
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Qinhuangdao Port Co., Ltd.* (the “**Company**”), you should at once hand this circular with the enclosed form of proxy to the purchaser or transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



秦皇島港股份有限公司
QINHUANGDAO PORT CO., LTD.*

(a joint stock limited liability company incorporated in the People's Republic of China)

(Stock Code: 3369)

- (1) RENEWAL OF CONTINUING CONNECTED TRANSACTIONS
AND MAJOR TRANSACTION;**
(2) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION;
**(3) PROPOSED AMENDMENTS TO THE RULES OF
PROCEDURE OF THE BOARD OF DIRECTORS; AND**
(4) NOTICE OF EGM

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



TC CAPITAL

A notice for convening the EGM to be held at 11:00 a.m. on Thursday, 16 December 2021 at Port Hotel, 20 Haibin Road, Haigang District, Qinhuangdao, Hebei Province, PRC is set out on pages 62 to 64 of this circular.

Whether or not you are able to attend the meeting in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon. For the holders of H Shares, the aforementioned documents shall be lodged with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. The form of proxy must be served not less than 24 hours before the time scheduled for holding the EGM (or any adjournment thereof). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

* *For identification purpose only*

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DEFINITIONS

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

“A Share(s)”	the RMB ordinary shares with a par value of RMB1.00 each issued by the Company in the PRC that is subscribed in RMB and listed on SSE
“Announcement”	the announcement of the Company dated 28 October 2021 regarding (among other things) the New General Services Agreement entered into between the Company and HPG, as well as the New Financial Services Framework Agreement entered into between the Company and HPG Finance
“Articles of Association”	the articles of association of the Company, as amended from time to time
“associate(s)”	having the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“CBIRC”	China Banking and Insurance Regulatory Commission
“Company”	Qinhuangdao Port Co., Ltd.* (秦皇島港股份有限公司), a joint stock limited liability company incorporated under the laws of the PRC on 31 March 2008
“connected person(s)”	having the meaning ascribed to it under the Listing Rules
“controlling shareholder”	having the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting or any adjournment thereof of the Company to be held at 11:00 a.m. on Thursday, 16 December 2021 at Port Hotel, 20 Haibin Road, Haigang District, Qinhuangdao, Hebei Province, PRC
“Form(s) of Proxy”	forms of proxy to be delivered to the Shareholders together with this circular
“Group”	the Company and its subsidiaries

DEFINITIONS

“H Share(s)”	overseas listed foreign shares of nominal value of RMB1.00 each in the ordinary share capital of the Company which are subscribed and traded in Hong Kong dollars and trade on the Stock Exchange
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HPG”	Hebei Port Group Co., Ltd. (河北港口集團有限公司), previously known as Qinhuangdao Port Group Co., Ltd.* (秦皇島港務集團有限公司), a limited liability company incorporated under the laws of the PRC and holding 55.55% equity interest of the Company
“HPG Finance”	Hebei Port Group Finance Company Limited (河北港口集團財務有限公司), a limited liability company incorporated under the laws of the PRC and a joint venture held as to 40% and 60% by the Company and HPG respectively and a subsidiary of HPG
“HPG Member(s)”	HPG and its subsidiaries (excluding members of the Group)
“Independent Board Committee”	an independent committee of the Board comprising all independent non-executive Directors, namely ZANG Xiuqing, HOU Shujun, CHEN Ruihua and XIAO Zuhe
“Independent Shareholders”	the Shareholders other than HPG and its associates
“Latest Practicable Date”	25 November 2021, being the latest practicable date prior to the printing of this circular for ascertaining the information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Financial Services Framework Agreement”	the Financial Services Framework Agreement entered into between the Company (on behalf of the Group) and HPG Finance on 28 October 2021
“New General Services Agreement”	the General Services Agreement entered into between the Company and HPG (and on behalf of its subsidiaries) on 28 October 2021

DEFINITIONS

“Notice of EGM”	notice convening the EGM set out on pages 62 to 64 of this circular
“Old Financial Services Framework Agreement”	the Financial Services Framework Agreement entered into between the Company (on behalf of the Group) and HPG Finance on 28 September 2018
“Old General Services Agreement”	the General Services Agreement entered into between the Company and HPG on 28 September 2018
“PBOC”	The People’s Bank of China, the central bank of China
“percentage ratio(s)”	having the meaning ascribed to it under the Listing Rules
“PRC” or “China”	the People’s Republic of China
“Relevant Commercial Banks”	banks providing financial services to the Group, including but not limited to Bank of China, Agricultural Bank of China, Industrial and Commercial Bank of China, China Construction Bank and Bank of Communications
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shares”	A Share(s) and/or H Share(s) (as the case may be)
“Shareholder(s)”	holders of the Shares
“SSE”	the Shanghai Stock Exchange
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	having the meaning ascribed to it under the Listing Rules
“TC Capital” or “Independent Financial Adviser”	TC Capital International Limited, a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
“%”	percentage

DEFINITIONS

Words importing the singular shall, where applicable, include the plural and vice versa. Words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall, where applicable, include corporations.

Any reference in this circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Listing Rules, the Securities and Futures Ordinance or any modification thereof and used in this circular shall, where applicable, have the meaning assigned to it under the Listing Rules, the Securities and Futures Ordinance or any modification thereof, as the case may be.

LETTER FROM THE BOARD



秦皇島港股份有限公司 QINHUANGDAO PORT CO., LTD.*

(a joint stock limited liability company incorporated in the People's Republic of China)

(Stock Code: 3369)

Executive Directors:

Mr. CAO Ziyu (*Chairman*)
Mr. YANG Wensheng
Mr. MA Xiping

Registered office:

35 Haibin Road
Qinhuangdao
Hebei Province
PRC

Non-executive Directors:

Mr. LIU Guanghai
Mr. LI Jianping
Ms. XIAO Xiang

Principal place of business

in Hong Kong:
Unit C, 7th Floor, Tower B, Billion Centre
1 Wang Kwong Road
Kowloon Bay
Hong Kong

Independent non-executive Directors:

Ms. ZANG Xiuqing
Mr. HOU Shujun
Mr. CHEN Ruihua
Mr. XIAO Zuhe

29 November 2021

To the Shareholders

Dear Sir or Madam,

- (1) RENEWAL OF CONTINUING CONNECTED TRANSACTIONS
AND MAJOR TRANSACTION;
(2) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION;
(3) PROPOSED AMENDMENTS TO THE RULES OF
PROCEDURE OF THE BOARD OF DIRECTORS; AND
(4) NOTICE OF EGM**

INTRODUCTION

References are made to the Announcement, the announcement of the Company dated 28 October 2021 in relation to the proposed amendments to the Articles of Association and the Rules of Procedure of the Board of Directors.

