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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: 3369)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS AND MAJOR TRANSACTION

INTRODUCTION

Reference is made to the Announcement dated 28 September 2018 and the Circular dated 19 November 2018 of the Company in connection with, among others, the Old General Services Agreement and the Old Lease Framework Agreement entered into between the Company and HPG, as well as the Old Financial Services Framework Agreement entered into between the Company and HPG Finance.

Since the Old General Services Agreement, the Old Financial Services Framework Agreement and the Old Lease Framework Agreement will expire on 31 December 2021, the Company entered into the New General Services Agreement and the New Lease Framework Agreement with HPG, and the New Financial Services Framework Agreement with HPG Finance respectively on 28 October 2021.

LISTING RULES IMPLICATIONS

As at the date of this announcement, HPG is interested in 3,032,528,078 A Shares and 71,303,000 H Shares, representing approximately 55.55% of the issued share capital of the Company and hence a controlling shareholder and connected person of the Company. As at the date of this announcement, HPG Finance is a subsidiary of and 60% owned by HPG. Hence, HPG Finance is an associate of HPG and also a connected person of the Company.

Under Rule 14.07 of the Listing Rules:

- (i) (a) the applicable percentage ratio in respect of the provision of services by HPG and/or its subsidiaries to the Group under the New General Services Agreement on an annual basis exceeds 5%, hence such transactions are subject to the reporting, annual review and announcement requirements and Independent Shareholders' approval requirements of Chapter 14A of the Listing Rules; and

- (b) the applicable percentage ratio in respect of the provision of services by the Group to HPG and/or its subsidiaries under the New General Services Agreement on an annual basis exceeds 0.1% but is less than 5%, hence such transactions are subject to the reporting, annual review and announcement requirements but are exempt from Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.
- (ii) (a) the applicable percentage ratio of the proposed annual caps in respect of the provision of deposit taking services by HPG Finance to the Group under the New Financial Services Framework Agreement on an annual basis exceeds 5%, and hence such transactions are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Since the applicable percentage ratio in respect of the deposit taking services exceeds 25% but is less than 100%, the deposit taking services under the New Financial Services Framework Agreement constitute a major transaction under Chapter 14 of the Listing Rules and are therefore subject to the reporting, announcement and Shareholders' approval requirements set out in Chapter 14 of the Listing Rules;
- (b) The transactions in relation to the provision of loan services by HPG Finance to the Group under the New Financial Services Framework Agreement are exempt from the reporting, announcement and Independent Shareholders' approval requirement pursuant to Rule 14A.90 of the Listing Rules as (i) they are on normal commercial terms and (ii) not secured by any asset of the Group; and
- (c) the applicable percentage ratio of the proposed annual caps in respect of the provision of other financial services by HPG Finance to the Group under the New Financial Services Framework Agreement exceeds 0.1% but is less than 5%, hence such transactions are subject to the reporting, annual review and announcement requirements but are exempt from the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.
- (iii) the percentage ratio of annual rental under the New Lease Framework Agreement exceeds 0.1% but is less than 5% and therefore such transactions are subject to the reporting, annual review and announcement requirements but are exempt from Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

EGM

The Company has formed an Independent Board Committee comprising all the independent non-executive Directors to advise the Independent Shareholders as to whether the terms of the New General Services Agreement in relation to the provision of services by HPG and/or its subsidiaries to the Group and the New Financial Services Framework Agreement in relation to deposit taking services and the transactions contemplated thereunder (including the proposed annual caps) are fair and reasonable, and in the interests of the Company and its Shareholders as a whole.

TC Capital, the independent financial adviser, has been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the New General Services Agreement in relation to the provision of services by HPG and/or its subsidiaries to the Group and the New Financial Services Framework Agreement in relation to deposit taking services and the transactions contemplated thereunder (including the proposed annual caps) are fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

INTRODUCTION

Reference is made to the Announcement dated 28 September 2018 and the Circular dated 19 November 2018 in connection with, among others, the Old General Services Agreement and the Old Lease Framework Agreement entered into between the Company and HPG, as well as the Old Financial Services Framework Agreement entered into between the Company and HPG Finance. Since the Old General Services Agreement, the Old Lease Framework Agreement and the Old Financial Services Framework Agreement will expire on 31 December 2021, the Company agreed to renew the Old General Services Agreement, the Old Financial Services Framework Agreement and the Old Lease Framework Agreement, and entered into the New General Services Agreement and the New Lease Framework Agreement with HPG, and the New Financial Services Framework Agreement with HPG Finance on 28 October 2021 respectively.

