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(a sino-foreign joint stock limited company incorporated in the People's Republic of China)
(Stock Code: 2880)

MAJOR AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF PORT ASSETS

INTRODUCTION

The Board is pleased to announce that, on 28 October 2021, the Company (as the purchaser) has entered into the Agreements with YKP (as the vendor) pursuant to which the Company agreed to acquire and YKP agreed to sell the Assets at a total consideration of RMB8,524,108,000.

LISTING RULES IMPLICATIONS

As of the date of this announcement, YKP is a subsidiary of CMG, an indirect holding company of the Company, and therefore is a connected person of the Company as defined under Rule 14A.07 of the Listing Rules. As such, the Transaction constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the Transaction exceeds 25% but is less than 100%, the Transaction constitutes a major transaction of the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

EGM

The EGM will be convened to, among other things, consider and, if thought fit, approve the Agreements and the Transaction. The Independent Board Committee has been formed to advise the Independent Shareholders in respect of the Transaction. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders on the same. CMG and its associates will abstain from voting on the resolution approving Transaction.

A circular containing, among other things, (i) further details in relation to the Transaction, (ii) the recommendation of the Independent Board Committee in relation to the Transaction, (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Transaction and (iv) other information required under the Listing Rules, is expected to be despatched to the Shareholders on or before 18 November 2021.

INTRODUCTION

The Board is pleased to announce that, on 28 October 2021, the Company (as the purchaser) has entered into transaction documents (the “**Agreements**”) with YKP (as the vendor) pursuant to which the Company agreed to acquire and YKP agreed to sell the Assets at a total consideration of RMB8,524,108,000.

THE TRANSACTION

The principal terms of the Transaction are set out as follows:

- Date: 28 October 2021
- Parties: (i) the Company (as the purchaser); and
(ii) YKP (as the vendor)
- Subject asset: A group of assets with a total book value of RMB6,526,083,400 and an appraised value of RMB8,524,108,000 (the “**Assets**”), comprising:
- (i) the assets (to the extent not transferred to the SPV), including berths and yards, machinery and equipment, barge assets, hydropower assets, coal business related assets, land in the Bayuquan Port Area; and
 - (ii) the entire issued share capital of the SPV, which owns assets (to the extent of the Assets which were transferred to the SPV) with an appraised value of approximately RMB7,299,443,700 according to the Valuation, including berths and yards, machinery and equipment, barge assets, hydropower assets, coal business related assets, land in the Bayuquan Port Area.

The SPV is a wholly owned subsidiary of YKP and has no other assets or any business operation save for the part of Assets transferred to it, which includes berths and yards, machinery and equipment, barge assets, hydropower assets, coal business related assets, land in the Bayuquan Port Area.

The original costs of the Assets are RMB9,554,922,703.67.

The net profit attributable to the Assets are set out as follows:

	Net profit	
	<i>(before taxation and extraordinary items)</i>	<i>(after taxation and extraordinary items)</i>
2019	349,858,859.56	262,842,909.12
2020	467,968,047.06	350,579,969.83

- Conditions precedent: The Agreements shall take effect upon the satisfaction of the following conditions precedent:
- (i) the Transaction being approved by the Board and the independent Shareholders of the Company;
 - (ii) CMG having approved the Transaction in accordance with the procedures of the SASAC for the supervision and administration of state owned assets transactions and completed the filing of valuation reports;
 - (iii) the relevant authority of YKP having approved the Transaction;
 - (iv) the relevant authority of the SPV having approved the Transaction; and
 - (v) the Stock Exchange having no objection to the announcement(s) and circular(s) issued by the Company related to the Transaction.

In addition to above, the transfer of SPV is also conditional upon the registered capital of the SPV having been increased to RMB500,000,000.

Consideration: A total consideration of RMB8,524,108,000 in cash.

Basis of consideration: The consideration was determined after arm's length negotiation and with reference to the Valuation.

Payment: The Group shall (i) transfer RMB4,524,108,000 in cash to YKP on or before 31 December 2021; and (ii) transfer the rest of the consideration in cash to YKP on or before 30 September 2022.

Funding: The Company will utilize its capital resources and debt financing instrument to meet the financial commitment of the Company under the Transaction.

