 and 2017, our balance for such loan was RMB141.0

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million and RMB109.7 million, respectively. We entered into an early repayment agreement with the lending bank and have repaid the loan in full as of December 31, 2018.

- *Net proceeds from the Global Offering.* We expect to receive net proceeds from the Global Offering of approximately HK\$488.8 million based on the low end of the indicative Offer Price range set out in this Prospectus.

Going forward, we believe our liquidity requirements will be satisfied by using funds from a combination of our cash flow from operating activities, cash and cash equivalents, bank borrowings and net proceeds from the Global Offering. Other than the bank borrowings that we may obtain, we do not have any plans for material external debt financing.

Cash Flow

The following table sets forth selected cash flow data from our statements of cash flows for the period indicated.

	For the year ended December 31,		
	2016	2017	2018
	(RMB in thousands)		
Net cash from operating activities	191,199	233,800	212,248
Net cash (used in) investing activities	(14,366)	(48,156)	(18,114)
Net cash (used in) financing activities	(233,483)	(187,952)	(205,102)
Net decrease in cash and cash equivalents	(56,650)	(2,308)	(10,968)
Cash and cash equivalents at the beginning of the year	125,417	68,767	66,459
Cash and cash equivalents at the end of the year	68,767	66,459	55,491

Net Cash from Operating Activities

Our net cash from operating activities of RMB212.2 million for the year ended December 31, 2018 was primarily attributable to our profit before tax of RMB198.6 million, as adjusted for non-cash and non-operating items, which primarily include (i) depreciation of property, plant and equipment of RMB80.3 million; (ii) depreciation of investment properties of RMB8.2 million; and (iii) finance costs of RMB5.7 million. The amount was further adjusted by negative changes in working capital and PRC EIT paid of RMB54.1 million. Changes in working capital primarily include (i) an increase in bills receivable at FVTOCI of RMB26.2 million; (ii) an increase in trade, bills and other receivables of RMB17.0 million, primarily because we offered more favorable credit terms to key customers; and (iii) a decrease in contract liabilities of RMB5.6 million, primarily due to a decrease in the number of new customers, partially offset by a decrease in contract assets of RMB13.0 million and an increase in trade and other payables of RMB12.8 million.

Our net cash from operating activities of RMB233.8 million in 2017 was primarily attributable to our profit before tax of RMB170.4 million, as adjusted for non-cash and non-operating items, which primarily include (i) depreciation of property, plant and equipment of RMB118.0 million; (ii) finance costs of RMB12.1 million; and (iii) depreciation of investment properties of RMB10.8 million. The amount was further adjusted by negative changes in working capital and PRC EIT paid of RMB41.7 million. Changes in working capital primarily include (i) an increase in trade, bills and other receivables of RMB29.0 million, primarily reflecting our business growth and the trade

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receivables due to us from Rizhao Port Container for the West-1 and West-2 berths we leased out; and (ii) a decrease in trade and other payables of RMB9.0 million, partially offset by a decrease in contract assets of RMB3.1 million.

Our net cash from operating activities of RMB191.2 million in 2016 was primarily attributable to our profit before tax of RMB104.8 million, as adjusted for non-cash and non-operating items, which primarily include (i) depreciation of property, plant and equipment of RMB124.8 million; (ii) finance costs of RMB20.1 million; and (iii) depreciation of investment properties of RMB11.1 million. The amount was further adjusted by negative changes in working capital and PRC EIT paid of RMB27.1 million. Changes in working capital primarily include (i) an increase in trade, bills and other receivables of RMB19.0 million, primarily reflecting the growth of our business; and (ii) a decrease in contract liabilities of RMB14.9 million, reflecting a decrease in the advances which we generally request from our new customers.

Net Cash Used in Investing Activities

In 2016, 2017 and 2018, we had net cash flows used in investing activities of RMB14.4 million, RMB48.2 million and RMB18.1 million, which primarily represented payments and deposits placed for property, plant and equipment, which includes port facilities, loading equipment, machinery, motor vehicles and communication facilities.

Net Cash Used in Financing Activities

Our net cash used in financing activities of RMB205.1 million for the year ended December 31, 2018 was primarily attributable to (i) repayments of bank borrowings of RMB158.9 million; (ii) dividends paid of RMB40.0 million; and (iii) interest paid of RMB5.9 million.

Our net cash used in financing activities of RMB188.0 million in 2017 was primarily attributable to (i) repayments of bank borrowings of RMB129.7 million; (ii) dividends paid of RMB45.9 million; and (iii) interest paid of RMB12.4 million.

Our net cash used in financing activities of RMB233.5 million in 2016 was primarily attributable to (i) repayments of bank borrowings of RMB163.0 million; (ii) dividends paid of RMB50.0 million; and (iii) interest paid of RMB20.5 million.

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INDEBTEDNESS

During the Track Record Period, our indebtedness consisted of short-term and long-term bank borrowings. The following table sets out our indebtedness as of December 31, 2016, 2017 and 2018 and March 31, 2019, being the latest practicable date for the purpose of the indebtedness statement.

	As of December 31,			As of
	2016	2017	2018	March 31,
	(RMB in thousands)			2019
				(unaudited)
Bank borrowings				
Fixed-rate bank borrowings	147,520	49,200	–	–
Floating-rate bank borrowings	141,000	109,667	–	–
<i>Subtotal</i>	<i>288,520</i>	<i>158,867</i>	<i>–</i>	<i>–</i>
Lease liabilities				
Current	–	–	–	13,522
Non-current	–	–	–	219,170
<i>Subtotal</i>	<i>–</i>	<i>–</i>	<i>–</i>	<i>232,692</i>
Total indebtedness	288,520	158,867	–	232,692
Bank borrowings repayable⁽¹⁾:				
Within one year	239,320	158,867	–	–
One to two years	49,200	–	–	–
Total bank borrowings	288,520	158,867	–	–
Less: amounts due within one year shown under current liabilities	239,320	158,867	–	–
Amounts shown under non-current liabilities	49,200	–	–	–

(1) The amounts due are based on the scheduled repayment dates set out in the loan agreements.

Bank Borrowings

All of our bank borrowings were guaranteed by Rizhao Port Group at nil consideration. As of the Latest Practicable Date, such guarantees have been released. Our bank borrowings had interest rates ranging from 4.50%–5.65% and 4.50%–4.90% per annum as of December 31, 2016 and 2017, respectively. We entered into a banking facility agreement in January 2019 and had a total of RMB450.0 million available banking facilities that were unutilized and unrestricted as of March 31, 2019.

Our bank borrowing agreements contain standard terms, conditions and covenants that are customary for commercial bank loans. Such covenants primarily include requirements for us to obtain the lending bank's prior consent for certain transactions, such as disposal of material assets, liquidation or winding-up. In 2011, we entered into a loan agreement with the Industrial and Commercial Bank of China Limited Shijiu Sub-branch, which had a principal amount of RMB282.0 million and a term of 10 years (the "Loan Agreement"). Under the terms of the Loan Agreement, we were not permitted to declare dividends before the repayment of the principal amount of this loan and other payables. During the Track Record Period, due to the oversight of responsible personnel regarding this covenant, we did not comply with this covenant and declared dividends. In 2016 and 2017, the technical breach of this covenant exposed us to potential cross-defaults under our then-existing loan agreements; however, we did not received any notice from banks exercising their cross-default rights. We repaid these loans throughout 2018 as their respective terms reached maturity.

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With respect to the loan under the Loan Agreement, on December 26, 2018, we entered into an early repayment agreement with the lending bank, pursuant to which the lending bank confirmed that all rights and obligations in the Loan Agreement had been terminated and there were no objections or disputes with respect to the Loan Agreement. We have repaid the loan in full as of December 31, 2018. As such, we believe our risks related to our historical breach are relatively low. Our Directors confirm that, except as disclosed above, we did not breach any financial covenants during the Track Record Period. Our Directors also confirm that we did not experience any difficulty in obtaining bank loans and other borrowings or default in repaying bank borrowings during the Track Record Period and up to the Latest Practicable Date. Given our credit history and relationship with our principal lenders and our current credit status, we believe that we will not encounter any major difficulties in obtaining additional bank borrowings in the future. This is also reflected in the RMB450.0 million banking facilities we obtained in January 2019.

With respect to the breach of this covenant, we have adopted the following internal control measures to prevent future occurrences, including: (i) requiring employees in the finance department to attend mandatory trainings; and (ii) requiring our legal personnel to closely monitor the performance of, and compliance with, our contracts.

Lease Liabilities

Upon the application of IFRS 16 since January 1, 2019, we recognized right of use assets and a corresponding lease liability in respect of all leases unless they qualify for low value or short-term leases. As of March 31, 2019, we, as a lessee, had outstanding lease liabilities for the remaining terms of relevant lease agreements (excluding our contingent rental agreements) in an aggregate amount of RMB232.7 million. The lease liabilities represent payment for the right to use underlying assets, which is unsecured and unguaranteed.

In April 2019, we obtained a bank borrowing of approximately RMB150.0 million, of which RMB110.0 million has been used to pay our dividends payable of RMB210.0 million as of March 31, 2019. See “— Dividends”. Except as disclosed in this Prospectus, since December 31, 2018, and up to the date of this Prospectus, there has been no material change to our indebtedness. As of March 31, 2019, being the latest practicable date for determining our indebtedness, except as otherwise disclosed in this Prospectus, we did not have any other loan issued and outstanding or any loan agreed to be issued, bank overdrafts, loans and other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

OPERATING LEASE ARRANGEMENTS

The following table sets forth commitments for future minimum lease receivables under non-cancellable operating leases for leased-out premises which fall due as of the date indicated.

	As of December 31,		
	2016	2017	2018
	(RMB in thousands)		
Within one year	71,108	71,108	71,108
In the second to fifth years inclusive	281,930	281,773	281,596
Over five years	667,008	595,100	516,276
Total lease receivables	1,020,046	947,981	868,980

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During the Track Record Period, we leased out certain berths to Asia Symbol and Rizhao Port Container. See “Business — Our Operations — Our Berths — Berths We Lease Out” for details. These lease receivables represent the rent that is due to us under the leasing agreements, pursuant to which we leased out our investment properties for fixed terms ranging from 1 to 20 years.

The following table sets forth commitments for future minimum lease payables under non-cancellable operating leases for leased-in premises which fall due as of the date indicated.

	As of December 31,		
	2016	2017	2018
	(RMB in thousands)		
Within one year	32,726	33,632	33,305
In the second to fifth years inclusive	120,624	107,921	97,531
Over five years	185,204	165,181	153,346
Total lease payables	338,554	306,734	284,182

We lease in the West-18 berth and land use rights for our business operations. These lease payables represent the rent that we have agreed to pay under the leasing agreements, pursuant to which we leased in certain properties for terms ranging from 1 to 20 years with fixed rents, apart from the operating lease of West-18 berth which is based on a fixed rent plus an amount determined based on the profits generated from the underlying leased berth. Lease for land use rights carried an extension option to renew the lease.

CAPITAL COMMITMENTS

Our capital commitments primarily consist of capital expenditures contracted for but not yet paid in relation to property, plant and equipment. Our capital commitments increased from RMB11.0 million as of December 31, 2016 to RMB24.0 million as of December 31, 2017, primarily for investment in a dust prevention net for dried tapioca handling. Our capital commitments further increased to RMB61.3 million as of December 31, 2018, primarily because we entered into construction and equipment purchase agreements for the West-6 berth that we plan to acquire.

CAPITAL EXPENDITURE

Our capital expenditures (reflecting additions to property, plant and equipment) amounted to RMB53.7 million, RMB70.1 million and RMB26.2 million for the years ended December 31, 2016, 2017 and 2018, respectively. The decrease in capital expenditure for the year ended December 31, 2018 is because we completed a number of construction projects by that time. We funded our capital expenditure requirements during the Track Record Period mainly from cash generated from our operating activities.

We expect to incur capital expenditures of approximately RMB568.5 million and RMB124.0 million for the year ending December 31, 2019 and 2020, respectively, which primarily relate to the acquisition of the West-6 berth and the procurement of relevant equipment and machinery. We intend to fund such capital expenditures with cash from our operations, cash and cash equivalents, bank borrowings and net proceeds from the Global Offering. For details, see “Future Plans and Use of Proceeds.” Our actual capital expenditures may differ from the amounts set forth above due to various factors, including our future cash flows, results of operations and financial condition.

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CONTINGENT LIABILITIES

As of December 31, 2018, we did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against us that is likely to have a material and adverse effect on our business, financial condition or results of operations.

RELATED PARTY TRANSACTIONS

During the Track Record Period, we entered into a number of transactions with related parties. Our related party transactions primarily relate to procurement of services and spare parts, provision of services and leasing and borrowing of property. The following table sets forth our related party transactions by nature for the period indicated.

	For the year ended December 31,		
	2016	2017	2018
	(RMB in thousands)		
Procurement			
Services			
Port-related services	4,758	32,796	49,918
Utilities	20,740	21,746	21,124
Office and logistics	5,585	7,162	9,071
Maintenance	6,659	5,308	3,600
Security	651	684	1,571
Construction	22,574	64,900	20,587
Technology	—	768	376
<i>Subtotal</i>	<i>60,966</i>	<i>133,364</i>	<i>106,247</i>
Spare parts	—	—	1,588
Total	60,966	133,364	107,835
Provision of services	16,878	24,469	2,793
Leasing and borrowing of property			
Leasing cost	38,857	35,301	51,223
Leasing income	—	6,329	7,264
Interest income	68	327	851

Procurement of Services and Goods

During the Track Record Period, we procured a variety of services, including port-related services, utilities services, office and logistics services, maintenance services, security services, construction services and technology services, from various related parties.

The port-related services that we procure from related parties primarily include intraport logistics services. Our procurement of these services from related parties increased from RMB4.8 million in 2016 to RMB32.8 million in 2017 and RMB49.9 million for the year ended December 31, 2018, primarily reflecting the increase in public bids that our related parties won.

The utilities services that we procure from related parties primarily relate to electricity and water, which remained relatively stable during the Track Record Period.

The office and logistics services that we procure from related parties include but are not limited to printing, catering and accommodation. Our procurement of these services from related parties remained relatively stable during the Track Record Period.

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The maintenance services that we procure from related parties primarily relate to maintenance and upgrades of our buildings, facilities and equipment and machinery. We procure maintenance services on an as-needed basis, which amounted to RMB6.7 million, RMB5.3 million and RMB3.6 million for the years ended December 31, 2016, 2017 and 2018.

The construction services that we procure from related parties primarily relate to construction projects in our port area. In 2016, our procurement of these services amounted to RMB22.6 million, primarily relating to the woodchip storage yard and conveyor belt for woodchips we engaged related parties to build. In 2017, our procurement of these services from related parties amounted to RMB64.9 million, primarily relating to the bulk grain warehouse, dust prevention net and train loading line. Our procurement of construction services decreased to RMB20.6 million for the year ended December 31, 2018, primarily because we did not engage related parties for significant construction projects in this period.

During the Track Record Period, we had relatively insignificant procurement of technology and security services from related parties. We generally engage in public tender bidding for these services, and our procurement levels with related parties reflected the amount of bids that related parties won.

We procure certain spare parts for our equipment and machinery from a related party. We did not have any procurement of spare parts from related parties in 2016 and 2017. In the year ended December 31, 2018, our procurement of spare parts from related parties amounted to RMB1.6 million.

Provision of Services

During the Track Record Period, we provided stevedoring services to Rizhao Commodity Exchange Centre Co., Ltd., which was a port-service agent for other parties. We generated revenue of RMB16.8 million, RMB24.5 million and RMB2.8 million for the years ended December 31, 2016, 2017 and 2018, respectively, from this service. The decrease in revenue for the year ended December 31, 2018 primarily reflected the decrease in demand of our related party's customers for this service.

Leasing and Borrowing of Property

During the Track Record Period, we leased in the West-18 berth, land use rights, and office buildings and warehouses from our related parties. During the same period, we also borrowed berths from our related parties. For the years ended December 31, 2016, 2017 and 2018, our leasing and berth borrowing costs amounted to RMB38.9 million, RMB35.3 million and RMB51.2 million, respectively.

During the Track Record Period, we leased out the West-1 berth to Rizhao Port Container and certain equipment to our related parties. Because the West-1 berth is relatively short, large vessels at the West-1 berth would need to occupy part of the West-2 berth, which is adjacent to the West-1 berth, for handling. In such instances, we were paid a leasing fee for the West-2 berth under our leasing agreement with Rizhao Port Container. To a lesser extent, we also lent berths to our related parties. We received leasing income in the amount of nil, RMB6.3 million and RMB7.3 million for the years ended December 31, 2016, 2017 and 2018, respectively.

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Interest Income

During the Track Record Period, we had interest income from maintaining deposits with RPG Finance, which provides centralized maintenance of settlement accounts to facilitate clearing with other members of Rizhao Port Group. Our interest income with RPG Finance increased from RMB68,000 in 2016 to RMB0.3 million in 2017 primarily because we increased our deposits with RPG Finance during these periods. Our interest income with RPG Finance increased further to RMB0.9 million for the year ended December 31, 2018 primarily because we had more cash and entered into time deposits with higher interest rates compared to that of our deposit account.

Guarantees from Related Parties

As of December 31, 2016, 2017 and 2018, Rizhao Port Group provided guarantees to banks with respect to our borrowings that amounted to RMB288.5 million, RMB158.9 million and nil, respectively. Such guarantees have been released as of the Latest Practicable Date.

Outstanding Balance with Related Parties

The following table sets forth an aging analysis of our amounts due from and due to related parties, as well as the amounts of deposits paid to related party for acquisition of property, plant and equipment and prepayments to related party for promises under operating lease as of the date indicated.

	As of December 31,		
	2016	2017	2018
	(RMB in thousands)		
Amounts due from related parties of a trade nature			
Within three months	—	7,025	—
Total	—	7,025	—
Amounts due to related parties of a non-trade nature	9,139	13,194	24,179
Amounts due to related parties of a trade nature			
Within three months	1,244	2,820	3,730
Total	10,383	16,014	27,909
Deposits paid to related party for acquisition of property, plant and equipment	—	—	6,700
Prepayments to related party for promises under operating lease	7,160	5,966	6,126

During the Track Record Period, our amounts due to related parties of a non-trade nature comprised payable for acquisition of property, plant and equipment and retention payable. For details on our amounts due to and due from related parties of a trade nature, see “— Discussion of Certain Balance Sheet Items — Trade, Bills and Other Receivables” and “— Discussion of Certain Balance Sheet Items — Trade and Other Payables.”

Cash and cash equivalents placed with related parties

As of December 31, 2016, 2017 and 2018, our cash and cash equivalent balances comprised of cash deposits in RPG Finance of RMB68.8 million, RMB66.5 million and RMB55.5 million,

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respectively. For details, see note 25 in the Accountants' Report set out in Appendix I to this Prospectus.

It is the view of our Directors that each of the related party transactions set out in note 38 to the Accountants' Report set out in Appendix I to this Prospectus was conducted in the ordinary course of business on an arm's length basis and with normal commercial terms between the relevant parties. Our Directors are also of the view that our related party transactions during the Track Record Period would not distort our historical results or make our historical results not reflective of our future performance.

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios as of the date or for the period indicated.

	As of and for the year ended December 31,		
	2016	2017	2018
Return on equity ⁽¹⁾	5.5%	8.6%	10.2%
Return on assets ⁽²⁾	4.1%	7.1%	8.6%
Current ratio ⁽³⁾	0.37	0.50	0.43
Quick ratio ⁽⁴⁾	0.36	0.48	0.42
Debt-to-equity ratio ⁽⁵⁾	20.1%	10.5%	— ⁽⁶⁾

(1) Calculated as profit and total comprehensive income for the year divided by average balance of total equity at the beginning and the end of that year, then multiplied by 100%.

(2) Calculated as profit and total comprehensive income for the year divided by average balance of total assets at the beginning and the end of that year, then multiplied by 100%.

(3) Calculated as current assets divided by current liabilities as of the same date.

(4) Calculated as current assets less inventories and divided by current liabilities as of the same date.

(5) Calculated as indebtedness divided by total equity as of the same date. Indebtedness represents bank borrowings.

(6) We did not have any indebtedness as of December 31, 2018 due to the repayment of bank borrowings.

Return on Equity

Our return on equity increased from 5.5% in 2016 to 8.6% in 2017, primarily because our profit and total comprehensive income for the year increased, which was mainly due to (i) a 6.6% increase in revenue from the growth of our stevedoring, storage and berth leasing businesses; (ii) a 6.6% decrease in our cost of sales mainly due to a decrease in our procurement and maintenance costs; and (iii) a decrease in finance costs, reflecting a decrease in bank borrowings as a result of repayment. Our return on equity increased to 10.2% for the year ended December 31, 2018 primarily because our profit and total comprehensive income for the year ended December 31, 2018 increased on an annualized basis compared to our profit and total comprehensive income for the year ended December 31, 2017, which was mainly due to (i) a decrease in depreciation costs primarily in relation to the change in accounting estimates of the useful lives of our fixed assets; and (ii) a decrease in finance costs, reflecting a decrease in bank borrowings as a result of repayment.

Return on Assets

Our return on assets increased from 4.1% in 2016 to 7.1% in 2017, primarily because our profit and total comprehensive income for the year increased, which was mainly due to (i) a 6.6% increase in

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revenue from the growth in our stevedoring, storage and berth leasing businesses; (ii) a 6.6% decrease in our cost of sales mainly due to a decrease in our procurement and maintenance costs, and (iii) a decrease in finance costs, reflecting a decrease in bank borrowings as a result of repayment. Our return on assets increased to 8.6% for the year ended December 31, 2018 primarily because our profit and total comprehensive income for the year ended December 31, 2018 increased on an annualized basis compared to our profit and total comprehensive income for the year ended December 31, 2017, which was mainly due to (i) a decrease in depreciation costs primarily in relation to the change in accounting estimates of the useful lives of our property, plant and equipment and investment properties; and (ii) a decrease in finance costs, reflecting a decrease in bank borrowings as a result of repayment.

Current Ratio and Quick Ratio

Our current ratio and quick ratio as of December 31, 2016 increased from 0.37 and 0.36, respectively, to 0.50 and 0.48 as of December 31, 2017, respectively, because our current liabilities decreased by RMB85.4 million mainly due to the repayment of certain bank borrowings, while our current assets remained relatively stable. Our current ratio and quick ratio decreased to 0.43 and 0.42 as of December 31, 2018, respectively, because our current liabilities increased by RMB55.9 million mainly because we recorded RMB210.0 million in dividends payable as of December 31, 2018, partially offset by a RMB158.9 million decrease in our bank borrowings as a result of repayment.

Debt-to-Equity Ratio

Our debt-to-equity ratio decreased from 20.1% as of December 31, 2016 to 10.5% as of December 31, 2017 and further to nil as of December 31, 2018, primarily because our indebtedness decreased significantly from RMB288.5 million as of December 31, 2016 to RMB158.9 million as of December 31, 2017 and further to nil as of December 31, 2018, primarily due to the repayment of certain bank borrowings.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

QUANTITATIVE AND QUALITATIVE DISCLOSURE OF FINANCIAL RISKS

We are exposed to various types of financial risks in the ordinary course of business, primarily including interest rate risk, credit risk and liquidity risk. Our major financial instruments include trade, bills and other receivables, cash and cash equivalents, bills receivable at FVTOCI, trade and other payables and bank borrowings. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Our overall risk management strategy seeks to minimize the potential adverse effects on our financial performance. For details, see note 35 of the Accountants' Report set out in Appendix I to this Prospectus.

Interest Rate Risk

We are exposed to fair value interest rate risk in relation to fixed-rate bank borrowings (see note 28 of the Accountants' Report set out in Appendix I to this Prospectus for details). We are also exposed to cash flow interest rate risk in relation to floating-rate balances deposited with banks and

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financial institution (see note 25 of the Accountants' Report set out in Appendix I to this Prospectus for details) and floating-rate bank borrowings (see note 28 of the Accountants' Report set out in Appendix I to this Prospectus for details). We currently do not have any interest rate hedging policy. We manage our interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. Our management will review the proportion of borrowings in fixed and floating rates and ensure they are within reasonable range. For details, see note 35 of the Accountants' Report set out in Appendix I to this Prospectus.

Credit Risk

Credit risk refers that the risk that a customer or counterparty will default on its contractual obligations, resulting in financial loss to our Company. We consider all elements of credit risk exposure such as counterparty default risk and sector risk for risk management purposes. As of December 31, 2016, 2017 and 2018, the carrying amounts of financial assets best represent the maximum exposure to credit risk. For details, see note 35 of the Accountants' Report set out in Appendix I to this Prospectus.

Liquidity Risk

Our management monitors our cash flow positions on a regular basis to ensure our cash flows are positive and strictly controlled. We aim to maintain flexibility and shareholders' capital contributions in funding by keeping committed credit limits available. For details, see note 35 of the Accountants' Report set out in Appendix I to this Prospectus.

Capital Risk Management

We manage our capital to ensure that we will be able to operate continuously and maximize the return to our shareholders through the optimization of the balance between debt and equity. Our overall strategy remains unchanged throughout the Track Record Period.

Our capital structure consists of net debt, which includes bank borrowings, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued paid-in capital and reserves.

Our management reviews our capital structure from time to time. As a part of this review, our management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of our management, we will balance its overall capital structure through the payment of dividends, the issue of new shares or new debts or the redemption of existing debts.

DIVIDENDS

For the years ended December 31, 2016, 2017 and 2018, we declared dividends of RMB50.0 million, RMB53.0 million and RMB250.0 million, respectively. As of December 31, 2018 and March 31, 2019, we had dividends payable of RMB210.0 million, respectively. We have obtained a bank borrowing of approximately RMB150.0 million in April 2019, of which RMB110.0 million has been used to pay the dividends. We have fully paid such dividends as of the Latest Practicable Date using RMB110.0 million in bank borrowings and RMB100.0 million from our cash and cash equivalents. We currently do not have a fixed dividend payout ratio. Our Board may declare dividends

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in the future after taking into account (i) our results of operations, financial condition, cash requirements and availability, and capital expenditure requirement; (ii) our historical dividend payout ratio; (iii) reference to other companies in the same industry listed on the Hong Kong Stock Exchange; and (iv) other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and PRC law.

DISTRIBUTABLE RESERVES

As of December 31, 2018, our Company had retained profits of RMB32.2 million under IFRSs (after deducting dividends of RMB250.0 million), as reserves available for distribution to our equity shareholders.

LISTING EXPENSES

Listing expenses to be borne by us are estimated to be approximately RMB52.0 million (including underwriting commissions). As of December 31, 2018, RMB6.5 million was charged to our statements of profit or loss and other comprehensive income. After December 31, 2018, approximately RMB12.4 million is expected to be charged to our statement of profit or loss and other comprehensive income, and approximately RMB33.8 million is expected to be accounted for as a deduction from equity upon the Listing. The listing expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate. Our Directors do not expect such listing expenses to have a material adverse impact on our results of operation for the year ending December 31, 2019.

PROPERTY INTEREST AND PROPERTY VALUATION

Details relating to our property interests are set out in Appendix III to this Prospectus. Our property valuer, JLL, has valued the properties (including buildings and terminal facilities) owned by us as of March 31, 2019. The text of their letters, summary of value and valuation certificates are set out in Appendix III to this Prospectus.

A reconciliation of our selective property interests as of March 31, 2019 and such property interests in our financial statements as of December 31, 2018, as required under Rule 5.07 of the Listing Rules is set out below:

	RMB in millions
Net book value of property interests as of December 31, 2018	1,262.2
Additions	1.0
Depreciation and amortization for the period from January 1, 2019 to March 31, 2019	20.5
Net book value as of March 31, 2019	1,242.7
Valuation surplus	40.2
Reference value as of March 31, 2019 ⁽¹⁾	1,282.9
Less: Property interests without commercial value due to lack of title certificate or held under a leasehold agreement	(1,282.9)
Valuation as of March 31, 2019	<u>–</u>

(1) Including commercial value and reference value of the selective property interests in the financial statements as of March 31, 2019.

FINANCIAL INFORMATION

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

	Unaudited net tangible assets of the Company attributable to owners of the Company as of December 31, 2018	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted net tangible assets of the Company attributable to owners of the Company as of December 31, 2018	Unaudited pro forma adjusted net tangible assets of the Company attributable to owners of the Company per Share as of December 31, 2018	
	RMB'000 (Note 1)	RMB'000 (Note 2)	RMB'000	RMB (Note 3)	HK\$ (Note 4)
Based on the Offer Price of HK\$1.37 per Offer Share	1,405,577	436,207	1,841,784	1.15	1.31
Based on the Offer Price of HK\$1.51 per Offer Share	1,405,577	483,952	1,889,529	1.18	1.34

- (1) The unaudited net tangible assets of the Company attributable to owners of the Company as of December 31, 2018 has been extracted from the Accountants' Report set out in Appendix I to this Prospectus, which is based on the unaudited net assets of the Company of RMB1,407,616,000, adjusted for intangible assets of RMB2,039,000.
- (2) The estimated net proceeds from the Global Offering are based on 400,000,000 H Shares to be issued under the Global Offering and the Offer Price of HK\$1.37 and HK\$1.51 per Offer Share, respectively, being the lower end and higher end of the indicated Offer Price range, after deducting underwriting commissions and other estimated expenses expected to be incurred by our Company in connection with the Global Offering and assuming the Over-allotment Option is not exercised. The estimated net proceeds from the Global Offering are converted from Hong Kong dollars into Renminbi at an exchange rate of HK\$1.00 to RMB0.87896, which was the middle exchange rate set by the PBOC prevailing on May 22, 2019. No representation is made that Hong Kong dollars amounts have been, could have been or could be converted to RMB, or vice versa, at that rate or at any other rates or at all.
- (3) The unaudited pro forma adjusted net tangible assets of the Company as of December 31, 2018 per share is calculated based on 1,600,000,000 Shares in issue immediately following the completion of the Global Offering. It does not take into account of any Share which may be issued upon the exercise of the Over-allotment Option.
- (4) The unaudited pro forma adjusted net tangible assets of the Company attributable to owners of the Company per share is converted from Renminbi into Hong Kong dollars at the rate of RMB0.87896 to HK\$1.00, which was the middle exchange rate set by the PBOC prevailing on May 22, 2019. No representation is made that the Renminbi amounts have been, could have been or could be converted to Hong Kong dollars, or vice versa, at that rate or at any other rates or at all.
- (5) No adjustment has been made to the unaudited pro forma adjusted net tangible assets of the Company attributable to owners of the Company as of December 31, 2018 to reflect any trading result or other transactions of the Company entered into subsequent to December 31, 2018.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed, after performing all the due diligence work which our Directors consider sufficient, that, as of the date of this Prospectus, there had been no material adverse change in our financial, trading position, prospects, gross profit margin or revenue since December 31, 2018 and there has been no event since December 31, 2018 which would materially affect the information shown in the Accountants' Report set out in Appendix I to this Prospectus.

FINANCIAL INFORMATION

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that, as of the Latest Practicable Date, they were not aware of any circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

As a result of our efforts and leveraging our competitive strengths, we have successfully established ourselves as a major port in China for grains and woodchip imports. Our strong business performance is reflected in the high utilization rates of our berths. The berths that we operate consistently had overall utilization rates of over 100% for each period during the Track Record Period, indicating that we are reaching maximum capacity and require additional throughput capacity to support our business needs. In particular, our berth utilization rates may be even higher in certain months due to seasonality. In 2016, to support our future business growth, we entered into a lease with Rizhao Port to lease in the West-18 berth, considering that the West-18 berth is a multi-purpose berth that was readily available for operations. Since we leased in the West-18 berth in 2016, the West-18 berth has already reached full capacity with over 100% utilization rates during the Track Record Period. Our storage facilities and other port infrastructure, which have been designed to complement the throughput capacity of our berths, are also highly utilized and require expansion and upgrades.

According to the CIC Report, total throughput for imported grains to China is expected to grow at a CAGR of 8.4% from 115.6 million tonnes in 2018 to 173.0 million tonnes in 2023 and the total throughput for woodchips to China is expected to grow at a CAGR of 6.4% from 39.4 million tonnes in 2018 to 53.7 million tonnes in 2023, driven primarily by the overall economic growth of the PRC and hinterlands that we cover, increasing consumption and increasingly stringent environmental regulations. See “Industry Overview” for details. In particular, we believe that the demand for grains and woodchips will continue to be strong in our hinterland, which encompasses some of the most robust provincial economies in China, such as Shandong, Henan, Shanxi, Shaanxi and Sichuan provinces and Xinjiang autonomous region. We further believe that we will continue to derive a steady source of business from high-quality, blue-chip customers in these regions, many of whom have invested significant capital to build processing and storage facilities near our port area and are building additional facilities in the vicinity. Considering our market position as the largest port for grain and woodchip imports in China and the long-term relationships that we have built with major customers, we believe that we will be able to capitalize on these industry trends to further solidify our leading position.

We believe it is crucial for us to develop additional throughput capacity to support our future business growth, considering that (i) our overall utilization rates were consistently over 100% during the Track Record Period; (ii) the throughput of imported grains and woodchips to China, which are the major cargo types we serve, is expected to continue to increase in the foreseeable future, according to the CIC Report; and (iii) we have increased our sales and marketing activities in 2018 to develop new customers in our hinterland and maintain strong relationships with existing customers, which we believe will benefit our throughput volume and business performance. To that end, we intend to acquire the West-6 berth from Rizhao Port Group and Rizhao Port Container. As of the Latest Practicable Date, we had entered into the Berth Acquisition Agreement with Rizhao Port Group and Rizhao Port Container for the acquisition of the West-6 berth. We also plan to acquire the necessary equipment and machinery for the West-6 berth. We believe that acquiring the West-6 berth is the optimal solution to our under capacity issue for the following reasons:

- *Strategic focus on grains and woodchips.* We strategically focus on handling grains and woodchips, which have been our major cargo types during the Track Record Period. We

FUTURE PLANS AND USE OF PROCEEDS

expect our business for these cargo types to continue to grow and believe that we will need additional berths and infrastructure dedicated to these cargo types as our business expands. In line with our strategic focus, we intend to develop the West-6 berth into a bulk grain berth by making long-term investment in advanced infrastructure, facilities, equipment and machinery.

- *Large throughput capacity.* The West-6 berth is larger than the berths we currently operate, with a quay length of 422 meters, and is expected to have a designed annual throughput of over 6.5 million tonnes. Acquiring the West-6 berth would bring our total designed annual throughput capacity from 8.2 million tonnes to 14.7 million tonnes. In 2018, we operated at an overall utilization rate of 157.3% and our self-operated throughput was 14.2 million tonnes (including 12.9 million tonnes from the berths we operate and 1.3 million tonnes from borrowed berths). Moreover, we expect to benefit from having a larger berth as larger vessels increasingly preferred by carriers around the world, according to the CIC Report. We believe that the West-6 berth would provide us with the capacity to further grow our business.
- *Favorable location.* The West-6 berth is located adjacent to our West-5 berth and close to our West-2 berth and West-3 berth. By being close to other berths we operate, the West-6 berth would be able to benefit from existing port infrastructure and facilities built for the West-2, West-3 and West-5 berths, including berth unloading and transportation systems and train and truck discharging systems. Moreover, the West-6 berth is located near the facilities of our customers and is more convenient for us to manage.

We expect to commence the construction and development of the West-6 berth after the completion of the Global Offering and expect such construction and development to take approximately eight months to complete. Based on our feasibility studies, upon commencing construction, we believe that the West-6 berth will have an investment payback period of approximately 6.5 years (without taking into account taxes).

The total capital expenditure in relation to the West-6 berth is expected to be approximately RMB583.8 million. Such capital expenditure includes approximately RMB464.7 million, based on a valuation conducted by an independent valuer, for the acquisition of the West-6 berth and approximately RMB119.1 million for the acquisition of equipment and machinery for the West-6 berth, which we intend to finance using net proceeds from the Global Offering and other sources if needed. See “— Use of Proceeds” for details. As of the Latest Practicable Date, we had entered into the Berth Acquisition Agreement with Rizhao Port Group and Rizhao Port Container for the acquisition of the West-6 berth. We have also entered into the MEC General Agreements with Shandong Gangwan, a connected person of our Company, for the procurement and installation services in relation to all of the electromechanical equipment to be used for the reconstruction of the West-6 berth, including port cranes, belt conveyors, steel structures and other miscellaneous equipment and machinery. The total consideration under this agreement is approximately RMB62.4 million. In addition, we have entered into two construction agreements with two subsidiaries of Rizhao Port Group, pursuant to which they agreed to provide us with construction and supervision services, respectively, for the construction of West-6 berth. See “Connected Transactions” for details.

For a detailed description of our business strategy, see “Business — Business Strategy.”

FUTURE PLANS AND USE OF PROCEEDS

USE OF PROCEEDS

We estimate that the net proceeds of the Global Offering, after deducting the underwriting commissions and expenses payable by us in connection with the Global Offering, will be in the amounts set out below:

- approximately HK\$488.8 million, if the Over-allotment Option is not exercised, or approximately HK\$568.5 million, if the Over-allotment Option is exercised in full, assuming an Offer Price of HK\$1.37 per Offer Share, being the low-end of the indicative Offer Price range stated in this Prospectus; or
- approximately HK\$516.0 million, if the Over-allotment Option is not exercised, or approximately HK\$599.8 million, if the Over-allotment Option is exercised in full, assuming an Offer Price of HK\$1.44 per Offer Share, being the mid-point of the indicative Offer Price range stated in this Prospectus; or
- approximately HK\$543.1 million, if the Over-allotment Option is not exercised, or approximately HK\$631.0 million, if the Over-allotment Option is exercised in full, assuming an Offer Price of HK\$1.51 per Offer Share, being the high-end of the indicative Offer Price range stated in this Prospectus.

Assuming an Offer Price of HK\$1.44 per Offer Share (being the mid-point of the indicative Offer Price range stated in this Prospectus) and that the Over-allotment Option is not exercised, we intend to use our net proceeds from Global Offering for the purposes set out below:

- approximately 70%, or HK\$361.2 million, will be used for the acquisition of the West-6 berth to ensure that we have sufficient berthing capacity to support our future business growth;
- approximately 20%, or HK\$103.2 million, will be used for the procurement of equipment and machinery for the West-6 berth, including HK\$49.9 million for port cranes, HK\$16.0 million for the belt conveyors, HK\$14.7 million for steel structures and HK\$22.6 million for other miscellaneous equipment and machinery; and
- approximately 10%, or HK\$51.6 million, will be used for our working capital and general corporate purposes.

The above allocation of the net proceeds from the Global Offering will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the indicative Offer Price range stated in this Prospectus. To the extent that amounts are not covered by the net proceeds from the Global Offering for the acquisition of the West-6 berth and equipment and machinery for the West-6 berth, we plan to use cash from operations and other sources of financing. For more information on our plans with respect to the West-6 berth, see “— Future Plans.”

In the event that the Over-allotment Option is exercised, we intend to apply the additional proceeds to the acquisition of the West-6 berth, and to the extent that the acquisition of the West-6 berth is fully funded, we intend to apply the remaining proceeds to the acquisition of equipment and

FUTURE PLANS AND USE OF PROCEEDS

machinery for the West-6 berth. If there are any remaining proceeds from the Global Offering after the acquisition of the West-6 berth and the relevant equipment and machinery are fully funded, we intend to use the remaining proceeds for our working capital and general corporate purposes.

To the extent that the net proceeds from the Global Offering are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we intend to deposit the net proceeds into our bank accounts or in our account with RPG Finance.

