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**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)**

**CONTINUING CONNECTED TRANSACTION IN RELATION TO  
THE PROPERTY LEASE (SALE) FRAMEWORK AGREEMENT  
(1) EXCEEDING OF ANNUAL CAP  
FOR THE YEAR ENDING 31 DECEMBER 2020; AND  
(2) REVISION OF ANNUAL CAPS  
FOR THE TWO YEARS ENDING 31 DECEMBER 2021**

Reference is made to the prospectus of the Company dated 31 May 2019 in relation to, among others, the Property Lease (Sale) Framework Agreement.

During a regular review of the trading data of the continuing connected transactions in November 2020, the Company discovered that due to an inadvertent oversight, the 2020 Transaction Amount exceeded the 2020 Annual Cap. In response to the 2020 Transaction Amount and the expected increase in demand for the temporary use of the Company's berths by Rizhao Port Group or its subsidiaries, on 23 November 2020, the Company entered into the Supplemental Agreement with Rizhao Port Group (for itself and on behalf of its subsidiaries) to revise the annual caps for the transactions of the lease of temporarily leased berths under the Property Lease (Sale) Framework Agreement for the years ending 31 December 2020 and 2021. Save for the revision of the annual caps, all other terms and conditions of the Property Lease (Sale) Framework Agreement remain unchanged.

**LISTING RULES IMPLICATIONS**

Rizhao Port Group is a controlling shareholder of the Company and hence is a connected person of the Company under the Listing Rules. Therefore, the entering into of the Property Lease (Sale) Framework Agreement, the Supplemental Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the 2020 Transaction Amount exceeded the 2020 Annual Cap, pursuant to Rule 14A.54(1) of the Listing Rules, the Company is required to re-comply with the reporting and announcement requirements under Chapter 14A of the Listing Rules.

As the highest of all applicable percentage ratios in respect of the Revised Annual Caps under the Supplemental Agreement is higher than 0.1% but less than 5% on an annual basis, the revision of the annual caps under the Supplemental Agreement is subject to reporting, annual review and announcement requirements but exempt from the circular (including independent financial advice) and shareholders' approval requirements pursuant to Rule 14A.76(2) of the Listing Rules.

Reference is made to the prospectus of the Company dated 31 May 2019 (the “**Prospectus**”) in relation to, among others, the Property Lease (Sale) Framework Agreement entered into by the Company with Rizhao Port Group (for itself and on behalf of its subsidiaries) on 24 May 2019.

### **EXCEEDING OF 2020 ANNUAL CAP**

During a regular review of the trading data of the continuing connected transactions in November 2020, the Company discovered that the 2020 Transaction Amount, being the actual transaction amount of the transactions of the lease of temporarily leased berths contemplated under the Property Lease (Sale) Framework Agreement for the ten months ended 31 October 2020, amounted to approximately RMB4,450,000, which exceeded the 2020 Annual Cap.

As the 2020 Transaction Amount exceeded the 2020 Annual Cap, pursuant to Rule 14A.54(1) of the Listing Rules, the Company must re-comply with the reporting and announcement requirements under Chapter 14A of the Listing Rules.

### **Reasons for exceeding the 2020 Annual Cap**

The 2020 Annual Cap was exceeded mainly due to the increase in rental income from the lease of temporarily leased berths for the ten months ended 31 October 2020 as a result of the outbreak of Coronavirus Disease 2019 (“**COVID-19**”) pandemic and the additional capacity of the Company's berths for leasing to the subsidiaries of Rizhao Port Group.

Due to an inadvertent oversight, the relevant department of the Company carrying out the specific connected transactions under the Property Lease (Sale) Framework Agreement with Rizhao Port Group inadvertently omitted to report certain transactions relating to the 2020 Transaction Amount to the Company during the ten months ended 31 October 2020. The outbreak of the Coronavirus Disease 2019 (“**COVID-19**”) pandemic and the lockdown restrictions imposed by relevant PRC authorities to contain such outbreak also caused delay in the collection of historical transaction amounts of the transactions contemplated under the Property Lease (Sale) Framework Agreement, and the review and monitor of compliance procedures by the Company. Accordingly, this inadvertent oversight was not discovered until during the course of carrying out regular review on the status as to continuing connected transactions.

## **REVISION OF ANNUAL CAPS FOR THE TWO YEARS ENDING 31 DECEMBER 2021**

As stated in the Prospectus, the original annual caps for the transactions contemplated under the Property Lease (Sale) Framework Agreement were determined based on (a) the then existing lease contracts the Company had entered into with Rizhao Port Group during the three financial years ended 31 December 2016, 2017 and 2018 and the unperformed contractual amounts, (b) historical rent of the relevant property and expected fluctuation in the rent; and (c) additional lease contracts that the Company may enter into with Rizhao Port Group according to the estimated utilisation rate of the Company's properties.

