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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 AND DISCLOSEABLE
TRANSACTION
PROPOSED ELECTION OF DIRECTORS
PROPOSED ELECTION OF SUPERVISORS
PROPOSED AMENDMENTS TO THE POLICY AND RULES OF WORK
FOR INDEPENDENT DIRECTORS
AND
NOTICE OF EXTRAORDINARY 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 6 to 25 of this circular. A letter from the Independent Board Committee is set out on pages 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 46 of this circular.

A notice convening the EGM to be held at Room 109, Liaoning Port Group Building, No. 1 Gangwan Street, Zhongshan District, Dalian, Liaoning, the PRC on Friday, 15 December 2023 at 9:00 a.m. is set out on pages EGM-1 to EGM-4 of this circular.

A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the EGM, 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 EGM 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 EGM and, in such event, the form of proxy shall be deemed to be revoked.

* *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*

27 November 2023

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DEFINITIONS

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

“Announcement”	the Company’s announcement dated 26 October 2023;
“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, structural deposit services, credit loan services, settlement services and other financial services entered into between the Company and China Merchants Bank on 26 October 2023;
“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 as to approximately 74.10% 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 which is 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;
“Company”	Liaoning Port Co., Ltd.* (遼寧港口股份有限公司), a joint stock limited company incorporated in the PRC whose H Shares and A Shares are listed on the Main Board of the Stock Exchange (stock code: 2880) and the Shanghai Stock Exchange (stock code: 601880) respectively;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;

DEFINITIONS

“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 may be) 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 26 October 2023;
“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;
“EGM”	the extraordinary general meeting of the Company to be held to approve, among other things, the Construction Management and Supervision Services Agreement, the Lease Agreement, the Supply of Goods and Services Agreement, the Purchase of Goods and Services Agreement, the Terminal Facilities Design and Construction Services Agreement and the Financial Services Agreement and the transactions contemplated thereunder;
“Financial Services Agreement”	the framework agreement entered into by the Company and CMG Finance on 26 October 2023 in relation to the 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;

DEFINITIONS

“Independent Board Committee”	the independent committee of the Board, comprising the independent non-executive Directors, namely LIU Chunyan, CHENG Chaoying and CHAN Wai Hei;
“Independent Financial Adviser”	TC Capital International Limited, acting as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Supply of Goods and Services Agreement, the Purchase of Goods and Services Agreement and the provision of Deposit Services under the Financial Services Agreement as well as the proposed annual caps for each of the three years ending 31 December 2024, 2025 and 2026 in respect of the aforementioned transactions;
“Independent Shareholders”	Shareholders other than CMG and its associates;
“IT Companies”	Dalian Port Logistics Network Co., Ltd.* (大連口岸物流網絡股份有限公司) and Yingkou Gangxin Technology Co., Ltd.* (營口港信科技有限公司) (together with their subsidiaries);
“Latest Practicable Date”	22 November 2023, 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 26 October 2023;
“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;
“normal commercial terms or better”	has the meaning ascribed to it under the Listing Rules;
“Policy and Rules of Work for Independent Directors”	the Policy and Rules of Work for Independent Directors of Liaoning Port Co., Ltd;

DEFINITIONS

“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;
“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 may be);
“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 and other related or similar services, cargo port charges, tugboat, mechanical operation, warehouse use, property management, training, bidding agency and related or similar services provided by Liaoning Port Group and its associates or subsidiary(ies) (as the case may be) 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 26 October 2023;
“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;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended and modified from time to time;
“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);
“Shareholder(s)”	the shareholder(s) of the Company;

DEFINITIONS

“State Price”	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;
“subsidiary”	has the meaning ascribed to it under the Listing Rules;
“Supervisor(s)”	the supervisor(s) of the Company;
“Supervisory Committee”	the supervisory committee of the Company;
“Supply of Goods and Services”	the supply of goods including steaming, equipment, accessories, network and information office equipment and software and services including water, electricity and heating supply, tugboat, security, communication and related engineering services, production facilities and equipment maintenance, handling and transportation, port berthing, port security, port storage, tally, ship and freight agency, port passenger operation, berthing fee, mechanical operation, property management, network system maintenance, software development services and other related or similar services provided by the Group to Liaoning Port Group and its associates or subsidiary(ies) (as the case may be);
“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 26 October 2023;
“Terminal Facilities Design and Construction Services”	the provision by Liaoning Port Group and its associates or subsidiary(ies) (as the case may be) of terminal facilities design and construction services to the Group;
“Terminal Facilities Design and Construction Services Agreement”	the framework agreement in relation to the Terminal Facilities Design and Construction Services entered into between the Company and Liaoning Port Group on 26 October 2023;
“%”	per cent.

* *For identification purpose only*

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:

Wang Zhixian

Wei Minghui

Non-executive Directors:

Xu Xin

Yang Bing

Independent Non-executive Directors:

Liu Chunyan

Cheng Chaoying

Chan Wai Hei

Registered office:

Xingang Commercial Building

Dayao Bay

Dalian Free Trade Zone

the PRC

Place of business in the PRC:

Xingang Commercial Building

Dayao Bay

Dalian Free Trade Zone

the PRC

27 November 2023

To the Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS AND DISCLOSEABLE
TRANSACTION
PROPOSED ELECTION OF DIRECTORS
PROPOSED ELECTION OF SUPERVISORS
PROPOSED AMENDMENTS TO THE POLICY AND RULES OF WORK
FOR INDEPENDENT DIRECTORS
AND
NOTICE OF EXTRAORDINARY 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 EGM;

LETTER FROM THE BOARD

- (ii) further details of the Supply of Goods and Services under the Supply of Goods and Services Agreement, the Purchase of Goods and Services under the Purchase of Goods and Services Agreement and the provision of 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 EGM.

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 26 October 2023, 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 may be) for a term commencing on 1 January 2024 and ending on 31 December 2026 on normal commercial terms or better for the Group.

(a) Pricing

Pursuant to the Supply for 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 may be) shall be priced in accordance with the following principles:

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

Note: normally, at least two quotations to independent third parties will be used for reference.

For supply of steaming, equipment, accessories, network and information office equipment and software and providing heating supply services, production facilities and equipment maintenance, security, port storage, tally, ship and freight agency, port passenger operation, mechanical operation, 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 to independent third parties in the normal course of business.

LETTER FROM THE BOARD

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

(b) Historical caps for each of the three years ended/ending 31 December 2021, 2022 and 2023

	For the year ended 31 December 2021 (RMB'000)	For the year ended 31 December 2022 (RMB'000)	For the year ending 31 December 2023 (RMB'000)
Supply of Goods and Services	2,080,000 ⁽¹⁾ (1,950,000) ⁽²⁾	2,200,000 ⁽¹⁾ (2,070,000) ⁽²⁾	2,350,000 ⁽¹⁾ (2,200,000) ⁽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) Historical figures for each of the two years ended 31 December 2021 and 2022 and the nine months ended 30 September 2023 and estimated amounts for the year ending 31 December 2023

	For the year ended 31 December 2021 (RMB in million)	For the year ended 31 December 2022 (RMB in million)	For the nine months ended 30 September 2023 (RMB in million)	For the year ending 31 December 2023 (RMB in million)
Supply of Goods and Services	1,093.65 ⁽¹⁾ (925.50) ⁽²⁾	1,200.05 ⁽¹⁾ (809.73) ⁽²⁾	1,063.99 ⁽¹⁾ (817.71) ⁽²⁾	1,705.71 ⁽¹⁾ (1,322.67) ⁽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.

LETTER FROM THE BOARD

(d) *Proposed annual caps for each of the three years ending 31 December 2024, 2025 and 2026*

	Proposed annual cap for the year ending 31 December 2024 (RMB'000)	Proposed annual cap for the year ending 31 December 2025 (RMB'000)	Proposed annual cap for the year ending 31 December 2026 (RMB'000)
Supply of Goods and Services	2,350,000 ⁽¹⁾ (1,820,000) ⁽²⁾	2,383,000 ⁽¹⁾ (1,860,000) ⁽²⁾	2,430,000 ⁽¹⁾ (1,900,000) ⁽²⁾

Notes:

- (1) In determining the proposed annual caps for each of the three years ending 31 December 2024, 2025 and 2026 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 constitute connected transactions under Chapter 14A of the Listing Rules.

In determining the proposed annual caps for 2024, 2025 and 2026, the Directors have taken into account the following factors:

1. the historical transaction amounts;
2. the expected increase of approximately 21% in the transaction amount of the Supply of Goods and Services for 2024 as compared with the estimated transaction amount of the Supply of Goods and Services for 2023 due to the increase in business between the Group and Liaoning Port Group and its associates or subsidiary(ies) (as the case may be), in particular, the port services from the Group to the subsidiaries of Liaoning Port Group, such as the provision of port services by Dalian bulk cargo terminal and Yingkou bulk cargo terminal to the subsidiaries of Liaoning Port Group in the next year;
3. the fact that the Company has acquired the IT Companies, each of which was changed from a connected person of the Company to a subsidiary of the Company after the acquisition and resulted in an increase of connected transaction amounts for the Group in respect of the provision of IT services by the IT Companies to other connected persons of the Company. The expected increase in the provision of information technology services for 2024 is approximately RMB34 million. The acquisition of the IT Companies by the Company completed on 3 November 2023. For details in relation to the Company’s acquisition of the IT Companies, please refer to the announcement of the Company dated 26 September 2023;

LETTER FROM THE BOARD

4. the proposed annual caps for 2025 and 2026 represent an approximately 2% increase as compared to the previous year. Such increase was determined with reference to the annual growth rate of approximately 3% of the gross domestic product of the PRC in 2022; and
5. a reasonable buffer of 10% has been included in the estimated amount in respect of the Supply of Goods and Services to meet the operating needs from time to time.

(e) Internal control

- (i) The financial department of the Company and/or its subsidiaries will compile quarterly statistics on the amount of connected transactions in relation to the Supply of Goods and Services that have occurred to ensure that the transaction amounts do 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; and
- (ii) The independent auditor of the Company and the independent non-executive Directors will conduct an annual review on the continuing connected transactions of the Group.

2.2 Purchase of Goods and Services

On 26 October 2023, 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 may be) for a term commencing on 1 January 2024 and ending on 31 December 2026 on normal commercial terms or better for the Group.

(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 may be) to the Group shall be priced in accordance with the following principles:

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

Note: normally, at least two quotations from independent third parties will be obtained for reference.

LETTER FROM THE BOARD

For the purchase of goods including network and information office equipment, office supplies, accessories, software and services including water and heating supply, production facilities and equipment maintenance, greening, commuting, canteen, medical examination, printing, conference and other related or similar services, mechanical operation, warehouse use, property management, training and bidding agency and 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 cargo port charges and tugboat, the pricing will follow the State Price.

For the avoidance of doubt, certain goods, such as the network and information office equipment, office supplies, accessories and software, which to be purchased by the Group from Liaoning Port Group and its associates or subsidiary(ies) (as the case may be), will not be exactly the same goods to be supplied by the Group to Liaoning Port Group and its associates or subsidiary(ies) (as the case may be), and different supplier/purchaser from the Group will supply/purchase specific and different network and information office equipment, office supplies, accessories and software to/from Liaoning Port Group and its associates or subsidiary(ies) (as the case may be). As for the production facilities and equipment maintenance and property management services, the supply/purchase of such services by the Group will be differentiated based on location.

(b) Historical caps for each of the three years ended/ending 31 December 2021, 2022 and 2023

	For the year ended 31 December 2021 (RMB'000)	For the year ended 31 December 2022 (RMB'000)	For the year ending 31 December 2023 (RMB'000)
Purchase of Goods and Services	1,300,000 ⁽¹⁾ (990,000) ⁽²⁾	1,320,000 ⁽¹⁾ (1,010,000) ⁽²⁾	1,340,000 ⁽¹⁾ (1,030,000) ⁽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.

LETTER FROM THE BOARD

(c) *Historical figures for each of the two years ended 31 December 2021 and 2022 and the nine months ended 30 September 2023 and estimated amounts for the year ending 31 December 2023*

	For the year ended 31 December 2021 <i>(RMB in million)</i>	For the year ended 31 December 2022 <i>(RMB in million)</i>	For the nine months ended 30 September 2023 <i>(RMB in million)</i>	For the year ending 31 December 2023 <i>(RMB in million)</i>
Purchase of Goods and Services	724.40 ⁽¹⁾ (515.66) ⁽²⁾	825.68 ⁽¹⁾ (585.97) ⁽²⁾	570.44 ⁽¹⁾ (400.15) ⁽²⁾	1,007.53 ⁽¹⁾ (690.19) ⁽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.

(d) *Proposed annual caps for each of the three years ending 31 December 2024, 2025 and 2026*

	Proposed annual cap for the year ending 31 December 2024 <i>(RMB'000)</i>	Proposed annual cap for the year ending 31 December 2025 <i>(RMB'000)</i>	Proposed annual cap for the year ending 31 December 2026 <i>(RMB'000)</i>
Purchase of Goods and Services	1,250,000 ⁽¹⁾ (900,000) ⁽²⁾	1,250,000 ⁽¹⁾ (900,000) ⁽²⁾	1,250,000 ⁽¹⁾ (900,000) ⁽²⁾

Notes:

- (1) In determining the proposed annual caps for each of the three years ending 31 December 2024, 2025 and 2026 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 constitute connected transactions under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

In determining the proposed annual caps for 2024, 2025 and 2026, the Directors have taken into account the following factors:

1. the historical transaction amounts;
2. it is expected that there will be a 17% increase in the estimated transaction amount of the Purchase of Goods and Services from connected persons in 2024 as compared to the estimated transaction amount in 2023 due to the continuously increasing demand of the Group's warehousing and logistics businesses, such as the provision of mechanical operations, warehousing and software maintenance services by Zhongchuliang Yingkou Warehousing And Transportation Co., Ltd.* (中儲糧營口儲運有限責任公司), Liaoning Shenha Hongyun Logistics Co., Ltd.* (遼寧沈哈紅運物流有限公司) and Yingkou Gangtong E-Commerce Co., Ltd.* (營口港通電子商務有限公司) to the Group in the coming year. The 17% increase rate was derived from the annual growth rate of the estimated transaction amount of the Purchase of Goods and Services for 2023 as compared with the historical transaction amount for 2021;
3. the proposed annual caps for 2025 and 2026 were determined based on the proposed annual cap for 2024; and
4. a reasonable buffer of 10% has been included in the estimated amount in respect of the Purchase of Goods and Services to meet the operating needs from time to time.