The purpose of this circular is to provide you with the information regarding: (i) the renewal of continuing connected transactions and major transaction; (ii) the proposed amendments to the Articles of Association; (iii) the proposed amendments to the Rules of Procedure of the Board of Directors; and (iv) the Notice of EGM.

* For identification purpose only

LETTER FROM THE BOARD

(1) **Renewal of continuing connected transactions and major transaction**

Reference is made to the announcement of the Company dated 28 October 2021 in connection with, among others, the New General Services Agreement entered into between the Company and HPG, as well as the New Financial Services Framework Agreement entered into between the Company and HPG Finance. Since the Old General Services Agreement and the Old Financial Services Framework Agreement will expire on 31 December 2021, the Company agreed to renew the Old General Services Agreement, the Old Financial Services Framework Agreement and entered into the New General Services Agreement with HPG and the New Financial Services Framework Agreement with HPG Finance on 28 October 2021 respectively.

I. The New General Services Agreement

Principal terms

Agreement date:	28 October 2021
Effective period:	From 1 January 2022 to 31 December 2024 (both days inclusive)
Parties:	(1) The Company (and on behalf of the Group) (2) HPG (and on behalf of itself and its subsidiaries)
Nature of the transaction:	HPG and/or its subsidiaries shall provide various kinds of services to the Group including: (i) Social services, including medical services, printing and other related or similar services; (ii) Living logistics services, including property services (including elevator maintenance, etc.), office rental, office supplies and other daily rental, sanitation, greening and other related or similar services; and (iii) Production services, including labour services, equipment manufacturing, survey and design, supervision, port construction, real estate development, project agent construction, port engineering maintenance, material supply and other related or similar services.

LETTER FROM THE BOARD

The Group shall provide various services to HPG and/or its subsidiaries, including:

port services, port electricity management, transportation services, software services, labour services, leasing services, material supply services and other related or similar services.

Transaction principle:

Both parties agreed to accept the services provided by the other party on a pre-emptive basis (as good quality services were provided by the other party and the conditions of the services were agreed to be no less favorable than those offered by any third party), in the event that any third party provides the same services under identical or less favourable terms or conditions. Provided that for projects available for tendering under the relevant laws and regulations (such as port construction and mechanical maintenance), the counterparty must be determined by tendering. Both parties shall ensure that the services provided to the other party are in good quality and at fair and reasonable prices. The conditions of such services shall not be less favourable than those offered by any third party.

Condition precedent:

The New General Services Agreement is subject to approval of the Independent Shareholders at a general meeting.

Basis for fee determination

The pricing of various services under the New General Services Agreement shall be determined in accordance with the following principles and the order of priority:

- (1) Government-prescribed price: if at any time, the government-prescribed price is applicable to any specific products or services, such products or services shall be provided at the applicable government-prescribed price (regardless of national or local pricing). The government-prescribed price refers to the price in respect of certain categories of services determined by the central or local governments, relevant price control authorities or the industry regulators in the PRC as prescribed by the laws, regulations, decisions, orders or charging standards. The government-prescribed prices are announced by the relevant government departments irregularly on the official websites of Provincial Commodity Price Bureaus* (省物價局) and the Group shall pay close attention to the updates of the government-prescribed prices from time to time and will adopt them pursuant to the relevant PRC laws and regulations and the relevant price determination documents published by the government departments;

LETTER FROM THE BOARD

- (2) Government-guided price: where there is a government-guided standard pricing, the price shall be agreed within the scope of the government-guided price. The government-guided price refers to the pricing range or level provided by the central or local governments, industry associations or other competent authorities for certain specific types of services, which price will be determined by the parties through negotiations with reference to the said pricing range or level. The government-guided prices are announced by the relevant government departments irregularly on the official websites of Provincial Commodity Price Bureaus* (省物價局) and the Group adopts them pursuant to the relevant PRC laws and regulations and the relevant price determination documents published by the government departments;
- (3) Market price: where the above two pricing standards are not applicable, the market price can be taken as a reference to determine the price. The “market price” shall be formulated in the following manner: (1) making reference to the price charged by at least two independent third parties offering the same or similar type of products, technology or services on normal commercial terms in the ordinary and usual course of business at or near the area; or (2) where (1) is inapplicable, making reference to the price charged by at least two independent third parties offering the same or similar type of products, technology or services on normal commercial terms in the ordinary and usual course of business in the PRC; or making reference to the price charged by the Group or HPG and/or its subsidiaries (as the case may be) to independent third parties on the same or similar type of products, technology or service on normal commercial terms in the ordinary course of business;
- (4) Agreed price: where the above three pricing standards are not applicable, the pricing standard shall be determined according to the reasonable cost and reasonable profit for the provision of the related services. The management of the both parties shall consider at least two comparable transactions with independent third parties for the same period when determining reasonable profit for related services under the New General Services Agreement; which shall be in principle not more than 15% of the cost, unless otherwise agreed in the specific agreement. The cap of reasonable profit (in principle not more than 15% of the cost) is determined with reference to (i) the average gross profit margin of listed companies engaging in transportation and logistics for the three years ended 31 December 2020 and the six months ended 30 June 2021; and (ii) the average gross profit margin of the historical transactions of the same or similar services provided by HPG and/or its subsidiaries to the Group or provided by the Group to HPG and/or its subsidiaries (as the case may be). The reasonable cost for the provision of the related services is determined with reference to factors including labour cost, depreciation expense, material consumption, maintenance fee and tax expense.

For projects subject to tender process pursuant to the applicable laws and regulations, the price shall be determined by tender process.

LETTER FROM THE BOARD

The relevant laws and regulations governing the procedures of tenders and bids include the Bidding Law of the People's Republic of China (《中華人民共和國招標投標法》), The Implementing Regulations on the Bidding Law of the People's Republic of China (《中華人民共和國招標投標法實施條例》) and the Administrative Measures for implementing the Bidding Law of the People's Republic of China in Hebei (《河北省實施中華人民共和國招標投標法辦法》). Currently, the prices for certain types of services for engineering shall be determined through bidding process under laws and regulations. Accordingly, the engineering projects of HPG and/or its subsidiaries at a quoted price that reached the specified level shall be subject to bidding procedures.

