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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
SUPPLEMENTAL AGREEMENT TO AMEND THE LAND USE RIGHTS
TRANSFER AGREEMENT**

SUMMARY

Reference is made to the announcement of the Company dated 25 March 2013 in relation to the Land Use Rights Transfer Agreement entered into between China Merchants Zhangzhou and Zhangzhou Xiamen Bay, pursuant to which China Merchants Zhangzhou agreed to sell and Zhangzhou Xiamen Bay agreed to purchase the land use rights in respect of a parcel of land situated at the Fourth District of the Zhangzhou Economic Development Zone located in Fujian, the PRC, with a total site area of 299,232.859 square areas (including the sea use rights with a site area of 172,831.724 square meters).

On 28 June 2019, China Merchants Zhangzhou and Zhangzhou Xiamen Bay entered into the Supplemental Agreement to amend, among others, the total area of the parcel of land purchased by Zhangzhou Xiamen Bay and the total consideration payable by Zhangzhou Xiamen Bay to China Merchants Zhangzhou under the Land Use Rights Transfer Agreement.

The amendments made to the Land Use Rights Transfer Agreement pursuant to the Supplemental Agreement do not result in a change of classification set out in Rule 14.08 of the Listing Rules and therefore the transaction contemplated under the Land Use Rights Transfer Agreement (as amended by the Supplemental Agreement) remains as a transaction that is exempt from the circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules.

1. BACKGROUND

Reference is made to the announcement of the Company dated 25 March 2013 in relation to the Land Use Rights Transfer Agreement entered into between China Merchants Zhangzhou and Zhangzhou Xiamen Bay, pursuant to which China Merchants Zhangzhou agreed to sell and Zhangzhou Xiamen Bay agreed to purchase the land use rights in respect of a parcel of land situated at the Fourth District of the Zhangzhou Economic Development Zone located in Fujian, the PRC, with a total site area of 299,232.859 square areas (including the sea use rights with a site area of 172,831.724 square meters). The consideration under the Land Use Rights Transfer Agreement was RMB450 (equivalent to approximately HK\$511) per square meter, representing a total consideration of RMB134,654,787 (equivalent to approximately HK\$153,017,000).

On 28 June 2019, China Merchants Zhangzhou and Zhangzhou Xiamen Bay entered into the Supplemental Agreement to amend, among others, the total area of the parcel of land purchased by Zhangzhou Xiamen Bay and the total consideration payable by Zhangzhou Xiamen Bay to China Merchants Zhangzhou under the Land Use Rights Transfer Agreement.

2. SUPPLEMENTAL AGREEMENT

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

Date: 28 June 2019

Parties: (1) China Merchants Zhangzhou, as vendor
(2) Zhangzhou Xiamen Bay, as purchaser

Subject Matter: The parcel of land which was the subject matter of the Land Use Rights Transfer Agreement situated at the Fourth District (Land No. 3-0301) of the Zhangzhou Economic Development Zone located in Fujian, the PRC, had a total site area of 299,232.859 square meters (including the sea use rights with a site area of 172,831.724 square meters). The area corresponding to the sea use rights has undergone a land reclamation process. Upon the completion of the land reclamation process, the area of land corresponding to the sea use rights has an area of 172,748.811 square meters. As a result:

- (i) the lands acquired by Zhangzhou Xiamen Bay shall be (a) a parcel of land situated at the Fourth District (Land No. 3-0301) of the Zhangzhou Economic Development Zone located in Fujian, the PRC, with a total site area of 172,748.811 square meters and (b) a parcel of land situated at the Fourth District (Land No. 3-0303) of the Zhangzhou Economic Development Zone located in Fujian, the PRC, with a total site area of 126,401.135 square meters; and
- (ii) the total site area acquired by Zhangzhou Xiamen Bay shall be 299,149,946 square meters, representing a decrease of 82.913 square meters under the Land Use Rights Transfer Agreement, as amended pursuant to the Supplemental Agreement.

Consideration: The total consideration is amended from RMB134,654,787 (equivalent to approximately HK\$153,017,000) to RMB134,617,476 (equivalent to approximately HK\$152,974,000).

Save as amended by the Supplemental Agreement, the Land Use Rights Transfer Agreement shall remain in full force and effect in all respects.

Due to the delay in the land registration process since the date of the Land Use Rights Transfer Agreement, the parties has agreed to extend the settlement of consideration payable by Zhangzhou Xiamen Bay to China Merchants Zhangzhou under the Land Use Rights Transfer Agreement. Prior to the signing of the Supplemental Agreement, the balance of the consideration payable by Zhangzhou Xiamen Bay under the Land Use Rights Transfer Agreement was RMB93,258,350.90 (equivalent to approximately HK\$105,975,000). The parties agreed that the revised balance of the consideration, as adjusted pursuant to the Supplemental Agreement, is RMB93,221,039.90 (equivalent to approximately HK\$105,933,000)) and shall be payable by Zhangzhou Xiamen Bay to China Merchants Zhangzhou by 31 December 2019. The revised balance of the consideration will be funded by internal resources of the Group.

