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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)

**REVISION OF EXISTING ANNUAL CAPS OF
CONTINUING CONNECTED TRANSACTIONS**

INTRODUCTION

Reference is made to the announcement dated 28 October 2021 and the circular (the “**Circular**”) dated 29 November 2021 in connection with, among others, the New General Services Agreement entered into between the Company and HPG. Capitalised terms used in this announcement shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 28 October 2021, the Company entered into the New General Services Agreement with HPG for an effective period from 1 January 2022 to 31 December 2024 (both days inclusive). Details of principal terms of the New General Services Agreement and the determination of prices, which remain unchanged, are set out in the Circular, under which the annual caps (the “**Existing Annual Caps**”) for the years ending 31 December 2022, 2023 and 2024 in respect of (i) the provision of services by the Group to HPG and/or its subsidiaries; and (ii) the provision of services by HPG and/or its subsidiaries to the Group, are (i) RMB166 million, RMB166 million and RMB166 million; and (ii) RMB607 million, RMB637 million and RMB669 million, respectively.

In view of the requirements of port operations required for the designated business, both the Group and HPG and/or its subsidiaries need services provided by each other. In view of the Group’s business development needs in the next two years, it is expected that transactions between the Group and HPG to exceed the previous expectations. As a result, the total service fees payable or receivable under the New General Services Agreement will be higher than as expected when entering the New General Services Agreement between both parties. Therefore, in order to cater to the ever-increasing service needs, the Board believes that the Existing Annual Caps set out in the New General Services Agreement may not be sufficient to cover the anticipated transactions. On 29 March 2023, the Board passed a resolution to propose a revision to the Existing Annual Caps.

LISTING RULES IMPLICATIONS

As at the date of this announcement, HPG is interested in 3,144,268,078 A Shares and 71,303,000 H Shares, representing approximately 57.55% of the issued share capital of the Company and hence a controlling shareholder and a connected person of the Company. Therefore, the transactions contemplated under the New General Services Agreement constitute the continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Under Rule 14A.54 of the Listing Rules, if the Company proposes to revise the annual caps of its continuing connected transactions, the Company must re-comply the provisions of Chapter 14A of the Listing Rules applicable to relevant continuing connected transactions.

Under the New General Services Agreement, (i) the applicable percentage ratio in respect to the revised annual cap (the “**Revised Annual Cap I**”) for the provision of services by the Group to HPG and/or its subsidiaries on an annual basis exceeds 0.1% but is less than 5%, and 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; and (ii) the applicable percentage ratio in respect of the revised annual cap (the “**Revised Annual Cap II**”) for the provision of services by HPG and/or its subsidiaries to the Group on an annual basis exceeds 5%, and 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.

GENERAL MEETING

A general meeting will be held to consider and approve, among others, the ordinary resolution regarding the Revised Annual Cap II under the New General Services Agreement.

A circular containing, amongst other things, (i) further details of the Revised Annual Cap II under the New General Services Agreement; (ii) the recommendation from the Independent Board Committee; (iii) the advice from the independent financial adviser; (iv) a notice convening the general meeting; and (v) other information as required under the Listing Rules are 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 19 April 2023.

INTRODUCTION

Reference is made to the announcement dated 28 October 2021 and the circular (the “**Circular**”) dated 29 November 2021 in connection with, among others, the New General Services Agreement entered into between the Company and HPG. Capitalised terms used in this announcement shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 28 October 2021, the Company entered into the New General Services Agreement with HPG for an effective period from 1 January 2022 to 31 December 2024 (both days inclusive). Details of principal terms of the New General Services Agreement and the determination of prices, which remain unchanged, are set out in the Circular, under which the annual caps (the “**Existing Annual Caps**”) for the years ending 31 December 2022, 2023 and 2024 in respect of (i) the provision of services by the Group to HPG and/or its subsidiaries; and (ii) the provision of services by HPG and/or its subsidiaries to the Group, are (i) RMB166 million, RMB166 million and RMB166 million; and (ii) RMB607 million, RMB637 million and RMB669 million, respectively.