The basic procedures for the bidding are as follows:

- (1) Bid invitation documents shall be prepared and the bidding notice shall be issued in accordance with the provisions of the relevant laws and regulations;
- (2) The tenderee shall not open the bids until at least three applications have been received from the bidders;
- (3) The bidding applications shall be examined by the expert members of bid evaluation commission, which shall be determined from the expert lists in the expert databases on a random basis, in accordance with standards and methods as provided by the bid-invitation documents. The bid evaluation committee shall submit a written report to the tenderee and make recommendations as to candidates for the winning bid. There shall be no more than three candidates for the winning bid and order shall be indicated in the report;
- (4) An announcement of candidates for the winning bid shall be made by the tenderee within 3 days from receiving the evaluation report;
- (5) With respect to the projects in which state-owned capital occupies the controlling or dominant position and that are subject to bid invitation, the tenderee shall make the candidate ranking first as the bid winner. As for the candidate ranking first as the bid winner waives the bid winning, or such a candidate fails to meet the conditions for winning the bid as a result of failing to perform the contract due to force majeure, or failing to submit a performance bond according to the requirements of the bidding documents, or being found to have committed any illegal act that affects the bid winning result, the tenderee may determine another candidate as the bid winner according to the sequence of candidates in the list of bid winning candidates provided by the bid evaluation committee, or the tenderee may launch a new bid invitation;

LETTER FROM THE BOARD

- (6) The tenderee shall enter into a written contract with the bid winner in accordance with relevant laws and regulations; and
- (7) A bid winner shall fulfill its obligations as provided in the contract and complete the bid winning project.

Historical caps and transaction amount

The following table summarizes the annual caps and the historical transaction amount of the Old General Services Agreement for the two years ended 31 December 2020 and for the eight months ended 31 August 2021:

		As of 31 December 2019 (Audited historical transaction amount)	As of 31 December 2020 (Audited historical transaction amount) <i>(RMB'000)</i>	As of 31 August 2021 (Unaudited historical transaction amount)
HPG and/or its subsidiaries providing services to the Group	<i>annual caps</i>	550,000	578,000	607,000
	<i>historical transaction amount</i>	437,229	521,289	185,294
The Group providing services to HPG and/or its subsidiaries	<i>annual caps</i>	150,000	158,000	166,000
	<i>historical transaction amount</i>	88,109	111,391	56,537

Annual caps and the basis of determination

While considering the annual caps of the provision of services by HPG and/or its subsidiaries to the Group under the New General Services Agreement, the Board has taken into account several factors including:

- (1) the total fee paid by the Group to HPG and/or its subsidiaries for their provision of services for the two years ended 31 December 2020 and the eight months ended 31 August 2021;
- (2) the business development of the Group for the next three years. In particular, the Group expects the construction of Phase 1 (expansion) of metal ores terminal (the “**New Terminal**”) project in the bulk cargo area of Huanghua Port in Cangzhou City will commence operation, which will increase the

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Company's throughput by 30 million tonnes, representing approximately 8% of the Company's total throughput. The throughput of Tangshan Caofeidian Coal Port Co., Ltd.*, a subsidiary of the Company, has significantly increased during this year. It is expected that the increase of operation and throughput of the New Terminal will result in the increase in its spending in inspection and maintenance with HPG. The Group initiate the construction of the New Terminal as and when appropriate in accordance with the process of approval for the construction projects, which will result in the increase in the spending in construction, supervision and management and maintenance with HPG;

- (3) taking into account the construction, operation, throughput and relevant factors as mentioned in (2) above, the Group's fixed asset investment expects to increase. In addition, with the stricter national environmental requirements, the Group will proactively promote the green construction of ports, invest in the construction of shore power facilities, make more efforts to update mobile machinery elimination, carry out special treatment for mobile pollution sources and the greening and upgrading of projects in the port area to improve its greening level. The Group's fixed asset investment expects to increase, which will result in the increase in the spending in construction, inspection and maintenance with HPG.

While considering the annual caps of the provision of services by the Group to HPG and/or its subsidiaries under the New General Services Agreement, the Board has taken into account several factors including:

- (1) the total fee received by the Group to HPG and/or its subsidiaries for provision of services for the two years ended 31 December 2020 and the eight months ended 31 August 2021;
- (2) the business development of the Group for the next three years.

After consideration of the above factors, the annual caps for each of the three years ending 31 December 2024 for the New General Services Agreement are as follows:

		For the year ending 31 December		
		2022	2023	2024
		<i>(RMB'000)</i>		
HPG and/or its subsidiaries providing services to the Group	<i>annual caps</i>	607,000	637,000	669,000
The Group providing services to HPG and/or its subsidiaries	<i>annual caps</i>	166,000	166,000	166,000

LETTER FROM THE BOARD

Reasons for and benefits of entering into the New General Services Agreement

In view of the requirements of port operation, the Group needs services related to port operation provided by HPG and its subsidiaries and entities; HPG and its subsidiaries and entities have the need to sustain their business operation and are in need of related services to sustain business operation provided by the Group. In order to ensure that the transaction price is fair, complied with relevant laws and regulation and requirements of regulatory authorities and in the interests of both parties and the subordinate enterprises and entities, the Group has entered into the New General Services Agreement with HPG in accordance with the requirements of relevant laws and regulations after friendly negotiation.

The Directors (including the independent non-executive Directors) consider that: (i) the New General Services Agreement and the continuing connected transactions contemplated thereunder are entered into in the ordinary and usual course of business of the Group and are in the interests of the Company and its Shareholders as a whole; (ii) the New General Services Agreement is entered into on normal commercial terms or on terms no less favourable than those offered by independent third parties in similar transactions and is fair and reasonable; and (iii) the proposed annual caps of the transactions under the New General Services Agreement for the three years ending 31 December 2022, 2023 and 2024 are fair and reasonable.