UNDERWRITING

HONG KONG UNDERWRITERS

China Securities (International) Corporate Finance Company Limited

Zhongtai International Securities Limited

First Capital Securities Limited

ABCI Securities Company Limited

Haitong International Securities Company Limited

Livermore Holdings Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

The Hong Kong Underwriting Agreement was entered into on May 29, 2019. As described in the Hong Kong Underwriting Agreement, we are offering the Hong Kong Offer Shares for subscription on and subject to the terms and conditions of this Prospectus and the Application Forms at the Offer Price. Subject to the Listing Committee granting the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Global Offering as mentioned herein (including any additional H Shares which may be issued pursuant to the exercise of the Over-allotment Option and H Shares which will be converted from Foreign Shares currently held by Jurong Port Holding) and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed to subscribe or procure subscribers for their applicable proportion of the Hong Kong Offer Shares which are now being offered but are not taken up under the Hong Kong Public Offering on and subject to the terms and conditions of this Prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional upon and subject to, among other things, the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

The Sole Representative (for itself and on behalf of the Hong Kong Underwriters) shall be entitled, in its sole and absolute discretion, by a notice to the Company, to terminate the Hong Kong Underwriting Agreement with immediate effect if, at any time at or prior to 8:00 a.m. on the Listing Date:

- (a) there will develop, occur, exist or come into effect:
 - (i) any new law or any change or development involving a prospective change in existing law or regulation, or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting Hong Kong, the PRC, Singapore, the United States, the United Kingdom, the European Union (or any of its members), Brazil, Argentina or Japan (each a “**Relevant Jurisdiction**”); or

UNDERWRITING

- (ii) any change or development involving a prospective change or development, or any event or series of events likely to result in or representing a change or development, or prospective change or development, in local, national, regional or international financial, political, military, industrial, economic, currency market, fiscal or regulatory or market conditions or any monetary or trading settlement system (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets) in or affecting any Relevant Jurisdiction; or
- (iii) any acts of government or orders of any courts, strikes, calamity, crisis, lock-outs, fire, explosion, flooding, civil commotion, acts of war, outbreak or escalation of hostilities, acts of God, acts of terrorism, declaration of a national or international emergency, riot, public disorder, outbreaks of diseases, pandemics or epidemics, in each case beyond the control of the Hong Kong Underwriters; or
- (iv) any moratorium, suspension or limitation (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) on trading in shares or securities generally on the Hong Kong Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, Singapore Exchange or the Tokyo Stock Exchange; or
- (v) any (A) change or prospective change in exchange controls, currency exchange rates or foreign investment regulations (including, without limitation, a devaluation of the Hong Kong dollars or RMB against United States dollars or any foreign currencies, a change in the system under which the value of the Hong Kong dollars is linked to that of the United States dollars), or (B) any change or prospective change in taxation (as defined in the Hong Kong Underwriting Agreement) in any Relevant Jurisdiction adversely affecting an investment in the Offer Shares; or
- (vi) any general moratorium on commercial banking activities in any Relevant Jurisdiction or any disruption in commercial banking activities or foreign exchange trading or securities trading or securities settlement or clearance services, procedures or matters in any Relevant Jurisdictions; or
- (vii) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for, any Relevant Jurisdiction; or
- (viii) the issue or requirement to issue by the Company of a supplemental or amendment to this Prospectus, Application Forms, preliminary offering circular or offering circular or other documents in connection with the offer and sale of the Offer Shares pursuant to the Companies (Winding Up and Miscellaneous) Ordinance or the Listing Rules or upon any requirement or request of the Hong Kong Stock Exchange or the SFC, in circumstances where the matter to be disclosed could, in the opinion of the Sole Representative, adversely affect the marketing for or implementation of the Global Offering; or

UNDERWRITING

- (ix) any litigation or claim being threatened or instigated against the Company, the Controlling Shareholders, Jurong Port Holding, Jurong Port or any Director or Supervisor or any member of the Company's senior management; or
- (x) an authority or organization in any Relevant Jurisdiction commencing any investigation or other action (including arrest or detainment) or proceedings, or announcing an intention to investigate or take other action (including arrest or detainment) or proceedings, against the Company or any Director or Supervisor or any member of the Company's senior management; or
- (xi) any of the chairman or general manager vacating his office, any Director or Supervisor or any member of the Company's senior management being charged with an indictable offence or prohibited by operation of laws or otherwise disqualified from taking part in the management of a company; or
- (xii) any adverse change or any development involving a prospective adverse change in, or affecting, the assets, liabilities, business, general affairs, management, prospects, Shareholders' equity, profitability, results of operations, position or condition (financial or otherwise), or performance, of the Company (including any litigation or claim of any third party being threatened or instigated against the Company); or
- (xiii) any demand by creditors for repayment of indebtedness or a petition being presented for the winding-up or liquidation of the Company or the Company making any composition or arrangement with its creditors or entering into a scheme of arrangement or any resolution being passed for the winding-up of the Company or a provisional liquidator, receiver or manager being appointed over all or part of the assets or undertaking of the Company or anything analogous thereto occurs in respect of the Company; or
- (xiv) any contravention by the Company of any applicable laws including the Listing Rules; or
- (xv) any non-compliance of the Prospectus (or any other documents used in connection with the contemplated subscription and sale of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws,

which, in any such case individually or in the aggregate, in the sole and absolute opinion of the Sole Representative (for itself and on behalf of the Hong Kong Underwriters): (A) is or will be or is reasonably expected to be materially adverse to, or materially and prejudicially affects, the assets, liabilities, business, general affairs, management, Shareholder's equity, profitability, results of operations, position or condition (financial or otherwise), or prospects of the Company or to any present or prospective Shareholder of the Company in its capacity as such; or (B) has or will have or is reasonably expected to have a material adverse effect on the success or marketability of the Global Offering or the level of Offer Shares being applied for or accepted or subscribed for or purchased or the distribution of Offer Shares and/or has made or is likely to make or may make it impracticable or inadvisable or incapable for any material part of the Hong Kong

UNDERWRITING

Underwriting Agreement, the Hong Kong Public Offering or the Global Offering to be performed or implemented as envisaged; or (C) makes or will make it or is reasonably expected to make it impracticable or inadvisable or incapable to proceed with the Hong Kong Public Offering and/or the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by this Prospectus, the Application Forms, the formal notice, the preliminary offering circular or the final offering circular; or (D) would have or is reasonably expected to have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

- (b) there has come to the notice of the Sole Sponsor, the Sole Representative, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers or the Hong Kong Underwriters:
- (i) a prohibition on the Company for whatever reason from issuing or selling the Offer Shares (including any additional H Shares which may be issued pursuant to the exercise of the Over-allotment Option) pursuant to the terms of the Global Offering; or
 - (ii) that any statement contained in this Prospectus, the application proof prospectus, the post hearing information pack of the Company, the Application Forms, the formal notice, offering circular and/or any notices, announcements, advertisements, communications issued or used (by or on behalf of the Company) in connection with the Hong Kong Public Offering and/or the International Offering (the “**Offering Documents**”) (including any supplement or amendment thereto) was or has become untrue, incomplete, incorrect in any material respect or misleading or any forecasts, estimate, expressions of opinion, intention or expectation expressed in the Offering Documents and/or any notices, announcements, advertisements, communications so issued or used are not fair and honest and made on reasonable grounds or, where appropriate, based on reasonable assumptions, when taken as a whole; or
 - (iii) any contravention by the Company or any Director or Supervisor of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance, the Company Law or the Listing Rules; or
 - (iv) any non-compliance of this Prospectus (or any other documents used in connection with the contemplated subscription of the Offer Shares) or any aspect of the Global Offering with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Listing Rules or any other applicable law; or
 - (v) any matter has arisen or has been discovered which would, had it arisen immediately before the date of this Prospectus, not having been disclosed in this Prospectus, constitutes an omission or misstatement in any material respect; or
 - (vi) either (A) there has been a breach of any of the representations, warranties, undertakings or provisions of either the Hong Kong Underwriting Agreement or the

UNDERWRITING

International Underwriting Agreement by the Company, the Controlling Shareholders, Jurong Port Holding, Jurong Port or (B) any of the representations, warranties and undertakings given by the Company, the Controlling Shareholders, Jurong Port Holding, Jurong Port in the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable, is (or would when repeated be) untrue, incorrect, incomplete in any material respect or misleading; or

- (vii) any of the reporting accountants, or any of the counsel or adviser of the Company or other experts have withdrawn their respective consent to the issue of this Prospectus with the inclusion of their reports, letters, summaries of legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears; or
- (viii) any event, act or omission which gives or is likely to give rise to any liability of the Company, the Controlling Shareholders, Jurong Port Holding or Jurong Port (as the case maybe) pursuant to the indemnities given by the Company, the Controlling Shareholders, Jurong Port Holding or Jurong Port (as the case maybe) under the Hong Kong Underwriting Agreement; or
- (ix) any breach of any of the obligations of the Company, the Controlling Shareholders, Jurong Port Holding or Jurong Port under the Hong Kong Underwriting Agreement or the International Underwriting Agreement; or
- (x) the investment commitments by the majority of the cornerstone investors after signing of the cornerstone investment agreements with such cornerstone investors have been withdrawn, terminated or cancelled; or
- (xi) the Company has withdrawn this Prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering; or
- (xii) the admission by the Listing Committee is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, cancelled, qualified (other than by customary conditions), revoked or withheld.

Undertakings to the Hong Kong Stock Exchange Pursuant to the Listing Rules

Undertakings by the Company

Pursuant to Rule 10.08 of the Listing Rules, the Company has undertaken to the Hong Kong Stock Exchange that we will not issue any shares or other securities convertible into equity securities (whether or not of a class already listed) of the Company or enter into any agreement or arrangement to issue such shares or securities at any time within six months from the Listing Date (whether or not such issue of shares or securities will be completed within six months from the Listing Date), except pursuant to the Global Offering, the Over-allotment Option or any of the circumstances prescribed by Rule 10.08 of the Listing Rules.

UNDERWRITING

Undertakings by Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of the Controlling Shareholders has undertaken to us and to the Hong Kong Stock Exchange, except pursuant to the Global Offering (including pursuant to the Over-allotment Option), that it will not, and shall procure that any other registered holder(s) will not, without the prior written consent of the Hong Kong Stock Exchange or unless otherwise in compliance with applicable requirements of the Listing Rules:

- (a) in the period commencing on the date of this Prospectus and ending on the date which is six months from the Listing Date (the “**First Six-Month Period**”), dispose of, or enter into any agreement to dispose of any Shares in respect of which it is shown by this Prospectus the Controlling Shareholder to be the beneficial owner (as defined in Rule 10.07(2) of the Listing Rules) or otherwise create any options, rights, interests or encumbrances in respect of such Shares; and
- (b) in the period of six months immediately following the expiry of the First Six-Month Period (the “**Second Six-Month Period**”), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would cease to be a controlling shareholder of the Company,

in each case above, save as permitted under the Listing Rules.

Further, pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, each of the Controlling Shareholders has undertaken to us and to the Hong Kong Stock Exchange that, during the First Six-Month Period and the Second Six-Month Period, it will:

- (a) if it pledges or charges any of our securities beneficially owned by it in favor of an authorized institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan, immediately inform us of such pledge or charge together with the number of securities so pledged or charged; and
- (b) if it receives indications, either verbal or written, from the pledgee or chargee that any of our pledged or charged securities will be disposed of, immediately inform us of such indications.

Undertakings by Jurong Port Holding and Jurong Port

Pursuant to Rule 10.07 of the Listing Rules, each of Jurong Port Holding and Jurong Port has undertaken to us and to the Hong Kong Stock Exchange, except pursuant to the Global Offering (including pursuant to the Over-allotment Option and the conversion of the Foreign Shares currently held by Jurong Port Holding into H Shares), that it will not, and shall procure that any other registered holder(s) will not, without the prior written consent of the Hong Kong Stock Exchange or unless otherwise in compliance with applicable requirements of the Listing Rules in the First Six-Month Period, dispose of, or enter into any agreement to dispose of any Shares in respect of which it is shown by this Prospectus to be the beneficial owner (as defined in Rule 10.07(2) of the Listing Rules) or otherwise create any options, rights, interests or encumbrances in respect of such Shares.

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Further, pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, each of Jurong Port Holding and Jurong Port has undertaken to us and to the Hong Kong Stock Exchange that, during the First Six-Month Period, it will:

- (a) if it pledges or charges any of our securities beneficially owned by it in favor of an authorized institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan, immediately inform us of such pledge or charge together with the number of securities so pledged or charged; and
- (b) if it receives indications, either verbal or written, from the pledgee or chargee that any of our pledged or charged securities will be disposed of, immediately inform us of such indications.

We will also inform the Hong Kong Stock Exchange as soon as we have been informed of the above matters, if any, by the Controlling Shareholders, Jurong Port Holding or Jurong Port and disclose such matters in accordance with the publication requirements under Rule 2.07C of the Listing Rules as soon as possible after being so informed.

Undertakings Pursuant to the Hong Kong Underwriting Agreement

Undertakings by the Company

The Company has undertaken to the Sole Sponsor, the Sole Representative, the Joint Global Coordinators, the Joint Lead Managers, the Joint Bookrunners, the Hong Kong Underwriters and each of them not to (except for the offer and issue of the Offer Shares pursuant to the Global Offering, including pursuant to any exercise of the Over-Allotment Option and conversion of the Foreign Shares currently held by Jurong Port Holding into H Shares), during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on the First Six-Month Period, without the prior written consent of the Sole Representative (for itself and on behalf of the Hong Kong Underwriters) (and such consent shall not be unreasonably withheld or delayed) and unless in compliance with the requirements of the Listing Rules:

- (i) issue, sell, accept subscription for, offer to issue or sell, contract or agree to issue or sell, mortgage, charge, pledge, hypothecate, hedge, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or contract or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of the Company or any interest in any of the foregoing (including any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to subscribe for or purchase, any Shares or any other securities of the Company);
- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or any other securities of the Company or any interest in any of the foregoing (including any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or

UNDERWRITING

other rights to subscribe for or purchase, any Shares or any other securities of the Company);

- (iii) enter into any transaction with the same economic effect as any transaction specified in paragraphs (i) or (ii) above; or
- (iv) offer to or agree to or announce any intention to effect any transaction specified in paragraphs (i), (ii) or (iii) above,

in each case, whether the transaction specified in paragraphs (i), (ii) or (iii) above is to be settled by delivery of Shares or such other securities of the Company or in cash or otherwise (whether or not the issue of Shares or such other securities of the Company will be completed within the First Six-Month Period).

In the event that, the Second Six-Month Period, the Company enters into any of the transactions specified in paragraphs (i), (ii) or (iii) above or offers to or agrees to or announces any intention to effect any such transaction, the Company shall take all reasonable steps to ensure that any such transaction, offer, agreement or announcement will not create a disorderly or false market in the Shares or any other securities of the Company.

Undertaking by the Controlling Shareholders

Each of the Controlling Shareholders has undertaken to the Company, the Sole Sponsor, the Sole Representative, the Joint Global Coordinators, the Joint Lead Managers, the Joint Bookrunners, the Hong Kong Underwriters and each of them that, without the prior written consent of the Sole Representative (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (i) it will not at any time during the First Six-Month Period:
 - (a) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, hedge, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of the Company or any interest in any of the foregoing (including any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any other securities of the Company) (the “**Locked-up Securities**”);
 - (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Locked-up Securities;
 - (c) enter into any transaction with the same economic effect as any transaction specified in paragraphs (i)(a) or (b) above; or
 - (d) offer to or agree to or announce any intention to effect any transaction specified in paragraphs (i)(a), (b) or (c) above,

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in each case, whether the transaction is to be settled by delivery of Shares or such other securities of the Company or in cash or otherwise (whether or not the transaction will be completed within the First Six-Month Period);

- (ii) it will not at any time during the Second Six-Month Period, enter into any of the transactions specified in paragraphs (i)(a), (b) or (c) above in respect of any Locked-up Securities, or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, it will cease to be a “controlling shareholder” (as defined in the Listing Rules) of the Company; and
- (iii) until the expiry of the Second Six-Month Period, in the event that it enters into any of the transactions specified in paragraphs (i)(a), (b) or (c) above in respect of any Locked-up Securities, or offers to or agrees to or announces any intention to effect any such transaction, it will take all reasonable steps to ensure that any such transaction, offer, agreement or announcement will not create a disorderly or false market in the Shares or any other securities of the Company, provided that nothing in this paragraph shall prevent the Controlling Shareholders from (i) purchasing additional Shares or other securities of the Company and disposing of such additional Shares or securities of the Company, (ii) using the Shares or other securities of the Company or any interest therein beneficially owned by them as security (including a charge or a pledge) in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan.

Undertaking by Jurong Port Holding and Jurong Port

Each of Jurong Port Holding and Jurong Port has undertaken to the Company, the Sole Sponsor, the Sole Representative, the Joint Global Coordinators, the Joint Lead Managers, the Joint Bookrunners, the Hong Kong Underwriters and each of them that, without the prior written consent of the Sole Representative (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (i) it will not at any time during the First Six-Month Period:
 - (a) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, hedge, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of the Company or any interest in any of the foregoing (including any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any other securities of the Company) (the “**Jurong Locked-up Securities**”);
 - (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Jurong Locked-up Securities;

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- (c) enter into any transaction with the same economic effect as any transaction specified in paragraphs (i)(a) or (b) above; or
- (d) offer to or agree to or announce any intention to effect any transaction specified in paragraphs (i)(a), (b) or (c) above,

in each case, whether the transaction is to be settled by delivery of Shares or such other securities of the Company or in cash or otherwise (whether or not such transaction will be completed within the First Six-Month Period, provided that nothing in this paragraph shall prevent Jurong Port Holding or Jurong Port from (i) purchasing additional Shares or other securities of the Company and disposing of such additional Shares or securities of the Company, (ii) using the Shares or other securities of the Company or any interest therein beneficially owned by them as security (including a charge or a pledge) in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan);

- (ii) until the expiry of the Second Six-Month Period, in the event that it enters into any of the transactions specified in paragraphs (i)(a), (b) or (c) above in respect of any Jurong Locked-up Securities, or offers to or agrees to or announces any intention to effect any such transaction, it will take all reasonable steps to ensure that any such transaction, offer, agreement or announcement will not create a disorderly or false market in the Shares or any other securities of the Company.

The International Offering

In connection with the International Offering, it is expected that the Company will enter into the International Underwriting Agreement with the Sole Representative and the International Underwriters. Under the International Underwriting Agreement, the International Underwriters would, subject to certain conditions set out therein, severally and not jointly agree to purchase the International Offer Shares being offered pursuant to the International Offering or procure subscribers or purchasers for such International Offer Shares.

The Company is expected to grant the Over-allotment Option to the International Underwriters, exercisable by the Sole Representative (for itself and on behalf of the International Underwriters) at any time from the date of the International Underwriting Agreement until Friday, July 5, 2019, being the 30th day from the last day for lodging applications under the Hong Kong Public Offering, to require the Company to issue up to an aggregate of 60,000,000 additional Offer Shares, representing approximately 15% of the number of Offer Shares initially being offered under the International Offering, at the Offer Price to solely cover over-allocations in the International Offering, if any.

Commission and Expenses

Under the terms and conditions of the Underwriting Agreements, the Hong Kong Underwriters will receive a gross underwriting commission of 3% on the aggregate Offer Price payable for the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering, out of which they will pay any sub-underwriting commission (if any). For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay an underwriting commission at the rate

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applicable to the International Offering and such commission will be paid to the Sole Representative and the relevant International Underwriters (but not the Hong Kong Underwriters). In addition, our Company may pay the Underwriters a discretionary incentive fee of up to 1% of the Offer Price for each Offer Share.

Assuming the Over-allotment Option is not exercised at all, and based on an Offer Price of HK\$1.44 per H Share (being the mid-point of the indicative Offer Price range of HK\$1.37 to HK\$1.51 per H Share), the aggregate commissions and fees (exclusive of any discretionary incentive fee), together with the Hong Kong Stock Exchange listing fees, the SFC transaction levy, the Hong Kong Stock Exchange trading fee, legal and other professional fees and printing and other expenses relating to the Global Offering to be borne by the Company (collectively the “**Commission and Fee**”) are estimated to amount to approximately HK\$59.8 million in aggregate.

Indemnity

We, the Controlling Shareholders, Jurong Port Holdings and Jurong Port have agreed to indemnify the Hong Kong Underwriters for certain losses which they may suffer, including losses incurred from its performance of its obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

Hong Kong Underwriters’ Interests in the Company

Save for its obligations under the Hong Kong Underwriting Agreement or as otherwise disclosed in this Prospectus, none of the Hong Kong Underwriters is interested legally or beneficially in any shares of the Company or has any right or option (whether legally enforceable or not) to subscribe for or purchase or nominate persons to subscribe for or purchase securities of the Company in the Global Offering.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

Sole Sponsor’s Fee

A total amount of HK\$5,000,000 is payable by the Company as sponsor fees to the Sole Sponsor.

INDEPENDENCE OF SOLE SPONSOR

Other than acting as the Sole Sponsor, the holding company of China Securities (International) Corporate Finance Company Limited (“**CSCI**”), CSC Financial Co., Ltd. (“**CSC Financial**”), is acting as a financial adviser of Rizhao Port in connection with the Company’s spin-off application process pursuant to the CSRC Circular 67, and is holding minimal A shares of Rizhao Port through open market trading in Shanghai Stock Exchange. Notwithstanding the above, considering that (i) the work of financial adviser is a restricted one purely to satisfy the regulatory requirements imposed by the CSRC and the role of financial adviser of CSC Financial is not in conflict with CSCI’s role as an independent sponsor for the Listing; (ii) the fee from the service of financial adviser is immaterial; and (iii) the holding of A shares of Rizhao Port is minimal and the relevant transactions were conducted through open market trading in Shanghai Stock Exchange, CSCI satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

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ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the “**Syndicate Members**”) and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, fund management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the H Shares, those activities could include acting as agent for buyers and sellers of the H Shares, entering into transactions with those buyers and sellers in a principal capacity, securities investment and trading in the H Shares, and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the H Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the H Shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the H Shares, in baskets of securities or indices including the H Shares, in units of funds that may purchase the H Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the H Shares as their underlying securities, whether on the Hong Kong Stock Exchange or on any other stock exchange, the rules of the Hong Kong Stock Exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the H Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in the section headed “Structure of the Global Offering.” Such activities may affect the market price or value of the H Shares, the liquidity or trading volume in the H Shares and the volatility of the price of the H Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the followings:

- (a) the Syndicate Members (other than the Stabilizing Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and
- (b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to the Company and each of

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their affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

In addition, the Syndicate Members or their respective affiliates may provide financing to investors to finance their subscriptions of Offer Shares in the Global Offering.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This Prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

- (a) the Hong Kong Public Offering of 40,000,000 H Shares (subject to adjustment as mentioned below) in Hong Kong as described below in the section headed “The Hong Kong Public Offering”; and
- (b) the International Offering of an aggregate of 360,000,000 H Shares (subject to adjustment and the Over-allotment Option as mentioned below) outside the United States in offshore transactions in accordance with Regulation S.

China Securities (International) Corporate Finance Company Limited is the Sole Representative of the Global Offering.

Investors may apply for Hong Kong Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for International Offer Shares under the International Offering, but may not do both.

The Offer Shares will represent approximately 25% of the enlarged issued share capital of the Company immediately after completion of the Global Offering, assuming the Over-allotment Option is not exercised.

References in this Prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares Initially Offered

We are initially offering 40,000,000 H Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Offer Shares initially available under the Global Offering. Subject to the reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, the Hong Kong Offer Shares will represent approximately 2.5% of the Company’s enlarged issued share capital immediately after completion of the Global Offering (assuming that the Over-allotment Option is not exercised).

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in the section headed “— Conditions of the Hong Kong Public Offering” below.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose

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benefit he is making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Offering.

The listing of the H Shares on the Hong Kong Stock Exchange is sponsored by the Sole Sponsor. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK\$1.51 per Hong Kong Offer Share in addition to the brokerage, the SFC transaction levy and the Hong Kong Stock Exchange trading fee payable on each Hong Kong Offer Share. If the Offer Price, as finally determined in the manner described in the section headed “— Pricing and Allocation” below, is less than the maximum Offer Price of HK\$1.51 per Offer Share, appropriate refund payments (including the brokerage, the SFC transaction levy and the Hong Kong Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in the section headed “How to Apply for Hong Kong Offer Shares” in this Prospectus.

Conditions of the Hong Kong Public Offering

Acceptance of all applications for Offer Shares pursuant to the Hong Kong Public Offering will be conditional on:

- (a) the Listing Committee granting approval for the listing of, and permission to deal in, the H Shares to be issued pursuant to the Global Offering (including H Shares that may be issued pursuant to the exercise of the Over-allotment Option and H Shares which will be converted from the Foreign Shares currently held by Jurong Port Holding) and the approval for such listing and permission not subsequently having been revoked prior to the Listing Date;
- (b) the Offer Price being duly agreed between the Sole Representative (for itself and on behalf of the Hong Kong Underwriters) and the Company on or before the Price Determination Date;
- (c) the execution and delivery of the International Underwriting Agreement on or before the Price Determination Date; and
- (d) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the Hong Kong Underwriting Agreement or the International Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than 8:00 a.m. on Wednesday, June 19, 2019.

If, for any reason, the Offer Price is not agreed between the Sole Representative (for itself and on behalf of the Hong Kong Underwriters) and the Company on or before Monday, June 10, 2019, the Global Offering will not proceed and will lapse.

STRUCTURE OF THE GLOBAL OFFERING

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with their respective terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Hong Kong Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by the Company in The Standard (in English) and the Hong Kong Economic Journal (in Chinese) and on the website of the Company (www.rzportjurong.com) and the website of the Hong Kong Stock Exchange (www.hkexnews.hk) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed “How to Apply for Hong Kong Offer Shares — 14. Despatch/Collection of Share Certificates and Refund Monies” in this Prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving banks or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

THE INTERNATIONAL OFFERING

The International Offering will consist of an initial offering of 360,000,000 Offer Shares, representing 90% of the total number of Offer Shares initially available under the Global Offering and approximately 22.5% of the Company’s enlarged issued share capital immediately after completion of the Global Offering (assuming that the Over-allotment Option is not exercised).

The Stabilizing Manager or its affiliates or any person acting for it may over-allocate up to and not more than an aggregate of 60,000,000 additional Offer Shares, which is 15% of the Offer Shares initially available under the Global Offering, and cover such over-allocation by (among other methods) exercising the Over-allotment Option in full or in part or by using Shares purchased by the Stabilizing Manager, its affiliates or any person acting for it in the secondary market at prices that do not exceed the Offer Price or a combination of these means.

The Sole Representative (for itself and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Sole Representative so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any application of Offer Shares under the Hong Kong Public Offering.

Any investor who has been offered Offer Shares and has made an application under the Hong Kong Public Offering shall provide sufficient information to the Sole Representative so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that such investor will not apply for any Offer Shares under the Hong Kong Public Offering.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, the Company is expected to grant the Over-allotment Option to the International Underwriters, exercisable by the Sole Representative on behalf of the International Underwriters.

STRUCTURE OF THE GLOBAL OFFERING

Pursuant to the Over-allotment Option, the International Underwriters have the right, exercisable by the Sole Representative (for itself and on behalf of the International Underwriters) at any time from the date of the International Underwriting Agreement until 30 days after the last day for lodging applications under the Hong Kong Public Offering, to require the Company to issue up to an aggregate of 60,000,000 additional Offer Shares, representing 15% of the Offer Shares initially available under the Global Offering, at the Offer Price under the International Offering, to solely cover over-allocations in the International Offering, if any.

If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 3.6% of our enlarged issued share capital immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be made.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilizing Manager, its affiliates or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilizing or supporting the market price of our H Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. Any market purchases of our H Shares will be effected in compliance with all applicable laws and regulatory requirements. However, the Stabilizing Manager has been or will be appointed as Stabilizing Manager for the purposes of the Global Offering in accordance with the Securities and Futures (Price Stabilizing) Rules, as amended, under the SFO and hence, there is no obligation on the Stabilizing Manager, its affiliates or any persons acting for it, to conduct any such stabilizing action. Such stabilizing action, if commenced, will be conducted at the absolute discretion of the Stabilizing Manager, its affiliates or any person acting for it and may be discontinued at any time, and is required to be brought to an end after a limited period.

Stabilization actions permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules, as amended, include (i) over-allocating for the purpose of preventing or minimizing any reduction in the market price of our H Shares, (ii) selling or agreeing to sell our H Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of our H Shares, (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, our H Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, any of our Offer Shares for the sole purpose of preventing or minimizing any reduction in the market price of our H Shares, (v) selling or agreeing to sell any H Shares in order to liquidate any position established as a result of those purchases and (vi) offering or attempting to do anything as described in (ii), (iii), (iv) or (v).

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Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilizing Manager, its affiliates or any person acting for it, may, in connection with the stabilizing action, maintain a long position in our H Shares;
- there is no certainty as to the extent to which and the time or period for which the Stabilizing Manager, its affiliates or any person acting for it, will maintain such a long position;
- liquidation of any such long position by the Stabilizing Manager, its affiliates or any person acting for it and selling in the open market, may have an adverse impact on the market price of our H Shares;
- no stabilizing action can be taken to support the price of our H Shares for longer than the stabilization period which will begin on the Listing Date, and is expected to expire on July 5, 2019, being the 30th day after the last date for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for our H Shares, and therefore the price of our H Shares, could fall;
- the price of our H Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and
- stabilizing bids or transactions effected in the course of the stabilizing action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for, or investors in, acquiring the Offer Shares.

The Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilization period. Following any over-allocation of Offer Shares in connection with the Global Offering, the Sole Representative, its affiliates or any person acting on its behalf may cover such over-allocation by, among other methods, using H Shares purchased by Stabilizing Manager, its affiliates or any person acting for it in the secondary market, exercising the Over-allotment Option in full or in part, or by a combination of these means. Any such purchases will be made in accordance with the laws, rules and regulations in place in Hong Kong, including in relation to stabilization, the Securities and Futures (Price Stabilizing) Rules, as amended, made under the SFO. The number of Offer Shares which can be over-allocated will not exceed the number of Offer Shares which may be sold pursuant to the exercise in full of the Over-allotment Option, being 60,000,000 Offer Shares, representing no more than 15% of the Offer Shares initially available under the Global Offering.

PRICING AND ALLOCATION

Pricing

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

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Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or around Thursday, June 6, 2019 (Hong Kong time) and in any event on or before Monday, June 10, 2019 (Hong Kong time), by agreement between the Sole Representative (for itself and on behalf of the Underwriters) and the Company and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

The Offer Price per Hong Kong Offer Share under the Hong Kong Public Offering will be identical to the Offer Price per International Offer Share under the International Offering based on the Hong Kong dollar price per International Offer Share under the International Offering, as determined by the Sole Representative (for itself and on behalf of the Hong Kong Underwriters) and the Company. The Offer Price per Hong Kong Offer Share under the Hong Kong Public Offering will be fixed at the Hong Kong dollar amount which, when increased by the 1.0% brokerage, 0.0027% SFC transaction levy and 0.005% Hong Kong Stock Exchange trading fee payable thereon, is (subject to any necessary rounding) effectively equivalent to the Hong Kong dollar price per International Offer Share under the International Offering. The SFC transaction levy and the Hong Kong Stock Exchange trading fee otherwise payable by investors in the International Offering on International Offer Shares purchased by them will be paid by us.

The Offer Price will not be more than HK\$1.51 per Offer Share and is expected to be not less than HK\$1.37 per Offer Share unless otherwise announced, as further explained below, on the morning of the last day for lodging applications under the Hong Kong Public Offering. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this Prospectus.

The Sole Representative (for itself and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process, and with the consent of the Company, reduce the number of Offer Shares or the indicative Offer Price range below that stated in this Prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, the Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause there to be published in The Standard (in English) and the Hong Kong Economic Journal (in Chinese) and on the website of the Company (www.rzportjurong.com) and the website of the Hong Kong Stock Exchange (www.hkexnews.hk) notices of the reduction in the number of Offer Shares or the indicative Offer Price range. Upon issue of such a notice, the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Sole Representative (for itself and on behalf of the Underwriters) and the Company, will be fixed within such revised Offer Price range.

Supplemental listing documents will also be issued by the Company in the event of a reduction in the number of Offer Shares or the Offer Price. Such supplemental listing documents will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this Prospectus, and any other financial information which may change as a result of any such reduction. In the absence of any such notice so published, the number of Offer Shares and/or the Offer Price will not be reduced.

STRUCTURE OF THE GLOBAL OFFERING

If the number of Offer Shares being offered under the Global Offering or the indicative Offer Price range is so reduced, applicants who have already submitted an application will be notified that they are required to confirm their applications. All applicants who have already submitted an application need to confirm their applications in accordance with the procedures set out in the announcement and all unconfirmed applications will not be valid.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include such information as agreed with the Hong Kong Stock Exchange which may change materially as a result of any such reduction. In the absence of any such notice of reduction published as described in this paragraph, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon with the Company and the Sole Representative (for itself and on behalf of the Underwriters), will under no circumstances be set outside the Offer Price range as stated in this Prospectus.

In the event of a reduction in the number of Offer Shares, the Sole Representative may, at its discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Offering, provided that the number of Hong Kong Offer Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares available under the Global Offering (assuming the Over-allotment Option is not exercised).

The Offer Price for H Shares under the Global Offering is expected to be announced on Tuesday, June 18, 2019. The level of indications of interest in the Global Offering, the level of applications and the basis of allotment of Hong Kong Offer Shares available under the Hong Kong Public Offering, are expected to be announced on Tuesday, June 18, 2019 in The Standard (in English) and the Hong Kong Economic Journal (in Chinese) and on the website of the Company (www.rzportjurong.com) and the website of the Hong Kong Stock Exchange (www.hkexnews.hk).

Allocation

Allocation Under the Hong Kong Public Offering

Allocation of Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total number of Hong Kong Offer Shares available under the Hong Kong Public Offering (subject to the reallocation of the Offer Shares between the Hong Kong Public Offering and the International Offering referred to below) is to be divided into two pools for allocation purposes: pool A and pool B. The Hong Kong Offer Shares in pool A will consist of 20,000,000 Hong Kong Offer Shares and will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of HK\$5 million (excluding the brokerage, the SFC transaction

STRUCTURE OF THE GLOBAL OFFERING

levy and the Hong Kong Stock Exchange trading fee payable) or less. The Hong Kong Offer Shares in pool B will consist of 20,000,000 Hong Kong Offer Shares and will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of more than HK\$5 million (excluding the brokerage, the SFC transaction levy and the Hong Kong Stock Exchange trading fee payable) and up to the total value of pool B.

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If Hong Kong Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the “price” for Hong Kong Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 20,000,000 Offer Shares, being the number of Hong Kong Offer Shares initially allocated to each pool and representing 50% of the 40,000,000 Hong Kong Offer Shares initially available under the Hong Kong Public Offering, are to be rejected.

Allocation Under the International Offering

The International Offering will include selective marketing of International Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such International Offer Shares in Hong Kong and other jurisdictions outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of International Offer Shares pursuant to the International Offering will be effected in accordance with the “book-building” process described in the section headed “— Pricing and Allocation” above and based on a number of factors, including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to hold or sell its H Shares, after the Listing. Such allocation is intended to result in a distribution of our H Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base for the benefit of the Company and its Shareholders as a whole.

The Sole Representative (for itself and on behalf of the Underwriters) may require any investor who has been offered International Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Sole Representative so as to allow it to identify the relevant application under the Hong Kong Public Offering and to ensure that it is excluded from any application of Hong Kong Offer Shares under the Hong Kong Public Offering.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment. Paragraph 4.2 of Practice Note 18 of the Listing Rules and the Guidance Letter HKEX-GL-91-18 require a clawback mechanism to be put in place which would have the effect of increasing the number of Hong Kong Offer Shares to certain percentages of the total number of Offer Shares offered in the Global Offering under certain circumstances.

STRUCTURE OF THE GLOBAL OFFERING

The initial allocation of Offer Shares under the Hong Kong Public Offering shall not be less than 10% of the Global Offering. In the event of full or over-subscription in both the Hong Kong Public Offering and the International Offering, the Sole Representative shall apply a clawback mechanism following the closing of application lists on the following basis:

- (a) If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents less than 15 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, the Sole Representative, in its absolute discretion, may (but shall not be obliged to) reallocate up to 40,000,000 Offer Shares from the International Offering to the Hong Kong Public Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will increase to 80,000,000 Offer Shares, representing 20% of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option), and the final Offer Price shall be fixed at HK\$1.37 per Offer Share (being the low-end of the Offer Price range stated in this Prospectus);
- (b) If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering so that the total number of Offer Shares available under the Hong Kong Public Offering will be 120,000,000 Offer Shares, representing 30% of the Offer Shares initially available under the Global Offering;
- (c) If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be 160,000,000 Offer Shares, representing 40% of the Offer Shares initially available under the Global Offering; and
- (d) If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more than the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be 200,000,000 Offer Shares, representing 50% of the Offer Shares initially available under the Global Offering.

In the event of undersubscription in the International Offering but full or over-subscription in the Hong Kong Public Offering, the Sole Representative, in its absolute discretion, may (but shall not be obliged to) reallocate up to 40,000,000 Offer Shares from the International Offering to the Hong Kong Public Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 80,000,000 Offer Shares, representing 20% of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option), and the final Offer

STRUCTURE OF THE GLOBAL OFFERING

Price shall be fixed at HK\$1.37 per Offer Share (being the low-end of the Offer Price range stated in this Prospectus).

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Sole Representative deems appropriate.

If the Hong Kong Public Offering is not fully subscribed, the Sole Representative has the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Sole Representative deems appropriate.

However, if neither the Hong Kong Public Offering nor the International Offering is fully subscribed, the Global Offering will not proceed unless the Underwriters would subscribe or procure subscribers for respective applicable proportions of the Offer Shares being offered which are not taken up under the Global Offering on the terms and conditions of this Prospectus, the Application Forms and the Underwriting Agreements.

DEALING ARRANGEMENT

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, June 19, 2019, it is expected that dealings in our H Shares on the Hong Kong Stock Exchange will commence at 9:00 a.m. on Wednesday, June 19, 2019. Our H Shares will be traded in board lots of 2,000 H Shares each. The stock code of the H Shares is 6117.

H Share certificates issued in respect of the Offer Shares will only become valid certificates of title at 8:00 a.m. on Wednesday, June 19, 2019 provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the section headed “Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination” in this Prospectus has not been exercised. Investors who trade H Shares prior to the receipt of H Share certificates or prior to the H Share certificates becoming valid certificates of title do so entirely at their own risk.

HOW TO APPLY FOR HONG KONG OFFER SHARES

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **White Form eIPO** service at www.eipo.com.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Sole Representative, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part without giving any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States and not a U.S. person (within the meaning of Regulation S under the U.S. Securities Act) or are a person described in paragraph h(3) of Rule 902 of Regulation S; and
- are not a legal or natural person of the PRC.

If you apply online through the **White Form eIPO**, in addition to the above, you must also:

- have a valid Hong Kong identity card number; and
- provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorized officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person duly authorized under a valid power of attorney, the Sole Representative may accept it at its discretion and on any conditions it thinks fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **White Form eIPO** for the Hong Kong Offer Shares.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Unless permitted by the Listing Rules or any relevant waivers that have been granted by the Hong Kong Stock Exchange, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in the Company or any its subsidiaries;
- a Director, a supervisor or chief executive officer of the Company or any of its subsidiaries;
- a close associate (as defined in the Listing Rules) of any of the above;
- a core connected person (as defined in the Listing Rules) of the Company or will become a core connected person of the Company immediately upon completion of the Global Offering; and
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through www.eipo.com.hk.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Investor's or Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a Prospectus during normal business hours from 9:00 a.m. on Friday, May 31, 2019 until 12:00 noon on Wednesday, June 5, 2019 from:

the following office of the Hong Kong Underwriters:

China Securities (International) Corporate Finance Company Limited
18/F, Two Exchange Square, 8 Connaught Place, Central, Hong Kong

Zhongtai International Securities Limited
19 Floor, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong

First Capital Securities Limited
Unit 4512, 45/F., The Centre, 99 Queen's Road Central, Hong Kong

ABCI Securities Company Limited
10/F, Agricultural Bank of China Tower, 50 Connaught Road Central, Hong Kong

Haitong International Securities Company Limited
22/F Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong

HOW TO APPLY FOR HONG KONG OFFER SHARES

Livermore Holdings Limited

Unit 1214A, 12/F, Tower II Cheung Sha Wan Plaza, 833 Cheung Sha Wan Road, Kowloon, Hong Kong

or any of the following branches of the receiving bank:

Bank of China (Hong Kong) Limited

District	Branch Name	Address
Hong Kong Island	Des Voeux Road West Branch	111-119 Des Voeux Road West, Hong Kong
	Connaught Road Central Branch	13-14 Connaught Road Central, Hong Kong
	Taikoo Shing Branch	Shop G1006, Hoi Sing Mansion, Taikoo Shing, Hong Kong
Kowloon	Lam Tin Branch	Shop 12, 49 Kai Tin Road, Lam Tin, Kowloon
	Mong Kok Branch	589 Nathan Road, Mong Kok, Kowloon
New Territories	Tai Po Branch	68-70 Po Heung Street, Tai Po Market, New Territories
	Yuen Long Branch	102-108 Castle Peak Road, Yuen Long, New Territories

You can collect a **YELLOW** Application Form and a Prospectus during normal business hours from 9:00 a.m. on Friday, May 31, 2019 until 12:00 noon on Wednesday, June 5, 2019 from:

- the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong; or
- your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a check or a banker's cashier order attached and marked payable to "**BANK OF CHINA (HONG KONG) NOMINEES LIMITED — RIZHAO PORT JURONG PUBLIC OFFER**" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Friday, May 31, 2019 — 9:00 a.m. to 5:00 p.m.