1. The New General Services Agreement

Principal terms

Agreement date:	28 October 2021
Effective period:	From 1 January 2022 to 31 December 2024 (both days inclusive)
Parties:	(1) The Company (and on behalf of the Group) (2) HPG (and on behalf of its subsidiaries)
Nature of the transaction:	HPG and/or its subsidiaries shall provide various kinds of services to the Group including: (i) Social services, including, medical services, printing and other related or similar services; (ii) Living logistics services, including property services (including elevator maintenance, etc.) office rental, office supplies and other daily rental, sanitation, greening and other related or similar services; and (iii) Production services, including labour services, equipment manufacturing, survey and design, supervision, port construction, real estate development, project agent construction, port engineering maintenance, material supply and other related or similar services. The Group shall provide various services to HPG and/or its subsidiaries, including: Port services, port electricity management, transportation services, software services, labour services, leasing services, material supply services and other related or similar services.

Transaction principle:	Both parties agreed to accept the services provided by the other party on a pre-emptive basis (as good quality services were provided by the other party and the conditions of the services were agreed to be no less favorable than those offered by any third party), in the event that any third party provides the same services under identical or less favourable terms or conditions. Provided that for projects available for tendering under the relevant laws and regulations (such as port construction and mechanical maintenance), the counterparty must be determined by tendering. Both parties shall ensure that the services provided to the other party are in good quality and at fair and reasonable prices. The conditions of such services shall not be less favourable than those offered by any third party.
Condition precedent:	The New General Services Agreement is subject to approval of the Independent Shareholders at General Meeting.

Basis for fee determination

The pricing of various services under the New General Services Agreement shall be determined in accordance with the following principles and the order of priority:

- (1) Government-prescribed price: if at any time, the government-prescribed price is applicable to any specific products or services, such products or services shall be provided at the applicable government-prescribed price (regardless of national or local pricing). The government-prescribed price refers to the price in respect of certain categories of services determined by the central or local governments, relevant price control authorities or the industry regulators in the PRC as prescribed by the laws, regulations, decisions, orders or charging standards. The government-prescribed prices are announced by the relevant government departments irregularly on the official websites of Provincial Commodity Price Bureaus* (省物價局) and the Group shall pay close attention to the updates of the government-prescribed prices from time to time and will adopt them pursuant to the relevant PRC laws and regulations and the relevant price determination documents published by the government departments;
- (2) Government-guided price: where there is a government-guided standard pricing, the price shall be agreed within the scope of the government-guided price. The government-guided price refers to the pricing range or level provided by the central or local governments, industry associations or other competent authorities for certain specific types of services, which price will be determined by the parties through negotiations with reference to the said pricing range or level. The government-guided prices are announced by the relevant government departments irregularly on the official websites of Provincial Commodity Price Bureaus* (省物價局) and the Group adopts them pursuant to the relevant PRC laws and regulations and the relevant price determination documents published by the government departments;
- (3) Market price: where the above two pricing standards are not applicable, the market price can be taken as a reference to determine the price. The “market price” shall be formulated in the following manner: (1) making reference to the price charged by at least two independent third parties offering the same or similar type of products, technology or services on normal commercial terms in the ordinary and usual course of

business at or near the area; or (2) where (1) is inapplicable, making reference to the price charged by at least two independent third parties offering the same or similar type of products, technology or services on normal commercial terms in the ordinary and usual course of business in the PRC; or making reference to the price charged by the Group or HPG and/or its subsidiaries (as the case may be) to independent third parties on the same or similar type of products, technology or services on normal commercial terms in the ordinary course of business;

- (4) Agreed price: where the above three pricing standards are not applicable, the pricing standard shall be determined according to the reasonable cost and reasonable profit for the provision of the related services. The management of the both parties shall consider at least two comparable transactions with independent third parties for the same period when determining reasonable profit for related services under the New General Services Agreement; which shall be in principle not more than 15% of the cost, unless otherwise agreed in the specific agreement. The cap of reasonable profit (in principle not more than 15% of the cost) is determined with reference to (i) the average gross profit margin of listed companies engaging in transportation and logistics for the three years ended 31 December 2020 and the six months ended 30 June 2021; and (ii) the average gross profit margin of the historical transactions of the same or similar services provided by HPG and/or its subsidiaries to the Group or provided by the Group to HPG and/or its subsidiaries (as the case may be). The reasonable cost for the provision of the related services is determined with reference to factors including labour cost, depreciation expense, material consumption, maintenance fee and tax expense.

