

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, 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 announcement.



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 AMENDMENTS TO THE PROPERTY
LEASE (SALE) FRAMEWORK AGREEMENT**

References are made to the Prospectus and the Announcement in relation to the Property Lease (Sale) Framework Agreement, pursuant to which 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.

On 23 February 2021 (after trading hours), the Company entered into the Second Supplemental Agreement with Rizhao Port Group (for itself and on behalf of its subsidiaries) to add one more property, namely the West-6 berth, and revise the annual caps for the transactions of the lease of the West-6 berth under the Property Lease (Sale) Framework Agreement. Save as disclosed in this announcement, 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 First Supplemental Agreement, the Second Supplemental Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

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

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

GENERAL

An Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders as to whether the terms of the Second Supplemental Agreement (including the Revised Annual Caps) and the transactions contemplated thereunder are fair and reasonable and are in the interests of the Company and its Shareholders as a whole, and to advise the Independent Shareholders as to how to vote at the EGM.

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

The EGM will be convened to consider and, if thought fit, to approve, among other things, the Second Supplemental Agreement, the Revised 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 resolutions approving the Second Supplemental Agreement, the Revised Annual Caps and the transactions contemplated thereunder at the EGM.

Save as disclosed above, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholders will be required to abstain from voting on the relevant resolutions approving the Second Supplemental Agreement, the Revised Annual Caps and the transactions contemplated thereunder at the EGM.

A circular containing, among others, further information on the Second Supplemental Agreement, a letter from the Independent Board Committee to the Independent Shareholders containing its recommendation, a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders, together with a notice to convene the EGM and the proxy form will be dispatched to the Shareholders. As additional time is required for the Company to prepare the information to be included in the circular, the circular is expected to be dispatched to the Shareholders on or before 20 March 2021.

INTRODUCTION

References are made to the Prospectus and the announcement of the Company dated 23 November 2020 (the “**Announcement**”) in relation to the Property Lease (Sale) Framework Agreement entered into on 24 May 2019 as amended by the First Supplemental Agreement on 23 November 2020 by the Company and Rizhao Port Group (for itself and on behalf of its subsidiaries). Pursuant to the Property Lease (Sale) Framework Agreement and the First Supplemental 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.

On 23 February 2021 (after trading hours), the Company entered into the Second Supplemental Agreement with Rizhao Port Group (for itself and on behalf of its subsidiaries) to add one more property, namely the West-6 berth, and revise the annual caps under the Property Lease (Sale) Framework Agreement by inclusion of the proposed transactions of the lease of the West-6 berth. Save as disclosed in this announcement, all other terms and conditions of the Property Lease (Sale) Framework Agreement remain unchanged.

PROPERTY LEASE (SALE) FRAMEWORK AGREEMENT (AS FURTHER AMENDED BY THE SECOND SUPPLEMENTAL AGREEMENT)

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

Date

24 May 2019 (as further amended by the Second 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 the parties)

Nature of transaction

Pursuant to the Property Lease (Sale) Framework Agreement (as further amended by the Second Supplemental Agreement), Rizhao Port Group agreed to lease from the Company the West-1 berth, West-2 berth, West-6 berth and temporarily leased berths and other relevant properties from time to time.

Pricing policy

The rent in respect of the lease of the West-1 berth, West-2 berth and temporarily leased berths 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; and (d) depreciation costs of such assets plus an expected rate of return.

The rent in respect of the lease of the West-6 berth was calculated by both parties through arm's length negotiation with reference to the depreciation of the berth, land rent, interest on loan and the estimated current reasonable profit. The annual rent of the West-6 berth is estimated to be approximately RMB16.13 million. The actual rent commencing from the effective date of the Second Supplemental Agreement to the end of 2021 is estimated to be approximately RMB14.5 million.

