
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to what action to take, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Liaoning Port Co., Ltd., you should at once hand this circular to the purchaser or the transferee or to the bank manager, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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

**CONTINUING CONNECTED TRANSACTIONS;
PROFIT DISTRIBUTION PLAN OF THE COMPANY FOR THE
YEAR ENDED 31 DECEMBER 2020;
APPOINTMENT OF THE AUDITOR;
AND
NOTICE OF ANNUAL GENERAL MEETING**

**Independent Financial Adviser
to the Independent Board Committee and the Independent Shareholders**



Capitalized terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" of this circular.

A letter from the Board is set out on pages 8 to 25 of this circular. A letter from the Independent Board Committee is set out on page 26 to 27 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 28 to 44 of this circular.

A notice convening the AGM to be held at Room 109, Liaoning Port Group Building, No. 1 Gangwan Street, Zhongshan District, Dalian, Liaoning, the PRC on Wednesday, 16 June 2021 at 9:00 a.m. is set out on pages AGM-1 to AGM-4 of this circular.

A form of proxy for use at the AGM is enclosed. Whether or not you are able to attend the AGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible but in any event not less than 24 hours before the time appointed for the holding of the AGM or any adjournment thereof. Delivery of the form of proxy shall not preclude a shareholder of the Company from attending and voting in person at the AGM and, in such event, the form of proxy shall be deemed to be revoked. **The Company strongly recommends you to monitor the development of the situation with the COVID-19 and to assess, based on the social distancing policies, the necessity for attending the AGM in person.**

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

* *For identification purposes only*

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DEFINITIONS

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

“AGM”	the annual general meeting of the Company;
“Announcement”	the Company’s announcement dated 28 April 2021;
“associate”	has the meaning ascribed to it under the Listing Rules;
“Bank Financial Services Agreement”	the framework agreement in relation to the provision of deposit services, loan services, settlement services and other financial services entered into between the Company and China Merchants Bank on 28 April 2021;
“Board”	the board of Directors;
“China Merchants Bank”	Dalian Branch of China Merchants Bank Co., Ltd. (招商銀行股份有限公司大連分行);
“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;
“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 Finance”	China Merchants Group Finance Co., Ltd.* (招商局集團財務有限公司) formerly known as Sinotrans & CSC Finance Co., Ltd. (中外運長航財務有限公司), a company which is beneficially wholly-owned by CMG and incorporated in the PRC on 17 May 2011;
“CMG Group”	CMG and its subsidiaries;

DEFINITIONS

“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”	has the meaning ascribed to it under the Listing Rules;
“Construction Management and Supervision Services”	the construction project management services, engineering services and consultancy services provided by Liaoning Port Group or the Company to each other (as the case maybe) under the Construction Management and Supervision Services Agreement;
“Construction Management and Supervision Services Agreement”	the framework agreement in relation to the construction management and supervision services entered into between the Company and Liaoning Port Group on 28 April 2021;
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules;
“Credit Loan Services”	credit, loan and guarantee services to be provided by CMG Finance to the Group pursuant to the Financial Services Agreement;
“Deposit Services”	depository services to be provided by CMG Finance to the Group pursuant to the Financial Services Agreement;
“Director(s)”	the director(s) of the Company;
“Financial Services Agreement”	the framework agreement entered into by the Company and CMG Finance on 28 April 2021 in regard to provision of Deposit Services, Credit Loan Services, Settlement Services and other financial services by CMG Finance to the Group;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	the independent committee of the Board, comprising the independent non-executive Directors, namely LI Zhiwei, LIU Chunyan and LAW Man Tat;

DEFINITIONS

“Independent Financial Adviser”	TC Capital International Limited, acting as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders;
“Independent Shareholders”	Shareholders other than CMG and its associates;
“Latest Practicable Date”	20 May 2021, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein;
“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”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Merger of Yingkou Port Liability Co., Ltd.”	the merger by absorption of Yingkou Port Liability Co., Ltd. (營口港務股份有限公司) by the Company, details of which are set out in the Company’s announcement dated 7 July 2020 and the circular dated 10 September 2020;
“normal commercial terms or better”	has the meaning ascribed to it under the Listing Rules;
“PDA”	Dalian Port Corporation Limited* (大連港集團有限公司), a limited liability company established in the PRC on 1 January 1951 and directly wholly-owned by Liaoning Port Group;
“PRC”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, Macao Special Administrative Region of the PRC and Taiwan;

DEFINITIONS

“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);
“Purchase of Goods and Services”	the purchase of goods including network and information office equipment, office supplies, accessories, software, gasoline and diesel, and services including water and heating supply, production facilities and equipment maintenance, greening, commuting, canteen, medical examination, printing, conference services and other related or similar services, port facilities security services, cargo dues services, tugboat services, mechanical operation, warehouse services, property management, network system maintenance, software development services and other related or similar services provided by Liaoning Port Group and its associates or subsidiary(ies) (as the case maybe) to the Group;
“Purchase of Goods and Services Agreement”	the framework agreement in relation to the Purchase of Goods and Services entered into between the Company and Liaoning Port Group on 28 April 2021;
“RMB”	Renminbi, the lawful currency of the PRC;
“SASAC”	the State-owned Assets Supervision and Administration Commission of the State Council of the PRC;
“Settlement Services”	settlement and clearance services to be provided by CMG Finance to the Group pursuant to the Financial Services Agreement;
“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);
“Shareholders”	the shareholders of the Company;
“subsidiary”	has the meaning ascribed to it under the Listing Rules;

DEFINITIONS

“Supply of Goods and Services”	the supply of goods including steaming, equipment and other accessories, and services including electricity and heating supply, tugboat, security, communication and other related engineering services, production facilities and equipment maintenance, port handling, port security services, port storage services, tally, ship and freight agency services, port passenger operation, berthing fee, mechanical operation, property management and other related or similar services provided by Group to the Liaoning Port Group and its associates or subsidiary(ies) (as the case maybe).
“Supply of Goods and Services Agreement”	the framework agreement in relation to the Supply of Goods and Services entered into between the Company and Liaoning Port Group on 28 April 2021;
“Terminal Facilities Design and Construction Services”	the provision by Liaoning Port Group and its associates or subsidiary(ies) (as the case maybe) of terminal facilities design and construction services to the Group;
“Terminal Facilities Design and Construction Services Agreement”	the framework agreement in relation to Terminal Facilities Design and Construction Services entered into between the Company and Liaoning Port Group on 28 April 2021;
“%”	per cent.

* *For identification purposes only*

EXPECTED TIMETABLE

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

2021

A Shareholder's record date for the AGMMonday, 7 June 2021

Latest time for lodging transfers of the H Shares
to qualify for entitlement to attend the AGM4:30 p.m.,
Wednesday, 9 June

H Shareholders' register closed for the AGMThursday, 10 June to
Wednesday, 16 June
(both days inclusive)

Latest time for lodging form of proxy for the AGM9:00 a.m.,
Tuesday, 15 June

H Shareholder's record date for the AGMWednesday, 16 June

AGM9:00 a.m.,
Wednesday, 16 June

After H Shareholder's record date for the AGM,
H Shareholders' register re-opensThursday, 17 June

Last day of dealings in the H Shares cum-entitlement basisMonday, 21 June

First day of dealings in the H Shares ex-entitlement basisTuesday, 22 June

Latest time for lodging transfers of the H Shares to qualify
for entitlement to the Cash Dividend4:30 p.m.,
Wednesday, 23 June

H Shareholders' register closed for the Cash DividendThursday, 24 June to
Tuesday, 29 June
(both days inclusive)

H Share record date for the Cash DividendTuesday, 29 June

After H Share record date for the Cash Dividend,
H Shareholders' register re-opensWednesday, 30 June

A Share record date for the Cash DividendTuesday, 6 July

EXPECTED TIMETABLE

Payment of Cash Dividend for A SharesWednesday, 7 July

Expected payment date of Cash Dividend for H SharesOn or before Friday,
13 August

LETTER FROM THE BOARD



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)

Executive Directors:

Wei Minghui

Sun Dequan

Qi Yue

Registered office:

Xingang Commercial Building

Dayao Bay

Dalian Free Trade Zone

PRC

Non-executive Directors:

Cao Dong

Yuan Yi

Na Danhong

Place of business in PRC:

Xingang Commercial Building

Jingang Road

Dalian International Logistic Park Zone

Liaoning Province

PRC

Independent non-executive Directors:

Li Zhiwei

Liu Chunyan

Law Man Tat

26 May 2021

To the Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS;
PROFIT DISTRIBUTION PLAN OF THE COMPANY FOR THE
YEAR ENDED 31 DECEMBER 2020;
APPOINTMENT OF THE AUDITOR;
AND
NOTICE OF ANNUAL GENERAL MEETING**

1. INTRODUCTION

Reference is made to the Announcement in relation to, among other things, the entering into the continuing connected transactions with Liaoning Port Group and the continuing connected transactions with CMG Finance.

The purpose of this circular is to provide you with, among other things:

- (i) information reasonably necessary to enable you to make an informed decision on whether to vote for or against the resolutions to be proposed at the AGM;

LETTER FROM THE BOARD

- (ii) further details of the Purchase of Goods and Services, Supply of Goods and Services, and Deposit Services under the Financial Services Agreement;
- (iii) a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders;
- (iv) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders;
- (v) other information as required under the Listing Rules; and
- (vi) a notice convening the AGM.

2. CONTINUING CONNECTED TRANSACTIONS SUBJECT TO THE REPORTING, ANNUAL REVIEW AND ANNOUNCEMENT AND INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS

2.1 Supply of Goods and Services

On 28 April 2021, the Company entered into the Supply of Goods and Services Agreement with Liaoning Port Group, pursuant to which the Group shall supply goods and services to Liaoning Port Group and its associates or subsidiary(ies) (as the case maybe) on normal commercial terms or better for a term commencing on the date of the AGM and ending on 31 December 2023.

(a) Pricing

Pursuant to the Supply of Goods and Services Agreement, the provision of Supply of Goods and Services by the Group to Liaoning Port Group and its associates or subsidiary(ies) (as the case maybe) shall be priced in accordance with the following principles:

- at the State price, being the price of such services determined by laws, regulations, decisions, orders or guidelines formulated by the PRC central government, provincial government or other regulatory authorities, (“**State Price**”); and
- where there is no State Price, at the market price at which the same or comparable types of services are provided to independent third parties in the normal course of business (at least two quotations from independent third parties will be obtained for reference).

For supply of steaming, equipment and other accessories, providing heating supply services, production facilities and equipment maintenance services, port storage services, tally, ship and freight agency services, port passenger operation services, mechanical operation and property management services, the pricing policy is based on the market price at which the same or comparable types of services are provided to independent third parties in the normal course of business.

For supply of electricity, providing tugboat and communication services, port handling services, port security services and berthing services, the pricing will follow the State Price.

LETTER FROM THE BOARD

(b) Historical caps and figures for each of the two years of 2019 and 2020

	Actual utilized amount for	Utilization rate for the	Caps for the year ended	Actual utilized amount for	Utilization rate for the
Caps for the year ended	the year ended	year ended	year ended	the year ended	year ended
31 December 2019	31 December 2019	31 December 2019	31 December 2020	31 December 2020	31 December 2020
(RMB'000)	(RMB'000)		(RMB'000)	(RMB'000)	
Supply of Goods and Services	547,000 ⁽¹⁾	38.99% ⁽¹⁾	580,000 ⁽¹⁾	273,510 ⁽¹⁾	47.16% ⁽¹⁾
	(190,000) ⁽²⁾	(56.54%) ⁽²⁾	(206,000) ⁽²⁾	(123,580) ⁽²⁾	(59.99%) ⁽²⁾

Notes:

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

(c) Estimated annual caps for each of the three years ending 31 December 2021, 2022 and 2023

	Estimated annual cap for the year ending 31 December 2021	Estimated annual cap for the year ending 31 December 2022	Estimated annual cap for the year ending 31 December 2023
	(RMB'000)	(RMB'000)	(RMB'000)
Supply of Goods and Services	2,080,000 ⁽¹⁾	2,200,000 ⁽¹⁾	2,350,000 ⁽¹⁾
	(1,950,000) ⁽²⁾	(2,070,000) ⁽²⁾	(2,200,000) ⁽²⁾

Notes:

- (1) In determining the estimated annual caps for each of the three years ending 31 December 2021, 2022 and 2023 in respect of the Supply of Goods and Services, the Company considered transactions that will constitute connected transactions both under the Listing Rules and the Shanghai Listing Rules.
- (2) The figures set out in “()” relate to transactions that constituted connected transactions under Chapter 14A of the Listing Rules.

In determining the estimated annual caps for 2021, 2022 and 2023, the Directors have referenced to the historical transaction amount, and considered the increment in port businesses of the bulk and general cargo terminal and container terminal, as well as the increment in business arising from the Merger of Yingkou Port Liability Co., Ltd..

