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Qingdao Port International Co., Ltd.

青島港國際股份有限公司

(A joint stock company established in the People's Republic of China with limited liability)

(Stock Code: 06198)

ANNOUNCEMENT

PROPOSED CONNECTED TRANSACTIONS

AND

DISCLOSEABLE TRANSACTIONS

**PROPOSED CONNECTED TRANSACTIONS AND DISCLOSEABLE
TRANSACTIONS**

I. THE PROPOSED SHARE TRANSFER

On 28 October 2022 (after trading hours), the Company and Shandong Port Equipment Group entered into the Qingdao Port Equipment Share Transfer Agreement, pursuant to which, the Company agreed to transfer 51% equity interests in Qingdao Port Equipment, a wholly-owned subsidiary of the Company, to Shandong Port Equipment Group.

II. THE PROPOSED CAPITAL INCREASE

On 28 October 2022 (after trading hours), the Company entered into the Shandong Port Equipment Group Capital Increase Agreement with Shandong Port Group, Rizhao Port Group, Yantai Port Group and Shandong Port Equipment Group, pursuant to which, the Company agreed to make a registered capital contribution of RMB89,056,445 to Shandong Port Equipment Group by transferring 51% equity interests in Qingdao Port Equipment, the wholly-owned subsidiary of the Company, at the consideration of RMB101,488,725, in exchange for 16.56% equity interests of the enlarged share capital in Shandong Port Equipment Group, and the investment premium of RMB12,432,280 shall be regarded as capital reserves of Shandong Port Equipment Group.

HONG KONG LISTING RULES IMPLICATIONS

The transactions under the Qingdao Port Equipment Share Transfer Agreement and the Shandong Port Equipment Group Capital Increase Agreement involve a disposal and an acquisition of the Company.

I. In respect of the Proposed Share Transfer

As Shandong Port Group is an indirect controlling shareholder of the Company, and Shandong Port Equipment Group is owned as to 66.86% equity interests by Shandong Port Group, Shandong Port Group is therefore a connected person of the Company and Shandong Port Equipment Group is an associate of Shandong Port Group and a connected person of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules. Accordingly, the Qingdao Port Equipment Share Transfer constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules. As the highest applicable percentage ratio (as defined under the Hong Kong Listing Rules) of the Qingdao Port Equipment Share Transfer is more than 0.1% but less than 5%, the Qingdao Port Equipment Share Transfer is subject to the reporting and announcement but exempt from the circular and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

However, pursuant to Rule 14A.81 of the Hong Kong Listing Rules, the Qingdao Port Equipment Share Transfer shall be aggregated with (a) (i) the Absorption and Merger; and (ii) the Qingdao Port Finance Capital Increase, both of which involved the disposal of certain equity interests in the Qingdao Port Finance; and (b) the Qingdao Port International Trade Equity Transfer, which involved the disposal of 11% equity interests in Qingdao Port International Trade Logistics Co., Ltd.* (青島港國際貿易物流有限公司).

After aggregation of (i) the Qingdao Port Equipment Share Transfer; (ii) the disposal of Qingdao Port Finance; and (iii) the Qingdao Port International Trade Equity Transfer, the highest applicable percentage ratio (as defined under the Hong Kong Listing Rules) is still less than 75%. However, the Qingdao Port Equipment Share Transfer, when aggregated with the Qingdao Port International Trade Equity Transfer, would constitute a discloseable transaction and a connected transaction of the Company under the Hong Kong Listing Rules as the highest applicable percentage ratio (as defined under the Hong Kong Listing Rules) exceeds 5% but less than 25%, which are subject to reporting, announcement, circular and the Independent Shareholders' approval requirements under Chapter 14 and Chapter 14A of the Hong Kong Listing Rules.

II. In respect of the Proposed Capital Increase

As Shandong Port Group is an indirect controlling shareholder of the Company, and therefore a connected person of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules. As (i) Shandong Port Equipment Group is owned as to 66.86% equity interests by Shandong Port Group; (ii) Rizhao Port Group is a wholly-owned subsidiary of Shandong Port Group; and (iii) Yantai Port Group is a wholly-owned subsidiary of Shandong Port Group, therefore Shandong Port Equipment Group, Rizhao Port Group and Yantai Port Group are associates of Shandong Port Group and connected persons of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules. Accordingly, the Shandong Port Equipment Group Capital Increase constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules. As the highest applicable percentage ratio (as defined under the Hong Kong Listing Rules) of the Shandong Port Equipment Group Capital Increase is more than 0.1% but less than 5%, the Shandong Port Equipment Group Capital Increase is subject to the reporting and announcement but exempt from the circular and independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

However, pursuant to Rule 14A.81 of the Hong Kong Listing Rules, the Shandong Port Equipment Group Capital Increase shall be aggregated with (i) the Absorption and Merger, which involved the acquisition of Rizhao Port Group Finance Co., Ltd.* (日照港集團財務有限公司); and (ii) the Weihai Port Development Equity Transfer, which involved the acquisition of 51% equity interests in Shandong Weihai Port Development Co., Ltd.* (山東威海港發展有限公司).

After the aggregation of (i) the Shandong Port Equipment Group Capital Increase; (ii) the acquisition of Rizhao Port Group Finance Co., Ltd.* (日照港集團財務有限公司); and (iii) the Weihai Port Development Equity Transfer, the highest applicable percentage ratio (as defined under the Hong Kong Listing Rules) is still less than 25%. However, the Shandong Port Equipment Group Capital Increase, when aggregated with the Weihai Port Development Equity Transfer, would constitute a discloseable transaction and a connected transaction of the Company under the Hong Kong Listing Rules as the highest applicable percentage ratio (as defined under the Hong Kong Listing Rules) exceeds 5% but less than 25%, which are subject to reporting, announcement, circular and the Independent Shareholders' approval requirements under Chapter 14 and Chapter 14A of the Hong Kong Listing Rules.

Therefore, the transactions contemplated under the Qingdao Port Equipment Share Transfer Agreement and the Shandong Port Equipment Group Capital Increase Agreement constitute discloseable transactions and connected transactions of the Company, which are subject to reporting, announcement, circular and the Independent Shareholders' approval requirements under Chapter 14 and Chapter 14A of the Hong Kong Listing Rules.

