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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)

**CONNECTED TRANSACTION
FORMATION OF JOINT VENTURE IN CONNECTION WITH
OLD PORT LAND REDEVELOPMENT PROJECT IN DJIBOUTI**

SUMMARY

The Board is pleased to announce that on 29 December 2020, the Company entered into the Investment Agreement with GHIH, CMSK, Top Chief, PDSA and DPFZA in relation to the proposed formation of the Red Sea World Joint Venture in connection with the Redevelopment Project in Djibouti. Pursuant to the Investment Agreement, each of the Djibouti Newco (a direct wholly-owned subsidiary of GHIH), CMHD (an indirect, wholly-owned subsidiary of the Company) and OHD (an indirect, wholly-owned subsidiary of Top Chief) shall have a 60%, 23.5% and 16.5% interest in the Red Sea World Joint Venture, respectively.

LISTING RULE IMPLICATIONS

Each of Top Chief and OHD is a wholly-owned subsidiary of CMSK and CMSK, is an associate of CMG, the ultimate holding company of the Company, and therefore they are all connected persons of the Company. Accordingly, the Investment Agreement constitutes a connected transaction of the Company under the Listing Rules.

Since the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the aggregate capital commitment by CMHD under the Investment Agreement exceeds 0.1% but are below 5%, the transaction is therefore exempt from the circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules.

1. BACKGROUND

The Board is pleased to announce that on 29 December 2020, the Company entered into the Investment Agreement in relation to the Red Sea World Joint Venture in relation to the proposed formation of the Red Sea World Joint Venture in connection with the Redevelopment Project.

THE INVESTMENT AGREEMENT

The key terms of the Investment Agreement are set out below:

Date: 29 December 2020

Parties: (1) The Company
(2) GHIH
(3) CMSK
(4) Top Chief
(5) PDSA
(6) DPFZA

Purpose and scope of business: The Red Sea World Joint Venture shall be a company to be established under the laws of Djibouti for the purpose of developing, operating and managing the Redevelopment Project and holding all assets thereof (including the Phase I Land).

PDSA shall enter into a transfer agreement with the Red Sea World Joint Venture for the transfer of the Phase I Land as soon as possible after the establishment of the Red Sea World Joint Venture. The transfer price of the Phase I Land shall be US\$69,870,000 (equivalent to approximately HKD544,986,000) which will be funded by the capital contribution by the shareholders of the Red Sea World Joint Venture.

Shareholding and capital commitment: The registered share capital of the Red Sea World Joint Venture shall initially be an amount equivalent in DJF of US\$14,000 (equivalent to approximately HKD109,200) of which, each of Djibouti Newco, CMHD and OHD shall hold 60%, 23.5% and 16.5%, respectively. The amount of capital contribution to be paid by each of Djibouti Newco, CMHD and OHD at this stage shall be US\$8,400 (equivalent to approximately HKD65,520), US\$3,290 (equivalent to approximately HKD25,662) and US\$2,310 (equivalent to approximately HKD18,018), respectively.

Immediately after the incorporation of the Red Sea World Joint Venture, Djibouti Newco, CMHD and OHD shall increase the registered share capital of the Red Sea World Joint Venture and make a second capital contribution of US\$120,000,000 (equivalent to approximately HKD100,800,000) to the Red Sea World Joint Venture on a pro rata basis. The amount of capital contribution to be paid by each of Djibouti Newco, CMHD and OHD at this stage shall be US\$72,000,000 (equivalent to approximately HKD561,600,000), US\$28,200,000 (equivalent to approximately HKD219,960,000) and US\$19,800,000 (equivalent to approximately HKD154,440,000), respectively.

In addition, Djibouti Newco, CMHD and OHD shall provide up to an aggregate amount of US\$10,000,000 (equivalent to approximately HKD78,000,000) to the Red Sea World Joint Venture on a pro rata basis. The amount of additional capital contribution to be paid by each of Djibouti Newco, CMHD and OHD for shall be US\$6,000,000 (equivalent to approximately HKD46,800,000), US\$2,350,000 (equivalent to approximately HKD18,330,000) and US\$1,650,000 (equivalent to approximately HKD12,870,000), respectively.