LETTER FROM THE BOARD

The increment of annual caps compared with the historical annual caps are mainly contributed by the following factors:

1. The Merger of Yingkou Port Liability Co., Ltd. in early 2021 resulted in a significant increase in the anticipated amounts of connected transactions. It is estimated that the anticipated amounts of connected transactions brought by the Merger of Yingkou Port Liability Co., Ltd. will amount to RMB1.36 billion, RMB1.39 billion and RMB1.43 billion in the next three years, respectively.
2. The fact that the Group has been re-organized into CMG Group which resulted in increasing in numbers of connected parties (i.e. other subsidiaries of CMG), expansion of scope of connected transactions and a significant increase in the amounts of connected transactions which will be approximately RMB0.33 billion, RMB0.39 billion and RMB0.43 billion in the next three years, respectively.
3. Leveraging on the regional advantage of the Group's bulk and general cargo segment, the Group strongly promoted the mixed ore business. It is estimated that there will be a significant increment in the business of bulk and general cargo terminal and related logistics services in the next three years, which will be approximately RMB46 million, RMB58 million and RMB66 million, respectively.
4. The container segment of the Group will further optimize and upgrade the container route network of Dalian Port in combination with the business advantages of Dalian Port cold chain logistics. It is estimated that the business of container terminal and related logistics services will increase by approximately RMB50 million, RMB65 million and RMB90 million in the next three years, respectively.
5. Affected by the COVID-19 epidemic, certain businesses have not been conducted as scheduled, which resulted in the low actual utilization rate of historical caps. With the improving conditions under the epidemic at present, it is estimated that such certain businesses will develop smoothly and there will be a significant increase in the amounts of connected transactions due to the continuous expansion of business.
6. As Liaoning Port Group was at the stage of integration from 2019 to 2020, certain businesses have not been conducted as scheduled. With the completion of integration, it is estimated that there will be an increment in business due to the synergy arising from the re-organization of the Group into CMG Group.

(d) Internal control

- (i) The Company will appoint an auditor to provide a certification report on the continuing connected transactions in relation to Supply of Goods and Services. The auditor shall report to the independent non-executive Directors regularly; and
- (ii) The financial department of the Company and/or its subsidiaries will compile quarterly statistics on the amount of connected transactions in relation to Supply of Goods and Services that have occurred and prepare an analysis of ongoing connected transactions to ensure that the amount of transactions does not exceed the annual cap. All relevant departments of the Company and/or its subsidiaries are responsible for the truthfulness, accuracy and completeness of the information they reported.

LETTER FROM THE BOARD

2.2 Purchase of Goods and Services

On 28 April 2021, the Company entered into the Purchase of Goods and Services Agreement with Liaoning Port Group, pursuant to which the Group shall purchase goods and services from Liaoning Port Group and its associates or subsidiary(ies) (as the case maybe) on normal commercial terms or better for a term commencing on the date of the AGM and ending on 31 December 2023.

(a) Pricing

Pursuant to the Purchase of Goods and Services Agreement, the provision of goods and services by Liaoning Port Group and its associates or subsidiary(ies) (as the case maybe) to the Group shall be priced in accordance with the following principles:

- at the State Price; and
- where there is no State Price, at the market price at which the same or comparable types of services are provided to independent third parties in the normal course of business (at least two quotations from independent third parties will be obtained for reference).

For the purchase of goods including network and information office equipment, office supplies, accessories, software, and services including water and heating supply, greening, commuting, canteen, medical examination, printing, conference services and other related or similar services, mechanical operation, warehouse services, property management, network system maintenance, software development services and other related or similar services, the pricing policy is based on the market price at which the same or comparable types of services are provided by independent third parties in the normal course of business.

For purchase of gasoline and diesel and services including production facilities and equipment maintenance services, port facilities security services, cargo dues services, and tugboat services, the pricing will follow the State Price.

(b) Historical caps and figures for each of the two years of 2019 and 2020

	Actual utilized amount for	Utilization rate for the	Actual utilized amount for	Utilization rate for the
Caps for the year ended 31 December 2019 (RMB'000)	the year ended 31 December 2019 (RMB'000)	year ended 31 December 2019	Caps for the year ended 31 December 2020 (RMB'000)	the year ended 31 December 2020 (RMB'000)
Purchase of Goods and Services	925,000 ⁽¹⁾	38.84% ⁽¹⁾	936,000 ⁽¹⁾	39.83% ⁽¹⁾
	(276,000) ⁽²⁾	(49.11%) ⁽²⁾	(281,000) ⁽²⁾	(57.83%) ⁽²⁾

LETTER FROM THE BOARD

Notes:

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

(c) *Estimated annual caps for each of the three years ending 31 December 2021, 2022 and 2023*

	Estimated annual cap for the year ending 31 December 2021 (RMB'000)	Estimated annual cap for the year ending 31 December 2022 (RMB'000)	Estimated annual cap for the year ending 31 December 2023 (RMB'000)
Purchase of Goods and Services	1,300,000 ⁽¹⁾	1,320,000 ⁽¹⁾	1,340,000 ⁽¹⁾
	(990,000) ⁽²⁾	(1,010,000) ⁽²⁾	(1,030,000) ⁽²⁾

Notes:

- (1) In determining the estimated annual caps for each of the three years ending 31 December 2021, 2022 and 2023 in respect of the Purchase of Goods and Services, the Company considered transactions that will constitute connected transactions both under the Listing Rules and the Shanghai Listing Rules.
- (2) The figures set out in “()” relate to transactions that constituted connected transactions under Chapter 14A of the Listing Rules.

In determining the estimated annual caps for 2021, 2022 and 2023, the Directors have referenced to the historical amount and taken into account the increment in business arising from the Merger of Yingkou Port Liability Co., Ltd. and the fact that the Company has disposed several information companies, each of which was changed from a subsidiary of the Company to a connected person of the Company after the disposal and resulted in increasing of connected transactions. The increment of annual caps compared with the historical annual caps are mainly contributed by the following factors:

1. The Merger of Yingkou Port Liability Co., Ltd. in early 2021 resulted in a significant increase in the anticipated amounts of connected transactions. It is estimated that the anticipated amounts will be approximately RMB0.5 billion, RMB0.52 billion and RMB0.55 billion in the next three years, respectively.

LETTER FROM THE BOARD

2. The fact that the Group has been re-organized into CMG Group which resulted in increasing of connected parties (i.e. other subsidiaries of CMG), expansion of scope of connected transactions and a significant increase in the amounts of connected transactions, which is estimated to be approximately RMB80 million, RMB84 million and RMB88 million in the next three years, respectively.
3. The fact that the Company has disposed several information companies, which were subsidiaries of the Company and which became a connected person of the Company after the disposal. Such information companies are responsible for the substantial system development, operation and maintenance of the Group, which therefore resulted in a significant increase in the amounts of connected transactions, which is estimated to be approximately RMB0.13 billion, RMB0.12 billion and RMB93 million in the next three years, respectively (including the increasing amount results from the planned smart terminal project of the Group which requires a large investment and will involve software maintenance fees. The estimated increasing amount of connected transactions arising from the planned smart terminal project will be approximately RMB55 million, RMB29 million and RMB0 for the next three years).
4. It is estimated that there will be a significant increase in the fuel transactions with connected persons due to the continuously increasing demand for tugboat in nearby areas such as Changxing Island Oil Terminal, Changxing Island General Terminal and Dalian Heavy Industry Changxing Island Shipyard. The estimated increasing amount of connected transactions will be approximately RMB11 million, RMB11 million and RMB11 million in next three years.
5. Affected by the COVID-19 epidemic, certain businesses have not been conducted as scheduled, which resulted in the low actual utilization rate of historical caps. With the improving conditions under the epidemic at present, it is estimated that such certain businesses will develop smoothly and there will be an increase in the amounts of connected transactions.
6. As Liaoning Port Group was at the stage of integration from 2019 to 2020, certain businesses have not been conducted as scheduled. With the completion of integration and the gradual commencement of such certain businesses, there will be an increase in the amounts of connected transactions.

(d) Internal control

- (i) The Company will appoint an auditor to form a certification report on the continuing connected transactions in relation to Purchase of Goods and Services. The auditor shall report to the independent non-executive Directors regularly;

LETTER FROM THE BOARD

- (ii) The financial department of the Company and/or its subsidiaries will compile quarterly statistics on the amount of connected transactions in relation to Purchase of Goods and Services that have occurred and prepare an analysis of ongoing connected transactions to ensure that the amount of transactions does not exceed the annual cap. All relevant departments of the Company and/or its subsidiaries are responsible for the truthfulness, accuracy and completeness of the information they reported;
- (iii) The project department (including relevant administrative departments) of the Company and/or its subsidiaries will have regular and close contact and dialogue with a wide range of customers in order to keep abreast of market trends and pricing terms in the market throughout each year; and
- (iv) In the event that it is mandatory to go through a tender and/or bidding process, the Group will seek its service provider through a tender and/or bidding process for bid involving at least two independent suppliers at least on a yearly basis, and determine the price for services based on the tender and/or bidding results.

The Company will not purchase/supply exact same type of goods and services from/to Liaoning Port Group. However, the Group might purchase/supply similar type of goods and services from/to Liaoning Port Group and its associates or subsidiary(ies) (as the case maybe), as each of the subsidiaries of the Company and each of Liaoning Port Group's associates or subsidiaries enjoys the discretion to select the goods/services provider depending on its business needs. In addition, the types of maintenance services provided and purchased by the Group might be different. For instance, a subsidiary of the Company may purchase network maintenance services from a subsidiary of Liaoning Port Group while another subsidiary of the Company may supply equipment maintenance services to another subsidiary of Liaoning Port Group.

2.3 Financial Services – Deposit Services

On 28 April 2021, the Company entered into the Financial Services Agreement with CMG Finance, pursuant to which CMG Finance shall provide Deposit Services to the Group on normal commercial terms or better for a term commencing on the date of the AGM and ending on 31 December 2023.

(a) Pricing

Pursuant to the Financial Services Agreement, the interest rate payable by CMG Finance to the Group for any deposits should not be lower than the interest rate paid by other major commercial banks in the PRC for comparable deposits. In addition, the daily closing balance of the Group's deposit with CMG Finance under the Financial Services Agreement should not exceed RMB6.0 billion.

LETTER FROM THE BOARD

(b) Historical caps and figures for each of the two years of 2019 and 2020

	Caps for the year ended 31 December 2019 (RMB'000)	Actual utilized amount for the year ended 31 December 2019 (RMB'000)	Utilization rate for the year ended 31 December 2019	Caps for the year ended 31 December 2020 (RMB'000)	Actual utilized amount for the year ended 31 December 2020 (RMB'000)	Utilization rate for the year ended 31 December 2020
Deposit Services	4,000,000 ⁽¹⁾	3,617,130 ⁽¹⁾	90.43% ⁽¹⁾	4,000,000 ⁽¹⁾	3,377,150 ⁽¹⁾	84.43% ⁽¹⁾
	(4,000,000) ⁽²⁾	(3,617,130) ⁽²⁾	(90.43%) ⁽²⁾	(4,000,000) ⁽²⁾	(3,377,150) ⁽²⁾	(84.43%) ⁽²⁾

Notes:

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

(c) Estimated annual caps for each of the three years ending 31 December 2021, 2022 and 2023

	Estimated annual cap for the year ending 31 December 2021 (RMB'000)	Estimated annual cap for the year ending 31 December 2022 (RMB'000)	Estimated annual cap for the year ending 31 December 2023 (RMB'000)
Deposit Services	6,000,000 ⁽¹⁾	6,000,000 ⁽¹⁾	6,000,000 ⁽¹⁾
	(6,000,000) ⁽²⁾	(6,000,000) ⁽²⁾	(6,000,000) ⁽²⁾

Notes:

- (1) In determining the estimated annual caps for each of the three years ending 31 December 2021, 2022 and 2023 in respect of the Deposit Services, the Company considered transactions that will constitute connected transactions both under the Listing Rules and the Shanghai Listing Rules.
- (2) The figures set out in “()” relate to transactions that constituted connected transactions under Chapter 14A of the Listing Rules.

In determining the estimated annual caps for 2021, 2022 and 2023, the Directors have considered a number of factors in determining the estimated annual caps, including: (i) the historical figures of the maximum daily closing balance of deposit as shown in the table above, and (ii) the average of the balance of deposit and interest income between the Group, Yingkou Port Liability Co., Ltd and CMG Finance and the balance of deposit and interest income between the Group and independent financial institutions (the “**Cash and Cash Equivalents**”) as at 31 December 2020 and as at 31 March 2021. According to the quarterly report of the Group for three months ended 31 March 2021, the Cash and Cash equivalents as at 31 December 2020 and as at 31 March 2021 were approximately RMB7,390.72 million and RMB5,407.83 million respectively. The average of the Cash and Cash Equivalents as at 31 December 2020 and as at 31 March 2021 is approximately RMB6 billion.

LETTER FROM THE BOARD

(d) Internal control

In order to ensure minimal concentration risk exposure in relation to maintaining a high level of cash deposits with one single finance company, in particular, CMG Finance, the Company has appropriate internal controls in place, including:

- the Company will, prior to the placement of deposit with CMG Finance, (i) check the benchmark interest rates for deposits published by the People's Bank of China (中國人民銀行); and (ii) check the interest rates offered by at least two major commercial banks which have established business relationship with the Group; and
- according to the articles of CMG Finance, CMG has provided a written undertaking that in the event CMG Finance has any issues with its cash flow, CMG will increase its capital in CMG Finance, to ensure the capital of members of the Group is not affected.

3. REASONS FOR AND BENEFITS OF ENTERING INTO TRANSACTIONS

The Directors believe that the abovementioned transactions ensure 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.

Effect on the Earnings, Assets and Liabilities of the Group in Relation to the Continuing Connected Transactions

The entering into of the Financial Services Agreement will enable the Group to continue to centralize its control and management over the financial resources of the Group and attain diversified sources of funding. Therefore, the Directors are of the view that entering into the Financial Services Agreement overall will have a positive impact on the Group's earnings as a whole.

Furthermore, the entering into of the Financial Services Agreement effectively supplements the financing needs of the Group. By broadening the Group's financing channels through CMG Finance, there would be an increase in the source of funds which would elevate the level and efficiency of overall operations of enterprise capital, and which would strengthen the bargaining power of the Group in respect of external financing. Meanwhile, the Financial Services Agreement enables the Group to obtain interest rates for deposits no lower than those in the market and to enjoy on-shore settlement services at zero rate, thereby increasing the interest income on deposits and saving settlement costs, which would increase the profits of the Group.

