

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.



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

(Stock Code: 6117)

**CONTINUING CONNECTED TRANSACTION
REVISION OF ANNUAL CAPS UNDER THE PROPERTY LEASE
(PROCUREMENT) FRAMEWORK AGREEMENT 2022**

Reference is made to the Announcement and the Circular in relation to the Property Lease (Procurement) Framework Agreement 2022, pursuant to which the Company agreed to lease from Rizhao Port Group (a) land occupied by West-18 berth and the land behind it; (b) warehouses; (c) complex building; (d) anticipated new lease of lands; and (e) other properties the Company may lease from Rizhao Port Group in the future from time to time.

On 7 December 2022 (after trading hours), the Company entered into the Supplemental Agreement with Rizhao Port Group (for itself and on behalf of its subsidiaries) to revise the Existing Annual Caps. Save for the revision of the Existing Annual Caps, all other terms and conditions under the Property Lease (Procurement) Framework Agreement 2022 remain unchanged.

LISTING RULES IMPLICATIONS

Rizhao Port Group is a controlling shareholder of the Company and therefore a connected person of the Company under the Listing Rules. Therefore, the entering into of the Property Lease (Procurement) Framework Agreement 2022, the 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 (Procurement) Framework Agreement 2022 as amended by the Supplemental Agreement is higher than 5% on an annual basis, the entering into of the 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 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 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 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 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 Supplemental Agreement, the Revised Annual Caps and the transactions contemplated thereunder at the EGM.

A circular containing, among others, (i) further information on the Supplemental Agreement; (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 31 January 2023.

INTRODUCTION

Reference is made to the Announcement and the Circular in relation to the Property Lease (Procurement) Framework Agreement 2022, pursuant to which the Company agreed to lease from Rizhao Port Group (a) land occupied by West-18 berth and the land behind it; (b) warehouses; (c) complex building; (d) anticipated new lease of lands; and (e) other properties the Company may lease from Rizhao Port Group in the future from time to time.

On 7 December 2022 (after trading hours), the Company entered into the Supplemental Agreement with Rizhao Port Group (for itself and on behalf of its subsidiaries) to revise the Existing Annual Caps. Save for the revision of the Existing Annual Caps, all other terms and conditions under the Property Lease (Procurement) Framework Agreement 2022 remain unchanged.

SUPPLEMENTAL AGREEMENT AND REVISION OF EXISTING ANNUAL CAPS

The principal terms of the Supplemental Agreement are set out as follows:

Date

7 December 2022 (after trading hours)

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.

Subject matter

Pursuant to the Supplemental Agreement, upon the approval by the Independent Shareholders at the EGM, the Existing Annual Caps under the Property Lease (Procurement) Framework Agreement 2022 shall be revised to the Revised Annual Caps under the Supplemental Agreement.

The Existing Annual Caps under the Property Lease (Procurement) Framework Agreement 2022 are set out as follows:

	For the years ending 31 December		
	2022	2023	2024
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Property			
<i>Right-of-use assets</i>			
Land occupied by and behind West-18 berth	32,000,000	0	0
Warehouses	19,000,000	0	0
Complex building	980,000	0	0
	<u> </u>	<u> </u>	<u> </u>
Total value of right-of-use assets relating to the leases to be entered into by the Company	<u>51,980,000</u>	<u>0</u>	<u>0</u>
<i>Variable lease payments</i>			
Land occupied by and behind West-18 berth	22,880,000	22,880,000	22,880,000
Anticipated new lease of lands	4,628,000	4,628,000	4,628,000
Temporarily leased berths	2,893,000	2,893,000	2,893,000
	<u> </u>	<u> </u>	<u> </u>
Total variable lease payments linked to revenue and short term lease payments payable by the Company	<u>30,401,000</u>	<u>30,401,000</u>	<u>30,401,000</u>
Total Existing Annual Caps	<u>82,381,000</u>	<u>30,401,000</u>	<u>30,401,000</u>

The Revised Annual Caps under the Supplemental Agreement are set out as follows:

	For the years ending 31 December		
	2022	2023	2024
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Property			
<i>Right-of-use assets</i>			
Land occupied for Rizhao Port Grain			
Base Project	0	88,200,000	0
Land occupied by and behind West-18 berth	32,000,000	0	0
Warehouses	19,000,000	0	0
Complex building	980,000	0	0
New lease of office building	0	1,450,000	0
	<u>0</u>	<u>1,450,000</u>	<u>0</u>
Total value of right-of-use assets relating to the leases to be entered into by the Company	<u>51,980,000</u>	<u>89,650,000</u>	<u>0</u>
<i>Variable lease payments</i>			
Land occupied by and behind West-18 berth	22,880,000	22,880,000	22,880,000
Anticipated new lease of lands	4,628,000	4,628,000	4,628,000
Temporarily leased berths	2,893,000	2,893,000	2,893,000
	<u>2,893,000</u>	<u>2,893,000</u>	<u>2,893,000</u>
Total variable lease payments linked to revenue and short term lease payments payable by the Company	<u>30,401,000</u>	<u>30,401,000</u>	<u>30,401,000</u>
Total Revised Annual Caps	<u>82,381,000</u>	<u>120,051,000</u>	<u>30,401,000</u>

Save for the revision of the Existing Annual Caps, all other terms and conditions of the Property Lease (Procurement) Framework Agreement 2022 remain unchanged.

For the principal terms of the Property Lease (Procurement) Framework Agreement 2022, please refer to the section headed “A. Continuing Connected Transactions – 2. Property Lease (Procurement) Framework Agreement 2022” in the Announcement and the section headed “2. Non-exempt Continuing Connected Transactions – A. Property Lease (Procurement) Framework Agreement 2022” in the Circular.

HISTORICAL AMOUNTS

The historical transaction amounts under the Property Lease (Procurement) Framework Agreement 2022 for the eleven months ended 30 November 2022 are set out as follows:

	For the eleven months ended 30 November 2022 RMB
Property	
<i>Right-of-use assets</i>	
Land occupied by and behind West-18 berth	0
Warehouses	0
Complex building	<u>195,992</u>
Total value of right-of-use assets relating to the leases entered into by the Company	<u><u>195,992</u></u>
<i>Variable lease payments</i>	
Land occupied by and behind West-18 berth	6,500,000
Anticipated new lease of lands	2,084,560
Temporarily leased berths	<u>247,298</u>
Total variable lease payments linked to revenue and short term lease payments paid by the Company	<u><u>8,831,858</u></u>

REVISED ANNUAL CAPS AND BASIS OF DETERMINATION

Pursuant to IFRS 16 – Leases, the lease of properties by the Company as lessee will be recognised as right-of-use assets. Correspondingly, the Company is required to set annual caps based on the total value of right-of-use assets relating to the leases to be entered into by the Company as a lessee in each year under the Property Lease (Procurement) Framework Agreement 2022 (as amended by the Supplemental Agreement).

In addition, pursuant to IFRS 16 – Leases, the variable lease payments linked to revenue generated from the leased properties and short-term lease payments will be recognised as expenses incurred by the Company. Accordingly, the Company is required to set annual caps for the variable lease payments and other short-term lease payments payable by the Company in each year under the Property Lease (Procurement) Framework Agreement 2022 (as amended by the Supplemental Agreement).

The Revised Annual Caps for the transactions contemplated under the Property Lease (Procurement) Framework Agreement 2022 (as amended by the Supplemental Agreement) represent the estimated maximum value of the sum of (i) the total value of right-of-use assets relating to the leases to be or expected to be entered into by the Company in each of the three years ending 31 December 2024; and (ii) the total variable lease payments linked to revenue generated from the leased properties and other short-term lease payments payable by the Company to Rizhao Port Group in each of the three years ending 31 December 2024.

The Board confirms that as at the date of this announcement, the transaction amounts under the Property Lease (Procurement) Framework Agreement 2022 have not exceeded the Existing Annual Caps for the transactions contemplated under the Property Lease (Procurement) Framework Agreement 2022 for the financial year ending 31 December 2022.

The revision of the Existing Annual Caps as contemplated under the Supplemental Agreement was mainly due to the estimated total value of right-of-use assets relating to the lease of land for Rizhao Port Grain Base Project and office buildings expected to be entered into by the Company with Rizhao Port Group during the year ending 31 December 2023, which is determined with reference to the expected rental amount payable by the Company to Rizhao Port Group in respect of the lease of land for Rizhao Port Grain Base Project and office buildings.