Saturday, June 1, 2019 — 9:00 a.m. to 1:00 p.m.

Monday, June 3, 2019 — 9:00 a.m. to 5:00 p.m.

Tuesday, June 4, 2019 — 9:00 a.m. to 5:00 p.m.

Wednesday, June 5, 2019 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, June 5, 2019, the last application day or such later time as described in the section headed "— 10. Effect of Bad Weather on the Opening of the Application Lists" in this section below.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

HOW TO APPLY FOR HONG KONG OFFER SHARES

By submitting an Application Form or applying through the **White Form eIPO** service, among other things, you:

- (a) undertake to execute all relevant documents and instruct and authorize the Company and/or the Sole Representative (or their agents or nominees), as agents of the Company, to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (b) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Company Law, the Special Regulations and the Articles of Association;
- (c) confirm that you have read the terms and conditions and application procedures set out in this Prospectus and in the Application Form and agree to be bound by them;
- (d) confirm that you have received and read this Prospectus and have only relied on the information and representations contained in this Prospectus in making your application and will not rely on any other information or representations except those in any supplement to this Prospectus;
- (e) confirm that you are aware of the restrictions on the Global Offering in this Prospectus;
- (f) agree that none of the Company, the Sole Sponsor, the Sole Representative, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this Prospectus (and any supplement to it);
- (g) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;
- (h) agree to disclose to the Company, our H Share Registrar, the receiving bank, the Sole Sponsor, the Sole Representative, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (i) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Sole Sponsor, the Sole Representative, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this Prospectus and the Application Form;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (j) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (k) agree that your application will be governed by the laws of Hong Kong;
- (l) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States and not a U.S. person (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (m) warrant that the information you have provided is true and accurate;
- (n) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- (o) authorize the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to send any H Share certificate(s) and/or any e-Refund payment instructions and/or any refund check(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have fulfilled the criteria mentioned in "Personal Collection" section in this Prospectus to collect the H Share certificate(s) and/or refund check(s) in person;
- (p) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (q) understand that the Company and the Sole Representative will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (r) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider by you or by anyone as your agent or by any other person; and
- (s) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for **YELLOW** Application Form

You may refer to the **YELLOW** Application Form for details.

HOW TO APPLY FOR HONG KONG OFFER SHARES

5. APPLYING THROUGH WHITE FORM eIPO

General

Individuals who meet the criteria in the section headed “— 2. Who can apply” above may apply through the **White Form eIPO** for the Offer Shares to be allotted and registered in their own names through the designated website at www.eipo.com.hk.

Detailed instructions for application through the **White Form eIPO** are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorize the **White Form eIPO** Service Provider to apply on the terms and conditions in this Prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO**.

Time for Submitting Applications under the White Form eIPO

You may submit your application to the **White Form eIPO** Service Provider at www.eipo.com.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Friday, May 31, 2019 until 11:30 a.m. on Wednesday, June 5, 2019 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, June 5, 2019 or such later time under the section headed “— 10. Effects of Bad Weather on the Opening of the Application Lists” below.

No Multiple Applications

If you apply by means of **White Form eIPO**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **White Form eIPO** to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this Prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK\$2 for each “Rizhao Port Jurong Co., Ltd.” **White Form eIPO** application submitted via www.eipo.com.hk to support the funding of “Dongjiang River Source Tree Planting” project initiated by Friends of the Earth (HK).

HOW TO APPLY FOR HONG KONG OFFER SHARES

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS phone system by calling 2979 7888 or through the CCASS Internet system (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

You can also collect a Prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Sole Representative and our H Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (a) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this Prospectus;
- (b) HKSCC Nominees will do the following things on your behalf:
 - agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;
- (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as their agent;
- confirm that you understand that the Company, the Directors and the Sole Representative will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorize the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send H Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this Prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this Prospectus and have relied only on the information and representations in this Prospectus in causing the application to be made, as well as those in any supplement to this Prospectus;
- agree that none of the Company, the Sole Sponsor, the Sole Representative, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other persons involved in the Global Offering, is liable for any information and representations not contained in this Prospectus and any supplement to it;
- agree to disclose your personal data to the Company, our H Share Registrar, the receiving bank, the Sole Sponsor, the Sole Representative, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or its respective advisers and agents upon their request;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when

HOW TO APPLY FOR HONG KONG OFFER SHARES

you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this Prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this Prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this Prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving of electronic application instructions to apply for Hong Kong Offer Shares;
- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Company Law, the Special Regulations and the Articles of Association;
- agree with the Company, for itself and for the benefit of each Shareholder of the Company and each Director, Supervisor, manager and other senior officer of the Company (and so that the Company will be deemed by its acceptance in whole or in part of this application to have agreed, for itself and on behalf of each Shareholder of the Company and each Director, Supervisor, manager and other senior officer of the Company, with each CCASS Participant giving electronic application instructions):
 - (a) to refer all differences and claims arising from the Articles of Association of the Company or any rights or obligations conferred or imposed by the Company Law or other relevant laws and administrative regulations concerning the affairs of the Company to arbitration in accordance with the Articles of Association of the Company;
 - (b) that any award made in such arbitration shall be final and conclusive; and
 - (c) that the arbitration tribunal may conduct hearings in open sessions and publish its award;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- agree with the Company (for the Company itself and for the benefit of each Shareholder of the Company) that H Shares in the Company are freely transferable by their holders;
- authorize the Company to enter into a contract on its behalf with each Director and officer of the Company whereby each such Director and officer undertakes to observe and comply with his obligations to Shareholders stipulated in the Articles of Association of the Company; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this Prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 2,000 Hong Kong Offer Shares. Instructions for more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Time for Inputting Electronic Application Instructions⁽¹⁾

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:⁽¹⁾

Friday, May 31, 2019 — 9:00 a.m. to 8:30 p.m.

Saturday, June 1, 2019 — 8:00 a.m. to 1:00 p.m.

Monday, June 3, 2019 — 8:00 a.m. to 8:30 p.m.

Tuesday, June 4, 2019 — 8:00 a.m. to 8:30 p.m.

Wednesday, June 5, 2019 — 8:00 a.m. to 12:00 noon

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, May 31, 2019 until 12:00 noon on Wednesday, June 5, 2019 (24 hours daily, except on Wednesday, June 5, 2019, the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Wednesday, June 5, 2019, the last application day or such later time as described in the section headed “— 10. Effect of Bad Weather on the Opening of the Application Lists” below.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this Prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by the Company, the H Share Registrar, the receiving bank, the Sole Sponsor, the Sole Representative, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

⁽¹⁾ The time in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing Participants or CCASS Custodian Participants and/or CCASS Participants.

HOW TO APPLY FOR HONG KONG OFFER SHARES

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is also only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Sole Sponsor, the Sole Representative, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS phone system/ CCASS Internet system for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Center to complete an input request form for **electronic application instructions** before 12:00 noon on Wednesday, June 5, 2019.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Hong Kong Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for the Hong Kong Offer Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee in full upon application for Hong Kong Offer Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service in respect of a minimum of 2,000 Hong Kong Offer Shares. Each application or electronic application instruction in respect of more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at www.eipo.com.hk.

If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules), and the SFC transaction levy and the Hong Kong Stock Exchange trading fee are paid to the Hong Kong Stock Exchange (in the case of the SFC transaction levy, collected by the Hong Kong Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed “Structure of the Global Offering — Pricing and Allocation.”

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, June 5, 2019. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Wednesday, June 5, 2019 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable”, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of

HOW TO APPLY FOR HONG KONG OFFER SHARES

allocation of the Hong Kong Offer Shares on Tuesday, June 18, 2019 in The Standard (in English) and Hong Kong Economic Journal (in Chinese) and on the Company's website at www.rzportjurong.com and the website of the Hong Kong Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and dates and in the manner specified below:

- in the announcement to be posted on the Company's website at www.rzportjurong.com and the Hong Kong Stock Exchange's website at www.hkexnews.hk by no later than 9:00 a.m. on Tuesday, June 18, 2019;
- from the designated results of allocations website at www.iporesults.com.hk (alternatively: English <https://www.eipo.com.hk/en/Allotment>; Chinese <https://www.eipo.com.hk/zh-hk/Allotment>) with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Tuesday, June 18, 2019 to 12:00 midnight on Monday, June 24, 2019;
- by telephone enquiry line by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from Tuesday, June 18, 2019 to Friday, June 21, 2019;
- in the special allocation results booklets which will be available for inspection during opening hours from Tuesday, June 18, 2019 to Thursday, June 20, 2019 at all the receiving bank's designated branches.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the results of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure of the Global Offering."

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this Prospectus under Section 40 of the

HOW TO APPLY FOR HONG KONG OFFER SHARES

Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this Prospectus.

If any supplement to this Prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

If the Company or its agents exercise their discretion to reject your application:

The Company, the Sole Representative, the **White Form eIPO** Service Provider and their respective agents or nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(a) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee does not grant permission to list the H Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

(b) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website at www.eipo.com.hk;
- your payment is not made correctly or the check or banker's cashier order paid by you is dishonored upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- the Company or the Sole Representative believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$1.51 per Offer Share (excluding brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section headed “Structure of the Global Offering — The Hong Kong Public Offering — Conditions of the Hong Kong Public Offering” in this Prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee, will be refunded, without interest or the check or banker’s cashier order will not be cleared. Any refund of your application monies will be made on or before Tuesday, June 18, 2019.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one H Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the H Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the H Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- H Share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, H Share certificates will be deposited into CCASS as described below); and
- refund check(s) crossed “Account Payee Only” in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee but without interest).

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund check, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund check(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund check(s).

HOW TO APPLY FOR HONG KONG OFFER SHARES

Subject to arrangement on despatch/collection of H Share certificates and refund check(s) as mentioned below, any refund checks and H Share certificates are expected to be posted on or before Tuesday, June 18, 2019. The right is reserved to retain any H Share certificate(s) and any surplus application monies pending clearance of check(s) or banker's cashier's order(s).

H Share certificates will only become valid at 8:00 a.m. on Wednesday, June 19, 2019 provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting" in this Prospectus has not been exercised. Investors who trade shares prior to the receipt of H Share certificates or the H Share certificates becoming valid do so at their own risk.

Personal Collection

(a) If you apply using a WHITE Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more and have provided all information required by your Application Form, you may collect your refund check(s) and/or H Share certificate(s), if applicable, from the H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shop 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, June 18, 2019 or such other date as notified by us in the newspapers.

If you are an individual applicant who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the H Share Registrar.

If you do not collect your refund check(s) and/or H Share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund check(s) and/or H Share certificate(s) will be sent to the address on the relevant Application Form on or before Tuesday, June 18, 2019, by ordinary post and at your own risk.

(b) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more and have provided all information required by your Application Form, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund check(s) will be sent to the address on the relevant Application Form on or before Tuesday, June 18, 2019, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your H Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Tuesday, June 18, 2019, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)

For Hong Kong Offer Shares credited to your designated CCASS Participant's stock account (other than a CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS Participant.

If you are applying as a CCASS Investor Participant

The Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in the section headed "— 11. Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, June 18, 2019 or any other date as determined by HKSCC or HKSCC Nominees. After the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS phone system and CCASS Internet system.

(c) If you apply through the White Form eIPO service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your H Share certificate(s) from the 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, from 9:00 a.m. to 1:00 p.m. on Tuesday, June 18, 2019, or such other date as notified by the Company in the newspapers as the date of despatch/collection of H Share certificates/e-Refund payment instructions/refund checks.

If you do not collect your H Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your H Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Tuesday, June 18, 2019 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund check(s) by ordinary post at your own risk.

(d) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your H Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your

HOW TO APPLY FOR HONG KONG OFFER SHARES

designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Tuesday, June 18, 2019, or, on any other date determined by HKSCC or HKSCC Nominees.

- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Offer Shares in the manner specified in the section headed “— 11. Publication of Results” above on Tuesday, June 18, 2019. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, June 18, 2019 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS phone system and the CCASS Internet system (under the procedures contained in HKSCC's “An Operating Guide for Investor Participants” in effect from time to time) on Tuesday, June 18, 2019. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Tuesday, June 18, 2019.

15. ADMISSION OF THE SHARES INTO CCASS

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the H Shares on the Hong Kong Stock Exchange and we comply with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-47, received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

Deloitte.**德勤**

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF RIZHAO PORT JURONG CO., LTD. AND CHINA SECURITIES (INTERNATIONAL) CORPORATE FINANCE COMPANY LIMITED

Introduction

We report on the historical financial information of Rizhao Port Jurong Co., Ltd. (the "Company") set out on pages I-3 to I-47, which comprises the statements of financial position of the Company as at 31 December 2016, 2017 and 2018, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows of the Company for each of the three years ended 31 December 2018 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-3 to I-47 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 31 May 2019 (the "Prospectus") in connection with the proposed initial listing of shares of the Company on Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 1

to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Company's financial position as at 31 December 2016, 2017 and 2018, and of the Company's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation set out in note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Main board of Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

Dividends

We refer to note 14 to the Historical Financial Information which contains information about the dividends declared by the Company in respect of the Track Record Period.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

31 May 2019

HISTORICAL FINANCIAL INFORMATION**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Company for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") (the "Underlying Financial Statements") by the directors of the Company and were audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP, certified public accountants registered in the People's Republic of China ("PRC"), in accordance with International Standards on Auditing issued by International Auditing and Assurance Standard Board ("IAASB").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	Year ended 31 December		
		2016	2017	2018
		RMB'000	RMB'000	RMB'000
Revenue	6	488,214	520,514	532,061
Cost of sales		(349,143)	(326,029)	(307,917)
Gross profit		139,071	194,485	224,144
Other income	8a	1,238	784	1,259
Impairment losses, net of reversal	9	(112)	(83)	221
Other gains and losses	8b	326	404	129
Selling and distribution expenses		(2,217)	(2,211)	(2,765)
Administrative expenses		(13,370)	(10,877)	(12,243)
Listing expenses		—	—	(6,468)
Finance costs	10	(20,123)	(12,116)	(5,668)
Profit before tax	11	104,813	170,386	198,609
Income tax expense	12	(26,411)	(43,404)	(49,457)
Profit and total comprehensive income for the year		<u>78,402</u>	<u>126,982</u>	<u>149,152</u>
Earnings per share (RMB cents)	15	<u>6.53</u>	<u>10.58</u>	<u>12.43</u>

APPENDIX I**ACCOUNTANTS' REPORT****STATEMENTS OF FINANCIAL POSITION**

	NOTES	As at 31 December		
		2016	2017	2018
		RMB'000	RMB'000	RMB'000
Non-current assets				
Property, plant and equipment	16	1,364,325	1,316,342	1,262,184
Deposits paid for acquisition of property, plant and equipment		1,129	–	7,615
Investment properties	17	337,472	326,697	318,546
Intangible asset	18	417	1,289	2,039
Other non-current assets	19	8,938	7,610	7,636
		<u>1,712,281</u>	<u>1,651,938</u>	<u>1,598,020</u>
Current assets				
Inventories	20	3,997	3,917	3,901
Trade, bills and other receivables	21	15,406	17,603	34,641
Bills receivable at fair value through other comprehensive income ("FVTOCI")	22	–	–	15,808
Contract assets	24	25,930	22,854	9,687
Cash and cash equivalents	25	68,767	66,459	55,491
		<u>114,100</u>	<u>110,833</u>	<u>119,528</u>
Current liabilities				
Trade and other payables	26	49,961	42,213	60,052
Contract liabilities	27	6,696	7,173	1,603
Advance from customer		2,375	2,375	2,375
Bank borrowings	28	239,320	158,867	–
Tax payable		8,706	11,023	3,276
Dividends payable		–	–	210,000
		<u>307,058</u>	<u>221,651</u>	<u>277,306</u>
Net current liabilities		<u>(192,958)</u>	<u>(110,818)</u>	<u>(157,778)</u>
Total assets less current liabilities		<u>1,519,323</u>	<u>1,541,120</u>	<u>1,440,242</u>
Non-current liabilities				
Bank borrowings	28	49,200	–	–
Deferred tax liabilities	29	6,007	5,397	8,282
Other non-current liabilities	30	29,094	26,719	24,344
		<u>84,301</u>	<u>32,116</u>	<u>32,626</u>
Net assets		<u>1,435,022</u>	<u>1,509,004</u>	<u>1,407,616</u>
Capital and reserves				
Paid-in capital/ Share capital	31	1,170,000	1,170,000	1,200,000
Reserves		265,022	339,004	207,616
Total equity		<u>1,435,022</u>	<u>1,509,004</u>	<u>1,407,616</u>

STATEMENT OF CHANGES IN EQUITY

	Paid-in Capital /Share Capital	Capital reserve	Statutory reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
			(note a)		
At 1 January 2016	1,170,000	–	26,420	210,200	1,406,620
Profit and total comprehensive income for the year	–	–	–	78,402	78,402
Appropriation for statutory reserves	–	–	8,982	(8,982)	–
Dividends (note 14)	–	–	–	(50,000)	(50,000)
At 31 December 2016	1,170,000	–	35,402	229,620	1,435,022
Profit and total comprehensive income for the year	–	–	–	126,982	126,982
Appropriation for statutory reserves	–	–	13,069	(13,069)	–
Dividends (note 14)	–	–	–	(53,000)	(53,000)
At 31 December 2017	1,170,000	–	48,471	290,533	1,509,004
Effect arising from adoption of IFRS 9 (note b)	–	–	–	(540)	(540)
Adjusted balance at 1 January 2018	1,170,000	–	48,471	289,993	1,508,464
Profit and total comprehensive income for the year	–	–	–	149,152	149,152
Conversion into joint stock limited liability Company (note c)	30,000	159,077	(48,471)	(140,606)	–
Appropriation for statutory reserves	–	–	16,385	(16,385)	–
Dividends (note 14)	–	–	–	(250,000)	(250,000)
At 31 December 2018	<u>1,200,000</u>	<u>159,077</u>	<u>16,385</u>	<u>32,154</u>	<u>1,407,616</u>

Notes:

- a: In accordance with the PRC Company Law and the Articles of Association of the Company, it is required to transfer at least 10% of its profits after tax, calculated in accordance with the relevant accounting principles and financial regulations applicable to all enterprises established in the PRC to statutory surplus reserve before any distribution of dividends to owner each year until the reserve reaches 50% of the registered capital. The statutory surplus reserve can be used to make up for previous years' losses, expand the existing operations or convert into additional capital provided that such reserve is maintained at a minimum of 25% of the registered capital before the capital increase.
- b: Upon the adoption of IFRS 9 "Financial Instruments" on 1 January 2018, the cumulative impact of RMB540,000 was recorded as retained profits as at 1 January 2018 related to additional loss allowance recognised under IFRS 9 of RMB720,000 and its corresponding deferred tax impact of RMB180,000. Further details are set out in note 3.
- c: On 19 December 2018, the Company converted into a joint stock limited liability company and 1,200,000,000 shares of RMB1 each were issued, which were allotted at par. Under the relevant rules and regulations in the PRC, the retained earning of RMB140,606,000 and statutory reserve of RMB48,471,000 were transferred to share capital and capital reserve of the Company upon conversion to a joint stock limited liability company in the PRC.

STATEMENT OF CASH FLOWS

	Year ended 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
OPERATING ACTIVITIES			
Profit before tax	104,813	170,386	198,609
Adjustments for:			
Depreciation of property, plant and equipment	124,841	117,970	80,329
Depreciation of investment properties	11,148	10,775	8,151
Amortisation of intangible asset	69	125	182
Release of lease payments received in advance	(2,375)	(2,375)	(2,375)
Interest income	(744)	(329)	(851)
Finance costs	20,123	12,116	5,668
Impairment losses reversed on contract assets	–	–	(278)
Impairment losses on trade receivables, net of reversal	82	121	55
Impairment losses recognised (reversed) on other receivables	30	(38)	2
Gain on disposal of property, plant and equipment	–	(233)	(7)
Operating cash flows before movements in working capital	257,987	308,518	289,485
(Increase) decrease in other non-current assets	(7,026)	1,328	(26)
Decrease in inventories	329	80	16
Increase in trade, bills and other receivables	(19,003)	(28,975)	(17,018)
Increase in bills receivable at FVTOCI	–	–	(26,248)
Decrease in contract assets	347	3,076	12,955
Increase (decrease) in trade and other payables	588	(9,007)	12,793
(Decrease) increase in contract liabilities	(14,903)	477	(5,570)
Cash generated from operations	218,319	275,497	266,387
PRC enterprise income tax paid	(27,120)	(41,697)	(54,139)
NET CASH FROM OPERATING ACTIVITIES	191,199	233,800	212,248
INVESTING ACTIVITIES			
Payments and deposits placed for property, plant and equipment	(15,110)	(47,787)	(18,042)
Proceeds on disposal of property, plant and equipment	–	299	9
Payments of intangible assets	–	(997)	(932)
Interest received	744	329	851
NET CASH USED IN INVESTING ACTIVITIES	(14,366)	(48,156)	(18,114)
FINANCING ACTIVITIES			
Repayments of bank borrowings	(163,003)	(129,653)	(158,867)
Interest paid	(20,480)	(12,399)	(5,928)
Dividends paid	(50,000)	(45,900)	(40,000)
Deferred issue cost	–	–	(307)
NET CASH USED IN FINANCING ACTIVITIES	(233,483)	(187,952)	(205,102)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(56,650)	(2,308)	(10,968)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	125,417	68,767	66,459
CASH AND CASH EQUIVALENTS AT END OF THE YEAR			
Represented by:			
Cash and cash equivalents	68,767	66,459	55,491

NOTES TO THE HISTORICAL FINANCIAL INFORMATION**1. CORPORATE INFORMATION AND BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION**

Rizhao Port Jurong Co., Ltd. (referred to as the “Company”) was jointly established on 17 March 2011 by Rizhao Port Group Co., Ltd. (“Rizhao Port Group”) and Jurong Port Pte. Ltd. (“Jurong Port”). The addresses of the registered office and the principal place business are disclosed in the section Corporate Information in the Prospectus. At the time of establishment, the paid-in capital of the Company is RMB1,170,000,000 of which Rizhao Port Group subscribes 70% of the total equity interests and Jurong Port subscribes the remaining 30% of equity interests.

In January 2012, Rizhao Port Co., Ltd. (“Rizhao Port”), a subsidiary of Rizhao Port Group, which is listed on the Main Board of Shanghai Stock Exchange, acquired the corresponding equity interests of the Company from Rizhao Port Group in the form of non-public offering of shares. In the same year, Jurong Port Rizhao Holding Pte. Ltd. (“Jurong Port Holding”) acquired all the equity interests previously held by Jurong Port. Upon completion of the aforementioned transactions, the shareholders of the Company have been changed to Rizhao Port and Jurong Port Holding respectively and since then Rizhao Port became the Company’s immediate holding company. In the opinion of the directors of the Company, the Company’s ultimate holding company is Rizhao Port Group.

On 19 December 2018, the Company was converted into a joint stock company with limited liability and the Chinese name was changed to 日照港裕廊股份有限公司. On the same date, the registered share capital was increased to RMB1,200,000,000, divided into 1,200,000,000 shares with a nominal value of RMB1.0 each.

The Company is primarily engaged in port operation in Rizhao City, Shandong Province, the PRC, which includes handling grains, woodchips and dried tapioca along with berth leasing, port services such as warehousing, cargo storage, transportation, and related supporting business.

The Historical Financial Information is presented in RMB, which is also the functional currency of the Company.

The Historical Financial Information has been prepared in accordance with the accounting policies as set out in Note 4.

2. GOING CONCERN ASSUMPTION

The Company had current liabilities exceeded its current assets by RMB192,958,000, RMB110,818,000 and RMB157,778,000 as at 31 December 2016, 2017 and 2018 respectively. In light of the net current liabilities position as at 31 December 2018, the directors of the Company have given careful consideration to the going concern of the Company. As at the date of issuance of the Historical Financial Information, the Company has obtained an unconditional banking facility totaling RMB450,000,000, which is unutilised.

Taking into account the above factors, the directors of the Company are of the opinion that, together with the presently available banking facilities, the internal financial resources of the Company and cash flow from operating activities, the Company has sufficient working capital for its present requirements, that is for at least the next 12 months commencing from the date of issuance of the Historical Financial Information. Hence, the Historical Financial Information has been prepared on a going concern basis.

3. APPLICATION OF NEW AND REVISED IFRSs**Application of IFRSs**

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Company has applied all International Accounting Standards (“IASs”), IFRSs and amendments and the related Interpretations (“IFRICs”) issued by IASB that are effective for the Company’s accounting period beginning on 1 January 2018, including IFRS 15 “Revenue from Contracts with Customers”, consistently throughout the Track Record Period, except that the Company adopted IFRS 9 “Financial Instruments” on 1 January 2018 and IAS 39 “Financial Instruments: Recognition and Measurement” during the two years ended 31 December 2017. The accounting policies for financial instruments under IFRS 9 and IAS 39 are set out in note 4.

Upon application of IFRS 15, the Company recognises revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer. Further details are set out in notes 4 and 6.

IFRS 9 Financial Instruments

Since 1 January 2018, the Company has applied IFRS 9 “Financial Instruments” and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses (“ECL”) for financial assets and other items (for example, contract assets) and 3) general hedge accounting.

The Company has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018, if any, are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39.

Summary of effects arising from initial application of IFRS 9

The table below illustrates the classification and measurement of affected financial assets and other items subject to ECL under IFRS 9 and IAS 39 at the date of initial application, 1 January 2018.

	Financial assets at amortised cost (previously classified as loans and receivables)	Contract assets	Deferred tax liabilities	Retained profits
	RMB'000	RMB'000	RMB'000	RMB'000
Closing balance at 31 December 2017				
IAS 39	12,778	22,854	(5,397)	290,533
Effect arising from initial application of IFRS 9:				
Remeasurement				
Impairment under ECL model (note)	(230)	(490)	180	(540)
Opening balance at 1 January 2018	<u>12,548</u>	<u>22,364</u>	<u>(5,217)</u>	<u>289,993</u>

Note: The Company applies the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables and contract assets and general approach to measure ECL for all other financial assets.

There were no financial assets or financial liabilities which the Company has designated as at FVTPL under IAS 39 that were subject to reclassification, or which the Company has elected to reclassify upon the application of IFRS 9. There were no financial assets or financial liabilities which the Company has elected to designate as at FVTPL at the date of initial application of IFRS 9.

As at 1 January 2018, additional credit loss allowance of RMB720,000 will be recognised against retained profits. The additional loss will be charged against the respective assets.

The reconciliation of all loss allowances for trade receivables and contract assets as at 31 December 2017 to the opening loss allowance as at 1 January 2018 is as follows:

	Trade receivables	Contract Assets
	RMB'000	RMB'000
At 31 December 2017 — IAS 39	395	—
Amounts remeasured through opening retained profits	230	490
At 1 January 2018	<u>625</u>	<u>490</u>

New and amendments to IFRSs issued but not yet effective

At the date of this report, the Company has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 16	Leases ¹
IFRS 17	Insurance Contracts ³
IFRIC 23	Uncertainty over Income Tax Treatments ¹
Amendments to IAS 1 and IAS 8	Definition of Material ⁵
Amendments to IFRS 3	Definition of a Business ⁴
Amendments to IFRS 9	Prepayment Features with Negative Compensation ¹
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement ¹
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures ¹
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015–2017 Cycle ¹

- 1 Effective for annual periods beginning on or after 1 January 2019.
- 2 Effective for annual periods beginning on or after a date to be determined.
- 3 Effective for annual periods beginning on or after 1 January 2021.
- 4 Effective for business combination for which acquisition date is on or after beginning of the first annual period beginning on or after 1 January 2020.
- 5 Effective for annual periods beginning on or after 1 January 2020.

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 “Leases” and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, IFRS 16 requires sales and leaseback transactions to be determined based on the requirements of IFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. IFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed from lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Company currently presents operating lease payments as operate cash flows. Upon application of IFRS 16, lease payments in relation to lease liability will be allocated into a principle and an interest portion which will be presented as financing cash flows.

Other than certain requirements which are also applicable to lessor, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2018, the Company has non-cancellable operating lease commitments of RMB284,182,000 as disclosed in note 32, before taking into consideration of the renewal option. A preliminary assessment indicates that these arrangements meet the definition of a lease. Upon application of IFRS 16, the Company recognises a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases, and such changes increase the assets and liabilities of the Company, but would not result in a significant change to the net asset value and financial performance of the Company.

The application of new requirements result in changes in measurement, presentation and disclosure as indicated above. The Company has selected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC-Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC-Int 4. Therefore, the Company has not reassessed whether the contracts are, or contain a lease which already existed prior to the date of initial application. The Company has also elected the practical expedient not to recognise lease liabilities and right-of-use assets to leases for which the lease term ends within 12 months of the date of initial application. Furthermore, the Company has elected the modified retrospective approach for the application of IFRS 16 as lessee and has recognised the cumulative effect of initial applications to opening retained profits without restating comparative information.

Except as described above, the directors of the Company anticipate that the application of all other new and amendments to IFRSs and the interpretation will have no material impact on the Company's financial position and financial performance and/or on the disclosures to the Company's financial statements in the foreseeable future.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared in accordance with IFRSs issued by the IASB. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis except for bills receivable at fair value through other comprehensive income, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability that market participants would consider when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Historical Financial Information is determined on such a basis, except for leasing transactions that are within the scope of IAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 "Inventories" or value in use in IAS 36 "Impairment of assets".

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- b. Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- c. Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Revenue from contracts with customers

Under IFRS 15, the Company recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services relating to the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs;

- the Company's performance creates and enhances an asset that the customer controls as the Company performs; or
- the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Company's right (which is not yet unconditional) to consideration in exchange for goods or services that the Company has transferred to a customer. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Company's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Company's obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

Revenue from stevedoring service is recognised over time for unloading the goods from vessels at rates per tonne of the goods handled as stipulated in the contract with customers.

Revenue from storage service is recognised over time and charged at daily rates stipulated in the contract with customers.

Revenue from port management services are recognised over time for vessel berthing at the berths and for the maintenance and repair of public facilities at the berths and are charged at the daily rates or at rates per tonne of the goods handled as specified in the contracts.

Revenue from logistics agency services are recognised at a point in time when the intermediary services are delivered.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligation (including stevedoring service, storage service and port management services), the Company allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service relating to each performance obligation is determined at contract inception. It represents the price at which the Company would sell a promised good or service separately to a customer.

Revenue recognition over time: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to directly measure the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depicts the Company's performance in transferring control of goods or services.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Company determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Company is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Company is an agent).

The Company is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Company is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Company does not control the specified good or service provided by another

party before that good or service is transferred to the customer. When the Company acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Company as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset.

Rental income which is derived from the Company's ordinary course of business is presented as revenue.

The Company as lessee

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

The Company is principally involved in two kinds of retirement benefit plans including 1) the basic pensions and 2) the corporate annuity.

Basic pensions

The Company's employees participate in the basic pension plan set up and administered by local authorities of Ministry of Human Resource and Social Security. Monthly payments of premiums on the basic pensions are calculated according to the bases and percentage prescribed by the relevant local authorities. When employees retired, the relevant local authorities are obliged to pay the basic pensions to them. The amounts based on the above calculations are recognised as liabilities in the accounting period in which the service has been rendered by the employees and included into the profit or loss for the corresponding period.

Corporate annuity

Employees who retire on and subsequent to 1 January 2016 enjoy the corporate annuity plan set up by the Company in accordance with State's Corporate Annuity Regulations apart from basic pensions. The annuity is accrued by the Company in proportion to the payroll and the expenditure is included into profit or loss for the corresponding period.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is calculated based on taxable profit for the year. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable to obtain taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax results from the manner in which the Company expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised in profit or loss.

Property, plant and equipment

Property, plant and equipment, including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress), are stated in the statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are stated at cost less any recognised impairment loss. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is calculated according to the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation of investment properties is recognised so as to write off the relevant cost over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Intangible assets

Intangible assets acquired separately are stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation of intangible assets is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of and any changes in estimates being accounted for on a prospective basis.

Impairment on tangible and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of tangible and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount of an asset individually, the Company estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU, or otherwise to the smallest group of CGU for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher value of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a CGU) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated to the assets on a pro rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) will increase to the revised estimate of its recoverable amount, but the increased carrying amount shall not exceed the carrying amount that would have been determined had no impairment loss recognised for the asset (or a CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are supplies to be consumed in rendering of services and stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method.

Financial Instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15 since 1 January 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets (upon application of IFRS 9 in accordance with transitions in note 3)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and bills receivable subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Bills receivable subsequently measured at FVTOCI

Subsequent changes in the carrying amounts for bills receivables classified as at FVTOCI as a result of interest income calculated using the effective interest method are recognised in profit or loss. All other changes in the carrying amount of these bills receivables are recognised in OCI and accumulated under the heading of FVTOCI reserve. Impairment allowance are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these bills receivables. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these bills receivables had been measured at amortised cost. When these bills receivables are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

Impairment of financial assets (upon application IFRS 9 with transitions in accordance with note 3)

The Company recognises a loss allowance for ECL on all financial assets which are subject to impairment under IFRS 9 (including trade receivables, bills receivable at FVTOCI, other receivables and cash and cash equivalents) and contract assets. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the

Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Company always recognises lifetime ECL for trade receivables and contract assets. The ECL on these assets are assessed individually for debtors with significant balances and collectively using a provision matrix with appropriate groupings.

For all other financial assets as mentioned above, the Company measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Company recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Company assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Company considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default ("PD") which affects both the measurement of ECLs and the identification of a significant increase in credit risk.

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collaterals held by the Company).

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial assets is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the effective interest rate determined at initial recognition.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Except for bills receivable that are measured at FVTOCI, the Company recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, where the corresponding adjustment is recognised through a loss allowance account. For bills receivables that are measured at FVTOCI, the loss allowance is recognised in OCI and accumulated in the FVTOCI reserve without reducing the carrying amounts of these instruments.

Classification and subsequent measurement of financial assets (before application of IFRS 9 on 1 January 2018)

The Company's financial assets are classified as loans and receivables based on the nature and purpose of the financial assets and are determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income of debt instruments is recognised on an effective interest basis.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade, bills and other receivables, and cash and cash equivalents) are measured at amortised cost, using the effective interest method, less any impairment.

Interest income is recognised by applying the interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets (before application of IFRS 9 on 1 January 2018)

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- i. significant financial difficulty of the issuer or counterparty; or
- ii. breach of contract, such as default or delinquency in interest or principal payments; or
- iii. it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets stated at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade, bills and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade, bills and other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts considered previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date when the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company retains substantially all the risks and rewards of ownership of a transferred asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the assets' carrying amount and the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity instruments

Debt and equity instruments issued by the Company are classified as either financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received less direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities at amortised cost

Financial liabilities including trade and other payables, dividends payable and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

5. CHANGES OF ACCOUNTING ESTIMATES

After conducting a review on the useful lives of the properties, plant and equipment and investment properties by the directors of the Company with reference to the technical analysis report prepared by independent industry expert, in order to more accurately reflect the useful lives of the properties, plant and equipment and investment properties and to ensure that the properties, plant and equipment and investment properties together with their related depreciation expenses more appropriately reflect the Company's actual usage conditions, the Company resolved to change the accounting estimates of the useful lives of these assets since 1 January 2018. This change in the useful lives has decreased the depreciation charge for the year ended 31 December 2018 by approximately RMB38,614,000. The details for this change of accounting estimate are set out in notes 16 and 17.

5A. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 4, the management of the Company is required to make estimates and assumptions about the carrying amounts of assets that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and further periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months.

Estimated useful lives of property, plant and equipment, and investment properties

In applying the accounting policy on property, plant and equipment, and investment properties with respect to depreciation, the management of the Company estimates the useful lives of investment properties and various categories of property, plant and equipment according to the experiences over the usage of them and also by reference to the relevant industrial norm. If the actual useful lives of them are less than the original estimated useful lives due to changes in commercial and technological environment, such difference will impact the depreciation charge for the remaining useful life.

As at 31 December 2016, 2017 and 2018, the carrying amounts of property, plant and equipment were RMB1,364,325,000, RMB1,316,342,000 and RMB1,262,184,000, respectively.

As at 31 December 2016, 2017 and 2018, the carrying amounts of investment properties were RMB337,472,000, RMB326,697,000, and RMB318,546,000 respectively.

Estimated impairment of trade receivables and contract assets

Prior to the adoption of IFRS 9, the management of the Company estimates the recoverability of trade receivables and contract assets based on objective evidence. When there is objective evidence of impairment loss, the Company takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured at the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

As at 31 December 2016 and 2017, the carrying amounts of trade receivables and contract assets of the Company were approximately RMB8,874,000 (net of allowance for impairment of RMB274,000) and RMB12,778,000 (net of allowance for impairment of RMB395,000), respectively (note 21) and RMB25,930,000 and RMB22,854,000, respectively (note 24).

Since the adoption of IFRS 9 on 1 January 2018, the management of the Company estimates the amount of impairment loss for ECL on trade receivables and contract assets based on the credit risk of trade receivables and contract assets. The amount of the impairment loss is measured as the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit loss of the respective financial instrument. The assessment of the credit risk of the respective financial instrument involves high degree of estimation and uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise, accordingly.

As at 31 December 2018, the carrying amount of trade receivables and contract assets is RMB 21,653,000 (net of allowance for impairment of RMB680,000) (note 21) and RMB9,687,000 (net of allowance for impairment of RMB212,000) (note 24), respectively.

6. REVENUE

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

	Year ended 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Revenue from contracts with customers — Provision of services	417,431	445,863	455,768
Gross rental income from properties under operating lease arrangement (note 11)	70,783	74,651	76,293
Total Revenue	<u>488,214</u>	<u>520,514</u>	<u>532,061</u>

(i) Disaggregation of revenue from contracts with customers

	Year ended 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Types of services			
Stevedoring service	393,876	412,740	413,751
Storage service	11,043	19,128	19,573
Port management services	12,512	13,995	13,587
Logistics agency services	—	—	8,857
Total	<u>417,431</u>	<u>445,863</u>	<u>455,768</u>
Timing of revenue recognition			
Over time	417,431	445,863	446,911
At a point in time	—	—	8,857
Total	<u>417,431</u>	<u>445,863</u>	<u>455,768</u>

(ii) Performance obligations for contracts with customers

Stevedoring service

Stevedoring service primarily involves bulk cargo, bulk grains, woodchips and dried tapioca. Stevedoring service is recognised over time for unloading the goods from vessels at rates per tonne of the goods handled as specified in the contract.

Storage service

The Company offers short-term storage service to meet the need of customers who require temporary storage for bulk cargos before they transport the cargos to the next destination. The storage service is recognised over time and charged at daily rates specified in the contract.

Port management services

The Company also provides a variety of port-related services including berthing services and port facility security services. Port management services are recognised over time for vessel berthing at the berths and for the maintenance and repair of public facilities at the berths. The consideration for berthing service and port facility security services are charged at daily rates and rates per tonne of the goods handled, respectively, as specified in the contract.

Logistics agency services

The Company offers logistics services since 1 January 2018 as an intermediary between the customers and various rail freighters and logistics providers. Relevant revenue is recognised at a point in time when the intermediary services are delivered.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

The following table shows the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partly unsatisfied) as at the end of each reporting period and is expected to be satisfied within one year.

	At 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Stevedoring services	3,772	3,085	2,909

7. OPERATING SEGMENTS

Information reported to the Board of Directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of performance focuses on revenue from rendering stevedoring and storage goods and ancillary services.

The management of the Company considers that the Company has one reportable operating segment. No operating segment information is presented other than the entity-wide disclosures.

Geographical information

The Company's revenue and profit are all derived from PRC. All non-current assets are located in the PRC.

Information about major customers

The following table sets out the revenue from customers contributing over 10% of the total sales of the Company during the Track Record Period.

	Year ended 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Customer A	82,984	80,614	78,615
Customer B	56,061	(note)	(note)

Note: The Company had transactions with this customer but the amount of the transactions was less than 10% of revenue for 2017 and 2018.

8a. OTHER INCOME

	Year ended 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Interest income (note)	744	329	851
Others	494	455	408
Total	1,238	784	1,259

Note: Interest income represents interest from cash deposited with banks and Rizhao Port Group Finance Co., Ltd.[#] (日照港集團財務有限公司) ("RPG Finance").

[#] English name is for identification purpose only.

