秦 皇 島 港 股 份 有 限 公 司

QINHUANGDAO PORT CO., LTD.*

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

(Stock Code: 03369)

CONNECTED TRANSACTION
DISPOSAL OF TARGET ASSETS

The Board is pleased to announce that, on 26 April 2024 (after trading hours), in order to better serve the Company's principal business in relation to the port, the Company entered into the Assets Transfer Agreement with Zhiyuan Shipping Company, a wholly-owned subsidiary of HPG, pursuant to which, the Company agreed to sell, and Zhiyuan Shipping Company agreed to purchase the Target Assets (i.e. the asset package in respect of the tugboat operations, the major assets of which are 13 tugboats) for a total consideration of RMB126,211,824.40 in cash.

LISTING RULES IMPLICATIONS

As at the date of this announcement, HPG is interested in 3,144,268,078 A Shares and 71,303,000 H Shares, representing approximately 57.55% of the issued share capital of the Company and hence a controlling shareholder and a connected person of the Company. As at the date of this announcement, Zhiyuan Shipping Company is a wholly-owned subsidiary of HPG, and hence a connected person of the Company. The transaction contemplated under the Assets Transfer Agreement constitutes the connected transaction of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the disposal of the Target Assets exceeded 0.1% but were less than 5%, the disposal of the Target Assets is subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules but is exempt from the requirement of independent Shareholders' approval.

INTRODUCTION

The Board is pleased to announce that, on 26 April 2024 (after trading hours), in order to better serve the Company's principal business in relation to the port, the Company entered into the Assets Transfer Agreement with Zhiyuan Shipping Company, a wholly-owned subsidiary of HPG, pursuant to which, the Company agreed to sell, and Zhiyuan Shipping Company agreed to purchase the Target Assets (i.e. the asset package in respect of the tugboat operations, the major assets of which are 13 tugboats) for a total consideration of RMB126,211,824.40 in cash.

I. DISPOSAL OF THE TARGET ASSETS - ASSETS TRANSFER AGREEMENT

Principal terms of the Assets Transfer Agreement

Date	26 April 2024 (after trading hours)
Parties	1. The Company, as the vendor; and 2. Zhiyuan Shipping Company, a wholly-owned subsidiary of HPG, as the purchaser
Subject Matter	Subject to the terms and conditions under the Assets Transfer Agreement, the Company agreed to sell, and Zhiyuan Shipping Company agreed to purchase the Target Assets.

Consideration and Payment	The total consideration of the Target Assets is RMB126,211,824.40. The above consideration was determined with reference to the appraised market value of RMB126,211,824.40 of the Target Assets as at the Valuation Benchmark Date, which was appraised by the PRC Independent Valuer using the asset-based approach and set out in the Asset Valuation Report. The consideration for the Target Assets shall be paid by Zhiyuan Shipping Company to the Company in cash in the following manner: the above consideration shall be paid to the bank account designated by the Company within 30 days from the date of completion of asset ownership change registration of the Target Assets.
Transitional Period Arrangement	The Company and Zhiyuan Shipping Company shall complete the closing as soon as possible. Any profits or losses accrued from the Target Assets from the Valuation Benchmark Date to the date of completion shall be attributed to or borne by Zhiyuan Shipping Company.

Basis of determination of the consideration of the Target Assets

The consideration of the Target Assets was determined after arm's length negotiations between both parties with reference to the corresponding appraised market value of the Target Assets as at the Valuation Benchmark Date, which was appraised by the PRC Independent Valuer. The Board understands that the PRC Independent Valuer has considered all commonly adopted valuation approaches in the market (namely the income approach, the market approach and the asset-based approach) for the purpose of determining the valuation of the Target Assets and eventually adopted the asset-based approach to estimate the value of the Target Assets.

Selection of valuation approach and details are as follows:

The income approach refers to a valuation approach where the expected income of the appraised subject is capitalized or discounted to determine its value.

The market approach refers to a valuation approach where the appraised subject is compared against comparable listed companies or comparable transaction cases to determine its value.

The asset-based approach refers to a valuation approach to estimate the value of various assets and liabilities on the balance sheet and those identifiable off the balance sheet to determine the value of the appraised subject based on the balance sheet of the appraised subject as at the valuation benchmark date.

