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辽宁港口股份有限公司
LIAONING PORT CO., LTD.*

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

REVISION OF ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcement of the Company dated 28 April 2021 and the circular dated 26 May 2021 in relation to, among others, the Lease Agreement entered into between the Company and Liaoning Port Group for a term commencing from 16 June 2021 and ending on 31 December 2023.

In view of the growing daily production and operation demand of the Group and the acquisition of port assets by the Group in the end of 2021 which increases the leasing business between the Group and Liaoning Port Group and its subsidiaries, the Board envisages that the original annual caps of the Lease Agreement in respect of the financial years ending 31 December 2022 and 31 December 2023 will not be sufficient. The Board therefore proposes to revise and increase the annual caps of the Lease Agreement for the financial years ending 31 December 2022 and 31 December 2023. The terms of the Lease Agreement have not been changed or modified in any way.

As at the date of this announcement, Liaoning Port Group is an indirect holding company of the Company and it is therefore a connected person of the Group as defined under Rule 14A.07 of the Listing Rules. As such, the transactions under the Lease Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

In accordance with the China Standards on Auditing, the Group will recognise right-of-use assets in its consolidated statement of financial position in respect of the lease of Properties from Liaoning Port Group other than those with short-term or low-value under the Lease Agreement. Accordingly, each of those transactions under the Lease Agreement will be regarded as an acquisition of assets by the Group pursuant to the Listing Rules and a connected transaction for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios for transactions under the Lease Agreement is, on an annual basis, more than 0.1% but less than 5%, the transactions contemplated under the Lease Agreement are subject to the reporting, annual review and announcement requirements, but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

REVISION OF THE ANNUAL CAPS OF THE LEASE AGREEMENT

Reference is made to the announcement of the Company dated 28 April 2021 and the circular dated 26 May 2021 in relation to, among others, the Lease Agreement entered into between the Company and Liaoning Port Group for a term commencing from 16 June 2021 and ending on 31 December 2023.

In view of the growing daily production and operation demand of the Group and the acquisition of port assets by the Group in the end of 2021 which increases the leasing business between the Group and Liaoning Port Group and its subsidiaries, the Board envisages that the original annual caps of the Lease Agreement in respect of the financial years ending 31 December 2022 and 31 December 2023 will not be sufficient. The Board therefore proposes to revise and increase the annual caps of the Lease Agreement for the financial years ending 31 December 2022 and 31 December 2023. The terms of the Lease Agreement have not been changed or modified in any way.

THE ORIGINAL AND REVISED ANNUAL CAPS OF THE LEASE AGREEMENT

Leasing Services (Leasing to)

Set out below are the original annual caps and the revised annual caps for transactions of the Group's leasing its Properties to Liaoning Port Group and its associates or subsidiary(ies).

	For the financial years ending	
	31 December 2022	31 December 2023
	(RMB '000)	(RMB '000)
Original annual caps	193,000 ⁽¹⁾	193,000 ⁽¹⁾
	(176,000) ⁽²⁾	(176,000) ⁽²⁾
Revised annual caps	243,000 ⁽¹⁾	243,000 ⁽¹⁾
	(226,000) ⁽²⁾	(226,000) ⁽²⁾

Notes:

- (1) In determining the estimated annual caps for each of the two years ending 31 December 2022 and 2023 in respect of Lease Services (Leasing to), the Company considered transactions that will constitute connected transactions under either Chapter 14A of the Listing Rules or the Shanghai Listing Rules.
- (2) The figures set out in “()” relate to transactions that constituted connected transactions under Chapter 14A of the Listing Rules.

The transaction amounts of leasing services (leasing to) under the Lease Agreement for the year ended 31 December 2021 was RMB110,026,484.78⁽¹⁾ and 95,664,291.70⁽²⁾.