Completion: The Assets shall be transferred to the Group on or before 31 December 2022, of which:

- (i) the ownership of sea area use rights shall be transferred on or before 31 December 2022 without any encumbrance of rights;
- (ii) the rest of the Assets shall be transferred to the Group within 90 days after the conditions precedent (excluding the increase of SPV's registered capital) being completed;
- (iii) existing contracts between YKP and the Assets, including water supply business, electricity supply business, tugboat business and other business contracts, shall be transferred to the Group within 60 days after the conditions precedent being completed.

INFORMATION OF YKP

YKP is a company with limited liability established in the PRC, with principal business in terminal and other port facility services, cargo handling, warehousing services, ship port services, port facility equipment and port machinery rental and maintenance services. YKP is ultimately non-wholly owned by CMG that is wholly owned by the PRC Government (the State Council of the PRC) and supervised by the SASAC. CMG mainly provides services in three sectors, including transportation and related infrastructure, financial investment and asset management, and industry park and property development and management. The top ten shareholders of YKP are Liaoning Port Group Co., Ltd, Dalian Port Corporation Limited, Bank of China Limited Yingkou Branch*, Industrial and Commercial Bank of China Limited Liaoning Branch*, China Construction Bank Corporation Yingkou Branch*, Agricultural Bank Financial Assets Investment Co., Ltd.*, Bank of Communications Co., Ltd. Liaoning Branch*, Postal Savings Bank of China Co., Ltd. Liaoning Branch*, Industrial Bank Co., Ltd. Yingkou Branch* and Shanghai Pudong Development Bank Co., Ltd. Yingkou Branch*. Except for Liaoning Port Group Co., Ltd. and Dalian Port Corporation Limited (each of which holds 22.96% equity interest of YKP respectively), each of the remaining top ten shareholders of YKP holds less than 10% equity interest.

INFORMATION OF THE GROUP

The Group is principally engaged in oil/liquefied chemical terminal and the related logistics services (oil segment); container terminal and related logistics services (container segment); automobile terminal and related logistics services (automobile terminal segment); bulk and general cargo terminal and related logistics services (bulk and general cargo segment); bulk grain terminal and related logistics services (bulk grain segment); passenger and roll-on, roll-off terminal and related logistics services (passenger and ro-ro segment) and value-added and ancillary port operations (value-added services segment).

REASONS FOR AND BENEFITS OF THE TRANSACTION

The Transaction will be conducive to fulfilling the non-competing undertakings committed by the major Shareholders on addressing inter-sector competition and connected transactions between the Company and YKP.

The Transaction is advantageous to the market capitalization of the Company as the market will expect further high-quality assets injection by the major Shareholders to the Group, which is conducive to share price appreciation and market value management of the Company.

The Transaction will reduce the amount of connected transactions between the Group and YKP Group as most of the port-related assets in Bayuquan Port Area (including a large number of assets which are already leased by the Group) will be transferred to the Company upon completion of the Transaction. It will reduce the Company's cost of reporting and relieve the Company from unduly burdensome approval procedures.

The Assets are profitable and of high-quality, being strictly selected from the existing assets of YKP Group. The Assets located in Bayuquan Port Area have a strong business linkage with the Company's assets located in the neighboring area and therefore will create synergy effect within the Group.

Based on the foregoing, the Directors (excluding the independent non-executive Directors) are of the view that the terms of the Agreements were determined after arm's length negotiation, and the Transaction is conducted in the ordinary and usual course of business of the Company and are on normal commercial terms or better, fair and reasonable and in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

As of the date of this announcement, YKP is a subsidiary of CMG, an indirect holding company of the Company, and therefore is a connected person of the Company as defined under Rule 14A.07 of the Listing Rules. As such, the Transaction constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the Transaction exceeds 25% but is less than 100%, the Transaction constitutes a major transaction of the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

GENERAL

The EGM will be convened to, among other things, consider and, if thought fit, approve the Agreements and the Transaction. The Independent Board Committee has been formed to advise the Independent Shareholders in respect of the Transaction. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders on the same. CMG and its associates will abstain from voting on the resolution approving Transaction.

A circular containing, among other things, (i) further details in relation to the Transaction, (ii) the recommendation of the Independent Board Committee in relation to the Transaction, (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Transaction and (iv) other information required under the Listing Rules, is expected to be despatched to the Shareholders on or before 18 November 2021.