For projects subject to tender process pursuant to the applicable laws and regulations, the price shall be determined by tender process.

The relevant laws and regulations governing the procedures of tenders and bids include the Bidding Law of the People's Republic of China (《中華人民共和國招標投標法》), The Implementing Regulations on the Bidding Law of the People's Republic of China (《中華人民共和國招標投標法實施條例》) and the Administrative Measures for Implementing the Bidding Law of the People's Republic of China in Hebei (《河北省實施中華人民共和國招標投標法辦法》). Currently, the prices for certain types of services for engineering shall be determined through bidding process under laws and regulations. Accordingly, the engineering projects of HPG and/or its subsidiaries at a quoted price that reached the specified level shall be subject to bidding procedures.

The basic procedures for the bidding are as follows:

- (1) Bid invitation documents shall be prepared and the bidding notice shall be issued in accordance with the provisions of the relevant laws and regulations;
- (2) The tenderer shall not open the bids until at least three applications have been received from the bidders;

- (3) The bidding applications shall be examined by the expert members of bid evaluation commission, which shall be determined from the expert lists in the expert databases on a random basis, in accordance with standards and methods as provided by the bid-invitation documents. The bid evaluation committee shall submit a written report to the tenderer and make recommendations as to candidates for the winning bid. There shall be no more than three candidates for the winning bid and order shall be indicated in the report;
- (4) An announcement of candidates for the winning bid shall be made by the tenderer within 3 days from receiving the evaluation report;
- (5) With respect to the projects in which state-owned capital occupies the controlling or dominant position and that are subject to bid invitation, the tenderer shall make the candidate ranking first as the bid winner. As for the candidate ranking first as the bid winner waives the bid winning, or such a candidate fails to meet the conditions for winning the bid as a result of failing to perform the contract due to force majeure, or failing to submit a performance bond according to the requirements of the bidding documents, or being found to have committed any illegal act that affects the bid winning result, the tenderer may determine another candidate as the bid winner according to the sequence of candidates in the list of bid winning candidates provided by the bid evaluation committee, or the tenderer may launch a new bid invitation;
- (6) The tenderer shall enter into a written contract with the bid winner in accordance with relevant laws and regulations; and
- (7) A bid winner shall fulfill its obligations as provided in the contract and complete the bid winning project.

Historical caps and transaction amount

The following table summarizes the annual caps and the historical transaction amount of the Old General Services Agreement for the two years ended 31 December 2020 and for the eight months ended 31 August 2021:

		As of 31 December 2019 (Audited historical transaction amount)	As of 31 December 2020 (Audited historical transaction amount) (RMB'000)	As of 31 August 2021 (Unaudited historical transaction amount)
HPG and/or its subsidiaries providing services to the Group	<i>annual caps</i>	550,000	578,000	607,000
	<i>historical transaction amount</i>	437,229	521,289	185,294
The Group providing services to HPG and/or its subsidiaries	<i>annual caps</i>	150,000	158,000	166,000
	<i>historical transaction amount</i>	88,109	111,391	56,537

Annual caps and the basis of determination

While considering the annual caps of the provision of services by HPG and/or its subsidiaries to the Group under the New General Services Agreement, the Board has taken into account several factors including:

- (1) the total fee paid by the Group to HPG and/or its subsidiaries for their provision of services for the two years ended 31 December 2020 and the eight months ended 31 August 2021;
- (2) the increase of the fixed asset investment and maintenance demand of the Group; and
- (3) the business development of the Group for the next three years.

