

*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.*



**招商局港口控股有限公司**  
CHINA MERCHANTS PORT HOLDINGS COMPANY LIMITED

*(Incorporated in Hong Kong with limited liability under the Companies Ordinance)*

**(Stock Code: 00144)**

## **CONNECTED TRANSACTION**

### **SALE AND LEASEBACK AGREEMENT AND RELATED TRANSACTIONS**

#### **SUMMARY**

On 19 December 2019, CM Xiamen Bay, a subsidiary of the Company entered into the Sale and Leaseback Agreement with Tianjin Finances, a subsidiary of CMG, the ultimate holding company of the Company for the sale and leaseback of the Leased Assets for a term of 72 months at the consideration of RMB150,000,000 (equivalent to approximately HK\$166,210,000).

As security for the performance of CM Xiamen Bay's obligations under the Sale and Leaseback Agreement, on 19 December 2019, CM Xiamen Bay entered into (i) the Security Agreement in favour of Tianjin Finances pursuant to which CM Xiamen Bay agreed to pledge the Secured Assets to Tianjin Finances and (ii) the Deposit Agreement with Tianjin Finances pursuant to which CM Xiamen Bay agreed to pay to Tianjin Finances a deposit of RMB4,500,000 (equivalent to approximately HK\$5,000,000).

On the same day, CM Xiamen Bay entered into the Consultancy Services Agreement with Tianjin Finances pursuant to which Tianjin Finances will provide various consultancy services to CM Xiamen Bay for a consideration of RMB2,700,000 (equivalent to approximately HK\$3,000,000).

The transactions contemplated under the Sale and Leaseback Agreement, the Security Agreement, the Deposit Agreement and the Consultancy Services Agreement shall be aggregated pursuant to Rule 14.22 of the Listing Rules. Since the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the transactions under the Sale and Leaseback Agreement, the Security Agreement, the Deposit Agreement and the Consultancy Services Agreement exceed 0.1% but are below 5%, the transactions contemplated under the Sale and Leaseback Agreement, the Security Agreement, the Deposit Agreement and the Consultancy Services Agreement is therefore exempt from the circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **1. BACKGROUND**

On 19 December 2019, CM Xiamen Bay, a subsidiary of the Company entered into the Sale and Leaseback Agreement with Tianjin Finances, a subsidiary of CMG, the ultimate holding company of the Company for the sale and leaseback of the Leased Assets for a term of 72 months at the consideration of RMB150,000,000 (equivalent to approximately HK\$166,210,000).

As security for the performance of CM Xiamen Bay's obligations under the Sale and Leaseback Agreement, on 19 December 2019, CM Xiamen Bay entered into (i) the Security Agreement in favour of Tianjin Finances pursuant to which CM Xiamen Bay agreed to pledge the Secured Assets to Tianjin Finances and (ii) the Deposit Agreement with Tianjin Finances pursuant to which CM Xiamen Bay agreed to pay to Tianjin Finances a deposit of RMB4,500,000 (equivalent to approximately HK\$5,000,000).

On the same day, CM Xiamen Bay entered into the Consultancy Services Agreement with Tianjin Finances pursuant to which Tianjin Finances will provide various consultancy services to CM Xiamen Bay for a consideration of RMB2,700,000 (equivalent to approximately HK\$3,000,000).

All the payments payable by CM Xiamen Bay under the Sale and Leaseback Agreement, the Security Agreement, the Deposit Agreement and the Consultancy Service Agreement will be in cash and funded by its internal resources.

## 2. THE SALE AND LEASEBACK AGREEMENT

The key terms of the Sale and Leaseback Agreement are set out below:

Date: 19 December 2019

Parties: (1) CM Xiamen Bay, as the lessee  
(2) Tianjin Finances, as the lessor

Leased Assets: Two port assets located in Xiamen Bay, the PRC with an area of 17,303.94 square metres and 16,575.72 square metres, respectively. The aggregate book value of the Leased Assets is RMB246,585,318 (equivalent to approximately HK\$273,230,000).

The original cost of the Leased Assets paid by CM Xiamen Bay was RMB246,585,318 (equivalent to approximately HK\$273,230,000).