(e) Internal control

- (i) The financial department of the Company and/or its subsidiaries will compile quarterly statistics on the amount of connected transactions in relation to the Purchase of Goods and Services that have occurred to ensure that the transaction amounts do 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;
- (ii) 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;
- (iii) 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 on a yearly basis, and determine the price for services based on the tender and/or bidding results; and
- (iv) The independent auditor of the Company and the independent non-executive Directors will conduct an annual review on the continuing connected transactions of the Group.

LETTER FROM THE BOARD

2.3 Financial Services – Deposit Services

On 26 October 2023, the Company entered into the Financial Services Agreement with CMG Finance, pursuant to which CMG Finance shall provide Deposit Services to the Group for a term commencing on 1 January 2024 and ending on 31 December 2026 on normal commercial terms or better for the Group.

(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 shall not exceed RMB6.0 billion.

(b) Historical caps for each of the three years ended/ending 31 December 2021, 2022 and 2023

	For the year ended 31 December 2021 (RMB'000)	For the year ended 31 December 2022 (RMB'000)	For the year ending 31 December 2023 (RMB'000)
Financial Services – Deposit Services (maximum daily closing balance)	6,000,000 ⁽¹⁾ (6,000,000) ⁽²⁾	6,000,000 ⁽¹⁾ (6,000,000) ⁽²⁾	6,000,000 ⁽¹⁾ (6,000,000) ⁽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.

LETTER FROM THE BOARD

- (c) *Historical figures for each of the two years ended 31 December 2021 and 2022 and the nine months ended 30 September 2023 and estimated amounts for the year ending 31 December 2023*

	For the year ended 31 December 2021	For the year ended 31 December 2022	For the nine months ended 30 September 2023	For the year ending 31 December 2023
	<i>(RMB in million)</i>	<i>(RMB in million)</i>	<i>(RMB in million)</i>	<i>(RMB in million)</i>
Financial Services –				
Deposit Services				
(maximum daily				
closing balance)	3,216.00 ⁽¹⁾	2,462.37 ⁽¹⁾	2,887.76 ⁽¹⁾	3,000.00 ⁽¹⁾
	(3,216.00) ⁽²⁾	(2,462.37) ⁽²⁾	(2,887.76) ⁽²⁾	(3,000.00) ⁽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.

- (d) *Proposed annual caps for each of the three years ending 31 December 2024, 2025 and 2026*

	Proposed annual cap for the year ending 31 December 2024	Proposed annual cap for the year ending 31 December 2025	Proposed annual cap for the year ending 31 December 2026
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Financial Services –			
Deposit Services			
(maximum daily			
closing balance)	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 proposed annual caps for each of the three years ending 31 December 2024, 2025 and 2026 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 constitute connected transactions under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

In determining the proposed annual caps for 2024, 2025 and 2026, the Directors have considered a number of factors including (i) the historical figures of the maximum daily closing balance of deposit placed by the Group, (ii) the future operation development of the Company, and (iii) the amount of the deposits of the Group placed in independent financial institutions which can be placed in CMG Finance, and by considering the preferential interest rate offered by CMG Finance on deposits, the Group expects to deposit more of its cash reserves to CMG Finance in order to generate higher interest returns.

(e) 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:

- (i) Prior to the placement of deposit with CMG Finance, (i) the finance department of the Company will 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
- (ii) 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 Directors consider that the abovementioned transactions are on normal commercial terms or better, and are entered into in the ordinary and usual course of business of the Group, and the terms and conditions contained therein and the proposed annual caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The entering into 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.

Furthermore, the entering into 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.

LETTER FROM THE BOARD

4. INFORMATION OF THE PARTIES

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

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

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 the CMG Group Members; (iii) provision of guarantees for the CMG Group Members; (iv) entrusted loan services between the CMG Group Members; (v) bills acceptances and discount services for the CMG Group Members; (vi) internal money transfer and settlement and relevant settlement and clearance arrangement between the CMG Group Members; (vii) internal money deposit services; (viii) loan and lease financing services for the CMG Group Members; (ix) inter-bank lending business for the CMG Group Members; (x) underwriting corporate bond of the CMG Group Members; and (xi) marketable securities investment (fixed income).

CMG is a state wholly-owned enterprise established under the laws of the PRC which is under the direct control of 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.

5. LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Liaoning Port Group indirectly held, in aggregate, approximately 54.26% shareholding interests of the Company through three of its subsidiaries, namely Yingkou Port Group Corporation Limited, Dalian Port Corporation Limited and Liaoning Gangwan Industry and Finance Investment Group Co., Ltd. (遼寧港灣產融投資集團有限公司). As such, Liaoning Port Group is an indirect holding company of the Company and is therefore a connected person of the Group as defined under Rule 14A.07 of the Listing Rules, and the transactions contemplated under the Construction Management and Supervision Services Agreement, the Lease Agreement, the Supply of Goods and Services Agreement, the

LETTER FROM THE BOARD

Purchase of Goods and Services Agreement and the Terminal Facilities Design and Construction Services Agreement constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

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 constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios for each of the transactions set out in the section headed “2. Continuing Connected Transactions Subject to the Reporting, Annual Review and Announcement and Independent Shareholders’ Approval Requirements” are, 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, the Purchase of Goods and Services Agreement and the provision of Deposit Services under the Financial Services Agreement 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 are, on an annual basis, more than 5% but less than 25%, such transaction also constitute a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

The Independent Board Committee has been formed to advise the Independent Shareholders in respect of the transactions contemplated under the Supply of Goods and Services Agreement, the Purchase of Goods and Services Agreement and the provision of Deposit Services under the Financial Services Agreement as well as the proposed annual caps for each of the three years ending 31 December, 2024, 2025 and 2026 in respect of the aforementioned transactions. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders on the same.

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 and 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 aforementioned agreements and the transactions thereunder are set out in Appendix II to this circular.

LETTER FROM THE BOARD

In addition, on 26 October 2023, the Company and China Merchants Bank entered into the Bank Financial Services Agreement, pursuant to which China Merchants Bank shall provide deposit services, structural deposit services, credit loan services, settlement services and other financial services to the Group for a term commencing on 1 January 2024 and ending on 31 December 2026 on normal commercial terms or better for the Group. China Merchants Bank is a related party of the Company under the Shanghai Listing Rules, but is not a connected person of the Company under the Listing Rules. Pursuant to the Shanghai Listing Rules, the Bank Financial Services Agreement and the transactions contemplated thereunder as well as the relevant proposed annual caps are subject to the Independent Shareholders' approval under the Shanghai Listing Rules. Details of the Bank Financial Services Agreement are set out in Appendix II to this circular.

Each of Mr. WANG Zhixian, Mr. WEI Minghui and Dr. XU Xin, 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(s) approving the Construction Management and Supervision Services Agreement, the Lease Agreement, the Supply of Goods and Services Agreement, the Purchase of Goods and Services Agreement, the Terminal Facilities Design and Construction Services Agreement, the Financial Services Agreement and the Bank Financial Services Agreement and the transactions contemplated thereunder. Save as disclosed above, none of the Directors attended the Board meeting has a material interest in or is required to abstain from voting on the relevant Board resolution(s).

6. PROPOSED ELECTION OF DIRECTORS

Reference is made to the announcement of the Company dated 26 October 2023.

At the meeting of the Board held on 26 October 2023, the Board considered and approved, among other things, the resolutions in relation to the proposed election of Directors.

Dr. Li Guofeng and Dr. Li Yubin have been nominated for election as non-executive Directors of the seventh session of the Board for a term commencing from the date of their election by the general meeting of the Company to the expiration of the term of office of the seventh session of the Board.

The biographical details of Dr. Li Guofeng and Dr. Li Yubin are set out below:

Dr. Li Guofeng, born in 1974, a Chinese national. He was the general manager of the research and development department, the general manager of the overseas business department, the general manager of the investment and development department and a deputy chief economist of China Merchants Holdings (International) Company Limited (currently known as China Merchants Port Holdings Company Limited, the shares of which are listed on the Stock Exchange, stock code: 144), and a deputy director of the overseas business department and the director of the overseas department/international cooperation department of China Merchants Group Limited. He is currently a deputy secretary of the Party committee, the

LETTER FROM THE BOARD

chief operating officer (COO) and the general manager of Liaoning Port Group Limited. Dr. Li holds a bachelor's degree in Economics, a master's degree in Transportation Economics and a doctorate degree in World Economics from Nankai University.

Dr. Li Yubin, born in 1972, a Chinese (Hong Kong) national. He was the general manager of the planning and commerce department of China Merchants Holdings (International) Company Limited (currently known as China Merchants Port Holdings Company Limited, the shares of which are listed on the Stock Exchange, stock code: 144), a deputy chief economist and the general manager of the strategy and operation management department of China Merchants Holdings (International) Company Limited, a deputy chief economist of China Merchants Holdings (International) Company Limited and the general manager of China Merchants Bonded Logistics Co., Ltd., and a deputy chief economist of China Merchants Port Holdings Company Limited (the shares of which are listed on the Stock Exchange, stock code: 144) and the general manager of China Merchants Bonded Logistics Co., Ltd. Dr. Li is currently a deputy general manager and a member of the Party committee of China Merchants Port Holdings Company Limited, a deputy general manager, a member of the Party committee and the secretary to the board of directors of China Merchants Port Group Co., Ltd. (the shares of which are listed on the Shenzhen Stock Exchange, stock code: 001872), and the chairman of China Merchants Bonded Logistics Co., Ltd. Dr. Li holds a doctorate degree in Real Estate and Construction from The University of Hong Kong.

The Company is not required to pay any emoluments or any other benefits or bonuses to Dr. Li Guofeng and Dr. Li Yubin for their roles as Directors during their terms of office.

Save as disclosed above, as at the Latest Practicable Date, each of Dr. Li Guofeng and Dr. Li Yubin has confirmed that he (i) does not hold any other positions with the Company or any of its subsidiaries; (ii) has not held any directorships in any other public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the past three years; and (iii) does not have any other major appointments and professional qualifications.

Save as disclosed above, as at the Latest Practicable Date, each of Dr. Li Guofeng and Dr. Li Yubin has confirmed that he does not have any relationship with any other Directors, Supervisors, senior management, substantial or controlling Shareholders of the Company, or any interests in the shares of the Company or any of its associated corporations within the meaning of Part XV of the SFO. Save as disclosed above, there is no other information required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules and there are no other matters that are required to be brought to the attention of the Shareholders or the Stock Exchange.

7. PROPOSED ELECTION OF SUPERVISORS

Reference is made to the announcement of the Company dated 26 October 2023.

LETTER FROM THE BOARD

At the meeting of the Supervisory Committee held on 26 October 2023, the Supervisory Committee considered and approved, among other things, the resolution in relation to the proposed election of Supervisors.

Mr. Kuang Zhiguo and Mr. Cui Beiqiang have been nominated for election as Supervisors of the seventh session of the Supervisory Committee for a term commencing from the date of their election by the general meeting of the Company to the expiration of the term of office of the seventh session of the Supervisory Committee.

The biographical details of Mr. Kuang Zhiguo and Mr. Cui Beiqiang are set out below:

Mr. Kuang Zhiguo, born in 1972, a Chinese national. He was the head of the production department, an executive deputy director, the director, a deputy secretary of the Party committee and the secretary of the Party committee of Qingshan Shipyard (青山船廠), the general manager, a deputy secretary of the Party committee and the secretary of the Party committee of CSC Wuhan Qingshan Shipyard Co., Ltd., and assistant to the general manager of China Yangtze Shipping Group Co., Ltd. Mr. Kuang is currently a member of the Party committee and the secretary of the discipline inspection committee of Liaoning Port Group Limited. Mr. Kuang obtained a master's degree of engineering in Software Project Management from Wuhan University.

Mr. Cui Beiqiang, born in 1970, a Chinese national. He was a deputy director of the administration office of Yingkou Port Authority, the director of the administration office, the general manager of the human resources department, the director of the development and research department and a director of Yingkou Port Group Corporation Limited, and a director and the vice chairman of Yingkou Port Liability Co., Ltd. (which was merged by the Company through share swap and absorption on 4 February 2021 and ceased to be listed on the Shanghai Stock Exchange on 29 January 2021 (former stock code: 600317)). Mr. Cui is currently a vice chairman of the labour union of Liaoning Port Group Limited, and a deputy secretary of the Party committee, the secretary of the discipline inspection committee and the chairman of the labour union of Yingkou Port Group Corporation Limited. Mr. Cui obtained a bachelor's degree in Technical Economics from Harbin Institute of Shipbuilding Engineering (哈爾濱船舶工程學院) and a master's degree in business administration from Dalian University of Technology.

The Company is not required to pay any emoluments or any other benefits or bonuses to Mr. Kuang Zhiguo and Mr. Cui Beiqiang for their roles as Supervisors during their terms of office.

Save as disclosed above, as at the Latest Practicable Date, each of Mr. Kuang Zhiguo and Mr. Cui Beiqiang has confirmed that he (i) does not hold any other positions with the Company or any of its subsidiaries; (ii) has not held any directorships in any other public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the past three years; and (iii) does not have any other major appointments and professional qualifications.

LETTER FROM THE BOARD

Save as disclosed above, as at the Latest Practicable Date, each of Mr. Kuang Zhiguo and Mr. Cui Beiqiang has confirmed that he does not have any relationship with any other Directors, Supervisors, senior management, substantial or controlling Shareholders of the Company, or any interests in the shares of the Company or any of its associated corporations within the meaning of Part XV of the SFO. Save as disclosed above, there is no other information required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules and there are no other matters that are required to be brought to the attention of the Shareholders or the Stock Exchange.

8. PROPOSED AMENDMENTS TO THE POLICY AND RULES OF WORK FOR INDEPENDENT DIRECTORS

For the purpose of regulating the conduct of independent Directors, giving full play to the role of independent Directors in the governance of the Company, facilitating the standardised operation of the Company, improving its quality, and practically safeguarding the interests of all Shareholders (in particular, the small and medium Shareholders), in accordance with the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Opinions of the General Office of the State Council on the Reform of the System of Independent Directors of Listed Companies, the Measures for the Administration of Independent Directors of Listed Companies reviewed and approved by the China Securities Regulatory Commission on 28 July 2023, the Code of Corporate Governance for Listed Companies, Certain Provisions on Strengthening the Protection of the Rights and Interests of Public Shareholders, and the Rules for Listing of Shares on Shanghai Stock Exchange and other latest laws, rules and regulations, and relevant regulatory documents, the Company has proposed to make amendments to its Policy and Rules of Work for Independent Directors.

The full text of the proposed amendments to the Policy and Rules of Work for Independent Directors is set out in Appendix III to this circular. The amended Policy and Rules of Work for Independent Directors shall take effect from the date of passing of relevant resolution at the general meeting. The current Policy and Rules of Work for Independent Directors shall continue to be effective until the passing of relevant resolution at the general meeting.