LETTER FROM THE BOARD

Given the nature of the continuing connected transactions (including the transactions contemplated under the Purchase of Goods and Services Agreement, Supply of Goods and Services Agreement and Financial Services Agreement), the Group does not expect there will be any significant adverse effect on the earnings and assets and liabilities of the Group.

4. LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, the Company is a fellow subsidiary of CMG Finance. As such, CMG Finance is a connected person of the Company and the transactions contemplated under the Financial Services Agreement will constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios for the provision of Deposit Services under the Financial Services Agreement is, on an annual basis, more than 5% and the proposed annual caps for such transactions are more than HK\$10,000,000, such transactions are subject to the reporting, annual review, announcement and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios in respect of the provision of Deposit Services under the Financial Services Agreement is, on an annual basis, more than 5% but less than 25%, such transaction also constitute a discloseable transaction of the Company and are subject to the notification and announcement requirement under Chapter 14 of the Listing Rules.

The Directors (excluding the independent non-executive Directors whose opinion is stated in the "Letter from the Independent Board Committee" of this circular) consider that the provision of Deposit Services under the Financial Services Agreement as well as the proposed annual caps for the aforementioned transactions for each of the three years ending 31 December 2021, 2022 and 2023 are in the Group's ordinary and usual course of business, on normal commercial terms or better to the Group, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

For the purpose of obtaining the Independent Shareholders' approval on the provision of Deposit Services under the Financial Services Agreement as well as the proposed annual caps for the aforementioned transactions for each of the three years ending 31 December 2021, 2022 and 2023, the Company will convene the AGM pursuant to the Listing Rules.

Each of Mr. WEI Minghui, Mr. SUN Dequan, Mr. QI Yue, Mr. CAO Dong, Mr. YUAN Yi and Ms. NA Danhong, 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 Deposit Services under the Financial Services Agreement and the transactions contemplated thereunder. 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 Deposit Service of the Financial Services Agreement and the transactions contemplated thereunder.

LETTER FROM THE BOARD

The Independent Board Committee has been formed to advise the Independent Shareholders in respect of the provision of Deposit Services under the Financial Services Agreement as well as the proposed annual caps for the aforementioned transactions. The Independent Financial Adviser has been appointed to advise the Independent Board Committee to the Independent Shareholders on the same. CMG and its associates will abstain from voting on the ordinary resolution approving the transactions contemplated under the Financial Services Agreement as well as the proposed annual caps for the aforementioned transactions at the general meeting to be held by the Company.

Reference is made to the Announcement. Although the transactions contemplated under the Construction Management and Supervision Services Agreement, the Lease Agreement, the Terminal Facilities Design and Construction Services Agreement and the provision of Credit Loan Services, Settlement Services and other financial services under the Financial Services Agreement are exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules, the Company will seek Independent Shareholders' approval for the aforementioned agreements and the transactions contemplated thereunder as well as the proposed annual caps for each of the transactions pursuant to the requirements under the Shanghai Listing Rules. Details of the resolutions to be passed are set out in Appendix II of this circular.

As at the Latest Practicable Date, 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 Supply of Goods and Services Agreement and Purchase of Goods and Services Agreement constitute connected transactions for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios for each of the transactions under the sections headed "2. Continuing Connected Transactions Subject to the Reporting, Annual Review and Announcement and Independent Shareholders' Approval Requirements" is, on an annual basis, more than 5% and the proposed annual caps for such transactions are more than HK\$10,000,000, the transactions contemplated under the Supply of Goods and Services Agreement and Purchase of Goods and Services Agreement are subject to the reporting, annual review, announcement and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Directors (excluding the independent non-executive Directors who will give their opinion in the circular based on the recommendation of the independent financial adviser) consider that the transactions contemplated under the Supply of Goods and Services Agreement and Purchase of Goods and Services Agreement as well as the proposed annual caps for the aforementioned transactions for each of the three years ending 31 December 2021, 2022 and 2023 are in the Group's ordinary and usual course of business, on normal commercial terms or better to the Group, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

For the purpose of obtaining the Independent Shareholders' approval as well as the proposed annual caps for the aforementioned transactions for each of the three years ending 31 December 2021, 2022 and 2023, the Company will convene the AGM pursuant to the Listing Rules.

Each of Mr. WEI Minghui, Mr. SUN Dequan, Mr. QI Yue, Mr. CAO Dong, Mr. YUAN Yi and Ms. NA Danhong, 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 Supply of Goods and Services Agreement and Purchase of Goods and Services Agreement and the transactions contemplated thereunder. 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 Supply of Goods and Services Agreement and Purchase of Goods and Services Agreement and the transactions contemplated thereunder.

The Independent Board Committee has been formed to advise the Independent Shareholders in respect of the transactions contemplated under Supply of Goods and Services Agreement and Purchase of Goods and Services Agreement as well as the proposed annual caps for the aforementioned transactions. The Independent Financial Adviser has been appointed to advise the Independent Board Committee to the Independent Shareholders on the same. CMG and its associates will abstain from voting on the ordinary resolution approving the transactions contemplated under the Supply of Goods and Services Agreement and Purchase of Goods and Services Agreement as well as the proposed annual caps for the aforementioned transactions at the AGM to be held by the Company.

5. GENERAL INFORMATION

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).

CMG Finance is beneficially wholly-owned by CMG and incorporated in the PRC. Its principal business activities include (i) provision of financial advice, credit authentication and relevant consulting and agency services for members of the CMG Group (the "CMG Group Members"); (ii) assistance in collection and payment of transaction money for CMG Group Members; (iii) provision of guarantees for CMG Group Members; (iv) entrusted loan services between CMG Group Members; (v) bills acceptances and discount services for CMG Group Members; (vi) internal money transfer and settlement and relevant settlement and clearance arrangement between CMG Group Members; (vii) internal money deposit services; (viii) loan and lease financing services for CMG Group Members; (ix) inter-bank lending business for CMG Group Members; (x) underwriting corporate bond of CMG Group Members; (xi) marketable securities investment (fixed income).

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CMG is an enterprise wholly-owned by the PRC Government (the State Council of the PRC) and supervised by the SASAC. 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.

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.

6. PROPOSED DISTRIBUTION PLAN OF THE COMPANY FOR THE YEAR ENDED 31 DECEMBER 2020

On 25 March 2021, the Board has proposed the profit distribution plan for the year ended 31 December 2020 to distribute a Cash Dividend of RMB0.30 (PRC withholding tax included) per ten (10) existing Shares, in a total amount of RMB678,702,883.59 based on 22,623,429,453 Shares in issue. According to the Articles of Association, Cash Dividend will be denominated and declared in RMB. Cash Dividend on A Shares will be paid in RMB and Cash Dividend on H Shares will be paid in Hong Kong dollars. Payment of the Cash Dividend is subject to the approval of the Shareholders at the AGM.

It is proposed to authorize the Board to delegate the authority to any executive Director to deal with the matters in relation to the proposed distribution of Cash Dividend according to the relevant laws, regulations and Listing Rules.

Tax

According to the State Administration of Taxation of the PRC, the taxation regarding conversion of capital reserve is exempted, and no relevant taxation shall be withheld and paid. In respect of conversion of surplus reserve and unallocated profits and cash dividend, different taxation laws shall be applied based on different situations, details of which are set out in the following table:

Category	Recipients	Investors	Type of tax	Income Tax Rate	Payment Method	Laws
Cash dividend, conversion of surplus reserve and unallocated profits	A Shares (other than Northbound Trading and PDA)	Individuals	Individual Income Tax	Exempted	Withhold and pay	Cai Shui [2015] No. 101

LETTER FROM THE BOARD

Category	Recipients	Investors	Type of tax	Income Tax Rate	Payment Method	Laws
		Securities Investment Funds	Individual Income Tax	Exempted	Withhold and pay	Cai Shui [2015] No. 101
		QFII	Corporate Income Tax	10%	Withhold and pay	Guo Shui Han [2009] No. 47
		Resident Enterprise	Corporate Income Tax	Tax Exemption		Corporate Income Tax Law and Implementation Rules
	A Shares (Northbound Trading)	Individuals	Individual Income Tax	10%	Withhold and pay	Cai Shui [2014] No. 81 2, (2)
		Enterprises	Corporate Income Tax	10%	Withhold and pay	Cai Shui [2014] No. 81 2, (2)
	A Shares (PDA)	Enterprises	Corporate Income Tax	Tax Exemption		Corporate Income Tax Law and Implementation Rules
	H Shares (other than Southbound Trading and NCSSE)	Individuals	Individual Income Tax	Tax Exemption		Cai Shui [1994] No. 20 2, (8)
		Enterprises	Corporate Income Tax	10%	Withhold and pay	Corporate Income Tax Law and Implementation Rules
	H Shares (Southbound Trading)	Individuals	Individual Income Tax	20%	Withhold and pay	Cai Shui [2014] No. 81 1, (3)
		Enterprises	Corporate Income Tax	Tax Exemption if holding shares for 12 months	Self-declaration	Cai Shui [2014] No. 81 3, (4)

LETTER FROM THE BOARD

Category	Recipients	Investors	Type of tax	Income Tax Rate	Payment Method	Laws
		Securities Investment Funds	Individual Income Tax	20%	Withhold and pay	Cai Shui [2014] No. 81 1, (3)
	H Shares (NCSSF)	Enterprises	Corporate Income Tax	Tax Exemption		Cai Shui [2008] No. 136
Share Transfers (conversion of capital reserve-share premium)		Individuals	Individual Income Tax	Tax Exemption		Guo Shui Fa [1997] No. 198
		Resident Enterprise	Corporate Income Tax	Tax Exemption		Guo Shui Han [2010] No. 79

7. APPOINTMENT OF THE AUDITOR

The Board recommended the appointment of Ernst & Young Hua Ming LLP (Special General Partnership) as the auditor of the Company for the year ending 31 December 2021 and to hold office until the conclusion of the next annual general meeting of the Company. The total fees payable for the audit services to the Group for the year of 2021 will be RMB4,980,000 (inclusive of value added tax), RMB3,200,000 of which is for the audit services to the Company.

8. AGM

The AGM will be convened at 9:00 a.m on Wednesday, 16 June, 2021 at Room 109, Liaoning Port Group Building, No. 1 Gangwan Street, Zhongshan District, Dalian, Liaoning, the PRC, inter alia, for the Independent Shareholders to consider and, if thought fit, approve the Purchase of Goods and Services Agreement, Supply of Goods and Services Agreement and the Deposit Services under the Financial Services Agreement and the respective annual caps for the three years ending 31 December 2021, 2022 and 2023 thereunder.

The notice of the AGM is set out on pages AGM-1 to AGM-4 of this circular. The voting in relation to the resolutions proposed at the AGM will be conducted by way of poll.

Pursuant to Rule 14A.70 of the Listing Rules, any connected person and any shareholder and their associates with a material interest in the the Purchase of Goods and Services Agreement, Supply of Goods and Services Agreement and the Deposit Services under the Financial Services Agreement is required to abstain from voting on the resolution in respect of

LETTER FROM THE BOARD

the transactions contemplated thereunder at the AGM. Therefore, CMG, the controlling shareholder of the Company, together with its associates, collectively holding 16,586,998,459 Shares (comprising 12,293,749,764 A Shares and 4,293,248,695 H Shares) of the Company amounting to approximately 73.32 % of the total issued share capital of the Company as of the Latest Practicable Date, are required to abstain from voting at the AGM in respect of resolutions to approve the Purchase of Goods and Services Agreement, Supply of Goods and Services Agreement and the Deposit Services under the Financial Services Agreement and the transactions contemplated thereunder as well as the proposed annual caps for each of the transactions. Save as aforementioned, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no other Shareholder has a material interest in the Purchase of Goods and Services Agreement, Supply of Goods and Services Agreement and the Deposit Services under the Financial Services Agreement and the transactions contemplated thereunder and therefore no other Shareholder is required to abstain from voting at the AGM for the relevant resolutions.

Completion and return of the form of proxy will not preclude a Shareholder from attending and voting in person at the AGM or at any adjourned meeting should you so wish, but in such event the instrument appointing a proxy shall be deemed to be revoked.

In order to determine the holders of H Shares who are entitled to attend the AGM, the H Share register of members of the Company will be closed from Thursday, 10 June 2021 to Wednesday, 16 June 2021 (both days inclusive), during which no transfer of H Shares will be effected. Holders of H Shares whose names appear on the H Shares register of members on Wednesday, 16 June 2021 are entitled to attend and vote at the AGM. In order to qualify for attending and voting at the AGM, instruments of transfer accompanied by share certificates and other appropriate documents in respect of transfer of H Shares must be lodged with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Wednesday, 9 June 2021.

9. RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 26 to 27 of this circular and (ii) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 28 to 44 of this circular in connection with to the Purchase of Goods and Services Agreement, Supply of Goods and Services Agreement and the Deposit Services under the Financial Services Agreement and the respective annual caps for the three years ending 31 December 2021, 2022 and 2023 thereunder, and the principal factors and reasons considered by the Independent Financial Adviser in arriving at such advice.

LETTER FROM THE BOARD

The Board (including the Independent Board Committee), having taken into account the recommendation of the Independent Financial Adviser, considers that the Purchase of Goods and Services Agreement, Supply of Goods and Services Agreement and the Deposit Services under the Financial Services Agreement (including their respective annual caps for the three years ending 31 December 2021, 2022 and 2023) were entered into on normal commercial terms in the ordinary and usual course of business of the Group, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board (including the Independent Board Committee) recommends the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the AGM in relation to the Purchase of Goods and Services Agreement, Supply of Goods and Services Agreement and the Deposit Services under the Financial Services Agreement and the respective annual caps for the three years ending 31 December 2021, 2022 and 2023 thereunder.

The Directors believe that all the resolutions proposed for consideration and approval by the Shareholders at the AGM are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that the Shareholders should vote in favour of the resolutions to be proposed at the AGM as set out in the notice of the AGM.

10. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

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

* *For identification purposes only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

26 May 2021

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular dated 26 May 2021 issued by the Company (the “**Circular**”) of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein, unless the context otherwise requires.

We have been appointed as the members of the Independent Board Committee to consider and advise the Independent Shareholders regarding the Purchase of Goods and Services Agreement, Supply of Goods and Services Agreement and the Deposit Services under the Financial Services Agreement and the respective annual caps for the three years ending 31 December 2021, 2022 and 2023. The Independent Financial Adviser, TC Capital International Limited, has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to (i) the letter from the Board, as set out on pages 8 to 25 of the Circular, and (ii) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders which contains its opinion in respect of the Purchase of Goods and Services Agreement, Supply of Goods and Services Agreement and the Deposit Services under the Financial Services Agreement and the respective annual caps for the three years ending 31 December 2021, 2022 and 2023 thereunder as set out on pages 28 to 44 of the Circular.

After taking into consideration the advice from the Independent Financial Adviser, we consider that the Purchase of Goods and Services Agreement, Supply of Goods and Services Agreement and the Deposit Services under the Financial Services Agreement (including their respective annual caps for the three years ending 31 December 2021, 2022 and 2023) were entered into on normal commercial terms in the ordinary and usual course of business of the Group, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the AGM in relation to the Purchase of Goods and Services Agreement, Supply of Goods and Services Agreement and the Deposit Services under the Financial Services Agreement and the respective annual caps for the three years ending 31 December 2021, 2022 and 2023 thereunder.

Yours faithfully,

For and on behalf of the Independent Board Committee

LI Zhiwei

LIU Chunyan

LAW Man Tat

Independent Non-executive Directors

* *For identification purposes only*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders for the purpose of incorporation into this circular:



26 May 2021

*The Independent Board Committee and the Independent Shareholders
Liaoning Port Co., Ltd.**

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Supply of Goods and Services, the Purchase of Goods and Services and the Deposit Services (together, the “**Continuing Connected Transactions**”), and the proposed annual caps (the “**Proposed Annual Caps**”) for the years ending 31 December 2021 (“**FY2021**”), 31 December 2022 (“**FY2022**”) and 31 December 2023 (“**FY2023**”), details of which are set out in the Letter from the Board (the “**Letter from the Board**”) in the circular of Liaoning Port Co., Ltd.* (the “**Company**”) to the Shareholders dated 26 May 2021 (the “**Circular**”). Capitalized terms used in this letter have the same meanings as those defined in the Circular unless the context otherwise requires.

Listing Rules Implications

As stated in the Letter from the Board, as at the Latest Practicable Date, the Company is a fellow subsidiary of CMG Finance. As such, CMG Finance is a connected person of the Company and the transactions contemplated under the Financial Services Agreement will constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As at the Latest Practicable Date, 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 Supply of Goods and Services Agreement and the Purchase of Goods and Services Agreement constitute connected transactions for the Company under Chapter 14A of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As one or more of the applicable percentage ratios for the provision of the Deposit Services under the Financial Services Agreement is, on an annual basis, more than 5% and the proposed annual caps for such transactions are more than HK\$10,000,000, such transactions are subject to the reporting, annual review, announcement and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios in respect of the provision of the Deposit Services under the Financial Services Agreement is, on an annual basis, more than 5% but less than 25%, such transaction also constitute a discloseable transaction of the Company and are subject to the notification and announcement requirement under Chapter 14 of the Listing Rules.

As one or more of the applicable percentage ratios for each of the transactions under the Supply of Goods and Services Agreement and the Purchase of Goods and Services Agreement is, on an annual basis, more than 5% and the proposed annual caps for such transactions are more than HK\$10,000,000, the transactions contemplated under the Supply of Goods and Services Agreement and the Purchase of Goods and Services Agreement are subject to the reporting, annual review, announcement and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

We have been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders as to (i) whether the Continuing Connected Transactions are entered in the ordinary and usual course of business of the Company and the terms of the Continuing Connected Transactions are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Continuing Connected Transactions are in the interests of the Company and the Shareholders as a whole and the Proposed Annual Caps are fair and reasonable; and (iii) how the Independent Shareholders should vote in favour of the relevant resolutions to approve the Continuing Connected Transactions and the Proposed Annual Caps.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationships with, or have any interests in the Company or any other parties that could reasonably be regarded as relevant to the independence of us. Within the two years prior to the Latest Practicable Date, we have acted as an independent financial adviser to the then independent board committee and independent shareholders of the Company in relation to a continuing connected transaction of the Company, details of which are set out in the circular of the Company dated 13 January 2020. Apart from normal professional fees paid to us in connection with the aforesaid appointment, no arrangements exist whereby we have received any fees or benefits from the Company or any other party to the transactions during the two years prior to the Latest Practicable Date, therefore we consider such relationship would not affect our independence to form our opinion in respect of the Continuing Connected Transactions and the Proposed Annual Caps.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In putting forth our recommendation, we have relied on the information, opinions, facts and representations supplied to us by the Directors and/or the representatives of the Company. We have reviewed, among other things, (i) the Financial Services Agreement, the Supply of Goods and Services Agreement and the Purchase of Goods and Services Agreement; (ii) the annual reports of the Company for year ended 31 December 2019 (the “**2019 Annual Report**”) and for year ended 31 December 2020 (the “**2020 Annual Report**”); and (iii) other information as set out in the Circular.

We have assumed that all such information, opinions, facts and representations, which have been provided to us by the Directors and/or the representatives of the Company, for which they are fully responsible, are true, accurate and complete in all respects. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Company and/or the representatives of the Company. The Company has also confirmed to us that no material facts have been omitted from the information supplied and we have no reason to suspect that any material information has been withheld by the Company and/or its representatives or is misleading.

We consider that we have sufficient information currently available to reach an informed view and to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided by the Directors and the representatives of the Company, nor have we conducted any independent investigation into the business, affairs, operations, financial position or future prospects of each of the Group, the counterparties to the Continuing Connected Transactions and any of their respective subsidiaries and associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion in respect of the Continuing Connected Transactions and the Proposed Annual Caps, we have taken into account the following principal factors and reasons:

1. Background information of the parties to the Continuing Connected Transactions

(1) *The Group*

As stated in the Letter from the Board, 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).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is certain audited financial information of the Group for the three years ended 31 December 2020 (“FY2018”, “FY2019” and “FY2020”, respectively) as extracted from the 2019 Annual Report and the 2020 Annual Report:

	For the years ended 31 December		
	2018	2019	2020
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(approximately)</i>	<i>(approximately)</i>	<i>(approximately)</i>
	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Audited)</i>
Revenue	6,754,444,902	6,645,907,276	6,657,457,294
Gross profit	1,612,709,720	1,990,966,916	2,235,346,930
Net profit attributable to shareholders of the parent company	523,315,600	718,230,462	812,640,222
	As at 31 December		
	2018	2019	2020
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(approximately)</i>	<i>(approximately)</i>	<i>(approximately)</i>
	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Audited)</i>
Total assets	35,315,583,173	35,098,274,541	34,525,841,798
Total liabilities	14,455,267,229	13,693,858,950	12,504,742,063
Net assets	20,860,315,944	21,404,415,591	22,021,099,735

As shown in the above table, revenue of the Group for FY2019 was slightly decreased by approximately 1.6% to approximately RMB6,645.9 million as compared to that for FY2018. The gross profit amounted to approximately RMB1,991.0 million for FY2019, representing an increase of approximately 23.5% as compared to that for FY2018. Net profit attributable to shareholders of the parent company for FY2019 was approximately RMB718.2 million, representing an increase of approximately 37.2% as compared to that for FY2018. As stated in the 2019 Annual Report, in 2019, the growth of the Group’s crude oil storage business led to an increase in operating gross profit and investment income, and the acquisition of insurance claims and government subsidies raised other income, and the credit impairment losses decreased. However, the profit margin was cut down, which is attributed to, among others, reduced exchange gains resulted from the exchange settlement of the US dollar and exchange rate fluctuations and increased finance costs due to the implementation of new accounting standards on leases.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As shown in the above table, revenue of the Group for FY2020 amounted to approximately RMB6,657.5 million, which is similar to the level of profit from operations for FY2019. The gross profit amounted to approximately RMB2,235.3 million for FY2020, representing an increase of approximately 12.3% as compared to that for FY2019. Net profit attributable to shareholders of the parent company for FY2020 was approximately RMB812.6 million, representing an increase of approximately 13.1% as compared to that for FY2019. As stated in the 2020 Annual Report, in 2020, the growth of the business volume of the Group's ore, grain and tugging drove the growth of revenue. The government policy to reduce and exempt social security and the effectiveness of cost control have reduced cost of sales. The decrease in the scale of interest-bearing debt has saved finance costs. However, due to the impact of the COVID-19 epidemic, the declined performance of the Passenger and Ro-Ro and Automobile Segments and of some joint ventures and associates, the provisions for credit and asset impairment, as well as the incurrence of intermediary fees for certain capital operation projects restricted the growth of performance.

The net assets of the Group as at 31 December 2020 were approximately RMB22,021.1 million, representing an increase of approximately 2.9% as compared to that as at 31 December 2019 which was mainly due to the increase in the net profit for FY2020.

(2) *CMG Finance*

As stated in the Letter from the Board, CMG Finance is beneficially wholly-owned by CMG and incorporated in the PRC. Its principal business activities include (i) provision of financial advice, credit authentication and relevant consulting and agency services for members of the CMG Group (the "**CMG Group Members**"); (ii) assistance in collection and payment of transaction money for CMG Group Members; (iii) provision of guarantees for CMG Group Members; (iv) trust loan services between CMG Group Members; (v) bills acceptances and discount services for CMG Group Members; (vi) internal money transfer and settlement and relevant settlement and clearance arrangement between CMG Group Members; (vii) internal money deposit services; (viii) loan and lease financing services for CMG Group Members; (ix) inter-bank lending business for CMG Group Members; (x) underwriting corporate bond of CMG Group Members; and (xi) marketable securities investment (fixed income).

(3) *Liaoning Port Group*

As stated in the Letter from the Board, 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.

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2. Reasons for and benefits of entering into the Continuing Connected Transactions

As stated in the Letter from the Board, the Directors believe that the Continuing Connected Transactions ensure 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.

Having considered that (i) the terms of the Continuing Connected Transactions are fair and reasonable as mentioned in the paragraph headed “Principal terms of the Continuing Connected Transactions” below; and (ii) the Continuing Connected Transactions do not restrict the Group to supply goods and services to Liaoning Port Group, purchase goods and services from Liaoning Port Group and place deposit in CMG Finance only, we are of the view that entering into the Continuing Connected Transactions are in the ordinary and usual course of the business of the Company and in the interests of the Company and the Shareholders as a whole.

3. Principal terms of the Continuing Connected Transactions

(1) Supply of Goods and Services

On 28 April 2021, the Company entered into the Supply of Goods and Services Agreement with Liaoning Port Group, pursuant to which the Group shall supply goods and services to Liaoning Port Group and its associates or subsidiary(ies) (as the case maybe) on normal commercial terms or better for a term commencing on the date of the AGM and ending on 31 December 2023. Details of the terms of the Supply of Goods and Services are stated in the Letter from the Board.

Pricing principle for the Supply of Goods and Services

As stated in the Letter from the Board, the provision of the Supply of Goods and Services by the Group to Liaoning Port Group and its associates or subsidiary(ies) (as the case maybe) shall be priced in accordance with the following principles:

- at the State Price; and
- where there is no State Price, at the market price at which the same or comparable types of services are provided to independent third parties in the normal course of business (at least two quotations from independent third parties will be obtained for reference).

For supply of steaming, equipment and other accessories, providing heating supply services, production facilities and equipment maintenance services, port storage services, tally, ship and freight agency services, port passenger operation services, mechanical operation and property management services, the pricing policy is based on the market price at which the same or comparable types of services are provided to independent third parties in the normal course of business.

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For supply of electricity, providing tugboat and communication services, port handling services, port security services and berthing services, the pricing will follow the State Price.

The representative of the Company advised that the three largest transactions of the Supply of Goods and Services for the two years ended 31 December 2020 were related to three separate contracts for each year. For the largest transaction of the Supply of Goods and Services for each of the two years ended 31 December 2020, we have checked the price of the three largest amount items (the “**Selected Items**”) against the price of similar services provided to the independent third parties of the corresponding period. We noted that the prices of the Selected Items were not less than the selling prices offered by the Group to independent third parties. For the second largest and the third largest transactions of the Supply of Goods and Services for each of the two years ended 31 December 2020, the representative of the Company advised that in calculating the fee in the contracts, (i) for items which have government-guided price, a system of calculating the fee of projects of the Group is linked to relevant databases which record the government-guided price; and (ii) for items which do not have government-guided price, the Group used the purchase price of the equipment. We note that the items which do not have government-guided price in the Selected Items were mainly equipment. The representative of the Company advised that the Group normally uses the purchase price of the equipment in calculating the fee as the Group earns income mainly from the service fee.

After considering the Selected Items are determined with reference to (i) the State Price if available; or (ii) the purchase price if no State Price and such pricing principal is also used in other independent third parties, we are of the view that the pricing principle of the Supply of Goods and Services are fair and reasonable so far as the Independent Shareholders are concerned.

Proposed Annual Caps for the Supply of Goods and Services

The table below sets out (i) the historical amounts of the Supply of Goods and Services by the Group to Liaoning Port Group and its associates or subsidiary(ies) (as the case maybe) for the two years ended 31 December 2020; and (ii) the Proposed Annual Caps for the Supply of the Goods and Services for the three years ending 31 December 2023.