Sale and Leaseback of the Leased Assets: CM Xiamen Bay will sell and Tianjin Finances will purchase the Leased Assets at the consideration of RMB150,000,000 (equivalent to approximately HK\$166,210,000) and Tianjin Finances shall then lease back the Leased Assets to CM Xiamen Bay for a lease period of 72 months commencing from the date on which the first drawdown of the Consideration is made to the CM Xiamen Bay. During the lease period, Tianjin Finances shall have the legal ownership of the Leased Assets.

Consideration:

The amount of Consideration to be paid by Tianjin Finances to CM Xiamen Bay for the Leased Assets is RMB150,000,000 (equivalent to approximately HK\$166,210,000). The Consideration shall be settled when the conditions therein are fulfilled, including but not limited to, (i) the delivery of the drawdown notice by CM Xiamen Bay to Tianjin Finances, subject to a long stop date of 3 June 2020, (ii) the delivery of the duly executed Sale and Leaseback Agreement and Security Agreement and the completion of the registration thereof in accordance with applicable laws, (iii) the delivery of the valuation report of the Leased Assets by CM Xiamen Bay to Tianjin Finances and the completion of the registration of the lease arrangement in accordance with applicable laws, (iv) the full payment of the Deposit and the Administrative Fee by CM Xiamen Bay and (v) CM Xiamen Bay having arranged insurance as requested by Tianjin Finances and in accordance with the terms under the Sale and Leaseback Agreement.

All the payments payable by Tianjin Finances will be in cash and funded by its internal resources.

The Consideration is arrived at after arm's length negotiation between the Group and Tianjin Finances. Taking the Sale and Leaseback Agreement, the Security Agreement, the Deposit Agreement and the Consultancy Service Agreement as a whole, the Consideration is in effect the principal amount of the loan to be advanced by Tianjin Finances to CM Xiamen Bay, with the Secured Assets as security.

Lease payments:

CM Xiamen Bay shall pay to Tianjin Finances as lease payments the full amount of the Consideration of RMB150,000,000 (equivalent to approximately HK\$166,210,000) with an interest of 4.75% per annum accrued thereon by every six months over a period of six years in the total amount of RMB177,889,723.95 (equivalent to approximately HK\$200,000,000), of which:

- (i) the 1st installment shall be RMB6,621,875.00 (equivalent to approximately HK\$7,340,000) (tax included);

- (ii) the 2nd installment shall be RMB6,549,437.50 (equivalent to approximately HK\$7,260,000) (tax included);
- (iii) the 3rd installment shall be RMB6,458,000.00 (equivalent to approximately HK\$7,160,000) (tax included);
- (iv) the 4th installment shall be RMB6,404,562.50 (equivalent to approximately HK\$7,100,000) (tax included);
- (v) the 5th installment shall be RMB17,563,916.67 (equivalent to approximately HK\$19,460,000) (tax included);
- (vi) the 6th installment shall be RMB17,238,046.87 (equivalent to approximately HK\$19,100,000) (tax included);
- (vii) the 7th installment shall be RMB25,129,520.83 (equivalent to approximately HK\$27,840,000) (tax included);
- (viii) the 8th installment shall be RMB24,600,687.50 (equivalent to approximately HK\$27,260,000) (tax included);
- (ix) the 9th installment shall be RMB28,557,406.25 (equivalent to approximately HK\$31,640,000) (tax included);
- (x) the 10th installment shall be RMB27,905,468.75 (equivalent to approximately HK\$30,920,000) (tax included);
- (xi) the 11th installment shall be RMB6,252,145.83 (equivalent to approximately HK\$6,930,000) (tax included); and
- (xii) the 12th installment shall be RMB4,608,656.25 (equivalent to approximately HK\$5,110,000).

Administrative Fee:

CM Xiamen Bay shall pay to Tianjin Finances an Administrative Fee of RMB3,900,000 (equivalent to approximately HK\$4,320,000), being an amount equivalent to 2.6% of the Consideration, on or before the date which CM Xiamen Bay delivers a drawdown notice to Tianjin Finances. The Administrative Fee is non-refundable in any event.

Buyback fee: Provided that CM Xiamen Bay has repaid in full all monies owed to Tianjin Finances under the Sale and Leaseback Agreement, CM Xiamen Bay has the right to buy back the Leased Assets in the amount of RMB100 (equivalent to approximately HK\$111) (tax included). Such amount shall be paid by CM Xiamen Bay together with the 12th installment of the lease payment of the Consideration and the interest.