9. EGM

The EGM will be convened at 9:00 a.m. on Friday, 15 December 2023 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, the Supply of Goods and Services Agreement and the provision of Deposit Services under the Financial Services Agreement and the respective annual caps for the three years ending 31 December 2024, 2025 and 2026 thereunder.

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

LETTER FROM THE BOARD

Pursuant to Rule 14A.70 of the Listing Rules, any connected person and any shareholder and their associates with a material interest in the Purchase of Goods and Services Agreement, the Supply of Goods and Services Agreement and the provision of Deposit Services under the Financial Services Agreement is required to abstain from voting on the resolution(s) in respect of the transactions contemplated thereunder at the EGM. Therefore, CMG, the controlling shareholder of the Company, together with its associates (including Liaoning Port Group, being a subsidiary owned by China Merchants Liaoning with 51% equity interests and ultimately controlled by CMG), 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 69.15% of the total issued share capital of the Company as of the Latest Practicable Date, are required to abstain from voting at the EGM in respect of resolution(s) to approve the Purchase of Goods and Services Agreement, the Supply of Goods and Services Agreement and the provision of 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 disclosed above, 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, the Supply of Goods and Services Agreement and the provision of 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 EGM for the relevant resolution(s).

Pursuant to the Shanghai Listing Rules, CMG and its associates are required to abstain from voting on the resolution(s) in relation to the continuing connected transactions and the proposed annual caps for each of the transactions as set out in Appendix II to this circular.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, save as the abovementioned Shareholders, no other Shareholder has a material interest in the resolutions set out in the notice of the EGM or should be required to abstain from voting on the relevant resolutions at the EGM.

In order to determine the holders of H Shares who are entitled to attend the EGM, the H Share register of members of the Company will be closed from Tuesday, 12 December 2023 to Friday, 15 December 2023 (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 Friday, 15 December 2023 are entitled to attend and vote at the EGM. In order to qualify for attending and voting at the EGM, 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 Monday, 11 December 2023.

LETTER FROM THE BOARD

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

A form of proxy for use at the EGM is enclosed and published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.liaoganggf.cn). Whether or not you intend to attend the EGM, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon not less than 24 hours before the time fixed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending the EGM and voting in person if you so wish.

10. 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 46 of this circular in connection with the Purchase of Goods and Services Agreement, the Supply of Goods and Services Agreement and the provision of Deposit Services under the Financial Services Agreement and the respective annual caps for the three years ending 31 December 2024, 2025 and 2026, and the principal factors and reasons considered by the Independent Financial Adviser in arriving at such advice.

The Board (including the Independent Board Committee), having taken into account the recommendation from the Independent Financial Adviser, considers that the Purchase of Goods and Services Agreement, the Supply of Goods and Services Agreement and the provision of Deposit Services under the Financial Services Agreement (including their respective annual caps for the three years ending 31 December 2024, 2025 and 2026) were entered into on normal commercial terms and in the ordinary and usual course of business of the Group, and the terms and conditions contained therein 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 EGM in relation to the Purchase of Goods and Services Agreement, the Supply of Goods and Services Agreement and the provision of Deposit Services under the Financial Services Agreement and the respective annual caps for the three years ending 31 December 2024, 2025 and 2026.

The Directors believe that all the other resolutions proposed for consideration and approval by the Shareholders at the EGM 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 all the other resolutions to be proposed at the EGM as set out in the notice of the EGM.

LETTER FROM THE BOARD

11. 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 and 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)

27 November 2023

To the Independent Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
AND
DISCLOSEABLE TRANSACTION**

We refer to the circular dated 27 November 2023 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, the Supply of Goods and Services Agreement and the provision of Deposit Services under the Financial Services Agreement and the respective annual caps for the three years ending 31 December 2024, 2025 and 2026. 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 6 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, the Supply of Goods and Services Agreement and the provision of Deposit Services under the Financial Services Agreement and the respective annual caps for the three years ending 31 December 2024, 2025 and 2026 thereunder as set out on pages 28 to 46 of the Circular.

After taking into consideration the advice from the Independent Financial Adviser, we consider that the Purchase of Goods and Services Agreement, the Supply of Goods and Services Agreement and the provision of Deposit Services under the Financial Services Agreement (including their respective annual caps for the three years ending 31 December 2024, 2025 and 2026) were entered into on normal commercial terms and in the ordinary and usual course of business of the Group, and the terms and conditions contained therein 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 EGM in relation to the Purchase of Goods and Services Agreement, the Supply of Goods and Services Agreement and the provision of Deposit Services under the Financial Services Agreement and the respective annual caps for the three years ending 31 December 2024, 2025 and 2026.

Yours faithfully,

For and on behalf of the Independent Board Committee

LIU Chunyan CHENG Chaoying CHAN Wai Hei

Independent Non-executive Directors

* *For identification purposes only*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the text of a letter received from TC Capital International Limited, the Independent Financial Adviser to 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 provision of Deposit Services for the purpose of inclusion in this circular.



27 November 2023

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

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS AND DISCLOSEABLE TRANSACTION

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of (i) the Supply of Goods and Services by the Group to Liaoning Port Group and its associates or subsidiary(ies) (as the case may be); (ii) the Purchase of Goods and Services from Liaoning Port Group and its associates or subsidiary(ies) (as the case may be); and (iii) the provision of Deposit Services by CMG Finance to the Group ((i), (ii) and (iii) together, the “**Non-exempt Continuing Connected Transactions**”) and the proposed annual caps, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 27 November 2023 issued to the Shareholders (the “**Circular**”). Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 26 October 2023, the Company entered into the Supply of Goods and Services Agreement and the Purchase of Goods and Services Agreement with Liaoning Port Group in relation to the Supply of Goods and Services by the Group to Liaoning Port Group and its associates or subsidiary(ies) (as the case may be) and the Purchase of Goods and Services from Liaoning Port Group and its associates or subsidiary(ies) (as the case may be).

On 26 October 2023, the Company entered into the Financial Services Agreement with CMG Finance in relation to, among others, the provision of Deposit Services by CMG Finance to the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, Liaoning Port Group indirectly held, in aggregate, approximately 54.26% shareholding interests of the Company through three of its subsidiaries, namely Yingkou Port Group Corporation Limited, Dalian Port Corporation Limited and Liaoning Gangwan Industry and Finance Investment Group Co., Ltd. (遼寧港灣產融投資集團有限公司). As such, Liaoning Port Group is an indirect holding company of the Company and is therefore a connected person of the Group as defined under Rule 14A.07 of the Listing Rules. The Supply of Goods and Services and the Purchase of Goods and Services constitute connected transactions of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios for the Supply of Goods and Services and the Purchase of Goods and Services are, on an annual basis, more than 5% and the proposed annual caps for such transactions are more than HK\$10,000,000, the Supply of Goods and Services and the Purchase of Goods and Services are subject to the reporting, annual review, announcement and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As at the Latest Practicable Date, the Company was a fellow subsidiary of CMG Finance and is therefore a connected person of the Company. The provision of Deposit Services constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and a connected transaction 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 are, on an annual basis, more than 5% and the proposed annual caps for such transactions are more than HK\$10,000,000, the provision of Deposit Services is subject to the reporting, annual review, announcement and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising Mr. Liu Chunyan, Ms. Cheng Chaoying and Mr. Chan Wai Hei (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Supply of Goods and Services Agreement, the Purchase of Goods and Services Agreement and the provision of Deposit Services under the Financial Services Agreement (including the respective annual caps) are on normal commercial terms in the ordinary and usual course of business of the Group and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Non-exempt Continuing Connected Transactions are in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the relevant resolutions to approve the Non-exempt Continuing Connected Transactions at the EGM. We, TC Capital International Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationships with or interests in the Company or any other parties that could reasonably be regarded as relevant to the independence of us. In the last two years, we have acted as an independent financial adviser to the then independent board committee and independent shareholders of the Company in relation to an occasion as detailed in the circular of the Company dated 29 November 2021. Given (i) our independent role in the aforementioned engagement; and (ii) our fees for the aforementioned engagement represented an insignificant percentage of our revenue, we consider that the aforementioned engagement would not affect our independence to form our opinion in respect of the Non-exempt Continuing Connected Transactions.

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 Supply of Goods and Services Agreement, the Purchase of Goods and Services Agreement and the Financial Services Agreement; (ii) the annual reports of the Company for the years ended 31 December 2021 and 2022 (the “**2021 Annual Report**” and the “**2022 Annual Report**” respectively) and the third quarterly report of the Company for the nine months ended 30 September 2023 (the “**2023 Third Quarterly Report**”); (iii) other information as set out in the Circular; and (iv) relevant market data and information available from public sources.

We have assumed that all such information, opinions, facts and representations 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 Directors 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 or is misleading. We consider that we have taken sufficient and necessary steps (including review of framework agreements in respect of the Non-exempt Continuing Connected Transactions; comparing the prices of procuring and/or selling the goods and services from and/or to independent third parties and/or the State Prices with the prices of procuring and/or selling the goods and services from and/or to connected persons; and analysis on the estimated amounts of the Non-exempt Continuing Connected Transactions) on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

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/or 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, Liaoning Port Group, CMG Finance and any of their respective subsidiaries and associates.

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PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion in respect of the Non-exempt Continuing Connected Transactions, we have taken into account the following principal factors and reasons:

A. Background information of the parties

1. Information on 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).

Set out below is certain financial information of the Group for the three years ended 31 December 2022 (“FY2020”, “FY2021” and “FY2022” respectively) and the nine months ended 30 September 2022 and 2023 (“3Q2022” and “3Q2023” respectively) as extracted from the 2021 Annual Report, the 2022 Annual Report and the 2023 Third Quarterly Report or provided by the Company:

	For the nine months ended 30 September		For the year ended 31 December		
	2023	2022	2022	2021	2020
	<i>RMB million</i> (Unaudited)	<i>RMB million</i> (Unaudited)	<i>RMB million</i> (Audited)	<i>RMB million</i> (Audited)	<i>RMB million</i> (Audited)
Revenue	8,641	8,651	11,981	12,348	12,125
Gross profit	2,562	2,292	3,097	3,829	4,246
Net profit attributable to shareholders of the parent company	1,074	1,124	1,280	1,916	2,053
	As at 30 September		As at 31 December		
	2023	2022	2021	2020	
	<i>RMB million</i> (Unaudited)	<i>RMB million</i> (Audited)	<i>RMB million</i> (Audited)	<i>RMB million</i> (Audited)	
Total assets	56,181	57,609	57,813	57,451	
Total liabilities	13,571	15,867	16,760	16,950	
Total equity attributable to owners of the parent company	39,372	38,646	37,946	37,234	

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As shown in the above table, the revenue of the Group slightly increased by approximately 1.8% to approximately RMB12,348 million for FY2021 as compared to that for FY2020. As stated in the 2021 Annual Report, such increase was mainly driven by the growth of logistics business such as containerised China-Europe train lines and import of automobile components, as well as the growth in the volume of general cargo business. However, the decrease in the volume of container, ore and grain business, as well as the fact that information companies were no longer included in the scope of consolidation, restrained the overall increase in operating revenue. The gross profit of the Group amounted to approximately RMB3,829 million for FY2021, representing a decrease of approximately 9.8% as compared to that for FY2020. The net profit attributable to shareholders of the parent company for FY2021 was approximately RMB1,916 million, representing a decrease of approximately 6.7% as compared to that for FY2020. As stated in the 2021 Annual Report, the decrease in the gross profit of the Group for FY2021 was mainly due to the combined effects of the decrease in the container throughput for foreign trade, ore and oil business with high gross profit margin, and the resumed increase of expenses related to social security, an increase in depreciation expenses, as well as the rising costs caused by efforts on prevention and control of the pandemic.

The revenue of the Group amounted to approximately RMB11,981 million for FY2022, representing a decrease of approximately 3.0% as compared to that for FY2021. As stated in the 2022 Annual Report, such decrease was mainly due to the decline in the revenue from oil products business as a result of some large refining and chemical integration projects in South China that have been put into production and the reduction in export quotas; and the decline in the revenue from bulk and general cargo business such as steels and ores as a result of the lower efficiency of steel enterprises affected by the international and domestic environment. However, the growth in the revenue from international container and bulk grain business, as well as the growth in container logistics service business such as China-Europe train lines and shipping export agency offset the decline in operating revenue. The gross profit of the Group amounted to approximately RMB3,097 million for FY2022, representing a decrease of approximately 19.1% as compared to that for FY2021. The net profit attributable to shareholders of the parent company for FY2022 was approximately RMB1,280 million, representing a decrease of approximately 33.2% as compared to that for FY2021. As stated in the 2022 Annual Report, the decrease in the gross profit of the Group for FY2022 was mainly due to the decline in the volume of high margin business in bulk and general cargos, oil products, domestic containers and tugboats, as well as the higher energy prices.

The revenue of the Group remained relatively stable and amounted to approximately RMB8,641 million for 3Q2023 as compared to that for 3Q2022. The gross profit of the Group amounted to approximately RMB2,562 million for 3Q2023, representing an increase of approximately 11.8% as compared to that for 3Q2022. As advised by the representatives of the Company, such increase in the gross profit of the Group was mainly due to the growth in the volume of container and oil products businesses with high gross profit margins, as well as the decrease in costs such as labour costs, labour expenses and

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depreciation expenses. The net profit attributable to shareholders of the parent company for 3Q2023 was approximately RMB1,074 million, representing a decrease of approximately 4.4% as compared to that for 3Q2022. The decrease in the net profit attributable to shareholders of the parent company was mainly due to the decrease in the financial results of joint ventures and associates operating bulk and general cargo business and the increase in credit impairment loss, and such decrease was partly offset by the growth of container, passenger and ro-ro and oil business volumes and the effectiveness of cost control measures.

The total equity attributable to owners of the parent company as at 31 December 2021 and 2022 and 30 September 2023 were approximately RMB37,946 million, RMB38,646 million and RMB39,372 million respectively, representing increases of approximately 1.9%, 1.8% and 1.9% as compared with those as at 31 December 2020, 2021 and 2022 respectively. The representatives of the Company advised us that such increases in the total equity attributable to owners of the parent company were mainly due to the profit-making position of the Group during FY2021, FY2022 and 3Q2023.

2. Information on 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.

3. Information on 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 the CMG Group Members; (iii) provision of guarantees for the CMG Group Members; (iv) entrusted loan services between the CMG Group Members; (v) bills acceptances and discount services for the CMG Group Members; (vi) internal money transfer and settlement and relevant settlement and clearance arrangement between the CMG Group Members; (vii) internal money deposit services; (viii) loan and lease financing services for the CMG Group Members; (ix) inter-bank lending business for the CMG Group Members; (x) underwriting corporate bond of the CMG Group Members; and (xi) marketable securities investment (fixed income).