The revised consideration is negotiated and agreed by the parties on an arm's length basis with reference to the decrease of 82.913 square meters in the total area of the parcel of land being acquired by Zhangzhou Xiamen Bay. The total consideration represents the consideration of RMB450 (equivalent to approximately HK\$511) per square meter which is equivalent to the consideration per square meter pursuant to the Land Use Rights Transfer Agreement prior to the amendment. As disclosed in the Previous Announcement, the original consideration under the Land Use Rights Transfer Agreement is negotiated and agreed by the parties on an arm's length basis with reference to market value of comparable land parcels adjacent to the land and the purpose and usage of the land. The land is designated for port purpose.

3. REASONS FOR THE TRANSACTION

The core business of the Group includes port and port-related business. It has been the strategy of the Group to strengthen and develop its port business and port-related business through investment in new projects, acquisition of high quality port-related business and properties, leasing properties and warehouse, providing cargo management services and expanding in container related logistics services.

As disclosed in the Previous Announcement, the Zhangzhou Economic Development Zone has been an important strategic area for the provision of port-related and logistics services and operations of the Group. The Directors are of the view that the acquisition of the land use rights is in line with Group's strategy to further strengthen its port operations in the Zhangzhou Economic Development Zone.

When the Land Use Rights Transfer Agreement was signed in 2013, the area corresponding with the sea use rights with a site area of 172,831.724 square meters was undergoing but had not yet completed a land reclamation process. In January 2019, such land reclamation process was completed and the final land area has been confirmed by the relevant city planning authority as 172,748.811 square meters. As a result, the parties agreed to amend the Land Use Rights Transfer Agreement to reflect the final area with an adjusted consideration.

The Directors, including the independent non-executive Directors, are of the view that the Supplemental 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 Supplemental Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole.

4. INFORMATION ON THE PARTIES

China Merchants Zhangzhou is a company incorporated in the PRC and an indirect subsidiary of CMG. It is a developer and operator of the industrial park and its principal activity is the development of the Zhangzhou Economic Development Zone. As disclosed in the Previous Announcement, the original cost incurred by China Merchants Zhangzhou for the acquisition and development of the land was approximately RMB93,534,000 (equivalent to approximately HK\$106,289,000).

Zhangzhou Xiamen Bay is owned as to 40% by Xiamen Port Construction Group Company Limited (廈門港務建設集團有限公司, an independent third party), 31% by Ecovert Limited (招商局利發有限公司, an indirect subsidiary of the Company) and 29% by China Merchants Zhangzhou. China Merchants Zhangzhou and Ecovert Limited entered into an entrustment agreement on 21 March 2019 pursuant to which China Merchants Zhangzhou entrusted Ecovert Limited to exercise all shareholder's rights attached to its shareholding in Zhangzhou Xiamen Bay. Accordingly, the Company is able to consolidate Zhangzhou Xiamen Bay as a subsidiary of the Company. Its principal activity is the development, operation and management of the Zhangzhou Economic Development Zone located in Fujian, the PRC and the provision of port and port-related services.

5. LISTING RULES IMPLICATIONS

China Merchants Zhangzhou is an indirect subsidiary of CMG, the ultimate holding company of the Company. Accordingly, China Merchants Zhangzhou is a connected person of the Company and the transaction contemplated under the Supplemental Agreement constitutes a connected transaction of the Company.

The amendments made to the Land Use Rights Transfer Agreement pursuant to the Supplemental Agreement do not result in a change of classification set out in Rule 14.08 of the Listing Rules and therefore the transaction contemplated under the Land Use Rights Transfer Agreement (as amended by the Supplemental Agreement) remains as a transaction that is 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 Supplemental Agreement, nor are they required to abstain from voting in the relevant board resolutions.

6. 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
“China Merchants Zhangzhou”	China Merchants Zhangzhou Economic Development Zone Co., Ltd.* (招商局漳州開發區有限公司), a company incorporated in the PRC and an indirect subsidiary of CMG
“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 Rule 14A.06 of the Listing Rules
“Directors”	the directors of the Company
“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
“Land Use Rights Transfer Agreement”	the land use rights transfer agreement dated 25 March 2013 entered into between Zhangzhou Xiamen Bay as purchaser and China Merchants Zhangzhou as vendor
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

“PRC”	the People’s Republic of China which, for the purpose of this announcement, exclude Hong Kong, Macau Special Administrative Region and Taiwan
“Previous Announcement”	the announcement of the Company dated 25 March 2013 in relation to the Land Use Rights Transfer Agreement entered into between China Merchants Zhangzhou and Zhangzhou Xiamen Bay
“RMB”	Renminbi, the lawful currency of the PRC
“subsidiary (ies)”	has the meaning ascribed to it under the Listing Rules
“Supplemental Agreement”	the supplemental agreement entered into between Zhangzhou Xiamen and China Merchants Zhangzhou dated 28 June 2019 to amend the Land Use Rights Transfer Agreement
“Zhangzhou Xiamen Bay”	Zhangzhou Investment Promotion Bureau Xiamenwan Port Affairs Co., Ltd (漳州招商局廈門灣港務有限公司), a limited liability company incorporated in the PRC and an indirect subsidiary of the Company
“%”	per cent.

* *For identification purpose only*

For the purposes of this announcement, the exchange rate of HK\$1.00 to RMB0.88 has been used, where appropriate, for the purposes of illustration only and does not constitute a representation that any amount has been, could have been or may be exchanged at the above rate or at any other rates or at all.

By Order of the Board
China Merchants Port Holdings Company Limited
Fu Gangfeng
Chairman

Hong Kong, 28 June 2019

As at the date of this announcement, the Board comprises Mr. Fu Gangfeng, 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.