8b. OTHER GAINS AND LOSSES

	Year ended 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Gain on disposal of property, plant and equipment	—	233	7
Others	326	171	122
Total	326	404	129

APPENDIX I**ACCOUNTANTS' REPORT****9. IMPAIRMENT LOSSES, NET OF REVERSAL**

	Year ended 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Impairment losses on trade receivables, net of reversal	(82)	(121)	(55)
Impairment losses (recognised) reversed on other receivables	(30)	38	(2)
Impairment losses reversed on contract assets	—	—	278
	<u>(112)</u>	<u>(83)</u>	<u>221</u>

10. FINANCE COSTS

	Year ended 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Interest on bank borrowings	20,123	12,116	5,668

11. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging (crediting):

	Year ended 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Gross rental income from properties under operating lease arrangement	70,783	74,651	76,293
Less: direct operating expenses incurred for properties under operating lease arrangement that generated rental income	(7,955)	(7,770)	(7,811)
Net rental income from properties under operating lease arrangement	62,828	66,881	68,482
Depreciation of property, plant and equipment	124,841	117,970	80,329
Depreciation of investment properties	11,148	10,775	8,151
Amortisation of intangible assets (included in administrative expenses)	69	125	182
Total depreciation and amortisation charged to profit or loss	136,058	128,870	88,662
Operating lease expense for berth, warehouse and land use rights in the PRC	48,010	43,826	58,721
Auditor's remuneration	104	94	1,319
Directors' emoluments (note 13)	500	616	883
Other staff costs			
— Salaries, allowances and other benefits	30,022	30,407	36,075
— Retirement benefit scheme contributions	10,106	10,810	12,003
Total staff costs	40,628	41,833	48,961

12. INCOME TAX EXPENSE

	Year ended 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Current tax			
PRC Enterprise Income Tax ("EIT")	30,980	44,014	46,875
Over provision of EIT in prior year	(29)	—	(483)
	30,951	44,014	46,392
Deferred tax (credit) charge (note 29)	(4,540)	(610)	3,065
	<u>26,411</u>	<u>43,404</u>	<u>49,457</u>

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Provision for EIT during the Track Record Period was made based on the estimated taxable profits calculated in accordance with income tax laws and regulations applicable in the PRC.

Under the Enterprise Income Tax Law of the PRC (the "EIT Law") and Provisions for Implementation of the EIT Law, the tax rate of the Company is 25% for the Track Record Period.

The income tax expense for the Track Record Period can be reconciled to the profit before tax per the statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Profit before tax	104,813	170,386	198,609
Tax at PRC EIT rate of 25%	26,203	42,597	49,652
Tax effect of expense not deductible for tax purpose	237	807	288
Over provision of prior year	(29)	–	(483)
Income tax expense	<u>26,411</u>	<u>43,404</u>	<u>49,457</u>

13. DIRECTORS', SUPERVISORS' AND EMPLOYEES' EMOLUMENTS

(A) Directors' and supervisors' emoluments

	Fees	Discretionary performance related bonus	Salaries	Retirement benefit scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2016					
Executive directors					
Ma Changjian (note i)	–	182	220	98	500
Non-executive directors					
Zhuang Guang'an (note ii)	–	–	–	–	–
Li Chonggui (note iii)	–	–	–	–	–
Ng Chee Keong (note iv)	–	–	–	–	–
Ooi Boon Hoe	–	–	–	–	–
Shi Ruxin	–	–	–	–	–
Jiang Zidan	–	–	–	–	–
Supervisors					
Tham Wai Kong	–	–	–	–	–
Zhang Chunsheng (note v)	–	–	–	–	–
	<u>–</u>	<u>182</u>	<u>220</u>	<u>98</u>	<u>500</u>

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	<u>Fees</u>	<u>Discretionary performance related bonus</u>	<u>Salaries</u>	<u>Retirement benefit scheme contributions</u>	<u>Total</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Year ended 31 December 2017					
Executive directors					
Ma Changjian (note i)	–	288	224	104	616
Non-executive directors					
Zhuang Guang'an (note ii)	–	–	–	–	–
Ng Chee Keong	–	–	–	–	–
Ooi Boon Hoe	–	–	–	–	–
Shi Ruxin	–	–	–	–	–
Jiang Zidan	–	–	–	–	–
Supervisors					
Tham Wai Kong	–	–	–	–	–
Zhang Chunsheng (note v)	–	–	–	–	–
	<u>–</u>	<u>288</u>	<u>224</u>	<u>104</u>	<u>616</u>

	<u>Fees</u>	<u>Discretionary performance related bonus</u>	<u>Salaries</u>	<u>Retirement benefit scheme contributions</u>	<u>Total</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Year ended 31 December 2018					
Executive directors					
He Zhaodi (note vi)	–	213	230	106	549
Ma Changjian (note i)	–	–	35	17	52
Non-executive directors					
Zhuang Guang'an (note ii)	–	–	–	–	–
Zhang Baohua (note vii)	–	–	–	–	–
Ng Chee Keong	–	–	–	–	–
Ooi Boon Hoe	–	–	–	–	–
Shi Ruxin	–	–	–	–	–
Jiang Zidan	–	–	–	–	–
Zhang Zixue (note viii)	–	–	–	–	–
Lau Wai Leung Anders (note viii)	–	–	–	–	–
Supervisors					
Tham Wai Kong	–	–	–	–	–
Zhang Chunsheng (note v)	–	–	–	–	–
Wang Wei (note ix)	–	124	86	72	282
Li Weiqing (note x)	–	–	–	–	–
	<u>–</u>	<u>337</u>	<u>351</u>	<u>195</u>	<u>883</u>

Notes:

- (i) Mr. Ma Changjian resigned as an executive director of the Company on 26 February 2018.
- (ii) Mr. Zhuang Guang'an resigned as Chairman of the Board and non-executive director of the Company on 26 February 2018.
- (iii) Mr. Li Chonggui resigned as an executive director of the Company on 1 February 2016.
- (iv) Mr. Ng Chee Keong was appointed as deputy Chairman of the Board and non-executive director of the Company on 1 October 2016.
- (v) Mr. Zhang Chunsheng resigned as supervisor of the Company on 26 February 2018.

- (vi) Mr. He Zhaodi was appointed as an executive director of the Company on 26 February 2018.
- (vii) Mr. Zhang Baohua was appointed as Chairman of the Board and non-executive director of the Company on 26 February 2018.
- (viii) Mr. Zhang Zixue and Mr. Lau Wai Leung Anders were appointed as independent non-executive directors of the Company on 20 December 2018.
- (ix) Mr. Wang Wei was appointed as the Chairman of the Board of Supervisors on 10 December 2018 and employee supervisor on 9 December 2018.
- (x) Mr. Li Weiqing was appointed as supervisor of the Company on 26 February 2018.

The executive directors' emoluments shown above were paid for their services in connection with the management of the operation affairs of the Company.

The supervisors' emoluments shown above were paid for their services as supervisors.

Certain non-executive directors and supervisors did not receive any emoluments from the Company during the Track Record Period. They received their emoluments from Rizhao Port and Jurong Port Holding (collectively "Shareholding Companies") because they hold positions at the Shareholding Companies.

The bonuses are discretionary and are determined by reference to the Company's and the individuals' performance.

(B) Five highest paid employees

Of the five individuals with the highest emoluments in the Company for each of the three years ended 31 December 2016, 2017 and 2018, 1, 1 and 2, respectively, were directors of the Company whose emoluments are included in the disclosure above. The emoluments of the remaining 4, 4 and 3 individuals for each of the three years ended 31 December 2016, 2017 and 2018, respectively, were as follows:

	Year ended 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Salaries	670	617	700
Bonus	476	367	458
Retirement benefit scheme contributions	245	324	285
	<u>1,391</u>	<u>1,308</u>	<u>1,443</u>

The emoluments of each of the five highest paid employees above were less than HK\$1,000,000 during each of the three years ended 31 December 2016, 2017 and 2018.

During the Track Record Period, no emoluments were paid by the Company to any of the directors of the Company or five highest paid individuals as an inducement to join or upon joining the Company or as compensation for loss of office. None of the directors of the Company waived any emoluments during the Track Record Period.

14. DIVIDENDS

	Year ended 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Rizhao Port	35,000	37,100	175,000
Jurong Port Holding	15,000	15,900	75,000
Total	<u>50,000</u>	<u>53,000</u>	<u>250,000</u>

The rate of dividend and number of shares ranking for dividend are not presented as such information is not considered meaningful with regards to the purpose of this report. The dividends for the year ended 31 December 2018 were declared prior to the share reform of the Company on 19 December 2018.

15. EARNINGS PER SHARE

On 19 December 2018, the Company was converted into a joint stock limited liability company, with share capital increased to RMB1,200,000,000, divided into 1,200,000,000 ordinary shares at a par value of RMB1.0 each. For the purpose of computing basic and diluted earnings per share, 1,200,000,000 shares were assumed to have issued on 1 January 2016.

No diluted earnings per share was presented for the Track Record Period as the Company did not have any potential ordinary share in issue.

The calculation of basic earnings per share attributable to owners of the Company is based on the following data:

	Year ended 31 December		
	2016	2017	2018
Earnings:			
Profit for the year attributable to owners of the Company(RMB'000)	78,402	126,982	149,152
Number of shares			
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,200,000,000	1,200,000,000	1,200,000,000
Basic earnings per share (RMB cents)	6.53	10.58	12.43

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16. PROPERTY, PLANT AND EQUIPMENT

							Communication Facilities & other equipment	Construction in progress	Total
	Buildings	Terminal facilities	Storage facilities	Loading equipment	Machinery equipment	Motor vehicles			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST									
At 1 January 2016	87,290	504,183	506,702	448,385	319,419	2,603	13,290	194	1,882,066
Additions	1,826	–	–	29,997	1,420	3,008	254	17,193	53,698
Transfers	–	243	2,338	14,806	–	–	–	(17,387)	–
At 31 December 2016	89,116	504,426	509,040	493,188	320,839	5,611	13,544	–	1,935,764
Additions	683	–	1,542	–	1,981	1,399	1,208	63,240	70,053
Disposals	–	–	–	–	–	(732)	–	–	(732)
Reclassifications	(296)	–	(4,071)	10,499	(2,853)	(169)	(3,110)	–	–
Transfers	410	–	37,782	–	740	–	–	(38,932)	–
At 31 December 2017	89,913	504,426	544,293	503,687	320,707	6,109	11,642	24,308	2,005,085
Additions	178	–	3,376	1,946	276	254	192	19,951	26,173
Disposals	–	–	–	–	–	–	(39)	–	(39)
Transfers	14,270	–	–	28,830	–	–	–	(43,100)	–
At 31 December 2018	104,361	504,426	547,669	534,463	320,983	6,363	11,795	1,159	2,031,219
ACCUMULATED DEPRECIATION									
At 1 January 2016	18,398	62,112	95,309	217,979	45,643	1,468	5,689	–	446,598
Provided for the year	4,673	13,440	26,745	47,439	31,001	400	1,143	–	124,841
At 31 December 2016	23,071	75,552	122,054	265,418	76,644	1,868	6,832	–	571,439
Provided for the year	4,705	13,440	21,138	42,048	34,884	753	1,002	–	117,970
Elimination on disposals	–	–	–	–	–	(666)	–	–	(666)
At 31 December 2017	27,776	88,992	143,192	307,466	111,528	1,955	7,834	–	688,743
Provided for the year	4,926	9,778	11,243	24,220	28,439	862	861	–	80,329
Elimination on disposals	–	–	–	–	–	–	(37)	–	(37)
At 31 December 2018	32,702	98,770	154,435	331,686	139,967	2,817	8,658	–	769,035
CARRYING VALUES									
At 31 December 2016	66,045	428,874	386,986	227,770	244,195	3,743	6,712	–	1,364,325
At 31 December 2017	62,137	415,434	401,101	196,221	209,179	4,154	3,808	24,308	1,316,342
At 31 December 2018	71,659	405,656	393,234	202,777	181,016	3,546	3,137	1,159	1,262,184

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The above items of property, plant and equipment, other than construction in progress, are depreciated over their estimated useful lives and after taking into account their estimated residual values, using straight-line method. The useful lives of each category of assets before and after the date of accounting estimate as detailed in note 5 are as follows:

	Before 1 January 2018	After 1 January 2018
	Useful lives	Useful lives
Buildings	10-40 years	10-40 years
Terminal facilities	40 years	50 years
Storage facilities	10-30 years	10-40 years
Loading Equipment	8-12 years	8-15 years
Machinery Equipment	8-10 years	8-12 years
Motor vehicles	6 years	6 years
Communication facilities and other equipment	5-8 years	5-8 years

As at 31 December 2016, 2017 and 2018, the net carrying amounts for buildings located in the PRC of RMB66,045,000, RMB62,137,000 and RMB71,659,000, respectively, were held under operating lease arrangement with ultimate holding company as set out in notes 32 and 38.

17. INVESTMENT PROPERTIES

	Terminal facilities
	RMB'000
COST	
At 1 January 2016, 31 December 2016, 2017 and 2018	399,318
ACCUMULATED DEPRECIATION	
At 1 January 2016	50,698
Charge for the year	11,148
At 31 December 2016	61,846
Charge for the year	10,775
At 31 December 2017	72,621
Charge for the year	8,151
At 31 December 2018	80,772
CARRYING AMOUNT	
At 31 December 2016	337,472
At 31 December 2017	326,697
At 31 December 2018	318,546

As at 31 December 2016, 2017 and 2018, the fair values of the Company's investment properties were RMB394,089,000, RMB377,126,000 and RMB358,910,000, respectively. The fair value has been arrived at on the basis of a valuation carried out by Jones Lang LaSalle Corporate Appraisal and Advisory Limited and the address of the independent valuer is 7th Floor, One Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong.

Taking into considerations that the underlying land use right of the investment properties is leased from the related party as detailed in note 38 and the lack of comparable market information for similar lease arrangement, the corresponding properties have been valued by the cost approach with reference to their depreciated replacement cost, which falls into the category of fair value measurement using significant unobservable inputs (Level 3) including replacement costs, estimated use life, etc. The directors of the Company are of the view that it is the best estimate of the fair value of these investment properties.

The useful lives of investment properties has been changed from 20-40 years to 40-50 years since 1 January 2018 as detailed in note 5 and the corresponding assets are depreciated on a straight-line basis over the useful lives.

18. INTANGIBLE ASSET

	Software
	RMB'000
COST	
At 1 January 2016	691
Additions	—
At 31 December 2016	691
Additions	997
At 31 December 2017	1,688
Additions	932
At 31 December 2018	2,620
ACCUMULATED AMORTISATION	
At 1 January 2016	205
Provision for the year	69
At 31 December 2016	274
Provision for the year	125
At 31 December 2017	399
Provision for the year	182
At 31 December 2018	581
CARRYING AMOUNT	
At 31 December 2016	417
At 31 December 2017	1,289
At 31 December 2018	2,039

The above intangible asset is amortised on a straight-line basis based on its estimated useful life of 10 years, which is determined by the management of the Company taking into account the period over which the asset is expected to be available for use by the Company and the stability of the industry in which the asset operates.

19. OTHER NON-CURRENT ASSETS

	As at 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Taxes prepaid for rental income from properties under operating lease arrangement (note)	1,778	1,644	1,510
Prepayments for premises under operating lease (note 38b)	7,160	5,966	6,126
	<u>8,938</u>	<u>7,610</u>	<u>7,636</u>

Note: Taxes prepaid represents the business tax and surcharges paid related to the advance received of lease payments as set out in note 30.

20. INVENTORIES

	As at 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Low value consumables	3,997	3,917	3,901

21. TRADE, BILLS AND OTHER RECEIVABLES

	As at 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Trade receivables			
— Due from related parties (note 38b)	—	7,025	—
— Due from third parties	9,148	6,148	22,333
	9,148	13,173	22,333
Less: allowance for impairment	(274)	(395)	(680)
	8,874	12,778	21,653
Other receivables	850	—	100
Less: allowance for impairment	(38)	—	(2)
	812	—	98
Bills receivable	5,700	—	—
Prepayments	20	19	1,860
Value added tax recoverable	—	4,806	3,985
Deferred issue costs	—	—	7,045
Total trade, bills and other receivables	15,406	17,603	34,641

The Company grants a credit period ranging from 15 to 90 days to its trade customers over the Track Record Period.

Before accepting any new customer, the Company assesses the potential customer's credit quality and defines credit limits by customers. Limits and scoring attributed to customers are reviewed regularly.

The following is an ageing analysis of trade receivables, net of allowance for impairment, presented based on the invoice dates:

	As at 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Within 3 months	8,388	12,778	21,653
Over 1 year	486	—	—
	8,874	12,778	21,653

Ageing of trade receivables which are past due but not impaired is analysed as follows:

	As at 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Over 1 year	486	—	—

As at 31 December 2016, the Company did not provide an allowance on the remaining past due receivables as there has not been a significant change in credit quality and the amounts are still considered recoverable based on the historical experience and subsequent settlement. The Company does not hold any collateral over these balances.

Movements in the allowance for impairment of trade and other receivables during the Track Record Period are set out as follows:

(A) Movement of allowance on trade receivables:

	As at 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Balances at beginning of the year	192	274	395
Effect of initial adoption of IFRS 9 on 1 January 2018	—	—	230
Balances restated at beginning of the year	192	274	625
Impairment losses recognised	259	395	680
Impairment losses reversed	(177)	(274)	(625)
Balance at end of the year	<u>274</u>	<u>395</u>	<u>680</u>

(B) Movement of allowance on other receivables:

	As at 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Balances at beginning of the year	8	38	—
Effect of initial adoption of IFRS 9 on 1 January 2018	—	—	—
Balances restated at beginning of the year	8	38	—
Impairment losses recognised	33	—	2
Impairment losses reversed	(3)	(38)	—
Balance at end of the year	<u>38</u>	<u>—</u>	<u>2</u>

Prior to 1 January 2018, the Company recognised the allowance for certain trade receivables which has been past due and considered as doubtful debts or irrecoverable by the management.

Starting from 1 January 2018, the Company applied simplified approach to provide the ECL prescribed by IFRS 9. The details of measurement basis used to determine ECL for trade and other receivables are set out in note 35.

22. BILLS RECEIVABLE AT FVTOCI

The following is an ageing analysis of bills receivables, net of allowance for impairment, presented based on the maturity dates:

	As at 31 December
	2018
	RMB'000
Within 180 days	14,708
181 - 365 days	1,100
	<u>15,808</u>

23. TRANSFER OF FINANCIAL ASSETS

As at 31 December 2016, 2017 and 2018, the Company had transferred to suppliers by endorsing the bills receivable of RMB67,735,000, RMB55,879,000 and RMB48,933,000, respectively.

As those bills are issued by banks with high credit ratings, the directors of the Company had assessed and satisfied that the Company had transferred substantially all of the risks and rewards relating to those bills. The Company had derecognised the full carrying amount of the bills receivables and the corresponding trade payables.

24. CONTRACT ASSETS

	As at 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Provision of services	25,930	22,854	9,899
Less: allowance for credit loss	—	—	(212)
	<u>25,930</u>	<u>22,854</u>	<u>9,687</u>

Note: The contract assets primarily relate to the Company's right to consideration for work completed but not billed because the Company is entitled to bill only upon collection of the goods by the customer. The contract assets are transferred to trade receivables when the corresponding billing is issued.

25. CASH AND CASH EQUIVALENTS

Cash and cash equivalents balances carried interest at prevailing market interest rates ranging from 0.3%-1.54% per annum throughout the Track Record Period. All cash and cash equivalents balances are denominated in RMB.

As at 31 December 2016, 2017 and 2018, cash and cash equivalents balances comprised of cash deposited in RPG Finance amounted to RMB68,767,000, RMB66,459,000 and RMB55,491,000, respectively.

26. TRADE AND OTHER PAYABLES

	As at 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Trade payables			
— Due to related parties (note 38b)	1,244	2,820	3,730
— Due to third parties	<u>20,138</u>	<u>12,020</u>	<u>8,819</u>
	21,382	14,840	12,549
Other tax payables	4,170	248	349
Payroll payable	1,717	2,008	2,645
Interest payable	543	260	—
Payable for acquisition of property, plant and equipment	2,457	10,440	17,331
Retention payable due within one year	15,204	7,246	8,869
Accrued issue cost and listing expenses	—	—	12,929
Other payables	<u>4,488</u>	<u>7,171</u>	<u>5,380</u>
Total trade and other payables	<u>49,961</u>	<u>42,213</u>	<u>60,052</u>

The average credit period on purchases of materials and services is ranging from 30 days to 90 days upon receipts of the corresponding services or goods over the Track Record Period.

The following is an ageing analysis of trade payables, presented based on the goods and services receipt date at the end of each reporting period:

	As at 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Within 3 months	19,087	12,919	10,352
Over 3 months but within 6 months	2,114	1,682	1,795
Over 6 months but within 9 months	32	31	168
Over 9 months but within 1 year	—	—	85
Over 1 year but within 2 years	<u>149</u>	<u>208</u>	<u>149</u>
	<u>21,382</u>	<u>14,840</u>	<u>12,549</u>

27. CONTRACT LIABILITIES

	As at 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Amounts received in advance:			
— provision of services	6,696	7,173	1,603

Contract liabilities represent the deposits received from the customers in advance of rendering services to customers.

There was no revenue recognised in the Track Record Period that related to performance obligations that were satisfied in prior periods.

The following table shows how much of the revenue recognised that was included in the contract liability balance at the beginning of the year:

	Year ended 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Provision of services	21,599	6,696	7,173

28. BANK BORROWINGS

	As at 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Fixed-rate bank borrowings			
— Unsecured and guaranteed (note i)	147,520	49,200	—
Floating rate bank borrowings			
— Unsecured and guaranteed (notes i&ii)	141,000	109,667	—
	288,520	158,867	—

	As at 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Time to repay carrying amount of the above bank borrowings*:			
Within one year	239,320	158,867	—
Over 1 year but within 2 years	49,200	—	—
	288,520	158,867	—
Less: amounts due within one year shown under current liabilities	(239,320)	(158,867)	—
Amounts shown under non-current liabilities	49,200	—	—

* The amounts due are calculated based on the scheduled repayment dates set out in the loan agreements or the estimated repayment schedule if certain covenant is breached.

The range of interest rates per annum (which are also equal to contracted interest rates) on the Company's borrowings are as follows:

	As at 31 December		
	2016	2017	2018
Interest rate:	4.50%–5.65%	4.50%–4.90%	N/A

Notes:

i: The bank borrowings were guaranteed by Rizhao Port Group at nil consideration.

- ii: Bank borrowings amounted to RMB141,000,000 and RMB109,667,000 at 31 December 2016 and 2017, were classified as repayable on demand under current liabilities because the Company failed to comply a covenant that restrict the Company from declaring dividends before repaying the loan. The Company entered into an early repayment agreement with the bank and has repaid the loan in full in December 2018. Pursuant to the early repayment agreement, the bank confirmed that all rights and obligations in the loan agreement had been terminated and therefore there were no objections or disputes with respect to the loan agreement.

29. DEFERRED TAX ASSETS/LIABILITIES

The following are the major deferred tax assets (liabilities) recognised and movements thereon during the Track Record Period:

	Loss allowance for receivables and contract assets	Accrued expenses	Unbilled revenue (note i)	Temporary difference arising from depreciation of property, plant and equipment (note ii)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2016	50	1,034	(11,631)	–	(10,547)
Credit to profit or loss	28	18	4,494	–	4,540
At 31 December 2016	78	1,052	(7,137)	–	(6,007)
Credit (charge) to profit or loss	21	(96)	685	–	610
At 31 December 2017	99	956	(6,452)	–	(5,397)
Effect arising on adoption of IFRS 9	180	–	–	–	180
At 1 January 2018	279	956	(6,452)	–	(5,217)
(Charge) credit to profit or loss	(55)	65	4,232	(7,307)	(3,065)
At 31 December 2018	224	1,021	(2,220)	(7,307)	(8,282)

Notes:

- (i) The deferred tax liabilities are recognised in respect of the unbilled revenue and will become taxable when the corresponding billing is issued.
- (ii) The deferred tax liabilities are recognised in respect of the temporary difference arising from one-time tax deduction for low valued equipment applied by the Company pursuant to the corresponding preferential tax regulation effective since 1 January 2018.

30. OTHER NON-CURRENT LIABILITIES

	As at 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Lease payments received in advance	31,469	29,094	26,719
Less: Current portion of lease payments	(2,375)	(2,375)	(2,375)
Non-current portion of lease payments	29,094	26,719	24,344

The amount represents advance lease payments received in respect of the properties under operating lease arrangement. The lease payments which will transfer to revenue within a year is presented as advances from customers.

31. PAID-IN CAPITAL/ SHARE CAPITAL

Prior to the share reform of the Company on 19 December 2018, the composition of paid-in capital of the Company is set out as below:

<u>Name of entities</u>	<u>As at 31 December</u>	
	<u>2016</u>	<u>2017</u>
	<u>RMB'000</u>	<u>RMB'000</u>
Rizhao Port	819,000	819,000
Jurong Port Holding	351,000	351,000
	<u>1,170,000</u>	<u>1,170,000</u>

Upon the completion of the share reform of the Company on 19 December 2018, the share capital and number of shares are set out as below:

As at 31 December 2018

<u>Name of entities</u>	<u>Number of shares</u>	<u>Share capital</u>
		<u>RMB'000</u>
Rizhao Port	840,000,000	840,000
Jurong Port Holding	360,000,000	360,000
	<u>1,200,000,000</u>	<u>1,200,000</u>

Note: On 19 December 2018, the share capital of the Company has been increased to RMB1,200,000,000 upon the completion of conversion into a joint stock company with limited liability. Rizhao Port and Jurong Port Holding subscribes 70% and 30% of the total issued shares, which remains unchanged during the Track Record Period.

32. OPERATING LEASE ARRANGEMENT**The Company as lessor**

At the end of each reporting period, the Company had commitments for future minimum lease receivables under non-cancellable operating leases in respect of rented premises which fall due as follows:

	<u>As at 31 December</u>		
	<u>2016</u>	<u>2017</u>	<u>2018</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Within one year	71,108	71,108	71,108
In the second to fifth years inclusive	281,930	281,773	281,596
Over five years	667,008	595,100	516,276
	<u>1,020,046</u>	<u>947,981</u>	<u>868,980</u>

Operating lease receivables represent rentals receivable by the Company for its properties under operating lease arrangements. Leases are negotiated with fixed lease term ranging from 1 to 20 years.

The Company as lessee

At the end of each reporting period, the Company had commitments for future minimum lease payables under non-cancellable operating leases in respect of rented berth and land use rights which fall due as follows:

	As at 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Within one year	32,726	33,632	33,305
In the second to fifth years inclusive	120,624	107,921	97,531
Over five years	185,204	165,181	153,346
	<u>338,554</u>	<u>306,734</u>	<u>284,182</u>

Operating lease payments represent rentals payable by the Company for its land use rights and certain of its berths. Leases are negotiated for terms ranging from 1 to 20 years with fixed rentals, apart from an operating lease of a berth which is based on a fixed rental plus an amount determined based on the profits generated from the underlying leased berth. Lease for land use rights carried an extension option to renew the lease.

33. CAPITAL COMMITMENTS

	As at 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Capital expenditure contracted but not provided for acquisition of property, plant and equipment	<u>11,025</u>	<u>24,048</u>	<u>61,300</u>

34. CAPITAL RISK MANAGEMENT

The Company manages its capital to ensure that the Company will be able to operate continuously and maximise the return to owners of the Company through the optimisation of the balance between debt and equity. The Company's overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Company consists of net debt, which includes bank borrowings, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising issued paid-in capital and reserves.

The management of the Company reviews the capital structure from time to time. As a part of this review, the management of the Company considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management of the Company, the Company will balance its overall capital structure through the payment of dividends, the issue of new shares or new debts or the redemption of existing debts.

35. FINANCIAL INSTRUMENTS**Categories of financial instruments**

	As at 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Financial assets			
Loans and receivables (including cash and cash equivalents)	84,153	79,237	—
Financial assets measured at amortised cost (including cash and cash equivalents)	—	—	77,242
Bills receivable at FVTOCI	—	—	15,808
	<u>84,153</u>	<u>79,237</u>	<u>93,050</u>
Financial liabilities			
Financial liabilities at amortised cost	<u>332,594</u>	<u>198,824</u>	<u>267,058</u>

Financial risk management objectives and policies

The major financial instruments include trade, bills and other receivables, cash and cash equivalents, bills receivable at FVTOCI, trade and other payables and bank borrowings. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of the Company manages and monitors these risks to ensure appropriate measures are implemented on a timely and effective manner.

Interest rate risk

The Company is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings (see note 28 for details). The Company is also exposed to cash flow interest rate risk in relation to floating-rate balances deposited with banks and financial institution (see note 25 for details) and floating-rate bank borrowings (see note 28 for details). The Company currently does not have any interest rate hedging policy. The Company manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The management will review the proportion of borrowings in fixed and floating rates and ensure they are within reasonable range.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for floating-rate bank borrowings at the end of each reporting period. The analysis is prepared assuming the floating-rate bank borrowings outstanding at the end of each reporting period were outstanding for the whole year. A 50 basis points increase or decrease in floating-rate bank borrowings for the years ended 31 December 2016, 2017 and 2018 represents management's assessment of the reasonably possible change in interest rates.

If interest rate on floating-rate bank borrowings had been 50 basis points higher/lower for the Track Record Period and all other variables were held constant, the Company's post-tax profit for the years ended 31 December 2016, 2017 and 2018 would decrease/increase by RMB529,000, RMB411,000 and nil, respectively.

Cash and cash equivalents are excluded from sensitivity analysis as the directors of the Company consider that the exposure of cash flow interest rate risk arising from floating-rate cash and cash equivalents is insignificant.

Credit risk

Credit risk refers that the risk that a customer or counterparty will default on its contractual obligations, resulting in financial loss to the Company. The Company considers all elements of credit risk exposure such as counterparty default risk and sector risk for risk management purposes.

As at 31 December 2016, 2017 and 2018, the carrying amounts of financial assets represent the maximum exposure to credit risk.

*Company's exposure to credit risk before adoption of IFRS 9***Trade receivables and contract assets**

The Company trades only with recognised and creditworthy customers. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis to ensure that follow-up action is taken to recover overdue debts. In addition, the Company performs impairment assessment under incurred loss model on trade balances based on provision matrix. In this regard, the directors of the Company consider that the Company's credit risk is significantly reduced.

Bills receivable

The credit risks on bills receivable are limited as those bills are issued by banks with high credit ratings assigned by international credit-rating agencies.

Cash and cash equivalents

The credit risks on cash and cash equivalents, which were mainly deposited with RPG Finance, are limited as the counterparty is a fellow subsidiary of the Company which only provides financial services to counterparties with high credit rating. The directors continuously monitor the quality and financial conditions of this counterparty.

There is no significant concentrations of credit risk on trade receivables for the Company. As at 31 December 2016, 2017 and 2018, 42.66%, 22.45% and 30.16%, respectively, of the Company's trade receivables were due from the Company's five largest customers.

Other than concentration of credit risk on cash and cash equivalents of the Company at the end of reporting period, which are mainly deposited with RPG Finance, the Company does not have any other significant concentration of credit risk.

Company's exposure to credit risk since adoption of IFRS 9

Since the adoption of the IFRS 9, in addition to the credit risk limit management and other mitigation measures as described above, the Company monitors all financial assets, except for trade receivables and contract assets, that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Company will measure the impairment loss based on lifetime rather than 12m ECL.

Trade receivables and contract assets

For trade receivables and contract assets, the Company has applied the simplified approach in IFRS 9 to measure the impairment loss at lifetime ECL. The Company determines that the ECL on these items is estimated on an individual basis for customers with significant balance and collectively by using a provision matrix based on historical credit loss experience based on the past default experience of the debtor, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The Company writes off trade receivables and contract assets when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. For year ended 31 December 2018, none of the trade receivables and contract assets that had been written off as the directors of the Company assessed that no counterparties were in severe financial difficulty and the prospect of recovery was still realistic.

In order to minimise credit risk, the Company has tasked its operation management committee to develop and maintain the Company's credit risk rating to categorise exposures according to their degree of risk of default.

The credit rating information is supplied by independent rating agencies where available and, if not available, the operation management committee uses other publicly available financial information and the Company's own trading records to rate its major customers and other debtors. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The following table provides information about the exposure to credit risk for trade receivables and contract assets which are assessed on an individual basis for customers with significant balance and collectively assessed by using a provision matrix as at 31 December 2018 within lifetime ECL (not credit impaired).

As at 31 December 2018

Gross carrying amount

Internal credit rating

	Average loss rate	Trade receivables	Contract assets
		RMB'000	RMB'000
Low risk	2.15%	17,097	9,899
Watchlist	6.28%	5,236	–
		<u>22,333</u>	<u>9,899</u>

The Company's credit risk grading framework in respect of financial assets other than trade receivables comprises the following categories:

Internal credit rating	Description	Basis for recognising ECL
Low risk	The debtor has historically made payments on time, and has a low risk of default	12-month ECL
Watch list	Debtor frequently repays after due dates but usually settle after due date or the turnover days of debtor exceeds the credit term granted	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Company has no realistic prospect of recovery	Amount is written off

Other receivables

For other receivables, the Company has applied the general approach in IFRS 9 to measure the loss allowance approximate to such at 12m ECL, since the Company did not expect any significant increase in credit risk.

Cash and cash equivalents and bills receivable at FVTOCI

The credit risks on cash and cash equivalents and bills receivable are determined to have low risk at the end of the reporting period.

The credit risk on cash and cash equivalents are limited as the counterparty is a fellow subsidiary of the Company which only provides financial services to counterparties with high credit rating. The directors continuously monitor the quality and financial conditions of this counterparty.

The credit risk on bills receivable at FVTOCI are limited because the counterparties are reputable banks and the risk of inability to pay or redeem at the due date is low.

Liquidity risk

The management of the Company monitors the Company's cash flow positions on a regular basis to ensure the cash flows of the Company are positive and strictly controlled. The Company aims to maintain flexibility and shareholders' capital contributions in funding by keeping committed credit limits available.

The following table details the Company's remaining contract period for its non-derivative financial liabilities based on the agreed repayment terms or the estimated repayment schedule if certain covenant is breached. The table has been drawn up based on the undiscounted cash flows of financial liabilities on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows:

	Weighted average effective interest rate	On demand and within one year	Over 1 year but not more than 2 years	Total Undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2016					
Trade and other payables	–	44,074	–	44,074	44,074
Bank borrowings					
— at fixed rate	4.50%	102,744	51,414	154,158	147,520
— at floating rate	4.90%	147,909	–	147,909	141,000
TOTAL		294,727	51,414	346,141	332,594

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	Weighted average effective interest rate	On demand and within one year	Over 1 year but not more than 2 years	Total Undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2017					
Trade and other payables	—	39,957	—	39,957	39,957
Bank borrowings					
— at fixed rate	4.50%	51,414	—	51,414	49,200
— at floating rate	4.90%	115,040	—	115,040	109,667
TOTAL		206,411	—	206,411	198,824

	Weighted average effective interest rate	On demand and within one year	Over 1 year but not more than 2 years	Total Undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2018					
Trade and other payables	—	57,058	—	57,058	57,058
Dividends payable	—	210,000	—	210,000	210,000
TOTAL		267,058	—	267,058	267,058

36. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

This note provides information about how the Company determines fair values to various financial assets and financial liabilities.

The Company had bills receivable measured at fair value at the end of the reporting period. The following table gives information about how the fair value of bills receivable is determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorized (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets	Fair value as of			Fair value hierarchy	Valuation-technique(s) and key input(s)
	31 December 2016	31 December 2017	31 December 2018		
	RMB'000	RMB'000	RMB'000		
Bills receivable at FVTOCI	N/A	N/A	15,808	Level 3	Discounted cash flow at a discount rate that reflects the current borrowing rate at the end of the reporting period. The directors of the Company considers the fluctuation in the discount rate would not result in a significant change in the fair value.

37. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Company's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Company's statement of cash flows as cash flows from financing activities.

	Bank borrowings	Dividends payable	Interest payables	Accrued issue cost	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
In January 2016	451,523	–	900	–	452,423
Financing cash flows	(163,003)	(50,000)	(20,480)	–	(233,483)
Non-cash changes					
Finance costs (note 10)	–	–	20,123	–	20,123
Dividends (note 14)	–	50,000	–	–	50,000
At 31 December 2016	288,520	–	543	–	289,063
Financing cash flows	(129,653)	(45,900)	(12,399)	–	(187,952)
Non-cash changes					
Finance costs (note 10)	–	–	12,116	–	12,116
Bills receivable*	–	(7,100)	–	–	(7,100)
Dividends (note 14)	–	53,000	–	–	53,000
At 31 December 2017	158,867	–	260	–	159,127
Financing cash flows	(158,867)	(40,000)	(5,928)	(307)	(205,102)
Non-cash changes					
Issue cost accrued	–	–	–	7,045	7,045
Finance costs (note 10)	–	–	5,668	–	5,668
Dividends (note 14)	–	250,000	–	–	250,000
At 31 December 2018	–	210,000	–	6,738	216,738

* During the year ended 31 December 2017, the Company had non-cash transaction by using the bills receivable amounted to RMB7,100,000 to settle the dividend payable to its immediate holding company.

38. RELATED PARTY DISCLOSURES

The Company is a subsidiary of Rizhao Port, which is a A-share listed entity. The ultimate holding company is Rizhao Port Group, which is a state-owned enterprise subject to the control of the State Council of the PRC Government. The State Council of the PRC Government directly or indirectly controls a significant number of entities through government authorities and other state-owned entities.

During the Trade Record Period, the Company had transactions with the following parties:

<u>Name of related party</u>	<u>Relationship with the Company</u>
Rizhao Port Group	Ultimate holding company
Rizhao Port	Immediate holding company
Rizhao Port Logistics Co., Ltd. [#] (日照港物流有限公司)(“Rizhao Port Logistics”)	Subsidiary of Rizhao Port Group
Rizhao Port Information Technology Co., Ltd. [#] (日照口岸信息技術有限公司)(“Rizhao Port Information”)	Subsidiary of Rizhao Port Group
Rizhao Port Power Engineering Co., Ltd. [#] (日照港動力工程有限公司)(“Rizhao Port Power”)	Subsidiary of Rizhao Port Group
Shandong Gangwan Construction Group Co., Ltd. [#] (山東港灣建設集團有限公司)(“Shandong Gangwan”)	Subsidiary of Rizhao Port Group
Rizhao Port Construction and Supervision Co., Ltd. [#] (日照港建設監理有限公司)(“Rizhao Port Supervision”)	Subsidiary of Rizhao Port Group
Rizhao Port Machinery Engineering Co., Ltd. [#] (日照港機工程有限公司)(“Rizhao Port Machinery”)	Subsidiary of Rizhao Port Group
Rizhao Port Engineering Design Consulting Co., Ltd. [#] (日照港工程設計諮詢有限公司)(“Rizhao Port Consulting”)	Subsidiary of Rizhao Port Group
Rizhao Gangtong Communication Engineering Co., Ltd. [#] (日照港通通信工程有限公司)(“Rizhao Gangtong Communication”)	Subsidiary of Rizhao Port Group
Rizhao Gangda Ship Heavy Industry Co., Ltd. [#] (日照港達船舶重工有限公司)(“Rizhao Gangda”)	Subsidiary of Rizhao Port Group
Rizhao Port Handling Co., Ltd. [#] (日照海港裝卸有限公司)(“Rizhao Port Handling”)	Subsidiary of Rizhao Port Group
Rizhao Port Security Service Co., Ltd. [#] (日照港保安服務有限公司)(“Rizhao Port Security”)	Subsidiary of Rizhao Port Group
Rizhao Zhongran Marine Fuel Supply Co., Ltd. [#] (日照中燃船舶燃料供應有限公司)(“Rizhao Zhongran Marine Fuel”)	Subsidiary of Rizhao Port Group
Rizhao Commodity Exchange Centre Co., Ltd. [#] (日照大宗商品交易中心有限公司)(“Rizhao Commodity Exchange”)	Subsidiary of Rizhao Port Group
Rizhao Port Container Development Co., Ltd. [#] (日照港集裝箱發展有限公司)(“Rizhao Port Container”)	Subsidiary of Rizhao Port Group
RPG Finance	Subsidiary of Rizhao Port Group
Rizhao Ocean Shipping Tally Co., Ltd. [#] (日照中理外輪理貨有限公司)(“Rizhao Ocean Shipping”)	Subsidiary of Rizhao Port Group
Rizhao Port Property Co., Ltd. [#] (日照港物業有限公司)(“Rizhao Port Property”)	Subsidiary of Rizhao Port Group
Rizhao Port Import and Export Trade Co., Ltd. [#] (日照港進出口貿易公司)(“Rizhao Trade”)	Subsidiary of Rizhao Port Group

[#] English name is for identification purpose only

(a) Related party transactions

Saved as disclosed elsewhere in this report, the Company had also entered into the following significant related party transactions during the Track Record Period.