Asset Appraisal Practice Standards — Enterprise Value provides that in conducting valuation work on enterprise value, the valuer shall consider the applicability of the three basic approaches, namely the income approach, the market approach and the asset-based approach, according to the valuation purpose, the appraised subject, the type of value and the collection of information, and select the valuation approach. Where it is appropriate to adopt different valuation approaches for the valuation of enterprise value, asset valuation professionals shall adopt more than two valuation approaches for the valuation.

The valuation approach adopted in this valuation: the asset-based approach.

Reasons for the selection of valuation approaches are as follows:

Reasons for not selecting the market approach for the valuation: on the one hand, since the scale of the Target Assets is relatively small and its business is relatively unitary, it is difficult to find enough comparable companies identical or similar to the appraised subject in the capital market; on the other hand, since the equity transaction market is less developed, it is difficult to find enough comparable transactions. Therefore, it is difficult to adopt the market approach for the valuation.

Reasons for not selecting the income approach for the valuation: the Target Assets mainly includes the provision of vessel docking, departure and mooring services for the port industry. The future income and risk cannot be reasonably estimated. Therefore, it is difficult to adopt the income approach for the valuation.

Reasons for selecting the asset-based approach for the valuation: all the assets and liabilities of the Target Assets identifiable as at the Valuation Benchmark Date can be appraised by using appropriate approaches separately. Therefore, the asset-based approach is adopted for this valuation.

Asset-based approach

1. Current assets

   (1) Accounts receivable and other receivables: the valuer investigated and learned about the reasons for the occurrence and the content of receivables, the credit of the receivable unit or individual, the recovery of receivables in historical years, and other information from the ship branch of the Company. Based on the principle of materiality, the valuer conducted external confirmations for large receivables and randomly checked the corresponding contracts and accounting vouchers. The valuer adopted the expected credit loss method to determine the value and the provision for bad debts of receivables made as at the Valuation Benchmark Date was appraised to be zero.

   (2) Prepayment: the valuer investigated and learned about the reasons for the occurrence of prepayment, the credit of the counterparty and other information from the ship branch of the Company. Based on the principle of materiality, the valuer randomly checked the corresponding contracts. For prepayments that corresponding goods can be recovered or forming equity according to the contract, the verified book value shall be taken as the appraised value.

   (3) Inventory - raw materials: for raw materials purchased by the ship branch of the Company with short purchase time, quick turnover rate and little change between the book value and the market price as at the Valuation Benchmark Date, the verified book value shall be taken as the appraised value.

2. Fixed assets of equipment

   Depending on the characteristics of various equipment, the appraised value type, the collection of information and other relevant conditions, the cost approach is adopted. Part of equipment is appraised by using the market approach. Part of electronic equipment is appraised as a part of vessel assets.

(1) Cost approach

The calculation formula of cost approach is as follows:

Appraised value = replacement cost × integrated newness rate

① *Determination of replacement cost*

A. The replacement cost of electronic equipment is determined according to the market purchase price as at the benchmark date. At the same time, in accordance with the provisions of the value-added tax (VAT)-related documents, in respect to the general VAT payers, the replacement cost shall deduct the corresponding VAT for equipment that meet the deduction criteria of the VAT.

B. The purchase price of vehicles is determined through market survey and inquiry, and the replacement cost is determined by adding vehicle purchase tax and other normal costs (such as licence fees) and deducting VAT input tax. The calculation formula of vehicle replacement cost is as follows:

Replacement cost = vehicle purchase price + vehicle purchase tax + licence and other fees – deductible VAT

According to the Announcement on Continuing and Optimizing Vehicle Purchase Tax Reduction and Exemption Policy for New Energy Vehicles (Announcement No. 10 [2023] of the Ministry of Finance, the State Taxation Administration and the Ministry of Industry and Information Technology) (《關於延續和優化新能源汽車車輛購置稅減免政策的公告》(財政部稅務總局工業和信息化部公告 2023 年第 10 號)), the purchase tax of vehicles that meet the vehicle purchase tax reduction and exemption policy shall be 0.

