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**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  
LAND LEASE AGREEMENT  
BETWEEN CM DJIBOUTI AND THE DJIBOUTI ASSET COMPANY**

**SUMMARY**

On 15 September 2023, the Djibouti Asset Company entered into the Land Lease Agreement with CM Djibouti, pursuant to which the Djibouti Asset Company as lessor would sub-lease the Leased Land in DIFTZ to CM Djibouti as lessee, for a term commencing on the date of the Land Lease Agreement and ending on 14 August 2116. The Leased Land shall be used for the purposes of carrying out third party storage, general trading, industrial business and other activities as permitted under the DIFTZ Regulations.

CM Djibouti shall pay to the Djibouti Asset Company: (i) rent in an aggregate amount of approximately US\$8.62 million (equivalent to approximately HK\$67.24 million) for the full term of the Lease; (ii) a land grant fee in an aggregate amount of approximately US\$4.97 million (equivalent to approximately HK\$38.77 million); and (iii) property management fees at respective annual rates of US\$nil for the first six years from the Completion Date, no more than US\$0.50 (equivalent to approximately HK\$3.90) for the following five years, and thereafter, no more than US\$1.00 (equivalent to approximately HK\$7.80) for the remaining term of the Land Lease Agreement, in each case, per square metre of the surface area of the Leased Land.

The Djibouti Asset Company is an associate of CMG, the ultimate holding company of the Company, and therefore a connected person of the Company. Accordingly, the transaction contemplated under the Land Lease Agreement constitutes a connected transaction of the Company.

Since the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Land Lease Agreement exceed 0.1% but are below 5%, the transaction contemplated under the Land Lease Agreement is therefore exempt from circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **1 BACKGROUND**

Reference is made to the announcements of the Company dated 16 January 2017 and 28 March 2019 in relation to: (i) the establishment of the Djibouti Asset Company by the Asset Joint Venture, Great Horn and PDA for the purpose of investing in and financing the development rights to develop commercial and infrastructure projects within DIFTZ; and (ii) the 2019 Land Lease Agreement, respectively.

Since 2017, the Group has been investing in the Port of Djibouti and also participating the development in DIFTZ with fruitful result. To expand the Group's development in DIFTZ, on 15 September 2023, the Djibouti Asset Company entered into the Land Lease Agreement with CM Djibouti, a wholly-owned subsidiary of the Company, pursuant to which the Djibouti Asset Company as lessor would sub-lease the Leased Land in DIFTZ to CM Djibouti as lessee, for a term commencing on the date of the Land Lease Agreement and ending on 14 August 2116. The Leased Land shall be used for the purposes of carrying out third party storage, general trading, industrial business and other activities as permitted under the DIFTZ Regulations.

## **2 LAND LEASE AGREEMENT**

The key terms of the Land Lease Agreement are set out below:

Date:	15 September 2023
Parties:	(1) the Djibouti Asset Company, as the lessor (2) CM Djibouti, as the lessee
Leased Land:	A parcel of land with an aggregate area of 86,247.66 square metres within DIFTZ (consisting of 35,628.07 square metres in Land Plot B05-1 and 50,619.59 square metres in Land Plot B05-2).

**Term:** The term of the Land Lease Agreement shall commence on the date of the Land Lease Agreement and shall expire on 14 August 2116.

**Purposes:** CM Djibouti shall use the Leased Land to carry out third party storage, general trading, industrial business and other activities as permitted under the DIFTZ Regulations.

**Consideration:** CM Djibouti shall pay to the Djibouti Asset Company (i) rent; (ii) a land grant fee; and (iii) property management fees. All the payments payable by CM Djibouti will be in US dollars in cash funded by internal resources. The consideration was calculated based on the surface area of the Leased Land and determined after arm's length negotiation with reference to the fees payable under the 2019 Land Lease Agreement (i.e., a rent fee at approximately US\$201 per square metre of the relevant leased land, details of which were disclosed in the announcement of the Company dated 28 March 2019) and market prices of land in nearby areas.

(i) Rent:

CM Djibouti shall pay rent to the Djibouti Asset Company in an aggregate amount of approximately US\$8.62 million (equivalent to approximately HK\$67.24 million) (i.e., US\$100 per square metre of the Leased Land) for the full term of the Lease within 10 Business Days after the parties sign the Land Delivery Certificate subject to a rent invoice provided by the Djibouti Asset Company at least five Business Days before the said payment due date.