	Nature of transactions	Year ended 31 December		
		2016	2017	2018
		RMB'000	RMB'000	RMB'000
Rizhao Port Group	Lease of land use rights and warehouse in the PRC	26,777	24,254	24,482
Rizhao Port Logistics	Procurement of port related services	213	21,122	748
Rizhao Port Information	Procurement of technology services	–	922	967
Rizhao Port Power	Procurement of maintenance services	1,285	16	895
Shandong Gangwan	Procurement of construction service	7,567	63,341	19,425
Rizhao Port Supervision	Procurement of supervision services	760	599	935
Rizhao Port Machinery	Procurement of construction and maintenance services	15,761	2,285	1,071
Rizhao Port Consulting	Procurement of construction services	352	960	227
Rizhao Gangtong Communication	Procurement of maintenance services	618	304	52
Rizhao Gangda	Procurement of spare parts	–	–	1,588
Rizhao Port Handling	Procurement of port related services	–	12,213	48,976
Rizhao Port Security	Procurement of security services	–	–	870
Rizhao Zhongran Marine Fuel	Procurement of utility services	3,015	3,983	4,991
Rizhao Port	Procurement of utility services and berth leasing expense	37,771	37,516	52,451
Rizhao Ocean Shipping	Procurement of port related services	80	125	62
Rizhao Port Property	Procurement of office and logistics services	615	734	589
Rizhao Trade	Procurement of spare parts	4,633	–	–
Rizhao Port Container	Berth leasing income	–	6,329	7,264
Rizhao Commodity Exchange	Loading and unloading services income	16,878	24,469	2,793
RPG Finance	Interest income	68	327	851

Guarantees provided by related parties

As at 31 December 2016 and 2017, Rizhao Port Group had provided guarantees to banks in respect of the Company's bank borrowings amounting to RMB288,520,000 and RMB158,867,000 at nil consideration, as detailed in note 28.

(b) Related party balances*Amounts due from related parties – trade nature*

	As at 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Rizhao Port Container	–	7,025	–

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	As at 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Within 3 months	–	7,025	–

Amounts due to related parties – non-trade nature

	As at 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Rizhao Port Machinery	572	571	63
Rizhao Gangtong Communication	28	48	48
Rizhao Port Power	275	64	52
Rizhao Port Supervision	267	–	25
Shandong Gangwan	7,978	12,403	23,933
Rizhao Port Property	19	19	–
Rizhao Port Information	–	39	58
Rizhao Port Handling	–	50	–
Total	9,139	13,194	24,179

The non-trade balances due to related parties comprise payable for acquisition of property, plant and equipment and retention payable.

Amounts due to related parties – trade nature

	As at 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Rizhao Gangtong Communication	252	–	–
Rizhao Port	992	998	1,774
Rizhao Port Handling	–	1,822	1,956
Total	1,244	2,820	3,730

No general credit terms are granted to the payables and other amounts due to related parties of trade in nature. The following is an ageing analysis of payables and other amounts due to a related party of trade in nature presented based on the receipts of goods by the Company at the end of each reporting period:

	Year ended 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Within 3 months	1,244	2,820	3,730

Deposits paid to related party for acquisition of property, plant and equipment

	As at 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Shandong Gangwan	–	–	6,700
	–	–	6,700

Prepayments to related party for premises under operating lease

	As at 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Rizhao Port Group	7,160	5,966	6,126
	<u>7,160</u>	<u>5,966</u>	<u>6,126</u>

Cash and cash equivalents balances placed with related parties

As at 31 December 2016, 2017 and 2018, cash and cash equivalent balances comprised of cash deposit in RPG Finance amounted to RMB68,767,000, RMB66,459,000 and RMB55,491,000, respectively, as detailed in note 25.

(c) Transactions and balances with other state-owned entities

The Company entered into extensive transactions covering procurement of port related services, construction services, logistic services, purchase of property, plant and equipment, making deposits and borrowings with state-owned entities, other than Rizhao Port Group, in the normal course of business at terms comparable to those with other non-state-owned entities. In view of the nature of the business operated by the Company, the directors of the Company are of the opinion that it is impracticable to identify the identities of the counterparties from the daily business operations as to whether they are state-owned entities.

The directors of the Company are of the opinion that they have provided, in the best of their knowledge, adequate and appropriate disclosure of related party transactions and balances in the Historical Financial Information.

(d) Compensation of key management personnel

The remuneration of directors and other members of key management during the years ended 31 December 2016, 2017 and 2018 were as follows:

	Year ended 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Basic salaries	744	863	948
Bonus	611	760	692
Retirement benefit scheme contributions	258	346	391
	<u>1,613</u>	<u>1,969</u>	<u>2,031</u>

The remuneration of directors and key executives are determined with reference to the performance of individuals and market trends.

39. EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in note 2, the Company has no other significant events took place subsequent to 31 December 2018.

40. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Company have been prepared in respect of any period subsequent to 31 December 2018.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set forth in this Appendix does not form part of the accountants' report on the historical financial information of the Company for each of the three years ended 31 December 2018 (the "Accountants' Report") prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set out in Appendix I to this prospectus, and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set forth in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS OF THE COMPANY

The unaudited pro forma statement of adjusted net tangible assets of the Company has been prepared by the directors of the Company in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Global Offering (as defined in this prospectus) on the unaudited net tangible assets of the Company as at 31 December 2018 as if the Global Offering had taken place on 31 December 2018.

The unaudited pro forma statement of adjusted net tangible assets of the Company has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the net tangible assets of the Company had the Global Offering been completed on 31 December 2018 or at any future dates.

The following unaudited pro forma statement of adjusted net tangible assets of the Company is prepared based on the unaudited net tangible assets of the Company as at 31 December 2018 as shown in the Accountants' Report as set out in Appendix I to this prospectus, and adjusted as described below.

	Unaudited net tangible assets of the Company as at 31 December 2018	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted net tangible assets of the Company as at 31 December 2018	Unaudited pro forma adjusted net tangible assets of the Company per Share as at 31 December 2018	
	RMB'000 (Note 1)	RMB'000 (Note 2)	RMB'000	RMB (Note 3)	HK\$ (Note 4)
Based on the Offer Price of HK\$1.37 per Offer Share	1,405,577	436,207	1,841,784	1.15	1.31
Based on the Offer Price of HK\$1.51 per Offer Share	1,405,577	483,952	1,889,529	1.18	1.34

Notes:

- (1) The unaudited net tangible assets of the Company as at 31 December 2018 has been extracted from the Accountants' report set out in Appendix I to this prospectus, which is based on the unaudited net assets of the Company of RMB1,407,616,000, adjusted for intangible assets of RMB2,039,000.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

- (2) The estimated net proceeds from the Global Offering are based on 400,000,000 H Shares to be issued under the Global Offering and the Offer Price of HK\$1.37 and HK\$1.51 per Offer Share, respectively, being the lower end and higher end of the indicated Offer Price range, after deducting underwriting commissions and other estimated expenses expected to be incurred by the Company in connection with the Global Offering and assuming the Over-allotment Option is not exercised. The estimated net proceeds from the Global Offering are converted from Hong Kong dollars into Renminbi (“RMB”) at an exchange rate of HK\$1.00 to RMB0.87896, which was the middle exchange rate set by the PBOC prevailing on 22 May 2019, the Latest Practicable Date for the purpose of ascertaining certain information contained in this prospectus prior to its publication, with reference to the rate published by the People’s Bank of China. No representation is made that Hong Kong dollars amounts have been, could have been or could be converted to RMB, or vice versa, at that rate or at any other rates or at all.
- (3) The unaudited pro forma adjusted net tangible assets of the Company as at 31 December 2018 per share is calculated based on 1,600,000,000 Shares in issue immediately following the completion of the Global Offering. It does not take into account of any Shares which may be issued upon the exercise of the Over-allotment Option.
- (4) The unaudited pro forma adjusted net tangible assets of the Company per share is converted from RMB into Hong Kong dollars at the rate of RMB0.87896 to HK\$1.00, which was the middle exchange rate set by the PBOC prevailing on 22 May 2019, the Latest Practicable Date for the purpose of ascertaining certain information contained in this prospectus prior to its publication, with reference to the rate published by the People’s Bank of China. No representation is made that the RMB amounts have been, could have been or could be converted to Hong Kong dollars, or vice versa, at that rate or at any other rates or at all.
- (5) No adjustment has been made to the unaudited pro forma adjusted net tangible assets of the Company as at 31 December 2018 to reflect any trading result or other transactions of the Company entered into subsequent to 31 December 2018.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of the independent reporting accountants' assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in respect of the Company's unaudited pro forma financial information prepared for the purpose of incorporation in this prospectus.

Deloitte.

德勤

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Rizhao Port Jurong Co., Ltd.

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Rizhao Port Jurong Co., Ltd. (the "Company") prepared by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets as at 31 December 2018 and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated 31 May 2019 (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-2 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed Global Offering (as defined in this prospectus) on the Company's financial position as at 31 December 2018 as if the Global Offering had taken place at 31 December 2018. As part of this process, information about the Company's financial position has been extracted by the Directors from the Company's historical financial information for each of the three years ended 31 December 2018, on which an accountants' report set out in Appendix I to the Prospectus has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Company as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2018 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants’ judgement, having regard to the reporting accountants’ understanding of the nature of the Company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Company; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

31 May 2019

The following is the text of a letter and valuation certificate, prepared for the purpose of incorporation in this prospectus received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation as at March 31, 2019 of the property interest of the Company.



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979 King's Road, Hong Kong
tel +852 2846 5000 fax +852 2169 6001
Company Licence No.: C-030171

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公司牌照號碼: C-030171

May 31, 2019

The Board of Directors
Rizhao Port Jurong Co., Ltd.
Southern End
Haibin 5th Road
Rizhao City
Shandong Province
The PRC

Dear Sirs,

In accordance with your instructions to value the property interest held by **Rizhao Port Jurong Co., Ltd.** (the “**Company**”) in the People’s Republic of China (the “**PRC**”), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property interest as at March 31, 2019 (the “**valuation date**”).

Our valuation is carried out on a market value basis. Market value is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

Due to the nature of the completed buildings and structures of the property in the PRC, there are no market sales comparable readily available, the property interest has been valued by the cost approach with reference to their depreciated replacement cost.

Depreciated replacement cost is defined as “the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization.” It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement of the improvements, less deduction for physical deterioration and all relevant forms of obsolescence and optimization. In arriving at the value of the land portion, reference has been made to the sales evidence as available in the locality. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business. In our valuation, it applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed.

Our valuation has been made on the assumption that the seller sells the property interest in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the property interest.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interest valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its value.

In valuing the property interest, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by the Stock Exchange of Hong Kong Limited; the RICS Valuation — Global Standards 2017 published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors, and the International Valuation Standards issued by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Company and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

According to the information provided, the Company has not obtained any title documents relating to the property interest. We have relied considerably on the advice given by the Company's PRC legal advisers — JunHe LLP, concerning the validity of the property interest in the PRC.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive at an informed view, and we have no reason to suspect that any material information has been withheld.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the property but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the property. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the property is free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

Inspection of the property was carried out on December 11, 2018 by Mr. Elvin Zhang, who graduated with property development courses and has 5 years' experience in property valuation in the PRC and Ms. Silvia Ma who has 2 year's experience in the valuation of properties in the PRC.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our valuation certificate is attached.

Yours faithfully,

For and on behalf of

Jones Lang LaSalle Corporate Appraisal and Advisory Limited

Eddie T. W. Yiu

MRICS MHKIS RPS (GP)

Senior Director

Note: Eddie T.W. Yiu is a Chartered Surveyor who has 25 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

VALUATION CERTIFICATE

Property interest held by the Company in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
7 buildings and various structures located at Rizhao Port Zone Donggang District Rizhao City Shandong Province The PRC	<p>The property comprises 7 buildings and various structures (excluding land parcels) which were completed in various stages between 2004 and 2014.</p> <p>The buildings include 2 office buildings, 4 electricity substations and a pump house. The buildings have a total gross floor area of approximately 8,536.12 sq.m.</p> <p>The structures mainly include 7 berths, stacking yards, silos and roads.</p> <p>The buildings and structures are erected on 3 parcels of leased land.</p>	<p>As at the valuation date, the property was occupied by the Company for production and ancillary purposes except for various structures which were rented to an independent third party and a connected party.</p>	<p>No commercial value (see note 9)</p>

Notes:

1. Rizhao Port Jurong Co., Ltd. (the "Company") has entered into 2 Land Lease Agreements with Rizhao Port Group Co., Ltd. (the connected party of the Company) to lease 2 parcels of land with a total site area of approximately 518,290 sq.m. (approximately 438,000 sq.m. and 80,290 sq.m.) for a term of 20 years commencing from March 31, 2011 and June 1, 2012 respectively at a total annual rent of RMB22,199,190.
2. The Company has entered into a Land Lease Agreement with Rizhao Port Co., Ltd. (the connected party of the Company) to lease another parcel of land and a berth for a term of 5 years commencing from January 1, 2016. The total annual rent is RMB12,200,000 for the first two years and plus 50% profit from throughput of the berth from January 1, 2018.
3. Pursuant to a Real Estate Title Certificate — Lu (2019) Ri Zhao Shi Bu Dong Chan Quan Di No. 0002455, the sea area use rights with a site area of approximately 0.0322 ha. (approximately 322 sq.m.) are entitled to be used by the Company with the expiry date on January 9, 2064.
4. The buildings and structures of the property are erected on the aforesaid 3 parcels of leased land (mentioned in notes 1 and 2).
5. As for the 7 buildings of the property with a total gross floor area of approximately 8,536.12 sq.m., we have not been provided with any title certificates.
6. Pursuant to a Lease Agreement and a Novation Agreement, 3 berths of the property are rented to an independent third party for a term of 20 years at an annual rent of RMB73,000,000.
7. Pursuant to a Lease Agreement, a parcel of land with a site area of approximately 40,009 sq.m. (portion of the land parcels mentioned in note 1) and some structures erected thereon (including a stacking yard, West 1[#] Berth and portion of West 2[#] Berth) are rented to a connected party at an annual rent of RMB8,260,000. The Lease Agreement will be renewed if both parties have no written objections before the end of each year.
8. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - a. based on the written confirmation from the relevant competent authorities, they will not object to the continuous use of the buildings due to their construction and service condition.

9. 3 berths mentioned in note 6, the stacking yard and West 1# Berth mentioned in note 7 have been categorized into Group II which is held for investment by the Company, while the remaining portion of the property has been categorized into Group I which is held and occupied by the Company, the market value of each group in its existing state as at the valuation date is set out as below:

<u>Group</u>	<u>Market value in existing state as at the valuation date*</u> (RMB)
Group I — held and occupied by the Company	No commercial value
Group II — held for investment by the Company	No commercial value
* We have attributed no commercial value to the property interest as a whole or categorized in Group I and Group II due to the leased land nature of the land parcels on which the buildings and structures are erected thereon. However, for reference purpose, we are of the opinion that the depreciated replacement costs of the buildings and structures in Group I and Group II are RMB925,305,000 and RMB357,582,000 respectively (RMB1,282,887,000 in total).	

The following is a summary of certain PRC and Hong Kong tax consequences of the ownership of H Shares by an investor of H Shares that purchases such H Shares under the Global Offering and holds the H Shares as capital assets. This summary does not purport to address all material tax consequences of the ownership of H Shares, and does not take into account the specific circumstances of any particular investor, some of which may be subject to special rules. This summary is based on the tax laws of the PRC and Hong Kong as in effect as of the Latest Practicable Date, and such laws and the interpretation thereof are subject to changes (or changes in interpretation), possibly with retroactive effect.

This section hereof does not address any aspect of PRC or Hong Kong taxation other than income tax, capital tax, stamp duty and estate duty. Prospective investors are urged to consult their tax advisers regarding the PRC, Hong Kong and other tax consequences of owning and disposing of H Shares.

PRC TAXATION

Taxation of Dividends

Individual Investors

Pursuant to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) (the “**IIT Law**”), which was promulgated on September 10, 1980, last amended on August 31, 2018 and came into effect on January 1, 2019 and the Provision for Implementation of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法實施條例》), which was last amended on July 19, 2011 and came into effect on September 1, 2011, dividends distributed by PRC enterprises are subject to individual income tax levied at a flat rate of 20%. For a foreign individual who is not a resident of the PRC, the receipt of dividends from an enterprise in the PRC is normally subject to individual income tax of 20% unless a reduction is approved by the tax authority of the State Council or exempted by an applicable taxation treaty.

Pursuant to the Notice of the SAT on Matters Concerning the Levy and Administration of Individual Income Tax After the Repeal of Guo Shui Fa [1993] No. 45 (《國家稅務總局關於國稅發[1993]045 文件廢止後有關個人所得稅徵管問題的通知》) promulgated by the SAT on June 28, 2011, domestic non-foreign-invested enterprises issuing shares in Hong Kong may, when distributing dividends, withhold individual income tax at a rate of 10%. If the tax rate specified in the relevant taxation treaty or arrangement is lower than 10%, an individual shareholder who receives dividends may apply for a refund of the excess amount withheld, subject to the approval of the competent tax authority. If an individual shareholder is a resident of a country which has entered into a taxation treaty with the PRC and the agreed tax rate is higher than 10% but lower than 20%, his dividend will be subject to income tax at the agreed tax rate. If an individual shareholder is a resident of a country without entering any taxation treaty with the PRC, his dividend will be subject to income tax at a tax rate of 20%.

Pursuant to the Notice on Issues Regarding the Different Individual Income Tax Policies on Dividends and Bonus of Listed Companies (《關於上市公司股息紅利差別化個人所得稅政策有關問題的通知》) issued jointly by the Ministry of Finance, the State Administration of Taxation and the CSRC on September 7, 2015, for shares of listed companies obtained by individuals from public

offerings or the transfer market, where the holding period is within one month (inclusive), dividends received are fully recorded as taxable income; where the holding period is more than one month but less than one year (inclusive), 50% of dividends received are recorded as taxable income on a provisional basis; and all of the incomes above are subject to an individual income tax rate of 20%.

Enterprise Investors

In accordance with the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the “EIT Law”), which was promulgated on March 16, 2007, amended and came into effect on February 24, 2017, and the Provisions for Implementation of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》), which was promulgated on December 6, 2007 and came into effect on January 1, 2008, a non-resident enterprise is generally subject to a 20% enterprise income tax on income sourced from the PRC (including dividends received from a PRC resident enterprise that issues shares in Hong Kong), if it does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income has no real connection with such establishment or premise. The aforesaid income tax payable for non-resident enterprises are deducted at source, where the payer of the income are required to withhold the income tax from the amount to be paid to the non-resident enterprise when such payment is made or due. Pursuant to the Administrative Measures for Non-resident Taxpayers to Benefit from the Taxation Treaties (《非居民納稅人享受稅收協定待遇管理辦法》) issued by the SAT on August 27, 2015, and became effective on November 1, 2015, a non-resident taxpayer satisfying the terms and conditions for enjoying the taxation treaties treatment may be entitled to the taxation treaties treatment itself/himself when filing a tax declaration or making a withholding declaration through a withholding agent, subject to the subsequent administration by the tax authorities.

Further pursuant to the Notice of the SAT on the Issues Concerning Withholding Enterprise Income Tax on the Dividends Payable by PRC Resident Enterprises to Overseas Non-PRC Resident Enterprise H Share Holders (《國家稅務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) issued by the SAT on November 6, 2008, a PRC-resident enterprise must withhold EIT at a rate of 10% on dividends paid to non-PRC resident enterprise shareholders of H Shares which are derived out of profit generated since January 1, 2008. A non-PRC resident enterprise which is entitled to a preferential tax rate under an applicable taxation treaty or arrangement may, directly or through its agent or withholding agent, apply to the competent tax authorities for a refund of the excess amount of tax withheld.

For residents of the Hong Kong Special Administrative Region, according to the Arrangement between Mainland China and Hong Kong for the Avoidance of Double Taxation on Income (《內地和香港特別行政區關於對所得稅避免雙重徵稅和防止偷漏稅的安排》) signed on August 21, 2006, the PRC government may impose tax on dividends payable by a PRC company to a Hong Kong resident (including specified natural person and legal entity), but such tax shall not exceed 10% of the gross amount of dividends payable, and in the case where a Hong Kong resident holds 25% or more of equity interest in a PRC company, such tax shall not exceed 5% of the gross amount of dividends payable by such PRC company.

Investors who are not residents of the PRC and reside in countries that have entered into treaties for the avoidance of double taxation with the PRC or reside in Hong Kong Special Administrative Region or Macau Special Administrative Region may be entitled to a reduction of the withholding tax

imposed on the payment of dividends paid by PRC companies. The PRC has entered into arrangements for the avoidance of double taxation with Hong Kong Special Administrative Region and Macau Administrative Region, and has signed treaties for the avoidance of double taxation with many nations in the world, which include but are not limited to Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States.

Taxes Related to Share Transfer

Individual Investors

In accordance with the IIT Law and its implementation rules, individuals are subject to individual income tax at the rate of 20% on gains realized on the sale of equity interests in PRC resident enterprise. The IIT Law generally stipulates that gains derived from the assignment of property shall be subject to income tax at a rate of 20%. In addition, the Provisions for Implementation of Enterprise Income Tax Law of the PRC stipulate that measures for the levying of individual income tax on gains derived from the sale of shares shall be formulated separately by the MOF and shall be implemented following approval of the State Council. Under the Circular of the MOF and SAT on continuing to exempt Individual Income Tax over Individual Income from Transfer of Shares (《財政部、國家稅務總局關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) issued on March 30, 1998, from January 1, 1997, individual income tax exemption is continually valid from individuals' transfers of shares of listed companies. Further according to the Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》), which was jointly issued by the MOF, the SAT and the CSRC on December 31, 2009, individual income from transferring listed shares on certain domestic exchanges shall continue to be exempted from the individual income tax, except for shares of certain specified companies which are subject to sales limitations (as defined in the supplementary notice of such Circular issued on November 10, 2010).

As of the Latest Practicable Date, the aforesaid provision has not expressly provided whether the above exemption applies to non-PRC resident individuals on the sale of shares of PRC resident enterprises listed on overseas stock exchanges. To our knowledge, in practice, the PRC tax authorities have not sought to collect income tax from non-PRC resident individuals on gains from the sale of listed shares of PRC resident enterprises on overseas stock exchanges. However, there is no assurance that the PRC tax authorities will not change these practices, which could result in levying income tax on non-PRC resident individuals on gains from the sale of our H Share.

Enterprise

According to the EIT and the Provisions for Implementation of Enterprise Income Tax Law of the PRC, a non-resident enterprises shall be subject to 10% enterprise tax for income sourced from the PRC provided that the non-resident enterprises do not establish offices or premises in the PRC, or where there is an offices or remises, there is no connection between the gains received and such offices or premises. Such withholding tax may be reduced pursuant to an applicable avoidance of double taxation treaty.

Stamp Duty

PRC stamp duty imposed on the transfer of shares of PRC listed companies should not apply to the acquisition and disposal of H Shares by non-PRC investors outside the PRC by virtue of the Provisional Regulations of the PRC Concerning Stamp Duty (《中華人民共和國印花稅暫行條例》) promulgated on August 6, 1988, as amended on January 8, 2011. The Provisional Regulations of the PRC Concerning Stamp Duty requires that PRC stamp duty is imposed only on documents executed or received within the PRC legally binding in the PRC and protected under PRC law.

Estate Tax

No estate tax is currently levied in the PRC.

Major taxes of the company in the PRC

Please see “Regulatory Overview” in this Prospectus for further details.

HONG KONG TAXATION**Taxation on Dividends**

No tax is payable in Hong Kong in respect of dividends paid by our Company.

Profits Tax

Hong Kong profits tax will not be payable by any Shareholders (other than Shareholders carrying on a trade, profession or business in Hong Kong and holding the Shares for trading purposes) on any capital gains made on the sale or other disposal of the Shares. Shareholders should take advice from their own professional advisers as to their particular tax position.

Stamp Duty

Hong Kong stamp duty will be charged on the sale and purchase of Shares at 0.2% of the consideration for, or (if higher) the current rate, the Shares being sold or purchased, whether or not the sale or purchase is on the Stock Exchange. The Shareholder selling the Shares and the purchaser will each be liable for one-half of the amount of Hong Kong stamp duty. In addition, a fixed stamp duty of HK\$5 is currently payable on any instrument of transfer of Shares.

Estate Duty

Hong Kong estate duty was abolished from February 11, 2006. No Hong Kong estate duty is payable by Shareholders in relation to the Shares owned by them upon death.

ADMINISTRATION OF FOREIGN EXCHANGE IN THE PRC

According to the Regulations for the Administration of Foreign Exchange of the PRC (《中華人民共和國外匯管理條例》) (“**Foreign Exchange Administrative Regulations**”) which was promulgated by the State Council on January 29, 1996, and became effective from April 1, 1996, and was latest amended on August 5, 2008, all international payments and transfers are classified into current items and capital items. The State does not impose restrictions on international payments and

transfers under the current items. Pursuant to the Regulations for Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》) promulgated by the PBOC on June 20, 1996, and became effective on July 1, 1996, the remaining restrictions on foreign exchange in respect of current items are abolished, while the existing restrictions on foreign exchange transactions in respect of capital items are retained.

Pursuant to relevant rules and regulations of the State, all foreign exchange income generated from current item transactions of the PRC enterprises may be either retained or sold to financial institutions engaging in the settlement or sale of foreign exchange. Foreign exchange income from loans issued by organizations outside the territory or from the issuance of bonds and shares is not required to be sold to designated foreign exchange banks but can be deposited into foreign exchange accounts at the designated foreign exchange banks.

The PRC enterprises (including foreign-invested enterprises) which require foreign exchange for transactions relating to current items, may, without the approval of the State Administration of Foreign Exchange, effect payment from their foreign exchange accounts at the designated foreign exchange banks with the support of valid receipts and proof. Foreign-invested enterprises which need foreign exchange for the distribution of profits to their shareholders, and PRC enterprises which, in accordance with regulations, are required to pay dividends to shareholders in foreign exchange, may on the strength of board resolutions on the distribution of profits, effect payment from their foreign exchange accounts or convert and pay at the designated foreign exchange banks.

According to the Decision of the State Council on Canceling and Adjusting a Group of Administrative Approval Items and Other Matters (《國務院關於取消和調整一批行政審批項目等事項的決定》), which was promulgated and became effective on October 23, 2014, the administrative approval by the SAFE and its branches over matters concerning the repatriation and settlement of foreign exchange of overseas-raised funds through overseas listing is cancelled.

SAFE Circular 54

According to the Circular on Relevant Issues Concerning the Foreign Exchange Administration of Overseas Listing (the “**Circular 54**”) (《關於境外上市外匯管理有關問題的通知》) promulgated by SAFE on December 26, 2014, a domestic issuer shall, within 15 working days after the completion of the offering of shares for its overseas listing, register overseas listing with the Foreign Exchange Bureau at the place of its incorporation. After overseas listing, a domestic shareholder intending to increase or reduce his holding of overseas shares of the listed company shall register his shareholding with the local Foreign Exchange Bureau at the place where he resides within 20 working days before the increase and reduction of shares with related materials. The proceeds raised from overseas listing of a domestic issuer can be repatriated to PRC or deposited overseas, and the usage of such proceeds shall be consistent with the purpose as specified in the prospectus and other disclosure documents.

1. PRC LAWS AND REGULATIONS

This appendix contains a summary of laws and regulations on companies and securities in the PRC, certain major differences between the PRC Company Law and the Companies Ordinance as well as the additional regulatory provisions of the Hong Kong Stock Exchange on Chinese joint stock limited companies. The principal objective is to provide an overview of the principal laws and regulations applicable to us. This summary is made with no intention to include all the information which may be important to potential investors. For discussion of laws and regulations specifically governing the business of the Company, please see the section entitled “Regulation Overview”.

THE PRC LEGAL SYSTEM

The PRC legal system is based on the PRC Constitution (《中華人民共和國憲法》) (the “**Constitution**”) and is made up of written laws, administrative regulations, local regulations, separate regulations, autonomous regulations, rules and regulations of State Council departments, rules and regulations of local governments, international treaties of which the PRC Government is a signatory, and other regulatory documents. Court case verdicts do not constitute binding precedents. However, they may be used for the purposes of judicial reference and guidance.

According to the Legislation Law of the PRC (《中華人民共和國立法法》), the National People’s Congress (the “**NPC**”) and the Standing Committee of the NPC are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend basic laws governing state organs, civil and criminal matters and other matters. The Standing Committee of the NPC is empowered to formulate and amend laws other than those required to be enacted by the NPC and to supplement and amend any parts of laws enacted by the NPC during the adjournment of the NPC, provided such supplements and amendments are not in conflict with the basic principles of such laws.

The State Council is the highest administrative organ of the PRC and has the power to formulate administrative regulations based on the Constitution and laws.

The people’s congresses of provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual requirements of their own respective administrative areas, provided that such local regulations do not contravene any provision of the Constitution, laws or administrative regulations. The people’s congresses of certain cities and their respective standing committees may formulate local regulations based on the specific circumstances and actual requirements of such cities, and such regulations will become enforceable after being reported to and approved by the standing committees of the relevant provinces or autonomous regions, but such local regulations shall conform with the Constitution, laws, administrative regulations, and the relevant local regulations of the relevant provinces or autonomous regions. People’s congresses of national autonomous areas have the power to enact autonomous regulations and separate regulations in the light of the political, economic and cultural characteristics of the nationality (nationalities) in the areas concerned.

The ministries, commissions, People’s Bank of China, National Audit Office of the PRC and institutions with administrative functions directly under the State Council may formulate departmental rules within the judicial purview of their respective departments based on the laws and the administrative regulations, decisions and rulings of the State Council.

The Constitution has supreme legal authority and no laws, administrative regulations, local regulations, autonomous regulations or separate regulations may contravene the Constitution. The significance of laws is greater than that of administrative regulations, local regulations, and rules. The significance of administrative regulations is greater than that of local regulations and rules. The significance of local regulations is greater than that of the rules of the local governments at or below the corresponding level. The significance of the rules enacted by the people's governments of the provinces or autonomous regions is greater than that of the rules enacted by the people's governments of the comparatively larger cities within the administrative areas of the provinces and the autonomous regions.

The NPC has the power to alter or annul any inappropriate laws enacted by its Standing Committee, and to annul any autonomous regulations or separate regulations which have been approved by its Standing Committee but contravene the Constitution or the Legislation Law. The Standing Committee of the NPC has the power to annul any administrative regulation that contravenes the Constitution and laws, to annul any local regulation that contravenes the Constitution, laws or administrative regulations, and to annul any autonomous regulation or local regulation which has been approved by the standing committees of the people's congresses of the relevant provinces, autonomous regions or municipalities directly under the Central Government but contravene the Constitution and the Legislation Law. The State Council has the power to alter or annul any inappropriate departmental rules and rules of local governments. The people's congresses of provinces, autonomous regions or municipalities directly under the Central Government have the power to alter or annul any inappropriate local regulations enacted approved by their respective standing committees. The people's governments of provinces and autonomous regions have the power to alter or annul any inappropriate rules enacted by the people's governments at the lower level.

According to the Constitution, the power to interpret laws is vested in the Standing Committee of the NPC. According to the Resolution of the Standing Committee of the NPC on providing an improved Interpretation of Laws (《全國人大常務委員會關於加強法律解釋工作的決議》) passed on June 10, 1981, the Supreme People's Court has the power to give general interpretation on questions involving the specific application of laws and decrees in court trials. The State Council and its ministries and commissions are also vested with the power to give interpretations of the administrative regulations and departmental rules which they have promulgated. At the regional level, the power to give interpretations of the local laws and regulations as well as administrative rules is vested in the regional legislative and administrative organs which promulgate such laws, regulations and rules.

THE PRC JUDICIAL SYSTEM

Under the Constitution and the Organic Law of the People's Courts of the People's Republic of China (《中華人民共和國人民法院組織法》), the PRC judicial system is made up of the Supreme People's Court, the local people's courts, military courts and other special people's courts.

The local people's courts are comprised of the primary people's courts, the intermediate people's courts and the higher people's courts. The primary people's courts are organized into civil, criminal, administrative, supervision and enforcement divisions. The intermediate people's courts are organized into divisions similar to those of the primary people's courts, and are entitled to organize other divisions as needed, such as the intellectual property division.

The higher level people's courts supervise the primary and intermediate people's courts. The people's procuratorates also have the rights to exercise legal supervision over the civil proceedings of people's courts of the same level and lower levels. The Supreme People's Court is the highest judicial body in the PRC. It has the rights to supervise the administration of justice by the people's courts at all levels.

The people's courts employ a two-tier appellate system. A party may appeal against a first instance judgment or ruling to the people's court at the next higher level. Second judgments or rulings given in the people's court at the next higher level are final. First judgments or rulings of the Supreme People's Court are also final. If, however, the Supreme People's Court or a people's court at a higher level finds an error in a judgment or ruling which has been given in any people's court at a lower level, or the presiding judge of a people's court finds an error in a judgment or ruling which has been given in the court over which he presides, the case may then be retried according to the judicial supervision procedures.

The PRC Civil Procedure Law (《中華人民共和國民事訴訟法》), which was adopted in 1991 and amended in 2007, 2012 and 2017, sets forth the procedures for instituting a civil action, the jurisdiction of the people's courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment. All parties to a civil action conducted within the PRC must comply with the PRC Civil Procedure Law. Generally, a civil case is initially heard by a local court of the municipality or province in which the defendant resides. The parties to a contract may, by express agreement, select a court where civil actions may be brought, provided that the court is either the plaintiff's or the defendant's place of residence, the place of execution or implementation of the contract or the place of the object of the action, provided that the provisions of the PRC Civil Procedure Law regarding the level of jurisdiction and exclusive jurisdiction shall not be violated. A foreign national or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. If a foreign country's judicial system limits the litigation rights of PRC citizens and enterprises, the PRC courts may apply the same limitations to the citizens and enterprises of that foreign country within the PRC. If any party to a civil action refuses to comply with a judgment or ruling made by a people's court or an award made by an arbitration panel in the PRC, the other party may apply to the people's court for the enforcement of the same. There is a time limit of two years imposed on the right to apply for such enforcement. If a party fails to satisfy a judgment made by the court within the stipulated time, the court will, upon application by either party, mandatorily enforce the judgment in accordance with the law.

A party seeking to enforce a judgment or ruling of a people's court against a party who is not personally or whose property is not within the PRC, may directly apply to a foreign court with jurisdiction over the case for recognition and enforcement of the judgment or ruling. A foreign judgment or ruling may also be recognized and enforced by the people's court according to PRC enforcement procedures if the PRC has entered into, or acceded to, an international treaty with the relevant foreign country, which provides for such recognition and enforcement, or if the judgment or ruling satisfies the court's examination according to the principle of reciprocity, unless the people's court finds that the recognition or enforcement of such judgment or ruling will result in a violation of the basic legal principles of the PRC, its sovereignty or security, or non-compliance with social and public interest.

THE PRC COMPANY LAW, SPECIAL REGULATIONS AND MANDATORY PROVISIONS

A joint stock limited company which is incorporated in the PRC and seeking a listing on the Hong Kong Stock Exchange is mainly subject to the following four laws and regulations in the PRC:

- The Company Law of the People's Republic of China (《中華人民共和國公司法》) (“**the PRC Company Law**”), which was promulgated by the Standing Committee of the NPC on December 29, 1993, came into effect on July 1, 1994, revised on December 25, 1999, August 28, 2004, October 27, 2005 and December 28, 2013, respectively, and the latest revision of which was implemented on October 26, 2018;
- The Special Regulations of the State Council Concerning the Floatation and Listing Abroad of Shares by Joint Stock Limited Companies (《國務院關於股份有限公司境外募集股份及上市的特別規定》) (the “**Special Regulations**”), which were promulgated by the State Council on August 4, 1994, and were applicable to the overseas share subscription and listing of joint stock limited companies; and
- The Mandatory Provisions in the Articles of Association of Joint Stock Limited Companies to be Listed Overseas (《到境外上市公司章程必備條款》) (the “**Mandatory Provisions**”), which were promulgated by the former Securities Committee of the State Council and the State Economic Restructuring Commission on August 27, 1994, and stated the mandatory provisions which must be incorporated into the articles of association of a joint stock limited company seeking an overseas listing. As such, the Mandatory Provisions are set out in the Articles of Association of the Company, the summary of which is set out in Appendix VI of this Prospectus. The Letter of Opinions on Supplemental Amendments to Articles of Association of Companies Listed in Hong Kong issued by the Overseas Listing Division of the China Securities Regulatory Commission and the Production Systems Division of the State Commission for Economic Restructuring on April 3, 1995 further provides on the “Mandatory Provisions” for the companies to apply for listing in Hong Kong. Set out below is a summary of the major provisions of the PRC Company Law, the Special Regulations and the Mandatory Provisions applicable to our Company.

General

A joint stock limited company refers to an enterprise legal person incorporated under the PRC Company Law with its registered capital divided into shares of equal nominal value. The liability of its shareholders is limited to the amount of shares held by them, and the liability of the company is limited to the total value of all the assets it owns.

A company must conduct its business in accordance with laws and professional ethics. A company may invest in other limited liability companies and joint stock limited companies. The liabilities of the company to such invested companies are limited to the amount invested. Unless otherwise provided by laws, a company cannot be the capital contributor who has the joint and several liabilities associated with the debts of the invested enterprises.

Incorporation

A joint stock limited company may be incorporated by promotion or stock flotation. A joint stock limited company shall be incorporated by a minimum of two promoters while the maximum number thereof shall be 200, and at least half of the promoters must have residences within the PRC.

The promoters must convene an inaugural meeting within 30 days after the issued shares have been fully paid up, and must give notice to all subscribers or make an announcement of the date of the inaugural meeting 15 days before the meeting. The inaugural meeting may be convened only with the presence of shareholders representing more than 50% of the total shares issued by the company. At the inaugural meeting, matters including the adoption of articles of association and the election of members of the board of directors and members of the board of supervisors of the company will be dealt with. All resolutions of the meeting require the approval of subscribers with more than half of the voting rights present at the meeting.

Within 30 days after the conclusion of the inaugural meeting, the board of directors must apply to the registration authority for registration of the establishment of the joint stock limited company. A company is formally established, and has the status of a legal person, after the business license has been issued by the relevant registration authority. Joint stock limited companies established by the raising method shall file the approval on the offering of shares issued by the securities regulatory department of the State Council with the company registration authority for record.

A joint stock limited company's promoters shall be liable for: (i) the payment of all expenses and debts incurred in the incorporation process jointly and severally if the company cannot be incorporated; (ii) the refund of subscription monies to the subscribers, together with interest, at bank rates for a deposit of the same term jointly and severally if the company cannot be incorporated; and (iii) damages suffered by the company as a result of the default of the promoters in the course of incorporation of the company.

According to the Provisional Regulations Concerning the Issuance and Trading of Shares (《股票發行與交易管理暫行條例》) promulgated by the State Council on April 22, 1993 (which is only applicable to the issuance and trading of shares in the PRC and their related activities), if a company is established by means of public offering, the promoters of such company are required to sign on the prospectus to ensure that the prospectus does not contain any misrepresentation, serious misleading statements or material omissions, and assume joint and several responsibility for it.

Registered Shares

Under the PRC Company Law, the shareholders may make capital contributions in cash, in kind or by way of injection of assets, intellectual property rights, land use rights or other transferable non-cash property based on their appraised value. Pursuant to the Special Regulations, overseas listed and foreign invested shares issued shall be in registered form, denominated in Renminbi and subscribed for in a foreign currency. Domestic shares issued shall be in registered form.

Under the PRC Company Law, when a company issues shares in registered form, it shall maintain a register of shareholders, stating (1) the name and domicile of each shareholder; (2) the number of shares held by each shareholder; (3) the serial numbers of shares held by each shareholder; and (4) the date on which each shareholder acquired the shares.

Increase in Share Capital

According to the PRC Company Law, when the joint stock limited company issues new shares, resolutions shall be passed by a shareholders' general meeting, approving the class and number of the new shares, the issue price of the new shares, the commencement and end of the new share issuance and the class and amount of new shares to be issued to existing shareholders. When the company launches a public issuance of new shares with the approval of the securities regulatory authorities under the State Council, it shall publish a prospectus and financial accounting reports, and prepare the share subscription form. After the new share issuance has been paid up, the change shall be registered with the company registration authorities and an announcement shall be made.