② *Determination of integrated newness rate*

A. For vehicles, according to the requirements of the Provisions on the Criteria for Compulsory Retirement of Motor Vehicles (Decree No. 12 [2012]) (《機動車強制報廢標準規定》(2012第12號令)) jointly promulgated by the Ministry of Commerce, National Development and Reform Commission, the Ministry of Public Security, and the Ministry of Environmental Protection on 27 December 2012, the theoretical newness rate shall be determined by mileage traveled and serviced life of vehicles, whichever is the lower, and then adjusted based on on-site survey. Lastly, the integrated newness rate is generated. The formulae are set out below:

Newness rate under useful life approach = (compulsory retirement life – serviced life)/compulsory retirement life × 100%

Newness rate under vehicle miles traveled (VMT) approach = (guidance retirement mileage – mileage travelled)/guidance retirement mileage × 100%

Integrated newness rate = MIN (newness rate under useful life approach, newness rate under VMT approach) × 50% + newness rate under observation approach × 50%

B. For electronic equipment, their integrated newness rate is determined mainly according to their economic service life. For large electronic equipment, when determining their integrated newness rate, the valuer also considers other factors including the work environment surrounding the equipment and the operating conditions of the equipment. The formulae are set out below:

Newness rate under useful life approach = (economic service life – serviced life)/economic service life × 100%

Integrated newness rate = newness rate under useful life approach × adjustment coefficient

③ *Determination of appraised value*

Appraised value = replacement cost × integrated newness rate

(2) Market approach

For certain electronic equipment, they are evaluated according to the second-hand market price as at the Valuation Benchmark Date.

3. Vessels

This valuation adopts the cost approach according to features of vessels, types of appraised value, collection of information and other relevant conditions. The calculation formula of cost approach is as follows:

Appraised value = replacement cost × integrated newness rate

(1) Determination of replacement cost

The replacement cost of vessels is the purchase price of vessels, that is, lump sum construction cost, which includes the costs of design, construction (including the purchase of equipment and materials), installation and commissioning, trial trip, transportation and acceptance inspection. At the same time, according to the provisions of documents such as Caishui [2013] No.106, Caishui [2016] No.36 and Caishui [2018] No.32, and announcement No.39 [2019] of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs, the replacement cost shall deduct the corresponding VAT for vessels purchased by the general VAT taxpayers that meet the deduction criteria of the VAT. The calculation formula of replacement cost is as follows:

Replacement cost = vessel purchase price – deductible VAT

Of which:

The purchase price of vessels is determined by market survey and inquiry, with reference of relevant purchase contracts and other materials, and after taking into consideration of the relevant price information collected by the asset appraisal institution.

According to the provisions of documents such as Caishui [2008] No.170, Caishui [2016] No.36, Caishui [2018] No.32, and announcement No.39 [2019] of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs, the deductive VAT shall be calculated for vessels that meet the deduction criteria of the VAT.

(2) *Determination of integrated newness rate*

Firstly, the theoretical newness rate is calculated according to the economic service life of vessels and the serviced life of vessels. Then, on-site surveyed newness rate is determined on the basis of on-site survey, and taking into consideration of the maintenance, repair, renovation, operation of vessels and other factors. Finally, the theoretical newness rate and the on-site surveyed newness rate are weighted to determine the integrated newness rate. The calculation formula is as follows:

Integrated newness rate = theoretical newness rate × 40% + surveyed newness rate × 60%

(3) *Determination of appraised value*

Appraised value = replacement cost × integrated newness rate

4. Other intangible assets

The intangible assets included within the scope of this valuation are outsourced software, mainly including a ship management information system (MIS), a Microsoft operating system, a global positioning system (GPS) ship dynamic monitoring system, and a piece of ship software. As at the Valuation Benchmark Date, except for the ship software being used normally, the other three pieces of software were out of service and will no longer be used in the future. Therefore, their valuation result is zero. For the ship software being used normally, its appraised value is determined based on the market price of similar software as at the Valuation Benchmark Date.

5. Right-of-use assets

The valuer obtained the lease contracts and verified the lease term, changes in rental criteria and payment terms, taking the verified book value as the appraised value.

6. Other non-current assets

The valuer carried out spot checks on the vouchers and contracts related to other non-current assets. The valuer has determined the appraised value based on the recoverable entitlement value on the basis of accurate verification of non-current assets. For the assets whose corresponding entitlement is recoverable, the verified book value is taken as the appraised value.

7. Liabilities

The liabilities of the ship branch of the Company include accounts payable, contract liabilities, employee benefits payable, taxes payable, other payables, other current liabilities, non-current liabilities due within one year, lease liabilities, long-term payable and deferred income tax liabilities. The valuer first reviewed the consistency between the subsidiary ledger and the general ledger, and checked the breakdowns. At the same time, they made spot checks on the relevant accounting vouchers and other materials of the amounts, and confirmed whether the carrying amount of its debts was true based on the results of the spot check, taking the verified book value as the appraisal value.