Board of directors: The board of the Red Sea World Joint Venture shall comprise of five directors. Djibouti Newco shall be entitled to nominate three directors, each of CMHD and OHD shall be entitled to nominate one director.

The quorum for any board meeting shall be at least four directors comprising at least one director nominated by each of CMHD and OHD and at least two directors nominated by Djibouti Newco upon first and second calls for a meeting. Should a meeting still be inquorate after the first two calls, the quorum upon third call shall be a majority of the directors.

The chairman of the board of directors shall be nominated by Djibouti Newco and the vice-chairman of the board of directors shall be jointly nominated by CMHD and OHD. Neither the chairman nor the vice-chairman shall have a casting vote.

All matters of the board shall be decided by a simple majority of all directors attending a validly constituted meeting or represented, save for the reserved matters including inter alia, approving feasibility study, annual business plan and budget, financial plan, plans, activities and schemes to attract and promote investors, and contractors and subcontractors in connection with the Redevelopment Project which shall be decided by the unanimous vote of all directors attending.

Conditions for taking effect:	The establishment of the Red Sea World Joint Venture is subject to, inter alia, the obtaining of all necessary approvals and consents and land title to the Phase I Land being granted to PDSA.
Parent guarantee:	Each of the Company, Top Chief and GHIH has agreed to guarantee the performance by each of CMHD, OHD and Djibouti Newco, respectively, of their obligations under the Investment Agreement.

2. REASONS FOR THE TRANSACTION

The core business of the Group includes port and port-related business. In order to realise the Group's vision of being a world-class integrated port service provider, the Group has, in recent years, been actively exploring and, as and when deemed appropriate, capturing available opportunities overseas as one of the means to effectively add new growth drivers to its existing, sustainably growing ports business. The Company and CMSK jointly implemented the Group's 'Port-Park-City' strategy to realise business interaction and synergy within the Group, maximise benefits, and share benefits and risk with CMSK.

The Group sees great opportunities and economic benefits in developing, operating and managing the Redevelopment Project for the following key reasons. Djibouti has stable geo-political environment and the largest deep-water port in East Africa. The Redevelopment Project has prime location, as it is close to the Djibouti International Airport, the Nagad train station and one of the main highways in Djibouti. The market conditions of Djibouti are also in favour the Redevelopment Project due to the current low supply but high demand in residential properties, commercial properties, hotels and offices. Therefore, the Group is of the view that it will benefit from the Red Sea World Joint Venture.

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

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

3. GENERAL INFORMATION

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.

CMHD is a company incorporated under the laws of Djibouti and a wholly-owned indirect subsidiary of the Company. Its principal activity is investment holding.

CMSK is a company incorporated in the PRC and listed on the Shenzhen Stock Exchange. Its principal activities are the development and operation of park, the development and operation of community and the construction and operation of the cruise industry. It is a subsidiary of CMG.

DPFZA is a government authority in charge of the administration and control of all the free zones and ports in Djibouti.

GHIH is a company incorporated in Djibouti and is a subsidiary of DPFZA. GHIH's principal activities are investments in Djibouti and holding the related interests.

OHD is a company proposed to be incorporated under the laws of Djibouti and a wholly-owned indirect subsidiary of CMSK. Its principal activity is investment holding.

PDSA is a company incorporated under the laws of Djibouti. Its principal activities are operations of seaports and terminals and port related business in Djibouti.

Top Chief is a company incorporated under the laws of Hong Kong and a direct wholly-owned subsidiary of CMSK. Its principal activity is investment holding.

To the best of the Directors' knowledge, information and belief having made all enquiries, save as disclosed in this announcement, each of GHIH, PDSA and DPFZA, and each of their respective ultimate beneficial owners are third parties independent of the Company and the connected persons of the Company.