	Historical amounts for the		Proposed Annual Caps for the		
	years ended 31 December		years ending 31 December		
	2019	2020	2021	2022	2023
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Supply of Goods and Services	107,420	123,580	1,950,000	2,070,000	2,200,000

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As stated in the Letter from the Board, in determining the estimated annual caps for 2021, 2022 and 2023, the Directors have referenced to the historical transaction amount, and considered the increment in port businesses of the bulk and general cargo terminal and container terminal, as well as the increment in business arising from the Merger of Yingkou Port Liability Co., Ltd. Please refer to the paragraph headed “Supply of Goods and Services” in the Letter from the Board for the details.

The determinations of the Proposed Annual Cap for the Supply of Goods and Services for FY2021

The Proposed Annual Cap for the Supply of Goods and Services for FY2021 of approximately RMB1,950.00 million was determined based on the below factors.

- (i) approximately RMB1,459.62 million of the total transaction amount of the Supply of Goods and Services of the Company of approximately RMB123.58 million and Yingkou Port Liability Co., Ltd for FY2020 of approximately RMB1,336.04 million (the “**Total Supply of Goods and Services for FY2020**”);
- (ii) an increase of approximately RMB394.10 million for the Proposed Annual Cap for the Supply of Goods and Services for FY2021 (the “**Increase of Supply of Goods and Services for FY2021**”), representing approximately 27% as compared with the Total Supply of Goods and Services for FY2020.

The 27% increase was determined with reference to (a) the growth rate of gross profit of the Company for FY2019 of approximately 23%. As advised by the representative of the Company, the Company considered that using the gross profit of the Company for FY2019 is more appropriate in assessing the growth of the Company in FY2019 as (1) there was a large decrease in trading business of the Company in FY2019. Trading business had a significant effect on revenue and cost of sales of the Company in FY2019 and less impact on gross profit given its low gross profit margin; and (2) the gross profit did not include non-cash items as compared with net profit; and (b) the expected recovery of the market in 2021 with expected growth of 4% with reference to the average of (1) the growth in gross domestic product in the PRC (“**GDP Growth**”) in 2020 of approximately 2%; and (2) the projected target of GDP Growth in 2021 of over 6% according to 政府工作報告 (Report on the work of the government*) (the “**Report**”) published on the website of the State Council the People’s Republic of China (www.gov.cn) in March 2021; and

- (iii) an increase of approximately RMB96.28 million for the Proposed Annual Cap for the Supply of Goods and Services for FY2021 arising from the anticipated growth in bulk and general cargo terminal and related logistics services for FY2021 of approximately RMB46.08 million and container terminal and related logistics services for FY2021 of approximately RMB50.20 million.

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As stated in the 2020 Annual Report, by virtue of the regional advantages, the Group vigorously developed the ore mixing business, focused on building up an iron ore mixing center in Northeast Asia and continued to facilitate the construction of the near-port iron ore processing industrial base of the Group. Moreover, closely capturing the opportunities brought by the national policy adjustments, the Group was committed to the innovation of logistics mode and achieved significant progress in market development. For the Bulk Grain Segment. The representative of the Company advised that the Group will further optimize and upgrade the container route network of Dalian Port in combination with the cold chain of logistics of Dalian Port and other business advantages, continue to tap the market potential of emerging shipping areas such as Southeast Asia and the Russian Far East, and the opportunities for north-south transportation demand. Further optimize and upgrade the container route network at Dalian Port. The Group discussed with the concerned connected parties for its demand in bulk and general cargo terminal and related logistics services and container terminal and related logistics services for the three years ending 31 December 2023.

The determinations of the Proposed Annual Cap for the Supply of Goods and Services for FY2022

The Proposed Annual Cap for the Supply of Goods and Services for FY2022 of approximately RMB2,070.00 million was determined based on the below factors.

- (i) approximately RMB1,853.72 million of the sum of the Total Supply of Goods and Services for FY2020 and the Increase of Supply of Goods and Services for FY2021 of (the “**Total Supply of Goods and Services for FY2021**”);
- (ii) an increase of approximately RMB92.69 million for the Proposed Annual Cap for the Supply of Goods and Services for FY2022 (the “**Increase of Supply of Goods and Services for FY2022**”), representing approximately 5% as compared with the Total Supply of Goods and Services for FY2021.

We noted that the 5% increase was determined with reference to the GDP Growth for the period from 2016 to 2019 of approximately 6% to 7% per annum according to the data published on the website of National Bureau of Statistics (<https://data.stats.gov.cn>); and

- (iii) an increase of approximately RMB123.59 million for the Proposed Annual Cap for the Supply of Goods and Services for FY2022 arising from the anticipated growth in bulk and general cargo terminal and related logistics services for FY2022 of approximately RMB58.17 million and container terminal and related logistics services for FY2022 of approximately RMB65.42 million. Please refer to the paragraph headed “The determinations of the Proposed Annual Cap for the Supply of Goods and Services for FY2021” above for the details of the increase.

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The determinations of the Proposed Annual Cap for the Supply of Goods and Services for FY2023

The Proposed Annual Cap for the Supply of Goods and Services for FY2023 of approximately RMB2,200.00 million was determined based on the below factors.

- (i) approximately RMB1,946.41 million of the sum of the Total Supply of Goods and Services for FY2021 and the Increase of Supply of Goods and Services for FY2022 (the “**Total Supply of Goods and Services for FY2022**”);
- (ii) an increase of approximately RMB97.32 million for the Proposed Annual Cap for the Supply of Goods and Services for FY2023 (the “**Increase of Supply of Goods and Services for FY2022**”), represented approximately 5% as compared with the Total Supply of Goods and Services for FY2022. Please refer to the paragraph headed “The determinations of the Proposed Annual Cap for the Supply of Goods and Services for FY2022” above for the details of the increase; and
- (iii) an increase of approximately RMB156.27 million for the Proposed Annual Cap for the Supply of Goods and Services for FY2023 arising from the anticipated growth in bulk and general cargo terminal and related logistics services for FY2023 of approximately RMB66.02 million and container terminal and related logistics services for FY2023 of approximately RMB90.25 million. Please refer to the paragraph headed “The determinations of the Proposed Annual Cap for the Supply of Goods and Services for FY2021” above for the details of the increase.

After considering the Proposed Annual Caps for the Supply of Good and Services was determined based on historical amount and anticipated increase in demand for the three years ending 31 December 2023 with reference to the historical growth rate of the gross profit of the Group, the market conditions and the expected demand of the concerned connected parties, we are of the view that the Proposed Annual Caps for the Supply of Good and Services for the three years ending 31 December 2023 are determined based on reasonable estimation and after due and careful consideration and they are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

(2) *Purchase of Goods and Services*

On 28 April 2021, the Company entered into the Purchase of Goods and Services Agreement with Liaoning Port Group, pursuant to which the Group shall purchase goods and services from Liaoning Port Group and its associates or subsidiary(ies) (as the case maybe) on normal commercial terms or better for a term commencing on the date of the AGM and ending on 31 December 2023. Details of the terms of the Purchase of Goods and Services are stated in the Letter from the Board.

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Pricing principle for the Purchase of Goods and Services

As stated in the Letter from the Board, the provision of goods and services by Liaoning Port Group and its associates or subsidiary(ies) (as the case maybe) to the Group shall be priced in accordance with the following principles:

- at the State Price; and
- where there is no State Price, at the market price at which the same or comparable types of services are provided from independent third parties in the normal course of business (at least two quotations from independent third parties will be obtained for reference).

For the purchase of goods including network and information office equipment, office supplies, accessories, software, and services including water and heating supply, greening, commuting, canteen, medical examination, printing, conference services and other related or similar services, mechanical operation, warehouse services, property management, network system maintenance, software development services and other related or similar services, the pricing policy is based on the market price at which the same or comparable types of services are provided by independent third parties in the normal course of business.

For purchase of gasoline and diesel and services including production facilities and equipment maintenance services, port facilities security services, cargo dues services, and tugboat services, the pricing will follow the State Price.

We have obtained and reviewed the five largest invoices (the “**Five Largest Invoices**”) in relation to the Purchase of Goods and Services for the three largest transactions for each of the two years ended 31 December 2020. The goods purchased stated in the above invoices were diesel which had the State Price. The Group prepared a list of price of diesel (the “**Price List**”) which had the State Price and such list was updated when the government announced any changes to the State Price. We have checked the price of the items in the Five Largest Invoices against the Price List and the price of the selected items in the Price List as at 31 December 2020 against the State Price stated in relevant government website. We noted that the prices of products in the Five Largest Invoices were not higher than the relevant State Price.

We have also obtained the three largest transactions for goods and services which used market price in the pricing for each of the two years ended 31 December 2020 (the “**Selected Transactions**”). The Selected Transactions are medical examination services. We have reviewed the breakdown of the Selected Transactions and the price list of medical examination services provided to the Group and to the independent third parties by the Liaoning Port Group. We have checked the price of the Selected Transactions against the price of similar medical examination services provided to the independent

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third parties by the Liaoning Port Group of the corresponding period. We noted that the prices of the Selected Transactions charged by the Liaoning Port Group were not less favorable than the prices offered by the Liaoning Port Group to independent third parties.

Based on the above, we are of the view that the pricing principle for the Purchase of Products and Services are fair and reasonable so far as the Independent Shareholders are concerned.

Proposed Annual Caps for the Purchase of Goods and Services

The table below sets out (i) the historical amounts of the purchase of goods and services from Liaoning Port Group and its associates or subsidiary(ies) (as the case maybe) for the two years ended 31 December 2020; and (ii) the Proposed Annual Caps for the Purchase of Goods and Services for the three years ending 31 December 2023.

	Historical amounts for the		Proposed annual caps for the		
	years ended 31 December		years ending 31 December		
	2019	2020	2021	2022	2023
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Purchase of Goods and Services	135,530	162,490	990,000	1,010,000	1,030,000

As stated in the Letter from the Board, in determining the estimated annual caps for FY2021, FY2022 and FY2023, the Directors have referenced to the historical amount and taken into account the increment in business arising for the Merger of Yingkou Port Liability Co., Ltd. and the fact that the Company has disposed several information companies, each of which was changed from a subsidiary of the Company to a connected person of the Company after the disposal and resulted in increasing of connected transactions. Please refer to the paragraph headed “Purchase of Goods and Services” in the Letter from the Board for the details.

The determinations of the Proposed Annual Cap for the Purchase of Goods and Services for FY2021

The Proposed Annual Cap for the Purchase of Goods and Services for FY2021 of approximately RMB990.00 million was determined based on the below factors.

- (i) approximately RMB727.77 million of the total transaction amount of the Purchase of Goods and Services of the Company of approximately RMB162.49 million, four information companies of approximately RMB66.00 million and Yingkou Port Liability Co., Ltd of approximately RMB499.28 million for FY2020 (the “**Total Purchase of Goods and Services for FY2020**”);

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- (ii) an increase of approximately RMB196.50 million for the Proposed Annual Cap for the Purchase of Goods and Services for FY2021 (the “**Increase of Purchase of Goods and Services for FY2021**”), representing approximately 27% as compared with the Total Purchase of Goods and Services for FY2020. Please refer to the paragraph headed “The determinations of the Proposed Annual Cap for the Supply of Goods and Services for FY2021” above for the details of the increase; and
- (iii) an increase of approximately RMB65.73 million for the Proposed Annual Cap for the Purchase of Goods and Services for FY2021, arising from the anticipated increase in the Purchase of Goods and Services relating to a smart terminal project of the Group for FY2021 of approximately RMB54.73 million and expected fuel expenses of three newly purchased tugboats for FY2021 of approximately RMB11.00 million.

According to a feasibility report of the smart terminal project, the Group intends to build a port with an intelligent terminal operating system, an ecological terminal service system and a terminal environment system in FY2021 and FY2022. The Group estimated the amount of the purchase of goods and services from Liaoning Port Group and its associates or subsidiary(ies) (as the case maybe) relating to the project for the three years ending 31 December 2023 with reference to the total investment amount of the project and the discussion with the concerned connected parties. Besides, the expected fuel expenses of three tugboats purchased in 2020 were determined with reference to a budget of the tugboats which was approved by the Board and the discussion with the concerned connected parties.

The determinations of the Proposed Annual Cap for the Purchase of Goods and Services for FY2022

The Proposed Annual Cap for the Purchase of Goods and Services for FY2022 of approximately RMB1,010.00 million was determined based on the below factors.

- (i) approximately RMB924.27 million of the sum of the Total Purchase of Goods and Services for FY2020 and the Increase of Purchase of Goods and Services for FY2021 (the “**Total Purchase of Goods and Services for FY2021**”);
- (ii) an increase of approximately RMB46.21 million for the Proposed Annual Cap for the Purchase of Goods and Services for FY2022 (the “**Increase of Purchase of Goods and Services for FY2022**”), representing approximately 5% as compared with the Total Purchase of Goods and Services for FY2021. Please refer to the paragraph headed “The determinations of the Proposed Annual Cap for the Supply of Goods and Services for FY2022” above for the details of the increase; and

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- (iii) an increase of approximately RMB39.52 million for the Proposed Annual Cap for the Purchase of Goods and Services for FY2022, arising from the anticipated growth in the Purchase of Goods and Services relating to a digitalized project of the Group FY2022 of approximately RMB28.52 million and expected fuel expenses of three newly purchased tugboats for FY2022 of approximately RMB11.00 million. Please refer to the paragraph headed “The determinations of the Proposed Annual Cap for the Purchase of Goods and Services for FY2021” above for the details of the increase.

The determinations of the Proposed Annual Cap for the Purchase of Goods and Services for FY2023

The Proposed Annual Cap for the Purchase of Goods and Services for FY2023 of approximately RMB1,030.00 million was determined based on the below factors.