EGM

The EGM will be convened for the Independent Shareholders to consider and approve, (i) the Qingdao Port Equipment Share Transfer Agreement and the transaction contemplated thereunder; and (ii) the Shandong Port Equipment Group Capital Increase Agreement and the transaction contemplated thereunder.

An Independent Board Committee comprising the independent non-executive Directors has been formed to advise the Independent Shareholders, in respect of (i) the Qingdao Port Equipment Share Transfer Agreement and the transaction contemplated thereunder; and (ii) the Shandong Port Equipment Group Capital Increase Agreement and the transaction contemplated thereunder.

Qingdao Port Group (being a subsidiary of Shandong Port Group) and its associates are required to abstain from voting on resolutions in relation to (i) the Qingdao Port Equipment Share Transfer Agreement and the transaction contemplated thereunder, and (ii) the Shandong Port Equipment Group Capital Increase Agreement and the transaction contemplated thereunder at the EGM.

To the best of the Directors' information, knowledge and belief, after having made all reasonable enquiries, save for the aforesaid, no Shareholder is required to abstain from voting on resolutions in relation to (i) the Qingdao Port Equipment Share Transfer Agreement and the transaction contemplated thereunder, and (ii) the Shandong Port Equipment Group Capital Increase Agreement and the transaction contemplated thereunder at the EGM.

A circular of the Company containing, among other things: (i) details in respect of the Qingdao Port Equipment Share Transfer Agreement; (ii) details in respect of the Shandong Port Equipment Group Capital Increase Agreement; (iii) the recommendations from the Independent Board Committee in respect of the Qingdao Port Equipment Share Transfer Agreement and the Shandong Port Equipment Group Capital Increase Agreement and the respective transactions contemplated thereunder; (iv) the advice from the Independent Financial Adviser in respect of the Qingdao Port Equipment Share Transfer Agreement and the Shandong Port Equipment Group Capital Increase Agreement and the respective transactions contemplated thereunder; and (v) a notice of the EGM, will be despatched to the Shareholders on or before 18 November 2022.

The Board is pleased to announce that, on 28 October 2022 (after trading hours), (i) the Company entered into the Qingdao Port Equipment Share Transfer Agreement with Shandong Port Equipment Group, and (ii) the Company entered into the Shandong Port Equipment Group Capital Increase Agreement with Shandong Port Group, Rizhao Port Group, Yantai Port Group and Shandong Port Equipment Group, pursuant to which, the Company agreed to make a registered capital contribution of RMB89,056,445 to Shandong Port Equipment Group by transferring 51% equity interests in Qingdao Port Equipment, the wholly-owned subsidiary of the Company, at the consideration of RMB101,488,725, in exchange for 16.56% equity interests of the enlarged share capital in Shandong Port Equipment Group, and the investment premium of RMB12,432,280 shall be regarded as capital reserves of Shandong Port Equipment Group.

I. THE PROPOSED SHARE TRANSFER

Details of the Qingdao Port Equipment Share Transfer Agreement are set out as below:

Date: 28 October 2022 (after trading hours)

Parties: (1) the Company (as the transferor); and
(2) Shandong Port Equipment Group (as the transferee).

Subject of the Transaction: 51% equity interests in Qingdao Port Equipment

Consideration: The consideration for the 51% equity interests in Qingdao Port Equipment is RMB101,488,725, which was determined after negotiations on an arm's length basis between signing parties to the agreement with reference to the appraised value of RMB198.9975 million for 100% equity interests in Qingdao Port Equipment as at the Reference Date. The valuation report was prepared by Zhong Ping Heng Xin on the basis of income approach.

As at the Reference Date, the book value of 100% equity interests in Qingdao Port Equipment is RMB116.6464 million with an appraisal appreciation of RMB82.3511 million as compared with the appraised value in the valuation report.

Closing Date: The date of completion of the industrial and commercial change registration of the Qingdao Port Equipment Share Transfer.

Both the transferor and the transferee shall cooperate with Qingdao Port Equipment to complete the industrial and commercial change registration procedures and other relevant registration procedures within 30 working days after the effect of the Qingdao Port Equipment Share Transfer Agreement.

Arrangements of credits and debts:	Upon the completion of the Qingdao Port Equipment Share Transfer, the credits or debts of Qingdao Port Equipment shall continue to be enjoyed and borne by itself.
Taxes and Fees:	<p>Taxes payable due to the transaction of the Qingdao Port Equipment Share Transfer shall be paid according to relevant national regulations.</p> <p>Fees payable due to the transaction of the Qingdao Port Equipment Share Transfer shall be borne by the responsible parties unless otherwise agreed in the Qingdao Port Equipment Share Transfer Agreement.</p>
Transition Period:	Any profits or loss of Qingdao Port Equipment accrued between 1 March 2022 and the closing date shall be attributed to the Company. As of and after the closing date, the profits or loss of Qingdao Port Equipment shall be owned by the Company and Shandong Port Equipment Group in proportion to their respective shareholding in Qingdao Port Equipment.

As at the date of this announcement, Qingdao Port Equipment is a wholly-owned subsidiary of the Company. After the completion of the Qingdao Port Equipment Share Transfer, it will be owned as to 49% and 51% equity interests by the Company and Shandong Port Equipment Group, respectively. Qingdao Port Equipment will cease to be a subsidiary of the Company, and the financial statements of Qingdao Port Equipment will not be consolidated into the financial statements of the Company.

The following table sets out the shareholding structure of Qingdao Port Equipment prior to and upon completion of the Proposed Share Transfer:

Name of shareholders	Equity Interests in Qingdao Port Equipment Prior to the Proposed Share Transfer	Equity Interests in Qingdao Port Equipment Upon Completion of the Proposed Share Transfer
	(%)	(%)
The Company	100.00	49.00
Shandong Port Equipment Group	-	51.00
Total	100.00	100.00

II. THE PROPOSED CAPITAL INCREASE

Details of the Shandong Port Equipment Group Capital Increase Agreement are set out as below:

Date: 28 October 2022 (after trading hours)

Parties: (1) Shandong Port Group (as one of the existing shareholders);

(2) Rizhao Port Group (as one of the existing shareholders);

(3) Yantai Port Group (as one of the existing shareholders);

(4) the Company (as the subscriber); and

(5) Shandong Port Equipment Group (as the issuer).