While considering the annual caps of the provision of services by the Group to HPG and/or its subsidiaries under the New General Services Agreement, the Board has taken into account several factors including:

- (1) the total fee received by the Group to HPG and/or its subsidiaries for their provision of services for the two years ended 31 December 2020 and the eight months ended 31 August 2021;
- (2) The business development of the Group for the next three years.

After consideration of the above factors, the annual caps for each of the three years ending 31 December 2024 for the New General Services Agreement are as follows:

		For the year ending 31 December		
		2022	2023	2024
		(RMB'000)		
HPG and/or its subsidiaries providing services to the Group	<i>annual caps</i>	607,000	637,000	669,000
The Group providing services to HPG and/or its subsidiaries	<i>annual caps</i>	166,000	166,000	166,000

Reasons for and benefits of entering into the New General Services Agreement

In view of the requirements of port operation, the Group needs services related to port operation provided by HPG and its subsidiaries and entities; HPG and its subsidiaries and entities have the need to sustain their business operation and are in need of related services to sustain business operation provided by the Group. In order to ensure that the transaction price is fair, complied with relevant laws and regulation and requirements of regulatory authorities and in the interests of both parties and the subordinate enterprises and entities, the Group has entered into the New General Services Agreement with HPG in accordance with the requirements of relevant laws and regulations after friendly negotiation.

The Directors (including the independent non-executive Directors) consider that: (i) the New General Services Agreement and the continuing connected transactions contemplated thereunder are entered into in the ordinary and usual course of business of the Group and are in the interests of the Company and its Shareholders as a whole; (ii) the New General Services Agreement is entered into on normal commercial terms or on terms no less favourable than those offered by independent third parties in similar transactions and is fair and reasonable; and (iii) the proposed annual caps of the transactions under the New General Services Agreement for the three years ending 31 December 2022, 2023 and 2024 are fair and reasonable.

2. The New Financial Services Framework Agreement

Principal terms

Agreement date:	28 October 2021
Effective period:	From 1 January 2022 to 31 December 2024 (both days inclusive)
Contracting parties	(1) The Company (and on behalf of the Group) (2) HPG Finance
Nature of the transaction:	HPG Finance provides financial services to the Group, including: (i) Deposit taking services: the types of deposit products to be offered by HPG Finance include current deposit, time deposit, call deposit, agreement savings and other deposit services permitted by the PBOC and CBRC. The Group can open a deposit account at HPG Finance and it is at its own discretion to select various deposit services and terms. The Group is given priority to borrow the funds deposited at HPG Finance; (ii) Loan services: the members of the Group may borrow funds from HPG Finance as per its (their) financial needs. The conditions of loans granted by the HPG Finance to the Group shall be no less favourable than those offered by any Relevant Commercial Banks; and

- (iii) Other financial services: HPG Finance agree to provide other financial services to the Group, including settlement services, entrustment loans, bill discounting services, guarantee services, financial and financing consultation services, credit verification services, relevant consultancy and agency services and other financial services that HPG Finance is allowed to provide under the applicable laws and regulations.

Transaction principle: Both parties agree that the financial services under the New Financial Services Framework Agreement shall not be less favourable than (i) the terms offered by any Relevant Commercial Banks (including but not limited to Bank of China, Bank of Agriculture of China, Industrial and Commercial Bank of China, China Construction Bank and Bank of Communications) for their provision of the same or similar services; or (ii) the terms offered by HPG Finance to the HPG members for same or similar services.

Condition precedent: The New Financial Services Framework Agreement is subject to approval of the Independent Shareholders at General Meeting.

Basis for fee determination

The pricing and/or interest rate of the New Financial Services Framework Agreement shall be determined according to the following principles:

1. Deposit taking services: the interest rate applicable to the Group's deposits with HPG Finance shall not be lower than any of the following interest rate: (i) the benchmark interest rate for deposit published by the PBOC regularly; (ii) the interest rate of the Relevant Commercial Banks for deposits of the same type for the same period; and (iii) the interest rate applicable to any HPG member's deposits with HPG Finance of the same type for the same period; and
2. Other financial services: (i) HPG Finance will provide free settlement service to the Group; and (ii) if at any time, the PBOC or CBRC prescribes mandatory pricing basis to other financial services (other than settlement services and services ancillary thereto), such service shall be provided at the applicable price standard required. Where such pricing basis is not available in respect of any such service, the service fee shall not be higher than (i) the service fee standard charged by the Relevant Commercial Banks for the same services for the same period; and (ii) the interest rate applicable to the financial services provided to any HPG member by HPG Finance of the same type for the same period.

