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

(Stock Code: 6117)

RENEWAL OF CONTINUING CONNECTED TRANSACTION AND DISCLOSEABLE TRANSACTION

2020–2022 FINANCIAL SERVICE FRAMEWORK AGREEMENT

Reference is made to the prospectus of the Company dated 31 May 2019 in relation to, among other things, the 2019 Financial Service Framework Agreement.

As the 2019 Financial Services Framework Agreement will expire on the date of the AGM, the Company entered into the 2020–2022 Financial Services Framework Agreement with RPG Finance on 27 March 2020 (after trading hours) to renew the term of such continuing connected transaction for a term commencing upon the conclusion of the AGM and ending on 31 December 2022.

LISTING RULES IMPLICATIONS

Rizhao Port is a controlling shareholder of the Company, which directly holds approximately 50.6% of the total issued share capital of the Company as at the date of this announcement. Rizhao Port Group, being the controlling shareholder of Rizhao Port directly and indirectly holding approximately 44.46% of the total issued share capital of Rizhao Port as at the date of this announcement, is also regarded as a controlling shareholder of the Company. RPG Finance, which is owned as to 60% and 40% by Rizhao Port Group and Rizhao Port as at the date of this announcement, respectively, is an associate of each of Rizhao Port and Rizhao Port Group, and hence, a connected person of the Company. Therefore, the entering into the 2020–2022 Financial Service Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest of all applicable percentage ratios in respect of the proposed annual caps under the 2020–2022 Financial Service Framework Agreement is more than 5% but is less than 25% on an annual basis, such transactions constitute (i) discloseable transaction of the Company subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules; and (ii) continuing connected transaction of the Company subject to the reporting, annual review, announcement and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

GENERAL

An Independent Board Committee comprising the independent non-executive Directors has been formed to advise the Independent Shareholders in respect of the 2020–2022 Financial Service Framework Agreement, the proposed annual caps and the transactions contemplated thereunder. The Independent Financial Adviser, Crescendo Capital Limited, has been appointed to advise the Independent Board Committee and the Independent Shareholders on the same in accordance with the Listing Rules.

At the AGM, an ordinary resolution, among other things, will be put forward for the Independent Shareholders to consider and, if appropriate, to approve the 2020–2022 Financial Service Framework Agreement, the proposed annual caps and the transactions contemplated thereunder.

As at the date of this announcement, Rizhao Port Group and its associates are interested in 840,000,000 Domestic Shares, representing approximately 50.6% of the total issued share capital of the Company, and are required to abstain from voting on the relevant resolution approving the 2020–2022 Financial Service Framework Agreement, the proposed annual caps and the transactions contemplated thereunder at the AGM.

A circular of the Company containing, among other things, (i) details of the 2020–2022 Financial Service Framework Agreement, the proposed annual caps and the transactions contemplated thereunder; (ii) the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders on the 2020–2022 Financial Service Framework Agreement, the proposed annual caps and the transactions contemplated thereunder; and (iii) the recommendation of the Independent Board Committee regarding the 2020–2022 Financial Service Framework Agreement, the proposed annual caps and the transactions contemplated thereunder to the Independent Shareholders, is expected to be despatched to the Shareholders on or before 21 April 2020.

2020–2022 FINANCIAL SERVICE FRAMEWORK AGREEMENT

I. Background

Reference is made to the prospectus of the Company dated 31 May 2019 in relation to, among other things, the 2019 Financial Service Framework Agreement.

On 24 May 2019, the Company entered into the 2019 Financial Service Framework Agreement with RPG Finance, pursuant to which RPG Finance agreed to provide deposit and settlement services to the Company for the term commencing from the Listing Date and ending on the earlier of (i) the date of one year after the Listing Date, and (ii) the date of the AGM.

As the 2019 Financial Services Framework Agreement will expire on the date of the AGM, the Company entered into the 2020–2022 Financial Services Framework Agreement with RPG Finance on 27 March 2020 (after trading hours) to renew the term of such continuing connected transaction for a term commencing upon the conclusion of the AGM and ending on 31 December 2022.

II. 2020–2022 Financial Service Framework Agreement

Details of the 2020–2022 Financial Services Framework Agreement are as follows:

Date:	27 March 2020 (after trading hours)
Parties:	The Company (as the service recipient); and RPG Finance (as the service provider)
Nature of transactions:	RPG Finance agreed to provide deposit and settlement services to the Company
Term:	The term of the 2020–2022 Financial Service Framework Agreement will commence upon the conclusion of the AGM and end on 31 December 2022, subject to early termination by either party giving at least 6 months' prior written notice to the other party.

Parties can extend or renew such terms by mutual agreement, provided that the requirements under the relevant laws, regulations and the Listing Rules are complied with.

Conditions precedent: The 2020–2022 Financial Service Framework Agreement is conditional upon the resolution regarding the 2020–2022 Financial Service Framework Agreement, the proposed annual caps and the transactions contemplated thereunder being approved by the Independent Shareholders at the AGM.