II. *The New Financial Services Framework Agreement*

Principal terms

Agreement date:	28 October 2021 (after trading hours)
Effective period:	From 1 January 2022 to 31 December 2024 (both days inclusive)
Contracting parties:	(1) The Company (and on behalf of the Group) (2) HPG Finance
Nature of the transaction:	HPG Finance provides financial services to the Group, including: (i) Deposit taking services: the types of deposit products to be offered by HPG Finance include current deposit, time deposit, call deposit, agreement savings and other deposit services permitted by the PBOC and CBIRC. The Group can open a deposit account at HPG Finance and it is at its own discretion to select various deposit services and terms. The Group is given priority to borrow the funds deposited at HPG Finance;

LETTER FROM THE BOARD

- (ii) Loan services: the members of the Group may borrow funds from HPG Finance as per its (their) financial needs. The conditions of loans granted by the HPG Finance to the Group shall be no less favourable than those offered by any Relevant Commercial Banks; and
- (iii) Other financial services: HPG Finance agree to provide other financial services to the Group, including settlement services, entrustment loans, bill discounting services, guarantee services, financial and financing consultation services, credit verification services, relevant consultancy and agency services and other financial services that HPG Finance is allowed to provide under the applicable laws and regulations.

Transaction principle:

Both parties agree that the financial services under the New Financial Services Framework Agreement shall not be less favourable than (i) the terms offered by any Relevant Commercial Banks (including but not limited to Bank of China, Bank of Agriculture of China, Industrial and Commercial Bank of China, China Construction Bank and Bank of Communications) for their provision of the same or similar services; or (ii) the terms offered by HPG Finance to the HPG members for same or similar services.

Condition precedent:

The New Financial Services Framework Agreement is subject to approval of the Independent Shareholders at General Meeting.

Basis for fee determination

The pricing and/or interest rate of the New Financial Services Framework Agreement shall be determined according to the following principles:

1. Deposit taking services: the interest rate applicable to the Group's deposits with HPG Finance shall not be lower than any of the following interest rate:
 - (i) the benchmark interest rate for deposit published by the PBOC regularly;
 - (ii) the interest rate of the Relevant Commercial Banks for deposits of the same type for the same period; and
 - (iii) the interest rate applicable to any HPG member's deposits with HPG Finance of the same type for the same period; and

LETTER FROM THE BOARD

2. Other financial services: (i) HPG Finance will provide free settlement service to the Group; and (ii) if at any time, the PBOC or CBIRC prescribes mandatory pricing basis to other financial services (other than settlement services and services ancillary thereto), such service shall be provided at the applicable price standard required. Where such pricing basis is not available in respect of any such service, the service fee shall not be higher than (i) the service fee standard charged by the Relevant Commercial Banks for the same services for the same period; and (ii) the interest rate applicable to the financial services provided to any HPG member by HPG Finance of the same type for the same period.

Historical caps and transaction amounts

The following table summarizes the annual caps and the related historical transaction amounts of the Old Financial Services Framework Agreement for the two years ended 31 December 2020 and for the eight months ended 31 August 2021:

		As of 31 December 2019 (Audited historical transaction amount)	As of 31 December 2020 (Audited historical transaction amount) (RMB'000)	As of 31 August 2021 (Unaudited historical transaction amount)
Maximum daily balance of deposits and interest income	<i>annual cap</i>	4,000,000	4,200,000	4,000,000
	<i>historical transaction amount</i>	2,692,142	3,008,250	3,743,992
Service fees in relation to other financial services	<i>annual cap</i>	90,000	90,000	90,000
	<i>historical transaction amount</i>	0	0	0

Annual caps and the basis of determination

While considering the annual caps of the New Financial Services Framework Agreement, the Board has taken into account various factors and then decided to increase the annual caps of the New Financial Services Framework Agreement, including:

Deposit taking services:

- (i) The Group's maximum daily balance of cash and cash equivalents for the year ended 31 August 2021 was approximately RMB3,744 million;

LETTER FROM THE BOARD

- (ii) The steady business growth of the Group with the estimation that there will be potential growth in cash inflow, therefore the deposit in the coming few years will be more than now; and
- (iii) The potential growth in the estimated cash flow driven by the newly completed projects which have been put into operation.

Other financial services:

Commercial notes will account for a certain proportion of the Group's operating revenue. Therefore, it is expected that the Group will still need to pay appropriate fees to HPG Finance for the bill discounting services that may be provided.

After considering the above factors, the annual caps for each of the years ending 31 December 2024 for the New Financial Services Framework Agreement are as follows:

		For the year ending 31 December		
		2022	2023	2024
		<i>(RMB'000)</i>		
Maximum daily balance	<i>annual caps</i>	5,500,000	6,000,000	6,500,000
	of deposits and interest income			
Service fees in relation	<i>annual caps</i>	50,000	50,000	50,000
	to other financial services			

Reasons for and benefits of entering into the New Financial Services Framework Agreement

In order to reinforce capital management, reduce the financial costs and enhance the quality and efficiency of capital usage, the Group proposed the provision of relevant financial services by the HPG Finance pursuant to the New Financial Services Framework Agreement with an aim to fully leverage the respective advantages of both parties, realize mutual development through business cooperation and to maximize the benefits of both parties.

The role of HPG Finance is similar to a centralized cash management via which funds from different members within the Group and HPG in the PRC are concentrated into the accounts maintained by HPG Finance in the PRC which, in return, will pay interest on deposits received or charge interest on the loans provided. Through HPG Finance (and thereby centralized fund management), the Group and HPG can enjoy the benefit of efficiency enhancement in fund deployment between subsidiaries of its group in the PRC.

LETTER FROM THE BOARD

The centralized cash management primarily aims to enable cash surpluses of some members of the Group and HPG to cover the funding requirements of others in the PRC, which can reduce or remove the need for external financing. Ultimately, the primary aim is to optimize the efficient use of cash resources among the members of the Group and HPG in the PRC. In view of the above reliance of HPG, the Group has adopted various measures and guidelines to monitor the risk of deposit services and the loan services under the New Financial Services Framework Agreement. For example, the board of directors of HPG, the shareholder of HPG Finance, has undertaken to provide more funding to HPG Finance in light of its actual needs to address payment difficulties in the event that HPG Finance experiences any urgent payment difficulties. For more information, please refer to the paragraph headed “III. Internal control measures” in this letter.