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As advised by the representatives of the Company, CMG Finance is subject to several rules and measures on supervision, management and risk control set out in the Measures for the Administration of Finance Companies of Enterprise Groups* (《企業集團財務公司管理辦法》) (the “**Administrative Measures**”) promulgated by the China Banking and Insurance Regulatory Commission (now merged to become the National Administration of Financial Regulation of the PRC* (國家金融監督管理總局)) (the “**NAFR**”) on 13 October 2022 which regulates the operation of non-bank financial institutions that provide financial management services to the enterprise group member entities. Based on the assessment of the Company, CMG Finance has been in compliance with all the requirements set forth by the NAFR in FY2021, FY2022 and 3Q2023.

The table below sets forth the key financial ratio requirements under Article 34 of the Administrative Measures and an appendix to the Notice of Issuing the Measures for the Regulatory Ratings of Finance Companies of Group Enterprises* (《國家金融監督管理總局關於印發企業集團財務公司監管評級辦法的通知》) (the “**Notice**”) despatched by the NAFR on 13 June 2023 and the respective financial ratios of CMG Finance as at 31 December 2021, 31 December 2022 and 30 September 2023 as provided by the Company:

		As at 31 December 2021 (approximate %)	As at 31 December 2022 (approximate %)	As at 30 September 2023 (approximate %)
	<i>Requirements</i>			
Capital adequacy ratio (<i>Note 1</i>)	Not less than 10.5%	14%	14%	16%
Liquidity ratio	Not less than 25%	60%	54%	43%
Total non-group liabilities to net capital ratio (<i>Note 2</i>)	Not more than 100%	N/A	0%	1%
Investment balance to net capital ratio	Not more than 70%	20%	28%	54%
Self-owned fixed assets to net capital ratio	Not more than 20%	0%	0%	0%
Non-performing loan ratio (<i>Note 3</i>)	Not more than 5%	0%	0%	0%

Notes:

- The capital adequacy ratio is the ratio of net capital to risk-weighted assets after capital floor and adjustments.
- Total non-group liabilities to net capital ratio was required by the Administrative Measures since 2022.
- The non-performing loan ratio is the ratio of the sum of substandard loans, doubtful loans, and loss class loans to various loans. The various loans mainly include loans, trade financing, bill financing, assets for re-sale bought back from non-financial institutions, overdrafts, various advances and etc.

As shown in the table above, CMG Finance complied with the relevant financial ratio requirements specified in the Administrative Measures and the appendix to the Notice as at 31 December 2021, 31 December 2022 and 30 September 2023.

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B. The Non-exempt Continuing Connected Transactions

1. Reasons for and benefits of the Non-exempt Continuing Connected Transactions

As stated in the Letter from the Board, the Directors believe that the Non-exempt 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. The entering into of the Financial Services Agreement (i) will enable the Group to continue to centralise its control and management over the financial resources of the Group and attain diversified sources of funding; and (ii) 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.

As advised by the representatives of the Company, the Group has established long-term relationships with Liaoning Port Group (together with its associates and subsidiaries) and CMG Finance respectively. They are familiar with the operations of the Group. The continual procurement of goods and services from Liaoning Port Group (together with its associates and subsidiaries) can ensure the stable supply of goods and services at reasonable prices. The supply of goods and services by the Group to Liaoning Port Group (together with its associates and subsidiaries) can provide a reliable customer base and stable income to the Group. With the advantage of the long-standing relationship for the provision of Deposit Services, the Group benefits from CMG Finance's familiarity with the Group's industry and operations.

Besides, the Supply of Goods and Services Agreement and the Purchase of Goods and Services Agreement do not prevent the Group from procuring and/or selling the goods and services from and/or to independent third parties or other connected persons. Therefore, the Group may (but is not obliged to) continue the Supply of Goods and Services and the Purchase of Goods and Services with Liaoning Port Group (together with its associates and subsidiaries) if the prices are competitive. For the provision of Deposit Services, the Financial Services Agreement does not prevent the Group from using deposit services provided by other commercial banks or independent financial institutions in the PRC. The Group retains discretion to make its selection according to its business needs as well as the fees and quality of the deposit services. The Group may (but is not obliged to) procure the financial services provided by CMG Finance to deploy and manage its financial resources flexibly and efficiently.

In light of the above, we are of the view that the Non-exempt Continuing Connected Transactions, which are conducted in the ordinary and usual course of business of the Group, are in the interests of the Company and the Shareholders as a whole.

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2. *Principal terms of and proposed annual caps for the Non-exempt Continuing Connected Transactions*

(1) Supply of Goods and Services

On 26 October 2023, the Company and Liaoning Port Group entered into the Supply of Goods and Services Agreement, pursuant to which the Group shall supply goods and services to Liaoning Port Group and its associates or subsidiary(ies) (as the case may be) on normal commercial terms or better for the Group for a term commencing on 1 January 2024 and ending on 31 December 2026.

Pricing principle for the Supply of Goods and Services

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

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

For supply of steaming, equipment, accessories, network and information office equipment and software and providing heating supply services, production facilities and equipment maintenance, security, port storage, tally, ship and freight agency, port passenger operation, mechanical operation, 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 to independent third parties in the normal course of business.

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

In assessing the fairness and reasonableness of the aforementioned pricing principles, we have obtained and reviewed the four largest contracts entered into between Liaoning Port Group and the Group in relation to the Supply of Goods and Services (the “**Four Largest Supply Contracts**”) for each of FY2022 and 3Q2023. The Four Largest Supply Contracts pertained to the provision of tugboat services, handling and transportation and berthing services as well as port storage services. For the contracts relating to the provision of tugboat services and handling and transportation and berthing services, we have compared the service prices stipulated in the relevant contracts against (i) the published prices of the same type of services

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announced by the Group to independent third parties during the corresponding period; and (ii) the State Prices of the same type of services announced by the PRC government during the corresponding period. We noted that the prices of services set out in such contracts were not less favourable than the published prices of the same type of services provided by the Group to the independent third parties as well as the relevant State Prices announced by the PRC government during the same period. For the contracts relating to the provision of port storage services (the “**Port Storage Services Contracts**”), we have obtained the two largest agreements entered into between the Group and two independent third parties in respect of the provision of port storage services by the Group during the corresponding period, and compared the service prices stipulated in the Port Storage Services Contracts against (i) the prices of port storage services offered by the Group to the two independent third parties during the corresponding period; and (ii) the published prices of port storage services announced by the Group to other independent third parties during the corresponding period. We noted that the prices of port storage services as stipulated in the Port Storage Services Contracts were not less favourable than the prices of port storage services offered by the Group to the two independent third parties as well as the published prices of port storage services provided by the Group to other independent third parties during the same period.

Given the above, we are of the view that the pricing principles for 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 or estimated transaction amounts of the Supply of Goods and Services by the Group to Liaoning Port Group and its associates or subsidiary(ies) (as the case may be) for FY2021, FY2022, 3Q2023 and the year ending 31 December 2023 (“**FY2023**”); and (ii) the proposed annual caps for the Supply of Goods and Services for the three years ending 31 December 2026 (“**FY2024**”, “**FY2025**” and “**FY2026**” respectively).

	Historical/Estimated transaction amounts				Proposed annual caps		
	For the year ended 31 December 2021	For the year ended 31 December 2022	For the nine months ended 30 September 2023	For the year ending 31 December 2023	For the year ending 31 December 2024	For the year ending 31 December 2025	For the year ending 31 December 2026
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Supply of Goods and Services	925.50	809.73	817.71	1,322.67	1,820.00	1,860.00	1,900.00

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The representatives of the Company advised us that the proposed annual caps for the Supply of Goods and Services for FY2024, FY2025 and FY2026 were mainly based on (i) the historical transaction amount of the Supply of Goods and Services for 3Q2023 and the expected transaction amount of the Supply of Goods and Services for the three months ending 31 December 2023 (“4Q2023”); (ii) an expected increase in transaction amount of approximately 21% as compared with the estimated transaction amount of the Supply of Goods and Services for FY2023; (iii) the expected increase in the provision of information technology services for FY2024; (iv) the approximately 2% increases in the proposed annual caps for FY2025 and FY2026 as compared to the previous year; and (v) a buffer of approximately 10% for the proposed annual caps for the Supply of Goods and Services.

As advised by the representatives of the Company, the historical transaction amount of the Supply of Goods and Services for 3Q2023 was approximately RMB818 million, which did not include the historical transaction amount between the IT Companies and Liaoning Port Group and its associates or subsidiary(ies) (as the case may be). The expected transaction amount of the Supply of Goods and Services for 4Q2023 of approximately RMB505 million was determined based on (i) the historical transaction amount of the Supply of Goods and Services for the third quarter of 2023 of approximately RMB481 million; and (ii) a buffer of approximately RMB24 million.

The expected increase in the transaction amount of the Supply of Goods and Services for FY2024 of approximately 21% as compared with the estimated transaction amount of the Supply of Goods and Services for FY2023 was determined based on the average annual growth rate of the estimated transaction amount of the Supply of Goods and Services for FY2023 as compared with the historical transaction amount for FY2021.

The expected increase in the provision of information technology services for FY2024 was approximately RMB34 million. As advised by the representatives of the Company, the acquisition of the IT Companies by the Company completed on 3 November 2023. Each of the IT Companies became a subsidiary of the Company after the acquisitions and resulted in the increase in connected transactions. The estimated transaction amounts of the IT Companies in relation to the Supply of Goods and Services for FY2024 were determined based on their historical transaction amounts for 3Q2023 on an annualised basis.

As shown in the above table, the proposed annual caps for the Supply of Goods and Services for FY2025 and FY2026 are RMB1,860 million and RMB1,900 million respectively, representing increases of approximately 2% as compared to the previous year. Such increases were determined based on the annual growth rate of the gross domestic product of the PRC. According to the website of the National Bureau of Statistics (國家統計局), the annual growth rate of the gross domestic product of the PRC is approximately 3% in 2022.

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The Company considered the buffer of approximately 10% to be necessary to cater for the possible unforeseen increase in the transaction amount of the Supply of Goods and Services in the future.

Given the above, we are of the view that the proposed annual caps for the Supply of Goods and Services were determined based on reasonable estimation and after due and careful consideration and are fair and reasonable so far as the Independent Shareholders are concerned.

(2) *Purchase of Goods and Services*

On 26 October 2023, the Company and Liaoning Port Group entered into the Purchase of Goods and Services Agreement, pursuant to which the Group shall purchase goods and services from Liaoning Port Group and its associates or subsidiary(ies) (as the case may be) on normal commercial terms or better for the Group for a term commencing on 1 January 2024 and ending on 31 December 2026.

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 may be) to the Group shall be priced in accordance with the following principles:

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

As stated in the Letter from the Board, for the purchase of goods including network and information office equipment, office supplies, accessories, software and services including water and heating supply, production facilities and equipment maintenance, greening, commuting, canteen, medical examination, printing, conference and other related or similar services, mechanical operation, warehouse use, property management, training and bidding agency and 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.

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In assessing the fairness and reasonableness of the aforementioned pricing principle, we have obtained and reviewed the three largest contracts entered into between Liaoning Port Group and the Group in relation to the Purchase of Goods and Services which followed the market price (the “**Three Largest Market Price Purchase Contracts**”) for each of FY2022 and 3Q2023. The Three Largest Market Price Purchase Contracts stipulated the price breakdown of the medical examination services provided by Liaoning Port Group to the Group. We have compared the prices of the medical examination services as stipulated in the Three Largest Market Price Purchase Contracts for each of FY2022 and 3Q2023 against the standard prices of the same type of medical examination services provided by Liaoning Port Group to independent third parties during the corresponding period. We noted that the prices of the medical examination services offered by Liaoning Port Group to the Group for each of FY2022 and 3Q2023 were not less favourable than the standard prices of the same type of medical examination services provided by Liaoning Port Group to the independent third parties during the corresponding period.

As stated in the Letter from the Board, for purchase of gasoline and diesel and services including cargo port charges and tugboat, the pricing will follow the State Price.

In assessing the fairness and reasonableness of the aforementioned pricing principle, we have obtained and reviewed the three largest contracts entered into between Liaoning Port Group and the Group in relation to the Purchase of Goods and Services which followed the State Price (the “**Three Largest State Price Purchase Contracts**”) for each of FY2022 and 3Q2023. We noted that the Three Largest State Price Purchase Contracts stipulated that the unit prices of the relevant goods and services shall be lower than the prevailing State Prices. We have also obtained and reviewed the five largest monthly invoices for the Three Largest State Price Purchase Contracts (the “**Five Largest Monthly Invoices**”) for each of FY2022 and 3Q2023 which stated the types of diesel purchased by the Group and the corresponding unit prices, and compared the unit prices stated therein against (i) the State Prices and the unit selling prices of the same types of diesel as stipulated in the price adjustment letters (the “**Price Adjustment Letters**”) issued by Liaoning Port Group to the Group during the corresponding period; and (ii) the State Prices of the same types of diesel announced by the PRC government during the corresponding period. We noted that the unit prices of diesel set out in the Five Largest Monthly Invoices for each of FY2022 and 3Q2023 were lower than the unit prices of diesel set out in the Price Adjustment Letters as well as the relevant State Prices announced by the PRC government during the same period.

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Given the above, we are of the view that the pricing principles for the Purchase of Goods 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 or estimated transaction amounts of the Purchase of Goods and Services from Liaoning Port Group and its associates or subsidiary(ies) (as the case may be) for FY2021, FY2022, 3Q2023 and FY2023; and (ii) the proposed annual caps for the Purchase of Goods and Services for FY2024, FY2025 and FY2026.

	Historical/Estimated transaction amounts				Proposed annual caps		
	For the year ended 31 December 2021 <i>RMB million</i>	For the year ended 31 December 2022 <i>RMB million</i>	For the nine months ended 30 September 2023 <i>RMB million</i>	For the year ending 31 December 2023 <i>RMB million</i>	For the year ending 31 December 2024 <i>RMB million</i>	For the year ending 31 December 2025 <i>RMB million</i>	For the year ending 31 December 2026 <i>RMB million</i>
Purchase of Goods and Services	515.66	585.97	400.15	690.19	900.00	900.00	900.00

The representatives of the Company advised us that the proposed annual caps for the Purchase of Goods and Services for FY2024, FY2025 and FY2026 were mainly based on (i) the historical transaction amount of the Purchase of Goods and Services for 3Q2023 and the estimated transaction amount of the Purchase of Goods and Services for 4Q2023; (ii) an expected increase in transaction amount of approximately 17% as compared with the estimated transaction amount of the Purchase of Goods and Services for FY2023; (iii) the proposed annual cap for FY2024; and (iv) a buffer of approximately 10% for the proposed annual caps for the Purchase of Goods and Services.