(ii) Land grant fee:

CM Djibouti shall pay to the Djibouti Asset Company a land grant fee in an aggregate amount of approximately US\$4.97 million (equivalent to approximately HK\$38.77 million) for the term, of which the amount of approximately US\$2.97 million (equivalent to approximately HK\$23.17 million) shall be paid within 10 Business Days after the parties sign the Land Delivery Certificate and the balance of US\$2.00 million (equivalent to approximately HK\$15.60 million) shall be paid within 15 Business Days after DPFZA completes the acceptance of inspection. The Djibouti Asset Company shall provide a land grant fee invoice to CM Djibouti at least five Business Days before the said payment due date.

(iii) Property management fees:

In consideration of the property management services to be provided by the Djibouti Asset Company (such as security, street cleaning, street lighting as well as repair and maintenance of the DIFTZ energy supply facility), CM Djibouti shall, upon completion of the construction period of its phase-2 warehouse project on the Leased Land, which shall end upon CM Djibouti's written approval of the work completion certificates of such project, pay to the Djibouti Asset Company property management fees at an annual rate of:

- a. US\$nil for the first six years from the Completion Date;
- b. no more than US\$0.50 (equivalent to approximately HK\$3.90) per square metre of the surface area of the Leased Land for the following five years; and thereafter

- c. no more than US\$1.00 (equivalent to approximately HK\$7.80) per square metre of the surface area of the Leased Land for the remaining term of the Land Lease Agreement.

CM Djibouti shall pay the property management fees quarterly in advance to the Djibouti Asset Company on or before the first day of each calendar quarter subject to a property management fees invoice provided by the Djibouti Asset Company to CM Djibouti at least five Business Days before the said payment due date.

Termination:

Each party shall be entitled to terminate the Land Lease Agreement by notice to the other party in case of a material breach by the other party which remains unremedied after a cure period of no less than three months following the date on which the defaulting party receives notice of material breach from the non-defaulting party.

In the event that the Land Lease Agreement is terminated by CM Djibouti for breach by the Djibouti Asset Company, any outstanding land use rights of CM Djibouti shall terminate and all its rights over the buildings and other real assets on the Leased Land shall be transferred to the Djibouti Asset Company, upon and subject to full payment by the Djibouti Asset Company to CM Djibouti of a termination amount calculated as follows:

Termination Amount = A + B + C - D,

where,

“A” is the fair market value of the buildings and other real assets on the Leased Land as assessed by an internationally recognised auditing firm agreed by the parties within 30 Business Days of the termination or, failing agreement, by a body appointed by the chairman for the time being of the Singapore International Arbitration Centre;

“B” is the pro-rated value of the rent and land grant fee not used until the end of the term;

“C” is any amount owed by the Djibouti Asset Company to CM Djibouti accrued prior to the termination of the term; and

“D” is any amount owed by CM Djibouti to the Djibouti Asset Company accrued prior to the termination of the term.

In the event that the Land Lease Agreement is terminated by the Djibouti Asset Company for breach by CM Djibouti, any outstanding land use rights of CM Djibouti to the Djibouti Asset Company shall terminate and all its rights over the buildings and other real assets on the Leased Land shall be transferred to the Djibouti Asset Company and the Djibouti Asset Company shall pay to CM Djibouti the termination amount calculated as follows:

Termination Amount = A + B + C - D,

where,

“A” is the book value of the buildings and other real assets on the Leased Land as assessed by an internationally recognised auditing firm agreed by the parties within 30 Business Days of the termination or, failing agreement, by a body appointed by the chairman for the time being of the Singapore International Arbitration Centre;

“B” is the pro-rated value of the rent and land grant fee not used until the end of the term;

“C” is any amount owed by the Djibouti Asset Company to CM Djibouti accrued prior to the termination of the term; and

“D” is any amount owed by CM Djibouti to the Djibouti Asset Company accrued prior to the termination of the term.

### **3 REASONS FOR THE TRANSACTION**

The core business of the Group includes port and port-related business. As disclosed in the announcements of the Company dated 16 January 2017 and 28 March 2019, the Group has over the years been investing in the Port of Djibouti and participating the development of DIFTZ.