Subject of the Transaction: 16.56% equity interests of the enlarged share capital in Shandong Port Equipment Group

Consideration: The Company agreed to make a registered capital contribution of RMB89,056,445 to Shandong Port Equipment Group by transferring 51% equity interests in Qingdao Port Equipment, the wholly-owned subsidiary of the Company, at the consideration of RMB101,488,725, in exchange for 16.56% equity interests of the enlarged share capital in Shandong Port Equipment Group, and the investment premium of RMB12,432,280 shall be regarded as capital reserves of Shandong Port Equipment Group.

The total subscription amount of the registered capital by the Company is RMB89,056,445, which was determined after negotiations on an arm's length basis among signing parties to the agreement with reference to the appraised value of RMB511.3229 million for 100% equity interests in Shandong Port Equipment Group. The valuation report was prepared by Shandong Huide on the basis of an asset-based approach.

As at the Reference Date, the book value of 100% equity interests in Shandong Port Equipment Group is RMB446.2636 million with an appraisal appreciation of RMB65.0593 million as compared with the appraised value in the valuation report.

Payment Arrangement: The consideration of RMB101,488,725 shall be paid by way of transferring 51% equity interests in Qingdao Port Equipment by the Company to Shandong Port Equipment Group, and the investment premium of RMB12,432,280 shall be regarded as capital reserves of Shandong Port Equipment Group.

Closing Date: The date of completion of the industrial and commercial change registration of the Shandong Port Equipment Group Capital Increase.

Shandong Port Equipment Group is responsible for the procedure of the industrial and commercial change registration of the Shandong Port Equipment Group Capital Increase and bears the relevant expenses thereunder.

All parties shall cooperate with Shandong Port Equipment Group to complete the industrial and commercial change registration procedure.

Arrangements of assets, liabilities and interests: As at the date of completion of the industrial and commercial registration of changes, all the assets, liabilities and interests of the Shandong Port Equipment Group shall all continue to be enjoyed and borne by itself upon the Proposed Capital Increase.

Expenses: The expenses incurred by the parties hereto in connection with the Proposed Capital Increase, including but not limited to capital verification fees, audit fees, valuation fees and legal fees, etc., shall be borne by the responsible parties unless otherwise agreed in the Shandong Port Equipment Group Capital Increase Agreement.

Transition Period: Any profits or loss of Shandong Port Equipment Group accrued between 1 March 2022 and the closing date shall be attributed to Shandong Port Group, Rizhao Port Group and Yantai Port Group. As of and after the closing date, the profits or loss of Shandong Port Equipment Group shall be owned by the Company, Shandong Port Group, Rizhao Port Group and Yantai Port Group in proportion to their respective shareholding in Shandong Port Equipment Group.

As at the date of this announcement, Shandong Port Group, Rizhao Port Group and Yantai Port Group hold 66.86%, 31.61% and 1.53% equity interests in Shandong Port Equipment Group, respectively. After the completion of the Shandong Port Equipment Group Capital Increase, Shandong Port Group, Rizhao Port Group, the Company and Yantai Port Group will hold 55.79%, 26.37%, 16.56% and 1.28% equity interests in Shandong Port Equipment Group, respectively. The financial statements of Shandong Port Equipment Group will not be consolidated into the financial statements of the Company.

The following table sets out the shareholding structure of Shandong Port Equipment Group prior to and upon completion of the Proposed Capital Increase:

Name of shareholders	Prior to the Proposed Capital Increase		Upon completion of the Proposed Capital Increase	
	Equity interests in Shandong Port Equipment Group	Amount of capital contribution	Equity interests in Shandong Port Equipment Group	Amount of capital contribution
	(%)	(RMB)	(%)	(RMB)
Shandong Port Group	66.86	300,000,000.00	55.79	300,000,000.00
Rizhao Port Group	31.61	141,806,455.97	26.37	141,806,455.97
The Company	—	—	16.56	89,056,445.00
Yantai Port Group	1.53	6,876,004.20	1.28	6,876,004.20
Total	100.00	448,682,460.17	100.00	537,738,905.17

III. VALUATION ON QINGDAO PORT EQUIPMENT

Zhong Ping Heng Xin, an independent valuer, performed independent valuation in respect of 100% equity interests in Qingdao Port Equipment. The appraised value for 100% equity interests in Qingdao Port Equipment as at the Reference Date was RMB198.9975 million, which was determined based on the income approach adopted in the valuation report and took into account the cash flow projection of the relevant businesses, and as such, the valuation under the valuation report on Qingdao Port Equipment constitutes profit forecasts under Rule 14.61 of the Hong Kong Listing Rules.

The assumptions contained in the valuation report on Qingdao Port Equipment are as follows:

A. General Assumptions

1. Transaction assumption

The transaction assumption assumes that all assets to be appraised are in the process of transaction, and the valuers conduct the valuation based on a simulated market according to the transaction conditions, etc. of the assets to be appraised.

2. Open market assumption

The open market assumption is an assumption about the conditions of the market for proposed asset to enter and what kind of influence the asset will receive under such market conditions. The open market refers to the fully developed and perfect market conditions, which is a competitive market with voluntary buyers and sellers. In this market, buyers and sellers have equal status and have the opportunity and time to obtain sufficient market information. Both buyers and sellers conduct their transactions under voluntary, rational, non-mandatory or unrestricted conditions.

3. Continuous use assumption

The continuous use assumption is an assumption about the conditions of the market for proposed asset to enter and the asset status under such market conditions. First, the appraised assets are in use status. Second, it is assumed that the assets in use will continue to be used. Under the assumption of continuous use, the scope of use of the appraisal results is limited without considering the conversion of the use of assets or the best use conditions.

