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

(Stock Code: 6117)

CONTINUING CONNECTED TRANSACTION OPERATION OUTSOURCING AGREEMENT 2022

Reference is made to the announcement of the Company dated 23 February 2021 in relation to the continuing connected transactions contemplated under the Operation Outsourcing Agreement 2021.

On 12 January 2022 (after trading hours), the Company entered into the Operation Outsourcing Agreement 2022 with Rizhao Port Lanshan for a term commencing from 12 January 2022 to 31 December 2024.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Rizhao Port Lanshan is a wholly-owned subsidiary of Rizhao Port, which is a controlling shareholder of the Company. Accordingly, Rizhao Port Lanshan is an associate of Rizhao Port pursuant to Rule 14A.13(1) of the Listing Rules, and therefore a connected person of the Company under the Listing Rules. Therefore, the entering into of the Operation Outsourcing Agreement 2022 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 is higher than 0.1% but less than 5% on an annual basis, the entering into of the Operation Outsourcing Agreement 2022 is subject to reporting, annual review and announcement requirements but exempt from the circular (including independent financial advice) and independent shareholders' approval requirements pursuant to Rule 14A.76(2) of the Listing Rules.

INTRODUCTION

Reference is made to the announcement of the Company dated 23 February 2021 in relation to the continuing connected transactions contemplated under the Operation Outsourcing Agreement 2021, pursuant to which the Company may from time to time engage Lanshan Branch of Rizhao Port to provide stevedoring, storage and delivery services of grains cargo, in Lanshan port area for a term commencing from 23 February 2021 to 31 December 2021.

Due to internal business arrangements and restructuring of Rizhao Port, the dry bulk cargo handling business of Lanshan Branch of Rizhao Port, a branch of Rizhao Port, will be transferred to Rizhao Port Lanshan, a wholly-owned subsidiary of Rizhao Port. In order to continue to procure stevedoring, storage and delivery services of grain cargoes in Lanshan port area after expiration of the Operation Outsourcing Agreement 2021, on 12 January 2022 (after trading hours), the Company entered into the Operation Outsourcing Agreement 2022 with Rizhao Port Lanshan for a term commencing from 12 January 2022 to 31 December 2024.

OPERATION OUTSOURCING AGREEMENT 2022

The principal terms of the Operation Outsourcing Agreement 2022 are set out as follows:

Date

12 January 2022 (after trading hours)

Parties

- (a) The Company; and
- (b) Rizhao Port Lanshan, a wholly-owned subsidiary of Rizhao Port, which is the controlling shareholder of the Company, and hence a connected person of the Company.

Term

From 12 January 2022 to 31 December 2024

Nature of transaction

Pursuant to the Operation Outsourcing Agreement 2022, the Company may from time to time engage Rizhao Port Lanshan to provide stevedoring, storage and delivery services of grain cargoes, in Lanshan port area.

Pricing policy

The fee charged for the services provided by Rizhao Port Lanshan shall be determined through arm's length negotiations by the parties and based on normal commercial terms with reference to (a) qualification of service providers in stevedoring of grain cargoes in Lanshan port area; (b) the prevailing market price for the provision of similar types of services in the same or nearby service area by Independent Third Parties; (c) the actual services to be provided, the volume of cargoes to be handled and the duration of storage of cargoes; and (d) the historical prices offered to Independent Third Party service providers.

- (1) For the provision of stevedoring and delivery services of grain cargoes, the fee charged will be determined through the evaluation conducted by an Independent Third Party with reference to the operation process of the same or similar types of services in the port, the complexity of storage of the cargoes, the cost of providing such services, the fees charged within the industry, as well as the historical prices offered to Independent Third Party service providers. The Company will also take into account that Rizhao Port Lanshan is the only port operator with the qualification of stevedoring grain cargoes approved by the governmental authority in the Lanshan port area.
- (2) For the provision of storage services of grain cargoes, the fee charged will be determined with reference to the storage process, duration and quality requirements for such services, the storage prices charged by Rizhao Port Lanshan to other customers, the fee charged within the industry, as well as prices comparison of fees charged by the Company to other customers in respect of such services.

Before entering into any agreements pursuant to the Operation Outsourcing Agreement 2022, the Company will obtain quotations from two or more Independent Third Party service providers through price inquiry. The finance office of the Company will perform the comparison of the fee quotations in accordance with the pricing policy to ensure that the terms of the continuing connected transactions contemplated under the Operation Outsourcing Agreement 2022 are fair and reasonable and no less favourable than the terms offered to the Company from Independent Third Parties.

HISTORICAL AMOUNTS AND EXISTING ANNUAL CAPS

The historical transaction amounts and the existing annual caps are set out as follows:

	For the period from 18 November 2019 to 31 December 2019		For the year ended 31 December 2020		For the year ended 31 December 2021	
	Annual caps <i>RMB</i>	Actual amount <i>RMB</i> (audited)	Annual caps <i>RMB</i>	Actual amount <i>RMB</i> (audited)	Annual caps <i>RMB</i>	Actual amount <i>RMB</i> (unaudited)
Provision of stevedoring, storage and delivery services by Lanshan Branch of Rizhao Port	10,000,000	7,093,000	25,000,000	13,346,000	25,000,000	21,057,647

PROPOSED ANNUAL CAPS

The Proposed Annual Caps for the transactions contemplated under the Operation Outsourcing Agreement 2022 are set out as follows:

	For the years ending 31 December		
	2022 <i>RMB</i>	2023 <i>RMB</i>	2024 <i>RMB</i>
Provision of stevedoring, storage and delivery services by Rizhao Port Lanshan		25,000,000	25,000,000
			25,000,000

The Proposed Annual Caps for the transactions contemplated under the Operation Outsourcing Agreement 2022 were determined with reference to (a) the historical amount of fees paid by the Company to Lanshan Branch of Rizhao Port for the provision of stevedoring, storage and delivery services; and (b) the existing demand for such services, taking into account the scale and operations of the grain import business of the Company.