Reduction of Share Capital

A company may reduce its registered capital in accordance with the following procedures prescribed by the PRC Company Law:

- It shall prepare a balance sheet and a property list;
- The reduction of registered capital shall be passed by shareholders' general meeting;
- It shall inform its creditors of the reduction in capital within ten days and publish an announcement of the reduction in the newspaper within 30 days after the resolution approving the reduction has been passed;
- Creditors may within 30 days after receiving the notice, or within 45 days of the public announcement if no notice has been received, require the company to pay its debts or provide guarantees covering the debts; and
- It shall apply to the relevant Industry and Commerce Administration for change in registration of the reduction in registered capital.

Repurchase of Shares

According to the PRC Company Law, a joint stock limited company shall not purchase its shares other than for one of the following purposes:

- (i) to reduce registered capital;
- (ii) to merge with another company that holds its shares;
- (iii) to grant its shares to its employees as incentives;
- (iv) to purchase its shares from shareholders who are against the resolution regarding the merger or division with other companies in a shareholders' general meeting;
- (v) to convert shares to corporate bonds issued by a company that can be converted into company shares; and
- (vi) to maintain the company's value and the interests of shareholders as necessary.

The purchase of shares on the grounds set out in (i) to (iii) above shall require approval by way of a resolution passed by the shareholders' general meeting.

Following the purchase of shares in accordance with the foregoing, such shares shall be canceled within ten days from the date of purchase in the case of (i) above and transferred or canceled within six months in the case of (ii) or (iv) above.

Shares repurchased for the purpose of (iii) (v) (vi) above, with respect to the total number of shares held by the company, it shall not exceed 10% of the total number of the company's issued shares and shall be transferred or canceled within 3 years.

Transfer of Shares

Shares held by shareholders may be transferred in accordance with the relevant laws and regulations. Pursuant to the PRC Company Law, transfer of shares by shareholders shall be carried out at a lawfully established securities exchange or in other manners stipulated by the State Council. No modifications of registration in the share register caused by transfer of registered shares shall be carried out within 20 days prior to the convening of shareholder's general meeting or five days prior to the base date for determination of dividend distributions. Where there are separate provisions by law on alternation of registration in the share register of listed companies, those provisions shall prevail. Pursuant to the Mandatory Provisions, no modifications of registration in the share register caused by transfer of shares shall be carried out within 30 days prior to a company's convening of shareholder's general meeting or five days prior to any base date for determination of dividend distributions.

Under the PRC Company Law, shares issued prior to the public issuance of shares shall not be transferred within one year from the date of the joint stock limited company's listing on a stock exchange. Directors, supervisors and the senior management shall declare to the company their shareholdings in the company and any alternation of such shareholdings. They shall not transfer more than 25% of all the shares they hold in the company annually during their tenure. They shall not transfer the shares within one year from the date of the company's listing on a stock exchange, nor within six months after their resignation from their positions within the company.

Shareholders

Pursuant to the Company Law and the Mandatory Provisions, a shareholder's rights include:

- the right to transfer his/her shares in accordance with applicable laws and regulations as well as the articles of association;
- the right to attend in person or appoint a representative to attend the shareholders' general meeting and to vote in respect of the amount of shares held;
- the right to inspect the company's articles of association, shareholders' registers, records of short-term debentures, minutes of shareholders' general meeting, board resolutions;
- resolutions of the board of supervisors and financial accounting reports, and to put forward proposals or raise questions on the business operations of the company;

- where a resolution approved by the shareholders' general meeting or by the board of directors violates any law or regulation, or infringes on the shareholders' lawful rights and interests, the right to institute an action in a people's court demanding that the illegal infringing action be stopped;
- the right to obtain surplus assets of the company upon its termination in proportion to shares he/she holds; to claim against other shareholders who abuse their rights of shareholders for the damages; and
- the right to receive dividends based on the number of shares held; and any other shareholders' rights specified in the articles of association.

The obligations of shareholders include:

- to comply with the articles of association of the company;
- to pay the subscription monies in respect of shares subscribed for;
- be liable for debts and liabilities of the company to the extent of the amount of subscription monies agreed to be paid in respect of the shares taken up;
- no abuse of shareholders' rights to damage the interests of the company or other shareholders of the company; no abuse of the independent status of the company as a legal person and its limited liability companies as to damage the interests of the creditors of the company; and
- any other obligation specified in the articles of association of the company.

Shareholders' General Meeting

The shareholders' general meeting is the organ of authority of a company, which exercises its functions and powers in accordance with the Company Law. The shareholders' general meeting exercises the following functions and powers:

- to decide on operational policies and investment plans of the company;
- to elect or remove the directors and supervisors who are not representatives of the employees;
- to decide on matters relevant to remuneration of directors and supervisors;
- to review and approve reports of the board of directors;
- to review and approve reports of the board of supervisors or the supervisors;
- to review and approve annual financial budgets and financial accounts proposed by the company;
- to review and approve proposals for profit distribution and for recovery of losses of the company;

- to decide on increase and reduction of the registered capital of the company;
- to decide on bond issuances of the company;
- to decide on merger, division, dissolution and liquidation of the company and other issues;
- to amend the articles of association of the company; and other functions and powers specified in the articles of association of the company.

The annual shareholders' general meeting must be convened once a year. An extraordinary shareholders' general meeting shall be held within two months upon the occurrence of any of the following circumstances:

- the number of directors is less than the number provided for in the Company Law or less than two-thirds of the number specified in the articles of association of the company;
- the losses of the company which are not made up reach one-third of the total paid-up share capital of the company;
- as requested by a shareholder holding, or shareholders holding in aggregate, 10% or more of the shares of the company;
- when deemed necessary by the board of directors;
- as suggested by the board of supervisors; or
- other matters required by the articles of association.

The shareholders' general meeting shall be convened by the chairman of the Board and shall be presided over by the chairman of the board of directors. If the chairman of the board is unable to perform his duties or fails to do so, the vice chairman shall preside; in the event he is unable to perform his duties or fails to do so, a director jointly elected by more than half of the directors shall preside. The notice to convene the shareholders' general meeting shall be despatched to all the shareholders 20 days prior to the general meeting pursuant to the Company Law, and 45 days prior to the general meeting pursuant to the Special Regulations and the Mandatory Provisions, stating the matters to be reviewed at the general meeting. Under the Special Regulations and the Mandatory Provisions, shareholders intending to attend are required to send written confirmations of their attendance to the company 20 days before the general meeting.

According to the Special Regulations, at the annual shareholders' general meeting of the company, shareholders with 5% or more of the voting rights in the company are entitled to propose to the company in writing new resolutions to be reviewed at the general meeting, which if within the functions and powers of the shareholders' general meeting, are required to be added to the agenda of the general meeting. Shareholders present at the shareholders' general meeting possess one vote for each share they hold. However, the company shall have no vote for any of its own shares the company holds. Resolutions proposed at the shareholders' general meeting shall be approved by more than half of the voting rights cast by shareholders present in person (including those represented by proxies) at the general meeting, except that such resolutions as merger, division or reduction of registered capital,

the issue of bonds or short-term debentures, the change in the form of the company or the amendment to the articles of association, shall be approved by shareholders with more than two-thirds of the voting rights cast by shareholders present (including those represented by proxies) at the general meeting.

A shareholder may entrust a proxy to attend a shareholders' general meeting. The proxy shall present a power of attorney issued by the shareholder to the company and shall exercise his voting rights within the authorization scope. There is no specific provisions in the Company Law regarding the number of shareholders constituting a quorum in a shareholders' meeting, although the Special Regulations and the Mandatory Provisions provide that a company's annual general meeting may be convened when replies to the notice of that meeting from shareholders holding shares representing 50% of the voting rights in the company have been received 20 days before the proposed date, or where the 50% level is not achieved, the company shall within five days after the last day for receipt of the replies notify shareholders again by public announcement of the matters to be considered at the meeting and the date and place of the meeting, and the annual general meeting may be held thereafter. The Mandatory Provisions require class meetings to be held in the event of a variation or derogation of the class rights of a class.

Holders of domestic shares and holders of overseas listed foreign invested shares are deemed to be different classes of shareholders for this purpose.

Directors

A company shall have a board of directors, which shall consist of five to nineteen members. The term of office of the directors shall be provided for by the articles of association, but each term of office shall not exceed three years. The directors may hold consecutive terms upon reelection.

Meetings of the board of directors shall be convened at least twice a year. A notice of meeting shall be given to all directors and supervisors at least ten days before the meeting. The board of directors may provide a different method of giving notice and notice period for convening an extraordinary meeting of the board of directors.

Under the Company Law, the board of directors exercises the following functions and powers:

- to convene the shareholders' general meeting and report on its work to the shareholders;
- to implement the resolution of the shareholders' general meeting;
- to decide on the company's business plans and investment plans;
- to formulate the company's proposed annual financial budget and final accounts;
- to formulate the company's proposals for profit distribution and for recovery of losses;
- to formulate proposals for the increase or reduction of the company's registered capital and the issue of corporate bonds;
- to prepare plans for the merger, division or dissolution and change of the form of the company;

- to decide on the company's internal management structure;
- to appoint or dismiss the company's general manager, and based on the general manager's recommendation, to appoint or dismiss deputy general managers and financial officers of the company and to decide on their remuneration;
- to formulate the company's basic management system; and
- other functions and powers as specified in the articles of association.

In addition, the Mandatory Provisions provide that the board of directors is also responsible for formulating the proposals for amendment of the articles of association of a company. Meetings of the board of directors could be held only if more than half of the directors are present. Resolutions of the board of directors require the approval of more than half of all directors. Where a director is unable to attend a board meeting, he may appoint another director by a power of attorney specifying the scope of the authorization for another director to attend the meeting on his behalf.

Where a resolution of the board of directors violates the laws, administrative regulations or the company's articles of association as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, where it can be proven that a director objected to the resolution when the resolution was voted on, and that such objections were recorded in the minutes of the meeting, such director may be relieved of that liability.

Under the Company Law, the following persons may not act as a director of a company:

- persons without capacity or restricted capacity to undertake civil liabilities;
- persons who have committed the offense of corruption, bribery, taking of property, misappropriation of property or destruction of the socialist market economic order, and have been sentenced to criminal punishment, where less than five years have elapsed since the date of completion of the sentence; or persons who have been deprived of their political rights due to criminal offense, where less than five years have elapsed since the date of the completion of implementation of this deprivation;
- persons who are former directors, factory managers or managers of a company or enterprise that has been bankrupt and has been liquidated and those persons are personally liable for the bankruptcy of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of such company or enterprise;
- persons who were legal representatives of a company or enterprise which had its business license revoked due to violation of the law and who are personally liable, and less than three years have elapsed since the date of the revocation of the business license of such company or enterprise; or
- persons who have a relatively large amount of debt due and outstanding; or other circumstances under which a person is disqualified from acting as a director of a company are set out in the Mandatory Provisions (which have been incorporated in the Articles of Association, a summary of which is set out in Appendix VI).

The board of directors shall appoint a chairman, who is elected with approval of more than half of all the directors. The chairman of the board of directors exercises the following functions and powers (including but not limited to):

- to preside over shareholders' general meetings and convene and preside over meetings of the board of directors;
- to check on the implementation of the resolutions of the board of directors;
- to sign securities issued by the Company;
- other powers conferred by the Board.

The legal representative of a company, in accordance with the company's articles of association, may be the chairman of the board of directors, any executive director or the manager. The Special Regulations provide that a company's directors, supervisors, managers and other senior management personnel bear fiduciary duties and the duty to act diligently. They are required to faithfully perform their duties, protect the interests of the company and not to use their positions for their own benefit. The Mandatory Provisions (which have been incorporated into the Articles of Association, a summary of which is set out in Appendix VI) contains further elaborations of such duties.

Supervisors

A joint stock limited company shall establish a board of supervisors comprised of no less than three members. The board of supervisors shall include shareholders' representatives and an appropriate proportion of employee representatives. The proportion of employee representatives shall be specified in the articles of association but in any event shall account for no less than one-third of the supervisors appointed. Employee representatives who serve as members of the board of supervisors shall be democratically elected through the employee representatives' assembly, the employees' assembly or in any other way.

No director or senior management of a company may concurrently act as one of its supervisors.

The Board of Supervisors exercises the following functions and powers:

- to check the financial affairs of the company;
- to supervise the directors and senior management in the performance of their duties, and to put forward proposals on the removal of any director or senior manager who violates laws, administrative regulations, the articles of association or any resolution of the shareholders' meeting;
- to require the director or senior manager to make corrections if his act is detrimental to the interests of the company;
- to propose the convening of extraordinary shareholders' general meetings, and to convene and preside over shareholders' meetings when the board of directors fails to exercise the function of convening and presiding over shareholders' meetings;

- to put forward proposals at shareholders' meetings;
- to initiate actions against directors or senior management according to Article 151 of the PRC Company Law; and
- other functions and duties as provided for by the articles of association.

The circumstances under which a person is disqualified from being a director of a company described above apply mutatis mutandis to supervisors of a company.

Managers and Senior Management

A company shall have a manager who shall be appointed or removed by the board of directors. The manager reports to the board of directors and may exercise the following powers:

- manage the production, operation and management of the company and arrange for the implementation of resolutions of the board of directors;
- arrange for the implementation of the company's annual business and investment plans;
- formulate plans for the establishment of the company's internal management structure;
- formulate the basic administration system of the company;
- formulate the company's internal rules;
- recommend the appointment and dismissal of deputy managers and any financial officer of the company and appoint or dismiss other officers of the company (other than those required to be appointed or dismissed by the board of directors);
- attend board meetings as a non-voting attendant; and
- other powers conferred by the board of directors or the company's articles of association.

Pursuant to the Company Law, other senior management personnel of a company include the financial officers, secretary of the board of directors and other executives as specified in the articles of association of the company.

The circumstances under which a person is disqualified from being a director of a company described above apply mutatis mutandis to managers and officers of the company. The articles of association of a company shall have binding effect on the shareholders, directors, supervisors, managers and other senior management of the company. Such persons shall be entitled to exercise their rights, apply for arbitration and issue legal proceedings according to the articles of association of the company.

Finance and Accounting

Under the PRC Company Law, a company shall establish financial and accounting systems according to laws, administrative regulations and the regulations of the financial department of the State Council and shall at the end of each financial year prepare a financial report which shall be

audited and verified as required by law. The company's financial and accounting report shall be prepared in accordance with provisions of the laws, administrative regulations and the regulations of the financial department of the State Council.

Pursuant to the PRC Company Law, a company shall deliver its financial and accounting reports to all the shareholders within the time limit stipulated in the articles of association and make its financial statements available for inspection by the shareholders at least 20 days before the convening of an annual general meeting of shareholders. It shall also publish its financial statements.

When distributing each year's after-tax profits, it shall set aside 10% of its after-tax profits into a statutory reserve fund (except where the fund has reached 50% of its registered capital). If the statutory reserve fund of a company is not sufficient to make up losses of the previous year, profits of the current year shall be applied to make up losses before allocation is made to the statutory reserve fund pursuant to the above provisions. After allocation of the statutory reserve fund from after-tax profits, it may, upon a resolution passed by the shareholders' general meeting, allocate discretionary reserve fund from after-tax profits. The remaining after-tax profits and reserves after making up losses and allocation of reserve fund shall be distributed in proportion to the number of shares held by the shareholders, unless otherwise stipulated in the articles of association. Shares held by the company shall not be entitled to any distribution of profit.

The premiums received through issuance of shares at prices above par value and other incomes required by the finance authority of the State Council to be allocated to the capital reserve fund shall be allocated to the company's capital reserve fund.

The reserve fund of the company shall be applied to make up losses of the company, expand its business operations or be converted to increase the registered capital of the company. However, the capital reserve fund may not be applied to make good the company's losses. Upon the conversion of statutory reserve fund into capital, the balance of the statutory reserve fund shall not be less than 25% of the registered capital of the company before such conversion.

The company shall have no other accounting books except the statutory accounting books. Its assets shall not be deposited in any accounts opened in the name of an individual.

Appointment and Retirement of Accounting Firms

Pursuant to the PRC Company Law, the appointment or dismissal of accounting firms responsible for the auditing of the company shall be determined by shareholders' general meeting or board of directors in accordance with provisions of articles of association. The accounting firm should be allowed to make representations when the shareholders' general meeting or board of directors conducts a vote on the dismissal of the accounting firm. The company should provide true and complete accounting evidences, books, financial and accounting reports and other accounting data to the accounting firm that it employs without any refusal, withholding and misrepresentation. The Special Regulations provide that a company shall employ an independent accounting firm complying with the relevant regulations to audit its annual report and review and check other financial reports of the company. The accounting firm's term of office shall commence from their appointment at a shareholders' annual general meeting to the end of the next shareholders' annual general meeting.

Distribution of Profits

According to the PRC Company Law, a company shall not distribute profits before losses are covered and the reserve fund is drawn. Under the Mandatory Provisions, a company shall appoint receiving agents on behalf of holders of the overseas listed and foreign invested shares to receive on behalf of such shareholders dividends and other distributions payable in respect of their overseas listed and foreign invested shares.

Dissolution and Liquidation

According to the PRC Company Law, a company shall be dissolved by reason of the following: (i) the term of its operations set down in the articles of association has expired or other events of dissolution specified in the articles of association have occurred; (ii) the shareholders' general meeting have resolved to dissolve the company; (iii) the company is dissolved by reason of merger or division; (iv) the company's business license is revoked; the company is ordered to close down or be dissolved; or (v) the company is dissolved by the people's court in response to the request of shareholders holding shares that represent more than 10% of the voting rights of all its shareholders, on the grounds that the company suffers significant hardships in its operation and management that cannot be resolved through other means, and that the ongoing existence of the company would bring significant losses for shareholders.

In the event of (i) above, a company may carry on its existence by amending its articles of association. The amendment of a company's articles of association in accordance with provisions set out above shall require approval of more than two-thirds of voting rights of shareholders attending a shareholders' general meeting.

Where the company is dissolved in the circumstances described in subparagraphs (i), (ii), (iv), or (v) above, a liquidation committee shall be established and the liquidation process shall commence within 15 days after the occurrence of an event of dissolution. The members of the company's liquidation committee shall be composed of its directors or the personnel appointed by the shareholders' general meeting. If a liquidation committee is not established within the stipulated period, creditors of the company may apply to the people's court, requesting the court to appoint relevant personnel to form the liquidation committee. The people's court should accept such application and form a liquidation committee to conduct a liquidation in a timely manner.

The liquidation committee shall exercise the following powers during the liquidation period:

- to handle the company's assets and to prepare a balance sheet and an inventory of the assets;
- to notify creditors through notice or public announcement;
- to deal with the company's outstanding businesses related to liquidation;
- to pay any tax overdue as well as tax amounts arising from the process of liquidation;
- to claim credits and pay off debts;

- to handle the company's remaining assets after its debts have been paid off; and
- to represent the company in civil lawsuits.

Where the company's assets are sufficient to meet its liabilities, they shall be applied towards the payment of the liquidation expenses, wages owed to the employees and labor insurance expenses, tax overdue and debts of the company. Any surplus assets shall be distributed to the Shareholders of the company in proportion to the number of Shares held by them.

A company shall not engage in operating activities unrelated to the liquidation during the liquidation period. If the liquidation committee becomes aware that the company does not have sufficient assets to meet its liabilities, it must immediately apply to the People's Court for a declaration for bankruptcy. Following such declaration, the liquidation committee shall hand over all affairs of the liquidation to the people's court.

Upon completion of the liquidation, the liquidation committee shall submit a liquidation report to the shareholders' general meeting or people's court for conformation. Thereafter, the report shall be submitted to the company registration authority in order to cancel the company's registration, and a public notice of its termination shall be issued.

Members of the liquidation committee are required to discharge their duties honestly and in compliance with relevant laws. A member of the liquidation committee is liable to indemnify the company and its creditors with respect to any loss arising from his willful or material default.

Overseas Listing

The shares of a company shall only be listed overseas after obtaining approval from CSRC and the listing must be arranged in accordance with the procedures specified by the State Council.

According to the Special Regulations, a company's plan to issue overseas listed foreign invested shares and domestic shares which has been approved by the CSRC may be implemented by the board of directors of a company by way of separate issues, within 15 months after approval is obtained from the CSRC.

Loss of Share Certificates

A shareholder may apply, in accordance with the relevant provision set out in the PRC Civil Procedure Law, to a people's court in the event that H share certificates in registered form are either stolen or lost, for a declaration that such certificates will no longer be valid. After such a declaration has been obtained, the shareholder may apply to the company for the issue of replacement certificates.

SECURITIES LAW AND REGULATIONS

The Securities Law of the People's Republic of China (《中華人民共和國證券法》) took effect on July 1, 1999 and was revised for the first time on August 28, 2004, for the second time on October 27, 2005, for the third time on June 29, 2013 and for the fourth time on August 31, 2014. The Securities Law comprehensively regulates activities in the PRC securities market, regulating, among other things, the issue and trading of securities, takeovers by listed companies, securities exchanges,

securities companies and the duties and responsibilities of the State Council's securities regulatory authorities. The Securities Law provides that domestic enterprises shall obtain prior approval from the State Council's regulatory authorities to list its shares outside the PRC.

The CSRC is the regulatory arm of the Securities Committee and is responsible for the drafting of regulatory provisions of securities markets, supervising securities companies, regulating public offers of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities-related statistics and undertaking relevant research and analysis.

Currently, the issue and trading of foreign issued shares (including H Shares) are mainly governed by the rules and regulations promulgated by the State Council and the CSRC.

ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

The Arbitration Law of the People's Republic of China (《中華人民共和國仲裁法》) (the "Arbitration Law") was passed by the Standing Committee of the NPC on August 31, 1994, became effective on September 1, 1995 and was revised on August 27, 2009 and September 1, 2017. Under the Arbitration Law, an arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate interim arbitration rules in accordance with the Arbitration Law and the PRC Civil Procedure Law. Where the parties have by agreement provided arbitration as the method for dispute resolution, the people's court will refuse to handle the case except when the arbitration agreement is declared invalid.

The Listing Rules and the Mandatory Provisions require an arbitration clause to be included in the articles of association of an issuer and, in the case of the Listing Rules, also in contracts between the issuer and each of its directors and supervisors, to the effect that the parties will submit to arbitration whenever any disputes or claims arise (i) between holders of shares and the issuer; (ii) between holders of shares and the issuer's directors, supervisors, manager or other senior management personnel; and (iii) between holders of shares and holders of domestic shares. Matters in arbitration include any disputes or claims in relation to the issuer's affairs or as a result of any rights or obligations arising under its articles of association, the PRC Company Law or other relevant laws and administrative regulations.

Pursuant to the PRC Arbitration Law, an arbitral award shall be final and binding on the parties involved in the arbitration proceeding. Where any party fails to comply with the award, the other party may apply to the people's court for enforcement of such arbitral award. A people's court may refuse to enforce an arbitral award made by an arbitration commission if there's any procedural irregularity (including irregularity in the composition of the arbitration committee, the jurisdiction of the arbitration commission, or the making of an award on matters beyond the scope of the arbitration agreement).

A party seeking to enforce an arbitral award by a PRC arbitration panel against a party who, or whose property, is not within the territory of PRC, may apply to a foreign court with jurisdiction over the case for enforcement of the arbitral award. Similarly, an arbitral award made by a foreign arbitration body may be recognized and enforced by the PRC courts pursuant to the principles of the reciprocity or any international treaty concluded or acceded to by the PRC.

On June 18, 1999, an agreement was reached between Hong Kong and the Supreme People's Court of the PRC for the mutual enforcement of arbitral awards. Under the agreement, the Arrangements of the Supreme People's Court on the Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region (《關於內地與香港特別行政區相互執行仲裁裁決的安排》) was passed by the Supreme People's Court of the PRC and took effect on February 1, 2000. Pursuant to the aforesaid arrangement, awards made by PRC arbitral authorities according to the Arbitration Law can be enforced in Hong Kong, and Hong Kong arbitration awards are also enforceable in the PRC.

2. MATERIAL DIFFERENCES BETWEEN CERTAIN ASPECTS OF COMPANY LAW IN THE PRC AND HONG KONG

Hong Kong company law is primarily set out in the Companies Ordinance and the Companies (Winding Up and Miscellaneous Provisions) Ordinance, supplemented by common law and rules of equity that apply to Hong Kong. As a joint stock limited company incorporated in the PRC that is seeking a listing of shares on the Hong Kong Stock Exchange, we are governed by the PRC Company Law and all other rules and regulations promulgated pursuant to the PRC Company Law. Set out below is a summary of certain material differences between Hong Kong company law and the PRC Company Law. This summary is, however, not intended to be an exhaustive comparison.

Corporate Existence

Under Hong Kong company law, a company with share capital is incorporated by the Registrar of Companies in Hong Kong, which issues a certificate of incorporation to the Company upon its incorporation, and the company will acquire an independent corporate existence henceforth. A company may be incorporated as a public company or a private company. Pursuant to the Companies Ordinance, the articles of association of a private company incorporated in Hong Kong shall contain certain pre-emptive provisions. A public company's articles of association do not contain such pre-emptive provisions.

Under the PRC Company Law, a joint stock limited company may be incorporated by promotion or public offering.

Share Capital

Under Hong Kong law, the concept of the nominal value (also known as par value) of share of a Hong Kong company has been abolished, and the companies have increased flexibility to alter its share capital by (i) increasing its share capital; (ii) capitalizing its profits; (iii) allotting and issuing bonus shares with or without increasing its share capital; (iv) increase or decrease number of shares; and (v) cancelling its shares. The concept of authorized share capital is no longer applicable to Hong Kong companies established on or after March 3, 2014. The directors of a Hong Kong company may, with the prior approval of the shareholders if required, issue new shares of the company. The PRC Company Law does not provide for authorized share capital. The Company's registered capital is the amount of its issued share capital. Any increase in the Company's registered capital must be approved by our shareholders at the Shareholders' general meeting and shall be approved by/filed with the relevant PRC governmental and regulatory authorities (if applicable). Under the Securities

Law, a company which is authorized by the relevant securities regulatory authority to list its shares on a stock exchange must have a total share capital of not less than RMB30 million. The Companies Ordinance does not prescribe any minimum capital requirement for companies incorporated in Hong Kong.

Under the PRC Company Law, the shares may be subscribed for in the form of money or non-monetary assets (other than assets not entitled to be used as capital contributions under relevant laws or administrative regulations). For non-monetary assets to be used as capital contributions, appraisals must be carried out to ensure there is no over-valuation or under-valuation of the assets. There is no such restriction on a company incorporated in Hong Kong.

Restrictions on Shareholding and Transfer of Shares

Generally, the Company's shares, which are denominated and subscribed for in Renminbi, can be subscribed for and traded by PRC investors, qualified overseas institutional investors or qualified overseas strategic investors, while also being eligible securities under the Shanghai-Hong Kong Stock Connect, the Company's shares can be subscribed for and traded by Hong Kong and other overseas investors in accordance with the rules and limits of Shanghai-Hong Kong Stock Connect. Overseas listed shares, which are denominated in Renminbi and subscribed for in a currency other than Renminbi, may only be subscribed for, and traded by, investors from Hong Kong, Macau and Taiwan or any country and territory outside the PRC, or qualified domestic institutional investors. If the H shares are eligible securities under the Southbound Trading Link, they are also subscribed for and traded by PRC investors in accordance with the rules and limits of Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect.

Under the PRC Company Law, a promoter of a joint stock limited company is not allowed to transfer the shares it holds for one year after the date of establishment of the company. Shares in issue prior to a public offering of the company cannot be transferred within one year from the listing date of the shares on a stock exchange. Shares in a joint stock limited liability company held by its directors, supervisors and senior management and transferred each year during their term of office shall not exceed 25% of the total shares they held in a company, and the shares they held in a company cannot be transferred within one year from the listing date of the shares, and also cannot be transferred within half a year after the said personnel has left office. The articles of association may set other restrictive requirements on the transfer of a company's shares held by its directors, supervisors and senior management. There are no restrictions on shareholdings and transfers of shares under Hong Kong law apart from (i) the restriction on the Company to issue additional Shares within six months, and (ii) 12-month lockup on Controlling Shareholders' disposal of Shares.

Financial Assistance for Acquisition of Shares

The PRC Company Law does not prohibit or restrict a joint stock limited company or its subsidiaries from providing financial assistance for the purpose of an acquisition of its own or its holding company's shares. However, the Mandatory Provisions contain certain restrictions on a company and its subsidiaries on providing such financial assistance similar to those under Hong Kong company law.

Notice of Shareholders' Meetings

Under the PRC Company Law, notice of a shareholder's annual general meeting must be given not less than 20 days before the date of the meeting. Whereas notice of an extraordinary general meeting must be given not less than 15 days before the date of the meeting. If a company issues bearer shares, notice of a shareholder's general meeting must be given at least 30 days prior to the date of the meeting. Under the Special Regulations and the Mandatory Provisions, at least 45 days' written notice must be given to all shareholders in advance, and any shareholder who wishes to attend the meeting must reply in writing at least 20 days before the date of the meeting.

For a company incorporated in Hong Kong, the minimum period of notice of a general meeting is 14 days. Further, where a meeting involves consideration of a resolution requiring special notice, the company must also give its shareholders notice of the resolution at least 14 days before the meeting. The notice period for the annual shareholders' general meeting is 21 days.

Quorum for Shareholders' Meetings

The PRC Company Law does not specify any quorum requirement for a shareholders' general meeting, but the Special Regulations and the Mandatory Provisions provide that general meetings may only be convened when replies to the notice of that meeting have been received from shareholders whose shares represent at least 50% of the voting rights at least 20 days before the proposed date of the meeting, or if that 50% level is not achieved, the company shall within five days notify its shareholders again by way of a public announcement and the shareholders' general meeting may be held thereafter. Under Hong Kong law, the quorum for a shareholders' meeting is two members, unless the articles of association of a company specifies otherwise or the company has only one member, in which case the quorum is one.

Voting at Shareholders' Meetings

Under the PRC Company Law, the passing of any resolution requires more than one-half of the affirmative votes held by our shareholders present by proxy at a shareholders' meeting except in cases such as proposed amendments to our Articles of Association, increase or decrease of registered capital, merger, division, dissolution or change of the form of the company, which require two-thirds of the affirmative votes cast by shareholders present in person or by proxy at a shareholders' general meeting.

Under Hong Kong law, an ordinary resolution is passed by more than half of affirmative votes cast by shareholders present in person, or by proxy, at a general meeting, and a special resolution is passed by not less than three-fourths of affirmative votes cast by shareholders present in person, or by proxy, at a general meeting.

Variation of Class Rights

The PRC Company Law makes no specific provision relating to variation of class rights. However, the PRC Company Law states that the State Council can promulgate requirements relating to other kinds of shares. The Mandatory Provisions contain detailed provisions relating to the circumstances which are deemed to be variations of class rights and the approval procedures required

to be followed in respect thereof. These provisions have been incorporated in the Articles of Association, which are summarized in “Appendix VI — Summary of the Articles of Association”.

Under the Companies Ordinance, no rights attached to any class of shares can be varied except (i) with the passing of a special resolution by the shareholders of the relevant class at a separate meeting sanctioning the variation, (ii) with the written consent of shareholders representing at least three-fourths of the total voting rights of shareholders of the relevant class, or (iii) if there are provisions in the articles of association relating to the variation of those rights, then in accordance with those provisions.

As required by the Listing Rules and the Mandatory Provisions, we have adopted in the Articles of Association provisions protecting class rights in a similar manner to those found in Hong Kong law. Holders of overseas listed shares and domestic invested shares are defined in the Articles of Association as different classes. The special procedures for voting by a class of Shareholders shall not apply in the following circumstances: (i) where we issue, either separately or concurrently in any 12-month period, upon approval by special resolutions passed at a general meeting, A shares and H shares not more than 20% of each of the existing A shares and H shares, respectively; (ii) where the plan for the issue of A shares and H shares upon our establishment is implemented within 15 months following the date of approval by the securities regulatory authorities under the State Council and (iii) upon the approval of the State Council or the securities regulatory authorities under the State Council the holders of domestic shares of the company transfer their shares to overseas investors and trade on the overseas stock exchanges.

Derivative Action by Minority Shareholders

Under Hong Kong company law, a shareholder may, with the leave of the Court, start a derivative action on behalf of a company for any misconduct committed by its directors against the company. For example, leave may be granted where the directors control a majority of votes at a general meeting, and could thereby prevent the company from suing the relevant directors in its own name.

Pursuant to the PRC Company Law, in the event where the directors and senior management of a joint stock limited company violate laws, administrative regulations or its articles of association, resulting in losses to the company, the shareholders individually or jointly holding over 1% of the shares in the company for more than 180 consecutive days may request in writing the board of supervisors to initiate proceedings in the people’s court. In the event that the board of supervisors violates the fiduciary duty to the Company, the aforesaid shareholders may send written request to the board of directors to initiate proceedings in the people’s court. Upon receipt of such written request from the shareholders, if the board of supervisors or the board of directors refuses to initiate proceedings, or has not initiated proceedings within 30 days upon receipt of the request, or if under urgent situations, failure of initiating immediate proceeding may cause irremediable damages to the company, the aforesaid shareholders shall, for the benefit of the company, have the right to initiate proceedings directly to the court in their own name.

In addition, the Mandatory Provisions provide us with certain remedies against the Directors, Supervisors and senior management who breach their duties to the Company. In addition, as a

condition to the listing of overseas listed foreign invested Shares on the Hong Kong Stock Exchange, each director and supervisor of a joint stock limited company is required to give an undertaking to observe the articles of association in favor of the company. This allows minority Shareholders to take action against our Directors and Supervisors in default.

Minority Shareholder Protection

Under the Companies Ordinance, a shareholder who alleges that the affairs of a company are conducted in a manner unfairly prejudicial to his interests may petition to the Court to make an appropriate order to give relief to the unfairly prejudicial conduct. Alternatively, pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, a shareholder may seek to wind up the company on the just and equitable ground. In addition, on the application of a specified number of members, the Financial Secretary may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated or registered in Hong Kong. The PRC Company Law provides that any shareholders holding 10% or above of voting rights of all issued shares of a company may request a People's Court to dissolve the company to the extent that the operation or management of the company experiences any serious difficulties and its continuous existence would cause serious losses to them, and no other alternatives can resolve such difficulties.

The Company, as required by the Mandatory Provisions, has adopted in its Articles of Association minority Shareholder protection provisions similar to (though not as comprehensive as) those available under the Hong Kong law. These provisions state that a controlling shareholder may not exercise its voting rights in a manner prejudicial to the interests of other shareholders, may not relieve a director or supervisor of his duty to act honestly in our best interests or may not approve the misappropriation by a director or supervisor of our assets or the individual rights of other shareholders.

Directors

The PRC Company Law, unlike Hong Kong company law, does not contain any requirements relating to the declaration of directors' interests in material contracts, restrictions on directors' authority in making major dispositions, restrictions on companies providing certain benefits to directors and indemnification in respect of directors' liability and prohibitions against compensation for loss of office without shareholders' approval. The Mandatory Provisions, however, contain certain requirements and restrictions on major disposals and specify the circumstances under which a director may receive compensation for loss of office.

Board of Supervisors

Under the PRC Company Law, a joint stock limited company's directors and senior management are subject to the supervision of a board of supervisors. There is no mandatory requirement for the establishment of a board of supervisors for a company incorporated in Hong Kong. The Mandatory Provisions provide that each supervisor owes a duty, in the exercise of his powers, to act in good faith and honestly in what he considers to be in the best interests of the Company and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Fiduciary Duties

In Hong Kong, directors owe fiduciary duties to the company, including the duty not to act in conflict with the company's interests. Furthermore, the Companies Ordinance has codified the directors' statutory duty of care. Under the Special Regulations, directors, supervisors, managers and other members of senior management of the company shall honestly and diligently perform their duties for the company.

Financial Disclosure

Under the PRC Company Law, a joint stock limited company is required to make available at the company for inspection by shareholders its financial report 20 days before its annual general meeting. In addition, a joint stock limited company of which the shares are publicly offered must publish its financial report. The Companies Ordinance requires a company incorporated in Hong Kong to send to every shareholder a copy of its financial statements, auditors' report and directors' report, which are to be presented before the company in its annual general meeting, not less than 21 days before such meeting. According to the PRC laws, a company shall prepare its financial accounting reports as at the end of each accounting year, and submit the same to accounting firms for auditing as required by law. The Mandatory Provisions require that a company must, in addition to preparing financial statements according to the CAS, have its financial statements prepared and audited in accordance with international or Hong Kong accounting standards and its financial statements must also contain a statement of the financial effect of the material differences (if any) from the financial statements prepared in accordance with the CAS.

The Special Regulations require that there should not be any inconsistency between the information disclosed within and outside the PRC and that, to the extent that there are differences in the information disclosed in accordance with the relevant PRC and overseas laws, regulations and requirements of the relevant stock exchanges, such differences should also be disclosed simultaneously.

Information on Directors and Shareholders

The PRC Company Law gives shareholders the right to inspect the company's articles of association, minutes of the general meetings and financial and accounting reports. Under the articles of association, shareholders have the right to inspect and copy (at reasonable charges) certain information on shareholders and on directors which is similar to the rights of shareholders of Hong Kong companies under the Companies Ordinance.

Receiving Agent

Under the Hong Kong law, dividends once declared by the board of directors will become debts payable to shareholders. The limitation period for debt recovery action under Hong Kong law is six years, while under the PRC law this limitation period is two years. The Mandatory Provisions require that the relevant company shall appoint a receiving agent for shareholders who hold overseas listed foreign invested shares, and the receiving agent shall receive on behalf of such holders of shares dividends declared and other monies owed by the company in respect of its overseas listed foreign invested shares.

Corporate Reorganization

Corporate reorganization involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company in the course of voluntary winding up to another company pursuant to Section 237 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance or a debt restructuring agreement or scheme of arrangement between the company and its creditors or between the company and its shareholders pursuant to Section 673 and Division 2 of Part 13 of the Companies Ordinance, which requires the sanction of the court. In addition, subject to the shareholders' approval, an intra-group wholly-owned subsidiary company may also be amalgamated horizontally or vertically under the Companies Ordinance. Under PRC law, merger, division, dissolution or change to the status of a joint stock limited liability company has to be approved by shareholders in general meeting.

Mandatory Transfers

Under the PRC Company Law, a joint stock limited liability company is required to transfer 10% make of its after tax profit to the statutory common reserve fund. There are no corresponding provisions under Hong Kong law.

Arbitration of Disputes

In Hong Kong, disputes between shareholders and a company or its directors, managers and other senior management may be resolved through the courts. The Mandatory Provisions provides that disputes between a holder of H shares and the Company, a holder of H shares and directors, supervisors, managers and other members of senior management of the Company or a holder of H shares and a holder of domestic listed shares, arising from the Articles of Association, the PRC Company Law or other relevant laws and administrative regulations which concerns the affairs of the Company should, with certain exceptions, be referred to arbitration at either the Hong Kong International Arbitration Center ("HKIAC") or the China International Economic and Trade Arbitration Commission.

The Securities Arbitration Rules of the HKIAC contain provisions allowing, upon application by any party, an arbitral tribunal to conduct a hearing in Shenzhen for cases involving the affairs of companies incorporated in the PRC and listed on the Hong Kong Stock Exchange so that witnesses may attend. Where any party applies for a hearing to take place in Shenzhen, the tribunal shall, where satisfied that such application is based on bona fide grounds, order the hearing to take place in Shenzhen conditional upon all parties, including witnesses and arbitrators, being permitted to enter Shenzhen for the purpose of the hearing. Where a party, other than a PRC party or any of its witnesses or any arbitrator, is not permitted to enter Shenzhen, then the tribunal shall order that the hearing be conducted in any practicable manner, including the use of electronic media. For the purpose of the Securities Arbitration Rules of the HKIAC, a PRC party means a party domiciled in the PRC other than the territories of Hong Kong, Macau and Taiwan.

Remedies of a Company

Under the PRC Company Law, if a director, supervisor or manager in carrying out his duties infringes any law, administrative regulation or the articles of association of a company, which results in damage to the company, that director, supervisor or manager should be responsible to the company

for such damages. In addition, the Listing Rules require listed companies' articles to provide for remedies of the company similar to those available under Hong Kong law (including rescission of the relevant contract and recovery of profits from a director, supervisor or senior management).

Dividends

The company has the power in certain circumstances to withhold, and pay to the relevant tax authorities, any tax payable under PRC law on any dividends or other distributions payable to a shareholder. Under Hong Kong law, the limitation period for an action to recover a debt (including the recovery of declared dividends) is six years, whereas under PRC laws, the relevant limitation period is two years. The company must not exercise its powers to forfeit any unclaimed dividend in respect of shares until after the expiry of the applicable limitation period.