- (i) approximately RMB970.48 million of the sum of the Total Purchase of Goods and Services for FY2021 and the Increase of Purchase of Goods and Services for FY2022 (the “**Total Purchase of Goods and Services for FY2022**”);
- (ii) an increase of approximately RMB48.52 million for the Proposed Annual Cap for the Purchase of Goods and Services for FY2023 (the “**Increase of Purchase of Goods and Services for FY2022**”), representing approximately 5% as compared with the Total Purchase of Goods and Services for FY2022. Please refer to the paragraph headed “The determinations of the Proposed Annual Cap for the Supply of Goods and Services for FY2022” above for the details of the increase; and
- (iii) an increase of approximately RMB11.00 million for the Proposed Annual Cap for the Purchase of Goods and Services for FY2023 arising from expected fuel expenses of three newly purchased tugboats for FY2023 of approximately RMB11.00 million. Please refer to the paragraph headed “The determinations of the Proposed Annual Cap for the Purchase of Goods and Services for FY2021” above for the details of the increase.

After considering the Proposed Annual Caps for the Purchase of Good and Services was determined based on historical amount and anticipated increase in demand for the three years ending 31 December 2023 with reference to the historical growth rate of the gross profit of the Group and the business development of the Group, we are of the view that the Proposed Annual Caps for the Purchase of Good and Services for the three years ending 31 December 2023 are determined based on reasonable estimation and after due and careful consideration and they are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

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(3) Deposit Services

On 28 April 2021, the Company entered into the Financial Services Agreement with CMG Finance pursuant to which CMG Finance shall provide the Deposit Services to the Group on normal commercial terms or better for a term commencing on the date of the AGM and ending on 31 December 2023. Details of the terms of the Deposit Services are stated in the Letter from the Board.

Pricing principle for the Deposit Services

As stated in the Letter from the Board, the interest rate payable by CMG Finance to the Group for any deposits should not be lower than the interest rate paid by other major commercial banks in the PRC for comparable deposits.

The representative of the Company advised that the Group places deposit with CMG Finance starting from May 2020. We have obtained and reviewed the records of the three largest deposits made by the Group to CMG Finance as at and 31 December 2020. We compared the interest rates of deposits offered by CMG Finance to the Group against the interest rates of deposits of similar type for the same period offered by the three commercial banks in the PRC. We note that the interest rates from CMG Finance for the deposit services to the Group were not less favourable to the Group than the interest rates received from the three commercial banks in the PRC for deposits of a similar type for the same period.

We are of the view that the pricing principle for the Deposit Services is fair and reasonable so far as the Independent Shareholders are concerned as the interest from the Deposit Services will be set at such rates not less than the rates offered by the third parties.

Proposed Annual Caps for the Deposit Services

The table below sets out (i) the historical amounts of the provision of the Deposit Services to the Group and its associates or subsidiary(ies) (as the case maybe) for the two years ended 31 December 2020; and (ii) the Proposed Annual Caps for the Deposit Services for the three years ending 31 December 2023.

	Historical amounts for the year ended 31 December		Proposed annual caps for the year ending 31 December		
	2019 (RMB'000)	2020 (RMB'000)	2021 (RMB'000)	2022 (RMB'000)	2023 (RMB'000)
Deposit Services	3,617,130	3,377,150	6,000,000	6,000,000	6,000,000

As stated in the Letter from the Board, in determining the estimated annual caps for 2021, 2022 and 2023, the Directors have considered a number of factors in determining the estimated annual caps, including: (i) the historical figures of the maximum daily closing balance of deposit as shown in the table above, and (ii) the average of the balance

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of deposit and interest income between the Group, Yingkou Port Liability Co., Ltd and CMG Finance and the balance of deposit and interest income between the Group and independent financial institutions (the “**Cash and Cash Equivalents**”) as at 31 December 2020 and as at 31 March 2021.

As shown in the above table, the historical maximum daily closing balance of the deposit between the Group and Dalian Port Group Finance Company Limited for the two years ended 31 December 2020 was approximately RMB3,617.13 million and RMB3,377.15 million respectively. As mentioned above, the Proposed Annual Caps of the Deposit Services are determined with reference to the average of the balance of Cash and Cash Equivalents as at 31 December 2020 and as at 31 March 2021. According to the quarterly report of the Group for the three months ended 31 March 2021, the Cash and Cash Equivalents as at 31 December 2020 and as at 31 March 2021 were approximately RMB7,390.72 million and RMB5,407.83 million respectively. The average of the Cash and Cash Equivalents as at 31 December 2020 and as at 31 March 2021 is approximately RMB6 billion. We are of the view that the Proposed Annual Caps of the Deposit Services are determined based on reasonable estimation and after due and careful consideration and are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Shareholders should note that as the Proposed Annual Caps are relating to future events and was estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2023, and they do not represent forecasts of the amount of the Continuing Connected Transactions. Consequently, we express no opinion as to how closely the actual amount of the Continuing Connected Transactions will correspond with the respective Proposed Annual Caps.

4. Internal control measures

The Group has adopted 大連港股份有限公司關聯交易管理辦法 (Liaoning Port Co., Ltd. Connected Transaction Management Measure*) (the “**Measure**”) to monitor the continuing connected transactions. According to the Measure, the departments or units of conducting connected transactions should report the amount of the connected transactions to the finance department of the Company on the next date of each month end of the monthly financial statements. Those departments and units are responsible for truthfulness, accuracy and completeness of those information. Furthermore, the finance department of the Company is responsible for (i) collecting the transacted amounts of the continuing connected transactions; (ii) reporting the status of the continuing connected transactions to the independent directors and the audit committee periodically; and (iii) making corresponding measures if discovering the annual caps of the continuing connected transactions may be exceed. We have obtained and reviewed the four quarterly reports in 2020 on continuing connected transactions prepared by the finance department of the Company to the independent directors and the audit committee and noted that the maximum daily closing balance or the transacted amount of the continuing connected transactions as at the end of the quarter and whether the maximum daily closing balance or the transacted amount of the continuing connected transactions exceeds the cap were reported.

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Moreover, as stated in the 2020 Annual Report, the independent non-executive directors of the Company had reviewed the continuing connected transactions and confirmed that the transactions were (i) entered into in the ordinary and usual course of business of the Company; (ii) made on normal commercial terms or better; and (iii) conducted according to the agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole. Pursuant to Rule 14A.71(6)(b) of the Listing Rules, the Board confirms that the Company has engaged its auditors to report on the Company's continuing connected transactions and the auditors have issued a letter containing the findings and conclusions in accordance with Rule 14A.56 of the Listing Rules and confirmed that nothing has come to their attention that causes them to believe that any transactions: (i) have not been approved by the Board; (ii) for the transactions involve the provision of goods or services by the Company, were not, in all material respects, in accordance with the pricing policies of the Company; (iii) were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and (iv) have exceeded the maximum aggregate annual caps.

Taking into account the internal control measures as stated above, we concur with the Directors' view that the Company has established internal control procedures to ensure the Continuing Connected Transactions will be conducted on normal commercial terms, fair and reasonable and in the interest of the Company and the Shareholders as a whole and the Continuing Connected Transactions will be implemented in accordance with the Financial Services Agreement.

RECOMMENDATION

Having considered the principal factors and reasons as discussed above, we are of the view that the Continuing Connected Transactions are entered in the ordinary and usual course of business of the Company, the terms of the Continuing Connected Transactions are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned and the Continuing Connected Transactions are in the interests of the Company and the Shareholders as a whole and the Proposed Annual Caps are fair and reasonable. Accordingly, we would recommend (i) the Independent Board Committee to advise the Independent Shareholders; and (ii) the Independent Shareholders, to vote in favour of the ordinary resolution(s) in this regard.

Yours faithfully,
For and on behalf of
TC Capital International Limited
Edward Wu
Chairman

Note: Mr. Edward Wu has been a responsible officer of Type 6 (advising on corporate finance) regulated activities under the SFO since 2005. He has participated in and completed various advisory transactions in respect of connected transactions of listed companies in Hong Kong.

* *for identification purpose only*

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. FINANCIAL INFORMATION OF THE GROUP

The 2020 financial statements are set out on pages 97 to 334 of the annual report of the Company for the year ended 31 December 2020, which was published on 26 April 2021. The annual report of the Company for the year ended 31 December 2020 is posted on the websites of the Stock Exchange and the Company. Please also see below a direct link:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0426/2021042600634.pdf>

The 2019 financial statements are set out on pages 98 to 327 of the annual report of the Company for the year ended 31 December 2019, which was published on 27 April 2020. The annual report of the Company for the year ended 31 December 2019 is posted on the websites of the Stock Exchange and the Company. Please also see below a direct link:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0427/2020042700607.pdf>

The 2018 financial statements are set out on pages 107 to 339 of the annual report of the Company for the year ended 31 December 2018, which was published on 24 April 2019. The annual report of the Company for the year ended 31 December 2018 is posted on the websites of the Stock Exchange and the Company. Please also see below a direct link:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0424/ltn20190424476.pdf>

3. INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at the Latest Practicable Date:

- (i) none of the Directors, supervisors or senior management of the Company and any of their respective associates had any interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they had taken or deemed to have under such provisions of the SFO); (ii) which were recorded in the register required to be kept by the Company under section 352 of the SFO; (iii)

which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules or (iv) required to be disclosed under the Takeovers Code; and

- (ii) none of the Directors was interested in or owned or controlled any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

4. INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS OF THE COMPANY IN SHARES, UNDERLYING SHARES AND DEBENTURES

As far as it is known by or otherwise notified by any Director or the chief executive of the Company, as at the Latest Practicable Date, no other persons or companies which had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO or were entitled to exercise, or control the exercise of 10% or more of the voting power at any general meeting of the Company (i.e. within the meaning of substantial shareholders of the Listing Rules), except the following:

Name	Class of Shares	Number of Shares/ underlying Shares held (Shares)	Capacity	Approximate percentage of relevant class of share capital (%)	Approximate percentage of total share capital (%)
Yingkou Port Group Corporation Limited	A Shares	6,916,185,012 (L)	Beneficial owner	39.60	30.57
PDA	A Shares	5,310,255,162 (L)	Beneficial owner	30.41	23.47
China Merchants Securities (HK) Co., Ltd.	H Shares	3,577,064,495 (L)	Interest of controlled corporations	69.34	15.81
China Securities Depository and Clearing Company Limited	H Shares	848,433,800 (L)	Beneficial owner	16.44	3.75
PDA	H Shares	722,166,000 (L)	Beneficial owner	14	3.19
Pangang Group Co., Ltd.	A Shares	700,140,302 (L)	Beneficial owner	4.01	3.09

Notes:

- (1) (L) – Long position; (S) – Short position; (P) – Lending pool.
- (2) Number of Shares in the relevant class of share capital of the Company as at the Latest Practicable Date: A Shares – 17,464,713,454; H Shares – 5,158,715,999.
- (3) Total number of Shares in the share capital of the Company as at the Latest Practicable Date: 22,623,429,453.

Save as disclosed above, as at the Latest Practicable Date, so far as known to the Company, no other person had an interest or short position in the shares of the Company which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under section 336 of the SFO.

5. DIRECTORS' INTERESTS IN CONTRACTS OR ARRANGEMENT

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors was materially interested in any contracts or arrangements subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group.

6. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into or proposed to enter into a service contract with any member of the Group which will not expire or is not determinable within one year without payment of compensation (other than statutory compensation).

7. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective close associates was interested in any business which competes or is likely to compete, either directly or indirectly, with business of the Group, or had or might have any other conflicts of interest with the Group pursuant to Rule 8.10 of the Listing Rules.

8. DIRECTOR'S OR SUPERVISOR'S INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS

As at the Latest Practicable Date, to the best knowledge and information of the Directors, none of the Directors, supervisors of the Company had any interest in any assets which has been, since 31 December 2020 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, to the best knowledge and information of the Directors, none of the Directors or supervisors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group.

9. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse changes in the financial or trading position of the Group since 31 December 2020 (being the date to which the latest published audited consolidated financial statements of the Group were made up).

10. QUALIFICATIONS OF EXPERT AND CONSENT

The following is the qualification of the professional adviser who has given its opinion or advice which is contained in this circular:

Name	Qualification
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

As at the Latest Practicable Date, the Independent Financial Adviser did not have any shareholding in the Company or any of its subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, the Independent Financial Adviser had given and had not withdrawn its written consent to the issue of this circular, with the inclusion herein of its letter of advice and references to its name and/or its advice in the form and context in which they appeared.

As at the Latest Practicable Date, the Independent Financial Adviser did not have any direct or indirect interests in any assets which had been acquired, disposed of or leased to, or which were proposed to be acquired, disposed of by or leased to, any member of the Group since 31 December 2020, being the date to which the latest published audited consolidated financial statements of the Group were made up.

The letter and recommendation from the Independent Financial Adviser are given as of the date of this circular for incorporation herein.

11. MISCELLANEOUS

- (i) The registered office of the Company is at Xingang Commercial Building, Dayao Bay, Dalian Free Trade Zone, PRC. The place of business of the Company is at Xinggang Commercial Building, Jingang Road, Dalian International Logistic Park Zone, Liaoning Province, PRC.

- (ii) The branch share registrar of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (iii) The joint company secretaries of the Company are Ms. Wang Huiying and Mr. Lee Kin Yu Arthur. Mr. Lee is a member of the American Institute of Certified Public Accountants and the Hong Kong Institute of Certified Public Accountants.
- (iv) This circular is in both English and Chinese. If there is any inconsistency, the English text shall prevail.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at 21-22/F, Bank of China Tower, 1 Garden Road, Central, Hong Kong on any business day (i.e., from 9:30 a.m. to 5:00 p.m. on Monday to Friday) for a period from the date of this circular up to the date of the AGM:

- (a) the letter from the Independent Board Committee, the text of which is set out in this circular;
- (b) the letter from the Independent Financial Adviser, the text of which is set out in this circular;
- (c) the Purchase of Goods and Services Agreement, the Supply of Goods and Services Agreement and the Financial Services Agreement;
- (d) the written consent referred to in the paragraph headed "11. Qualifications of Expert and Consent" in this Appendix;
- (e) the annual reports of the Company for the three years ended 31 December 2018, 2019 and 2020; and
- (f) a copy of this circular.