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 interest rate of other financial services related to or similar to the deposit service shall not be lower than the interest rates offered by independent commercial banks for comparable financial services.

The settlement service provided by RPG Finance is free of charge.

Other major terms: The Company and RPG Finance will enter into specific agreements to set out specific terms with respect to the financial services contemplated under the 2020–2022 Financial Service Framework Agreement in accordance with the aforementioned principle terms thereunder.

The proposed annual caps have been estimated based on (i) historical daily deposit balance for the years ended 31 December 2017, 2018 and 2019, and for the period from 1 January 2020 to the date of this announcement; (ii) the banking facilities the Company expects to obtain; and (iii) the expected settlement needs for other connected transactions of the Company.

Given that the proposed annual caps is set to accommodate the maximum daily balance of deposit and interest income for the period from the date of conclusion of the AGM to 31 December 2020, and for the years ending 31 December 2021 and 31 December 2022, the Company used the average month-end closing balance of deposits placed with RPG Finance during the six months ended 29 February 2020 of approximately RMB108.5 million as a benchmark, with a buffer of approximately 20% in setting the proposed annual caps. The said buffer is required in order (i) to cater for potential business growth and market uncertainties during the period and (ii) to enable the Company with the flexibility to earn interest income through making deposits with RPG Finance, according to the terms not worse than those deposits made with independent commercial banks for comparable financial services in China.

V. Reasons for and the Benefits of the Transaction

RPG Finance is a limited liability company established on 20 May 2016 with a registered capital of RMB1 billion and a licensed non-bank financial institution regulated by CBIRC 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. Lv Zuowu (呂佐武), 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. Shi Ruxin is also the Director of the Company. Mr. Lv Zuowu is deputy head of corporate development department of Rizhao Port Group, and Mr. Gao Zhengqiang, Mr. Sun Shaobo and Mr. Ma Xianhua do not hold any positions in other subsidiaries within Rizhao Port Group. In the ordinary course of business of the Company, the Company 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 the Company 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.

The Company maintain approximately 43.7% and 56.3% of its deposits with RPG Finance and independent commercial banks as at the date of this announcement, respectively.

The Board (excluding the independent non-executive Directors, whose opinion will be formed after taking into account the advice to be provided by the Independent Financial Adviser) is of the view that: (i) the 2020–2022 Financial Service Framework Agreement and the transactions contemplated thereunder are entered into in the ordinary and usual course of business of the Company, on normal commercial terms, which are fair and reasonable and in the interest of the Company and the Shareholders as a whole; and (ii) the proposed annual caps under the 2020–2022 Financial Service Framework Agreement for the period from the date of conclusion of the AGM to 31 December 2020, and the years ending 31 December 2021 and 2022 are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

As Mr. Shi Ruxin, being the non-executive Director, concurrently holds positions in RPG Finance, he has abstained from voting on the Board resolution with respect to the transactions. Save as disclosed above, none of the Directors has material interest in the transactions under the 2020–2022 Financial Service Framework Agreement and therefore, none of the other Director has abstained from voting on such Board resolution.

VI. Information of the Parties

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

RPG Finance, is a non-banking financial institution incorporated in the PRC on 20 May 2016 and is subject to the Administrative Measures on Finance Companies within Group Enterprises (《企業集團財務公司管理辦法》) and other relevant regulations promulgated by PBOC and CBIRC. The establishment of such non-banking financial institutions is subject to approval by CBIRC and its operation is subject to the ongoing supervision of CBIRC. Non-banking financial institutions shall comply with applicable regulations relating to interest rate issued by PBOC and CBIRC.

In the PRC, finance companies within group enterprises are only permitted under applicable PRC laws and regulations to provide financial services to enterprises within the same parent group. Therefore, RPG Finance only provides financial services to members of Rizhao Port Group, including the Company.

VII. Listing Rules Implications

Rizhao Port is a controlling shareholder of the Company, which directly holds approximately 50.6% of the total issued share capital of the Company as at the date of this announcement. Rizhao Port Group, being the controlling shareholder of Rizhao Port directly and indirectly holding approximately 44.46% of the total issued share capital of Rizhao Port as at the date of this announcement, is also regarded as a controlling shareholder of the Company. RPG Finance, which is owned as to 60% and 40% by Rizhao Port Group and Rizhao Port as at the date of this announcement, respectively, is an associate of each of Rizhao Port and Rizhao Port Group, and hence, a connected person of the Company. Therefore, the entering into the 2020–2022 Financial Service Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest of all applicable percentage ratios in respect of the proposed annual caps under the 2020–2022 Financial Service Framework Agreement is more than 5% but is less than 25% on an annual basis, such transactions constitute (i) discloseable transaction of the Company subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules; and (ii) continuing connected transaction of the Company subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

VIII. General

An Independent Board Committee comprising the independent non-executive Directors has been formed to advise the Independent Shareholders in respect of the 2020–2022 Financial Service Framework Agreement, the proposed annual caps and the transactions contemplated thereunder. The Independent Financial Adviser, Crescendo Capital Limited, has been appointed to advise the Independent Board Committee and the Independent Shareholders on the same in accordance with the Listing Rules.