Moreover, the operations of the Group requires flexible and diversified financial services. As the terms (including interest rates and commission charged) in respect of financial services contemplated under the New Financial Services Framework Agreement shall be no less favourable than the terms offered by major independent commercial banks or financial institutions in the PRC for provision of similar services to the Group, and considering that the New Financial Services Framework Agreement does not prevent the Group from obtaining services from other commercial banks or financial institutions, the Group may still at its discretion choose other major independent commercial banks in the PRC as it deems appropriate and beneficial to the Group as its financial service provider. Therefore, the New Financial Services Framework Agreement allows the Group to enjoy benefits and flexibility of diversified financing channels without posing any adverse effect on the assets and liabilities of the Group.

The Directors confirm that the loan to be received by the Group pursuant to the New Financial Services Framework Agreement will not involve any security on the Group’s assets.

The Directors (including the independent non-executive Directors) consider that (i) the New Financial Services Framework Agreement and the continuing connected transactions contemplated thereunder are entered into in the ordinary and usual course of business of the Group and are in the interests of the Company and its Shareholders as a whole; (ii) the New Financial Services Framework Agreement is entered into on normal commercial terms or on terms no less favourable than those offered by independent third parties in similar transactions and is fair and reasonable; and (iii) the proposed annual caps of the transactions under the New Financial Services Framework Agreement for the three years ending 31 December 2022, 2023 and 2024 are fair and reasonable.

LETTER FROM THE BOARD

As Mr. CAO Ziyu, Mr. LIU Guanghai, Mr. Yang Wensheng and Mr. MA Xiping, all being Directors, are at the same time the directors of HPG/have material interest in the above transactions, they have abstained from voting on the Board resolutions in respect of the approval of the above matters. Save and except for the aforesaid, none of the Directors has any material interest in the above transactions and was required to abstain from voting on the Board resolutions in relation to the above matters.

III. Internal control measures

The Company has formulated relevant internal control policies, including the Qinhuangdao Port Co., Ltd. Connected Transaction Decision Making System* (《秦皇島港股份有限公司關連交易決策制度》) and Qinhuangdao Port Co., Ltd. Connected Transaction Management Measure* (《秦皇島港股份有限公司關連交易管理辦法》) to monitor and ensure the pricing policies and annual caps of the continuing connected transactions are being complied:

- (1) a connected transaction committee is set up by the Company to manage all affairs relating to connected transactions of the Company. The connected transaction committee is comprised of the president, secretary to the Board and department heads of relevant departments of the Company such as securities department and finance department;
- (2) the deputy accounting head and the managers of the Company's finance department are responsible for computing, consolidating and monitoring the transactional amounts of continuing connected transactions of the Company monthly and to make timely report to the connected transaction committee when there exists a possibility that any annual cap may be exceeded.

After considering the following internal control measures, arrangements and agreements, the Company believes it can ensure the recoverability of deposits in HPG Finance:

- (1) according to the Article 2.5 of the Fourth Chapter under the New Financial Services Framework Agreement entered into between the Company and HPG Finance on 28 October 2021, HPG Finance will provide annual auditing report to the Company in a regular manner, provide other accounting statements to the Company if needed, report its operation conditions and financial conditions to the Company regularly, and allow the Company's auditor to check records of relevant accounts so as to make report for transactions under these framework agreements in accordance with the SSE Listing Rules and Listing Rules of Stock Exchange;
- (2) as at the Latest Practicable Date, the Company holds 40% of HPG Finance. As a shareholder of HPG Finance, the Company is entitled to understand the operation conditions and financial conditions of HPG Finance, to read and copy its financial accounting report, such that the Company may monitor the operation conditions and financial conditions of HPG Finance at any time and respond to possible barriers to the recovery in time;

LETTER FROM THE BOARD

- (3) HPG Finance only serves to the internal member entities under HPG, and does not conduct business such as credit business. HPG Finance had stable operating conditions, good returns and low risks in operation over the years. Thus, there is no restriction to the possibility of recovery on the Company's deposits in HPG Finance;
- (4) since the inception of HPG Finance, HPG Finance has not previously defaulted any repayment obligation;
- (5) the Articles of Association of HPG Finance requires: the board of directors of HPG, the controlling shareholder of HPG Finance, has undertaken to provide more funding to HPG Finance in light of its actual needs to address payment difficulties in the event that HPG Finance experiences any urgent payment difficulties. Set out below are the summary of historical and latest financial position of HPG for the periods indicated:

	Year ended December 31, 2020 RMB'000	Six months ended June 30, 2021 RMB'000 (Unaudited)
Revenue	16,623,023.8	9,414,265.1
Net profit	392,752.4	480,069.0
	As at December 31, 2020 RMB'000	As at June 30, 2021 RMB'000 (Unaudited)
Total assets	69,258,566.8	71,965,580.0

IV. Information of HPG, HPG Finance and the Group

The business scope of HPG mainly includes: investment in port construction and investment management; leasing of house, port facilities and equipment; providing facilities to terminals for vessels; port operation; port passenger transport services; providing loading and unloading and storing services; engaging in the leasing and maintenance business of port facilities, equipment and port machinery; corporate management. As at the Latest Practicable Date, HPG is wholly-owned by the State-owned Assets Supervision & Administration Commission of the People's Government of Hebei Province.

LETTER FROM THE BOARD

The business scope of HPG Finance includes: providing financial and financing consultancy, credit verification and relevant consultancy and agency services for member entities; assisting member entities in the settlement of accounts payable and receivable; insurance agency services (subject to approval), providing guarantees for member entities, handling entrusted loan between member entities; handling bill acceptance and discounting for member entities; settling internal transfer between member entities and formulating relevant settlement and liquidation plans; absorbing deposits from member entities, providing loans and finance leasing for member entities and inter-bank borrowing etc. As at the Latest Practicable Date, HPG Finance is 40% owned by the Company and an associate of the Company and 60% owned by HPG. HPG Finance has (i) obtained Reply on Operation of Hebei Port Group Finance Company Limited by CBIRC Hebei Branch (《河北銀監局關於河北港口集團財務有限公司開業的批覆》) on 1 July 2014 and Financial Business Operation Permit (金融許可證) on 7 July 2014, and (ii) obtained the business license on 10 July 2014. As such, HPG Finance has obtained all the required licenses from the relevant government authorities for providing Financial Services since 10 July 2014.

The Group principally engages in the provision of highly-integrated port services including stevedoring, stacking, warehousing, transportation and logistics services, and handling various types of cargo including coal, metal ores, oil and liquefied chemicals, containers and general cargo.