A. SUMMARY OF THE TRANSACTIONS

Details of the transactions contemplated under the Construction Management and Supervision Services Agreement, the Lease Agreement (including leasing to and leasing from), the Terminal Facilities Design and Construction Services Agreement, the Bank Financial Services Agreement and the provision of Credit Loan Services, Settlement Services and other financial services under the Financial Services Agreement are as follows:

1 Financial Services – Credit Loan Services

On 28 April 2021, the Company entered into the Financial Services Agreement with CMG Finance, pursuant to which CMG Finance shall provide Credit Loan Services on normal commercial terms or better to the Group for a term commencing on the date of the AGM and ending on 31 December 2023. The Credit Loan Services will not be secured by the Group's assets.

Information relating to Settlement Services and other financial services under the Financial Services Agreement is set out in section 5 below.

(a) Pricing

Pursuant to the Financial Services Agreement, the interest rate for any loan provided by CMG Finance to the Group should not be higher than the rate charged by other financial institutions in the PRC for comparable loans. In addition, the daily closing balance of the Group's loan (plus accrued interests and service fees) with CMG Finance under the Financial Services Agreement should not exceed RMB6.0 billion.

(b) Estimated annual caps for each of the three years ending 31 December 2021, 2022 and 2023

	Estimated annual cap for the year ending 31 December 2021 (RMB'000)	Estimated annual cap for the year ending 31 December 2022 (RMB'000)	Estimated annual cap for the year ending 31 December 2023 (RMB'000)
Financial Services – Credit Loan Services (maximum daily closing balance)	6,000,000 ⁽¹⁾	6,000,000 ⁽¹⁾	6,000,000 ⁽¹⁾
	<u>(6,000,000)⁽²⁾</u>	<u>(6,000,000)⁽²⁾</u>	<u>(6,000,000)⁽²⁾</u>

Notes:

- (1) In determining the estimated annual caps for each of the three years ending 31 December 2021, 2022 and 2023 in respect of the Credit Loan Services, the Company considered transactions that will constitute connected transactions both under the Listing Rules and the Shanghai Listing Rules.
- (2) The figures set out in “()” relate to transactions that constituted connected transactions under Chapter 14A of the Listing Rules.

In determining the estimated annual caps for 2021, 2022 and 2023, the Directors have considered (i) the historical figures of the maximum daily outstanding balance of loans (including accrued interest and service fee) for the Credit Loan Services, and (ii) Group's capital needs and financial ability of CMG Finance for providing loan or credit to, and guarantee for the Group.

2 Providing Construction Management and Supervision Services

On 28 April 2021, the Company entered into the Construction Management and Supervision Services Agreement with Liaoning Port Group, pursuant to which the Group shall provide Construction Management and Supervision Services on normal commercial terms or better for a term commencing on the date of the AGM and ending on 31 December 2023.

Information relating to Construction Management and Supervision Services provided by Liaoning Port Group and its associates or subsidiary(ies) (as the case maybe) to the Group under the Construction Management and Supervision Services Agreement are set out in sections 3.

(a) Pricing

Pursuant to the Construction Management and Supervision Services Agreement, the provision of Construction Management and Supervision Services by the Group to the Liaoning Port Group and its associates or subsidiary(ies) (as the case maybe) shall be priced in accordance with the following principles:

- at the State Price; and
- where there is no State Price, at the market price at which the same or comparable types of services are provided to independent third parties in the normal course of business.

(b) Historical figures for each of the two years of 2019 and 2020

	For the year ended 31 December 2019 (RMB'000)	For the year ended 31 December 2020 (RMB'000)
Providing Construction Management and Supervision Services	9,470 ⁽¹⁾	5,380 ⁽¹⁾
	(8,150) ⁽²⁾	(5,310) ⁽²⁾

Notes:

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

(c) Estimated annual caps for each of the three years ending 31 December 2021, 2022 and 2023

	Estimated annual cap for the year ending 31 December 2021 (RMB'000)	Estimated annual cap for the year ending 31 December 2022 (RMB'000)	Estimated annual cap for the year ending 31 December 2023 (RMB'000)
Providing Construction Management and Supervision Services	53,000 ⁽¹⁾	82,000 ⁽¹⁾	105,000 ⁽¹⁾
	<u>(53,000)⁽²⁾</u>	<u>(82,000)⁽²⁾</u>	<u>(105,000)⁽²⁾</u>

Notes:

- (1) In determining the estimated annual caps for each of the three years ending 31 December 2021, 2022 and 2023 in respect of providing Construction Management and Supervision Services, the Company considered transactions that will constitute connected transactions both under the Listing Rules and the Shanghai Listing Rules.
- (2) The figures set out in “()” relate to transactions that constituted connected transactions under Chapter 14A of the Listing Rules.

In determining the estimated annual caps for 2021, 2022 and 2023, the Directors have considered the historical transaction amounts of the construction management and supervision services provided by the Group to Liaoning Port Group and its associates or subsidiary(ies) (as the case maybe), and the anticipated demand of construction-related management and supervision services required by Liaoning Port Group and its associates or subsidiary(ies) (as the case maybe), as well as the increment in business arising from the Merger of Yingkou Port Liability Co., Ltd..

3 Accepting Construction Management and Supervision Services

Liaoning Port Group and its associates or subsidiary(ies) (as the case maybe) shall also provide Construction Management and Supervision Services to the Group under the Construction Management and Supervision Services Agreement.

(a) Pricing

Pursuant to the Construction Management and Supervision Services Agreement, the provision of Construction Management and Supervision Services by Liaoning Port Group and its associates or subsidiary(ies) (as the case maybe) to the Group shall be priced in accordance with the following principles:

- at the State Price; and
- where there is no State Price, at the market price at which the same or comparable types of services are provided to independent third parties in the normal course of business.

(b) Estimated annual caps for each of the three years ending 31 December 2021, 2022 and 2023

	Estimated annual cap for the year ending 31 December 2021 (RMB'000)	Estimated annual cap for the year ending 31 December 2022 (RMB'000)	Estimated annual cap for the year ending 31 December 2023 (RMB'000)
Receiving Construction Management and Supervision Services	26,000 ⁽¹⁾	26,000 ⁽¹⁾	24,000 ⁽¹⁾
	<u>(26,000)⁽²⁾</u>	<u>(26,000)⁽²⁾</u>	<u>(24,000)⁽²⁾</u>

Notes:

- (1) In determining the estimated annual caps for each of the three years ending 31 December 2021, 2022 and 2023 in respect of receiving Construction Management and Supervision Services, the Company considered transactions that will constitute connected transactions both under the Listing Rules and the Shanghai Listing Rules.
- (2) The figures set out in “()” relate to transactions that constituted connected transactions under Chapter 14A of the Listing Rules.

In determining the estimated annual caps for 2021, 2022 and 2023, the Directors have considered the anticipated demand of construction-related management and supervision services required by the Group as well as the increment in business arising from the Merger of Yingkou Port Liability Co., Ltd..

The historical expenses paid to the Liaoning Port Group and its associates or subsidiary(ies) (as the case maybe) by Yingkou Port Liability Co., Ltd. in respect of Construction Management and Supervision Services for the years ended 31 December 2019 and 2020 is RMB380,000 and RMB6,220,000, respectively. Save as disclosed above, Liaoning Port Group or its associates or subsidiary(ies) has not provided any similar services to the Group in respect of Construction Management and Supervision Services.

4 Leasing Services (Leasing to)

On 28 April 2021, the Company entered into the Lease Agreement with Liaoning Port Group, pursuant to which the Group shall lease its Properties to Liaoning Port Group and its associates or subsidiary(ies) (as the case maybe) on normal commercial terms or better for a term commencing on the date of the AGM and ending on 31 December 2023.

Information relating to the Group leasing Properties from Liaoning Port Group and its associates or subsidiary(ies) (as the case maybe) under the Lease Agreement are set out in section 6 and 7.

(a) Pricing

Pursuant to the Lease Agreement, rental fee shall be at market price. The market price will be determined by making reference to quotations provided (i) by the Group and its associates or subsidiary(ies) (as the case maybe) to independent third parties, or (ii) by independent third parties to Liaoning Port Group and its associates or subsidiary(ies) (as the case maybe), in relation to the leasing of the same or comparable types of equipment or properties within the vicinity.

(b) Historical figures for each of the two years of 2019 and 2020

	For the year ended 31 December 2019 (RMB'000)	For the year ended 31 December 2020 (RMB'000)
Leasing Services (Leasing to)	15,960 ⁽¹⁾	15,160 ⁽¹⁾
	<u>(780)⁽²⁾</u>	<u>(800)⁽²⁾</u>

Notes:

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

(c) Estimated annual caps for each of the three years ending 31 December 2021, 2022 and 2023

	Estimated annual cap for the year ending 31 December 2021 (RMB'000)	Estimated annual cap for the year ending 31 December 2022 (RMB'000)	Estimated annual cap for the year ending 31 December 2023 (RMB'000)
Leasing Services (Leasing to)	191,000 ⁽¹⁾	193,000 ⁽¹⁾	193,000 ⁽¹⁾
	<u>(174,000)⁽²⁾</u>	<u>(176,000)⁽²⁾</u>	<u>(176,000)⁽²⁾</u>

Notes:

- (1) In determining the estimated annual caps for each of the three years ending 31 December 2021, 2022 and 2023 in respect of Lease Services (Leasing to), the Company considered transactions that will constitute connected transactions both under the Listing Rules and the Shanghai Listing Rules.
- (2) The figures set out in “()” relate to transactions that constituted connected transactions under Chapter 14A of the Listing Rules.

In determining the estimated annual caps for 2021, 2022 and 2023, the Directors have considered the increment in business arising from the Merger of Yingkou Port Liability Co., Ltd..

5 Financial Services – Settlement Services and other financial services

Pursuant to the Financial Services Agreement, CMG Finance shall provide Settlement Services and other financial services to the Group on normal commercial terms or better to the Group for a term commencing on the date of the AGM and ending on 31 December 2023.

(a) Pricing

Pursuant to the Financial Services Agreement, the Company expects that the total annual fees payable by the Group to CMG Finance for the Settlement Services and other financial services under the Financial Services Agreement will not exceed RMB10.0 million per year for each of the three years ending 31 December 2021, 2022 and 2023. On-shore settlement services are provided by CMG Finance free of charge and the settlement rate for cross-border and off-shore Settlement Services shall not be higher than the service fee for comparable financial institutions in the PRC and abroad. In addition, the fees payable by the Group to CMG Finance shall not be higher than the fees charged by major financial institutions in the PRC.

(b) Historical figures for each of the two years of 2019 and 2020

	For the year ended 31 December 2019 (RMB'000)	For the year ended 31 December 2020 (RMB'000)
Settlement Services and other financial services	110 ⁽¹⁾	170 ⁽¹⁾
	<u>(110)⁽²⁾</u>	<u>(170)⁽²⁾</u>

Notes:

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

(c) *Estimated annual caps for each of the three years ending 31 December 2021, 2022 and 2023*

	Estimated annual cap for the year ending 31 December 2021 (RMB'000)	Estimated annual cap for the year ending 31 December 2022 (RMB'000)	Estimated annual cap for the year ending 31 December 2023 (RMB'000)
Settlement Services and other financial services	10,000 ⁽¹⁾	10,000 ⁽¹⁾	10,000 ⁽¹⁾
	<u>(10,000)⁽²⁾</u>	<u>(10,000)⁽²⁾</u>	<u>(10,000)⁽²⁾</u>

Notes:

- (1) In determining the estimated annual caps for each of the three years ending 31 December 2021, 2022 and 2023 in respect of Settlement Services and other financial services, the Company considered transactions that will constitute connected transactions both under the Listing Rules and the Shanghai Listing Rules.
- (2) The figures set out in “()” relate to transactions that constituted connected transactions under Chapter 14A of the Listing Rules.

In determining the estimated annual caps for 2021, 2022 and 2023, the Directors have considered a number of factors in determining the estimated annual caps, including: (i) the historical amounts of service fees as shown in the table above, (ii) the expected introduction of new financial services such as provision of secured financing, and bank acceptance bill, and (iii) the operational and financial needs of the Group in the coming three years, as well as the increment in business arising from the Merger of Yingkou Port Liability Co., Ltd..

6 Leasing Services (Leasing from) (Short-term and low-value)

Liaoning Port Group and its associates or subsidiary(ies) (as the case maybe) shall lease Properties to the Group. The Group recognises 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.

The historical annual rent paid to the Liaoning Port Group and its associates or subsidiary(ies) (as the case maybe) for the years ended 31 December 2019 and 2020 is approximately RMB215,090,000 and RMB219,380,000, respectively.

Information relating to the Group leasing Properties from Liaoning Port Group and its associates or subsidiary(ies) (as the case maybe) (other than short-term and low-value) under the Lease Agreement are set out in section 7 below.

(a) Pricing

Pursuant to the Lease Agreement, rental fee shall be at market price. The market price will be determined by making reference to quotations provided (i) by independent third parties to the Group, or (ii) by Liaoning Port Group and its associates or subsidiary(ies) (as the case maybe) to independent third parties, in relation to the leasing of the same or comparable types of equipment or properties within the vicinity.

(b) *Estimated annual caps for each of the three years ending 31 December 2021, 2022 and 2023*

	Estimated annual cap for the year ending 31 December 2021 (RMB'000)	Estimated annual cap for the year ending 31 December 2022 (RMB'000)	Estimated annual cap for the year ending 31 December 2023 (RMB'000)
Leasing Services (Leasing from) (Short-term and low-value)	<u>37,000</u>	<u>19,000</u>	<u>19,000</u>

In determining the estimated annual caps for 2021, 2022 and 2023, the Directors have considered the increment in business arising from the Merger of Yingkou Port Liability Co., Ltd. and the decrease in certain rental transferred to right-of-use assets as a result of implementation of the new accounting standard on lease.