Historical caps and transaction amounts

The following table summarizes the annual caps and the related historical transaction amounts of the Old Financial Services Framework Agreement for the two years ended 31 December 2020 and for the eight months ended 31 August 2021:

		As of 31 December 2019 (Audited historical transaction amount)	As of 31 December 2020 (Audited historical transaction amount) (RMB'000)	As of 31 August 2021 (Unaudited historical transaction amount)
Maximum daily balance of deposits and interest income	<i>annual cap</i> <i>historical transaction amount</i>	4,000,000 2,692,142	4,200,000 3,008,250	4,000,000 3,743,992
Service fees in relation to other financial services	<i>annual cap</i> <i>historical transaction amount</i>	90,000 0	90,000 0	90,000 0

Annual caps and the basis of determination

While considering the annual caps of the New Financial Services Framework Agreement, the Board has taken into account various factors, including:

Deposit taking services:

- (i) The Group's maximum daily balance of cash and cash equivalents for the year ended 31 August 2021 was approximately RMB3,744 million;
- (ii) The steady business growth of the Group with the estimation that there will be potential growth in cash inflow, therefore the deposit in the coming few years will be more than now; and
- (iii) The potential growth in the estimated cash flow driven by the newly completed projects which have been put into operation.

Other financial services:

Commercial notes will account for a certain proportion of the Group's operating revenue. Therefore, it is expected that the Group will still need to pay appropriate fees to HPG Finance for the bill discounting services that may be provided.

After considering the above factors, the annual caps for each of the years ending 31 December 2024 for the New Financial Services Framework Agreement are as follows:

		For the year ending 31 December		
		2022	2023	2024
		(RMB'000)		
Maximum daily balance of deposits and interest income	<i>annual caps</i>	5,500,000	6,000,000	6,500,000
Service fees in relation to other financial services	<i>annual caps</i>	50,000	50,000	50,000

Reasons for and benefits of entering into the New Financial Services Framework Agreement

In order to reinforce capital management, reduce the financial costs and enhance the quality and efficiency of capital usage, the Group proposed the provision of relevant financial services by the HPG Finance pursuant to the New Financial Services Framework Agreement with an aim to fully leverage the respective advantages of both parties, realize mutual development through business cooperation and to maximize the benefits of both parties.

The Directors confirm that the loan to be received by the Group pursuant to the New Financial Services Framework Agreement will not involve any security on the Group's assets.

The Directors (including the independent non-executive Directors) consider that (i) the New Financial Services Framework Agreement and the continuing connected transactions contemplated thereunder are entered into in the ordinary and usual course of business of the Group and are in the interests of the Company and its Shareholders as a whole; (ii) the New Financial Services Framework Agreement is entered into on normal commercial terms or on terms no less favourable than those offered by independent third parties in similar transactions and is fair and reasonable; and (iii) the proposed annual caps of the transactions under the New Financial Services Framework Agreement for the three years ending 31 December 2022, 2023 and 2024 are fair and reasonable.

3. The New Lease Framework Agreement

Principal terms

Agreement date:	28 October 2021
Effective period:	From 1 January 2022 to 31 December 2024 (both days inclusive)
Parties:	(1) The Company (and on behalf of the Group) (2) HPG (and on behalf of its subsidiaries)

Nature of the transaction:	HPG leases relevant facilities, equipment and properties (including offices, stacking yards, roads and office equipment) related to the operations in the western zone of Qinhuangdao port to the Group.
Transaction principle:	Both parties agree that the rental shall be determined on the principle of adding the cost of each item of facilities, equipment and utilities borne by HPG with a reasonable profit with the total not exceeding any lease price stipulated by any third parties.