Background Information on the Target Assets

The Target Assets to be disposed of by the Company under the Assets Transfer Agreement represent the asset package in respect of the tugboat operations (the major assets of which are 13 tugboats) which is operated by the ship branch of the Company. The ship branch of the Company is principally engaged in the harbour towage services by pushing or pulling other ships in the waters of Qinhuangdao port.

Financial Information on the Target Assets

Based on the valuation of the Target Assets by the PRC Independent Valuer, as at the Valuation Benchmark Date, the appraised book values of total assets and net assets of the Target Assets were approximately RMB179,711,700 and RMB98,474,300, respectively.

Financial Effects of the Disposal of the Target Assets and Intended Use of Proceeds

After the completion of the disposal of the Target Assets, the estimated proceeds is approximately RMB27,737,500, which is determined on the basis of the valuation of the Target Assets appraised by the PRC Independent Valuer, representing the excess amount of the appraised value over the book value. Shareholders are reminded that the actual proceeds and financial effects as a result of the disposal of the Target Assets to be recorded by the Group will be subject to the review and final audit by the auditor of the Company.

It is expected that the net proceeds from the disposal of the Target Assets will be used by the Group for general working capital.

II. REASONS FOR AND BENEFITS OF THE DISPOSAL OF THE TARGET ASSETS

After the completion of the disposal of the Target Assets, the Company will sell part of the business of the tugboat operations. HPG will immediately continue to integrate the resources of all business units in the tugboat segment, and to implement unified planning and operation in respect of the demands for the tugboat operations in each port zone, which can greatly improve the operational efficiency of the tugboat operations and help to better serve the Company's principal business in relation to the port.

III. DIRECTORS' OPINIONS ON THE ABOVE CONNECTED TRANSACTIONS AND ABSTENTION FROM VOTING ON RESOLUTIONS

All Directors (including the independent non-executive Directors) are of view that the terms of the Assets Transfer Agreement are fair and reasonable, which are on normal commercial terms and in the interests of the Company and its Shareholders as a whole.

As Mr. ZHANG Xiaoqiang, Mr. NIE Yuzhong and Mr. GAO Feng all being Directors, they are regarded as being materially interested in the Assets Transfer Agreement and therefore have abstained from voting on the Board resolutions in respect to the approval of the above matters. Save and except for the aforesaid, none of the Directors has any material interest in the above matters and was required to abstain from voting on the Board resolutions in relation to the above matters.

IV. INFORMATION ON THE PARTIES TO THE TRANSACTIONS

Group is principally engaged in the supply of highly-integrated port services including stevedoring, stacking, warehousing, transportation and logistics services, and handling various types of cargo including coal, metal ores, oil and liquefied chemicals, containers and general cargo and other commodities.

Zhiyuan Shipping Company is a company established in the PRC with limited liability, and its principle businesses include: general items: tugging services; ship chartering; vessel port services; marine environment services; plant engineering services. Permitted items: waterway general cargo transportation; domestic ship management business; inter-provincial general cargo ship transportation and intra-provincial ship transportation; port operations. As at the date of this announcement, it is a wholly-owned subsidiary of HPG.

The business scope of HPG mainly includes: investment in construction and operational management of ports and waterway; cargo loading and unloading, storing, boat tugging, railway transportation and other port operations and logistics services; shipping and port passenger transport services; port information technology consultation services; leasing and maintenance of port facilities, equipment and machinery; port industry investment, purchase and storage, development and utilization of land resources along the coastline and in the port area; leasing of house; providing facilities to terminals for vessels; port operation; corporate management. As at the date of this announcement, the State-owned Assets Supervision and Administration Commission of the Hebei Provincial People's Government (河北省人民政府國有資產監督管理委員會), the State-owned Assets Supervision and Administration Commission of Tangshan Municipal People's Government (唐山市人民政府國有資產監督管理委員會), Caofeidian State Holding Investment Group Co., Ltd. (曹妃甸國控投資集團有限公司), Hebei Construction Investment Transportation Investment Co., Ltd. (河北建投交通投資有限責任公司), Tangshan Iron and Steel Group Co., Ltd. (唐山鋼鐵集團有限責任公司) and Tangshan Construction Investment Limited (唐山建設投資有限責任公司) held 61.99%, 26.29%, 6.63%, 3.24%, 1.37% and 0.47% of the issued shares of HPG, respectively.