Security and Deposit: As security for the performance of CM Xiamen Bay's obligations under the Sale and Leaseback Agreement, CM Xiamen Bay agreed to enter into the Security Agreement and the Deposit Agreement.

### **3. THE SECURITY AGREEMENT**

On 19 December 2019, as security for the performance of CM Xiamen Bay's obligations under the Sale and Leaseback Agreement, CM Xiamen Bay agreed to enter into the Security Agreement in favour of Tianjin Finances. The key terms of the Security Agreement are set out below:

Date: 19 December 2019

Parties: (1) CM Xiamen Bay, as the pledgor  
(2) Tianjin Finances, as the pledgee

Secured Assets: The land use rights of two pieces of land located in Longhai City, PRC with an area of 126,401.13 square metres and 172,748.81 square metres, respectively. The estimated value of the Secured Assets is RMB177,889,723.95 (equivalent to approximately HK\$200,000,000), being the same amount of the sum of the Consideration and interest payable by CM Xiamen Bay to Tianjin Finances under the Sale and Leaseback Agreement.

Security: Pursuant to the terms of the Security Agreement, CM Xiamen Bay shall pledge the Secured Assets in favour of Tianjin Finances to secure the performance by CM Xiamen Bay's obligations under the Sale and Leaseback Agreement.

Registration: CM Xiamen Bay shall be responsible for and bear the costs of the registration the Security Agreement with the relevant authorities within seven days of the date of the Security Agreement in accordance with the relevant laws and regulations.

#### **4. THE DEPOSIT AGREEMENT**

On 19 December 2019, as security for the performance of CM Xiamen Bay's obligations under the Sale and Leaseback Agreement, CM Xiamen Bay agreed to enter into the Deposit Agreement. The key terms of the Deposit Agreement are set out below:

Date: 19 December 2019

Parties: (1) CM Xiamen Bay, as the lessee  
(2) Tianjin Finances, as the lessor

Deposit: Pursuant to the Deposit Agreement, CM Xiamen Bay shall pay to Tianjin Finances a deposit of RMB4,500,000 (equivalent to approximately HK\$5,000,000), being an amount equal to 3% of the Consideration, within 15 days from the date of the Deposit Agreement.

Deduction of Deposit: Tianjin Finances shall be entitled to deduct from the Deposit any due but unpaid amount owed by CM Xiamen Bay under the Sale and Leaseback Agreement. CM Xiamen Bay shall make whole any deduction within five business days by depositing the relevant amount to a designated bank account of Tianjin Finances.

Return of Deposit: Provided that CM Xiamen Bay has repaid in full all monies owed to Tianjin Finances under the Sale and Leaseback Agreement, Tianjin Finances shall return the balance of Deposit (if any) to CM Xiamen Bay by way of a cash deposit in a designated bank account of CM Xiamen Bay. Alternatively, subject to Tianjin Finances' consent, CM Xiamen Bay may deduct the amount of Deposit from the last installment to be paid to Tianjin Finances.

**5. THE CONSULTANCY SERVICES AGREEMENT**

On 19 December 2019, CM Xiamen Bay entered into the Consultancy Services Agreement with Tianjin Finances. The key terms of the Consultancy Services Agreement are set out below:

- Date: 19 December 2019
- Parties: (1) CM Xiamen Bay  
(2) Tianjin Finances
- Term: Tianjin Finances shall provide the Consultancy Services to CM Xiamen Bay for the period commencing from the date of the Consultancy Services Agreement and ending on 31 December 2020.
- Service fees: CM Xiamen Bay shall pay to Tianjin Finances service fees in the amount of RMB2,700,000 (equivalent to approximately HK\$3,000,000) within 15 days from the date of the Consultancy Services Agreement. The terms of the Consultancy Services Agreement and the amount of the service fees were arrived at after arm’s length negotiation between the Group and Tianjin Finances after taking the Sale and Leaseback Agreement, the Security Agreement, the Deposit Agreement and the Consultancy Service Agreement as a whole.
- Consultancy Services: Pursuant to the Consultancy Services Agreement, Tianjin Finances agreed to provide various consultancy services to CM Xiamen Bay as reasonably requested by CM Xiamen Bay, including but not limited to industry macroeconomic policies and industry development information consulting services, corporate investment and financing strategy consulting services and corporate strategic planning and financial management consulting services.



