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XINGHUA PORT HOLDINGS LTD.

興華港口控股有限公司*

(Incorporated in the Republic of Singapore with limited liability)

(Stock code: 1990)

UPDATE ANNOUNCEMENT ON THE ACCIDENT AND SUSPENSION

This announcement is published by the board of directors (the “**Board**”) of Xinghua Port Holdings Ltd. (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Reference is made to the announcements of the Company dated 2 April 2018, 4 April 2018, 22 April 2018 and 8 June 2018, respectively (the “**Announcements**”) regarding the accident that had occurred at CCIP during a cargo unloading operation, the immediate suspension of operations (“**Suspension**”) at both of the Group’s ports (the “**Ports**”) at CCIP and CXP following the receipt of stop work orders (“**Orders**”) from the local authorities (“**Authorities**”) and the subsequent lifting of the stop work order on CXP. Unless the context requires otherwise, capitalized terms used in this announcement have the same meanings given to them in the Announcements.

The Board wishes to provide an update to the shareholders and the public on the results of the investigations by the Authorities in relation to the Accident.

* *for identification purpose only*

Results of the Investigations

On 7 September 2018, the management noticed that a report on the investigations on the Accident (the “**Investigation Report**”) was published on the website of the Suzhou Safety Bureau. The investigations on the Accident were ordered by the Suzhou City Government and headed by the Suzhou City Safety Bureau and assisted by other relevant government officials. According to findings set out in the Investigation Report, the direct cause of the Accident was an uneven distribution of a cargo loading, which had led to the failure of the hopper thus resulting in its collapse. In the Investigation Report, the Authorities found that three senior management of the Group and two other employees of the Group and certain government officials have failed to discharge their supervisory duties in ensuring that proper worker’s safety procedures are in place and followed at the CCIP Port.

The Investigation Report included recommendations by the Authorities to bring possible legal action to these individuals. The five employees of the Group concerned include three senior management of the Group being Mr. Kor Tor Khoo, an executive director and the chief executive officer of the Company, Ms. Xu Lei, assistant general manager (finance), and Mr. Zhou Weida, assistant general manager (operations). The other two named individuals are employees of the Group. The Group has initiated discussion with its PRC legal advisers on the implications of the findings and at the same time, providing legal assistance to the affected employees named in the Investigation Report. The Group does not expect the operations of the Ports to be affected in any material aspect following the publication of this Investigation Report and in the event that further actions are taken against those employees who have been deemed to have failed to discharge their supervisory duties.

Further in the Investigation Report, the Authorities have also made the following recommendations to CCIP for the reinforcement of its safety procedures:

- (i) CCIP should vigilantly implement work safety, revamp its management system, and further revise and improve its safety operation procedures. CCIP should supervise on-site safety, and respond promptly to any breach of safety regulations. It should provide on-going training and education on safety to employees and workers.
- (ii) CCIP should further improve its management system and formulate clear policies on safety hazards management. The policies should include procedures to alleviate any risk identified to ensure work safety.
- (iii) CCIP should strengthen the maintenance of its equipment and rectify any defects promptly. In particular, CCIP should conduct a comprehensive safety hazard review on all its non-standard equipment, and engage experts to evaluate any potential hazardous equipment.

Remedial measures

Since the Accident, the Group has been reviewing and implementing, with the assistance of third party safety experts, its improved safety procedures with the aim to raising the overall safety standards at its Ports. As part of such remedial work and to address the recommendations in this Investigation Report, Mr. Patrick Ng Bee Soon, who is the chairman of the Board and one of the controlling shareholders of the Company, has taken up the responsibility of the day-to-day operations of the Group including overseeing the overhaul of the Group’s safety management systems following the Accident.

Mr. Ng has been deeply involved from the beginning of the Group's investment in the CXP Port in 1994 as he oversaw the acquisition of the port land, the design and development of the CXP Port. Mr. Ng will assume an increased role to continue to lead the Group in improving its safety measures, raising safety awareness and strengthening supervision and assessment of safety standards, with a view to preventing the recurrence of similar incidents and ensuring the safety of all employees and sub-contracted workers of the Group.