As advised by the representatives of the Company, the historical transaction amount of the Purchase of Goods and Services for 3Q2023 was approximately RMB400 million. The estimated transaction amount of the Purchase of Goods and Services for 4Q2023 of approximately RMB290 million was determined based on (i) the historical transaction amount of the Purchase of Goods and Services for the third quarter of 2023; (ii) the expected transaction amounts of the port related services and the maintenance services as the majority payment of contracts of these services is expected to be settled in 4Q2023; and (iii) a buffer of approximately RMB30 million. We have obtained a list of the signed contracts in respect of the port related services and the maintenance services procured by the Group from Liaoning Port Group and its associates or subsidiary(ies) (as the case may be) which are expected to

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settle the majority of payment in 4Q2023, and we are of the view that the estimated transaction amount of the Purchase of Goods and Services for 4Q2023 was estimated with reasonable basis. For our due diligence purpose on the list of the signed contracts by checking the supporting documents of the estimated transaction amount of the Purchase of Goods and Services for 4Q2023, we have obtained the three largest amount contracts on the list (the “**Top Three Contracts**”). The aggregate estimated amount for 4Q2023 as derived from the Top Three Contracts represented approximately 27% of the total estimated amount for 4Q2023 of the signed contracts on the list.

The expected increase in the transaction amount of the Purchase of Goods and Services for FY2024 of approximately 17% as compared with the estimated transaction amount of the Purchase of Goods and Services for FY2023 was determined based on the average annual growth rate of the estimated transaction amount of the Purchase of Goods and Services for FY2023 as compared with the historical transaction amount for FY2021.

The representatives of the Company advised us that the proposed annual caps for the Purchase of Goods and Services for FY2025 and FY2026 were determined based on the proposed annual cap for FY2024.

The Company considered the buffer of approximately 10% to be necessary to cater for the possible unforeseen increase in the transaction amount of the Purchase of Goods and Services in the future.

Given the above, we are of the view that the proposed annual caps for the Purchase of Goods and Services were determined based on reasonable estimation and after due and careful consideration and are fair and reasonable so far as the Independent Shareholders are concerned.

(3) *Provision of Deposit Services*

On 26 October 2023, the Company and CMG Finance entered into the Financial Services Agreement, pursuant to which CMG Finance shall, among other things, provide Deposit Services to the Group on normal commercial terms or better for the Group for a term commencing on 1 January 2024 and ending on 31 December 2026.

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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In assessing the fairness and reasonableness of the pricing principle for the Deposit Services, we have obtained and reviewed the records of the three largest demand deposits and the three largest time deposits placed by the Group with CMG Finance for each of FY2022 and 3Q2023. We have compared the interest rates of deposits offered by CMG Finance to the Group against (i) the board rates of deposits of similar type and term offered by CMG Finance to other independent third parties for the same period; (ii) the interest rates of deposits of similar type and term offered by the top four commercial banks in the PRC in terms of net core tier 1 capital pursuant to the “2023 China Top 100 Banks List” published by the China Banking Association in August 2023 (<https://www.china-cba.net/Index/show/catid/14/id/42295.html>), namely Industrial and Commercial Bank of China, China Construction Bank, Agricultural Bank of China and Bank of China (collectively, the “**Four Commercial Banks**”), for the same period; and (iii) the benchmark interest rates published by the People’s Bank of China (the “**PBOC**”) for deposits of similar type and term. We noted that the deposit interest rates offered by CMG Finance to the Group for each of FY2022 and 3Q2023 were more favourable than (i) the board rates of deposits offered by CMG Finance to other independent third parties for the same period; (ii) the interest rates of deposits offered by the Four Commercial Banks for the same period; and (iii) the benchmark interest rates published by the PBOC.

Given the above, 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.

Proposed annual caps for the Deposit Services

The table below sets out (i) the historical or estimated maximum daily closing balances of the Deposit Services provided by CMG Finance to the Group for FY2021, FY2022, 3Q2023 and FY2023; and (ii) the proposed annual caps for the Deposit Services for FY2024, FY2025 and FY2026.

	Historical/Estimated maximum daily closing balances				Proposed annual caps		
	For the year ended 31 December 2021	For the year ended 31 December 2022	For the nine months ended 30 September 2023	For the year ending 31 December 2023	For the year ending 31 December 2024	For the year ending 31 December 2025	For the year ending 31 December 2026
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Deposit Services	3,216.00	2,462.37	2,887.76	3,000.00	6,000.00	6,000.00	6,000.00

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As advised by the representatives of the Company, in determining the proposed annual caps for the Deposit Services, the Directors have considered a number of factors including (i) the historical or estimated maximum daily closing balances of the deposit of the Group placed in CMG Finance; (ii) the future operation development of the Company; and (iii) the amount of the deposits of the Group placed in independent financial institutions (the “**Outside Deposits**”) which can be placed in CMG Finance, provided that the interest rate offered by CMG Finance on deposits is more preferential.

As advised by the representatives of the Company, the estimated maximum daily closing balance of the deposit of the Group placed in CMG Finance for FY2023 was determined based on the historical maximum daily closing balance of the deposit of the Group placed with CMG Finance of approximately RMB2,888 million for 3Q2023 and a buffer of approximately RMB112 million. Besides, the Group expects to deposit more of its cash reserves to CMG Finance if the interest rate offered by CMG Finance on deposits is more preferential. The amount of the Outside Deposits which can be placed in CMG Finance of approximately RMB3,000 million was determined based on the average of the balances of the Outside Deposits as at 31 December 2022 and as at 30 June 2023 after deducting the payments which must be settled via the independent financial institutions. According to the calculation based on the interim report of the Company for the six months ended 30 June 2023, the Outside Deposits as at 31 December 2022 and as at 30 June 2023 were approximately RMB2,857 million and RMB3,928 million respectively. The average of the Outside Deposits as at 31 December 2022 and as at 30 June 2023 is approximately RMB3,392 million. As advised by the representatives of the Company, the payments which must be settled via the independent financial institutions was determined based on the amount of such payments for FY2022.

We are of the view that the proposed annual caps for the Deposit Services were determined based on reasonable estimation and after due and careful consideration and are fair and reasonable so far as the Independent Shareholders are concerned.

3. Internal control measures

The Group has adopted the Liaoning Port Co., Ltd. Connected Transaction Management Measure* (遼寧港口股份有限公司關聯交易管理辦法) (the “**Measure**”) to monitor the continuing connected transactions. According to the Measure, the departments or units conducting connected transactions should report the amounts 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 the truthfulness, accuracy and completeness of those information. Furthermore, the finance department of the Company is responsible for (i) collecting the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

transaction 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 that the annual caps of the continuing connected transactions may be exceeded. As advised by the representatives of the Company, the finance department of the Company has to report the status of the continuing connected transactions to the independent directors and the audit committee annually. We have obtained and reviewed the continuing connected transactions section prepared by the finance department of the Company in the A share annual report for FY2022 to the independent directors and the audit committee and noted that the maximum daily closing balances or the transaction amounts of the continuing connected transactions as at the end of the year and whether the maximum daily closing balances or the transaction amounts of the continuing connected transactions exceeded the relevant annual caps were reported. As advised by the representatives of the Company, if discovering that the annual caps of the continuing connected transactions may be exceeded, the following measures would be made: (i) the subsidiary of the Company should report to the finance department of the Company and the responsible officer of the finance department of the Company will check the transaction amounts of the proposed continuing connected transactions against the annual caps before entering into the proposed continuing connected transactions; and (ii) if the finance department of the Company confirmed that the annual caps of the continuing connected transactions may be exceeded, the Company would comply with the applicable provisions under Chapter 14A of the Listing Rules in relation to the revision of annual caps.

Moreover, as stated in the 2022 Annual Report, the independent non-executive Directors have reviewed the continuing connected transactions and confirmed that the transactions were (i) entered into in the ordinary and usual course of business of the Group; (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. The auditors of the Company have issued a letter in respect of the Company's continuing connected transactions 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) involving the provision of goods or services by the Company were not conducted, 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 of the internal control measures as stated above, we concur with the Directors that there are adequate measures in place to monitor the Non-exempt Continuing Connected Transactions and hence the interest of the Independent Shareholders would be safeguarded.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that the terms of the Supply of Goods and Services Agreement, the Purchase of Goods and Services Agreement and the provision of Deposit Services under the Financial Services Agreement (including the respective annual caps) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and the Non-exempt Continuing Connected Transactions, which are conducted in the ordinary and usual course of business of the Group, are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend (i) the Independent Board Committee to advise the Independent Shareholders; and (ii) the Independent Shareholders, to vote in favour of the relevant resolutions to be proposed at the EGM to approve the Non-exempt Continuing Connected Transactions.

Yours faithfully,
For and on behalf of
TC Capital International Limited
Edith Lee
Managing Director

Note: Ms. Edith Lee has been a responsible officer of type 6 (advising on corporate finance) regulated activities under the SFO since 2015. She has participated in and completed various advisory transactions in respect of connected transactions of listed companies in Hong Kong.

* *For identification purposes 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. INTERESTS OF DIRECTORS, SUPERVISORS 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.

3. 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 Capacity		Approximate percentage of relevant class of share capital	Approximate percentage of total share capital
		Shares held	Capacity	(%)	(%)
Yingkou Port Group Corporation Limited ⁴	A Shares	6,916,185,012 (L)	Beneficial owner	36.73	28.83
		67,309,590 (L)	Interest of controlled corporations	0.36	0.28
Dalian Port Corporation Limited	A Shares	5,310,255,162 (L)	Beneficial owner	28.20	22.14
China Merchants Group Limited	H Shares	4,293,248,695 (L)	Interest of controlled corporations	83.22	17.90

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 – 18,828,349,817; H Shares – 5,158,715,999.
- (3) Total number of Shares in the share capital of the Company as at the Latest Practicable Date: 23,987,065,816.
- (4) According to the Voting Right Entrustment Agreement entered into by Dalian Port Corporation Limited and Yingkou Port Group Corporation Limited on 29 March 2021, Dalian Port Corporation Limited agreed to fully entrust the exercise of shareholder's rights of its equity interests in the Company, other than right to earnings, right of disposition (including share pledge) and share options, to Yingkou Port Group Corporation Limited. In addition, Liaoning Gangwan Industry and Finance Investment Group Co., Ltd. (遼寧港灣產融投資集團有限公司), as a wholly-owned subsidiary of Yingkou Port Group Corporation Limited, holds 67,309,590 A Shares of the Company.
- (5) China Merchants Group Limited held 722,166,000 H shares through its indirect subsidiary, Dalian Port Corporation Limited, 2,714,736,000 H shares through its indirect subsidiary, Team Able International Limited, and 856,346,695 H shares through its indirect subsidiary, Broadford Global Limited.

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 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.

4. 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.

5. 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).

6. 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.

7. 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 or the Supervisors had any interest in any assets which has been, since 31 December 2022 (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 the 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.

8. DIRECTORS' AND SUPERVISORS' EMPLOYMENT WITH SUBSTANTIAL SHAREHOLDERS

The followings are the particulars of Directors' and Supervisors' employment with substantial Shareholders (holding interests or short positions in the shares and underlying shares of the Company required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO) as at the Latest Practicable Date:

Mr. Wang Zhixian, being an executive Director, serves as the secretary of the Party Committee, a director and the CEO of Liaoning Port Group, the chairman of Dalian Port Corporation Limited, and the chairman of Yingkou Port Group Corporation Limited.

Mr. Wei Minghui, being an executive Director, serves as the secretary of the Party Committee and a director of Dalian Port Corporation Limited, the secretary of the Party Committee and a director of Yingkou Port Group Corporation Limited.

Dr. Xu Xin, being an non-executive Director, serves as the chief financial officer of Liaoning Port Group.

9. NO 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 2022 (being the date to which the latest published audited consolidated financial statements of the Group were made up).

10. QUALIFICATION 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 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 of the text of its letter and references to its name, logo, qualification and/or its advice in the form and context in which they respectively appear herein.

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 2022, 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, the PRC. The place of business of the Company is at Xingang Commercial Building, Dayao Bay, Dalian Free Trade Zone, the 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 will be published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (www.liaoganggf.cn) for a period of 14 days from the date of this circular:

- (a) the Purchase of Goods and Services Agreement;
- (b) the Supply of Goods and Services Agreement;
- (c) the Financial Services Agreement;
- (d) the letter from the Independent Board Committee, the text of which is set out on pages 26 to 27 of this circular;

- (e) the letter from the Independent Financial Adviser, the text of which is set out on pages 28 to 46 of this circular;
- (f) the written consent referred to in the paragraph headed “10. QUALIFICATION OF EXPERT AND CONSENT” in this appendix; and
- (g) this circular.

A. SUMMARY OF THE TRANSACTIONS

1. Providing Construction Management and Supervision Services

On 26 October 2023, 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 to Liaoning Port Group and its associates or subsidiary(ies) (as the case may be) for a term commencing on 1 January 2024 and ending on 31 December 2026 on normal commercial terms or better for the Group.

Information relating to the Construction Management and Supervision Services to be provided by Liaoning Port Group and its associates or subsidiary(ies) (as the case may be) to the Group under the Construction Management and Supervision Services Agreement are set out in the section headed "A.2. Receiving Construction Management and Supervision Services" in this appendix.

(a) Pricing

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

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

Note: normally, at least two quotations to independent third parties will be used for reference.

(b) Historical caps for each of the three years ended/ending 31 December 2021, 2022 and 2023

	For the year ended 31 December 2021 (RMB'000)	For the year ended 31 December 2022 (RMB'000)	For the year ending 31 December 2023 (RMB'000)
Providing Construction Management and Supervision Services	53,000 ⁽¹⁾ (53,000) ⁽²⁾	82,000 ⁽¹⁾ (82,000) ⁽²⁾	105,000 ⁽¹⁾ (105,000) ⁽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) *Historical figures for each of the two years ended 31 December 2021 and 2022 and the estimated amounts for the year ending 31 December 2023*

	For the year ended 31 December 2021 (RMB in million)	For the year ended 31 December 2022 (RMB in million)	For the year ending 31 December 2023 (RMB in million)
Providing Construction			
Management and Supervision			
Services	9.09 ⁽¹⁾ (8.12) ⁽²⁾	14.03 ⁽¹⁾ (12.44) ⁽²⁾	30.31 ⁽¹⁾ (29.39) ⁽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.