In view of the requirements of port operations required for the designated business, both the Group and HPG and/or its subsidiaries need services provided by each other. In view of the Group’s business development needs in the next two years, it is expected that transactions between the Group and HPG to exceed the previous expectations. As a result, the total service fees payable or receivable under the New General Services Agreement will be higher than as expected when entering the New General Services Agreement between both parties. Therefore, in order to cater to the ever-increasing service needs, the Board believes that the Existing Annual Caps set out in the New General Services Agreement may not be sufficient to cover the anticipated transactions. On 29 March 2023, the Board passed a resolution to propose a revision to the Existing Annual Caps.

Save as the revision of the Existing Annual Caps, all other terms and conditions of the New General Services Agreement remain unchanged.

HISTORICAL TRANSACTION AMOUNT

The Existing Annual Caps and the audited total transaction amount for the year ended 31 December 2022 under the New General Services Agreement are as follows:

Unit: RMB0’000

Transactions	For the year ended 31 December 2022	
	Existing Annual Caps	Historical Transaction Amount
The Group providing services to HPG and/or its subsidiaries	16,600.00	10,803.51
HPG and/or its subsidiaries providing services to the Group	60,700.00	60,331.13

REVISED ANNUAL CAPS AND THE BASIS OF DETERMINATION

The following table sets out the Existing Annual Caps and the revised annual caps (the “**Revised Annual Caps**”) for the two years ending 31 December 2023 and 31 December 2024:

Unit: RMB0’000

	For the year ending 31 December 2023		For the year ending 31 December 2024	
	Existing Annual Caps	Revised Annual Caps	Existing Annual Caps	Revised Annual Caps
Transactions				
The Group providing services to HPG and/or its subsidiaries	16,600.00	20,000.00	16,600.00	20,000.00
HPG and/or its subsidiaries providing services to the Group	63,700.00	123,940.00	66,900.00	136,334.00

While considering the Revised Annual Caps, the Board has taken consideration into several factors including:

1. Historical transaction amount:
 - (1) the total fee received by the Group from HPG and/or its subsidiaries for its provision of services under the New General Services Agreement for the year ended 31 December 2022 accounts for over 65% of the Existing Annual Caps;
 - (2) the total fee paid by the Group to HPG and/or its subsidiaries for their provision of services under the New General Services Agreement for the year ended 31 December 2022 accounts for over 99% of the Existing Annual Caps;
2. the expected increase of the fixed asset investment and maintenance demand of the Group; and
3. the business development of the Group for the next two years. In particular, due to the port integration in Hebei Province, the Company expects that its actual demand for the transaction with HPG to exceed the previous expectation.

REASONS FOR AND BENEFITS OF REVISING THE EXISTING ANNUAL CAPS

In view of the requirements of port operations required for the designated business, both the Group and HPG and/or its subsidiaries need services provided by each other. In view of the Group’s business development demands in the next two years, it is expected that the actual demand for the transaction with HPG to exceed the previous expectation. As a result, the total service fees payable or receivable under the New General Services Agreement will be higher than as expected when entering the New General Services Agreement between both parties. Therefore, in order to cater to the ever-increasing service needs, the Board believes that the Existing Annual Caps set out in the New General Services Agreement may not be sufficient to cover the transactions, and now proposes to revise the Existing Annual Caps.

In view of the reasons above, the Directors (excluding Mr. Zhang Xiaoqiang and Mr. Nie Yuzhong who are required to abstain from voting on the relevant Board resolutions as well as the independent non-executive Directors, whose opinion will be set out in the letter from the Independent Board Committee of the circular to be despatched to the Shareholders) consider that the proposed revision of the Existing Annual Caps and the transactions contemplated under the New General Services Agreement are fair and reasonable, and are in the interests of the Group and its Shareholders as a whole.