V. Listing Rules Implications

As at the Latest Practicable Date, HPG is interested in 3,032,528,078 A Shares and 71,303,000 H Shares, representing approximately 55.55% of the issued share capital of the Company and hence a controlling Shareholder and a connected person of the Company. As at the Latest Practicable Date, since HPG Finance is a subsidiary of and 60% owned by HPG and hence an associate of HPG and also a connected person of the Company.

1. The New General Services Agreement

- (a) the applicable percentage ratio in respect of the provision of services by HPG and/or its subsidiaries to the Group under the New General Services Agreement on an annual basis exceeds 5%, hence such transactions are subject to the reporting, annual review and announcement requirements and Independent Shareholders' approval requirements of Chapter 14A of the Listing Rules; and
- (b) the applicable percentage ratio in respect of the provision of services by the Group to HPG and/or its subsidiaries under the New General Services Agreement on an annual basis exceeds 0.1% but is less than 5%, hence such transactions are subject to the reporting, annual review and announcement requirements but are exempt from Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

2. *The New Financial Services Framework Agreement*

- (a) the applicable percentage ratio of the proposed annual caps in respect of the provision of deposit taking services by HPG Finance to the Group under the New Financial Services Framework Agreement on an annual basis exceeds 5%, and hence such transactions are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Since the applicable percentage ratio in respect of the deposit taking services exceeds 25% but is less than 100%, the deposit taking services under the New Financial Services Framework Agreement constitute a major transaction under Chapter 14 of the Listing Rules and are therefore subject to the reporting, announcement and Shareholders' approval requirements set out in Chapter 14 of the Listing Rules;
- (b) the transactions in relation to the provision of loan services by HPG Finance to the Group under the New Financial Services Framework Agreement are exempt from the reporting, announcement and Independent Shareholders' approval requirements pursuant to Rule 14A.90 of the Listing Rules as (i) they are on normal commercial terms and (ii) not secured by any asset of the Group; and
- (c) the applicable percentage ratio of the proposed annual caps in respect of the provision of other financial services by HPG Finance to the Group under the New Financial Services Framework Agreement exceeds 0.1% but is less than 5%, hence such transactions are subject to the reporting, annual review and announcement requirements but are exempt from the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

(2) Proposed amendments to the Articles of Association

Reference is made to the announcement dated 28 October 2021 in relation to the proposed amendments to the Articles of Association. The proposed amendments to the Articles of Association are subject to the approval of Shareholders by way of a special resolution at the EGM. Save as the aforesaid proposed amendments to the Articles of Association, the other provisions of the Articles of Association remain unchanged.

The Hong Kong and PRC legal advisers of the Company have confirmed that the proposed amendments to the Articles of Association and the amended Articles of Association comply with the provisions of the Listing Rules and do not violate the applicable laws of the PRC, respectively. The Directors also confirmed that there is nothing unusual about the proposed amendments to the Articles of Association for a company listed in Hong Kong.

Details of the amendments to the Articles of Association are contained in Appendix I of this circular.

LETTER FROM THE BOARD

(3) Proposed amendments to the Rules of Procedure to the Board of Directors

Reference is made to the announcement dated 28 October 2021 in relation to the proposed amendments to the Rules of Procedure to the Board of Directors. The proposed amendments to the Rules of Procedure to the Board of Directors are subject to the approval of Shareholders by way of a special resolution at the EGM. Save as the aforesaid proposed amendments to the Rules of Procedure to the Board of Directors, the other provisions of the Rules of Procedure to the Board of Directors remain unchanged.

Details of the amendments to the Rules of Procedure to the Board of Directors are contained in Appendix II of this circular.

EGM

The EGM will be held at 11:00 a.m. on Thursday, 16 December 2021 at Port Hotel, 20 Haibin Road, Haigang District, Qinhuangdao, Hebei Province, PRC for the purpose of allowing the Shareholders to consider and, if thought fit, approving the proposals of the renewal of the continuing connected transactions and major transaction; (ii) the amendments to the Articles of Association; and (iii) the amendments to the Rules of Procedure of the Board of Directors.

HPG is deemed to have a material interest in the New General Services Agreement and New Financial Services Framework Agreement and the transactions to be contemplated thereunder. Therefore, pursuant to the Listing Rules, HPG and its associates are required to abstain from voting on the resolutions to be proposed at the EGM to approve the renewal of continuing connected transactions and major transaction. As at the Latest Practicable Date, HPG is interested in 3,032,528,078 A Shares and 71,303,000 H Shares, representing approximately 55.55% of the issued share capital of the Company. As at the Latest Practicable Date, HPG Finance is a subsidiary of and 60% owned by HPG and hence an associate of HPG and also a connected person of the Company.

To the best of the Directors' knowledge, information and belief, as at the Latest Practicable Date, and save as disclosed in this circular, no other Shareholders are required to abstain from voting in respect of any of the resolutions to be proposed at the EGM.

The notice of the EGM is set out on pages 62 to 64 of this circular.

Form of proxy for the EGM are enclosed with this circular. Whether or not you are able to attend the EGM or any adjourned meeting thereof, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon. The aforementioned documents shall be lodged with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. The form of proxy must be served not less than 24 hours before the time scheduled for holding the EGM (or any adjournment thereof). Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof should you so desire.

LETTER FROM THE BOARD

VOTING BY POLL

Pursuant to the Listing Rules, voting by poll is mandatory at all general meetings (except where the chairman of the meeting, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted by a show of hands). The chairman of the EGM will request for voting by poll on all the proposed resolutions in the notice. The results of the poll will be published on the websites of the Company, the SSE and the Stock Exchange on the day of the above meeting.

On a poll, every Shareholder present in person or by proxy or (being a corporation) by its duly authorised representative shall have one vote for each Share registered in his/her name in the register of members of the Company. Any Shareholder entitled to more than one vote need not use all his/her/its votes or cast all the votes he/she/it uses in the same manner.

RECOMMENDATIONS

The Board is of the view that the aforesaid resolutions to be proposed in respect of the continuing connected transactions and major transaction are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders/Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM in this regard.

Proposal for the Renewal of Continuing Connected Transactions and Major Transaction

The Directors are of the view that the terms of the New General Services Agreement and the New Financial Services Framework Agreement, the transactions to be contemplated thereunder and their respective annual caps amounts are fair and reasonable and are in the interest of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the relevant ordinary resolutions to be proposed at the EGM in this regard.