Historical caps and transaction amounts

The following table sets out the annual caps and historical annual rental for each of the two years ended 31 December 2020 and for the eight months ended 31 August 2021 under the Old Lease Framework Agreement:

	As of 31 December 2019 (Audited historical transaction amount)	As of 31 December 2020 (Audited historical transaction amount) (RMB'000)	As of 31 August 2021 (Unaudited historical transaction amount)
Historical caps	121,529.2	121,529.2	121,529.2
Historical transaction amounts	115,533	110,218	74,520

Annual rental and its basis of determination

When determining the annual rental under the New Lease Framework Agreement, the Board has considered factors including:

- (1) the rental paid to HPG by the Group for its lease of facilities, equipment and properties to the Group for the two years ended 31 December 2020 and for the eight months ended 31 August 2021; and
- (2) adjustment of the lease area and increase in rental in the next three years.

After considering the above factors, the annual cap for rental for each of the three years ending 31 December 2024 under the New Lease Framework Agreement are as follows:

	For the year ending 31 December 2022	2023 (RMB'000)	2024
Annual cap for rental	13,375.3	13,375.3	13,375.3

Reasons for and benefits of entering into the New Lease Framework Agreement

Due to the needs in production and operations, the Group leased real estates, construction facilities and other assets from HPG and entered into the New Lease Framework Agreement with HPG to stipulate the course of such leases.

The Directors (including the independent non-executive Directors) consider that (i) the New Lease Framework Agreement and the continuing connected transactions contemplated thereunder are entered into in the ordinary and usual course of business of the Group and are in the interests of the Company and its Shareholders as a whole; (ii) the New Lease Framework Agreement is entered into on normal commercial terms or on terms no less favourable than those offered by independent third parties in similar transactions and is fair and reasonable; and (iii) the proposed annual caps under the New Lease Framework Agreement for the three years ending 31 December 2022, 2023 and 2024 are fair and reasonable.

4. General

As Mr. CAO Ziyu, Mr. LIU Guanghai, Mr. YANG Wensheng and Mr. MA Xiping, all being Directors, are at the same time the directors of HPG/have material interest in the above transactions, they have abstained from voting on the Board resolutions in respect of the approval of the above matters. Save and except for the aforesaid, none of the Directors has any material interest in the above transactions and was required to abstain from voting on the Board resolutions in relation to the above matters.

INFORMATION OF HPG, HPG FINANCE AND THE GROUP

The business scope of HPG mainly includes: investment in port construction and investment management, leasing of house; port facilities and equipment; providing facilities to terminals for vessels; port operation; port passenger transport services; providing loading and unloading and storing services; engaging in the leasing and maintenance business of port facilities, equipment and port machinery; corporate management.

The business scope of HPG Finance includes: providing financial and financing consultancy, credit verification and relevant consultancy and agency services for member entities; assisting member entities in the settlement of accounts payable and receivable; insurance agency services (subject to approval), providing guarantees for member entities, handling entrusted loan between member entities; handling bill acceptance and discounting for member entities; settling internal transfer between member entities and formulating relevant settlement and liquidation plans; absorbing deposits from member entities, providing loans and finance leasing for member entities and inter-bank borrowing. As at the date of this announcement, HPG Finance is 40% owned by the Company and an associate of the Company and a subsidiary of HPG. HPG Finance has (i) obtained Reply on Operation of Hebei Port Group Finance Company Limited by CBRC Hebei Branch (《河北銀監局關於河北港口集團財務有限公司開業的批覆》) on 1 July 2014 and Financial Business Operation Permit (金融許可證) on 7 July 2014, and (ii) obtained the business license on 10 July 2014. As such, HPG Finance has obtained all the required licenses from the relevant government authorities for providing Financial Services since 10 July 2014.

The Group principally engages in the provision 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.

LISTING RULES IMPLICATIONS

As at the date of this announcement, HPG is interested in 3,032,528,078 A Shares and 71,303,000 H Shares, representing approximately 55.55% 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, since HPG Finance is a subsidiary of and 60% owned by HPG and hence an associate of HPG and also a connected person of the Company.

