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

(Stock Code: 6117)

MAJOR AND CONNECTED TRANSACTION IN RELATION TO CONSTRUCTION CONTRACT AND EQUIPMENT PROCUREMENT CONTRACT

On 18 October 2022 (after trading hours), the Company entered into (i) the Construction Contract with Shandong Gangwan, pursuant to which the Company agreed to engage Shandong Gangwan as the contractor for the Rizhao Port Grain Base Project; and (ii) the Equipment Procurement Contract with Qingdao Port Equipment, pursuant to which the Company agreed to engage Qingdao Port Equipment to supply three gantry cranes for the Rizhao Port Grain Base Project and provide relevant services to the Company.

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; (ii) Qingdao Port Equipment is a wholly-owned subsidiary of Qingdao Port International, which is in turn held as to approximately 55.77% by Qingdao Port Group, a wholly-owned subsidiary of Shandong Port Group; and (iii) Shandong Port Group is a controlling shareholder of the Company. Accordingly, each of Shandong Gangwan and Qingdao Port Equipment 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 Project Contracts on an aggregated basis exceed 25% and all applicable percentage ratios are less than 100%, the entering into of the Project Contracts and the transactions contemplated thereunder constitute a major 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 Project Contracts 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 Project Contracts 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 Project Contracts 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 Project Contracts and the transactions contemplated thereunder at the EGM.

A circular containing, among others, (i) details of the Construction Contract and the Equipment Procurement 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 18 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 Rizhao Port Grain Base Project. The principal terms of the Construction Contract are set out as follows:

Date:	18 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 41 silos for storing grains, reconstruction of the pier and construction of ancillary infrastructure at Shijiu port area in Rizhao port.
Construction period:	The construction period is expected to end on or about 30 June 2023.
Defects liability period:	2 years after completion acceptance of the Rizhao Port Grain Base Project
Contract price:	The contract price is RMB499,980,953, subject to (i) adjustments on the raw materials price in the event that the price of steel and concrete to be used at the construction works fluctuates from the benchmark price published by the local authorities or benchmark price stated in the website of an industry data service provider; 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 Construction Contract under the Rizhao Port Grain Base Project and received bids from Shandong Gangwan and two 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 quality assurance,

- (b) up to 100% of the contract price to be paid after completion acceptance of the Rizhao Port Grain Base Project and Shandong Gangwan handing over the project documents and within 180 days after the Company receives the value-added tax invoice issued by Shandong Gangwan and receives the letter of guarantee as quality assurance from Shandong Gangwan of 3% of the project settlement price determined by an independent third party audit institution;

if Shandong Gangwan does not provide a letter of guarantee as quality assurance,

- (c) up to 97% of the contract price to be paid after completion acceptance of the Rizhao Port Grain Base Project and Shandong Gangwan handing over the project 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 after the expiry of defects liability period with no quality defects of the Rizhao Port Grain Base Project.

The contract price will be financed by internal resources of the Company, bank facilities or a combination of both.

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).

EQUIPMENT PROCUREMENT CONTRACT

On 18 October 2022 (after trading hours), the Company entered into the Equipment Procurement Contract with Qingdao Port Equipment, pursuant to which the Company agreed to engage Qingdao Port Equipment to supply three gantry cranes for the Rizhao Port Grain Base Project and provide relevant services to the Company. The principal terms of the Equipment Procurement Contract are set out as follows:

Date: 18 October 2022

Parties:

- (a) the Company; and
- (b) Qingdao Port Equipment.

Scope of service:	Qingdao Port Equipment is responsible for designing, manufacturing, transporting and installing three gantry cranes for the Rizhao Port Grain Base Project, as well as providing insurance, test run, inspection, technical data, training to the Company's technical personnel and operators, after-sale services and other relevant services to the Company.
Delivery date:	The system test shall be completed by 30 June 2023.
Warranty period:	2 years after acceptance of the gantry cranes
Contract price:	The contract price is RMB50,580,000, which was the successful tender price offered by Qingdao Port Equipment in the public tender. The Company engaged Shandong Port Group Tender and Procurement Center for the tender of the Equipment Procurement Contract under the Rizhao Port Grain Base Project and received bids from Qingdao Port Equipment and three independent third parties from the tender process. The Equipment Procurement Contract was awarded to Qingdao Port Equipment 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: <ul style="list-style-type: none"> (a) 10% of the contract price to be paid within 60 days after the Equipment Procurement Contract takes effect and the review of design of the gantry cranes is completed; (b) 30% of the contract price to be paid within 60 days after confirming the materials and their specifications, quantity and quality required for manufacturing the equipment and the signing of contracts to acquire major purchased components; (c) 30% of the contract price to be paid within 60 days after delivery of all equipment; and

- (d) the remaining 30% of the contract price to be paid within 60 days after installation of the equipment, passing the test run, submission of completion materials, inspection and acceptance by the Company, and the signing of acceptance certificate by both the Company and Qingdao Port Equipment,

provided that Qingdao Port Equipment provides quality assurance and the Company receives the guarantee letter from Qingdao Port Equipment in the amount of 10% of the contract price, which shall be returned to Qingdao Port Equipment after the expiry of the warranty period with no quality defects.