Notes:

- (1) The figures relate to transactions that constituted connected transactions under either Chapter 14A of the Listing Rules or the Shanghai Listing Rules.
- (2) The figures set out in “()” relate to transactions that constituted connected transactions under Chapter 14A of the Listing Rules.

Leasing Services (Leasing from) (Short-term and Low-value)

Set out below are the original annual caps and the revised annual caps for transactions that Liaoning Port Group and its associates or subsidiary(ies) lease Properties to the Group. The Group recognises the lease payments on short-term leases and low-value asset leases in current profit or loss or the cost of relevant assets on a straight-line basis or otherwise on a systematic and reasonable basis in each period over the lease term.

	For the financial years ending	
	31 December 2022	31 December 2023
	(RMB '000)	(RMB '000)
Original annual caps	19,000	19,000
Revised annual caps	49,000	49,000

The transaction amounts of leasing services (leasing from) (short-term and low-value) under the Lease Agreement for the year ended 31 December 2021 was RMB21,069,964.27.

Leasing Services (Leasing from) (Other than Short-term and Low-value)

Except for above mentioned short-term and low-value leases, the Group will recognize other transactions under the Lease Agreement where Liaoning Port Group and its associates or subsidiary(ies) lease Properties to the Group as right-of-use assets in its consolidated statement of financial position. Set out below are the original annual caps and the revised annual caps for transactions of this type.

	For the financial years ending	
	31 December 2022	31 December 2023
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Original annual caps	750,000	774,000
Revised annual caps	1,650,000	774,000

The transaction amounts of leasing services (leasing from) (other than short-term and low-value) under the Lease Agreement for the year ended 31 December 2021 was RMB75,638,393.97.

In determining the revised annual caps for 2022 and 2023 under the Lease Agreement, the Directors have considered the increment in leasing transactions arising from the acquisition of port assets from YKP the end of 2021 and the Group's growing daily production and operation demand.

REASONS FOR AND BENEFITS OF THE REVISED ANNUAL CAPS AND THE CONTINUING CONNECTED TRANSACTIONS

As disclosed in the circular of the Company dated 29 November 2021 and the poll results announcement dated 14 December 2021, the Company acquired a group of port assets from YKP (the "Acquisition"), including Yingkou Port Bulk Cargo Terminal Co., Ltd* (營口港散雜貨碼頭有限公司) (the "SPV").

The SPV needs to lease the coal logistics yard and ancillary facilities and equipment from YKP Group for its daily production and operation needs. For those constituting long-term leases, the value of the increased right-to-use assets is expected to be approximately RMB900 million in 2022, with a corresponding annual contractual rental of approximately RMB100 million. For those constituting short-term leases, the contractual rental is expected to be approximately RMB15 million in 2022 and 2023 each year.

In order to expand its business scale and improve its throughput capacity and comprehensive competitiveness, Liaoning Port Holdings (Yingkou) Co., Ltd. Grain Branch* (遼港控股(營口)有限公司糧食分公司), a subsidiary of the Company plans to lease additional warehouses from YKP Group. As a short-term lease, the contractual rent is expected to be approximately RMB15 million in 2022 and 2023 each year.

Due to the production and operation needs of Panjin Port Group Co., Ltd. (盤錦港集團有限公司) and for the efficient use of the assets of Liaoning Port Holdings (Yingkou) Co., Ltd.* (遼港控股(營口)有限公司), a subsidiary of the Company, Liaoning Port Holdings (Yingkou) Co., Ltd.* expects to lease part of its machinery and equipment to Panjin Port Group Co., Ltd.. As a short-term lease, the contract rental is expected to be approximately RMB50 million in 2022 and 2023 each year.

The Directors (including the independent non-executive Directors) believe that the abovementioned transactions ensure that the operational and business development needs of the Group are effectively met, with terms and conditions of the transactions being not less favourable to the Group than those available from independent third parties. The terms and conditions of each of the agreements are on normal commercial terms or better, fair and reasonable and in the interests of the Company and its Shareholders as a whole.