1. The New General Services Agreement

- (a) the applicable percentage ratio in respect of the provision of services by HPG and/or its subsidiaries to the Group under the New General Services Agreement on an annual basis exceeds 5%, hence such transactions are subject to the reporting, annual review and announcement requirements and Independent Shareholders' approval requirements of Chapter 14A of the Listing Rules; and
- (b) the applicable percentage ratio in respect of the provision of services by the Group to HPG and/or its subsidiaries under the New General Services Agreement on an annual basis exceeds 0.1% but is less than 5%, hence such transactions are subject to the reporting, annual review and announcement requirements but are exempt from Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

2. The New Financial Services Framework Agreement

- (a) the applicable percentage ratio of the proposed annual caps in respect of the provision of deposit taking services by HPG Finance to the Group under the New Financial Services Framework Agreement on an annual basis exceeds 5%, and hence such transactions are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Since the applicable percentage ratio in respect of the deposit taking services exceeds 25% but is less than 100%, the deposit taking services under the New Financial Services Framework Agreement constitute a major transaction under Chapter 14 of the Listing Rules and are therefore subject to the reporting, announcement and Shareholders' approval requirements set out in Chapter 14 of the Listing Rules;
- (b) The transactions in relation to the provision of loan services by HPG Finance to the Group under the New Financial Services Framework Agreement are exempt from the reporting, announcement and Independent Shareholders' approval requirement pursuant to Rule 14A.90 of the Listing Rules as (i) they are on normal commercial terms and (ii) not secured by any asset of the Group; and
- (c) the applicable percentage ratio of the proposed annual caps in respect of the provision of other financial services by HPG Finance to the Group under the New Financial Services Framework Agreement exceeds 0.1% but is less than 5%, hence such transactions are subject to the reporting, annual review and announcement requirements but are exempt from the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

3. The New Lease Framework Agreement

As the applicable percentage ratio calculated pursuant to Rule 14.07 of the Listing Rules in respect of the annual rental under the New Lease Framework Agreement exceeds 0.1% but is less than 5%, such transactions are subject to the reporting, annual review and announcement requirements but are exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

EGM

The Company has formed an Independent Board Committee comprising all the independent non-executive Directors to advise the Independent Shareholders as to whether the terms of the New General Services Agreement in relation to the provision of services by HPG and/or its subsidiaries to the Group and the New Financial Services Framework Agreement in relation to deposit taking services and the transactions contemplated thereunder (including the proposed annual caps) are fair and reasonable, and in the interests of the Company and its Shareholders as a whole.

An EGM will be held to consider and approve, among others, the ordinary resolutions regarding the New General Services Agreement, the New Financial Services Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps).

TC Capital, the independent financial adviser, has been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the New General Services Agreement in relation to the services provided by HPG and/or its subsidiaries to the Group and the New Financial Services Framework Agreement in relation to deposit taking services and the transactions contemplated thereunder (including the proposed annual caps) are fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

HPG is deemed to have material interest in the New General Services Agreement, the New Financial Services Framework Agreement and the transactions contemplated thereunder. Hence, according to the Listing Rules, HPG and its associates are required to abstain from voting on the resolutions to be proposed in respect of the approval of the New General Services Agreement, the New Financial Services Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps) at the General Meeting. As at the date of this announcement, HPG is interested in 3,032,528,078 A Shares and 71,303,000 H Shares, representing approximately 55.55% of the issued share capital of the Company.

To the best of the Directors' knowledge, information and belief, as at the date of this announcement, and save as disclosed in this announcement, no other Shareholders are required to abstain from voting in respect of any of the resolutions to be proposed at the General Meeting.

GENERAL

A circular containing, amongst other things, (i) further details of the New General Services Agreement, the New Financial Services Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps); (ii) the recommendation from the Independent Board Committee; (iii) the advice from the independent financial adviser in respect of the terms of the New General Services Agreement in relation to the services provided by HPG and/or its subsidiaries to the Group and the New Financial Services Framework Agreement in relation to deposit taking services and the transactions contemplated thereunder (including the proposed annual caps); (iv) a notice convening the General Meeting; and (v) other information as required under the Listing Rules is expected to be despatched to the Shareholders and posted on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (<http://www.portqhd.com>) on or before 18 November 2021.

