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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

On 31 March 2023 (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 (Technology Part).

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 exceed 25% and all applicable percentage ratios are less than 100%, the entering into of the Construction Contract 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 Construction Contract and the transactions contemplated thereunder, and as to how to vote at the EGM.

Gram Capital 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 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 28 April 2023 .

CONSTRUCTION CONTRACT

On 31 March 2023 (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 (Technology Part). The principal terms of the Construction Contract are set out as follows:

Date: 31 March 2023

Parties: (a) the Company, as the principal; and
(b) Shandong Gangwan, as the contractor.

Scope of service:	<p>Shandong Gangwan is responsible for:</p> <ul style="list-style-type: none"> (a) the detailed design, manufacturing, transportation, delivery, storage, installation, inspection, single no-load test run, no-load combined test run, heavy load test run, combined test and other works of all process equipment and systems; (b) the manufacturing, transportation, delivery, storage, installation, coating, inspection acceptance and other works of all steel structures required for normal operation of all system equipment, facilities and supporting equipment of the project and personnel's daily safety in production, inspection and maintenance; (c) the power supply, lighting, control and monitoring of silos, towers, receiving and dispatching stations, daily warehouses, power transformation and distribution room, transfer towers, corridors, etc.; (d) the operator training, on-site services, after-sales services and other technical services deemed necessary by the Company; and (e) handling all procedures and submission of materials relating to the verification, identification and testing of facilities and equipment by local testing institutions for quality inspection, security check and national professional testing for grain machinery and other relevant departments.
Construction period:	The construction period is expected to end on or about 31 December 2023.
Defects liability period:	2 years after completion acceptance of the Rizhao Port Grain Base Project (Technology Part)
Contract price:	The contract price is RMB536,209,668.98, 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 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 (Technology Part) and received bids from Shandong Gangwan and two independent third parties from the tender process. After a comprehensive assessment of the tenders taking into account various factors including the quotation, qualification, financial conditions, reputation and performance of each bidder and provided that the contract price offered by Shandong Gangwan represented the lowest bid as compared to the other tenderers, the Construction Contract was awarded to Shandong Gangwan.

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 (Technology Part) 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 (Technology Part) 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 (Technology Part).

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 5% 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

In order to consolidate and improve the Company's position as the grain transfer, collection and distribution center among the national coastal ports in the PRC, the Company implements the Rizhao Port Grain Base Project expected to be completed and put into use in June 2024. The construction of 41 silos and reconstruction of pier under the Rizhao Port Grain Base Project will enable the Company to improve its grain storage and stevedoring capacity and berth unloading efficiency, such that the increasing demand for grain stevedoring arising from the increase in grain throughput of the Company can be satisfied. And the entering into of the Construction Contract is an ancillary project to support the construction under the Rizhao Port Grain Base Project.

The Construction Contract was entered into on the basis that Shandong Gangwan has extensive experience in port construction and has undertaken a number of engineering construction in the port area, and is able to ensure that projects are reasonably scheduled, planned and managed to reduce costs and ensure smooth operation of the Rizhao Port Grain Base Project (Technology Part) on the premise of ensuring the construction period and quality.

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 exceed 25% and all applicable percentage ratios are less than 100%, the entering into of the Construction Contract 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

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Gram Capital 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 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 28 April 2023.

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 31 March 2023 entered into between the Company and Shandong Gangwan with regard to the Rizhao Port Grain Base Project (Technology Part)
“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 Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to conduct Type 6 (Advising on Corporate Finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser appointed by the Company to advise the Independent Board Committee and 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
“PRC”	the People’s Republic of China (excluding, for the purposes of this announcement, Hong Kong, the Macau Special Administrative Region and Taiwan)
“Rizhao Port Grain Base Project (Technology Part)”	the technological aspect of the construction project of building 41 silos for storing grains, reconstructing the pier and building ancillary infrastructure at Shijiu port area in Rizhao port, which involves, among other things, the design, manufacturing, delivery, inspection and test run of equipment and systems
“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, PRC, 31 March 2023

As at the date of this announcement, the Board comprises Mr. Cui Liang as Chairman and non-executive Director; Mr. Qin Yuning as the executive Director; Mr. Seow Kok Leong Terence, Mr. Nyan Ming Ren Francis, Mr. Fang Lei 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.