The Group has adopted and implemented improved safety operational procedures and policies, which will substantially address those recommendations in the Investigation Report. However, the Authorities would need to review and audit them on-site at the CCIP Port to ensure they are executed and followed. In particular, the Group has implemented the following procedures to improve worker safety at the Ports:

- (i) The Group has recruited three PRC certified and experienced safety engineers to fill the newly created positions namely, safety director at CXP Port, safety director at CCIP Port and safety engineer to lead the maintenance department. They will, together with the existing management team, further improve the safety culture and operations at the Ports.
- (ii) The Group has carried out two-level of preventive works: (a) to identify sources of unsafe and hazardous practices and fixtures; and (b) to ensure corrective measures are implemented on a timely basis. In this regard, the Group has produced a comprehensive set of detailed operational procedures and policies in consultation with the third party safety experts to mitigate the risks associated with such unsafe and hazardous practices. Communication and training of such operational procedures and policies are enforced to all staff and sub-contracted workers.
- (iii) The Group will carry out regular review of its operational procedures and policies to ensure that they are up-to-date to reflect any necessary changes as the operation of the Ports evolves and changes.
- (iv) The Group has developed three levels of safety training to all of its staff and sub-contracted workers to raise the awareness of worker safety at the Ports. The three levels of safety training are: (a) port level training; (b) department level training; and (c) individual or team level training. Such trainings will also take into account the potential safety hazards identified during the review process referred to above. Attendance of such training will be compulsory. All existing and new staffs and subcontracted workers must complete all three levels of safety training and must pass its examinations before they can commence work at the Ports.
- (v) The Group will carry out regular inspection and maintenance of its machinery and equipment to ensure they are in good and safe working order and conditions.
- (vi) The Group has implemented a whistle-blowing reporting system which allows all staff and subcontracted workers to report any deficiency in worker safety observed in any operation at the Ports. To encourage reporting incidents, such report may be submitted on an anonymous basis.
- (vii) The Group has implemented its own "Stop Work Order" procedures which allow all personnel in the Ports to have the right to call to cease work in the event of any potential safety hazard or any unsafe behaviour observed. The operations will resume immediately once the management or the manager has addressed the potential safety hazard or corrected the unsafe behaviour.

As of the date of this update announcement, the Group is working closely with the Authorities and the third party safety experts on-site to seek for a lifting of the Order as soon as it is practicable. The Group will abide by the recommendations of the Authorities and the third party safety experts to improve the safety measures at the Ports going forward. The Group expects the subsequent lifting of the Order after the satisfactory review and audit by the Authorities and thereafter the gradual resumption of the operations of CCIP.

Update on the financial impact on the Group

The attention of the shareholders and potential investors is drawn to the Company's Announcement dated 8 June 2018. The Group's previous estimate that its consolidated net profit for the year could be negatively affected by an amount in the region of approximately 75% of the Group's net profit for the year ended 31 December 2017 remained unchanged. Given that the Investigation Report has just been published by the Authorities and the uncertainty as to when the Order on CCIP will be lifted, the ultimate financial impact on the Group may differ.

Barring unforeseen circumstances, the Group expects CXP to perform profitably for the year though at a lower profit year-on-year, whilst CCIP is expected to suffer a loss for the year as a result of the prolong Suspension and various expenditures that will be incurred as a result of the Accident.

The Company will make further announcements to keep shareholders updated on any material developments as and when appropriate.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

By Order of the Board of
Xinghua Port Holdings Ltd.
Patrick Ng Bee Soon
Chairman and Executive Director

10 September 2018

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Patrick Ng Bee Soon, Mr. Kor Tor Khoon and Ms. Jane Kimberly Ng Bee Kiok; two non-executive Directors, namely Mr. Alan Chan Hong Joo and Mr. Lee Cheong Seng; and three independent non-executive Directors, namely Mr. Tan Chian Khong, Mr. Soh Ee Beng and Mr. Ting Yian Ann.