## **6. FINANCIAL EFFECTS AND USE OF PROCEEDS**

Pursuant to FAQ No. 052-2018 issued by the Stock Exchange, whilst the transactions contemplated under the Sale and Leaseback Agreement will be accounted for as a financing arrangement by the Group according to HKFRS 16, the transfer of the legal ownership of the asset constitutes a disposal of asset by CM Xiamen Bay and an acquisition of asset by Tianjin Finances under the relevant Listing Rules. The Leased Assets will be recognized as finance lease assets in the financial accounts of the Group on a consolidated basis as a result of the Sale and Leaseback Agreement.

Taking the Sale and Leaseback Agreement, the Security Agreement, the Deposit Agreement and the Consultancy Service Agreement as a whole, the Consideration is in effect the principal amount of the loan to be advanced by Tianjin Finances to CM Xiamen Bay. The Consideration will be used for general working capital of CM Xiamen Bay.

## **7. REASONS FOR THE TRANSACTION**

The core business of the Group includes port and port-related business.

Due to certain regulatory restrictions of the People's Bank of China, including but not limited to the prohibition of applying bank loans to the purchase of land and the requirement to settle the payment for the purchase of land within the same year, CM Xiamen Bay is required to seek alternative financing arrangements to fulfill its capital needs. After comparing the terms offered by various financial leasing institutions, the Board is of the view that the terms and conditions (including but not limited to the interest rate proposed, the term of loan and the administrative process required) under the Sale and Leaseback Agreement are the most beneficial for the Group as a whole.

Taking into account of the above, the Directors, including the independent non-executive Directors, are of the view that the Sale and Leaseback Agreement, the Security Agreement, the Deposit Agreement and the Consultancy Services Agreement have been entered into on normal commercial terms and in the ordinary and usual course of business of the Group and that the terms of the Sale and Leaseback Agreement, the Security Agreement, the Deposit Agreement and the Consultancy Services Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole.

## **8. INFORMATION ON THE PARTIES**

### **Information on CM Xiamen Bay**

CM Xiamen Bay is a joint stock company incorporated under the laws of PRC and a subsidiary of the Company. Its principal activities are bulk cargo handling businesses.

### **Information on Tianjin Finances and CMG**

Tianjin Finances is a joint stock company incorporated under the laws of PRC and a subsidiary of CMG, the ultimate holding company of the Company. Its principal activities are financial leasing, property leasing, maintenance and management of leased property, consulting services and related commercial factoring businesses.

CMG, the ultimate holding company of the Company, is an enterprise wholly-owned by the PRC Government (the State Council of the PRC) and supervised by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC. It mainly provides services in three sectors, including transportation and related infrastructure, financial investment and asset management, and industry park and property development and management.

## **9. LISTING RULES IMPLICATIONS**

Tianjin Finances is a subsidiary of CMG, the ultimate holding company of the Company, and therefore a connected person of the Company. Accordingly, the transactions contemplated under the Sale and Leaseback Agreement, the Security Agreement, the Deposit Agreement and the Consultancy Services Agreement constitutes a connected transaction of the Company.

According to HKFRS 16, the transactions contemplated under the Sale and Leaseback Agreement will be accounted for as a financing arrangement by the Group. Pursuant to FAQ No. 052-2018 issued by the Stock Exchange, the transfer of the legal ownership of the Leased Assets constitutes a disposal of the Company and an acquisition of Tianjin Finances and constitutes a connected transaction of the Company.

The transactions contemplated under the Sale and Leaseback Agreement, the Security Agreement, the Deposit Agreement and the Consultancy Services Agreement shall be aggregated pursuant to Rule 14.22 of the Listing Rules. Since the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the transactions under the Sale and Leaseback Agreement, the Security Agreement, the Deposit Agreement and the Consultancy Services Agreement exceed 0.1% but are below 5%, the transactions contemplated under the Sale and Leaseback Agreement,

the Security Agreement, the Deposit Agreement and the Consultancy Services Agreement is therefore exempt from the circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules.