The Land Lease Agreement will enable CM Djibouti to have land use rights in the Leased Land for a prolonged term for the purposes of carrying out logistics, commerce and trade activities, which will further strengthen and promote the Group's development in DIFTZ and benefit the Group's port and port-related business.

Taking into account of the above, the Directors, including the independent non-executive Directors, are of the view that the Land Lease Agreement has 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 Land Lease Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole.

None of the Directors have a material interest in the Land Lease Agreement, nor are they required to abstain from voting in the relevant board resolutions.

### **4 INFORMATION ON THE LEASED LAND**

The Leased Land is a parcel of land within DIFTZ with an aggregate area of 86,247.66 square metres (consisting of 35,628.07 square metres in Land Plot B05-1 and 50,619.59 square metres in Land Plot B05-2), which forms part of a larger parcel of land within DIFTZ with an area of approximately 2.4 square kilometres leased by the Djibouti Asset Company from DPFZA pursuant to a lease agreement entered into between the Djibouti Asset Company and DPFZA dated 15 August 2017 for a term of 99 years. The rent payable by the Djibouti Asset Company to DPFZA for the Leased Land is US\$2.50 (equivalent to approximately HK\$19.50) per square metre per year, subject to an increase of 10% every 5 years. The total development costs to be invested by the Djibouti Asset Company over the aggregate area of land leased from DPFZA is estimated to be approximately US\$340 million (equivalent to approximately HK\$2,652 million).

Pursuant to HKFRS 16, the Leased Land will be recognised by the Group as a right-of-use asset, in which the value is approximately US\$13.60 million (equivalent to approximately HK\$106.08 million), amortised over the lease term on a straight-line basis.

## **5 INFORMATION ON THE PARTIES**

### **Information on the Djibouti Asset Company**

The Djibouti Asset Company is a free zone limited liability company incorporated in Djibouti established for the purpose of investing in and financing the development rights to develop commercial and infrastructure projects within DIFTZ. The Djibouti Asset Company is owned as to 30% by the Asset Joint Venture (in which the Company has a 40% interest with the remaining 60% is held by associates of CMG) and as to 60% and 10% by Great Horn and PDA, respectively.

Great Horn is a company incorporated in Djibouti and is a subsidiary of DPFZA. PDA is a limited company established in the PRC and wholly-owned by Liaoning Port Group Limited, in which CMG, the ultimate holding company of the Company, has a 51% indirect interest.

To the best of the Directors' knowledge, information and belief having made all enquiries, save as disclosed above, Great Horn and PDA and each of their respective beneficial owners are third parties independent of the Company and the connected persons of the Company.

### **Information on CM Djibouti**

CM Djibouti is a free zone establishment registered in Djibouti and a wholly-owned subsidiary of the Company. Its principal activities are logistics, commerce and trade within the DIFTZ.

## **6 LISTING RULES IMPLICATIONS**

The Djibouti Asset Company is an associate of CMG, the ultimate holding company of the Company, and therefore a connected person of the Company. Accordingly, the transaction contemplated under the Land Lease Agreement constitutes a connected transaction of the Company.

As the rental fees under the Land Lease Agreement would be accounted as land use rights in the Company's financial statements in accordance with HKFRS 16, the transaction under the Land Lease Agreement would be regarded as an acquisition of the Leased Land and constitutes a connected transaction of the Company.



Since the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the rental fees and land grant fee under the Land Lease Agreement are exceed 0.1% but are below 5%, the transaction contemplated under the Land Lease Agreement is therefore exempt from the circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules.

Since all applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the property management fees under the Land Lease Agreement are below 0.1%, the property management services to be provided by the Djibouti Asset Company under the Land Lease Agreement is therefore exempt from the disclosure requirements under Chapter 14A of the Listing Rules.