INTERNAL CONTROL MEASURES FOR CONTINUING CONNECTED TRANSACTIONS

Reference is made to the section headed “Internal control measures” of the “Letter from the Board” in the Circular. The Company will continue to comply with the internal control measures set out therein.

INFORMATION OF HPG AND THE GROUP

The business scope of HPG mainly includes: investment in construction and operational management of ports and waterway; cargo loading and unloading, storing, boat tugging, railway transportation and other port operations and logistics services; shipping and port passenger transport services; port information technology consultation services; leasing and maintenance of port facilities, equipment and machinery; port industry investment, purchase and storage, development and utilization of land resources along the coastline and in the port area; leasing of house; providing facilities to terminals for vessels; port operation; corporate management.

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

LISTING RULES IMPLICATIONS

As at the date of this announcement, HPG is interested in 3,144,268,078 A Shares and 71,303,000 H Shares, representing approximately 57.55% of the issued share capital of the Company and hence a controlling shareholder and a connected person of the Company. Therefore, the transactions contemplated under the New General Services Agreement constitute the continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Under Rule 14A.54 of the Listing Rules, if the Company proposes to revise the annual caps of its continuing connected transactions, the Company must re-comply the provisions of Chapter 14A of the Listing Rules applicable to relevant continuing connected transactions.

Under the New General Services Agreement, (i) the applicable percentage ratio in respect to the revised annual cap (the “**Revised Annual Cap I**”) for the provision of services by the Group to HPG and/or its subsidiaries on an annual basis exceeds 0.1% but is less than 5%, and 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; and (ii) the applicable percentage ratio in respect of the revised annual cap (the “**Revised Annual Cap II**”) for the provision of services by HPG and/or its subsidiaries to the Group on an annual basis exceeds 5%, and 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.

A general meeting will be held to consider and, if thought fit, approve the resolution in relation to the Revised Annual Cap II under the New General Services Agreement to be proposed at the meeting.

ABSTENTION FROM VOTING ON BOARD RESOLUTIONS

Since Mr. Zhang Xiaoqiang and Mr. Nie Yuzhong, both being Directors, have material interests in the above transactions, they are deemed to have material interests in the revision of annual caps and have abstained from voting on the Board resolutions in respect to the approval of the above matters. Save and except for the aforesaid, none of the Directors has any material interest in the above matters and was required to abstain from voting on the Board resolutions in relation to the above matters.

GENERAL MEETING

The Company has formed an Independent Board Committee comprising all the independent non-executive Directors to advise the Independent Shareholders as to whether the Revised Annual Cap II under the New General Services Agreement is fair and reasonable, and in the interests of the Company and its Shareholders as a whole.

A general meeting will be held to consider and approve, among others, the ordinary resolution regarding the Revised Annual Cap II under the New General Services Agreement.

TC Capital, the independent financial adviser, has been appointed to advise the Independent Board Committee and the Independent Shareholders regarding the Revised Annual Cap II under the New General Services Agreement above.

HPG is deemed to have material interest in the Revised Annual Caps. Hence, according to the Listing Rules, HPG and its associates are required to abstain from voting on the resolutions to be proposed in respect to the approval of the Revised Annual Cap II under the New General Services Agreement at the General Meeting. As at the date of this announcement, HPG holds 3,144,268,078 A Shares and 71,303,000 H Shares, representing approximately 57.55% 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 above, no other Shareholders are required to abstain from voting on the ordinary resolution in respect to the Revised Annual Cap II under the New General Services Agreement to be proposed at the general meeting.

GENERAL

A circular containing, among other things, (i) further details of the Revised Annual Cap II under the New General Services Agreement; (ii) the recommendation from the Independent Board Committee; (iii) the advice from the independent financial adviser; (iv) a notice convening the general meeting; and (v) other information as required under the Listing Rules are 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 19 April 2023.

On behalf of the Board
Qinhuangdao Port Co., Ltd.*
ZHANG Xiaoqiang
Chairman

Qinhuangdao, Hebei Province, the PRC
29 March 2023

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

* *For identification purpose only*