4. LISTING RULES IMPLICATIONS

Each of Top Chief and OHD is a wholly-owned subsidiary of CMSK and CMSK is an associate of CMG, the ultimate holding company of the Company, and therefore they are all connected persons of the Company. Accordingly, the Investment Agreement constitutes a connected transaction of the Company under the Listing Rules.

Since the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the aggregate capital commitment by CMHD under the Investment Agreement (being USD30,553,290 (equivalent to approximately HK\$238,315,662) exceeds 0.1% but are below 5%, the transactions are therefore exempt from the circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules.

5. 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
“CMG”	China Merchants Group Limited (招商局集團有限公司), a state-owned enterprise incorporated in the PRC and the ultimate holding company of the Company
“CMHD”	China Merchants Holdings (Djibouti) FZE, a free zone establishment incorporated in Djibouti, an indirect, wholly-owned subsidiary of the Company
“CMSK”	China Merchants Shekou Industrial Zone Holdings Co., Ltd. (招商局蛇口工業區控股股份有限公司), a company incorporated in the PRC with limited liability, with its shares listed on the Shenzhen Stock Exchange (Stock code: 001979). It is a subsidiary of CMG

“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 Rule 14A.06 of the Listing Rules
“Directors”	the directors of the Company
“DJF”	Djiboutian franc, the lawful currency of Djibouti
“Djibouti Newco”	a company proposed to be incorporated in Djibouti and a direct wholly-owned subsidiary of GHIH
“DPFZA”	Djibouti Ports & Free Zones Authority, the sole government authority in charge of the administration and the control of all the free zones and ports in Djibouti
“GHIH”	Great Horn Investment Holdings S.A.S., a company incorporated in Djibouti and a subsidiary of DPFZA
“Group”	the Company and its subsidiaries
“HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Investment Agreement”	the investment agreement entered into among the Company, CMSK, GHIH, Top Chief, PDSA and DPFZA
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“OHD”	Orienture Holdings (DJIBOUTI) FZE, a company proposed to be incorporated in Djibouti and an indirect, wholly-owned subsidiary of CMSK (the official entity name is subject to the approval of the local authority).

“Old Port Land”	a land situated in the Djibouti Old Port area on the north side of the Djibouti city center, with a development zone occupying a total site area of approximately 840,000 square meters
“PDSA”	Port de Djibouti S.A., a company incorporated in Djibouti. The Company is interested in 23.5% of the entire issued share capital of PDSA and the remaining 76.5% of the entire issued share capital of PDSA is held by GHIH
“Phase I Land”	an area of 220,498 m ² of the Old Port Land (which is contemplated to be transferred to the Red Sea World Joint Venture in the future in connection with the Redevelopment Project)
“Red Sea World Joint Venture”	Red Sea World S.A., a company incorporated in Djibouti and formed in accordance with the Investment Agreement for the purpose of the Redevelopment Project (the official entity name is subject to the approval of the local authority)
“Redevelopment Project”	the redevelopment of the Old Port Land by the Red Sea World Joint Venture by developing it into a business, commercial and residential district in accordance with the Investment Agreement
“subsidiary (ies)”	has the meaning ascribed to it under the Listing Rules
“Top Chief”	Top Chief Company Limited, a company incorporated in Hong Kong and a direct wholly-owned subsidiary of CMSK
“USD”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

For reference only, an exchange rate of US\$1.00 to HKD7.80 has been used for the conversion of United States dollars into Hong Kong dollars in this announcement.

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

Hong Kong, 29 December 2020

As at the date of this announcement, the Board comprises Mr. Deng Renjie, Mr. Su Jian, Mr. Xiong Xianliang, Mr. Bai Jingtao, Mr. Ge Lefu, Mr. Wang Zhixian and Mr. Zheng Shaoping as executive directors; and Mr. Kut Ying Hay, Mr. Lee Yip Wah Peter, Mr. Li Ka Fai David and Mr. Bong Shu Ying Francis as independent non-executive directors.