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招商局港口控股有限公司

CHINA MERCHANTS PORT HOLDINGS COMPANY LIMITED

(Incorporated in Hong Kong with limited liability under the Companies Ordinance)

(Stock Code: 00144)

**ANNOUNCEMENT
CONNECTED TRANSACTION
STRUCTURED LEASE AGREEMENT**

SUMMARY

On 6 April 2023, CICT, a subsidiary of the Company entered into the Structured Lease Agreement with Ocean Driller III, an indirect wholly-owned subsidiary of CMG, the ultimate holding company of the Company.

Pursuant to the Structured Lease Agreement, CICT agreed to transfer all legal and beneficial right, title and interest in and to the Equipment to Ocean Driller III, and Ocean Driller III agreed to accept and be granted all legal and beneficial right, title and interest in and to the Equipment, with the intention that Ocean Driller III shall then immediately lease the Equipment back to CICT for the Lease Period.

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

1 BACKGROUND

On 6 April 2023, CICT, a subsidiary of the Company entered into the Structured Lease Agreement with Ocean Driller III, an indirect wholly-owned subsidiary of CMG, the ultimate holding company of the Company.

Pursuant to the Structured Lease Agreement, CICT agreed to transfer all legal and beneficial right, title and interest in and to the Equipment to Ocean Driller III, and Ocean Driller III agreed to accept and be granted all legal and beneficial right, title and interest in and to the Equipment, with the intention that Ocean Driller III shall then immediately lease the Equipment back to CICT for the Lease Period.

As security for the performance of CICT’s obligations, the Company will provide a letter of comfort in favour of Ocean Driller III.

2 THE STRUCTURED LEASE AGREEMENT

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

Date: 6 April 2023

Parties: (1) CICT (as lessee)
(2) Ocean Driller III (as lessor)

Leased Assets: the Equipment

The aggregate book value of the Equipment is US\$57.76 million (equivalent to approximately HK\$453 million).

The original cost of the Equipment paid by CICT was US\$114 million (equivalent to approximately HK\$895 million).

Transfer of Title and Agreement to Lease CICT will transfer all the legal and beneficial right, title and interest in and to the Equipment to Ocean Driller III at the Consideration. Simultaneously with the delivery to and acceptance by Ocean Driller III of the Equipment, Ocean Driller III shall lease and CICT shall take on the lease of the Equipment for the Lease Period within which CICT has the rights and benefits of use, possession or quiet enjoyment of the Equipment.

Consideration:

US\$49 million (equivalent to approximately HK\$385 million) or such other amount as may be agreed between CICT and Ocean Driller III in writing (but in any event not exceeding 86% of the value of the Equipment as agreed between CICT and Ocean Driller III).

Subject to Ocean Driller III’s election, its obligation to pay the Consideration may be set off against CICT’s obligation to pay the Deposit under the Structured Lease Agreement, such that Ocean Driller III shall only be required to pay an amount equivalent to the Consideration less the Deposit (the “**Net Consideration**”).

The obligation of Ocean Driller III to pay the Consideration is subject to satisfaction of the conditions precedent under the Structured Lease Agreement, including but not limited to, the delivery of a payment notice by CICT to Ocean Driller III.

All the payments payable by Ocean Driller III will be in cash and funded by its internal resources.

The Consideration is arrived at after arm’s length negotiation between the Group and Ocean Driller III and it is in effect the principal amount of a loan to be advanced by Ocean Driller III to CICT, with a letter of comfort to be provided by the Company in favour of Ocean Driller III as security for the performance of CICT’s obligations.

Lease Period:

The period commencing on the date on which the payment of the Consideration (or, if applicable, the Net Consideration) takes place (the “**Remittance Date**”) and ending on the date falling 364 days after the Remittance Date, unless terminated earlier in accordance with the provisions of the Structured Lease Agreement.

Rent:	The aggregate Rent payable by CICT to Ocean Driller III shall be an amount equivalent to the Consideration plus Interest, payable in arrears in quarterly instalments.
Interest:	Interest shall accrue on the Rent principal balance at a rate equal to the aggregate of: (i) a 3-month Term SOFR rate applicable as at the date of calculation; and (ii) a margin of 3% per annum.
Lease payment:	CICT shall pay each instalment of the Rent to an account designated by Ocean Driller III at three-monthly intervals after the Remittance Date.
Deposit:	CICT shall pay to Ocean Driller III an amount equivalent to 5% of the Consideration: <ul style="list-style-type: none"> (i) no later than the Remittance Date; or (ii) subject to Ocean Driller III's election, by way of set-off against the Consideration payable.
Repurchase of Equipment:	At the end of the Lease Period, subject to payment of all moneys owing and payable to Ocean Driller III under the Structured Lease Agreement, CICT shall repurchase all of the Equipment from Ocean Driller III for an amount equal to US\$1.00 (equivalent to approximately HK\$7.85).
Security:	As security for the performance of CICT's obligations under the Structured Lease Agreement, the Company will provide a letter of comfort in favour of Ocean Driller III.

3 FINANCIAL EFFECTS AND USE OF PROCEEDS

Pursuant to FAQ No. 052-2018 issued by the Stock Exchange, whilst the transaction contemplated under the Structured Lease Agreement will be accounted for as a financing arrangement by the Group according to HKFRS 16, the transfer of the legal ownership of the Equipment constitutes a disposal of assets by CICT and an acquisition of assets by Ocean Driller III under the relevant Listing Rules. The Equipment will be recognised as finance lease assets in the financial accounts of the Group on a consolidated basis as a result of the Structured Lease Agreement.

The Consideration is in effect the principal amount of a loan to be advanced by Ocean Driller III to CICT. The Consideration will be used for repayment of bank loans of CICT and broadening and strengthening its financing channels.