DEFINITIONS

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

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|---------------------------|--|
| “Assets” | means the assets owned by YKP Group with a total book value of RMB6,526,083,400 and an appraised value of RMB8,524,108,000 according to the Valuation, including berths and yards, machinery and equipment, barge assets, hydropower assets, coal business related assets, land in the Bayuquan Port Area; |
| “A Share(s)” | A Share(s) of RMB1.00 each in the capital of the Company which is/are listed and traded on the Shanghai Stock Exchange; |
| “Articles of Association” | means the articles of association of the Company; |
| “associates” | has the meaning ascribed thereto under the Listing Rules; |

“Board”	means the board of directors of the Company;
“CMG”	means China Merchants Group Limited (招商局集團有限公司), a state wholly-owned enterprise established under the laws of the PRC under the direct control of the SASAC;
“Company”	means Liaoning Port Co., Ltd. (遼寧港口股份有限公司), a joint stock limited company established in the PRC whose H Shares and A Shares are listed on the Main Board of the Stock Exchange (stock code: 2880) and the Shanghai Stock Exchange (stock code: 601880) respectively;
“connected person”	has the meaning ascribed thereto under the Listing Rules;
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules;
“CSRC”	means the China Securities Regulatory Commission;
“Directors”	means the directors of the Company;
“EGM”	the extraordinary general meeting of the Company to be held to, among other things, consider and, if thought fit, approve the Transaction;
“Group”	the Company and its subsidiaries;
“H Shares”	H Share(s) of RMB1.00 each in the capital of the Company which is/are listed and traded on the Stock Exchange;
“HK\$”	means Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC;
“Independent Financial Adviser”	means TC Capital International Limited, a licensed corporation under the SFO to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) of the regulated activities as set out in schedule 5 of the SFO;
“Independent Board Committee”	means the independent committee of the Board, comprising the independent non-executive Directors, namely LI Zhiwei, LIU Chunyan and LAW Man Tat;
“Independent Shareholders”	means the shareholders of the Company, other than CMG and its associates;
“Liaoning Port Group”	means Liaoning Port Group Limited (遼寧港口集團有限公司), formerly known as Liaoning North East Asia Gang Hang Development Co., Ltd. (遼寧東北亞港航發展有限公司), a limited liability company established in the PRC;

“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC” or “China”	means the People’s Republic of China;
“RMB”	means Renminbi, the lawful currency of the PRC;
“SASAC”	State-owned Assets Supervision and Administration Commission of the State Council of the PRC;
“Shareholders”	means the shareholders of the Company;
“Shares”	means A Shares and H Shares;
“SFO”	the Securities and Futures Ordinance;
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited;
“SPV”	means Yingkou Port Bulk Cargo Terminal Co., Ltd* (營口港散貨碼頭有限公司), a company incorporated in the PRC with limited liabilities and is wholly owned by YKP as at the date of this announcement;
“substantial shareholder”	has the meaning ascribed thereto under the Listing Rules;
“trading day”	with respect to A shares, means a day on which the Shanghai Stock Exchange is open for dealing or trading in securities; and with respect to H shares, means a day on which the Stock Exchange is open for dealing or trading in securities;
“Transaction”	means the transaction contemplated under the Agreements in connection to the acquisition of the Assets (including the SPV) by the Company from YKP;
“Valuation”	the valuation as at 31 August 2021 by China Tong Cheng Assets Appraisal Co., Ltd., being an independent valuer qualified in the PRC, using the asset based approach with reference to the income approach;
“YKP”	means Ying Kou Port Group Corporation Limited (營口港務集團有限公司), a limited liability company established in the PRC and is recognised as a subsidiary in the consolidated financial statements of Liaoning Port Group;

“YKP Group” means YKP and its subsidiaries (excluding the Group); and

“%” per cent.

By Order of the Board
Liaoning Port Co., Ltd.*
WANG Huiying LEE, Kin Yu Arthur
Joint Company Secretaries

Dalian City, Liaoning Province, the PRC
28 October 2021

As at the date of this announcement, the Board comprises:

Executive Directors: WEI Minghui and SUN Dequan and QI Yue

Non-executive Directors: CAO Dong, YUAN Yi and NA Danhong

Independent non-executive Directors: LI Zhiwei, LIU Chunyan and LAW Man Tat

* *The Company is registered as Non-Hong Kong company under Part XI of the previous Hong Kong Companies Ordinance (equivalent to Part 16 of the Hong Kong Companies Ordinance with effect from 3 March 2014) under the English name “Liaoning Port Co., Ltd.”.*

* *For identification purposes only*