HISTORICAL AMOUNTS

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

Property	For the years ended 31 December		
	2018	2019	2020
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	(audited)	(audited)	(unaudited)
West-1 berth and West-2 berth	7,264,000	7,418,000	7,281,580.76
Temporarily leased berths	<u>331,000</u>	<u>338,000</u>	<u>4,459,216.98</u>
Total	<u><u>7,595,000</u></u>	<u><u>7,756,000</u></u>	<u><u>11,740,797.74</u></u>

ANNUAL CAPS AND BASIS OF DETERMINATION

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

Property	For the year ending 31 December 2021 RMB
West-1 berth and West-2 berth	8,260,000
Temporarily leased berths	<u>5,000,000</u>
Total	<u><u>13,260,000</u></u>

The Revised Annual Caps for the transactions contemplated under the Property Lease (Sale) Framework Agreement (as further amended by the Second Supplemental Agreement), which include the lease of the West-6 berth, for the financial year ending 31 December 2021 are set out as follows:

Property	For the year ending 31 December 2021 RMB
West-1 berth and West-2 berth	8,260,000
West-6 berth	14,500,000
Temporarily leased berths	<u>5,000,000</u>
Total	<u><u>27,760,000</u></u>

Save for such revision in the annual caps, the scope of services, the pricing policy and other terms of the Property Lease (Sale) Framework Agreement shall remain valid and in full force and effect. The Board confirms that as at the date of this announcement, the transaction amounts under the Property Lease (Sale) Framework Agreement have not exceeded the existing annual caps for the transactions contemplated under the Property Lease (Sale) Framework Agreement for the financial year ending 31 December 2021.

The revision of existing annual caps for the transactions contemplated under the Second Supplemental Agreement was mainly due to the estimated rent from the West-6 berth, which were determined with reference to the expected rental amount payable by Rizhao Port Group to the Company in respect of the lease of the West-6 berth.

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.

REASONS FOR AND BENEFITS OF ENTERING INTO THE SECOND SUPPLEMENTAL AGREEMENT

As disclosed in the interim report of the Company for the six months ended 30 June 2020 published on 18 September 2020, the Company successfully acquired the West-6 berth in November 2019 and the berth reconstruction project was slightly delayed due to the impact of COVID-19 pandemic and market factors but the reconstruction of the West-6 berth was expected to move forward by the end of 2020 with further improvement of the pandemic control and gradual stabilisation of market development.

In the second half of 2020, global market remains uncertain with the recurring outbreak of COVID-19 pandemic. There had been slow progress in the reconstruction of the West-6 berth due to the COVID-19 pandemic and various market factors and as such the completion time of the berth reconstruction project is uncertain.

Taking into account (a) the uncertainty of the completion time of the West-6 berth reconstruction project due to the factors as discussed above; (b) the Company's aim to work out an appropriate arrangement to ensure suitable economic benefits to be accrued to the Company after the completion of the acquisition of the West-6 berth; and (c) the West-6 berth is currently equipped with port facilities specialised for container cargoes, the Board considers that entering into the Second Supplemental Agreement to lease the West-6 berth as a temporary arrangement will enable the Company to establish an additional revenue stream such that economic benefits can be accrued to the Company in relation to the West-6 berth.

The terms of the Property Lease (Sale) Framework Agreement (as further amended by the Second Supplemental Agreement) have been arrived at after arm's length negotiations between the parties. The Directors (excluding all the independent non-executive Directors who will give their opinion based on the recommendations from the independent financial adviser) have confirmed that the transactions contemplated under the Property Lease (Sale) Framework Agreement (as further amended by the Second Supplemental Agreement) (including the Revised Annual Caps) are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Company, and are in the interests of the Company and the Shareholders as a whole.

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

INTERNAL CONTROL MEASURES

The Company has taken necessary internal control measures to ensure that the pricing mechanism and the terms of the continuing connected transactions contemplated under the Property Lease (Sale) Framework Agreement (as further amended by the Second Supplemental Agreement) are fair and reasonable and no more favourable to the connected persons than the terms offered by the Company to the Independent Third Parties:

- (a) Before entering into any individual property lease agreement under the Property Lease (Sale) Framework Agreement (as further amended by the Second Supplemental Agreement), the finance office and the internal audit office of the Company would review the terms of the proposed individual agreements and (if any) check the historical rent information and relevant cost (i.e. depreciation, land rent, interests on loan) to ensure that (i) the transactions would be conducted in accordance with the terms of the Property Lease (Sale) Framework Agreement (as further amended by the Second Supplemental Agreement) and the pricing policies of the Company; and (ii) the overall terms of the proposed transactions are no more favourable to the connected persons than those which have been offered or to be offered by the Company to the Independent Third Parties;
- (b) The finance office of the Company will perform half-yearly check on the transactions entered into under the Property Lease (Sale) Framework Agreement (as further amended by the Second Supplemental Agreement) to ensure compliance with pricing policies and that the Revised Annual Caps are not exceeded;