If Qingdao Port Equipment does not provide quality assurance, the Company shall retain 10% of the contract price as the quality assurance deposit, which shall be paid to Qingdao Port Equipment after the expiry of the warranty period with no quality defects.

The contract price will be financed by internal resources of the Company, bank facilities or a combination of both.

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.

Qingdao Port Equipment, a company incorporated in the PRC with limited liability, is principally engaged in container handling machinery, harbour portal crane, port continuous handling process system, marine engineering and ship building and repairing crane, ship repair, steel structure manufacturing and installation, tank and pipeline installation, grabs, port machinery maintenance and other products and services.

As at the date of this announcement, (i) Shandong Gangwan is a non-wholly owned subsidiary of Shandong Port Group; (ii) Qingdao Port Equipment is a wholly-owned subsidiary of Qingdao Port International, which is in turn held as to approximately 55.77% by Qingdao Port Group, a wholly-owned subsidiary of Shandong Port Group; and (iii) Shandong Port Group 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 PROJECT CONTRACTS

The Construction Contract was entered into on the basis that Shandong Gangwan has extensive experience in port construction and has undertaken a number of projects in the port area, and is able to ensure that projects are reasonably scheduled, planned and managed to reduce costs and lay a solid foundation for the future silo construction of the Company on the premise of ensuring the construction period and quality.

The Equipment Procurement Contract was entered into on the basis that Qingdao Port Equipment is able to professionally provide overall intelligent solutions for machinery and equipment in the whole logistics chain of the port, and has the production capacity to undertake large-scale, non-standard and bulk port equipment, with business scope covering port, mining, power, metallurgy and other industries. Based on its extensive experience in port construction, Qingdao Port Equipment is able to meet the target of the Company's purchased equipment to be put into use as soon as possible, thereby improving the efficiency of cargo loading and unloading.

The terms of the Project Contracts 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 Project Contracts 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 Project Contracts and the transactions contemplated thereunder, and none of the Directors was required to abstain from voting on the board resolutions approving the Project Contracts 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 (ii) Qingdao Port Equipment is a wholly-owned subsidiary of Qingdao Port International, which is in turn held as to approximately 55.77% by Qingdao Port Group, a wholly-owned subsidiary of Shandong Port Group; and (iii) Shandong Port Group is a controlling shareholder of the Company. Accordingly, each of Shandong Gangwan and Qingdao Port International 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 Project Contracts on an aggregated basis exceed 25% and all applicable percentage ratios are less than 100%, the entering into of the Project Contracts and the transactions contemplated thereunder constitute a major 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 Project Contracts 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 Project Contracts 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 Project Contracts 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 Project Contracts and the transactions contemplated thereunder at the EGM.

A circular containing, among others, (i) details of the Construction Contract and the Equipment Procurement 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 18 October 2022 entered into between the Company and Shandong Gangwan with regard to the Rizhao Port Grain Base 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 Project Contracts and the transactions contemplated thereunder
“Equipment Procurement Contract”	the equipment procurement contract dated 18 October 2022 entered into between the Company and Qingdao Port Equipment with regard to the procurement of three gantry cranes for the Rizhao Port Grain Base Project
“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 Project Contracts 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 Project Contracts 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)
“Project Contracts”	collectively, the Construction Contract and the Equipment Procurement Contract
“Qingdao Port Equipment”	Qingdao Port Equipment Manufacturing Co., Ltd.* (青島港口裝備製造有限公司), a company incorporated in the PRC with limited liability and a non-wholly owned subsidiary of Shandong Port Group
“Qingdao Port Group”	Shandong Port Qingdao Port Group Co., Ltd.* (山東港口青島港集團有限公司), a company established in the PRC with limited liability, and a wholly-owned subsidiary of Shandong Port Group
“Qingdao Port International”	Qingdao Port International Co., Ltd. (青島港國際股份有限公司), a joint stock company established in the PRC with limited liability whose H shares are listed on the Main Board of the Stock Exchange (stock code: 6198) and A shares are listed on the Main Board of Shanghai Stock Exchange (stock code: 601298), which is held as to approximately 55.77% by Qingdao Port Group as at the date of this announcement

“Rizhao Port Grain Base Project”	the construction project of building 41 silos for storing grains, reconstructing the pier and building ancillary infrastructure at Shijiu port area in Rizhao port
“Rizhao Port Group”	Shandong Port Rizhao Port Group Co., Ltd. (山東港口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
“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

* *Unofficial English translation denotes for identification purposes only*

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

Rizhao, PRC, 18 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. Chen Lei as non-executive Director; and Mr. Zhang Zixue, Mr. Lee Man Tai and Mr. Wu Xibin as independent non-executive Directors.