7 Leasing Services (Leasing from) (Other than short-term and low-value)

Except for above mentioned short-term and low-value leases, the Group will recognized other transactions under the Lease Agreement as right-of-use assets in its consolidated statement of financial position.

(a) Pricing

Pursuant to the Lease Agreement, rental fee shall be at market price. The market price will be determined by making reference to quotations provided (i) by independent third parties to the Group, or (ii) by Liaoning Port Group and its associates or subsidiary(ies) (as the case maybe) to independent third parties, in relation to the leasing of the same or comparable types of equipment or properties within the vicinity.

(b) Estimated annual caps for each of the three years ending 31 December 2021, 2022 and 2023

	Estimated annual cap for the year ending 31 December 2021 (RMB'000)	Estimated annual cap for the year ending 31 December 2022 (RMB'000)	Estimated annual cap for the year ending 31 December 2023 (RMB'000)
Leasing Services (Leasing from)	<u>787,000</u>	<u>750,000</u>	<u>774,000</u>

In determining the estimated annual caps for 2021, 2022 and 2023, the Directors have considered the anticipated increase in market rate for renting terminal related properties and equipment and land, as well as the increment in business arising from the Merger of Yingkou Port Liability Co., Ltd..

8 Terminal Facilities Design and Construction Services

On 28 April 2021, the Company entered into the Terminal Facilities Design and Construction Services Agreement with Liaoning Port Group, pursuant to which Liaoning Port Group and its associates or subsidiary(ies) (as the case maybe) shall provide Terminal Facilities Design and Construction Services to the Group on normal commercial terms or better for a term commencing on the date of the AGM and ending on 31 December 2023.

(a) Pricing

Pursuant to the Terminal Facilities Design and Construction Services Agreement, the provision of Terminal Facilities Design and Construction Services shall be priced in accordance with the following principles:

- at the State Price;
- where there is no State Price, at the market price at which the same or comparable types of services are provided from independent third parties in the normal course of business; and
- where the project is subject to public bidding, at the price determined through the bidding process.

(b) Historical figures for each of the two years of 2019 and 2020

	For the year ended 31 December 2019 (RMB'000)	For the year ended 31 December 2020 (RMB'000)
Terminal Facilities Design and Construction Services	14,080 ⁽¹⁾	4,210 ⁽¹⁾
	<u>(7,460)⁽²⁾</u>	<u>(3,590)⁽²⁾</u>

Notes:

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

(c) Estimated annual caps for each of the three years ending 31 December 2021, 2022 and 2023

	Estimated annual cap for the year ending 31 December 2021 (RMB'000)	Estimated annual cap for the year ending 31 December 2022 (RMB'000)	Estimated annual cap for the year ending 31 December 2023 (RMB'000)
Terminal Facilities			
Design and Construction Services	520,000 ⁽¹⁾	410,000 ⁽¹⁾	380,000 ⁽¹⁾
	<u>(510,000)⁽²⁾</u>	<u>(400,000)⁽²⁾</u>	<u>(370,000)⁽²⁾</u>

Notes:

- (1) In determining the estimated annual caps for each of the three years ending 31 December 2021, 2022 and 2023 in respect of Terminal Facilities Design and Construction Services, the Company considered transactions that will constitute connected transactions both under the Listing Rules and the Shanghai Listing Rules.
- (2) The figures set out in “()” relate to transactions that constituted connected transactions under Chapter 14A of the Listing Rules.

In determining the estimated annual caps for 2021, 2022 and 2023, the Directors have considered historical amount of the services provided by Liaoning Port Group and its associates or subsidiary(ies) (as the case maybe), the Company’s investment plan and the expected construction works to be undertaken by Liaoning Port Group and its associates or subsidiary(ies) (as the case maybe) in the next three years, such as the construction projects of smart ports and the increment in business arising from the Merger of Yingkou Port Liability Co., Ltd..

9 Bank Financial Services Agreement

On 28 April 2021, the Company entered into the Bank Financial Services Agreement with China Merchants Bank, pursuant to which China Merchants Bank shall provide deposit services, deposit services (structural deposit), credit loan services, settlement services and other financial services to the Group on normal commercial terms or better to the Group for a term commencing on the date of the AGM and ending on 31 December 2023.

(a) Pricing

Pursuant to the Bank Financial Services Agreement, the interest rate payable by China Merchants Bank to the Group for any deposits should not be lower than the interest rate paid by other major commercial banks in the PRC for comparable deposits. In addition, the daily closing balance of the Group's deposit with China Merchants Bank under the Bank Financial Services Agreement should not exceed RMB3.0 billion. The total amount of structural deposits for each year should not exceed RMB3.0 billion.

(b) Estimated annual caps for each of the three years ending 31 December 2021, 2022 and 2023

	Estimated annual cap for the year ending 31 December 2021 (RMB'000)	Estimated annual cap for the year ending 31 December 2022 (RMB'000)	Estimated annual cap for the year ending 31 December 2023 (RMB'000)
Deposit services	3,000,000	3,000,000	3,000,000
Deposit services (structural deposit)	3,000,000	3,000,000	3,000,000
Credit loan services	5,000,000	5,000,000	5,000,000
Settlement services and other financial services	20,000	20,000	20,000

In determining the estimated annual caps for 2021, 2022 and 2023 for each of deposit services and deposit services (structural deposit), the Directors have considered a number of factors in determining the estimated annual caps, including: (i) the business operation and capital increment of the Group in next three years and (ii) the currency stock of the Group and currency deposits arising from the Group's production and operations.

In determining the estimated annual caps for 2021, 2022 and 2023 for credit loan services, the Directors have considered the Group's capital needs and financial ability of China Merchants Bank for providing loan or credit to, and guarantee for the Group.

In determining the estimated annual caps for 2021, 2022 and 2023 for settlement services and other financial services, the Directors have considered a number of factors in determining the estimated annual caps, including: (i) the expected introduction of new financial services such as provision of secured financing, and bank acceptance bill, (ii) the operational and financial needs of the Group in the coming three years, as well as the increment in business arising from the Merger of Yingkou Port Liability Co., Ltd..

B. REASONS AND BENEFITS FOR ENTERING INTO THE TRANSACTIONS

The Directors believe that the transactions mentioned in section A above can 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 that those available from independent third parties. The terms and conditions of each of the transactions mentioned in section A above are on normal commercial terms or better, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

C. OPINIONS OF THE BOARD

On 28 April 2021, the Board has approved, amongst others, the Construction Management and Supervision Services Agreement, the Lease Agreement (including leasing to and leasing from), the Terminal Facilities Design and Construction Services Agreement, the Bank Financial Services Agreement and the provision of Credit Loan Services, Settlement Services and other financial services under the Financial Services Agreement, as well as the proposed annual caps for such transactions.

NOTICE OF ANNUAL GENERAL MEETING

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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)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting of Liaoning Port Co., Ltd. (the “**Company**”) will be held at 9:00 a.m. on Wednesday, 16 June 2021 (the “**AGM**”) (or at any adjournment thereof) for the purposes of considering and, if thought fit, passing, with or without modifications, the following resolutions. Unless otherwise defined, capitalised terms used in this notice shall have the same meaning as those defined in the circular of the Company dated 26 May 2021.

ORDINARY RESOLUTIONS

1. To consider and approve the annual report of the Company for the year ended 31 December 2020 (published on the Company’s website: www.liaoganggf.cn).
2. To consider and approve the report of the Board for the year ended 31 December 2020 (published on the Company’s website: www.liaoganggf.cn).
3. To consider and approve the report of the supervisory committee of the Company for the year ended 31 December 2020 (published on the Company’s website: www.liaoganggf.cn).
4. To consider and approve the audited consolidated financial statements and the auditors’ report of the Company for the year ended 31 December 2020 (details stated in the annual report of the Company for the year ended 31 December 2020).
5. To consider and approve the profit distribution plan for the year ended 31 December 2020, and to authorize the Board to delegate the authority to any executive director of the Company to deal with the matters in relation thereto according to the relevant laws, regulations and the Listing Rules.

NOTICE OF ANNUAL GENERAL MEETING

6. To consider and approve the permanent conversion of surplus A Share proceeds to replenish working capital of the Company (details stated in the Company's announcement dated 25 March 2021).
7. To consider and approve the appointment of Ernst & Young Hua Ming LLP as the auditor of the Company for the year ending 31 December 2021 and to hold office until the conclusion of the next annual general meeting of the Company. The total fees payable for the audit services to the Group for the year of 2021 will be RMB4,980,000 (inclusive of value added tax), RMB3,200,000 of which is for the audit services to the Company.
8. To review the entering into the agreements of the Company in relation to continuing connected transactions with Liaoning Port Group, the continuing connected transactions with CMG Finance and the continuing connected transactions with China Merchants Bank for the year of 2021, 2022 and 2023 and the annual caps.
 - 8.01 The Purchase of Goods and Services Agreement dated 28 April 2021 entered into between the Company and Liaoning Port Group (including the annual caps under the Purchase of Goods and Services Agreement) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified, and authorize the Board or any executive director of the Company to do all such acts and things and execute all such documents and to take all such steps as it considers necessary or expedient or desirable in connection with or to give effect to the agreement.
 - 8.02 The Supply of Goods and Services Agreement dated 28 April 2021 entered into between the Company and Liaoning Port Group (including the annual caps under the Supply of Goods and Services Agreement) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified, and authorize the Board or any executive director of the Company to do all such acts and things and execute all such documents and to take all such steps as it considers necessary or expedient or desirable in connection with or to give effect to the agreement.
 - 8.03 The Financial Services Agreement dated 28 April 2021 entered between the Company and CMG Finance (including the annual caps under the Financial Services Agreement) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified, and authorize the Board or any executive director of the Company to do all such acts and things and execute all such documents and to take all such steps as it considers necessary or expedient or desirable in connection with or to give effect to the agreement.
 - 8.04 The Terminal Facilities Design and Construction Services Agreement dated 28 April 2021 entered into between the Company and Liaoning Port Group (including the annual caps under the Terminal Facilities Design and

NOTICE OF ANNUAL GENERAL MEETING

Construction Services Agreement) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified, and authorize the Board or any executive director of the Company to do all such acts and things and execute all such documents and to take all such steps as it considers necessary or expedient or desirable in connection with or to give effect to the agreement.

- 8.05 The Construction Management and Supervision Agreement dated 28 April 2021 entered into between the Company and Liaoning Port Group (including the annual caps under the Construction Management and Supervision Agreement) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified, and authorize the Board or any executive director of the Company to do all such acts and things and execute all such documents and to take all such steps as it considers necessary or expedient or desirable in connection with or to give effect to the agreement.
- 8.06 The Lease Agreement dated 28 April 2021 entered into between the Company and Liaoning Port Group (including the annual caps under the Lease Agreement) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified, and authorize the Board or any executive director of the Company to do all such acts and things and execute all such documents and to take all such steps as it considers necessary or expedient or desirable in connection with or to give effect to the agreement.
- 8.07 The Bank Financial Services Agreement dated 28 April 2021 entered into between the Company and China Merchants Bank (including the annual caps under the Bank Financial Services Agreement) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified, and authorize the Board or any executive director of the Company to do all such acts and things and execute all such documents and to take all such steps as it considers necessary or expedient or desirable in connection with or to give effect to the agreement.

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

Dalian City, Liaoning Province, the PRC
26 May 2021

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. A shareholder entitled to attend and vote at the AGM is entitled to appoint another person as his/her proxy to attend and vote instead of him/her; a proxy need not be a shareholder of the Company. A shareholder who is the holder of two or more shares may appoint more than one proxy to represent him/her and vote on his/her behalf at the AGM. On a poll, votes may be given either personally or by proxy. Any Shareholder who has the right to attend and vote at the AGM is entitled to appoint in writing one or more proxies to attend and vote on his/her behalf at the AGM. A proxy need not be a shareholder of the Company. **The Company strongly recommends you to monitor the development of the situation with the novel coronavirus pneumonia (COVID-19) and to assess, based on the social distancing policies, the necessity for attending the AGM in person, and the board of directors of the Company respectfully requests that, for the same reason, the shareholders to appoint the chairman of the AGM as their proxy rather than a third party to attend and vote on their behalf at the AGM (or any adjournment thereof).**
2. In the case of joint holders, any one of such joint holders may vote at the AGM, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders be present at the AGM, whether in person or by proxy, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and for this purpose seniority shall be determined as that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
3. In order to be valid, a form of proxy must be deposited at the H Share Registrar, at the address of 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for holders of H shares not less than 24 hours before the time fixed for holding the AGM or any adjournment thereof (as the case may be). The completion and return of the form of proxy shall not preclude shareholders of the Company from attending and voting in person at the above meeting (or any adjourned meeting thereof) if they so wish.
4. The transfer books and register of members of the Company will be closed from Thursday, 10 June 2021 to Wednesday, 16 June 2021, both days inclusive, during which period no share transfers can be registered. In order to qualify for attending and voting the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 9 June 2021.
5. Taking into account of the recent development of the epidemic caused by COVID-19, the Company will implement the following prevention and control measures at the above meeting against the epidemic to protect the shareholders of the Company from the risk of infection:
 - (i) compulsory body temperature check will be conducted for every shareholder or proxy at the entrance of the venue. Any person with a body temperature of over 37.3 degrees Celsius will not be permitted to access to the meeting venue;
 - (ii) every shareholder or proxy is required to wear surgical face mask throughout the meeting;
 - (iii) no souvenirs will be provided; and
 - (iv) no refreshments will be served.

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

Executive Directors: WEI Minghui, 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

* *For identification purposes only*