Closure of Register of Shareholders

The Companies Ordinance requires that the register of shareholders of a company must not be closed for the registration of transfers of shares for more than thirty days (extendable to sixty days in certain circumstances) in a year, whereas, as required by the Mandatory Provisions, share transfers shall not be registered within thirty days before the date of convening a general meeting or within five days before the base date of distribution of dividends.

LISTING RULES

The Listing Rules provide additional requirements which apply to us as an issuer established in the PRC as a joint stock limited company and seeking a primary listing or whose primary listing is on the Hong Kong Stock Exchange. Set out below is a summary of the principal provisions containing the additional requirements which apply to us.

Compliance Adviser

A company seeking a listing on the Hong Kong Stock Exchange is required to appoint a compliance adviser acceptable to the Hong Kong Stock Exchange for the period from its listing date to the date of the publication of its financial results for the first full financial year. The compliance adviser should provide professional advice to the company on a continuous basis regarding compliance with the Listing Rules and all other applicable laws and regulations, and to act at all times, in addition to the company's two authorized representatives, as the principal channel of communication with the Hong Kong Stock Exchange. The appointment of the compliance adviser may not be terminated until a replacement acceptable to the Hong Kong Stock Exchange has been appointed.

If the Hong Kong Stock Exchange is not satisfied that the compliance adviser is fulfilling its responsibilities adequately, it may ask the company to terminate the compliance adviser's appointment and appoint a replacement.

The compliance adviser must keep the company informed on a timely basis of changes to the Listing Rules and any new or amended law, regulation or code in Hong Kong applicable to the company. It must act as the company's principal channel of communication with the Hong Kong Stock Exchange if the authorized representatives of the company are expected to be outside of Hong Kong frequently.

Accountant's Report

The accountant's report must normally be drawn up in conformity with: (a) HKFRS; or (b) IFRS; or (c) China Accounting Standards for Business Enterprises ("CASBE") in the case of a PRC issuer that has adopted CASBE for the preparation of its annual financial statements.

Process Agent

A listed company is required to appoint and maintain a person authorized to accept service of process and notices on its behalf in Hong Kong throughout the period during which its securities are listed on the Hong Kong Stock Exchange and must notify the Hong Kong Stock Exchange of his appointment, termination of appointment and his contact particulars.

Public Shareholding

If at any time there are existing issued securities of a PRC issuer other than foreign shares which are listed on the Hong Kong Stock Exchange, the Listing Rules require that the aggregate amount of the H shares and other securities held by the public must constitute not less than 25% of the PRC issuer's total issued share capital and that the class of securities for which listing is sought must not be less than 15% of the issuer's total issued share capital, having an expected market capitalization at the time of listing of not less than HK\$50 million. The Hong Kong Stock Exchange may, at its discretion, accept a lower percentage of between 15% and 25% if the issuer is expected to have a market capitalization at the time of listing of more than HK\$10,000 million.

Independent non-executive Directors

Independent non-executive directors of a PRC issuer are required to demonstrate an acceptable standard of competence and adequate commercial or professional expertise to ensure that the interests of the listed company's general body of shareholders will be adequately represented.

Restrictions on Repurchase of Securities

Subject to governmental approvals and the articles of association, a listed company may repurchase its own shares on the Hong Kong Stock Exchange in accordance with the provisions of the Listing Rules. Approval by way of a special resolution of the holders of class shares at separate class meetings conducted in accordance with the articles of association is required for share repurchases. In seeking approvals, a listed company is required to provide information on any proposed or actual purchases of all or any of its equity securities, whether or not listed or traded on the Hong Kong Stock Exchange. The director must also state the consequences (if any) of any purchases which will arise under either or both of the Takeovers Code and any similar PRC law of which directors are aware. Any general mandate given to the directors to repurchase shares must not exceed 10% of the total number of its issued shares.

Redeemable Shares

A listed company must not issue any redeemable shares unless the Hong Kong Stock Exchange is satisfied that the relative rights of its shareholders are adequately protected.

Pre-emptive Rights

Except in the circumstances mentioned below, directors are required to obtain approval by way of a special resolution of shareholders at a general meeting, and the approvals by way of special resolutions of the holders of class shares (each being entitled to vote at general meetings) at separate class meetings conducted in accordance with the articles of association, prior to authorizing, allotting, issuing or granting shares or securities convertible into shares, options, warrants or similar rights to subscribe for any shares or convertible securities.

No such approval will be required under the Listing Rules to the extent that (i) the existing shareholders have by special resolution in general meeting given a mandate to the board of directors, either unconditionally or subject to such terms and conditions as may be specified in the resolution, to authorize, allot or issue, either separately or concurrently once every 12 months, not more than 20% of each of the existing issued domestic shares and H shares as at the date of the passing of the relevant special resolution, or (ii) such shares are issued as part of the Company's plan at the time of its establishment to issue domestic shares and H shares and which plan is implemented within 15 months from the date of approval by the securities regulatory authority of the State Council.

Supervisors

A PRC company listed or seeking to list on the Hong Kong Stock Exchange is required to adopt rules governing dealings by the supervisors in the securities of the PRC company in terms no less exacting than those of the model code (set out in Appendix 10 to the Listing Rules) issued by the Hong Kong Stock Exchange.

A PRC issuer is required to obtain the approval of its shareholders at a general meeting (at which the relevant supervisor and his associates must abstain from voting on the matter) prior to the company or any of its subsidiaries entering into a service contract of the following nature with a supervisor or proposed supervisor of the listed company or any of its subsidiaries: (1) the term of the contract exceeds three years; or (2) the contract expressly requires the company (or its subsidiaries) to give more than one year's notice or to pay compensation or make other payments equivalent to the remuneration of more than one year in order for it to terminate the contract.

The nomination and remuneration committee of the listed company or an independent board committee must reach a consensus in respect of the service contracts that require shareholders' approval and tell the shareholders (other than the shareholders with a material interest in the service contracts and their associates) whether the terms are fair and reasonable, advise whether such contracts are in the interests of the listed company and its shareholders as a whole and advise the shareholders on how to vote.

Amendment to Articles of Association

A PRC issuer may not permit or cause any amendment to be made to its articles of association which would cause them to cease to comply with the PRC Company Law, the Mandatory Provisions or the Listing Rules.

Documents for Inspection

A PRC issuer is required to make available at a place in Hong Kong for inspection by the public and shareholders free of charge, and for copying by its shareholders at reasonable charges of the following:

- a complete duplicate register of shareholders;
- a report showing the state of its issued share capital;
- its latest audited financial statements and the reports of the directors, auditors and supervisors, if any, thereon;
- special resolutions;
- reports showing the number and nominal value of securities repurchased by it since the end of the last financial year, the aggregate amount paid for such securities and the maximum and minimum prices paid in respect of each class of securities repurchased (with a breakdown between class shares);
- copy of the latest annual return filed with the PRC SAIC or other competent PRC authority; and
- for shareholders only, copies of minutes of meetings of shareholders.

Receiving Agents

Under Hong Kong law, a PRC issuer is required to appoint one or more receiving agents in Hong Kong and pay to relevant agent(s) dividends declared and other monies owed in respect of the H shares, pending payment, in trust for the holders of such H shares.

Statements in Share Certificates

A PRC issuer is required to ensure that all of its listing documents and share certificates include the statements stipulated below and to instruct and cause each of its share registrars not to register the subscription, purchase or transfer of any of its shares in the name of any particular holder unless and until such holder delivers to the share registrar a signed form in respect of such shares bearing statements to the following effect, that the acquirer of shares:

- agrees with the company and each shareholder, and it agrees with each shareholder, to observe and comply with the PRC Company Law, the Special Regulations and its articles of association;
- agrees with the company, each shareholder, director, supervisor, manager and other senior management and it (acting both for the company and for each director, supervisor, manager and other senior management), agree with each shareholder to refer all differences and claims arising from the articles of association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning its affairs to arbitration in accordance with the articles of

association. Any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award. Such arbitration shall be final and conclusive;

- agrees with the company and each shareholder that shares are freely transferable by the holder thereof; and
- authorizes the company to enter into a contract on his behalf with each director and senior management whereby such directors and senior management undertake to observe and comply with their obligations to shareholders as stipulated in the articles of association.

Legal Compliance

A PRC issuer is required to observe and comply with the PRC Company Law, the Special Regulations and its articles of association.

Contract between the PRC Issuer and its Directors, Senior Management and Supervisors

A PRC issuer is required to enter into a contract in writing with every director and senior management containing at least the following provisions:

- an undertaking by the director or senior management to the PRC issuer to observe and comply with the PRC Company Law, the Special Regulations, its articles of association, the Takeovers Code and an agreement that the PRC issuer shall have the remedies provided in its articles of association and that neither the contract nor his office is capable of assignment;
- an undertaking by the director or senior management to act as agent for each shareholder to observe and comply with his obligations to the shareholders as stipulated in the articles of association; and
- an arbitration clause which provides that whenever any differences or claims arise from the contract, its articles of association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant law and administrative regulations concerning affairs between the company and its directors or senior management and between a holder of shares and a director or senior management, such differences or claims will be referred to arbitration at either the China International Economic and Trade Arbitration Commission (中國國際經濟貿易仲裁委員會) (“CIETAC”) in accordance with its rules or the HKIAC in accordance with its Securities Arbitration Rules, at the election of the claimant and that once a claimant refers a dispute or claim to arbitration, the other party shall submit to the arbitral body elected by the claimant. Such arbitration will be final and conclusive. If the party seeking arbitration elects to arbitrate the dispute or claim at HKIAC, then either party may apply to have such arbitration conducted in Shenzhen, according to the Securities Arbitration Rules of HKIAC. PRC laws shall govern the arbitration of disputes or claims referred to above, unless otherwise provided by law or administrative regulations. The award of the arbitral body is final and shall be binding on the parties thereto. Disputes over who is a shareholder and over the share register do not have to be resolved through arbitration.

A PRC issuer is also required to enter into a contract in writing with every supervisor containing statements in substantially the same terms.

Subsequent Listing

A PRC issuer must not apply for the listing of its H shares on a PRC stock exchange unless the Hong Kong Stock Exchange is satisfied that the relative rights of the holders of its H shares are adequately protected.

English Translation

All notices or other documents required under the Listing Rules to be sent by a PRC issuer to the Hong Kong Stock Exchange or to the holders of the H Shares are required to be in the English language, or accompanied by a certified English translation.

General

If any change in the PRC law or market practices materially alters the validity or accuracy of any basis upon which the additional requirements have been prepared, the Hong Kong Stock Exchange may impose additional requirements or make the listing of the H shares by a PRC issuer subject to special conditions as the Hong Kong Stock Exchange may consider appropriate. Whether or not any such changes in the PRC law or market practices occur, the Hong Kong Stock Exchange retains its general power under the Listing Rules to impose additional requirements and make special conditions in respect of any company's listing.

Set out below is a summary of the principal provisions of the Articles of Association, the main objective of which is to provide investors with an overview of the Articles of Association. As the information contained below is in summary form only, it may not contain all the information that may be important to potential investors. Copies of the full English and Chinese texts of the Articles of Association are available for inspection as mentioned in “Appendix VIII – Documents Delivered to the Registrar of Companies and Available for Inspection.”

The Articles of Association were passed at the extraordinary shareholders’ general meeting on December 20, 2018 and will take effect on the date of listing.

The Articles of Association and relevant amendments thereto were adopted or approved by our shareholders at the shareholders’ general meeting in accordance with applicable laws and regulations. The Articles of Association has complied with the PRC Company Law, the Securities Law of the PRC, the Special Regulations, the Mandatory Provisions, and the Letter of Opinions on Supplemental Amendments to Articles of Association of Companies Listed in Hong Kong.

POWER OF DIRECTORS, SUPERVISORS AND OTHER SENIOR OFFICERS TO ALLOT AND ISSUE SHARES

There is no provision in the Articles of Association empowering our Directors, supervisors or other senior officers to allot and issue shares.

Proposals to increase registered capital of our Company must be formulated by the Board and submitted for approval by an affirmative vote of more than two thirds of the voting rights at the shareholders’ general meeting. Any such increase is subject to the formal formalities prescribed by relevant laws and administrative regulations.

POWER TO DISPOSE OF FIXED ASSETS OF OUR COMPANY

Without the prior approval of the shareholders’ general meeting, the Board may not dispose or agree to dispose of the fixed assets where the sum of the expected value of the consideration for the proposed disposal and the value of the consideration for disposed fixed assets within four months immediately preceding the proposed disposal exceeds 33% of the value of the fixed assets shown in the last balance sheet discussed at the shareholders’ general meeting.

A disposal of fixed assets referred herein shall include the transfer of certain interest in assets other than by way of providing security interest by using fixed assets as collaterals.

The validity of transactions whereby our Company disposes of fixed assets shall not be affected by the breach of above-mentioned restrictions contained in the Articles of Association.

EMOLUMENTS, COMPENSATION OR PAYMENTS FOR LOSS OF OFFICE

Our Company shall enter into a written contract with each Director and supervisor of our Company concerning his/her emoluments. Such contracts shall be approved by the shareholders’ general meeting before they are entered into. The above-mentioned emoluments shall include:

- emoluments in respect of his/her service as a Director, supervisor or senior management member of our Company;

- emoluments in respect of his/her service as a Director, supervisor or senior management member of a subsidiary of our Company;
- other emoluments in connection with the provision of management or other services to our Company or any subsidiary thereof;
- funds as compensation for his/her loss of office or retirement to the aforementioned Directors and supervisors.

A Director or supervisor shall not sue our Company for any benefits due to him/her on the basis of the above-mentioned matters, except under a contract as mentioned above.

The contract entered into between our Company and each Director or supervisor of our Company in respect of his/her emolument should provide that in the event of a takeover of our Company, a Director or supervisor of our Company shall, subject to prior approval of the shareholders' general meeting, have the right to receive the compensation or other funds obtainable for loss of office or retirement.

The term "a takeover of our Company" in the above paragraph shall refer to any of the following circumstances:

- anyone makes a tender offer to all the shareholders;
- anyone makes a tender offer so that the offeror will become a controlling shareholder as defined in the Articles of Association.

If the relevant Director or Supervisor fails to comply with the abovementioned provisions, any fund received by him/her shall belong to those persons who have sold their shares as a result of their acceptance of the above-mentioned offer, and the expenses incurred in distribution of such fund on a pro rata basis shall be borne by the relevant Director or supervisor and may not be paid out of such fund.

LOANS TO DIRECTORS, SUPERVISORS AND OTHER SENIOR OFFICERS

Our Company shall not, directly or indirectly, provide a loan or loan guarantee to its Directors, supervisors, general manager or other senior officers or the Directors, supervisors, general manager or other senior officers of its parent company; and shall not provide a loan or loan guarantee to the related persons of any of the aforementioned personnel.

The above provisions shall not apply where:

- our Company provides a loan to its subsidiaries or provides a loan guarantee for the benefits of its subsidiaries;
- pursuant to the service contract upon approval of the shareholders' general meeting, our Company provides a loan, loan guarantee or other funds to any of its Directors, supervisors, general manager or other senior officers to pay any expenditures incurred by him/her for the benefits of our Company or for the purpose of enabling him/her to perform his/her duties properly in accordance with the terms of a service contract approved by the shareholders' general meeting, or

- our Company may provide a loan or loan guarantee to the related Directors, supervisors, general manager or other senior officers or any of their related persons on normal commercial terms and conditions should the provision of loan or loan guarantee be within the ordinary business scope of our Company.

FINANCIAL ASSISTANCE FOR ACQUISITION OF OUR COMPANY'S SHARES

Our Company or its subsidiaries shall not at any time provide any financial assistance in any form to purchasers or prospective purchasers of the shares in our Company. Such purchasers of our Company's shares referred to above shall include persons that directly or indirectly undertake obligations for the purpose of purchasing shares in our Company.

Our Company or its subsidiaries shall not at any time provide any financial assistance in any form to the above obligators in order to reduce or discharge their obligations. However, the following acts are not prohibited:

- where our Company provides the relevant financial assistance truthfully for the benefit of our Company and the main purpose of the financial assistance is not to purchase shares of our Company, or the financial assistance is an incidental part of an overall plan of our Company;
- lawful distribution of our Company's property in the form of dividends;
- distribution of dividends in the form of shares;
- a reduction of registered capital, repurchase of shares, adjustment to shareholding structure effected in accordance with these Articles of Association;
- provision of a loan by our Company within its scope of business and in the ordinary course of its business (provided that the same does not lead to a reduction in the net assets of our Company or that if the same results in a reduction, the financial assistance is paid out of our Company's distributable profits);
- the provision of funds by our Company for an employee shareholding plan (provided that the same does not lead to a reduction in the net assets of our Company or that if the same constitutes a reduction, the financial assistance is paid out of our Company's distributable profits).

For these purposes:

- "financial assistance" shall include but not be limited to:
 - gift;
 - guarantee (including undertaking of liability or provision of property by the guarantor to ensure the fulfillment of the obligation by the obligator), indemnity (not including, however, indemnity arising from our Company's own fault) and release or waiver of rights;
 - provision of a loan or conclusion of a contract under which the obligations of our Company are to be fulfilled prior to the obligation of performance by the other party

to the contract, or a change in the party to such loan or contract as well as the assignment of rights under such loan or contract; and

- financial assistance in any other form when our Company is insolvent or has no net assets or when such assistance would lead to a major reduction in our Company's net assets.
- "undertake obligations" shall include the undertaking of an obligation by the obligor by entering into a contract or making an arrangement or by changing its financial position in any other way; whether or not such contract or arrangement is enforceable and whether or not such obligation is undertaken by the obligator individually or jointly with any other person.

DISCLOSURE OF CONTRACTUAL INTERESTS WITH OUR COMPANY

In cases where a Director, a supervisor, the general manager or other senior management of our Company has directly or indirectly vested a material interest in any contract, transaction or arrangement concluded or to be concluded by our Company (except his/her service contract with our Company), he/she shall disclose the nature and extent of his/her interest to the Board at the earliest opportunity, whether or not the matter is normally subject to the approval of the Board.

Unless the interested Director, supervisor, general manager or other senior management of our Company has made a disclosure to the Board as required under the preceding paragraph hereof and the matter has been approved by the Board at a meeting in which he/she was not counted in the quorum and was abstained from voting, our Company shall have the right to revoke the contract, transaction or arrangement, except the other party is a bona fide party acting without knowledge of the breach of obligation by the Director, supervisor, general manager or other senior management of our Company concerned.

In cases where a related person of our Company's Director, supervisor, general manager and other senior management has directly or indirectly vested an interest in any contract, transaction or arrangement, such Director, supervisor, general manager and senior management shall also be deemed as having such interest.

If a Director, a supervisor, general manager or other senior management of our Company gives a written notice to the Board before the conclusion of the contract, transaction or arrangement is first considered by our Company, stating that due to the contents of the notice, he/she has an interest in the contract, transaction or arrangement that may subsequently be made by our Company, such Director, supervisor, general manager or other senior management shall be deemed for the purposes of the above paragraphs hereof to have declared his/her interest, insofar as attributable to the scope stated in the notice.

REMUNERATION

The remuneration of Directors and supervisors shall be approved by the shareholders of our Company at the shareholders' general meeting, as referred to in "— Emoluments, Compensation or Payments for Loss of Office" above.

RETIREMENT, APPOINTMENT AND REMOVAL

Our Company shall establish a Board, which shall comprise of six to nine Directors. The Board shall have one chairman and one deputy chairman. Directors shall be elected or replaced by the shareholders' general meeting and serve a term of office of three years. Except for independent non-executive Directors, who are limited to a maximum term of nine years, a Director may serve consecutive terms if re-elected upon the expiration of his/her term. Subject to the requirements of relevant laws and administrative regulations, the shareholders' general meeting may remove any Directors by ordinary resolution (but without prejudice to any claims for damages under any contracts) prior to the expiration of the term of such Directors.

None of the following persons may serve as a Director, supervisor, general manager or other senior management of our Company:

- persons without capacity or with limited capacity for civil acts;
- persons who have been sentenced for crimes for corruption, bribery, encroachment or embezzlement of property or disruption of the social or economic order, where less than a term of 5 years has lapsed since the sentence was served, or a person who has been deprived of his political rights, where not more than 5 years have lapsed since the sentence was served;
- Directors, or factory Directors or managers who bear personal liability for the bankruptcy or liquidation of their companies or enterprises where three years have not lapsed of following the date of completion of such bankruptcy or liquidation;
- the legal representatives of companies or enterprises that had their business licenses revoked or that had been shut down for violation of law(s), where such representatives bear individual liability therefore and three years have not lapsed following the date of revocation of such business licenses;
- persons with relatively heavy individual debts that have not been settled upon maturity;
- persons who is under criminal investigation by the judicial authorities, and such cases have not been closed;
- persons who shall not act as leaders of enterprises by virtue of laws and administrative regulations;
- non-natural persons;
- persons convicted of violating relevant securities laws and regulations by the competent regulatory authority, and such conviction involves a finding that he or she has acted fraudulently or dishonestly, where less than five years have elapsed since the date of conviction;
- circumstances specified in relevant laws and regulations at the location where shares of the Company are listed.

The validity of an act of a Director, supervisor, general manager or other senior management of our Company on behalf of our Company towards a bona fide third party shall not be affected by any irregularity in his/her current position, election or qualifications.

Shareholders holding individually or jointly at least 3% of the shares of our Company with the right to vote shall have the right to nominate candidates for election to the Board or the Supervisory Committee (except for directorship or supervisorship representing employees) at a shareholders' general meeting by submission of a written proposal, provided that the number of the nominated candidates shall be in compliance with the Articles of Association and no more than the membership to be elected.

There is no provision in the Articles of Association regarding retirement or nonretirement of Directors under an age limit. The Directors are natural persons and are not required to hold Shares of the Company.

DUTIES

In addition to obligations imposed by laws or listing rules of the stock exchange(s) on which shares of our Company are listed, our Company's Directors, supervisors, general manager and other senior management members shall have the following obligations to each shareholder in the exercise of the functions and powers granted to them by our Company:

- not to cause our Company to act beyond the scope of business stipulated in its business license;
- to act honestly in the best interests of our Company;
- not to deprive our Company of its property in any way, including (but not limited to) any opportunities that are favorable to our Company; and
- not to deprive any shareholders of their individual rights or interests, including (but not limited to) rights to distributions and voting rights, but not including a restructuring plan of our Company submitted to and adopted by the shareholders' general meeting in accordance with the Articles of Association.

Our Company's Directors, supervisors, general manager and other senior management shall have an obligation, in the exercise of their rights or discharge of their obligations, to perform their acts with due care, diligence and skills as a reasonable and prudent person should do under similar circumstances.

Our Company's Directors, supervisors, general manager and other senior management must, in the exercise of their duties, abide by the principle of loyalty and shall not place themselves in a position where there is a conflict between their personal interests and their duties. This principle shall include but not (limited to) the fulfillment of the following obligations:

- to act honestly in the best interests of Company;
- to exercise powers within the scope of their functions and powers and not to act beyond such powers;

- to personally exercise the discretion vested on him/her, not to allow himself/herself to be manipulated by another person and, not to delegate the exercise of his/her discretion to another party unless permitted by laws and administrative regulations or with the informed consent of the shareholders' general meeting;
- to be impartial from shareholders of the same category and fair to shareholders of different categories;
- not to conclude a contract or enter into a transaction or arrangement with our Company except as otherwise provided in the Articles of Association or with the informed consent of the shareholders' general meeting;
- not to use our Company's property for his/her own benefit in any way without the informed consent of the shareholders' general meeting;
- not to use his/her positions and powers as a means to accept bribes or other forms of illegal income, and not to appropriate our Company's property in any way, including (but not limited to) any opportunities that are favorable to our Company;
- not to accept commissions in connection with our Company's transactions without the informed consent of the shareholders' general meeting;
- to abide by the Articles of Association, perform his/her duties faithfully, protect the interests of our Company and not to seek personal gain with his position, functions and powers in our Company;
- not to compete with our Company in any way without the informed consent of the shareholders' general meeting;
- not to embezzle our Company's funds, not to deposit our Company's assets or funds in accounts opened in his/her own or in another person's name;
- not to lend our Company's funds to others or use our Company's assets to provide security interest for the debts of our company's shareholders or other individuals in violation of the Articles of Association and in the absence of the approval by the shareholders' general meeting or the Board;
- not to disclose confidential information relating to our Company that was acquired by him/her during his/her term of office without the informed consent of the shareholders' general meeting, and not to use such information except for the interests of our Company; however, such information may be disclosed to the court or other government authorities if:
 - required by laws;
 - required in the public interest;
 - required in the own interest of such Director, supervisor, general manager or other senior management.

A Director, a supervisor, the general manager or other senior management of our Company may not procure the following persons or organizations (“Related Persons”) to do what such Director, supervisor, general manager or other senior management may not do:

- the spouse or minor children of such Director, supervisor, general manager or other senior management member of our Company;
- the trustee of a Director, supervisor, general manager or other senior management of our Company or of any person referred in the aforesaid item above;
- the partner of a Director, supervisor, general manager or other senior management of our Company or of any person referred in aforesaid two items above;
- a company in which a Director, supervisor, general manager or other senior management of our Company, individually or jointly with any person referred to in aforesaid three items above or any other Director, supervisor, general manager or other senior management of our Company, has actual control; and
- a Director, a supervisor, the general manager or other senior management of the company being controlled as referred to in aforesaid item above.

The fiduciary duty of a Director, supervisor, general manager and other senior management of our Company does not necessarily cease with the termination of his/her term of office. His/her confidentiality obligation in relation to our Company’s trade secrets shall remain upon termination of their term of office. The term for continuance of other obligations shall be decided upon in accordance with the principle of fairness, depending on the time lapse between the termination and the occurrence of the matter as well as the circumstances and conditions under which the relationship with our Company terminates.

If a Director, a supervisor, the general manager or other senior management of our Company breaches his/her obligations to our Company, our Company shall, in addition to any rights and remedies provided by laws, have a right to:

- require the relevant Director, supervisor, general manager or other senior management of our Company to compensate for the losses sustained by our Company as a consequence of his/her dereliction of duty;
- rescind any contract or transaction concluded by our Company with the relevant Director, supervisor, general manager or other senior management of our Company and contracts or with a third party (where such third party is aware or should be aware that the Director, supervisor, general manager or other senior management representing our Company was in breach of his/her obligations to our Company);
- require the relevant Director, supervisor, general manager or other senior management of our Company to surrender the gains derived from the breach of his/her obligations;
- recover any funds received by the relevant Director, supervisor, general manager or other senior management of our Company that should have been received by our Company, including (but not limited to) commissions;

- require the relevant Director, supervisor, general manager or other senior management of our Company to return the interest earned or possibly earned on the funds that should have been given to our Company; and
- recover any property obtained by the Director, supervisor, general manager, and other senior management member convicted of the breach of his duties by legal proceedings.

BORROWING POWERS

The Articles of Association do not specifically provide for the manner in which borrowing powers may be exercised nor do they contain any specific provision in respect of the manner in which such borrowing powers may be amended by our Company, except for:

- provisions which authorize the Board to formulate proposals for the issuance of debentures and other securities by our Company;
- provisions which provide that the issuance of debentures and other securities shall be approved by the shareholders' general meeting by a special resolution.

AMENDMENTS TO CONSTITUTIONAL DOCUMENTS

Our Company may amend the Articles of Association in accordance with laws and the provisions of the Articles of Association.

An amendment to the Articles of Association in connection with the Mandatory Provisions shall be subject to approval of the relevant supervisory and regulatory authorities authorized by the State Council. Where an amendment in the Articles of Association involves registration of our Company, our Company shall register the amendment according to the applicable law.

VARIATION OF RIGHTS OF EXISTING SHAREHOLDERS OF DIFFERENT CLASSES

Shareholders who hold different categories of shares in our Company shall be shareholders of different classes. Shareholders of different classes shall enjoy rights and assume obligations in accordance with laws, administrative regulations and the Articles of Association.

In addition to shareholders of other categories of shares, shareholders of domestic shares and foreign shares shall be deemed as shareholders of different classes of shares.

Any proposal by our Company to change or abrogate the rights of any class of shareholders shall be approved by the shareholders' general meeting by a special resolution and by a separate shareholders' general meeting convened by the affected shareholders conducted in accordance with the Articles of Association.

The rights of shareholders of a class shall be deemed to have been changed or abrogated in the following conditions:

- an increase or decrease in the number of shares of a class or an increase or decrease in the voting rights, distribution rights or other privileges of shares of a class;
- conversion of all or part of the shares of a class into shares of another class, or vice versa or the grant of a right to convert;

- cancellation or reduction of rights to accrued dividends or cumulative dividends attached to shares of a class;
- cancellation or reduction of a dividend preference or property distribution preference during liquidation of our Company, attached to shares of a class;
- an addition, cancellation or reduction of share conversion rights, options, voting rights, transfer rights, preemptive rights of placing or rights to acquire securities of our Company attached to shares of a class;
- cancellation or reduction of rights to receive amounts payable by our Company in a particular currency attached to shares of a class;
- creation of a new class of shares with voting rights, distribution rights or other privileges which are equal or superior to shares of a class;
- imposition of restrictions or additional restrictions on the transfer or ownership of shares of a class;
- issue of rights to subscribe for, or convert into, shares of a class or another class;
- an increase in the rights and privileges of shares of another class;
- restructuring of our Company which causes shareholders of different classes to bear liability on a disproportionate basis during the restructuring; or
- an amendment or cancellation of “special voting procedures for shareholders of different classes” as contained in the Articles of Association.

Interested shareholders (as defined below) shall not have the right to vote at meetings of shareholders of different classes.

Resolutions of a class shareholders’ general meeting may be passed only by two-thirds or more of the voting shares represented by class shareholders attending that meeting who are entitled to vote at that meetings.

When our Company is to convene a class shareholders’ general meeting, it shall issue a written notice 45 days (excluding the date of such meeting) prior to the meeting informing all the registered shareholders of that class of the matters to be discussed at the meeting as well as the date and place of the meeting. Shareholders who intend to attend the meeting shall, within 20 days prior to the day of the meeting, deliver a written reply to our Company on meeting attendance.

If a class shareholders’ general meeting is convened by serving of notice, such notice needs to be delivered only to the shareholders who are entitled to vote thereat.

The procedures pursuant to which a class shareholders’ general meeting is held shall, to the extent possible, be identical to the procedures according to which a shareholders’ general meeting is held. Provisions of the Articles of Association in relation to procedures for the holding of a shareholders’ general meeting shall be applicable to class shareholders’ general meetings.

The special voting procedures for shareholders of different classes shall not apply in the following circumstances:

- where, as approved by way of a special resolution of the shareholders' general meeting, our Company issues, either separately or concurrently, domestic investment shares listed within the PRC and foreign investment shares listed outside the PRC every 12 months, and the number of the domestic investment shares and foreign investment shares listed outside the PRC intended to be issued does not exceed 20% of the issued and outstanding shares of the respective categories;
- where the plan for, issuance of domestic investment shares listed within the PRC and foreign investment shares listed outside the PRC upon the incorporation of our Company is completed within 15 months since being approved by the securities regulatory authorities of the State Council;
- upon approval by the securities regulatory authority under the State Council, the holders of Domestic Shares transfer their shares to overseas investors and list or trade their shares in an overseas securities exchange.

For the purposes of the provisions of the rights of shareholders of different classes, the "interested shareholders" shall have the following meanings:

- if our Company has made a repurchase offer to all shareholders in the same proportion or has repurchased its own shares through open transactions on a stock exchange in accordance with the Articles of Association, the controlling shareholders as defined in the Articles shall be "interested shareholders";
- if our Company has repurchased its own shares by an agreement outside a stock exchange in accordance with the Articles of Association, shareholders in relation to such an agreement shall be "interested shareholders";
- under a restructuring proposal of our Company, shareholders who will bear liability in a proportion smaller than that of the liability borne by other shareholders of the same class, or shareholders who have an interest that is different from the interest of other shareholders of the same class shall be "interested shareholders".

RESOLUTIONS-MAJORITY REQUIRED

Resolutions of shareholders' general meeting are divided into ordinary resolutions and special resolutions.

Ordinary resolutions made by shareholders' general meeting shall be adopted by half or more of voting shares represented by the shareholders attending the shareholders' general meeting (including their proxies).

Special resolutions made by shareholders' general meeting shall be adopted by two-thirds or more of voting shares represented by the shareholders attending the shareholders' general meeting (including their proxies).

VOTING RIGHTS (GENERALLY, THE RIGHT ON A POLL AND TO DEMAND A POLL)

Shareholders (including their proxies) exercise voting rights according to the voting shares they hold, and each share shall have one voting right. However, the shares of our Company held by our Company shall not carry voting right and shall not be calculated into the aggregate amount of shares carrying voting right in attendance of the shareholders' general meeting.

The matters of the shareholders' general meeting shall be resolved by show of hands.

A poll demanded on a vote regarding the election of the chairman of the meeting or an adjournment of the meeting, shall be taken immediately. A poll demanded on any other matters shall be taken at the time as the chairman of the meeting decides and the meeting may proceed to other matters. The result of the poll shall still be a resolution of the meeting.

On a poll taken at a meeting, a shareholder (including his proxy) entitled to two or more votes need not cast all of his votes in the same way.

In case of an equality of votes, the chairman of the meeting shall be entitled to a casting vote.

REQUIREMENTS FOR ANNUAL SHAREHOLDERS' GENERAL MEETING

Annual general meeting shall be held once every year within six months after the end of the last financial year.

ACCOUNTS AND AUDIT

Our Company shall formulate its accounting system in compliance with laws, administrative regulations and relevant stipulations formulated by the relevant PRC regulatory authorities.

The Board of our Company shall submit to its shareholders at every annual general meeting such financial reports as required by the laws and regulations.

The financial statements of our Company shall, in addition to being prepared in accordance with the PRC accounting standards and regulations, be prepared in accordance with either international accounting standards or that of the place outside China where our Company's shares are listed. If there is any material difference between the financial statements prepared respectively in accordance with the aforesaid accounting standards, such difference shall explained in the financial statements. For the purposes of distribution of our Company's after-tax profits in a financial year, the lower of the after-tax profits as shown in the different financial statements above shall be adopted.

The financial reports of our Company shall be made available at our Company for inspection by shareholders 20 days before the annual general meeting. Each shareholder of our Company is entitled to a copy of the financial reports.

A copy of the above financial reports shall, at least 21 days before the date of the general meeting, be delivered or sent by pre-paid post to the registered address of every holders of Foreign Shares.

The interim results or financial information that our Company announces or discloses shall be compiled according to both PRC accounting standards, laws and regulations, and international accounting standards or accounting standards of the place at which shares of our Company are listed.

Our Company shall disclose its financial reports two times in each accounting year, that is, its interim financial reports within sixty days of the end of the first six months of a financial year and its annual financial reports within ninety days of the end of its financial year.

NOTICE OF MEETINGS AND BUSINESS TO BE CONDUCTED THEREAT

There are two types of shareholders' general meetings: the annual shareholders' general meetings and the extraordinary shareholders' general meetings.

The extraordinary shareholders' general meeting shall be convened within two months upon the occurrence of any of the following events:

- the number of Directors is less than the number stipulated by PRC Company Law or less than two-thirds of the number required by the Articles of Association;
- the outstanding balance of our Company's loss that had not been made-up reaches one-third of our Company's total paid-in share capital;
- shareholders holding severally or jointly 10% or more of our Company's shares presents a written request to convene an extraordinary shareholders' general meeting (the percentage of shareholding shall be calculated in accordance with the shareholdings on the date of the presence of such request);
- the Board deems it as necessary or the Supervisory Committee proposes that the meeting be convened;
- two or more independent non-executive Directors propose in written that the meeting be convened; and
- other situations, as stipulated in laws, administrative regulations, departmental rules, listing rules of the exchange where the company's shares are listed and the articles of association.

Any shareholders who hold, jointly or severally with others, 3% or more voting shares of our Company shall have the right to propose and submit in writing to the persons who convene shareholders' general meeting special proposals ten days prior to the convening of shareholders' general meeting. The convening persons shall issue a supplementary notice with the contents of the special proposals within two days of receipt of such proposals and submit the special proposals to the shareholders' general meeting for discussion. The special proposals shall fall within the scope of duties of the shareholders' general meeting and include specific subject and particular matters to be resolved.

When our Company is to convene a shareholders' general meeting, it shall issue a written notice 45 days prior to the meeting (including the date of the meeting), informing all the registered shareholders of the matters to be discussed at the meeting as well as the date and place of the meeting. Shareholders who intend to attend the shareholders' general meeting shall, within 20 days prior to the meeting, deliver a written reply to our Company on the meeting attendance.

The notice of a shareholders' general meeting shall be delivered to the shareholders (whether or not entitled to vote on the shareholders' general meeting) by courier or per-paid mail to the recipient's

address shown in the register of shareholders or by public announcement. The public announcement referred to in the preceding paragraph shall be published in one or more newspapers or periodicals designated by the securities regulatory authorities of the State Council as well as the website of our Company and the stock exchange during the period between 45 and 50 days before the meeting is held. Once the announcement is made, all shareholders of domestic shares shall be deemed to have received the notice of the relevant shareholders' general meeting.

For shareholders of foreign shares, notice of the shareholders' general meeting, shareholders' circulars and relevant documents may be issued on the website of our Company and the website of the Hong Kong Stock Exchange provided that the requirements of laws, administrative regulations, and the listing rules of the jurisdictions where the shares of our Company are listed as well as the Articles of Association are complied with.

A meeting and the resolutions adopted to thereof shall not be invalidated as a result of accidental omission to give notice of the meeting to, or the failure of receiving such notice by, a person entitled to receive such notice.

The notice of a shareholders' general meeting shall meet the following requirements:

- it shall be made in writing;
- it shall specify the time, place and period of the meeting;
- it shall describe the matters to be discussed at the meeting;
- it shall provide necessary information and explanations to the shareholders so as to enable them fully understand the matters to be discussed and make decisions accordingly. This principle shall apply (but not limited to) when our Company proposes a merger, repurchase of shares, reorganization of share capital or other restructuring, it shall provide the specific conditions and contracts (if any) of the transaction under discussions and earnestly explain the cause and result of the transaction;
- it shall disclose the nature and extent of material interests, if any, of any Director, supervisor, general manager or other senior management of our Company in any matter to be discussed; and provide an explanation of the differences, if any, between the way in which the matter to be discussed would affect such Director, supervisor, general manager or other senior management of our Company and the way in which such matter would affect other shareholders of the same class;
- it shall contain the full text of any special resolutions proposed to be voted at the meeting;
- it shall contain a statement that the shareholders are entitled to be attend and vote, and have the right to appoint one or more proxies to attend and vote on their behalf and that such proxy is not required to be a shareholder;
- it shall state the time and place for the delivery of the meeting's proxy forms.

Based on the written replies received 20 days prior to a shareholders' general meeting, our Company shall calculate the number of votes represented by the shareholders intending to attend the

meeting. If the number of voting shares represented by the shareholders intending to attend the meeting is half or more of the total number of our Company's voting shares, our Company may convene the shareholders' general meeting. Otherwise, our Company shall within five days inform the shareholders once again of the matters to be discussed at the meeting as well as the date and place of the meeting in the form of a public announcement. Upon notification by public announcement, our Company may convene the shareholders' general meeting.

Without the prior approval of the shareholders' meeting by special resolutions, our Company shall not enter into any contract with any party other than the Directors, supervisors, general manager or other senior management members, pursuant to which such party shall be responsible for managing the whole or any substantial part of our Company's business.

Resolutions on the following items shall be adopted in the form of ordinary resolutions by a shareholders' general meeting:

- working report of the Board and the Supervisory Committee;
- plans made by the Board on profit distribution and loss make-up;
- election and removal of members of the Board and the shareholder representative supervisors and their remunerations and methods of payment;
- annual budget and final accounts plans, balance sheets, income statements and other financial statements;
- matters other than those stipulated by laws, administrative regulations or the Articles of Association to be adopted by special resolutions.

The following items shall be adopted in the form of special resolutions:

- increase or reduction of our Company's registered capital or issuance of any class of shares, warrants of share subscription or other similar securities;
- issuance of bonds;
- division, merger, dissolution, liquidation or change of organizational form of our Company;
- amendment to the Articles of Association;
- purchase or sale of material assets or provision of security interest with an amount of more than 30% of our Company's audited total assets value for the most recent period within one year;
- share option incentive plans;
- repurchase the shares of our Company;
- other matters stipulated by laws, administrative regulations or the Articles of Association, and other matters decided in ordinary resolutions adopted by the shareholders' general

meeting as having significant impact on our Company and requiring adoption by way of special resolutions;

- other matters Hong Kong Stock Exchange requires to be adopted by special resolutions.