(d) *Proposed annual caps for each of the three years ending 31 December 2024, 2025 and 2026*

	Proposed annual cap for the year ending 31 December 2024 (RMB'000)	Proposed annual cap for the year ending 31 December 2025 (RMB'000)	Proposed annual cap for the year ending 31 December 2026 (RMB'000)
Providing Construction			
Management and Supervision			
Services	56,000 ⁽¹⁾ (53,000) ⁽²⁾	57,000 ⁽¹⁾ (54,000) ⁽²⁾	62,000 ⁽¹⁾ (60,000) ⁽²⁾

Notes:

- (1) In determining the proposed annual caps for each of the three years ending 31 December 2024, 2025 and 2026 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 “(i)” relate to transactions that constitute connected transactions under Chapter 14A of the Listing Rules.

In determining the proposed annual caps for 2024, 2025 and 2026, 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 may be), and the anticipated demand of construction-related management and supervision services required by Liaoning Port Group for (i) the projects which had been suspended in the years from 2021 to 2023 and are expected to resume construction in the coming three years such as the bulk grain terminal engineering project; and (ii) the new projects planned by Liaoning Port Group in the next three years such as the bulk cargo processing system modification and construction projects.

2. Receiving Construction Management and Supervision Services

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

(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 may be) to the Group shall be priced in accordance with the following principles:

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

Note: normally, at least two quotations from independent third parties will be obtained for reference.

(b) Historical caps for each of the three years ended/ending 31 December 2021, 2022 and 2023

	For the year ended 31 December 2021 (RMB'000)	For the year ended 31 December 2022 (RMB'000)	For the year ending 31 December 2023 (RMB'000)
Receiving Construction Management and Supervision Services	26,000 ⁽¹⁾ (26,000) ⁽²⁾	26,000 ⁽¹⁾ (26,000) ⁽²⁾	24,000 ⁽¹⁾ (24,000) ⁽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) Historical figures for each of the two years ended 31 December 2021 and 2022 and the estimated amounts for the year ending 31 December 2023

	For the year ended 31 December 2021 (RMB in million)	For the year ended 31 December 2022 (RMB in million)	For the year ending 31 December 2023 (RMB in million)
Receiving Construction Management and Supervision Services	4.20 ⁽¹⁾ (4.20) ⁽²⁾	0.56 ⁽¹⁾ (0.56) ⁽²⁾	6.56 ⁽¹⁾ (6.56) ⁽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.

(d) Proposed annual caps for each of the three years ending 31 December 2024, 2025 and 2026

	Proposed annual cap for the year ending 31 December 2024 (RMB'000)	Proposed annual cap for the year ending 31 December 2025 (RMB'000)	Proposed annual cap for the year ending 31 December 2026 (RMB'000)
Receiving Construction Management and Supervision Services	12,000 ⁽¹⁾ (12,000) ⁽²⁾	12,000 ⁽¹⁾ (12,000) ⁽²⁾	12,000 ⁽¹⁾ (12,000) ⁽²⁾

Notes:

- (1) In determining the proposed annual caps for each of the three years ending 31 December 2024, 2025 and 2026 in respect of receiving the 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 constitute connected transactions under Chapter 14A of the Listing Rules.

In determining the proposed annual caps for 2024, 2025 and 2026, the Directors have considered the historical transaction amounts of the Construction Management and Supervision Services received by the Group and the anticipated demand of construction-related management and supervision services required by the Group due to the new projects planned by the Group in the next three years, such as the sewage treatment plant expansion and renovation project.

3. Leasing Services (Leasing to)

On 26 October 2023, the Company entered into the Lease Agreement with Liaoning Port Group, pursuant to which the Group agreed to lease its Properties to Liaoning Port Group and its associates or subsidiary(ies) (as the case may be) for a term commencing on 1 January 2024 and ending on 31 December 2026 on normal commercial terms or better for the Group.

Information relating to the Group leasing Properties from Liaoning Port Group and its associates or subsidiary(ies) (as the case may be) under the Lease Agreement are set out in the sections headed “A.4. Leasing Services (Leasing from) (Short-term and Low-value)” and “A.5. Leasing Services (Leasing from) (Other than Short-term and Low-value)” in this appendix.

(a) Pricing

Pursuant to the Lease Agreement, rental fee shall be determined with reference to market price, i.e., the price at which the same or comparable types of services are provided to independent third parties in the normal course of business. Normally, at least two quotations to independent third parties will be used for reference.

(b) Historical caps for each of the three years ended/ending 31 December 2021, 2022 and 2023

	For the year ended 31 December 2021 (RMB'000)	For the year ended 31 December 2022 (RMB'000)	For the year ending 31 December 2023 (RMB'000)
Leasing Services (Leasing to)	191,000 ⁽¹⁾ (174,000) ⁽²⁾	243,000 ⁽¹⁾ (226,000) ⁽²⁾	243,000 ⁽¹⁾ (226,000) ⁽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) Historical figures for each of the two years ended 31 December 2021 and 2022 and the estimated amounts for the year ending 31 December 2023

	For the year ended 31 December 2021 (RMB in million)	For the year ended 31 December 2022 (RMB in million)	For the year ending 31 December 2023 (RMB in million)
Leasing Services (Leasing to)	110.03 ⁽¹⁾ (95.66) ⁽²⁾	109.37 ⁽¹⁾ (84.98) ⁽²⁾	157.74 ⁽¹⁾ (102.00) ⁽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.

(d) Proposed annual caps for each of the three years ending 31 December 2024, 2025 and 2026

	Proposed annual cap for the year ending 31 December 2024 (RMB'000)	Proposed annual cap for the year ending 31 December 2025 (RMB'000)	Proposed annual cap for the year ending 31 December 2026 (RMB'000)
Leasing Services (Leasing to)	225,000 ⁽¹⁾ (150,000) ⁽²⁾	240,000 ⁽¹⁾ (160,000) ⁽²⁾	250,000 ⁽¹⁾ (175,000) ⁽²⁾

Notes:

- (1) In determining the proposed annual caps for each of the three years ending 31 December 2024, 2025 and 2026 in respect of the leasing 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 constitute connected transactions under Chapter 14A of the Listing Rules.

In determining the proposed annual caps for 2024, 2025 and 2026, the Directors have considered the historical transaction amounts, the expected increase in rental fees in the next three years and the anticipated increase in demand of leasing Properties by Liaoning Port Group and its associates or subsidiary(ies) (as the case may be) from the Group in the next three years, such as its demand on port and terminal facilities.

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

Pursuant to the Lease Agreement, Liaoning Port Group and its associates or subsidiary(ies) (as the case may be) will lease Properties to the Group. In general, the Group recognizes lease payments on short-term leases and low-value asset leases in current profit or loss on a straight-line basis or otherwise on a systematic and reasonable basis in each period over the lease term.

(a) Pricing

Pursuant to the Lease Agreement, rental fee shall be determined with reference to market price, i.e., the price at which the same or comparable types of services are provided from independent third parties in the normal course of business. Normally, at least two quotations from independent third parties will be obtained for reference.

(b) Historical caps for each of the three years ended/ending 31 December 2021, 2022 and 2023

	For the year ended 31 December 2021 (RMB'000)	For the year ended 31 December 2022 (RMB'000)	For the year ending 31 December 2023 (RMB'000)
Leasing Services (Leasing from) (Short-term and low-value)	37,000	49,000	49,000

(c) Historical figures for each of the two years ended 31 December 2021 and 2022 and the estimated amounts for the year ending 31 December 2023

	For the year ended 31 December 2021 (RMB in million)	For the year ended 31 December 2022 (RMB in million)	For the year ending 31 December 2023 (RMB in million)
Leasing Services (Leasing from) (Short-term and low-value)	21.07	21.53	32.08

(d) Proposed annual caps for each of the three years ending 31 December 2024, 2025 and 2026

	Proposed annual cap for the year ending 31 December 2024 (RMB'000)	Proposed annual cap for the year ending 31 December 2025 (RMB'000)	Proposed annual cap for the year ending 31 December 2026 (RMB'000)
Leasing Services (Leasing from) (Short-term and low-value)	50,000	50,000	50,000

In determining the proposed annual caps for 2024, 2025 and 2026, the Directors have considered the historical transaction amounts, the future needs of the Group for the leasing services to accommodate the Group's business operations and development in the coming three years and the potential increase in rental fees.

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

Except for the abovementioned 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 determined with reference to market price, i.e., the price at which the same or comparable types of services are provided from independent third parties in the normal course of business. Normally, at least two quotations from independent third parties shall be obtained for reference.

(b) Historical caps for each of the three years ended/ending 31 December 2021, 2022 and 2023

	For the year ended 31 December 2021 (RMB'000)	For the year ended 31 December 2022 (RMB'000)	For the year ending 31 December 2023 (RMB'000)
Leasing Services (Leasing from) (Other than Short-term and Low-value)	787,000	1,650,000	774,000

(c) Historical figures for each of the two years ended 31 December 2021 and 2022 and the estimated amounts for the year ending 31 December 2023

	For the year ended 31 December 2021 (RMB in million)	For the year ended 31 December 2022 (RMB in million)	For the year ending 31 December 2023 (RMB in million)
Leasing Services (Leasing from) (Other than Short-term and Low-value)	75.64	1,051.85	58.49

(d) Proposed annual caps for each of the three years ending 31 December 2024, 2025 and 2026

	Proposed annual cap for the year ending 31 December 2024 (RMB'000)	Proposed annual cap for the year ending 31 December 2025 (RMB'000)	Proposed annual cap for the year ending 31 December 2026 (RMB'000)
Leasing Services (Leasing from) (Other than Short-term and Low-value)	304,000	220,000	244,000

In determining the proposed annual caps for 2024, 2025 and 2026, the Directors have considered the future needs of the Group for the leasing services (other than short-term and low-value) to accommodate the Group's business operations and development in the coming three years.

In addition, according to the Shanghai Listing Rules, Liaoning Port Group and its associates or subsidiary(ies) (as the case may be) will lease Properties to the Group in accordance with the Lease Agreement.

(e) Proposed annual caps for the annual rental fees for each of the three years ending 31 December 2024, 2025 and 2026 under Shanghai Listing Rules

	Proposed annual caps for the annual rental fees for the year ending 31 December 2024 (RMB'000)	Proposed annual caps for the annual rental fees for the year ending 31 December 2025 (RMB'000)	Proposed annual caps for the annual rental fees for the year ending 31 December 2026 (RMB'000)
Leasing Services (annual rental fees)	645,000	650,000	650,000

Unlike the requirements under the Listing Rules that the annual caps of the relevant lease shall be calculated in the differentiating nature of "short-term and low-value" or "other than short-term and low-value" (which is recognized as right-of-use assets in the Group's consolidated statement of financial position), under the Shanghai Listing Rules, the relevant annual caps shall be determined based on the annual rental fees under the relevant lease regardless the nature of the leases.

6. Terminal Facilities Design and Construction Services

On 26 October 2023, 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 may be) shall provide the Terminal Facilities Design and Construction Services to the Group for a term commencing on 1 January 2024 and ending on 31 December 2026 on normal commercial terms or better for the Group.

(a) Pricing

Pursuant to the Terminal Facilities Design and Construction Services Agreement, the 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, with reference to the market price at which the same or comparable types of services are provided from independent third parties in the normal course of business^{Note}; and
- where the project is subject to public bidding, at the pricing principle determined through the bidding process.

Note: normally, at least two quotations from independent third parties will be obtained for reference.

(b) Historical caps for each of the three years ended/ending 31 December 2021, 2022 and 2023

	For the year ended 31 December 2021 (RMB'000)	For the year ended 31 December 2022 (RMB'000)	For the year ending 31 December 2023 (RMB'000)
Terminal Facilities Design and Construction Services	520,000 ⁽¹⁾ (510,000) ⁽²⁾	410,000 ⁽¹⁾ (400,000) ⁽²⁾	380,000 ⁽¹⁾ (370,000) ⁽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) Historical figures for each of the two years ended 31 December 2021 and 2022 and the estimated amounts for the year ending 31 December 2023

	For the year ended 31 December 2021	For the year ended 31 December 2022	For the year ending 31 December 2023
	<i>(RMB in million)</i>	<i>(RMB in million)</i>	<i>(RMB in million)</i>
Terminal Facilities Design and Construction Services	54.09 ⁽¹⁾ (47.40) ⁽²⁾	120.75 ⁽¹⁾ (110.98) ⁽²⁾	290.14 ⁽¹⁾ (157.13) ⁽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.

(d) Proposed annual caps for each of the three years ending 31 December 2024, 2025 and 2026

	Proposed annual cap for the year ending 31 December 2024	Proposed annual cap for the year ending 31 December 2025	Proposed annual cap for the year ending 31 December 2026
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Terminal Facilities Design and Construction Services	150,000 ⁽¹⁾ (15,000) ⁽²⁾	140,000 ⁽¹⁾ (25,000) ⁽²⁾	130,000 ⁽¹⁾ (20,000) ⁽²⁾

Notes:

- (1) In determining the proposed annual caps for each of the three years ending 31 December 2024, 2025 and 2026 in respect of the 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 constitute connected transactions under Chapter 14A of the Listing Rules.

In determining the proposed annual caps for 2024, 2025 and 2026, the Directors have considered the historical amounts of the services provided by Liaoning Port Group and its associates or subsidiary(ies) (as the case may be) to the Group, the Company's investment plans and the expected construction works to be undertaken by Liaoning Port Group and its associates or subsidiary(ies) (as the case may be) in the next three years. The decrease in the annual caps for 2024, 2025 and 2026 is mainly due to (i) the decrease in the amount of connected transactions as a result of the change of IT Companies from connected persons to subsidiaries of the Company following the acquisition of the IT Companies by the Company in 2023; and (ii) the decrease in the amount of connected transactions in the next three years as the smart terminal construction project is expected to be completed by the end of 2023.

7. Financial Services – Credit Loan Services

On 26 October 2023, the Company entered into the Financial Services Agreement with CMG Finance, pursuant to which CMG Finance shall provide Credit Loan Services, Deposit Services, Settlement Services and other financial services to the Group for a term commencing on 1 January 2024 and ending on 31 December 2026 on normal commercial terms or better for the Group. The Credit Loan Services will not be secured by the Group's assets.

Information relating to the Settlement Services and other financial services under the Financial Services Agreement are set out in the section headed "A.8. Financial Services – Settlement Services and other Financial Services" in this appendix.

Information relating to the Deposit Services are set out in the section headed "2.3 Financial Services – Deposit Services" in the "Letter from the Board" of this circular.

(a) Pricing

Pursuant to the Financial Services Agreement, the interest rate for any credit loan provided by CMG Finance to the Group shall not be higher than the rate charged by other financial institutions in the PRC for comparable credit loans. In addition, the daily closing balance of the Group's credit loan (plus accrued interests) with CMG Finance under the Financial Services Agreement shall not exceed RMB7.0 billion.