In response to the 2020 Transaction Amount and the expected increase in demand for the temporary use of the Company's berths by Rizhao Port Group or its subsidiaries, on 23 November 2020, the Company entered into the Supplemental Agreement with Rizhao Port Group (for itself and on behalf of its subsidiaries) to revise the annual caps for the transactions of the lease of temporarily leased berths under the Property Lease (Sale) Framework Agreement for the years ending 31 December 2020 and 2021. Save for the revision of the annual caps, all other terms and conditions of the Property Lease (Sale) Framework Agreement remain unchanged.

### **PROPERTY LEASE (SALE) FRAMEWORK AGREEMENT (AS AMENDED BY THE SUPPLEMENTAL AGREEMENT)**

The principal terms of the Property Lease (Sale) Framework Agreement (as amended by the Supplemental Agreement) are set out as follows:

#### **Date**

24 May 2019 (as amended by the Supplemental Agreement)

#### **Parties**

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

#### **Term**

From 19 June 2019 to 18 June 2022 (which can be renewed or extended upon written agreement by both parties)

## Nature of transaction

Pursuant to the Property Lease (Sale) Framework Agreement, Rizhao Port Group agreed to lease from the Company the West-1 berth, West-2 berth and temporarily leased berths and other relevant properties from time to time.

## Pricing policy

The rent was determined by both parties through arm's length negotiation with reference to (a) area leased, geographic location and profile of the surrounding area; (b) historical rent; (c) Jones Lang LaSalle Corporate Appraisal and Advisory Limited's opinion on the fairness of the rent as at the execution period in 2019 as stated in the Prospectus; and (d) depreciation costs of such assets plus an expected rate of return.

## Historical amounts

The historical transaction amounts under the Property Lease (Sale) Framework Agreement for each of the financial years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020 are listed below:

Property	For the years ended 31 December			For the six months ended 30 June
	2017 RMB (audited)	2018 RMB (audited)	2019 RMB (audited)	2020 RMB (unaudited)
West-1 berth and West-2 berth	6,329,000	7,264,000	7,418,000	3,509,000
Temporarily leased berths	25,000	331,000	338,000	600,000
Total	<u>6,354,000</u>	<u>7,595,000</u>	<u>7,756,000</u>	<u>4,109,000</u>

## ANNUAL CAPS AND BASIS OF DETERMINATION

The original annual caps for the transactions contemplated under the Property Lease (Sale) Framework Agreement for the financial years ending 31 December 2020 and 2021 are set out as follows:

<b>Property</b>	<b>For the years ending</b>	
	<b>31 December</b>	
	<b>2020</b>	<b>2021</b>
	<i>RMB</i>	<i>RMB</i>
West-1 berth and West-2 berth	8,260,000	8,260,000
Temporarily leased berths	<u>600,000</u>	<u>650,000</u>
Total	<u><u>8,860,000</u></u>	<u><u>8,910,000</u></u>

The revised annual caps for the transactions contemplated under the Property Lease (Sale) Framework Agreement (as amended by the Supplemental Agreement) for the financial years ending 31 December 2020 and 2021 are set out as follows:

<b>Property</b>	<b>For the years ending</b>	
	<b>31 December</b>	
	<b>2020</b>	<b>2021</b>
	<i>RMB</i>	<i>RMB</i>
West-1 berth and West-2 berth	8,260,000	8,260,000
Temporarily leased berths	<u>4,500,000</u>	<u>5,000,000</u>
Total	<u><u>12,760,000</u></u>	<u><u>13,260,000</u></u>

The proposed revision of the annual caps for the amount payable by Rizhao Port Group to the Company were determined with reference to (a) the existing lease contracts the Company has entered into with Rizhao Port Group or its subsidiaries and the unperformed contractual amounts; (b) historical rent of the relevant property and expected fluctuation in the rent; and (c) additional lease the Company may enter into with Rizhao Port Group or its subsidiaries according to the estimated utilisation rate of the Company's properties and the demand for the temporary use of the berths by Rizhao Port Group or its subsidiaries.

## **INFORMATION OF THE PARTIES**

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

Rizhao Port Group, a company established in the PRC with limited liability, is principally engaged in port operations, logistics, construction, finance and trade. Rizhao Port Group is a direct wholly-owned subsidiary of Shandong Port Group Co., Ltd. (山東省港口集團有限公司), which is a state-owned enterprise ultimately controlled by Shandong Provincial State-owned Assets Supervision and Administration Commission (“**Shandong SASAC**”).

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE SUPPLEMENTAL AGREEMENT**

The Company will continue to lease the properties to Rizhao Port Group because (a) these transactions were conducted between subsidiaries of Rizhao Port Group (including the Company) and have lasted for a long period of time; (b) temporarily leasing the Company’s berths to other subsidiaries within Rizhao Port Group from time to time when they are not fully utilised by the Company’s clients may increase efficiency and generate revenue, which is beneficial to the Company; and (c) Rizhao Port Group has the commercial and operational needs to rent the properties from the Company in Shijiu port area. Due to the impact of the COVID-19 pandemic and the additional capacity of the Company’s berths for leasing to the subsidiaries of Rizhao Port Group, the entering into of the Supplemental Agreement will increase the operating revenue of the Company and benefit the Company’s revenue growth and future development.