## 7 DEFINITIONS

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

<b>“2019 Land Lease Agreement”</b>	the lease agreement dated 28 March 2019 between the Djibouti Asset Company as lessor and CM Djibouti as lessee in respect of a parcel of land with an area of 137,801.63 square metres within DIFTZ, details of which are disclosed in the announcement of the Company dated 28 March 2019
<b>“associates”</b>	has the meaning ascribed to this term under the Listing Rules
<b>“Asset Joint Venture”</b>	Lac Assal Investment Holding Company Limited (阿薩勒湖投資控股有限公司), a company incorporated in Hong Kong established for the purpose of investment into the Djibouti Asset Company
<b>“Board”</b>	the board of Directors of the Company
<b>“Business Day”</b>	any day (other than a Friday, Saturday, or a public holiday) on which commercial banks are open for business in Djibouti
<b>“CMG”</b>	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

<b>“CM Djibouti”</b>	China Merchants Holdings (Djibouti) FZE, a free zone establishment registered in Djibouti and a wholly-owned subsidiary of the Company
<b>“Company”</b>	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 of Hong Kong Limited
<b>“Completion Date”</b>	the date of completion of the construction period of CM Djibouti’s phase-2 warehouse project on the Leased Land, which period shall end upon CM Djibouti’s written approval of work completion certificates of such project on the Leased Land
<b>“connected person”</b>	has the meaning ascribed to this term under Rule 14A.06 of the Listing Rules
<b>“DIFTZ”</b>	the Djibouti International Free Trade Zone
<b>“DIFTZ Regulations”</b>	the Free Zone Laws and any other regulations (including those issued by the Djibouti Asset Company) having mandatory force and effect in DIFTZ
<b>“Directors”</b>	the directors of the Company
<b>“Djibouti”</b>	the Republic of Djibouti
<b>“Djibouti Asset Company”</b>	Khor Ambado FZCO, a free zone limited liability company incorporated in Djibouti established for the purpose of investing in and financing the development rights to develop commercial and infrastructure projects within DIFTZ
<b>“DPFZA”</b>	Djibouti Ports & Free Zones Authority, the sole government authority in charge of the administration and the control of all the free zones and ports in Djibouti
<b>“Great Horn”</b>	Great Horn Investment Holdings SAS, a company incorporated in Djibouti and a subsidiary of DPFZA

<b>“Group”</b>	the Company and its subsidiaries
<b>“HKFRS”</b>	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants from time to time
<b>“HK\$”</b>	Hong Kong dollars, the lawful currency of Hong Kong
<b>“Hong Kong”</b>	the Hong Kong Special Administrative Region of the PRC
<b>“Land Delivery Certificate”</b>	the certificate to be signed by the Djibouti Asset Company and CM Djibouti confirming the delivery of the Leased Land on the date of the Land Lease Agreement
<b>“Land Lease Agreement”</b>	the lease agreement dated 15 September 2023 entered into between the Djibouti Asset Company as lessor and CM Djibouti as lessee in respect of the Leased Land
<b>“Lease”</b>	the lease as contemplated under the Land Lease Agreement
<b>“Leased Land”</b>	a parcel of land with an area of 86,247.66 square metres within DIFTZ (consisting of 35,628.07 square metres in Land Plot B05-1 and 50,619.59 square metres in Land Plot B05-2) and the subject of the Land Lease Agreement
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
<b>“PDA”</b>	Port of Dalian Group Co., Ltd.* (大連港集團有限公司), a limited liability company established in the PRC
<b>“PRC”</b>	the People’s Republic of China which, for the purpose of this announcement, exclude Hong Kong, Macau Special Administrative Region and Taiwan
<b>“subsidiary(ies)”</b>	has the meaning ascribed to it under the Listing Rules

“US\$” or “US dollars” United States dollars, the lawful currency of the United States of America

“%” per cent

*\* For identification purpose only*

*For the purposes of this announcement, the exchange rate of HK\$7.80 to US\$1.00 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**  
**Feng Boming**  
*Chairman*

Hong Kong, 15 September 2023

*As at the date of this announcement, the Board comprises Mr. Feng Boming (Chairman), Mr. Yim Kong and Mr. Yang Guolin as Non-Executive Directors; Mr. Xu Song, Mr. Lu Yongxin and Mr. Tu Xiaoping as Executive Directors; and Mr. Chan Hiu Fung Nicholas, Ms. Chan Yuen Sau Kelly, Mr. Li Ka Fai David, Mr. Wong Chi Wing and Ms. Wong Pui Wah as Independent Non-Executive Directors.*