INFORMATION REGARDING THE PARTIES

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).

Liaoning Port Group is a limited liability company established in the PRC and is principally engaged in international and domestic cargo handling, transportation, transshipment, warehousing and other port business and logistics services, providing waiting and boarding facilities and services for passengers, tugboat business, port logistics and port information technology consulting services. It is owned by China Merchants Liaoning with 51% equity interests and is ultimately controlled by CMG.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Liaoning Port Group is an indirect holding company of the Company and it is therefore a connected person of the Group as defined under Rule 14A.07 of the Listing Rules. As such, the transactions under the Lease Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

In accordance with the China Standards on Auditing, the Group will recognise right-of-use assets in its consolidated statement of financial position in respect of the lease of Properties from Liaoning Port Group other than those with short-term or low-value under the Lease Agreement. Accordingly, each of those transactions under the Lease Agreement will be regarded as an acquisition of assets by the Group pursuant to the Listing Rules and a connected transaction for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios for transactions under the Lease Agreement is, on an annual basis, more than 0.1% but less than 5%, the transactions contemplated under the Lease Agreement are subject to the reporting, annual review and announcement requirements, but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Each of Mr. WANG Zhixian, Mr. WEI Minghui, Mr. ZHOU Qinghong, Mr. SI Zheng and Dr. Xu Song, being a Director also holding a management position or directorship with CMG or its associates (other than the Group), has abstained from voting on the board resolution approving the revised annual caps. Save as disclosed above, none of the Directors attending the board meeting has a material interest in or is required to abstain from voting on the revised annual caps.

The Directors, including independent non-executive Directors, consider that the revised annual caps are in the Group's ordinary and usual course of business, on normal commercial terms or better to the Group, which are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

DEFINITIONS

Unless the context otherwise requires, the terms used in this announcement shall have the following meanings:

“associate”	has the meaning ascribed to it under the Listing Rules;
“Board”	The board of Directors of the Company;
“China Merchants Liaoning”	China Merchants (Liaoning) Port Development Company Limited (招商局(遼寧)港口發展有限公司), a limited liability company established in the PRC and is ultimately owned by CMG;
“China” or “PRC”	the People's Republic of China, which for the purposes of this announcement excludes Hong Kong, Macao Special Administrative Region of the People's Republic of China and Taiwan;
“CMG”	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 on 14 October 1986 under the direct control of the SASAC;
“CMG Group”	CMG and its subsidiaries;
“Company”	Liaoning Port Co., Ltd.* (遼寧港口股份有限公司), a joint stock limited company incorporated in the PRC;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules;
“CSRC”	China Securities Regulatory Commission;
“Directors”	the directors of the Company;
“Group”	the Company and its subsidiaries;

“Hong Kong”	Hong Kong Special Administrative Region of the PRC;
“Lease Agreement”	the framework agreement in relation to the leasing of Properties entered into between the Company and Liaoning Port Group on 28 April 2021;
“Liaoning Port Group”	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 on 27 November 2017;
“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“normal commercial terms or better”	has the meaning ascribed to it under the Listing Rules;
“Properties”	properties including real estate, warehouse, land, machinery and equipment, vehicles, port and wharf facilities, plant and other related assets legally owned by the Group or Liaoning Port Group and its associates or subsidiary(ies) (as the case maybe);
“RMB”	Renminbi, the lawful currency of the PRC;
“SASAC”	the State-owned Assets Supervision and Administration Commission of the State Council of the PRC;
“Shanghai Listing Rules”	the Stock Listing Rules of the Shanghai Stock Exchange (上海證券交易所股票上市規則);
“Shares”	ordinary shares of the Company;
“Shareholder(s)”	holder(s) of the Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

“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;
“%”	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 April 2022

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

Executive Directors: WANG Zhixian and WEI Minghui

Non-executive Directors: ZHOU Qinghong, SI Zheng, XU Song, YANG Bing

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*