At the AGM, an ordinary resolution, among other things, will be put forward for the Independent Shareholders to consider and, if appropriate, to approve the 2020–2022 Financial Service Framework Agreement, the proposed annual caps and the transactions contemplated thereunder.

As at the date of this announcement, Rizhao Port Group and its associates are interested in 840,000,000 Domestic Shares, representing approximately 50.6% of the total issued share capital of the Company, and are required to abstain from voting on the relevant resolution approving the 2020–2022 Financial Service Framework Agreement, the proposed annual caps and the transactions contemplated thereunder at the AGM.

Save as disclosed above, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholders will be required to abstain from voting on the relevant resolution approving the 2020–2022 Financial Service Framework Agreement, the proposed annual caps and the transactions contemplated thereunder at the AGM.

A circular of the Company containing, among other things, (i) details of the 2020–2022 Financial Service Framework Agreement, the proposed annual caps and the transactions contemplated thereunder; (ii) the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders on the 2020–2022 Financial Service Framework Agreement, the proposed annual caps and the transactions contemplated thereunder; and (iii) the recommendation of the Independent Board Committee regarding the 2020–2022 Financial Service Framework Agreement, the proposed annual caps and the transactions contemplated thereunder to the Independent Shareholders, is expected to be despatched to the Shareholders on or before 21 April 2020.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“AGM”	the forthcoming annual general meeting or any adjournment thereof of the Company to be convened on 18 May 2020 to consider and if appropriate, to approve, among other things, the 2020–2022 Financial Service Framework Agreement, the proposed annual caps and the transactions contemplated thereunder
“Board”	the board of Directors
“CBIRC”	China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)
“Company”	Rizhao Port Jurong Co., Ltd. (日照港裕廊股份有限公司), a joint stock company incorporated in the PRC with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 6117)
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company

“Domestic Share(s)”	ordinary shares in the share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB by PRC natural persons or entities established under PRC laws
“H Share(s)”	overseas listed shares in the share capital of the Company with a nominal value of RMB1.00 each in the share capital of the Company, listed on the main board of the Stock Exchange and traded in Hong Kong dollars
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board (which consists only of independent non-executive Directors) formed to advise the Independent Shareholders in relation to the 2020–2022 Financial Service Framework Agreement, the proposed annual caps and the transactions contemplated thereunder
“Independent Financial Adviser”	Crescendo Capital Limited, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the 2020–2022 Financial Service Framework Agreement, the proposed annual caps and the transactions contemplated thereunder
“Independent Shareholders”	shareholders of the Company other than those who are required by the Listing Rules to abstain from voting on the resolution to approve the 2020–2022 Financial Service Framework Agreement, the proposed annual caps and the transactions contemplated thereunder
“Listing Date”	19 June 2019
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange as amended, supplemented or otherwise modified from time to time

“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
“PRC”	the People’s Republic of China which, for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Rizhao Port”	Rizhao Port Co., Ltd. (日照港股份有限公司), a joint stock company established in the PRC with limited liability whose shares are listed and traded on the Shanghai Stock Exchange (stock code: 600017), the controlling shareholder of the Company
“Rizhao Port Group”	Rizhao Port Group Co., Ltd. (日照港集團有限公司), a company incorporated in PRC with limited liability which is wholly-owned by Rizhao Municipal People’s Government, the controlling shareholder of the Company
“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
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	Share(s) of RMB1.00 each in the share capital of the Company, comprising the Domestic Shares and the H Shares
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“2019 Financial Service Framework Agreement”	a financial service framework agreement entered into between the Company and RPG Finance on 24 May 2019, pursuant to which RPG Finance agreed to provide deposit and settlement services to the Company for the term commencing from the Listing Date and ending on the earlier of (i) the date of one year after the Listing Date, and (ii) the date of the AGM

“2020–2022 Financial Service Framework Agreement”

a financial service framework agreement entered into between the Company and RPG Finance on 27 March 2020 to replace the 2019 Financial Service Framework Agreement, pursuant to which RPG Finance agrees to provide deposit and settlement services to the Company for the term commencing upon the conclusion of the AGM and ending on 31 December 2022

“%”

per cent

By Order of the Board
Rizhao Port Jurong Co., Ltd.
Zhang Baohua
Chairman

Rizhao, PRC, 27 March 2020

As at the date of this announcement, the Board comprises Mr. Zhang Baohua as Chairman and non-executive Director; Mr. He Zhaodi as executive Director; Mr. Ng Chee Keong, Mr. Ooi Boon Hoe, Mr. Shi Ruxin and Mr. Jiang Zidan as non-executive Directors; Mr. Zhang Zixue, Mr. Wu Xibin and Mr. Lee Man Tai as independent non-executive Directors.