DEFINITIONS

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

“A Share(s)”	:	the RMB ordinary shares with a par value of RMB1.00 each issued by the Company in the PRC that is subscribed in RMB and listed on SSE
“Announcement”	:	the announcement of the Company dated 28 September 2018 regarding (among other things) the Old General Services Agreement, the Old Lease Framework Agreement, and the Old Financial Services Framework Agreement
“associate(s)”	:	having the meaning ascribed to it under the Listing Rules
“Board”	:	the board of Directors of the Company
“CBRC”	:	the China Banking Regulatory Commission
“Circular”	:	the circular of the Company dated 19 November 2018 regarding (among other things) the Old General Services Agreement, the Old Lease Framework Agreement and the Old Financial Services Framework Agreement
“Company”	:	Qinhuangdao Port Co., Ltd.* (秦皇島港股份有限公司), a joint stock limited liability company incorporated under the laws of the PRC on 31 March 2008
“connected person(s)”	:	having the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	:	having the meaning ascribed to it under the Listing Rules
“Director(s)”	:	director(s) of the Company
“General Meeting” or “EGM”	:	the extraordinary general meeting (and any adjournment thereof) of the Company to be held to consider and approve, among others, the New General Services Agreement, the New Financial Services Agreement and the transactions contemplated thereunder
“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 and holds 55.55% equity interest of the Company as at the date of this announcement
“HPG Finance”	:	Hebei Port Group Finance Company Limited* (河北港口集團財務有限公司), a limited liability company incorporated under the laws of the PRC and a joint venture with 40% and 60% of its shares held by the Company and HPG respectively and a subsidiary of HPG as at the date of this announcement
“HPG member(s)”	:	HPG and its subsidiaries (excluding members of the Group)
“H Share(s)”	:	overseas listed foreign shares of nominal value of RMB1.00 each in the ordinary share capital of the Company which are subscribed and traded in Hong Kong dollars and listed and traded on the Stock Exchange
“Independent Board Committee”	:	an independent committee under the Board comprising all independent non-executive Directors, namely, ZANG Xiuqing, HOU Shujun, CHEN Ruihua and XIAO Zuhe
“Independent Shareholders”	:	Other shareholders other than HPG and its associates
“Listing Rules”	:	the Rules Governing the Listing of Securities on the Stock Exchange
“New Financial Services Framework Agreement”	:	the Financial Services Framework Agreement entered into between the Company (and on behalf of the Group) and HPG Finance on 28 October 2021
“New General Services Agreement”	:	the General Services Agreement entered into between the Company (and on behalf of the Group) and HPG (and on behalf of its subsidiaries) on 28 October 2021
“New Lease Framework Agreement”	:	the Lease Framework Agreement entered into between the Company (and on behalf of the Group) and HPG (and on behalf of its subsidiaries) on 28 October 2021
“Old Financial Services Framework Agreement”	:	the Financial Services Framework Agreement entered into between the Company (and on behalf of the Group) and HPG Finance on 28 September 2018
“Old General Services Agreement”	:	the General Services Agreement entered into between the Company and HPG on 28 September 2018

“Old Lease Framework Agreement”	:	the Lease Framework Agreement entered into between the Company and HPG on 28 September 2018
“PBOC”	:	the People’s Bank of China, the central bank of China
“percentage ratio(s)”	:	having the meaning ascribed to it under the Listing Rules
“PRC”	:	the People’s Republic of China
“Relevant Commercial Banks”	:	banks providing financial services to the Group, including but not limited to the Bank of China, the Agricultural Bank of China, the Industrial and Commercial Bank of China, China Construction Bank and the Bank of Communications
“RMB”	:	Renminbi, the lawful currency of the PRC
“SFO”	:	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	:	A Share(s) and/or H Share(s) (as the case may be)
“Shareholder(s)”	:	holders of the Shares
“SSE”	:	the Shanghai Stock Exchange
“Stock Exchange”	:	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	:	having the meaning ascribed to it under the Listing Rules
“TC Capital” or “independent financial adviser”	:	TC Capital International Limited, a corporation licensed to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
“%”	:	percentage

By order of the Board
Qinhuangdao Port Co., Ltd.*
CAO Ziyu
Chairman

Qinhuangdao, Hebei Province, the PRC
28 October 2021

As at the date of this announcement, the executive directors of the Company are CAO Ziyu, YANG Wensheng and MA Xiping; the non-executive directors of the Company are LIU Guanghai, LI Jianping and XIAO Xiang; and the independent non-executive directors of the Company are ZANG Xiuqing, HOU Shujun, CHEN Ruihua and XIAO Zuhe.

* For identification purpose only