The Independent Board Committee has been formed to consider the services provided by HPG and/or its subsidiaries to the Group under the New General Services Agreement and the deposit taking services under the New Financial Services Framework Agreement and advise the Independent Shareholders in this regard. TC Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and Independent Shareholders on whether the terms and conditions of the services provided by HPG and/or its subsidiaries to the Group under the New General Services Agreement and the deposit taking services under the New Financial Services Framework Agreement are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

Having considered the terms related to the services provided by HPG and/or its subsidiaries to the Group under the New General Services Agreement and the deposit taking services of the New Financial Services Framework Agreement, the transactions thereunder and their respective annual caps amounts, and taken into account the advice of TC Capital, the

LETTER FROM THE BOARD

Independent Board Committee is of the view that the terms related to the services provided by HPG and/or its subsidiaries to the Group under the New General Services Agreement and the deposit taking services of the New Financial Services Framework Agreement are determined on normal commercial terms, and the relevant services, the transactions thereunder and their respective annual caps amounts are fair and reasonable, contemplated during the ordinary and usual course of operation and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM as set out in the Notice of EGM.

We wish to draw your attention to the Letter from Independent Board Committee on pages 24 to 25 of this circular, which contains its recommendation to the Independent Shareholders on the terms related to the services provided by HPG and/or its subsidiaries to the Group under the New General Services Agreement and the deposit taking services of the New Financial Services Framework Agreement, the transactions thereunder and their respective annual caps amounts. Your attention is also drawn to the letter from the Independent Financial Adviser on pages 26 to 43 of this circular, which contains its advice to the Independent Board Committee and Independent Shareholders on the terms related to the services provided by HPG and/or its subsidiaries to the Group under the New General Services Agreement and the deposit taking services of the New Financial Services Framework Agreement, the transactions thereunder and their respective annual caps amounts. You are advised to read the said letters from the Independent Board Committee and Independent Financial Adviser before deciding how to vote at the EGM.

RESPONSIBILITY STATEMENT

This circular, for the accuracy of 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, there are no other matters the omission of which would make any statement in this circular misleading.

Yours faithfully,
By order of the Board
Qinhuangdao Port Co., Ltd.*
CAO Ziyu
Chairman

Qinhuangdao, Hebei Province, the People's Republic of China

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the services provided by HPG and/or its subsidiaries to the Group under the New General Services Agreement and the deposit Taking Services under the New Financial Services Framework Agreement and the transactions contemplated thereunder and the annual caps.



秦皇島港股份有限公司 QINHUANGDAO PORT CO., LTD.*

(a joint stock limited liability company incorporated in the People's Republic of China)

(Stock Code: 3369)

29 November 2021

To the Independent Shareholders

Dear Sirs/Madams,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular (the “**Circular**”) dated 29 November 2021 issued by Qinhuangdao Port Co., Ltd. (the “**Company**”) to the Shareholders of which this letter forms part. Capitalised terms defined in the Circular shall have the same meanings when used in this letter, unless the context otherwise requires.

We have been appointed by the Board as members of the Independent Board Committee to advise the Independent Shareholders on whether the relevant services provided by HPG and/or its subsidiaries to the Group under the New General Services Agreement and deposit taking services under the New Financial Services Framework Agreement, the transactions thereunder and the annual caps are fair and reasonable, on normal commercial terms during the ordinary and usual course of the Group’s operation, and are in the interests of the Company and the Shareholders as a whole. TC Capital International Limited has been appointed as the independent financial adviser to advise us and the Independent Shareholders on the relevant services provided by HPG and/or its subsidiaries to the Group under the New General Services Agreement and deposit taking services of the New Financial Services Framework Agreement, the transactions thereunder and the annual caps.

* *For identification purpose only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We wish to draw your attention to (i) the “Letter from the Board”; (ii) the “Letter from the Independent Financial Adviser” to the Independent Board Committee and the Independent Shareholders which contains its advice in respect of the relevant services provided by HPG and/or its subsidiaries to the Group under the New General Services Agreement and deposit taking services of the New Financial Services Framework Agreement, the transactions contemplated thereunder and the annual caps; and (iii) the additional information as set out in the appendices to the Circular.

Having considered the terms related to the services provided by HPG and/or its subsidiaries to the Group under the New General Services Agreement and the deposit taking services of the New Financial Services Framework Agreement, the transactions thereunder and its annual caps, and taken into account the advice of TC Capital, particularly the factors, reasons and recommendation set out in the “Letter from the Independent Financial Adviser”, we are of the view that the terms related to the services provided by HPG and/or its subsidiaries to the Group under the New General Services Agreement and the deposit taking services of the New Financial Services Framework Agreement are determined on normal commercial terms, and the entering into of the New General Services Agreement and the New Financial Services Framework Agreement, the transactions thereunder and the annual caps are fair and reasonable, in the ordinary and usual course of operation and are in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM as set out in the Notice of EGM.

Yours faithfully,

On behalf of the Independent Board Committee

Ms. ZANG Xiuqing

Mr. HOU Shujun

Mr. CHEN Ruihua

Mr. XIAO Zuhe

Independent Non-executive Directors

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 New General Services Agreement in relation to the services provided by HPG and/or its subsidiaries to the Group and the New Financial Services Framework Agreement in relation to the deposit taking services for the purpose of inclusion in this circular.



29 November 2021

The Independent Board Committee and the Independent Shareholders

*Qinhuangdao Port Co., Ltd.**

Dear Sirs,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS AND MAJOR 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 the provision of services by HPG and/or its subsidiaries to the Group under the New General Services Agreement (the “**General Services**”) and the provision of deposit taking services by HPG Finance to the Group under the New Financial Services Framework Agreement (the “**Deposit Taking Services**”), 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 29 November 2021 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.

As at the Latest Practicable Date, HPG was interested in 3,032,528,078 A Shares and 71,303,000 H Shares, representing approximately 55.55% of the issued share capital of the Company and hence a controlling Shareholder and a connected person of the Company. As at the Latest Practicable Date, HPG Finance was a subsidiary of and 60% owned by HPG and hence an associate of HPG and also a connected person of the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The applicable percentage ratio in respect of the provision of the General Services by HPG and/or its subsidiaries to the Group under the New General Services Agreement on an annual basis exceeds 5%, hence such transactions are subject to the reporting, annual review, announcement and independent shareholders' approval requirements of Chapter 14A of the Listing Rules.