4. Going concern assumption for the enterprise

The appraisal assumption made by taking the overall assets of the enterprise as the appraisal object. That is, the enterprise, as the main body of operation, will continue to operate under the external environment in accordance with the business objectives. The enterprise operator is responsible and capable of assuming the responsibility. The enterprise operates legally and can obtain appropriate profits to maintain its continuous operation ability.

5. Data authenticity assumption

As for the information and materials provided by the client and relevant parties on the basis of the appraisal conclusion, the asset appraiser assumes that these are credible and has made necessary verification according to the appraisal procedure, but the asset appraiser does not make any guarantee for the authenticity, legality and integrity of these information and materials.

B. Special Assumptions

1. There are no material changes in the relevant prevailing laws regulations and policies of the State and the macroeconomic situation of the State, there are no material changes in the political, economic and social environment of the regions where the parties to this transaction are located; and there are no material adverse effects caused by other unpredictable and force majeure factors.
2. It is assumed that the operator of the company is responsible and the company's management is capable to shoulder its duties.
3. Unless otherwise stated, it is assumed that the company is fully subject to all relevant laws and regulations.
4. It is assumed that the accounting policies to be adopted by the company in the future are basically consistent with the accounting policies adopted in the preparation of the valuation report in material aspects.
5. It is assumed that the business scope and mode of the company are consistent with the current direction based on the existing management mode and management level.
6. There are no material changes in interest rates, exchange rates, tax bases and tax rates, and policy-based levies.
7. It is assumed that the enterprise forecast annual cash flow will be generated evenly.
8. It is assumed that the products or services of the enterprise will maintain the current market competition after the Reference Date.
9. According to Cai Shui [2021] No. 13, if the research and development expenses actually incurred in the research and development activities of manufacturing enterprises do not form intangible assets and are included in the current profits and losses, on the basis of actual deduction according to regulations, from 1 January 2021, 100% of the actual amount will be added and deducted before tax. The document does not specify the implementation expiration date, and will continue to be implemented in the absence of a new policy document. Therefore, the appraisal is based on the assumption that the incentive and preferential policies will continue to be implemented.

10. The lease contracts for major assets such as and materials warehouse, office building, plant and land of Qingdao Port Equipment are signed with the connected parties, the Company and Qingdao Port Group, both of which will expire on 31 December 2022. As Qingdao Port Equipment is a wholly-owned subsidiary of the Company and a holding subsidiary of Qingdao Port Group, given the operation needs of Qingdao Port Equipment, it needs to lease the above assets continuously, therefore the appraisal is based on the assumption that the contract will be renewed after the expiration of the lease contract.

IV. VALUATION ON SHANDONG PORT EQUIPMENT GROUP

Shandong Huide, an independent valuer, performed independent valuation in respect of 100% equity interests in Shandong Port Equipment Group. The appraised value for 100% equity interests in Shandong Port Equipment Group as at the Reference Date was RMB511.3229 million. The valuation report was prepared on the basis of asset-based approach, among which Shandong Huide applied asset-based approach to appraise Rizhao Port Marine Machinery Industry Co., Ltd.* (日照港船機工業有限公司) and Yantai Haigang Motor Vehicle Comprehensive Performance Testing Co., Ltd.* (煙台海港機動車綜合性能檢測有限公司). Shandong Huide applied income approach to appraise Rizhao Kingda Shipbuilding Heavy Industry Co., Ltd.* (日照港達船舶重工有限公司), Rizhao Port Machinery Engineering Co., Ltd.* (日照港機工程有限公司) and Shandong Luhai Heavy Industry Co., Ltd.* (山東陸海重工有限公司), all being subsidiaries of Shandong Port Equipment Group.

As the income approach was determined by taking into account the cash flow projection of the relevant businesses, and as such, the valuation under the valuation reports on Rizhao Kingda Shipbuilding Heavy Industry Co., Ltd.* (日照港達船舶重工有限公司), Rizhao Port Machinery Engineering Co., Ltd.* (日照港機工程有限公司) and Shandong Luhai Heavy Industry Co., Ltd.* (山東陸海重工有限公司) constitutes profit forecasts under Rule 14.61 of the Hong Kong Listing Rules.

The assumptions contained in the valuation report on Rizhao Kingda Shipbuilding Heavy Industry Co., Ltd.* (日照港達船舶重工有限公司), Rizhao Port Machinery Engineering Co., Ltd.* (日照港機工程有限公司) and Shandong Luhai Heavy Industry Co., Ltd.* (山東陸海重工有限公司) are as follows:

A. General Assumptions

1. Transaction assumption

The transaction assumption assumes that all assets to be appraised are in the process of transaction, and the valuers conduct the valuation based on a simulated market using the transaction conditions of the assets to be appraised. The transaction assumption is the most fundamental premise for asset valuation.

2. Open market assumption

The open market assumption assumes that both parties to an asset transaction or a proposed asset transaction in the market are in equal position and have opportunities and time to obtain sufficient market information, so as to make rational judgments on the functions, purposes and transaction prices of the assets. The open market assumption is based on the fact that assets can be publicly traded in the market.

3. Going concern assumption for the enterprise

The going concern assumption for the enterprise assumes that the appraised enterprise operates in a legal manner and there will be no unforeseeable factors that will render it unable to operate as a going concern.

B. Special Assumptions

1. As a basic assumption and premise, this valuation is based on the specific valuation purpose(s) as stated in the asset valuation report.

2. Assumption of no material change: it is assumed that there are no material changes in the relevant prevailing laws and regulations of the State and the macroeconomic situation of the State, and there are no unforeseeable material changes in the external economic environment such as interest rates, exchange rates, tax bases and tax rates, and policy-based levies.

3. Assumption of no adverse impact: it is assumed that there are no other force majeure factors and unforeseeable factors that will have a material adverse impact on the assets and liabilities to be appraised of the appraised entity.

4. Assumption of consistent direction: it is assumed that the business scope and mode of the appraised entity are consistent with the current direction in terms of the existing management mode and management level, without taking into account the changes in operation capacity that may be caused by the adjustment of management and operation strategy in the future.

5. Assumption of consistent policies: it is assumed that the accounting policies to be adopted by the appraised entity in the future are basically consistent with the accounting policies adopted at the time this report is being prepared in all material aspects.