(b) Historical caps for each of the three years ended/ending 31 December 2021, 2022 and 2023

	For the year ended 31 December 2021 (RMB'000)	For the year ended 31 December 2022 (RMB'000)	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) ⁽²⁾	6,000,000 ⁽¹⁾ (6,000,000) ⁽²⁾	6,000,000 ⁽¹⁾ (6,000,000) ⁽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) Historical figures for each of the two years ended 31 December 2021 and 2022 and the estimated amounts for the year ending 31 December 2023

	For the year ended 31 December 2021 (RMB in million)	For the year ended 31 December 2022 (RMB in million)	For the year ending 31 December 2023 (RMB in million)
Financial Services – Credit Loan Services (maximum daily closing balance)	Nil ⁽¹⁾ (Nil) ⁽²⁾	809.54 ⁽¹⁾ (809.54) ⁽²⁾	1,750.00 ⁽¹⁾ (1,750.00) ⁽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.

(d) Proposed annual caps for each of the three years ending 31 December 2024, 2025 and 2026

	Proposed annual cap for the year ending 31 December 2024 (RMB'000)	Proposed annual cap for the year ending 31 December 2025 (RMB'000)	Proposed annual cap for the year ending 31 December 2026 (RMB'000)
Financial Services – Credit			
Loan Services (maximum daily closing balance)	7,000,000 ⁽¹⁾ (7,000,000) ⁽²⁾	7,000,000 ⁽¹⁾ (7,000,000) ⁽²⁾	7,000,000 ⁽¹⁾ (7,000,000) ⁽²⁾

Notes:

- (1) In determining the proposed annual caps for each of the three years ending 31 December 2024, 2025 and 2026 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 constitute connected transactions under Chapter 14A of the Listing Rules.

In determining the proposed annual caps for 2024, 2025 and 2026, the Directors have considered (i) the historical figures of the maximum daily outstanding balance of loans (including accrued interests) for the Credit Loan Services, and (ii) the anticipated increase in the Group’s capital needs in the coming three years.

8. 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 for a term commencing on 1 January 2024 and ending on 31 December 2026 on normal commercial terms or better for the Group.

(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 2024, 2025 and 2026. Under the Financial Services Agreement, on-shore settlement services shall be provided by CMG Finance free of charge and service fee charged for the 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 caps for each of the three years ended/ending 31 December 2021, 2022 and 2023

	For the year ended 31 December 2021 (RMB'000)	For the year ended 31 December 2022 (RMB'000)	For the year ending 31 December 2023 (RMB'000)
Settlement Services and other financial services	10,000 ⁽¹⁾ (10,000) ⁽²⁾	10,000 ⁽¹⁾ (10,000) ⁽²⁾	10,000 ⁽¹⁾ (10,000) ⁽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) Historical figures for each of the two years ended 31 December 2021 and 2022 and estimated amounts for the year ending 31 December 2023

	For the year ended 31 December 2021 (RMB'000)	For the year ended 31 December 2022 (RMB'000)	For the year ending 31 December 2023 (RMB'000)
Settlement Services and other financial services	0.9 ⁽¹⁾ 0.9 ⁽²⁾	Nil ⁽¹⁾ Nil ⁽²⁾	100 ⁽¹⁾ 100 ⁽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.

(d) *Proposed annual caps for each of the three years ending 31 December 2024, 2025 and 2026*

	Proposed annual cap for the year ending 31 December 2024 (RMB'000)	Proposed annual cap for the year ending 31 December 2025 (RMB'000)	Proposed annual cap for the year ending 31 December 2026 (RMB'000)
Settlement Services and other financial services	10,000 ⁽¹⁾ (10,000) ⁽²⁾	10,000 ⁽¹⁾ (10,000) ⁽²⁾	10,000 ⁽¹⁾ (10,000) ⁽²⁾

Notes:

- (1) In determining the proposed annual caps for each of the three years ending 31 December 2024, 2025 and 2026 in respect of the 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 constitute connected transactions under Chapter 14A of the Listing Rules.

In determining the proposed annual caps for 2024, 2025 and 2026, which will remain the same as the historical annual caps for 2021, 2022 and 2023 in respect of the Settlement Services and other financial services, the Directors have considered a number of factors including (i) the historical amounts of service fees as shown in the table above, (ii) the operational and financial needs of the Group in the coming three years; and (iii) the anticipated service fee to be incurred for the Settlement Services and other financial services by the Group. The difference between the historical caps and the historical amounts incurred in respect of the Settlement Services and other financial services was due to the reduction or delay in guarantee letter related business which resulted delay in payments for service fees.

9. Bank Financial Services Agreement

On 26 October 2023, the Company entered into the Bank Financial Services Agreement with China Merchants Bank, pursuant to which China Merchants Bank shall provide deposit services, structural deposit services, credit loan services, settlement services and other financial services to the Group for a term commencing on 1 January 2024 and ending on 31 December 2026 on normal commercial terms or better for the Group.

(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 RMB4.0 billion. The total amount of structural deposits for each year should not exceed RMB3.0 billion.

(b) Proposed annual caps for each of the three years ending 31 December 2024, 2025 and 2026

	Proposed annual cap for the year ending 31 December 2024 (RMB'000)	Proposed annual cap for the year ending 31 December 2025 (RMB'000)	Proposed annual cap for the year ending 31 December 2026 (RMB'000)
Deposit services	4,000,000	4,000,000	4,000,000
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 proposed annual caps for 2024, 2025 and 2026 for each of deposit services and structural deposit services, the Directors have considered a number of factors 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 proposed annual caps for 2024, 2025 and 2026 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 and guarantee for the Group.

In determining the proposed annual caps for 2024, 2025 and 2026 for settlement services and other financial services, the Directors have considered a number of factors including: (i) the historical transaction amount as shown in the table above, and (ii) the operational and financial needs of the Group in the coming three years.

China Merchants Bank is a joint stock company incorporated in the PRC with limited liability. The H shares of which are listed on the Stock Exchange (stock code: 03968). As at the Latest Practicable Date, CMG, through a number of subsidiaries, indirectly held an aggregate of 29.97% shares in China Merchants Bank.

B. REASONS AND BENEFITS FOR ENTERING INTO THE TRANSACTIONS

The Directors believe that the transactions mentioned in section A above 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 Directors consider that the transactions mentioned in section A above are on normal commercial terms or better, and are entered into in the Group's ordinary and usual course of business, the terms and conditions contained therein and the proposed annual caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

C. OPINIONS OF THE BOARD

On 26 October 2023, the Board has approved, amongst others, the Construction Management and Supervision Services Agreement, the Lease Agreement, the Terminal Facilities Design and Construction Services Agreement, the Bank Financial Services Agreement and the provision of Credit Loan Services and Settlement Services and other financial services under the Financial Services Agreement as well as the proposed annual caps for such transactions.

Set out below are the details of the proposed amendments to the Policy and Rules of Work for Independent Directors.

Existing Articles	Amended As
<p>Article 1 Pursuant to the Guiding Opinions on Establishing the System of Independent Directors by Listed Companies (the “Guiding Opinions”), Code of Corporate Governance for Listed Companies of China Securities Regulatory Commission (the “CSRC”), Certain Provisions on Strengthening the Protection of the Rights and Interests of Public Shareholders, and the Rules for Listing of Shares on Shanghai Stock Exchange and such other laws, rules and regulations, relevant regulatory documents and the Articles of Association, Liaoning Port Co., Ltd. (the “Company”) has established the Policy and Rules of Work for Independent Directors (the “Policy & Rules”), in order to further improve the corporate governance structure, enhance the standardised operation of the Company, and practically safeguard the interests of all shareholders (in particular, the small and medium shareholders) of the Company.</p>	<p>Article 1 Pursuant to <u>the Company Law of the People’s Republic of China, the Securities Law of the People’s Republic of China, the Opinions of the General Office of the State Council on the Reform of the Policy and Rules of Work of Independent Directors of Listed Companies, the Measures for the Administration of Independent Directors of Listed Companies (the “Administration Measures”)</u>, Code of Corporate Governance for Listed Companies, Certain Provisions on Strengthening the Protection of the Rights and Interests of Public Shareholders, and the Rules for Listing of Shares on Shanghai Stock Exchange and such other laws, rules and regulations, relevant regulatory documents and the Articles of Association, Liaoning Port Co., Ltd. (the “Company”) has established the Policy and Rules of Work for Independent Directors (the “Policy & Rules”), in order to further improve the corporate governance structure, enhance the standardised operation of the Company, and practically safeguard the interests of all shareholders (in particular, the small and medium shareholders) of the Company.</p>
<p>Article 2 Independent directors of the Company refers to directors who do not hold any position in the Company other than directors, and have no relationship with the Company and its major shareholders (referring to the shareholders individually or jointly hold more than 5% of the Company’s total number of shares with voting rights) that may hinder such directors’ ability to make independent and objective judgments, and comply with the requirements on independence as stipulated in the relevant rules of the stock exchange on which the Company’s shares are listed.</p>	<p>Article 2 Independent directors of the Company refers to directors who do not hold any position in the Company other than directors, and have no <u>direct or indirect interest, or other</u> relationship with the Company and its major shareholders (referring to the shareholders individually or jointly hold more than 5% of the Company’s total number of shares with voting rights), <u>its actual controller</u> that may <u>affect</u> such directors’ ability to make independent and objective judgments, and comply with the requirements on independence as stipulated in the relevant rules of the stock exchanges on which the Company’s shares are listed.</p>
<p>Article 4 Independent directors shall not concurrently hold the position of Independent Director in more than five listed companies (inclusive of the Company), and shall ensure that they have sufficient time and energy to effectively perform their duties and responsibilities as independent directors.</p>	<p>Article 4 Independent directors shall not concurrently hold the position of <u>independent director</u> in more than <u>three domestic</u> listed companies (inclusive of the Company), and shall ensure that they have sufficient time and energy to effectively perform their duties and responsibilities as independent directors.</p>

Existing Articles	Amended As
<p>Article 9 Independent directors shall be independent from the Company, and the following persons shall not hold the position of independent director:</p> <p>(1) the persons who are employed by the Company or its subsidiaries, or direct relatives and major social relationships thereof (direct relatives shall refer to spouses, parents, and children; and major social relationships shall include siblings, fathers-in-law and mothers-in-law, daughters-in-law and sons-in-law, brothers-in-law and sisters-in-law, and the siblings of the spouses);</p> <p>(2) the shareholders of natural persons which directly or indirectly hold more than 1% of the issued shares of the Company, or are among the top ten shareholders of the Company, and the direct relatives thereof;</p> <p>(3) the persons employed by corporate shareholders which directly or indirectly hold more than 5% of the issued shares of the Company or are among the top five shareholders of the Company, and the direct relatives thereof;</p> <p>(4) the persons who fell under any of the above three sub-clauses in the past one year;</p> <p>(5) the persons who provide financial, legal or consultation services to the Company or any of its subsidiaries;</p> <p>(6) such other persons specified in the Articles of Association;</p>	<p>Article 9 Independent directors shall be independent from the Company, and the following persons shall not hold the position of independent director:</p> <p>(1) the persons who are employed by the Company or its subsidiaries, or direct relatives and major social relationships thereof (direct relatives shall refer to spouses, parents, and children; and major social relationships shall include siblings, fathers-in-law and mothers-in-law, daughters-in-law and sons-in-law, brothers-in-law and sisters-in-law, and the siblings of the spouses);</p> <p>(2) the shareholders of natural persons which directly or indirectly hold more than 1% of the issued shares of the Company, or are among the top ten shareholders of the Company, and the direct relatives thereof;</p> <p>(3) the persons employed by corporate shareholders which directly or indirectly hold more than 5% of the issued shares of the Company or are among the top five shareholders of the Company, and the direct relatives thereof;</p> <p><u>(4) persons employed in the subsidiaries of the controlling shareholder or actual controller of the Company and their direct relatives;</u></p> <p><u>(5) persons who have significant business dealings with the Company, its controlling shareholder, actual controller or their respective subsidiaries, or persons employed in entities with significant business dealings and their controlling shareholder or actual controller;</u></p> <p><u>(6) persons providing financial, legal, consulting or sponsorship services to the Company, its controlling shareholder, its actual controller or their respective subsidiaries, including but not limited to, all members of the project team of the intermediary institution providing the services, reviewers at all levels, persons signing the report, partners, directors, senior management and key officers;</u></p>

Existing Articles	Amended As
<p>(7) such other persons recognized by CSRC and relevant securities regulatory authorities.</p>	<p><u>(7) persons who have encountered the circumstances listed in items (1) to (6) above within the last twelve months;</u></p> <p><u>(8) other persons who do not possess independence as stipulated by laws, administrative regulations, the CSRC, the business rules of the stock exchanges and the Articles of Association.</u></p> <p><u>The subsidiaries of the controlling shareholder and actual controller of the Company in the aforesaid items (4) to (6) do not include those enterprises which are controlled by the same state-owned asset management institution as the listed company and which do not constitute a connected relationship with the listed company in accordance with the relevant regulations.</u></p> <p><u>The independent directors shall conduct a self-review of independence on an annual basis and submit the self-review to the Board.</u></p>
<p>Article 10 The Board, the Supervisory Committee, and the shareholders who individually or jointly hold more than 1% of the issued shares of the Company shall have the right to propose candidates as independent directors, who shall be subject to elections at shareholders' meetings.</p>	<p>Article 10 The Board, the Supervisory Committee, and the shareholders who individually or jointly hold more than 1% of the issued shares of the Company shall have the right to propose candidates as independent directors, who shall be subject to elections at shareholders' meetings.</p> <p><u>An investor protection organisation established according to law may publicly request shareholders to entrust it to exercise the right to nominate independent directors on behalf of the shareholders.</u></p> <p><u>The nominator provided for in paragraph 1 of this article shall not nominate a person with whom he/she has an interest or any other closely related person whose independent performance of duties is likely to be impaired as a candidate for independent director.</u></p>

Existing Articles	Amended As
<p>Article 14 An independent director who fails to attend three consecutive board meetings in person shall be removed upon a motion of the Board to the shareholders' meeting. Save for the occurrence of the above circumstances or any of the situations in respect of the disqualification of a director under the Company Law, an independent director shall not be dismissed without cause prior to the expiry of his term. When an independent director is dismissed prior to the expiry of his term, the Company shall disclose the dismissal as a special discloseable matter. The dismissed independent director may make a public statement if he considers the reasons for dismissal improper.</p>	<p>Article 15 <u>An independent director shall attend the Board meeting in person. If, for any reason, he or she is unable to attend the meeting in person, the independent director shall review the materials of the meeting in advance to form a clear opinion and then entrust other independent directors in writing to attend the meeting on his or her behalf. If an independent director fails to attend two consecutive Board meetings in person and does not delegate another independent director to attend the meeting on his/her behalf, the Board shall, within thirty days from the date of occurrence of such fact, propose to remove him/her as independent director at shareholders' meetings.</u></p> <p><u>Except for the occurrence of the above circumstances and the circumstances of prohibiting him/her from serving as a director as stipulated in the laws, administrative regulations, the CSRC, the business rules of the stock exchanges and the Articles of Association, an independent director shall not be removed before the expiration of his/her term of office without cause. In the event of early removal, the Company shall, in accordance with the statutory procedures, remove him/her from his/her position and disclose the specific reasons and grounds in a timely manner. If the removed independent director believes that the Company's reasons for removal are improper, he/she may make a public statement, which shall be disclosed by the Company in a timely manner.</u></p> <p><u>If an independent director fails to comply with the provisions of Article 8 (1) or (2) of the Policy & Rules, he or she shall immediately cease to perform his or her duties and resign from his or her office. If he or she does not resign, the Board shall immediately remove him/her from office in accordance with the provisions after it knows or should have known of the occurrence of such fact.</u></p>