V. LISTING RULES IMPLICATIONS

As at the date of this announcement, HPG is interested in 3,144,268,078 A Shares and 71,303,000 H Shares, representing approximately 57.55% of the issued share capital of the Company and hence a controlling shareholder and a connected person of the Company. As at the date of this announcement, Zhiyuan Shipping Company is a wholly-owned subsidiary of HPG, and hence a connected person of the Company. The transaction contemplated under the Assets Transfer Agreement constitutes the connected transaction of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the disposal of the Target Assets exceeded 0.1% but were less than 5%, the disposal of the Target Assets is subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules but is exempt from the requirement of independent Shareholders' approval.

DEFINITION

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

"A Share(s)"	the RMB ordinary shares with a par value of RMB1.00 each (stock code: 601326) issued by the Company in the PRC that is subscribed in RMB and listed on the SSE
"Asset Valuation Report"	the Asset Valuation Report on the Asset Package Project of the Tugging Business Proposed to Transfer by Qinhuangdao Port Co., Ltd.* (Zhong Qi Hua Ping Bao Zi (2024) No. 3509-02) issued by the PRC Independent Valuer
"Assets Transfer Agreement"	the assets transfer agreement dated 26 April 2024 between the Company, as the vendor, and Zhiyuan Shipping Company, a wholly-owned subsidiary of HPG, as the purchaser
"associate(s)"	having the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors of the Company
"Company"	Qinhuangdao Port Co., Ltd.* (秦皇島港股份有限公司), a joint stock limited liability company incorporated in the PRC, the H Shares of which are listed on the Main Board of the Stock Exchange, the A Shares of which are listed on the Main Board of the SSE
"connected person(s)"	having the meaning ascribed to it under the Listing Rules
"controlling shareholder"	having the meaning ascribed to it under the Listing Rules
"Director(s)"	director(s) of the Company
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"HPG"	Hebei Port Group Co., Ltd. (河北港口集團有限公司), previously known as Qinhuangdao Port Group Co., Ltd.* (秦皇島港務集團有限公司), a limited liability company incorporated under the laws of the PRC. As at the date of this announcement, HPG is interested in 3,144,268,078 A Shares and 71,303,000 H Shares, representing approximately 57.55% of the issued share capital of the Company
"HPG Member(s)"	HPG and/or its subsidiary(ies) from time to time, or any one of them (excluding members of the Group)

"H Share(s)"	overseas listed foreign shares with nominal value of RMB1.00 each (stock code: 03369) in the ordinary share capital of the Company which are listed on the Main Board of the Stock Exchange and are traded in Hong Kong dollars
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"PRC"	the People's Republic of China which, for the purposes of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"PRC Independent Valuer"	China Enterprise Appraisals Consultation Co., Ltd.
"RMB"	Renminbi, the lawful currency of the PRC
"Share(s)"	A Share(s) and/or H Share(s) (as the case may be)
"Shareholder(s)"	shareholder(s) of A Shares and H Shares of the Company
"SSE"	the Shanghai Stock Exchange
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Assets"	the asset package in respect of the tugboat operations (the major assets of which are 13 tugboats), which is operated by the ship branch of the Company
"tugboat"	a boat used to tug barges and ships
"Valuation Benchmark Date"	30 September 2023
"Zhiyuan Shipping Company"	Qinhuangdao Zhiyuan Shipping Company Limited* (秦皇島智遠船舶有限公司)
"%"	percentage

By order of the Board
Qinhuangdao Port Co., Ltd.*
ZHANG Xiaoqiang
Chairman

Qinhuangdao, Hebei Province, the PRC
26 April 2024

As at the date of this announcement, the executive Directors of the Company are Mr. ZHANG Xiaoqiang, Mr. NIE Yuzhong and Mr. GAO Feng; the non-executive Directors of the Company are Mr. LI Yingxu and Ms. XIAO Xiang; and the independent non-executive Directors of the Company are Mr. CHEN Ruihua, Mr. XIAO Zuhe, Mr. ZHAO Jinguang and Ms. ZHU Qingxiang.

* *For identification purpose only*