6. Assumption of continuous use of assets: it is assumed that the appraised assets will continue to be used in accordance with the current use and the mode, scale, frequency and environment of use, without taking into account the respective optimal use of each asset.

7. Assumption of data authenticity: it is assumed that the financial reports and transaction data of the comparable companies relied on by the valuers are true and reliable. The relevant basic information and financial information provided by the appraised entity and the client are true, accurate and complete.

8. Assumption of stable cash flow: it is assumed that the net cash flow of each appraised entity is evenly distributed every year.

9. The scope of valuation is only based on the valuation declaration form provided by the appraised entity, without taking into account the contingent assets and contingent liabilities that may exist outside the list provided by the appraised entity.

V. INFORMATION ON THE EXPERTS

The following are the qualifications of the relevant experts who have given their opinions and advice included in this announcement:

Name	Qualification
Shandong Huide Asset Appraisal Co., Ltd. (山東匯德資產評估有限公司)	a qualified valuer in the PRC
Shandong Zhong Ping Heng Xin Asset Appraisal Co., Ltd. (山東中評恒信資產評估有限公司)	a qualified valuer in the PRC

To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, as at the date of this announcement, each of the above experts does not have any shareholding, directly or indirectly, in the Company and its subsidiaries or any right (whether legally enforceable or not) to subscribe for or to nominate person to subscribe for securities in the Company and its subsidiaries.

Each of the above experts has given and has not withdrawn its consent to the date of the publication of this announcement with inclusion of its report and/or all reference to its name in the form and context in which it appears.

VI. FINANCIAL IMPACT OF THE PROPOSED SHARE TRANSFER AND THE PROPOSED CAPITAL INCREASE

Upon the completion of the Proposed Share Transfer and the Proposed Capital Increase, (i) Qingdao Port Equipment will cease to be a subsidiary of the Company, and its financial statements of Qingdao Port Equipment will not be consolidated into the financial statements of the Company; and (ii) the financial statements of Shandong Port Equipment Group will not be consolidated into the financial statements of the Company.

The Company is expected to record a one-off gain of approximately RMB82.3511 million, which is calculated and determined based on the proceeds from the disposal and the cost of equity interests to be disposed.

VII. HONG KONG LISTING RULES IMPLICATIONS IN RELATION TO THE PROPOSED SHARE TRANSFER AND THE PROPOSED CAPITAL INCREASE

The transactions under the Qingdao Port Equipment Share Transfer Agreement and the Shandong Port Equipment Group Capital Increase Agreement involve both a disposal and an acquisition of the Company.

(1) In respect of the Proposed Share Transfer

As Shandong Port Group is an indirect controlling shareholder of the Company, and Shandong Port Equipment Group is owned as to 66.86% equity interests by Shandong Port Group, Shandong Port Group is therefore a connected person of the Company and Shandong Port Equipment Group is an associate of Shandong Port Group and a connected person of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules. Accordingly, the Qingdao Port Equipment Share Transfer constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules. As the highest applicable percentage ratio (as defined under the Hong Kong Listing Rules) of the Qingdao Port Equipment Share Transfer is more than 0.1% but less than 5%, the Qingdao Port Equipment Share Transfer is subject to the reporting and announcement but exempt from the circular and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

However, pursuant to Rule 14A.81 of the Hong Kong Listing Rules, the Qingdao Port Equipment Share Transfer shall be aggregated with (a) (i) the Absorption and Merger; and (ii) the Qingdao Port Finance Capital Increase, both of which involved the disposal of certain equity interests in the Qingdao Port Finance; and (b) the Qingdao Port International Trade Equity Transfer, which involved the disposal of 11% equity interests in Qingdao Port International Trade Logistics Co., Ltd.* (青島港國際貿易物流有限公司).

After aggregation of (i) the Qingdao Port Equipment Share Transfer; (ii) the disposal of Qingdao Port Finance; and (iii) the Qingdao Port International Trade Equity Transfer, the highest applicable percentage ratio (as defined under the Hong Kong Listing Rules) was still less than 75%. However, the Qingdao Port Equipment Share Transfer, when aggregated with the Qingdao Port International Trade Equity Transfer, would constitute a discloseable transaction and a connected transaction of the Company under the Hong Kong Listing Rules as the highest applicable percentage ratio (as defined under the Hong Kong Listing Rules) exceeds 5% but less than 25%, which are subject to reporting, announcement, circular and the Independent Shareholders' approval requirements under Chapter 14 and Chapter 14A of the Hong Kong Listing Rules.

(2) In respect of the Proposed Capital Increase

As Shandong Port Group is an indirect controlling shareholder of the Company, and therefore a connected person of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules. As (i) Shandong Port Equipment Group is owned as to 66.86% equity interests by Shandong Port Group; (ii) Rizhao Port Group is a wholly-owned subsidiary of Shandong Port Group; and (iii) Yantai Port Group is a wholly-owned subsidiary of Shandong Port Group, therefore Shandong Port Equipment Group, Rizhao Port Group and Yantai Port Group are associates of Shandong Port Group and connected persons of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules. Accordingly, the Shandong Port Equipment Group Capital Increase constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules. As the highest applicable percentage ratio (as defined under the Hong Kong Listing Rules) of the Shandong Port Equipment Group Capital Increase is more than 0.1% but less than 5%, the Shandong Port Equipment Group Capital Increase is subject to the reporting and announcement but exempt from the circular and independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

However, pursuant to Rule 14A.81 of the Hong Kong Listing Rules, the Shandong Port Equipment Group Capital Increase shall be aggregated with (i) the Absorption and Merger, which involved the acquisition of Rizhao Port Group Finance Co., Ltd.* (日照港集團財務有限公司); and (ii) the Weihai Port Development Equity Transfer, which involved the acquisition of 51% equity interests in Shandong Weihai Port Development Co., Ltd.* (山東威海港發展有限公司).