Existing Articles	Amended As
	<p><u>If an independent director resigns or is removed from office as a result of circumstances under the provisions above, resulting in that the proportion of independent directors on the Board or its special committees does not comply with the provisions of the Policy & Rules or the Articles of Association, or that there is a lack of accounting professionals among the independent directors, the Company shall complete the by-election within sixty days from the date of the occurrence of the aforesaid facts.</u></p>
<p>Article 16 In addition to the powers conferred to directors by the Company Law, other relevant laws, rules and regulations, and the listing rules of the stock exchange on which the Company's shares are listed, independent directors shall be entitled to the following functions and powers:</p> <p>(1) major connected transactions (referring to a connected transaction to be entered into between the Company and a connected person with a total amount in excess of RMB3 million and more than 5% of the Company's latest audited net asset value) shall be approved by independent directors before being submitted to the Board for discussion. Prior to making judgments, independent directors may engage an intermediary to issue an independent financial adviser report as the basis of their judgments;</p> <p>(2) proposing to the Board with respect to the engagement or dismissal of accounting firms;</p> <p>(3) proposing to the Board with respect to the holding of extraordinary shareholders' meetings;</p> <p>(4) proposing the holding of board meetings;</p> <p>(5) independently engaging external audit and consultancy firms;</p>	<p>Article 17 In addition to the powers conferred to directors by the Company Law, other relevant laws, <u>administrative</u> regulations, and the listing rules of the stock exchanges on which the Company's shares are listed, independent directors shall be entitled to the following functions and powers:</p> <p>(1) <u>connected transactions that should be disclosed shall be submitted to the Board for consideration after being approved by over half of the independent directors;</u></p> <p>(2) proposing to the Board with respect to the engagement or dismissal of accounting firms;</p> <p>(3) proposing to the Board with respect to the holding of extraordinary shareholders' meetings;</p> <p>(4) proposing the holding of board meetings;</p> <p>(5) independently engaging <u>intermediaries to audit, consult or verify specific matters of the Company;</u></p>

Existing Articles	Amended As
<p>(6) openly soliciting and collecting voting rights prior to shareholders' meetings.</p> <p>Independent directors shall obtain the unanimous consents of all independent directors before exercising their power referred to in sub-clause (5) above, and consents of more than 1/2 of all independent directors before exercising other powers referred to above (not in sub-clause (5)). If any of the aforesaid proposals are not adopted or any of the aforesaid powers could not be exercised properly, the Company shall disclose the details thereof.</p>	<p>(6) openly soliciting and collecting voting rights prior to shareholders' meetings;</p> <p><u>(7) expressing independent opinions on matters that may jeopardize the interests of the Company or its small and medium shareholders;</u></p> <p><u>(8) proposals for changes to or waivers of undertakings by the Company and its related parties shall be submitted to the Board for discussion after being approved by over half of the independent directors;</u></p> <p><u>(9) decisions made and measures taken by the board of directors of a target acquiree in relation to the acquisition shall be submitted to the Board for discussion after approval by over half of the independent directors;</u></p> <p><u>(10) other authority prescribed by laws, administrative regulations, the CSRC and the Articles of Association.</u></p> <p><u>The authority set out in items (1), (2), (3), (4), (5), (8) and (9) shall be approved by over half of all independent directors. If the above proposals are not adopted or the above authority cannot be normally exercised, the Company shall disclose the relevant situations and reasons.</u></p>
	<p><u>(Newly added) Article 19 If an independent director casts an opposing vote or abstains from voting on a resolution of the Board, he/she shall state the specific reasons and grounds, the legality and compliance of the matters involved in the resolution, potential risks and the impact on the interests of the Company and its small and medium shareholders. The Company shall disclose the dissenting opinions of the independent directors while disclosing the resolutions of the Board, and shall state them in the resolution of the Board and the minutes of the meetings.</u></p>

Existing Articles	Amended As
	<p><u>(Newly added) Article 20 The independent directors shall pay continuous attention to the implementation of the relevant resolutions of the Board, and shall report to the Board in a timely manner if they find that there is any violation of the laws, administrative regulations, the provisions of the CSRC, the business rules of the stock exchange and the provisions of the Articles of Association, or any violation of the resolutions of shareholders' meetings and the Board, and they may also request the Company to make a written explanation. Where disclosure matters are involved, the Company shall disclose them in a timely manner. If the Company fails to make an explanation or a timely disclosure in accordance with the provisions of the preceding paragraph, the independent directors may report to the CSRC and the stock exchange.</u></p>
	<p><u>(Newly added) Article 21 The Company shall hold a meeting to be attended by all independent directors ("Special Meetings of Independent Directors") regularly or from time to time. The Special Meetings of Independent Directors shall consider the matters set forth in the Administration Measures, the Articles of Association and Article 17(1), (2), (3), (4), (5), (8) and (9) of the Policy & Rules, and may also discuss other matters of the Company as needed.</u></p> <p><u>Special Meetings of Independent Directors shall be convened and chaired by an independent director jointly elected by over half of the independent directors; if the convener is not performing his/her duties or is unable to perform his/her duties, two or more independent directors may convene and elect a representative to preside over the meeting on their own.</u></p> <p><u>The minutes of Special Meetings of Independent Directors shall be prepared in accordance with the regulations, and the opinions of independent directors shall be set forth in the minutes of meeting. The minutes of meeting shall be signed and confirmed by the independent directors.</u></p>

Existing Articles	Amended As
	<p><u>(Newly added) Article 22 Independent directors shall work at the office of the Company for not less than fifteen workdays every year. In addition to attending shareholders' meetings, Board meetings and its special committees meetings, and the Special Meetings of Independent Directors as required, independent directors may perform their duties in a variety of ways, such as obtaining information on the operation of the Company on a regular basis, receiving reports from the management, communicating with the head of the internal auditing department and intermediaries such as accounting firms undertaking the audits of the Company, conducting on-site inspections, and communicating with small and medium shareholders.</u></p>
	<p><u>(Newly added) Article 23 Independent directors shall submit their annual work report to the annual general meeting of the Company in accordance with the requirements under Administration Measures, explaining the fulfillment of their duties. The annual work report of independent directors shall be disclosed not later than when the Company issues the notice of the annual general meeting.</u></p> <p><u>The annual work report shall include the followings:</u></p> <p><u>(1) the number of times, ways and votes of attending the Board meetings, and the number of times attending shareholders' meetings;</u></p> <p><u>(2) participation in the work of special committees of the Board and the Special Meetings of Independent Directors;</u></p> <p><u>(3) information on the special authority of independent directors set out in Article 17 of the Policy & Rules;</u></p>

Existing Articles	Amended As
	<p><u>(4) information on significant matters, methods and results of communication with the internal audit department and the accounting firm undertaking audits of the listed company regarding the financial conditions and business operation of the Company;</u></p> <p><u>(5) communication with small and medium shareholders;</u></p> <p><u>(6) the time and content of work at the office of the listed company;</u></p> <p><u>(7) other circumstances of fulfillment of duties.</u></p>
<p>Article 18 The Company shall ensure that independent directors have the same right of access to information as its other directors, provide independent directors with related materials and information on a timely basis, regularly inform them of the Company's operating status and organise on-site inspections for them when necessary. For any matter that are subject to board decision, the Company shall serve notice on independent directors in advance within the prescribed period of time and provide sufficient information. If independent directors take the view that the information provided is insufficient, they may request for supplementary information. When independent directors consider the information provided as insufficient or inadequately explained, they may propose to the Board in writing for a postponement of the Board meeting or for a postponement of examination and discussion of the matters concerned. Such proposal shall be adopted by the Board. Materials provided by the Company to independent directors shall be kept by the Company and the independent directors respectively for at least five years.</p>	<p>Article 24 The Company shall ensure that independent directors have the same right of access to information as its other directors, provide independent directors with related materials and information on a timely basis, regularly inform them of the Company's operating status and organise on-site inspections for them when necessary. For any matters that are subject to board decision, the Company shall serve notice on independent directors in advance within the prescribed period of time and provide sufficient information.</p> <p><u>The Company shall issue notice of the Board meetings to independent directors in a timely manner, provide relevant meeting materials no later than the deadline for notice of the Board meetings stipulated in laws, administrative regulations, the CSRC or the Articles of Association, and provide independent directors with effective communication channels. Independent directors may communicate with the secretary to the Board prior to the Board meeting to inquire about the matters to be considered, request for additional materials, and make comments and suggestions. The Board and relevant personnel shall carefully study the questions, requests and opinions raised by the independent directors and provide timely feedback to the independent directors on amendments to proposals and their implementation.</u></p>

Existing Articles	Amended As
	<p>If <u>two or more</u> independent directors take the view that the information provided is <u>incomplete, inadequately explained or the information is not provided in a timely manner,</u> they may propose to the Board in writing for a postponement of the Board meeting or for a postponement of examination and discussion of the matters concerned. Such proposal shall be adopted by the Board.</p> <p>Materials provided by the Company to independent directors <u>and the work records of the independent directors</u> shall be kept by the Company and the independent directors respectively for at least <u>ten</u> years.</p>
<p>Article 20 In the exercise of duties and powers by the independent directors, the relevant personnel of the Company shall actively cooperate with them, shall not reject, hinder or conceal, or interfere with their exercising duties and powers independently.</p>	<p>Article 26 <u>Independent directors shall make work records to record in detail the performance of their duties. Information obtained by the independent directors in the course of performing their duties, relevant minutes of meetings, and records of communications with staff of the listed company and intermediaries constitute an integral part of their work records. For important contents in the work records, the independent directors may request the secretary to the Board and other related personnel to sign and confirm, and the Company and related personnel shall provide relevant support.</u> In the exercise of duties and powers by the independent directors, the relevant personnel of the Company shall actively cooperate with them, shall not reject, hinder or conceal, or interfere with their exercising duties and powers independently.</p> <p><u>If an independent director encounters obstacles in the exercise of his or her authority in accordance with the law, he or she may explain the situation to the Board, request the directors, senior management and other relevant persons to provide relevant support, and record the specific circumstances of the obstacles and solution of the situation in his or her work records; if such obstacles still fail to be eliminated, he or and the stock exchanges.</u></p>

NOTICE OF EXTRAORDINARY GENERAL MEETING

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

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting of Liaoning Port Co., Ltd. (the “**Company**”) will be held at Room 109, Liaoning Port Group Building, No. 1 Gangwan Street, Zhongshan District, Dalian, Liaoning, the PRC at 9:00 a.m. on Friday, 15 December 2023 (the “**EGM**”) (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 27 November 2023.

ORDINARY RESOLUTIONS

1. To consider and approve the election of Directors (by cumulative voting):
 - 1.1 To elect Dr. Li Guofeng as non-executive Director for the seventh session of the Board for a term commencing from the date of approval at the EGM to the expiration of the term of office of the seventh session of the Board. During his term of service, no emolument shall be paid to him for his service as a Director, and no other benefit or bonus shall be paid.
 - 1.2 To elect Dr. Li Yubin as non-executive Director for the seventh session of the Board for a term commencing from the date of approval at the EGM to the expiration of the term of office of the seventh session of the Board. During his term of service, no emolument shall be paid to him for his service as a Director, and no other benefit or bonus shall be paid.
2. To consider and approve the election of Supervisors (by cumulative voting):
 - 2.1 To elect Mr. Kuang Zhiguo as a Supervisor for the seventh session of the Supervisory Committee for a term commencing from the date of approval at the EGM to the expiration of the term of office of the seventh session of the Supervisory Committee. During his term of service, no emolument shall be paid to him for his service as a Supervisor, and no other benefit or bonus shall be paid.

NOTICE OF EXTRAORDINARY GENERAL MEETING

- 2.2 To elect Mr. Cui Beiqiang as a Supervisor for the seventh session of the Supervisory Committee for a term commencing from the date of approval at the EGM to the expiration of the term of office of the seventh session of the Supervisory Committee. During his term of service, no emolument shall be paid to him for his service as a Supervisor, and no other benefit or bonus shall be paid.
3. To consider and approve the proposed amendments to the Policy and Rules of Work for Independent Directors.
4. To review the entering into the agreements of the Company in relation to the 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 2024, 2025 and 2026 and the annual caps.
 - 4.01 The Purchase of Goods and Services Agreement dated 26 October 2023 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.
 - 4.02 The Supply of Goods and Services Agreement dated 26 October 2023 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.
 - 4.03 The Financial Services Agreement dated 26 October 2023 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.

NOTICE OF EXTRAORDINARY GENERAL MEETING

- 4.04 The Terminal Facilities Design and Construction Services Agreement dated 26 October 2023 entered into between the Company and Liaoning Port Group (including the annual caps under the Terminal Facilities Design and 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.
- 4.05 The Construction Management and Supervision Agreement dated 26 October 2023 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.
- 4.06 The Lease Agreement dated 26 October 2023 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.
- 4.07 The Bank Financial Services Agreement dated 26 October 2023 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 and LEE, Kin Yu Arthur
Joint Company Secretaries

Dalian City, Liaoning Province, the PRC

27 November 2023

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. A shareholder entitled to attend and vote at the EGM 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 EGM. On a poll, votes may be given either personally or by proxy. Any Shareholder who has the right to attend and vote at the EGM is entitled to appoint in writing one or more proxies to attend and vote on his/her behalf at the EGM. A proxy need not be a shareholder of the Company.
2. In the case of joint holders, any one of such joint holders may vote at the EGM, 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 EGM, 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 EGM 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 Tuesday, 12 December 2023 to Friday, 15 December 2023, both days inclusive, during which period no share transfers can be registered. In order to qualify for attending and voting the EGM, 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 Monday, 11 December 2023.

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

Executive Directors: WANG Zhixian and WEI Minghui

Non-executive Directors: XU Xin and YANG Bing

Independent non-executive Directors: LIU Chunyan, CHENG Chaoying and CHAN Wai Hei

* *For identification purposes only*