None of the Directors have a material interest in the Sale and Leaseback Agreement, the Security Agreement, the Deposit Agreement and the Consultancy Services Agreement nor are they required to abstain from voting in the relevant board resolutions.

## 10. DEFINITIONS

*In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:*

“Administrative Fee”	RMB3,900,000 (equivalent to approximately HK\$4,320,000), being an amount equal to 2.6% of the Consideration, payable by CM Xiamen Bay to Tianjin Finances under the Sale and Leaseback Agreement
“associates”	has the meaning ascribed to this term under the Listing Rules
“Board”	the board of Directors of the Company
“CMG”	China Merchants Group Limited (招商局集團有限公司), a company incorporated in the PRC and the ultimate holding company of the Company
“CM Xiamen Bay”	Zhangzhou China Merchants Xiamen Bay Port Affairs Company Limited* (漳州招商局廈門灣港務有限公司), a joint stock company incorporated under the laws of the PRC and a subsidiary of the Company
“Company”	China Merchants Port Holdings Company Limited (招商局港口控股有限公司), a company incorporated in Hong Kong and whose shares are listed on the Main Board of the Stock Exchange
“connected person”	has the meaning ascribed to this term under Rule 14A.06 of the Listing Rules
“Consideration”	RMB150,000,000 (equivalent to approximately HK\$166,210,000), the consideration to be paid by Tianjin Finances to CM Xiamen Bay under the Sale and Leaseback Agreement

“Consultancy Services”	various consultancy services to be provided by Tianjin Finances to CM Xiamen Bay as reasonably requested by CM Xiamen Bay, including but not limited to industry macroeconomic policies and industry development information consulting services, corporate investment and financing strategy consulting services and corporate strategic planning and financial management consulting services
“Consultancy Services Agreement”	the consultancy services agreement dated 19 December 2019 entered into between CM Xiamen Bay and Tianjin Finances
“Deposit”	RMB4,500,000 (equivalent to approximately HK\$5,000,000), being an amount equal to 3% of the Consideration to be paid by CM Xiamen Bay to Tianjin Finances under the Deposit Agreement
“Deposit Agreement”	the deposit agreement dated 19 December 2019 entered into between CM Xiamen Bay and Tianjin Finances
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Lease”	the lease as contemplated under the Land Lease Agreement
“Leased Assets”	Two port assets located in Xiamen Bay, the PRC with an area of 17,303.94 square metres and 16,575.72 square metres, respectively, and the subject of the Sale and Leaseback Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China which, for the purpose of this announcement, exclude Hong Kong, Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of PRC

“Sale and Leaseback Agreement”	the sale and leaseback agreement dated 19 December 2019 entered into between CM Xiamen Bay and Tianjin Finances
“Secured Assets”	the land use rights of two pieces of land located in Longhai City, PRC with an area of 126,401.13 square metres and 172,748.81 square metres, respectively
“Security Agreement”	the security agreement dated 19 December 2019 entered into between CM Xiamen Bay and Tianjin Finances in relation to the pledging of the Secured Assets by CM Xiamen Bay in favour of Tianjin Finances
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Tianjin Finances”	China Merchants Finance Lease (Tianjin) Company Limited* (招商局融資租賃(天津)有限公司), a joint stock company incorporated under the laws of the PRC and a subsidiary of the CMG
“%”	per cent.

\* For identification purpose only

*For the purposes of this announcement, the exchange rate of HK\$1.00 to RMB0.9025 has been used, where appropriate, for the purposes of illustration only and does not constitute a representation that any amount has been, could have been or may be exchanged at the above rate or at any other rates or at all.*

By Order of the Board  
**China Merchants Port Holdings Company Limited**  
**Fu Gangfeng**  
*Chairman*

Hong Kong, 19 December 2019

*As at the date of this announcement, the Board comprises Mr. Fu Gangfeng, Mr. Su Jian, Mr. Xiong Xianliang, Mr. Bai Jingtao, Mr. Ge Lefu, Mr. Wang Zhixian and Mr. Zheng Shaoping as executive directors; and Mr. Kut Ying Hay, Mr. Lee Yip Wah Peter, Mr. Li Ka Fai David and Mr. Bong Shu Ying Francis as independent non-executive directors.*