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

**(Stock Code: 6117)**

## **DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO CONSTRUCTION CONTRACT**

On 13 October 2022 (after trading hours), the Company entered into the Construction Contract with Shandong Gangwan, pursuant to which the Company agreed to engage Shandong Gangwan as the contractor for the No. 8 Warehouse Project.

### **LISTING RULES IMPLICATIONS**

As at the date of this announcement, (i) Shandong Gangwan is a non-wholly owned subsidiary of and is held as to 95.6% by Shandong Port Group; and (ii) Shandong Port Group is a controlling shareholder of the Company. Accordingly, Shandong Gangwan is an associate of Shandong Port Group pursuant to Rule 14A.13(1) of the Listing Rules, and therefore a connected person of the Company under the Listing Rules.

As the highest of all applicable percentage ratios in respect of the transactions contemplated under the Construction Contract exceeds 5% but is below 25% and the total consideration is more than HK\$10,000,000, the entering into of the Construction Contract and the transactions contemplated thereunder constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules and a connected transaction of the Company under Chapter 14A of the Listing Rules, subject to reporting, announcement and independent shareholders' approval requirements.

## **GENERAL**

The Company has established an Independent Board Committee, comprising all the independent non-executive Directors, to advise the Independent Shareholders in connection with the Construction Contract and the transactions contemplated thereunder, and as to how to vote at the EGM.

An independent financial adviser will be appointed as the independent financial adviser of the Company to advise the Independent Board Committee and the Independent Shareholders in this respect.

The Company will convene the EGM to consider and, if thought fit, to approve, among other things, the Construction Contract and the transactions contemplated thereunder.

As at the date of this announcement, Shandong 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 Construction Contract 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 Construction Contract and the transactions contemplated thereunder at the EGM.

A circular containing, among others, (i) details of the Construction Contract; (ii) a letter from the Independent Board Committee to the Independent Shareholders containing its recommendation; (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the EGM with 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 30 November 2022.

## CONSTRUCTION CONTRACT

On 13 October 2022 (after trading hours), the Company entered into the Construction Contract with Shandong Gangwan, pursuant to which the Company agreed to engage Shandong Gangwan as the contractor for the No. 8 Warehouse Project. The principal terms of the Construction Contract are set out as follows:

- Date:** 13 October 2022
- Parties:** (a) the Company, as the principal; and  
(b) Shandong Gangwan, as the contractor.
- Scope of service:** Shandong Gangwan is responsible for the construction of two warehouses with steel portal frame structure and ancillary infrastructure such as construction of outdoor storage yard roads and weighbridge office and water and electricity works at Shijiu port area in Rizhao port.
- Construction period:** 150 calendar days
- Defects liability period:** 2 years after completion acceptance of the No. 8 Warehouse Project
- Contract price:** The contract price is RMB51,689,505.56, subject to (i) adjustments on the raw materials price in the event that the price of reinforcement steel, steel and concrete to be used at the construction works fluctuates over 5% from the benchmark price published by the local authorities; and (ii) completion and settlement audit report issued by an independent third party audit institution appointed by the Company.

The contract price was the successful tender price offered by Shandong Gangwan in the public tender. The Company engaged Shandong Port Group Tender and Procurement Center for the tender of the No. 8 Warehouse Project and received bids from Shandong Gangwan and more than three independent third parties from the tender process. The Construction Contract was awarded to Shandong Gangwan by experts selected by Shandong Port Group Tender and Procurement Center after a comprehensive and objective assessment on various factors including the quotation, qualification, financial conditions, reputation and performance of each bidder.

**Payment terms:**

The contract price shall be paid in the following manner:

- (a) up to 80% of the contract price to be paid before the 20th day of every month based on the monthly project progress and actual amount of the construction work completed;

if Shandong Gangwan provides a letter of guarantee as quality assurance,

- (b) up to 100% of the contract price to be paid after completion acceptance of the No. 8 Warehouse Project, settlement and finishing the completion documents and within 180 days of the issuance of the value-added tax invoice;

if Shandong Gangwan provides a quality assurance deposit,

- (c) up to 97% of the contract price to be paid after completion acceptance of the No. 8 Warehouse Project, settlement and finishing the completion documents and within 180 days of the issuance of the value-added tax invoice; and

- (d) the remaining 3% of the contract price as the quality assurance deposit to be paid within 30 working days after the expiry of defects liability period with no quality defects of the No. 8 Warehouse Project.

The contract price will be funded by internal resources of the Company.

**Performance guarantee:**

After issuing the successful tender notice and before signing the Construction Contract, Shandong Gangwan shall submit to the Company a bank performance guarantee in an aggregate amount equivalent to 10% of the contract price. The performance guarantee is valid for the period from the date of the approval of the Construction Contract by the Independent Shareholders at the EGM to the date when the construction works pass the completion acceptance (excluding the defects liability period).