4 REASONS FOR THE TRANSACTION

The core business of the Group includes port and port-related business.

CICT engages in the business of container handling in the port of Colombo. To ensure its production and operation, broaden financing channels and strengthen the financing guarantee, CICT needs new financing arrangement. After comparing the terms offered by various financial leasing institutions (including but not limited to the interest rate proposed, the term of loan, administrative processes and security requirements), the Board is of the view that the terms and conditions under the Structured Lease Agreement are the most beneficial for the Group as a whole.

Taking into account of the above, the Directors, including the independent non-executive Directors, are of the view that the Structured Lease Agreement has been entered into on normal commercial terms and is in the ordinary and usual course of business of the Group and that the terms of the Structured Lease Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole.

5 INFORMATION ABOUT THE PARTIES

CICT is a private limited liability company incorporated in Sri Lanka and a 85%-owned subsidiary of the Company. Its principal activities are the provision of container terminal services and other port-related businesses in Sri Lanka.

Ocean Driller III is a company incorporated under the laws of Hong Kong and a wholly-owned subsidiary of China Merchants Financial Leasing Co., Ltd, which is a joint stock company incorporated under the laws of PRC and a wholly-owned subsidiary of CMG, the ultimate holding shareholder of the Company. Its principal activities are financial leasing, leasing, purchasing the leasing assets domestic and overseas, and handling and repairing the residual value of the leasing assets.

CMG, the ultimate holding company of the Company, is an enterprise wholly-owned by the PRC Government (the State Council of the PRC) and supervised by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC. It mainly provides services in three sectors, including transportation and related infrastructure, financial investment and asset management, and industry park and property development and management.

6 LISTING RULES IMPLICATIONS

Ocean Driller III is a subsidiary of CMG, the ultimate holding company of the Company, and therefore a connected person of the Company. Accordingly, the transaction contemplated under the Structured Lease Agreement constitute a connected transaction of the Company.

According to HKFRS 16, the transaction contemplated under the Structured Lease Agreement will be accounted for as a financing arrangement by the Group. Pursuant to FAQ No. 052-2018 issued by the Stock Exchange, the transfer of the legal ownership of the Equipment constitutes a disposal of assets by the Company and an acquisition of assets by Ocean Driller III and constitutes a connected transaction of the Company.

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

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

7 DEFINITIONS

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

- “associates” has the meaning ascribed to this term under the Listing Rules
- “Board” the board of Directors of the Company

“CICT”	Colombo International Container Terminals Limited, a private limited liability company incorporated in Sri Lanka and is 85%-owned by the Company
“CMG”	China Merchants Group Limited (招商局集團有限公司), a company incorporated in the PRC and the ultimate holding company of the Company
“Company”	China Merchants Port Holdings Company Limited (招商局港口控股有限公司), a company incorporated in Hong Kong and whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited
“connected person”	has the meaning ascribed to this term under the Listing Rules
“Consideration”	US\$49 million (equivalent to approximately HK\$385 million) or such other amount as may be agreed between CICT and Ocean Driller III in writing (but in any event not exceeding 86% of the value of the Equipment as agreed between CICT and Ocean Driller III)
“Deposit”	the deposit payable by CICT under the Structured Lease Agreement for the purposes of securing its due observance and performance of its obligations
“Directors”	the directors of the Company
“Equipment”	the equipment of (i) ZPMC 3Quay Crane (No. 1, 2 & 3); (ii) ZPMC 3Quay Crane (No. 4, 5 & 6); (iii) ZPMC 3Quay Crane (No. 7, 8 & 9); and (iv) ZPMC 3Quay Crane (No. 10, 11 & 12), including all units and parts
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Interest”	the interest payable by CICT on the principal amount of Rent under the Structured Lease Agreement
“Structured Lease Agreement”	the structured lease agreement dated 6 April 2023 entered into between CICT and Ocean Driller III in relation to the transfer of title to and the lease of the Equipment
“Lease Period”	the term of the lease pursuant to the Structured Lease Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Ocean Driller III”	Ocean Driller III Limited, a limited company incorporated under the laws of Hong Kong and an indirect wholly-owned subsidiary of CMG
“PRC”	the People’s Republic of China
“Rent”	the rent payable by CICT under the Structured Lease Agreement
“SOFR”	the secured overnight financing rate (SOFR) administered by the Federal Reserve Bank of New York (or any other person which takes over the administration of that rate) published (before any correction, recalculation or republication by the administrator) by the Federal Reserve Bank of New York (or any other person which takes over the publication of that rate)
“Sri Lanka”	the Republic of Sri Lanka
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules

“Term SOFR”	the term SOFR reference rate administered by CME Group Benchmark Administration Limited (or any other person which takes over the administration of that rate) for the relevant period published (before any correction, recalculation or republication by the administrator) by CME Group Benchmark Administration Limited (or any other person which takes over the publication of that rate)
“US\$”	US Dollars, the lawful currency of the United States of America
“%”	per cent.

For reference only, exchange rate of US\$1.00 to HK\$7.85 has been used for the conversion of US Dollars into Hong Kong dollars in this announcement.

By Order of the Board
China Merchants Port Holdings Company Limited
Deng Renjie
Chairman

Hong Kong, 6 April 2023

As at the date of this announcement, the Board comprises Mr. Deng Renjie (Chairman), Mr. Yim Kong and Mr. Yang Guolin as Non-Executive Directors; Mr. Wang Xiufeng, Mr. Xu Song, Mr. Tu Xiaoping and Mr. Lu Yongxin as Executive Directors; and Mr. Bong Shu Ying Francis, Mr. Chan Hiu Fung Nicholas, Ms. Chan Yuen Sau Kelly, Mr. Li Ka Fai David and Ms. Wong Pui Wah as Independent Non-Executive Directors.