TRANSFER OF SHARES

Upon obtaining the approval from the State Council's securities regulatory authority, holders of domestic shares may list and trade their shares in an overseas stock exchange. The listing and trading of such transferred shares shall comply with the procedures, regulations and requirements prescribed by the relevant overseas stock market. No class shareholder voting is required for such listing and trading of shares on an overseas stock exchange.

Unless otherwise provided by laws and administrative regulations, our Company's shares that are fully paid-in may be transferred free of any encumbrances, provided that Hong Kong Stock Exchange shall be registered at the share registration institution in Hong Kong entrusted by our Company.

Any changes to or correction of any parts of the register of shareholders shall be conducted in accordance with the laws of the place where such parts of the register of shareholders are kept.

No changes resulting from share transfers may be made to the register of shareholders within 30 days prior to a shareholders' general meeting or five days prior to the record date set by our Company for the purpose of distribution of dividends.

POWER OF OUR COMPANY TO REPURCHASE ITS OWN SHARES

After being approved under the procedures stipulated by laws, administrative regulations, listing rules of Hong Kong Stock Exchange, departmental rules and the Articles of Association and obtaining approvals from administrative authorities authorized by the State Council, our Company may repurchase shares of our Company in the following circumstances:

- (1) to cancel the shares for the purpose of reducing the registered capital of our Company;
- (2) to merge with other companies holding the shares of our Company;
- (3) to give the shares to employees as awards;
- (4) to be requested to repurchase the shares held by the shareholders who object to the resolutions adopted at the shareholders' general meeting concerning merger and division of our Company;
- (5) to use the shares to satisfy the conversion of those corporate bonds convertible into shares issued by our Company;
- (6) to safeguard corporate value and shareholders' equity as our Company deems necessary;
- (7) other circumstances where laws and administrative regulations so permit and regulatory authorities so approves.

The repurchase of our Company's shares in the abovementioned circumstances (1), (2) and (4), upon the approval by the relevant competent governmental authorities, may be conducted in any of the following manners:

- making a repurchase offer pro rata to all shareholders;
- repurchase through open transactions in a stock exchange;
- repurchase through contractual arrangements outside a stock exchange;
- other means approved by laws, administrative regulations or administrative departments authorized by the State Council.

The repurchase of our Company's shares in the abovementioned circumstances (3), (5) and (6) may only be conducted through open and centralized transactions.

When our Company is to repurchase shares through contractual arrangements outside a stock exchange, prior approval shall be obtained from the shareholders' general meeting in accordance with the Articles of Association. Upon prior approval of the shareholders' general meeting obtained in the same manner, our Company may rescind or change contracts concluded in the manner set forth above or waive any of its rights under such contracts.

- For the purposes of the above paragraph, contracts for the repurchase of shares shall include (but not limited to) agreements whereby repurchase obligations are undertaken and repurchase rights are acquired.
- Our Company may not assign contracts for the repurchase of its own shares or any of its rights thereunder.
- Our Company shall apply to the original company registration authority for the change of the registered capital registration in the event that the repurchased shares are canceled due to the repurchase thereof.
- The amount of our Company's registered capital shall be reduced by the total par value of the shares so canceled.

Unless our Company has already entered the liquidation stage, it must comply with the following provisions in buying back its issued and outstanding shares:

- where our Company buys back shares at their par value, the amount thereof shall be deducted from the book balance of distributable profit and from the proceeds of a new share issuance made to repurchase the old shares;
- where our Company buy backs shares at a price higher than their par value, the portion corresponding to their par value shall be deducted from the book balance of distributable profit and from the proceeds of a new share issuance made to buy back the old shares. The portion in excess of the par value shall be handled according to the following methods:
 - where the shares bought back were issued at their par value, the amount shall be deducted from the book balance of distributable profit;

- where the shares bought back were issued at a price higher than their par value, the amount shall be deducted from the book balance of distributable profit and from the proceeds of a new share issuance made to buy back the old shares; however, the amount deducted from the proceeds of the new share issuance may not exceed the total premium obtained at the time of issuance of the old shares nor may it exceed the amount in our Company's share premium account (or capital reserve account) (including the premiums from the new share issuance) at the time of buyback;
- the amount paid by our Company for the purposes set forth below shall be paid out of our Company's distributable profits:
 - acquisition of the right to repurchase its own shares;
 - modification of any contract for repurchase of its own shares;
 - release from any of its obligations under any repurchase contracts;
- after the par value of the canceled shares has been deducted from the registered capital of our Company in accordance with relevant regulations, that portion of the amount deducted from the distributable profit and used to buy back shares at the par value shall be included in our Company's share premium account (or capital reserve account).

POWER OF OUR COMPANY'S SUBSIDIARIES TO OWN SHARES OF OUR COMPANY

There are no provisions in the Articles of Association restricting the ownership of shares of our Company by any of our Company's subsidiaries.

DIVIDENDS AND OTHER METHODS OF PROFITS DISTRIBUTION

Our Company may distribute the dividends in the form of cash or shares.

Our Company shall appoint recipient agents for shareholders of foreign investment shares listed outside the PRC. The recipient agents shall collect on behalf of the relevant shareholders the dividends distributed and other funds payable in respect of foreign investment shares listed outside the PRC, and to keep such amounts for the future payment to the relevant shareholders.

APPOINTMENT OF PROXIES

Any shareholders entitled to attend and vote at a shareholders' general meeting shall have the right to appoint one or more persons (who need not be shareholders) as his/her proxies to attend and vote on his/her behalf. Such proxy may exercise the following rights according to his/her entrustment by the shareholder:

- the shareholder's right to speak at the shareholders' general meeting;
- on their own or together with others, to request to vote by ballot;
- the exercise of voting right by raising hands or ballot; but when more than one proxy is appointed, such proxies can only exercise voting rights by ballot.

Shareholders shall entrust the proxy in writing, and the proxy letter shall be signed by the appointer or the agent authorized by the shareholders in writing. If the appointer is a legal person, the proxy letter shall be sealed with the legal person's stamp or signed by its Director or formally authorized agent.

Legal person shareholder shall be represented by the legal representative or the person authorized by resolution of the board of directors or other governing bodies to attend the meeting as a representative thereof. When a proxy is entrusted to attend the meeting, he/she shall present his/her identification card and written proxy or authorization letter signed by the legal representative, the board of directors or other governing bodies. Legal representative attending the meeting shall present his/her identification card and effective proof to his/her qualification as a legal representative appointed by the board of the legal person or other authority of the legal person or any effective proof permitted by our Company.

The proxy letter issued by a shareholder to entrust proxy to attend shareholders' general meeting shall contain the following contents: the amount of shares represented by the proxy, the name of the proxy; whether the proxy has voting rights; whether the proxy has voting rights on the provisional proposal that may be included in the agenda of the shareholders' general meeting; the specific instructions on which voting rights should be exercised if the proxy has voting rights; date of issue and validity period. If there are several proxies, the proxy letter should specify the number of shares represented by each proxy. In addition, the proxy letter should give instructions on each item to be discussed on the agenda of shareholders' general meeting, and specify that in the absence of instructions from the shareholder, the proxy may vote as he/she thinks fit.

The form of the proxy letter issued by the Board of our Company to the shareholders for the appointment of proxies shall give the shareholders free choice to instruct their proxies to cast an affirmative, negative or abstention vote and enable the shareholders to give separate instructions on each matter to be voted during discussions at the meeting. The proxy letter shall specify that in the absence of instructions from the shareholder, the proxy may vote as he/she thinks fit.

If, before voting, the appointer has passed away, lost his/her ability to act, withdrawn the appointment, withdrawn the authorization to sign the proxy letter, or transferred all his/her shares, the vote cast by the proxy in accordance with the proxy letter shall remain valid so long as our Company has not received the written notice regarding such matters before the commencement of relevant meeting.

CALLS ON SHARES AND FORFEITURE OF SHARES

Shareholders are entitled to the interests of any payment for shares prior to the making of calls on such shares, but cannot claim any dividend in respect of such shares that is declared after that prepayment.

Our Company has right to sell the foreign investment shares listed outside the PRC, the holders of which are unable to get into contact with for a prescribed period of time subject to satisfaction of the following conditions:

- our Company has declared dividend in respect of such shares of at least three times within 12 years, but such dividend has never been collected by any person during that period; and

- after the expiration of the 12 year period, our Company shall publish an announcement in one or more magazines, stating its intention to sell such shares, and notify the securities regulatory authorities of the jurisdiction where our Company is listed.

RIGHTS OF SHAREHOLDERS (INCLUDING INSPECTION OF REGISTER)

Shareholders of ordinary shares of our Company shall enjoy rights pursuant to the applicable laws and the Articles of Association as follows:

- collect dividends and other kinds of interests distributed based on the number of shares held by them;
- request for convention of, convene, preside over, attend or entrust a proxy to attend shareholders' meetings and exercise relevant voting right in accordance with the applicable laws;
- supervise and administrate the business operation of our Company, and make suggestions and enquiries accordingly;
- transfer, donate or pledge shares held by the shareholders in compliance with laws, administrative regulations, and the Articles of Association;
- obtain relevant information in accordance with the Articles of Association, including:
 - the right to obtain the Articles of Association, subject to payment of costs;
 - the right to inspect the following documents for free and make copies of the documents subject to payment of costs:
 1. all parts of the register of shareholders;
 2. personal information of each Director, supervisor, general manager and other senior management personnel of our Company;
 3. status of share capital of our Company;
 4. latest audited financial statements of our Company and the Reports of the Directors, auditors and Supervisory Committee;
 5. extraordinary general meeting of our Company;
 6. reports of the aggregate par value, number of shares, and highest and lowest prices of each class of shares repurchased by our Company since the last accounting year as well as all the expenses paid by our Company therefor;
 7. copy of the latest annual report filed with the PRC State Administration for Industry and Commerce or other competent PRC authority;
 8. minutes of shareholders' general meetings;

9. Stubs of corporate bonds, minutes of shareholders' meetings (available for inspection by shareholders only), special resolutions of shareholders' meetings, resolutions of board meetings, resolutions of board of supervisors.
- participate in the distribution of our Company's remaining assets based on the number of shares held by the shareholders when our Company is terminated or liquidated;
 - request our Company to purchase its shares if they object to the resolutions adopted by the shareholders' general meeting on merger or separation;
 - Any shareholders who hold, separately or in the aggregate, 3% or more voting shares of our Company shall have the right to propose and submit in writing the special proposals to the Board ten days prior to a shareholders' general meeting;
 - other rights conferred by laws, administrative regulations and the Articles of Association.

QUORUM FOR SHAREHOLDERS' GENERAL MEETINGS AND SHAREHOLDERS' CLASS MEETINGS

Based on the written replies received 20 days prior to a shareholders' general meeting, our Company shall calculate the number of voting shares represented by the shareholders intending to attend the meeting. If the number of voting shares represented by the shareholders intending to attend the meeting is half or more of the total number of our Company's voting shares, our Company may convene the shareholders' general meeting. Otherwise, our Company shall within five days inform the shareholders once again of the matters to be discussed at the meeting as well as the date and place of the meeting in the form of a public announcement. Upon notification by public announcement, our Company may convene the shareholders' general meeting.

If the number of voting shares of a class of shareholders represented by the shareholders intending to attend the meeting is half or more of the total number of shares of that class carrying the right to vote at the meeting, our Company may hold the meeting of shareholders of that class. Otherwise, our Company shall within five days inform the shareholders once again of the matters to be discussed at the meeting and the date and place of the meeting in the form of a public announcement. Upon notification by public announcement, our Company may hold the meeting of shareholders of that class.

RIGHTS OF MINORITY SHAREHOLDERS IN RELATION TO FRAUD OR OPPRESSION

In addition to obligations imposed by laws, administrative regulations or the Listing Rules of the stock exchange(s) on which the shares of our Company are listed, while exercising voting rights, the controlling shareholders shall not make such decisions to the detriment of all or part of the shareholders' interests as below:

- relieving a Director or supervisor of the responsibility to act honestly in the best interest of our Company;
- approving a Director or a supervisor for his/her own or other person's benefit to deprive our Company of its property in any form, including (but not limited to) any opportunities that are favorable to our Company; or

- approving a Director or a supervisor for his/her own or other person's benefit to deprive other shareholders of their rights or interests, including (but not limited to) rights to distributions and voting rights, unless pursuant to a restructuring of our Company submitted to and adopted by the shareholders' general meeting in accordance with the Articles of Association.

The term "controlling shareholder(s)" in the Articles of Association shall refer to the person(s) satisfying any of the following conditions:

- acting alone or in concert with others, has the power to elect half or more number of the Directors;
- acting alone or in concert with others, has the power to exercise or control the exercise of 30% or more of our Company's voting rights;
- acting alone or in concert with others, hold 30% or more of shares of our Company;
- acting alone or in concert with others, can obtain actual control of our Company in any other manner.

PROCEDURES ON LIQUIDATION

Should any of the following circumstances occur, our Company shall be dissolved and liquidated pursuant to law:

- if the shareholders' general meeting resolves to dissolve our Company;
- if a dissolution is necessary as a result of the merger or division of our Company;
- if our Company's business license is lawfully suspended, or our Company is lawfully declared to be closed or revoked;
- if our Company is lawfully declared to be closed because it violates laws and administrative regulations;
- if no other solutions can be pursued when our Company has significant difficulties in its operation and management, and its continued existence will cause great loss to the shareholders' interests, shareholders with 10% or more of all the voting rights of our Company may file a lawsuit with the court to dissolve our Company;
- the declaration of bankruptcy of our Company in accordance with the law resulting from inability to discharge debts;
- the expiry of the term of business as stipulated in the Articles of Association or other causes of dissolution as stipulated in the Articles of Association. If the company is dissolved under this circumstance, it may continue to operate by amending the Articles of Association.

If the Board decides that our Company should be liquidated (except the liquidation as a result of our Company's declaration of insolvency), the notice of the shareholders' general meeting convened

for such purpose shall include a statement to the effect that the Board has made full investigation into the position of our Company and that the Board holds the opinion that our Company can pay its debts in full within 12 months after the announcement of liquidation.

The functions and powers of the Board shall terminate immediately after the general shareholders' general meeting has adopted a resolution regarding liquidation.

During the period of liquidation, our Company still exists but shall not engage in any business activities irrelevant to such liquidation.

Upon completion of liquidation, the liquidation committee shall prepare a liquidation report, an income and expenditure statement and financial account for the period of liquidation and, after they are certified by a PRC certified public accountant, submit to the Shareholders' general meeting or the people's court for confirmation.

OTHER PROVISIONS MATERIAL TO OUR COMPANY OR ITS SHAREHOLDERS

General provisions

Our Company is a joint stock limited company having perpetual existence. From the date on which the Articles of Association came into effect, the Articles of Association constitute a legally binding public document regulating our organization and activities, and the rights and obligations between our Company and each shareholder and among the shareholders themselves.

In light of the demands of operation and business development and based on relevant laws and regulations, after obtaining separate resolutions of the shareholders' general meeting, our Company may increase its capital through the following ways:

- offering new shares to the public;
- private placing of shares;
- allotment of new shares to existing shareholders;
- transferring capital reserve funds;
- other methods provided by laws and administrative regulations or permitted by the administrative authorities authorized by the State Council.

Our Company's issuance of new shares shall be handled in accordance with the procedures provided for in relevant State laws and administrative regulations after having been approved in accordance with the Articles of Association.

Our Company may reduce its registered capital in accordance with the provisions of the Articles of Association. The reduction of registered capital shall follow the procedures set forth in the PRC Company Law and other regulations and provisions of the Articles of Association.

When our Company is to reduce its registered capital, it must prepare a balance sheet and an inventory of assets.

Our Company shall notify its creditors within 10 days of adopting the resolution to reduce its registered capital and shall publish an announcement in the newspapers within 30 days. Creditors shall, within 30 days since receiving a written notice or within 45 days since the date of the public announcement for those who have not received a written notice, be entitled to require our Company to pay off its debts in full or to provide a corresponding guarantee for repayment.

The reduced registered capital of our Company may not be less than the statutory minimum.

Shareholders of ordinary shares of our Company shall undertake the following obligations:

- abide by laws, administrative regulations and the Articles of Association;
- contribute share capital according to the number of shares subscribed by them and the methods of capital contribution;
- the liability of the Shareholders to our Company is limited to the extent of the shares subscribed by them;
- unless otherwise stipulated by laws and administrative regulations, shareholders shall not withdraw their share capital;
- other obligations imposed by laws and the Articles of Association.

SECRETARY OF THE BOARD

The Board has a secretary who shall be appointed and dismissed by the Board. The secretary of the Board is a member of senior management of our Company.

The major duties of the secretary of the Board shall include:

- to ensure the Company keep the relevant documents and records of our organization and activities; to keep and administrate the relevant documents of shareholders; to assist the routine of the Board;
- to organize and prepare for the Board meetings and shareholders' general meetings, prepare meeting materials, arrange the meetings, take minutes of the meetings and take care of the documents and minutes of the meetings, and actively follow up the exercise of relevant resolutions. For important issues during exercise of relevant resolutions, the secretary of the Board shall report to the Board and provide recommendation;
- to organize, prepare and submit the reports and documents required by the relevant supervisory and regulatory authorities and to be responsible for all relevant task from regulatory authorities as the contact person between the Company and the relevant supervisory and regulatory authorities of the State Council or CSRC;
- to ensure the Company set up the register of shareholders. to ensure the persons entitled to access to the relevant documents and records are furnished with such documents and records without delay;

- to be responsible for the information disclosure of our Company, attending all the relevant meetings, and timely acquisition of information on material operation decisions and relevant materials;
- to exercise other powers conferred by the Board and other powers as may be required or provided for under laws of the places where our Company's shares are listed.

SUPERVISORY COMMITTEE

Our Company shall have a Supervisory Committee, which shall comprise three supervisors, one of whom shall be elected as the chairman of the Supervisory Committee. The chairman of the Supervisory Committee shall be elected and replaced by two-thirds or more of all the supervisors. The term of office of each supervisor shall be 3 years. A supervisor may serve consecutive terms if re-elected upon the expiration of his/her term. Directors, general manager and other senior management members of our Company may not serve as supervisors concurrently.

The Supervisory Committee shall perform the following duties:

- to supervise the performance of duties by the Directors, the general manager and other senior management members of our Company in violation of laws, administrative regulations and the Articles of Association of the company, and to propose the dismissal of the Directors and senior management of our Company who violate laws, the Articles of Association or resolutions of the shareholders' general meeting;
- to require the Directors, the general manager, and other senior management of our Company to correct any act that is harmful to our Company's interests;
- to check the financial position of our Company;
- to examine the financial reports, operating reports, profit distribution plans and other financial documents which the Board intend to submit to the shareholders' general meeting, and to entrust certified accountant or certified auditor on behalf of our Company to review relevant financial documents in case of any doubt;
- to propose to hold an extraordinary shareholders' general meeting, and to convene and preside over a shareholders' general meeting when the Board fails to perform its duty of convening and presiding over such meeting pursuant to the PRC Company Law;
- to make proposals to the shareholders' general meetings;
- to represent our Company in negotiation with Directors or to sue Directors;
- to propose to hold an extraordinary Board meeting;
- to bring legal proceedings against the Directors and the senior management members in accordance with Article 151 of the PRC Company Law;
- other authority prescribed by laws, administrative regulations and the Articles of Association.

A supervisor can attend the Board meetings as a non-voting attendee.

A supervisor shall abide by laws and the Articles of Association, and perform his/her supervising responsibilities honestly and diligently.

GENERAL MANAGER OF OUR COMPANY

The general manager of our Company shall be accountable to the Board and shall have the right to exercise the following powers:

- be in charge of business operation and management of our Company, report to the Board;
- organize the implementation of the resolutions of the Board meetings, annual operation and investment plans of our Company;
- formulate the company's annual financial budget plan and final account plan and make recommendations to the board of directors;
- formulate the basic administrative system and internal management establishment structure of our Company;
- formulate the basic regulations of our Company;
- propose to the Board for the appointment or dismissal of the deputy general manager, chief financial officer and other senior management members in accordance with the Articles of Association and relevant internal control system of our Company;
- appoint or dismiss other management or ordinary employees that shall not be appointed or dismissed by the Board in accordance with the Articles of Association and relevant internal control system of our Company;
- propose to hold extraordinary board meetings;
- determine other matters within the scope authorized by the Board;
- determine the investments, acquisitions, sales, financings and others excepting the projects shall be determined by the Board or shareholders' general meeting;
- other duties and powers authorized by the Articles of Association and the Board.

The general manager shall abide by laws and the Articles of Association and perform his duties faithfully, honestly and diligently.

BOARD

The Board shall be responsible to the shareholders' general meetings and exercise the following functions and powers:

- convening shareholders' general meetings, making proposals or motions to the shareholders' general meeting for adoption of relevant matters, and reporting on its work to the shareholders' general meeting;

- executing the resolutions of the shareholders' general meetings;
- determining business plans and investment proposals of our Company;
- formulating proposed annual budgets and final accounts of our Company;
- formulating profit distribution plans and plans for recovery of losses;
- formulating proposals for increases in or reductions of registered share capital, and proposals for issuance of stocks, bonds or other marketable securities and listing plans;
- formulating proposals for acquisition and disposal of material assets, repurchase of our Company's shares, merger, division, dissolution or transformation of our Company;
- formulate our Company's fundamental management system;
- formulating proposals for any amendment to Articles of Association;
- proposing to hire or replace an accounting firm to a general meeting of shareholders;
- listening to the work report of the general manager and other senior management personnel of our Company and checking the work of the general manager and other senior management personnel;
- deciding on external investment and external guarantee of our Company within the authority granted by the Shareholders' general meeting;
- investment, acquisition or sale of assets, financing, connected transactions that shall be decided by the Board in accordance with the requirements of the Hong Kong Stock Exchange Listing Rules;
- deciding upon other major matters of the Company, except for those matters which have been stipulated by the PRC Company Law and the Articles of Associations to be resolved at the shareholders' general meetings;
- other authorities conferred by shareholders' general meetings or prescribed by the laws, the Hong Kong Stock Exchange Listing Rules or the Articles of Association.

At least four regular meetings of the Board shall be held each year. Board meetings shall be convened by the chairman of the Board. The notice of a regular Board meeting and a special Board meeting shall be served in writing to all the Directors, supervisors and the general manager 14 days and 5 days respectively before such meetings are convened. The chairman of the Board shall convene and preside a special Board meeting within 5 days under one of the following circumstances:

- shareholders individually or collectively representing one tenth or more voting rights propose;
- the Supervisory Committee proposes;
- the chairman of the Board proposes;

- one-third or more of the Directors propose jointly;
- two or more independent non-executive Directors propose;
- the general manager of our Company proposes.

Meetings of the Board may be held only if more than half of the Directors (including proxies) attend. Resolutions of the Board shall be adopted by the affirmative votes of more than half of all the Directors except as otherwise provided in laws, administrative regulations, and these Articles of Association.

Each Director shall have one vote.

The special committees set up under the Board include without limitation: Nomination Committee, Audit Committee and Remuneration Committee.

ENGAGEMENT OF AN ACCOUNTING FIRM

Our Company shall engage an independent accounting firm that complies with relevant State regulations to audit the annual financial reports and other financial reports of our Company. The term of engagement of an accounting firm engaged by our Company shall be between the end of the annual shareholders' general meeting of our Company and the end of the next annual shareholders' general meeting.

The shareholders' general meeting may, by means of an ordinary resolution, dismiss any accounting firm prior to the expiration of its term of engagement, notwithstanding any provisions in the engagement contract between the accounting firm and our Company, without prejudice to such accounting firm's right, if any, to claim damages from our Company in respect of such dismissal.

The engagement, dismissal or refusal of the renewal of the engagement of an accounting firm shall be decided upon by the shareholders' general meeting and reported to the securities regulatory authorities of the State Council.

DISPUTE RESOLUTION

If any disputes or claims related to our Company's business based on the rights or obligations provided in the Articles of Association, the PRC Company Law and other relevant laws arise between the shareholders of foreign investment shares listed outside the PRC and our Company, between the shareholders of foreign investment shares listed outside the PRC and the Directors, supervisors, the general manager and other senior management members of our Company or between the shareholders of foreign investment shares listed outside the PRC and other shareholders of domestic investment shares, the parties concerned may submit such dispute or claim for arbitration.

When such disputes or claims as described above are submitted for arbitration, such disputes or claims shall be submitted in their entirety, and all persons that have a cause of action due to the same events or whose participation is necessary for the settlement of such disputes or claims, and if such persons being our Company or Shareholders, Directors, supervisors, the general manager or other senior management members of our Company, shall abide by arbitration.

Disputes concerning the definition of shareholders and the register of shareholders shall not be required to be settled by means of arbitration.

A dispute or claim submitted for arbitration may be arbitrated, at the option of the arbitration applicant, by either the China International Economic or Trade Arbitration Commission in accordance with its arbitration rules or the Hong Kong International Arbitration Centre in accordance with its securities arbitration rules. After the arbitration applicant has submitted the dispute or claim for arbitration, the other party must carry out arbitration in the arbitration institution selected by the applicant.

If the arbitration applicant opts for arbitration by the Hong Kong International Arbitration Centre, either party may request arbitration to be conducted in Shenzhen in accordance with the securities arbitration rules of the Hong Kong International Arbitration Centre.

Unless otherwise provided by laws or administrative regulations, the laws of the PRC shall apply to the settlement by means of arbitration of disputes or claims referred in the above paragraph.

The award of the arbitration institution shall be final and binding upon each party.

The said arbitration agreement is reached between the Directors or senior executives and our Company, with our Company representing both itself and its Shareholders.

Any arbitration submitted shall be deemed as authorizing the arbitration tribunal to conduct public hearing and announce the arbitration award.

A. FURTHER INFORMATION ABOUT OUR COMPANY**1. Incorporation**

Our Company was incorporated as a sino-foreign equity joint venture limited company in the PRC on March 17, 2011 and converted into a joint stock company with limited liability on December 19, 2018. Our registered address is at South End, Haibin 5th Road, Rizhao, Shandong Province, PRC.

Our Company has established a principal place of business in Hong Kong at 40/F, Sunlight Tower, 248 Queen's Road East, Wanchai, Hong Kong and has been registered with the Hong Kong Companies Registry as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on January 21, 2019. Ms. Fok Po Yi of SWCS Corporate Services Group (Hong Kong) Limited has been appointed as our agent for the acceptance of service of process in Hong Kong. As our Company was established in the PRC, its corporate structure and Articles of Association are subject to the relevant laws and regulations of the PRC. A summary of the relevant provisions of the Articles of Association of our Company is set out in Appendix VI to this Prospectus. A summary of certain relevant aspects of the laws and regulations of the PRC and Hong Kong is set out in Appendix V to this Prospectus.

2. Changes in Share Capital of Our Company

See the section headed "History and development — Major Shareholding Changes of Our Company".

3. Written Resolutions Passed by Our Shareholders on December 20, 2018

At the extraordinary general meeting of our Company held on December 20, 2018, among other things, the following resolutions were passed by the Shareholders:

- (a) our H Shares to be listed on the Stock Exchange be issued;
- (b) the listing of the H Shares converted from the Foreign Shares held by Jurong Port Holding;
- (c) subject to the completion of the Global Offering, the Articles of Association have been approved and adopted, which shall only become effective on the Listing Date, and the Board has been authorized to amend the Articles of Association in accordance with any comments from the Stock Exchange and the relevant PRC regulatory authorities; and
- (d) authorizing the Board to handle all relevant matters relating to, among other things, the implementation of issuance of H Shares and the Listing.

B. FURTHER INFORMATION ABOUT OUR BUSINESS**1. Summary of Material Contracts**

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within two years preceding the date of this Prospectus which are or may be material:




- (a) the Berth Acquisition Agreement;

- (b) the Hong Kong Underwriting Agreement;
- (c) the cornerstone investment agreement dated May 24, 2019 entered into between the Company, China Securities (International) Corporate Finance Company Limited and Penavico & CL (Hong Kong) Co., Limited, pursuant to which Penavico & CL (Hong Kong) Co., Limited has agreed to subscribe for 105,990,000 Offer Shares at the Offer Price;
- (d) the cornerstone investment agreement dated May 24, 2019 entered into between the Company, China Securities (International) Corporate Finance Company Limited and Yankuang Group (Hong Kong) Limited, pursuant to which Yankuang Group (Hong Kong) Limited has agreed to subscribe for 50,000,000 Offer Shares at the Offer Price; and
- (e) the cornerstone investment agreement dated May 23, 2019 entered into between the Company, China Securities (International) Corporate Finance Company Limited and Shanghai Guhui Industrial Co., Ltd. (上海谷匯實業有限公司), pursuant to which Shanghai Guhui Industrial Co., Ltd. has agreed to subscribe for 44,000,000 Offer Shares at the Offer Price.


2. Our Intellectual Property Rights

(a) Trademarks

As of the Latest Practicable Date, we have been granted by Rizhao Port Group the rights to use the following registered trademarks in our operations, which we consider material to our business:

No.	Trademark	Place of Registration	Registrant	Registration Number	Class	Expiry Date
1		PRC	Rizhao Port Group	6284193	39	August 27, 2020
2		PRC	Rizhao Port Group	6108755	39	May 20, 2020
3		PRC	Rizhao Port Group	6108758	39	May 20, 2020

As of the Latest Practicable Date, our Company has applied for the registration of the following trademark in Hong Kong, which we consider material to our business:

No.	Trademark	Application Number	Applicant	Class	Date of Application
1		304801158	Our Company	39	January 15, 2019

(b) Patents

As at the Latest Practicable Date, our Company had registered the following patent in the PRC which we consider material to our business:

<u>No.</u>	<u>Patent</u>	<u>Patent Number</u>	<u>Registrant</u>	<u>Date of Registration</u>	<u>Validity</u>
1	Freight train loading method (貨運火車裝載方法)	ZL201410037474.3	Our Company and Institute of Water Transport Science of Ministry of Transport of the People's Republic of China	January 26, 2014	Valid
2	Freight train loading system (貨運火車裝載系統)	ZL201410037893.7	Our Company and Institute of Water Transport Science of Ministry of Transport of the People's Republic of China	January 26, 2014	Valid

(c) Domain Names

As of the Latest Practicable Date, we had registered the following domain name in the PRC which we consider material to our business:

<u>No.</u>	<u>Domain Name</u>	<u>Registered Owner</u>	<u>Date of Registration</u>	<u>Expiry Date</u>
1	www.rzportjurong.com	our Company	January 14, 2019	January 14, 2021

C. FURTHER INFORMATION ABOUT OUR DIRECTORS, SUPERVISORS AND SUBSTANTIAL SHAREHOLDER

1. Directors and Supervisors

(i) Disclosure of Interest

Immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised), so far as our Directors are aware, none of our Directors, Supervisors or chief executive has any interests or short positions in our Shares, underlying shares and debentures of our Company and its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to our Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

(ii) Particulars of Service Contracts

Each of the Directors and Supervisors has entered into a service contract pursuant to Rule 19A.54 and Rule 19A.55 of the Listing Rules with our Company which provides for, among others, compliance of relevant laws and regulations, observations of the Articles of Association and provision on arbitration with our Company.

(iii) Directors' and Supervisors' Remuneration

For the years ended December 31, 2016, 2017 and 2018, the total remuneration paid to our Directors were approximately RMB0.5 million, RMB0.6 million and RMB0.6 million, respectively.

For the years ended December 31, 2016, 2017 and 2018, the total remuneration paid to our Supervisors were nil, nil and RMB0.3 million, respectively.

According to existing service agreements, the total amount of remuneration (excluding any possible payment of discretionary bonus) shall be paid by us to Directors and the Supervisors for the financial year ended December 31, 2019 is expected to be approximately RMB0.6 million.

There were no arrangements under which any Director or Supervisor has waived or agreed to waive any emolument during the Track Record Period.

2. Substantial Shareholders

For information on the persons who will, immediately following the completion of the Global Offering, have interests or short positions in the Shares or underlying Shares of our Company which would be required to be disclosed to us and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at general meetings of our Company, see "Substantial Shareholders" in this Prospectus.

3. Disclaimers

Save as disclosed in this Prospectus:

- (a) none of the Directors, Supervisors or chief executive of our Company has any interest or short positions in the Shares, underlying Shares or debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered into the register referred to in that section, or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, in each case once our H Shares are listed on stock exchanges;
- (b) none of the Directors or Supervisors nor any of the parties listed in the paragraph headed "— 7. Qualification of Experts" of this Appendix is interested in our Company's promotion, or in any assets which have, within the two years immediately preceding the issue of this Prospectus, been acquired or disposed of by or leased to our Company, or are proposed to be acquired or disposed of by or leased to our Company;
- (c) save as disclosed in the section headed "Relationship with Controlling Shareholders — Independence from Our Controlling Shareholders — Management Independence", none of the Directors or Supervisors is a director or employee of a company which is expected to have an interest in the Shares falling to be disclosed to our Company and the Hong Kong

Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO once the H Shares are listed on the Hong Kong Stock Exchange; none of the Directors or Supervisors of our Company nor any of the parties listed in paragraph headed “— 7. Qualification of Experts” of this Appendix is materially interested in any contract or arrangement subsisting at the date of this Prospectus which is significant in relation to our business;

- (d) none of the parties listed in the paragraph headed “— 7. Qualification of Experts” of this Appendix: (i) is interested legally or beneficially in any of the Shares of our Company or any shares in any of its subsidiaries; or (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for the securities of our Company; and
- (e) none of the Directors or Supervisors or the respective close associates or any Shareholders (who to the knowledge of our Directors owns more than 5% of our issued share capital) has any interest in our five largest suppliers or our five largest customers.

D. OTHER INFORMATION

1. Estate Duty

We have been advised that no material liability for estate duty under PRC law is likely to fall upon the Company.

2. Litigation

Our Company was not involved in any material litigation, arbitration or administrative proceedings of material importance and, so far as we are aware, no litigation, arbitration or administrative proceedings of material importance are pending or threatened against us as of the Latest Practicable Date.

3. Sole Sponsor

The Sole Sponsor has made an application on behalf of the Company to the Listing Committee for listing of, and permission to deal in, the H Shares of the Company, including any additional Offer Shares which may be issued pursuant to the exercise of the Over-allotment Option and the H Shares to be converted into from the Foreign Shares currently held by Jurong Port Holding. All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

Our Company has entered into an engagement agreement with the Sole Sponsor, pursuant to which our Company agreed to pay HK\$5,000,000 to the Sole Sponsor to act as the sponsor to our Company in the Global Offering.

Other than acting as the Sole Sponsor, the holding company of China Securities (International) Corporate Finance Company Limited (“CSCT”), CSC Financial Co., Ltd. (“CSC Financial”), is acting as a financial adviser of Rizhao Port in connection with the Company’s spin-off application process pursuant to the CSRC Circular 67, and is holding minimal A shares of Rizhao Port through open market trading in Shanghai Stock Exchange. Notwithstanding the above, considering that (i) the work of financial adviser is a restricted one purely to satisfy the regulatory requirements imposed by

the CSRC and the role of financial adviser of CSC Financial is not in conflict with CSCI's role as an independent sponsor for the Listing; (ii) the fee from the service of financial adviser is immaterial; and (iii) the holding of A shares of Rizhao Port is minimal and the relevant transactions were conducted through open market trading in Shanghai Stock Exchange, CSCI satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

4. Compliance Adviser

Our Company has appointed China Industrial Securities International Capital Limited as our compliance adviser in compliance with Rule 3A.19 of the Listing Rules.

5. Preliminary Expenses

We have not incurred any material preliminary expenses in relation to the incorporation of our Company.

6. Promoters

The promoters of our Company are Rizhao Port and Jurong Port Holding.

Save as disclosed in the section headed “Financial Information — Dividends”, within the two years immediately preceding the date of this Prospectus, no cash, securities or other benefit have been paid, allotted or given or have been proposed to be paid, allotted or given to the above promoters.

7. Qualification of Experts

The qualifications of the experts are as follows:

<u>Name</u>	<u>Qualification</u>
China Securities (International) Corporate Finance Company Limited	A licensed corporation to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities (as defined under the SFO)
Deloitte Touche Tohmatsu	Certified Public Accountants
JunHe LLP	PRC legal advisers
CIC	Industry consultant
JLL	Property valuer

8. Consents of Experts

Each of the experts as referred to in the paragraph headed “— 7. Qualification of Experts” in this Appendix has given, and has not withdrawn their written consents to the issue of this Prospectus with the inclusion of their reports and/or letters and/or opinions and/or the references to their names included herein in the form and context in which they are respectively included.

9. Taxation of Holders of H Share

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty if such sale, purchase and transfer are effected on the H Share register of members of the Company, including in circumstances where such transaction is effected on the Hong Kong Stock Exchange. The current rate

of Hong Kong stamp duty for such sale, purchase and transfer is a total of HK\$2.00 for every HK\$1,000 (or part thereof) of the consideration or, if higher, the fair value of the H Shares being sold or transferred. For further information in relation to taxation, see “Appendix IV — Taxation and Foreign Exchange” in this Prospectus.

10. Agency Fees or Commissions Paid or Payable

No commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company within the two years immediately preceding the date of this Prospectus.

11. No Material Adverse Change

The Directors confirm that there has been no material adverse change in our financial or trading position since December 31, 2018.

12. Miscellaneous

Save as disclosed in this Prospectus,

- (a) within the two years preceding the date of this Prospectus, our Company has not issued nor agreed to issue any share or loan capital fully or partly paid either for cash or for a consideration other than cash;
- (b) no Share or loan capital of our Company, if any, is under option or is agreed conditionally or unconditionally to be put under option;
- (c) our Company has not issued nor agreed to issue any founder shares, management shares or deferred shares;
- (d) our Company has no outstanding convertible debt securities or debentures;
- (e) within the two years immediately preceding the date of this Prospectus, no commission, discount, brokerage or other special term has been granted in connection with the issue or sale of any capital of our Company;
- (f) there is no arrangement under which future dividends are waived or agreed to be waived;
- (g) our company is a joint stock company (sino-foreign investment) and is subject to the foreign investment related laws and regulations of the PRC;
- (h) there has been no interruption in our business which may have or have had a significant effect on the financial position in the last 12 months; and
- (i) our Company is not presently listed on any stock exchange or traded on any trading system.

13. Binding Effect

This Prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

14. Bilingual Prospectus

The English language and Chinese language versions of this Prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

APPENDIX VIII DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to this Prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) copies of the **WHITE, YELLOW and GREEN** Application Forms;
- (b) the written consents referred to in “Appendix VII — Statutory and General Information — D. Other Information — 8. Consents of Experts”; and
- (c) a copy of each of the material contracts referred to in “Appendix VII — Statutory and General Information — B. Further Information about our Business — 1. Summary of Material Contracts”.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the Company’s principle place of business in Hong Kong at 40/F, Sunlight Tower, 248 Queen’s Road East, Wanchai, Hong Kong during normal business hours up to 14 days from the date of this Prospectus:

- (a) the Articles of Association;
- (b) the accountants’ report from Deloitte Touche Tohmatsu in respect of the historical financial information for the years ended December 31, 2016, 2017 and 2018, the text of which is set out in Appendix I to this Prospectus;
- (c) the report from Deloitte Touche Tohmatsu in relation to unaudited pro forma financial information, the text of which is set out in Appendix II to this Prospectus;
- (d) the audited financial statements of our Company for the years ended December 31, 2016, 2017 and 2018;
- (e) the PRC legal opinions issued by JunHe LLP, our PRC Legal Advisers, in respect of general matters and property interests of our Company;
- (f) the Property Valuation Report prepared by JLL, the text of which is set out in Appendix III to this Prospectus;
- (g) the industry report prepared by CIC;
- (h) the material contracts referred to in the section headed “B. Further Information About Our Business — 1. Summary of Material Contracts” in Appendix VII to this Prospectus;
- (i) the written consents referred to in the section headed “D. Other Information — 8. Consents of Experts” in Appendix VII to this Prospectus;

APPENDIX VIII**DOCUMENTS DELIVERED TO THE REGISTRAR OF
COMPANIES AND AVAILABLE FOR INSPECTION**

- (j) the service contracts referred to in the section headed “— C. Further Information about Our Directors, Supervisors and Substantial Shareholder — 1. Directors and Supervisors — (ii) Particulars of Service Contracts” in Appendix VII to this Prospectus; and
- (k) the PRC Company Law, the Mandatory Provisions and the Special Regulations together with their unofficial English translations.



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