After the aggregation of (i) the Shandong Port Equipment Group Capital Increase; (ii) the acquisition of Rizhao Port Group Finance Co., Ltd.* (日照港集團財務有限公司); and (iii) the Weihai Port Development Equity Transfer, the highest applicable percentage ratio (as defined under the Hong Kong Listing Rules) is still less than 25%. However, the Shandong Port Equipment Group Capital Increase, when aggregated with the Weihai Port Development Equity Transfer, would constitute a discloseable transaction and a connected transaction of the Company under the Hong Kong Listing Rules as the highest applicable percentage ratio (as defined under the Hong Kong Listing Rules) exceeds 5% but less than 25%, which are subject to reporting, announcement, circular and the Independent Shareholders' approval requirements under Chapter 14 and Chapter 14A of the Hong Kong Listing Rules.

Therefore, the transactions contemplated under the Qingdao Port Equipment Share Transfer Agreement and the Shandong Port Equipment Group Capital Increase Agreement constitute a discloseable transaction and a connected transaction of the Company, which are subject to reporting, announcement, circular and the Independent Shareholders' approval requirements under Chapter 14 and Chapter 14A of the Hong Kong Listing Rules.

VIII. REASONS FOR AND BENEFITS OF THE PROPOSED SHARE TRANSFER AND THE PROPOSED CAPITAL INCREASE

Shandong Port Equipment Group specializes in port equipment manufacturing, marine equipment manufacturing, ship repairing and other businesses. Leveraging on the larger platform and better opportunities brought by the integration reform of the ports of Shandong Province, Shandong Port Equipment Group has a good technical reserve and has a strong synergy effect with Qingdao Port Equipment in terms of market, customers and technology. The Proposed Share Transfer and the Proposed Capital Increase will not only be conducive to promoting Shandong Port Equipment Group and Qingdao Port Equipment to achieve resource sharing and complementary advantages, expand the market and enhance competitiveness, but also be able to resolve the horizontal competition within the Shandong Port Group and help to create good returns for the Company and the Shareholders.

IX. GENERAL INFORMATION

Information of the Company

The Company is a primary operator of the Port of Qingdao, one of the world's largest comprehensive ports. The Group and its joint ventures mainly provide handling and ancillary services of container, iron ore, coal, crude oil and other goods, logistics and port value-added services, port ancillary services and financial services.

Information of Qingdao Port Equipment

Qingdao Port Equipment is a company established in the PRC with limited liability on 16 November 2020, with a registered capital of RMB100 million. It is mainly engaged in port equipment manufacturing, engineering construction, maintenance and repair and other business.

As at the date of this announcement, Qingdao Port Equipment is a wholly-owned subsidiary of the Company. After the completion of the Qingdao Port Equipment Share Transfer, it will be owned as to 49% and 51% equity interests by the Company and Shandong Port Equipment Group, respectively. Qingdao Port Equipment will cease to be a subsidiary of the Company, and the financial statements of Qingdao Port Equipment will not be consolidated into the financial statements of the Company.

Set out below is the summary of the financial information of Qingdao Port Equipment for the year ended 31 December 2021. The financial information was audited in accordance with PRC Accounting Standards for Business Enterprises.

For the year ended 31 December 2021

(RMB Yuan)

Net profit before taxation	2,712,585.68
Net profit after taxation	2,838,257.88

Note: Qingdao Port Equipment was established on November 2020, and its financial data of 2020 were not referential.

Information of Shandong Port Equipment Group

Shandong Port Equipment Group is a company established in the PRC with limited liability in March 2020, with a registered capital of RMB448,682,460.17. It is mainly engaged in port equipment manufacturing, marine equipment manufacturing, ship repairing and other businesses, with the ability to undertake large, non-standard, batch port equipment production capacity.

As at the date of this announcement, Shandong Port Group, Rizhao Port Group and Yantai Port Group holds 66.86%, 31.61% and 1.53% equity interests in Shandong Port Equipment Group, respectively. After the completion of the Shandong Port Equipment Group Capital Increase, Shandong Port Group, Rizhao Port Group, the Company and Yantai Port Group will hold 55.79%, 26.37%, 16.56% and 1.28% equity interests in Shandong Port Equipment Group, respectively. The financial statements of Shandong Port Equipment Group will not be consolidated into the financial statements of the Company.

Set out below is the summary of the consolidated financial information of Shandong Port Equipment Group for the two years ended 31 December 2021. The financial information was audited in accordance with PRC Accounting Standards for Business Enterprises.

	For the year ended 31 December 2020 <i>(RMB Yuan)</i>	For the year ended 31 December 2021 <i>(RMB Yuan)</i>
Net profit before taxation	19,284,546.69	10,593,496.61
Net profit after taxation	19,281,040.43	2,227,964.44

Information of Shandong Port Group

Shandong Port Group, an existing shareholder of Shandong Port Equipment Group and an indirect controlling shareholder of the Company, is a company established in the PRC with limited liability in August 2019, with a registered capital of RMB30 billion. It is mainly engaged in port operation management, port industry investment, port infrastructure construction, port and shipping supporting services, coastline and land resources storage, development and utilization, ocean and coastal shipping. As at the date of this announcement, the ultimate beneficial owner of Shandong Port Group is Shandong SASAC.

Information of Rizhao Port Group

Rizhao Port Group, an existing shareholder of Shandong Port Equipment Group and a wholly-owned subsidiary of Shandong Port Group, is a company established in the PRC with limited liability in February 2004, with a registered capital of RMB5,000 million. It is mainly engaged in port operation, port industry investment, port infrastructure construction, port and shipping supporting services and other businesses. As at the date of this announcement, the ultimate beneficial owner of Rizhao Port Group is Shandong SASAC.

Information of Yantai Port Group

Yantai Port Group, an existing shareholder of Shandong Port Equipment Group and a wholly-owned subsidiary of Shandong Port Group, is a company established in the PRC with limited liability in November 1984, with a registered capital of RMB6,000 million. It is mainly engaged in port operation, domestic cargo transportation agency, international cargo transportation agency, import and export agency, import and export of goods, import and export of technology, non-residential real estate leasing, housing leasing, labour services, engineering management services and other businesses. As at the date of this announcement, the ultimate beneficial owner of Yantai Port Group is Shandong SASAC.