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 Lanshan, a company incorporated in the PRC with limited liability, is principally engaged in port operation, customs supervised cargo storage services (excluding hazardous chemicals), etc. Rizhao Port Lanshan is a wholly-owned subsidiary of Rizhao Port, which is a joint stock company established in the PRC with limited liability whose shares are listed and traded on the Shanghai Stock Exchange (Stock Code: 600017) and its controlling shareholder, 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 THE TRANSACTION

The transactions contemplated under the Operation Outsourcing Agreement 2022 are part of or related to the principal business activities of the Company and are expected to either increase the revenue of the Company, and/or provide the Company with overall business and operational convenience and synergy, which is beneficial to the Company for improving its business volume in the market, stabilising its customer base, enhancing its development of comprehensive business strategy and promoting its regional market competitive advantage.

The terms of the Operation Outsourcing Agreement 2022 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 Operation Outsourcing Agreement 2022 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 Operating Outsourcing Agreement 2022 and the transactions contemplated thereunder or were otherwise required to abstain from voting in respect of the relevant board resolutions.

INTERNAL CONTROL MEASURES

The Company has established the following internal control measures to ensure that the pricing mechanism and the terms of the continuing connected transactions contemplated under the Operation Outsourcing Agreement 2022 are fair and reasonable and no less favourable to the Company than the terms offered to the Company from Independent Third Parties:

- (a) The finance office of the Company will perform monthly review on the transactions entered into under the Operation Outsourcing Agreement 2022 to ensure compliance with pricing policies and that the Proposed Annual Caps will not be exceeded;
- (b) The relevant office of the Company carrying out the specific connected transactions under the Operation Outsourcing Agreement 2022 with Rizhao Port Lanshan will closely monitor the actual transaction amount on a monthly basis. If the actual transaction amount reaches approximately 85% of the Proposed Annual Caps at any time of the year, the Securities Affairs Office of the Company will report to the senior management of the Company, which will seek advice from the audit committee of the Company, and the Board will consider taking appropriate measures to revise the Proposed Annual Caps and comply with the relevant announcement and/or shareholders' approval requirements in accordance with the Listing Rules;
- (c) The finance office of the Company will report to the audit committee of the Company and the Board as necessary to ensure that the Proposed Annual Caps are not exceeded;
- (d) 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 Operation Outsourcing Agreement 2022 and the pricing policies are complied with;
- (e) The auditors of the Company and the independent non-executive Directors will conduct annual review on the transactions entered into under the Operation Outsourcing Agreement 2022 in accordance with the Listing Rules; and
- (f) 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

As at the date of this announcement, Rizhao Port Lanshan is a wholly-owned subsidiary of Rizhao Port, which is a controlling shareholder of the Company. Accordingly, Rizhao Port Lanshan is an associate of Rizhao Port pursuant to Rule 14A.13(1) of the Listing Rules, and therefore a connected person of the Company under the Listing Rules. Therefore, the entering into of the Operation Outsourcing Agreement 2022 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 is higher than 0.1% but less than 5% on an annual basis, the entering into of the Operation Outsourcing Agreement 2022 is subject to reporting, annual review and announcement requirements but exempt from the circular (including independent financial advice) and independent 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:

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“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(s)”	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 and traded on the Main Board of the Stock Exchange
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	an individual or a company which, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, is not a connected person of the Company within the meaning of the Listing Rules
“Lanshan Branch of Rizhao Port”	Lanshan stevedoring branch of Rizhao Port* (日照港股份有限公司嵐山裝卸分公司), a branch of Rizhao Port
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Operation Outsourcing Agreement 2021”	the operation outsourcing agreement dated 23 February 2021 entered into between the Company and Lanshan Branch of Rizhao Port
“Operation Outsourcing Agreement 2022”	the operation outsourcing agreement dated 12 January 2022 entered into between the Company and Rizhao Port Lanshan
“PRC”	the People’s Republic of China (excluding, for the purposes of this announcement, Hong Kong, the Macau Special Administrative Region and Taiwan)
“Proposed Annual Caps”	the proposed annual caps for the transactions contemplated under the Operation Outsourcing Agreement 2022 for the financial years ending 31 December 2022, 2023 and 2024
“Rizhao Port”	Rizhao Port Co., Ltd. (日照港股份有限公司), a joint stock company established in the PRC with limited liability whose shares are listed and traded on the Shanghai Stock Exchange (stock code: 600017) and a controlling shareholder of the Company

“Rizhao Port Group”	Shandong Port Rizhao Port Group Co., Ltd. (山東港口日照港集團有限公司) (previously known as Rizhao Port Group Co., Ltd. (日照港集團有限公司)), a company incorporated in the PRC with limited liability and a controlling shareholder of the Company
“Rizhao Port Lanshan”	Rizhao Port Lanshan Port Services Co., Ltd.* (日照港股份嵐山港務有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of Rizhao Port
“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

* *Unofficial English translation denotes for identification purposes only*

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

Rizhao, PRC, 12 January 2022

As at the date of this announcement, the Board comprises Mr. Cui Liang as Chairman and non-executive Director; Mr. Zhang Feng as executive Director; Mr. Pay Cher Wee, Mr. Ooi Boon Hoe, Mr. Jiang Zidan and Mr. Chen Lei as non-executive Directors; and Mr. Zhang Zixue, Mr. Lee Man Tai and Mr. Wu Xibin as independent non-executive Directors.