The terms of the Property Lease (Sale) Framework Agreement (as amended by the Supplemental Agreement) have been arrived at after arm’s length negotiations between the parties. The Directors (including the independent non-executive Directors) have confirmed that the transactions contemplated under the Property Lease (Sale) Framework Agreement (as amended by the Supplemental Agreement) are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Company, and are in the interests of the Company and the Shareholders as a whole.

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

## **MEASURES ADOPTED BY THE COMPANY FOR FUTURE COMPLIANCE**

The Directors consider that the failure to re-comply with the requirements under Rule 14A.54(1) of the Listing Rules on a timely basis was an inadvertent oversight and an isolated event. In order to avoid any occurrence of similar events in the future, the Company has taken necessary and additional internal control measures to strengthen the reporting and documentation systems of the Company as follows:

- (a) The relevant department of the Company carrying out the specific connected transactions under the Property Lease (Sale) Framework Agreement (as amended by the Supplemental Agreement) with Rizhao Port Group will closely monitor the actual transaction amounts on a monthly basis. If the actual transaction amounts reach approximately 85% of the Revised Annual Caps at any time of the year, the relevant department will report to the senior management of the Company, which will seek advice from the audit committee of the Company, and the Board will consider taking appropriate measures to further revise the annual cap amounts and comply with the relevant announcement and/or shareholders' approval requirements in accordance with the Listing Rules;
- (b) The finance department of the Company will perform quarterly check on the transactions entered into under the Property Lease (Sale) Framework Agreement (as amended by the Supplemental Agreement) and report to the audit committee of the Company and the Board to ensure that the Revised Annual Caps are not exceeded;
- (c) The Company will arrange additional training session(s) on connected transactions to the Directors, senior management and accounting staff of the Company on a regular basis; and
- (d) The Company's internal audit department will focus on the above internal control measures as part of their ongoing work plan and will report to the audit committee of the Company and the Board on a quarterly basis.

## **LISTING RULES IMPLICATIONS**

Rizhao Port Group is a controlling shareholder of the Company and hence is a connected person of the Company under the Listing Rules. Therefore, the entering into of the Property Lease (Sale) Framework Agreement, the Supplemental Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the 2020 Transaction Amount exceeded the 2020 Annual Cap, pursuant to Rule 14A.54(1) of the Listing Rules, the Company is required to re-comply with the reporting and announcement requirements under Chapter 14A of the Listing Rules.

As the highest of all applicable percentage ratios in respect of the Revised Annual Caps under the Supplemental Agreement is higher than 0.1% but less than 5% on an annual basis, the revision of the annual caps under the Supplemental Agreement is subject to reporting, annual review and announcement requirements but exempt from the circular (including independent financial advice) and shareholders' approval requirements pursuant to Rule 14A.76(2) of the Listing Rules.

## DEFINITIONS

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

“2020 Annual Cap”	the annual cap for the transactions of the lease of temporarily leased berths contemplated under the Property Lease (Sale) Framework Agreement for the year ending 31 December 2020 in the amount of RMB600,000
“2020 Transaction Amount”	the actual transaction amount of the transactions of the lease of temporarily leased berths contemplated under the Property Lease (Sale) Framework Agreement for the ten months ended 31 October 2020 in the amount of approximately RMB4,450,000
“Board”	the board of Directors
“Company”	Rizhao Port Jurong Co., Ltd. (日照港裕廊股份有限公司), a joint stock company incorporated in the PRC with limited liability
“connected person”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Domestic Share(s)”	ordinary shares in the share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB by PRC natural persons or entities established under PRC laws
“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

“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“PRC”	the People’s Republic of China (excluding, for the purposes of this announcement, Hong Kong, the Macau Special Administrative Region and Taiwan)
“Property Lease (Sale) Framework Agreement”	the property lease (sale) framework agreement entered into between the Company and Rizhao Port Group (for itself and on behalf of its subsidiaries) on 24 May 2019, details of which are set out in the Prospectus
“Revised Annual Caps”	the revised annual caps for the transactions contemplated under the Property Lease (Sale) Framework Agreement as amended by the Supplemental Agreement for the financial years ending 31 December 2020 and 2021
“Rizhao Port Group”	Rizhao Port Group Co., Ltd. (日照港集團有限公司), a company established in the PRC with limited liability
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	share(s) of the Company, comprising the Domestic Shares and the H Shares
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement”	the property lease (sale) supplemental framework agreement entered into between the Company and Rizhao Port Group (for itself and on behalf of its subsidiaries) on 23 November 2020

By Order of the Board  
**Rizhao Port Jurong Co., Ltd.**  
**Wang Yufu**  
*Chairman*

Rizhao, PRC, 23 November 2020

*As at the date of this announcement, the Board comprises Mr. Wang Yufu as Chairman and non-executive Director; Mr. He Zhaodi as executive Director; Mr. Pay Cher Wee, Mr. Ooi Boon Hoe, Mr. Shi Ruxin and Mr. Jiang Zidan as non-executive Directors; and Mr. Zhang Zixue, Mr. Lee Man Tai and Mr. Wu Xibin as independent non-executive Directors.*