X. VOTING AT THE BOARD MEETING AND EGM

The Board (excluding the independent non-executive Directors, who will give their opinion after taking into account of the recommendations from the Independent Financial Adviser) is of the view that the terms of each of the Qingdao Port Equipment Share Transfer Agreement and the Shandong Port Equipment Group Capital Increase Agreement are arrived at after arm's length negotiations between relevant parties, though not in the ordinary and usual course of business of the Group, and is of the view that the transactions contemplated thereunder and each of the Qingdao Port Equipment Share Transfer Agreement and the Shandong Port Equipment Group Capital Increase Agreement are entered into on normal commercial terms and fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

Each of Mr. SU Jianguang, Mr. LI Wucheng and Ms. WANG Fuling has abstained from voting at the Board meeting considering (i) the Qingdao Port Equipment Share Transfer Agreement and the transaction contemplated thereunder; and (ii) the Shandong Port Equipment Group Capital Increase Agreement and the transaction contemplated thereunder, due to the potential conflict of interests as a result of his/her directorships or positions in Shandong Port Group and/or certain subsidiaries of Shandong Port Group pursuant to Rule 13.44 of the Hong Kong Listing Rules.

Save as disclosed above, as at the date of this announcement, none of the Directors has any material interest in the agreements mentioned in this announcement and the transactions contemplated thereunder who is required to abstain from voting at the Board meeting.

The Independent Board Committee (comprising of Ms. LI Yan, Mr. JIANG Min and Mr. LAI Kwok Ho, all of whom are independent non-executive Directors) has been formed to advise the Independent Shareholders as to (i) the Qingdao Port Equipment Share Transfer Agreement and the transaction contemplated thereunder; and (ii) the Shandong Port Equipment Group Capital Increase Agreement and the transaction contemplated thereunder are fair and reasonable and are in the interest of the Company and the Shareholders as a whole, and to advise the Independent Shareholders as to how to vote at the EGM.

The EGM will be convened for the Independent Shareholders to consider and to approve, (i) the Qingdao Port Equipment Share Transfer Agreement and the transaction contemplated thereunder; and (ii) the Shandong Port Equipment Group Capital Increase Agreement and the transaction contemplated thereunder.

Qingdao Port Group (being a subsidiary of Shandong Port Group) and its associates will be required to abstain from voting on resolutions in relation to (i) the Qingdao Port Equipment Share Transfer Agreement and the transaction contemplated thereunder; and (ii) the Shandong Port Equipment Group Capital Increase Agreement and the transaction contemplated thereunder at the EGM.

To the best of the Directors' information, knowledge and belief, after having made all reasonable enquiries, save for the aforesaid, no Shareholder is required to abstain from voting on resolutions in relation to (i) the Qingdao Port Equipment Share Transfer Agreement and the transaction contemplated thereunder; and (ii) the Shandong Port Equipment Group Capital Increase Agreement and the transaction contemplated thereunder at the EGM.

A circular of the Company containing, among other things:

- (i) details in respect of the Qingdao Port Equipment Share Transfer Agreement;
- (ii) details in respect of the Shandong Port Equipment Group Capital Increase Agreement;
- (iii) the recommendations from the Independent Board Committee in respect of the Qingdao Port Equipment Share Transfer Agreement and the Shandong Port Equipment Group Capital Increase Agreement and the respective transactions contemplated thereunder;
- (iv) the advice from the Independent Financial Adviser in respect of the Qingdao Port Equipment Share Transfer Agreement and the Shandong Port Equipment Group Capital Increase Agreement and the respective transactions contemplated thereunder; and
- (v) a notice of the EGM,

will be issued by the Company and despatched to the Shareholders on or before 18 November 2022.

XI. DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms and expressions have the following meanings set forth below:

“A Share(s)”	share(s) with a nominal value of RMB1.00 each issued by the Company which are listed on the main board of the Shanghai Stock Exchange and traded in RMB (stock code: 601298)
“Absorption and Merger”	the transaction contemplated under the absorption and merger agreement entered into among Shandong Port Group, the Company, Qingdao Port Finance, Rizhao Port Co., Ltd.* (日照港股份有限公司) and Rizhao Port Group Finance Co., Ltd.* (日照港集團財務有限公司) on 25 January 2022, comprising of the acquisition of Rizhao Port Group Finance Co., Ltd.* (日照港集團財務有限公司) and disposal of Qingdao Port Finance
“Board”	the board of Directors
“Company”	Qingdao Port International Co., Ltd.* (青島港國際股份有限公司), a joint stock company incorporated in the PRC with limited liability on 15 November 2013
“Director(s)”	the director(s) of the Company
“EGM”	the 2022 second extraordinary general meeting of the Company to be held at the Conference Room, Shandong Port Tower, No. 7 Gangji Road, City North District, Qingdao, Shangdong Province, the PRC at 10:00 a.m. on Friday, 23 December 2022
“Group”	the Company together with its branches and subsidiaries
“H Share(s)”	the overseas listed foreign share(s) with a nominal value of RMB1.00 each in the share capital of the Company which are listed on the main board of the Hong Kong Stock Exchange and are traded in Hong Kong dollars

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Board Committee”	the independent board committee of the Board comprising of Ms. LI Yan, Mr. JIANG Min and Mr. LAI Kwok Ho, all of whom are independent non-executive Directors to advise and provide recommendations to the Independent Shareholders in respect of (i) the Qingdao Port Equipment Share Transfer Agreement and the transaction contemplated thereunder; and (ii) the Shandong Port Equipment Group Capital Increase Agreement and the transaction contemplated thereunder
“Independent Financial Adviser”	the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on (i) the Qingdao Port Equipment Share Transfer Agreement and the transaction contemplated thereunder; and (ii) the Shandong Port Equipment Group Capital Increase Agreement and the transaction contemplated thereunder
“Independent Shareholders”	the Shareholders other than Qingdao Port Group and its associates
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
“Proposed Capital Increase” or “Shandong Port Equipment Group Capital Increase”	the transaction contemplated under the Shandong Port Equipment Group Capital Increase Agreement