## **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.

Shandong Gangwan, a company incorporated in the PRC with limited liability, is principally engaged in earthwork blasting, underwater reef blasting and demolition works; installation of pressure pipelines; installation and maintenance of lifting machineries; maintenance and operation of port facilities; contracting foreign engineering projects commensurate with its strength, scale and performance; dispatching labor required for the implementation of the abovementioned overseas projects; port and waterway engineering construction; construction of housing construction engineering, steel structure engineering, ground and foundation engineering, highway subgrade engineering and municipal utility engineering; production of ready-mixed commercial concrete and prefabricated components; manufacture of material conveying equipment; installation of construction equipment; installation of mechanical and electrical equipment; leasing of machineries and equipment; asphalt (excluding hazardous chemicals) sales; other auxiliary activities of water transportation; loading, unloading and handling; and design and survey (geotechnical engineering, engineering survey) of water transportation engineering, industrial and civil construction engineering within the scope of qualifications.

As at the date of this announcement, Shandong Gangwan is a non-wholly owned subsidiary of Shandong Port Group, 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 CONSTRUCTION CONTRACT**

The entering into of the Construction Contract with Shandong Gangwan is based on its extensive experience in port construction, having undertaken a number of projects in the port area, and being able to ensure that projects are properly scheduled, planned and managed to reduce costs on the premise of ensuring the construction schedule and quality. The construction of warehouses under the No. 8 Warehouse Project can greatly alleviate the current situation of capacity shortage of the Company's silo and warehouse, and meet the regulatory and freight storage requirements. Moreover, the Company expects the No. 8 Warehouse Project will bring revenue to the Company since the warehouse construction period is short with fast turnaround and high efficiency in use.

The terms of the Construction Contract 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) are of the view that the terms of the Construction Contract and the transactions contemplated thereunder 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 Construction Contract and the transactions contemplated thereunder, and none of the Directors was required to abstain from voting on the board resolutions approving the Construction Contract and the transactions contemplated thereunder.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, (i) Shandong Gangwan is a non-wholly owned subsidiary of and is held as to 95.6% by Shandong Port Group; and (ii) Shandong Port Group is a controlling shareholder of the Company. Accordingly, Shandong Gangwan is an associate of Shandong Port Group pursuant to Rule 14A.13(1) of the Listing Rules, and therefore a connected person of the Company under the Listing Rules.

As the highest of all applicable percentage ratios in respect of the transactions contemplated under the Construction Contract exceeds 5% but is below 25% and the total consideration is more than HK\$10,000,000, the entering into of the Construction Contract and the transactions contemplated thereunder constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules and a connected transaction of the Company under Chapter 14A of the Listing Rules, subject to reporting, announcement and independent shareholders' approval requirements.

## **GENERAL**

The Company has established an Independent Board Committee, comprising all the independent non-executive Directors, to advise the Independent Shareholders in connection with the Construction Contract and the transactions contemplated thereunder, and as to how to vote at the EGM.

An independent financial adviser will be appointed as the independent financial adviser of the Company to advise the Independent Board Committee and the Independent Shareholders in this respect.

The Company will convene the EGM to consider and, if thought fit, to approve, among other things, the Construction Contract and the transactions contemplated thereunder.

As at the date of this announcement, Shandong 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 Construction Contract 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 Construction Contract and the transactions contemplated thereunder at the EGM.

A circular containing, among others, (i) details of the Construction Contract; (ii) a letter from the Independent Board Committee to the Independent Shareholders containing its recommendation; (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the EGM with 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 30 November 2022.

## **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
“Construction Contract”	the construction contract dated 13 October 2022 entered into between the Company and Shandong Gangwan with regard to the No. 8 Warehouse Project
“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”	the extraordinary general meeting or any adjournment thereof of the Company to be convened to consider and, if thought fit, approve the Construction Contract and the transactions contemplated thereunder
“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, consisting of all the independent non-executive Directors, established to advise the Independent Shareholders in respect of the Construction Contract and the transactions contemplated thereunder
“Independent Shareholders”	the Shareholders of the Company who are not required by the Listing Rules to abstain from voting at the EGM on the resolution to approve the Construction Contract and the transactions contemplated thereunder
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“No. 8 Warehouse Project”	the construction project of two warehouses with steel portal frame structure and ancillary infrastructure such as construction of outdoor storage yard roads and weighbridge office and water and electricity works at Shijiu port area in Rizhao port
“PRC”	the People’s Republic of China (excluding, for the purposes of this announcement, Hong Kong, the Macau Special Administrative Region and Taiwan)
“RMB”	Renminbi, the lawful currency of the PRC

“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 and a non-wholly owned subsidiary of Shandong Port Group
“Shandong Port Group”	Shandong Port Group Co., Ltd. (山東省港口集團有限公司), a company incorporated in the PRC with limited liability and a state-owned enterprise ultimately controlled by Shandong Provincial State-owned Assets Supervision and Administration Commission
“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.**  
**Cui Liang**  
*Chairman*

Rizhao, the PRC, 13 October 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. Ooi Boon Hoe, Mr. Pay Cher Wee, 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.*