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 incorporated 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 SUPPLEMENTAL AGREEMENT

The land and properties that the Company leases from Rizhao Port Group pursuant to the Property Lease (Procurement) Framework Agreement 2022 are located close to the Company's operations in Shijiu port area, and are mainly used for port operations and daily office use. The Company has been leasing such land and properties from Rizhao Port Group for a long period of time, and it is convenient and efficient for the Company to keep the Company's office close to operations. Therefore, the Directors believe the continuance of such transactions is cost efficient and is in the best interest of the Shareholders as a whole. Further, the Company enters into the Supplemental Agreement for the lease of the land and office buildings from Rizhao Port Group to implement the Rizhao Port Grain Base Project with the purpose 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 terms of the Property Lease (Procurement) Framework Agreement 2022 (as amended by the 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 the Property Lease (Procurement) Framework Agreement 2022 (as amended by the 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 Supplemental Agreement and the transactions contemplated thereunder, and none of the Directors was required to abstain from voting on the board resolutions approving the Supplemental Agreement and the transactions contemplated thereunder.

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 Property Lease (Procurement) Framework Agreement 2022 (as amended by the Supplemental Agreement) are fair and reasonable and no less favourable than the terms offered to the Company from the Independent Third Parties:

- (a) Before entering into any individual property lease agreement under the Property Lease (Procurement) Framework Agreement 2022 (as amended by the Supplemental Agreement), the staff of various offices (including technical support center and securities affairs office) will collect transaction information of previous similar transactions (with Independent Third Parties) and check the historical rent information (if any) and further review and assess the specific terms and conditions of such individual agreements to ensure that (i) the individual agreements would be in accordance with the terms of the Property Lease (Procurement) Framework Agreement 2022 (as amended by the Supplemental Agreement) and the pricing policies of the Company; and (ii) the overall terms of the individual agreements are fair and reasonable and less favourable than the terms offered to the Company from the Independent Third Parties;
- (b) The finance office of the Company will perform monthly review on the transactions entered into under the Property Lease (Procurement) Framework Agreement 2022 (as amended by the Supplemental Agreement) to ensure compliance with pricing policies;
- (c) The relevant office of the Company carrying out the specific connected transactions under the Property Lease (Procurement) Framework Agreement 2022 (as amended by the Supplemental Agreement) will closely monitor the actual transaction amount on a monthly basis. If the actual transaction amount reaches approximately 85% of the Revised 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 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 (Procurement) Framework Agreement 2022 (as amended by the 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 (Procurement) Framework Agreement 2022 (as amended by the 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 (Procurement) Framework Agreement 2022 (as amended by the 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 therefore a connected person of the Company under the Listing Rules. Therefore, the entering into of the Property Lease (Procurement) Framework Agreement 2022, the 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 (Procurement) Framework Agreement 2022 as amended by the Supplemental Agreement is higher than 5% on an annual basis, the entering into of the 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 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 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 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 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 Supplemental Agreement, the Revised Annual Caps and the transactions contemplated thereunder at the EGM.

A circular containing, among others, (i) further information on the Supplemental Agreement; (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 31 January 2023.

DEFINITIONS

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

“Announcement”	the announcement of the Company dated 26 November 2021
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Circular”	the circular of the Company dated 15 January 2022
“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
“EGM”	an extraordinary general meeting or any adjournment thereof of the Company to be convened to consider and, if thought fit, approve the Supplemental Agreement, the Revised Annual Caps and the transactions contemplated thereunder
“Existing Annual Caps”	the existing annual caps for the transactions contemplated under the Property Lease (Procurement) Framework Agreement 2022 for the three financial years ending 31 December 2024 as disclosed in the Announcement and the Circular
“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 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 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 Supplemental Agreement, the Revised Annual Caps 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 revision of annual caps under the Property Lease (Procurement) Framework Agreement 2022
“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
“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 (Procurement) Framework Agreement 2022”	the property lease (procurement) framework agreement dated 26 November 2021 entered into between the Company and Rizhao Port Group (for itself and on behalf of its subsidiaries)
“Revised Annual Caps”	the proposed revised annual caps for the transactions contemplated under the Property Lease (Procurement) Framework Agreement 2022 (as amended by the Supplemental Agreement) for the financial years ending 31 December 2024
“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
“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
“Supplemental Agreement”	the property lease (procurement) supplemental framework agreement dated 7 December 2022 entered into between the Company and Rizhao Port Group (for itself and on behalf of its subsidiaries)

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

Rizhao, PRC, 7 December 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.