“Proposed Share Transfer” or “Qingdao Port Equipment Share Transfer”	the transaction contemplated under the Qingdao Port Equipment Share Transfer Agreement
“Qingdao Port Equipment”	Qingdao Port Equipment Manufacturing Co., Ltd.* (青島港口裝備製造有限公司), a limited liability company incorporated in the PRC on 16 November 2020, is a wholly-owned subsidiary of the Company before the Qingdao Port Equipment Share Transfer and Shandong Port Equipment Group Capital Increase
“Qingdao Port Equipment Share Transfer Agreement”	the share transfer agreement dated 28 October 2022 entered into between the Company and Shandong Port Equipment Group, in relation to the transfer of 51% equity interests in Qingdao Port Equipment by the Company to Shandong Port Equipment Group
“Qingdao Port Finance”	Qingdao Port Finance Co., Ltd.* (青島港財務有限責任公司), a company established on 22 July 2014 in the PRC with limited liability and a subsidiary jointly established by the Company (holding 70% equity interests) and Qingdao Port Group (holding 30% equity interests), which is mainly engaged in the provision of depository services, credit granting services, financial and financing advisory services, credit assurance and relevant consulting and agency services; trade receivables collection and payment services; internal fund transfer and settlement and formulation of proposals for the corresponding settlement and clearing services and other financial services to Qingdao Port Group and its member companies
“Qingdao Port Finance Capital Increase”	the transaction contemplated under the capital increase agreement entered into among Shandong Port Group, the Company, Rizhao Port Co., Ltd.* (日照港股份有限公司) and Shandong Port Financial Holdings Limited* (山東港口金融控股有限公司) on 25 January 2022 in relation to increase the registered capital of Qingdao Port Finance from RMB2,000 million to RMB2,567.6624 million

“Qingdao Port Group”	Shandong Port Qingdao Port Group Co., Ltd.* (山東港口青島港集團有限公司), a company established on 12 August 1988 in the PRC with limited liability, the controlling shareholder of the Company, holding approximately 55.77% equity interests in the Company as at the date of this announcement
“Qingdao Port International Trade Equity Transfer”	the transaction contemplated under the equity transfer agreement entered into between Qingdao Port International Logistics Co., Ltd.* (青島港國際物流有限公司) and Shandong Port Land-Sea International Logistics Group Co., Ltd.* (山東港口陸海國際物流集團有限公司), pursuant to which, Qingdao Port International Logistics Co., Ltd. agreed to transfer 11% equity interests in Qingdao Port International Trade Logistics Co., Ltd.* (青島港國際貿易物流有限公司) to Shandong Port Land-Sea International Logistics Group Co., Ltd.
“Reference Date”	the date on which the appraised value is determined in the valuation reports for Shandong Port Equipment Group and Qingdao Port Equipment, which is 28 February 2022
“Rizhao Port Group”	Shandong Port Rizhao Port Group Co., Ltd.* (山東港口日照港集團有限公司), a company established in the PRC with limited liability on 24 February 2004 and a wholly-owned subsidiary of Shandong Port Group
“RMB”	Renminbi, the lawful currency of the PRC
“Shandong Huide”	Shandong Huide Asset Appraisal Co., Ltd. (山東匯德資產評估有限公司), an independent asset appraisal company
“Shandong Port Equipment Group”	Shandong Port Equipment Group Co., Ltd.* (山東港口裝備集團有限公司), a company established in the PRC with limited liability on 27 March 2020. As at the date of this announcement, Shandong Port Group, Rizhao Port Group and Yantai Port Group hold 66.86%, 31.61% and 1.53% equity interests in Shandong Port Equipment Group, respectively

“Shandong Port Equipment Group Capital Increase Agreement”	the share capital increase agreement dated 28 October 2022 entered into among the Company, Shandong Port Group, Rizhao Port Group, Yantai Port Group and Shandong Port Equipment Group, in relation to Shandong Port Equipment Group Capital Increase
“Shandong Port Group”	Shandong Port Group Co., Ltd.* (山東省港口集團有限公司), a company established on 2 August 2019 in PRC with limited liability with Shandong SASAC as the actual controller, holding 100% equity interests in Qingdao Port Group as at the date of this announcement
“Shandong SASAC”	State-owned Assets Supervision and Administration Commission of the People’s Government of Shandong Province (山東省人民政府國有資產監督管理委員會)
“Share(s)”	A Share(s) and H Share(s)
“Shareholder(s)”	the shareholder(s) of the Company
“Weihai Port Development Equity Transfer”	the transaction contemplated under the equity transfer agreement dated 16 May 2022 entered into between Shandong Port Weihai Port Co., Ltd.* (山東港口威海港有限公司) and the Company, pursuant to which the Company agreed to acquire 51% equity interests in Shandong Weihai Port Development Co., Ltd.* (山東威海港發展有限公司) from Shandong Port Weihai Port Co., Ltd.
“Yantai Port Group”	Shandong Port Yantai Port Group Co., Ltd.* (山東港口煙台港集團有限公司), a company established in PRC with limited liability on 27 November 1984 and a wholly-owned subsidiary of Shandong Port Group
“Zhong Ping Heng Xin”	Shandong Zhong Ping Heng Xin Asset Appraisal Co., Ltd. * (山東中評恆信資產評估有限公司), an independent asset appraisal company
“%”	percent

In addition, the terms “associate(s)”, “connected person(s)”, “connected transaction(s)”, “controlling shareholder” and “subsidiary(ies)” shall have the meanings ascribed to them under the Hong Kong Listing Rules.

* The Chinese name(s) of the PRC entities have been translated into English in this announcement for reference only. In the event of any discrepancies between the Chinese names of the PRC entities and their respective English translations, the Chinese version shall prevail.

By order of the Board

Qingdao Port International Co., Ltd.

SU Jianguang

Chairman

Qingdao, the PRC, 28 October 2022

As at the date of this announcement, the executive Director of the Company is Mr. SU Jianguang; the non-executive Directors are Mr. LI Wucheng and Ms. WANG Fuling; and the independent non-executive Directors are Ms. LI Yan, Mr. JIANG Min and Mr. LAI Kwok Ho.