- (c) The relevant department of the Company carrying out the specific connected transactions under the Property Lease (Sale) Framework Agreement (as further amended by the Second 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 revise the Revised Annual Caps and comply with the relevant announcement and/or shareholders' approval requirements in accordance with the Listing Rules;
- (d) The finance office of the Company will perform quarterly check on the transactions entered into under the Property Lease (Sale) Framework Agreement (as further amended by the Second Supplemental Agreement) and report to the audit committee of the Company and the Board to ensure that the Revised Annual Caps are not exceeded;
- (e) The Company will conduct internal control review and financial audit on an annual basis, financial monitoring and decision analysis on a half-yearly basis, so as to ensure that the terms of the Property Lease (Sale) Framework Agreement (as further amended by the Second Supplemental Agreement) and the pricing policies are complied with;
- (f) The auditors of the Company and the independent non-executive Directors will conduct annual review on the transactions entered into under the Property Lease (Sale) Framework Agreement (as further amended by the Second Supplemental Agreement) in accordance with the Listing Rules; and
- (g) The Company's internal audit office will focus on the above internal control measures as part of their ongoing work plan and will report to the audit committee of the Company and the Board on a quarterly basis.

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 First Supplemental Agreement, the Second Supplemental Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

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

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

GENERAL

An Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders as to whether the terms of the Second Supplemental Agreement (including the Revised Annual Caps) and the transactions contemplated thereunder are fair and reasonable and are in the interests of the Company and its Shareholders as a whole, and to advise the Independent Shareholders as to how to vote at the EGM.

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

The EGM will be convened to consider and, if thought fit, to approve, among other things, the Second Supplemental Agreement, the Revised 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 resolutions approving the Second Supplemental Agreement, the Revised Annual Caps and the transactions contemplated thereunder at the EGM.

Save as disclosed above, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholders will be required to abstain from voting on the relevant resolutions approving the Second Supplemental Agreement, the Revised Annual Caps and the transactions contemplated thereunder at the EGM.

A circular containing, among others, further information on the Second Supplemental Agreement, a letter from the Independent Board Committee to the Independent Shareholders containing its recommendation, a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders, together with a notice to convene the EGM and the proxy form will be dispatched to the Shareholders. As additional time is required for the Company to prepare the information to be included in the circular, the circular is expected to be dispatched to the Shareholders on or before 20 March 2021.

DEFINITIONS

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

“Board”	the board of Directors
“Company”	Rizhao Port Jurong Co., Ltd. (日照港裕廊股份有限公司), a joint stock company incorporated in the PRC with limited liability, the H Shares of which are listed on the Main Board of the Stock Exchange (stock code: 6117)
“connected person”	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
“EGM”	an extraordinary general meeting or any adjournment thereof of the Company to be convened to consider and, if thought fit, approve the Second Supplemental Agreement, the Revised Annual Caps and the transactions contemplated thereunder
“First 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
“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”	an independent committee of the Board comprising all independent non-executive Directors, namely Mr. Zhang Zixue, Mr. Lee Man Tai and Mr. Wu Xibin, established to advise the Independent Shareholders in respect of the Second Supplemental Agreement, the Revised Annual Caps and the transactions contemplated thereunder
“Independent Shareholders”	the Shareholders who are not required to abstain from voting at the EGM to approve the Second Supplemental Agreement, the Revised Annual Caps and the transactions contemplated thereunder
“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 as amended by the First Supplemental Agreement, details of which are set out in the Prospectus and the Announcement
“Prospectus”	the prospectus of the Company dated 31 May 2019
“Revised Annual Caps”	the proposed revised annual caps for the transactions contemplated under the Property Lease (Sale) Framework Agreement (as further amended by the Second Supplemental Agreement) for the financial year ending 31 December 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
“Second 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 February 2021

“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

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

Rizhao, PRC, 23 February 2021

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 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.