The applicable percentage ratio of the proposed annual caps in respect of the provision of the Deposit Taking Services by HPG Finance to the Group under the New Financial Services Framework Agreement on an annual basis exceeds 5%, and hence such transactions are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Since the applicable percentage ratio in respect of the Deposit Taking Services exceeds 25% but is less than 100%, the Deposit Taking Services under the New Financial Services Framework Agreement constitute a major transaction under Chapter 14 of the Listing Rules and are therefore subject to the reporting, announcement and shareholders' approval requirements set out in Chapter 14 of the Listing Rules.

The Independent Board Committee comprising Ms. Zang Xiuqing, Mr. Hou Shujun, Mr. Chen Ruihua and Mr. Xiao Zuhe (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the General Services and the Deposit Taking Services (including the respective annual caps) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the General Services and the Deposit Taking Services 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 resolution(s) to approve the General Services under the New General Services Agreement and the Deposit Taking Services under the New Financial Services Framework Agreement 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

We have not provided any other services to the Company in the last two years. 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.

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 New General Services Agreement; (ii) the New Financial Services Framework Agreement; (iii) the annual reports of the Company for the two years ended 31 December 2019 and 2020 (the “**2019 Annual Report**” and the “**2020 Annual**

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Report”, respectively); (iv) the interim report of the Company for the six months ended 30 June 2021 (the “**2021 Interim Report**”); (v) other information as set out in the Circular; and (vi) 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 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, HPG, HPG Finance and any of their respective subsidiaries and associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion in respect of the General Services and the Deposit Taking Services, we have taken into account the following principal factors and reasons:

1. Background information of the parties to the New General Services Agreement and the New Financial Services Framework Agreement

(a) The Group

As stated in the Letter from the Board, the Group principally engages in the provision of highly-integrated port services including stevedoring, stacking, warehousing, transportation and logistics services, and handling various types of cargo including coal, metal ores, oil and liquefied chemicals, containers and general cargo and other commodities.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is certain financial information of the Group for the three years ended 31 December 2020 (“**FY2018**”, “**FY2019**” and “**FY2020**”, respectively) and the six months ended 30 June 2020 and 2021 (“**1H2020**” and “**1H2021**”, respectively) as extracted from the 2019 Annual Report, the 2020 Annual Report and the 2021 Interim Report:

	For the year ended			For the six months ended	
	31 December			30 June	
	2018	2019	2020	2020	2021
	<i>RMB' million</i>	<i>RMB' million</i>	<i>RMB' million</i>	<i>RMB' million</i>	<i>RMB' million</i>
	(Audited)	(Audited)	(Audited)	(Unaudited)	(Unaudited)
Revenue	6,877	6,723	6,456	2,995	3,248
Operating profits	1,013	1,090	1,230	715	846
Net profit attributable to shareholders of the parent	810	931	995	576	699
					As at
					30 June
					2021
					<i>RMB' million</i>
					(Unaudited)
					As at
					30 June
					2021
					<i>RMB' million</i>
					(Unaudited)
Total assets	25,959	25,480	26,243		27,314
Total liabilities	10,971	9,892	10,144		10,809
Net assets	14,988	15,588	16,099		16,506

As shown in the above table, the revenue of the Group slightly decreased by approximately 2.2% to approximately RMB6,723 million for FY2019 as compared to that for FY2018. As disclosed in the 2019 Annual Report, such decrease was primarily attributable to the decrease in cargo throughput in Qinhuangdao Port during FY2019, which was mainly due to the domestic trade market share squeezed by imported coals, the stagnant market of coal as a result of the clean energy and construction of UHV power grid, and the homogeneous competition from surrounding ports. The operating profits of the Group amounted to approximately RMB1,090 million for FY2019, representing an increase of approximately 7.6% as compared to that for FY2018. The net profit attributable to shareholders of the parent was approximately RMB931 million for FY2019, representing an increase of approximately 14.9% as compared to that for FY2018. Such increase was mainly due to the decrease in the labour cost and the increase in investment income from associates and joint ventures as compared with FY2018.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The revenue of the Group decreased by approximately 4.0% to approximately RMB6,456 million for FY2020 as compared to that for FY2019. As disclosed in the 2020 Annual Report, such decrease was primarily attributable to the decrease in cargo throughput in Qinhuangdao Port during FY2020, which was mainly because the COVID 19 epidemic has led to a slowdown in the macroeconomic situation; imported coal has squeezed market share in domestic trade, clean energy and UHV cross-regional power transmission has further reduced the proportion of coal consumption, and the main supply channels were under-running, resulting in a decrease in annual coal throughput. The operating profits of the Group amounted to approximately RMB1,230 million for FY2020, representing an increase of approximately 12.8% as compared to that for FY2019. The net profit attributable to shareholders of the parent was approximately RMB995 million for FY2020, representing an increase of approximately 6.9% as compared to that for FY2019. Such increase was mainly due to the decrease in labour costs.

The revenue of the Group increased by approximately 8.4% to approximately RMB3,248 million for 1H2021 as compared to that for 1H2020. As disclosed in the 2021 Interim Report, such increase was primarily attributable to the increase in cargo throughput in Qinhuangdao Port during 1H2021, which was mainly because the domestic trade coal shipments increased significantly under the influence of several factors such as the sustained and stable recovery of the domestic economy, the restrictions on imported coal and the growth of hydropower weaker than expected. The operating profits of the Group amounted to approximately RMB846 million for 1H2021, representing an increase of approximately 18.3% as compared to that for 1H2020. The net profit attributable to shareholders of the parent was approximately RMB699 million for 1H2021, representing an increase of approximately 21.4% as compared to that for 1H2020. Such increase was mainly due to the increase in business volume as the Group increased market development efforts, refined production organisation and improved the efficiency of loading and discharging.

The net assets of the Group as at 31 December 2019 were approximately RMB15,588 million, representing an increase of approximately 4.0% as compared to that as at 31 December 2018, and further increased to approximately RMB16,099 million as at 31 December 2020, representing an increase of approximately 3.3%. The net assets of the Group as at 30 June 2021 were approximately RMB16,506 million, representing an increase of approximately 2.5% as compared to that as at 31 December 2020. The representatives of the Company advised us that such increase in net assets of the Group was mainly due to the profit-making position of the Group during FY2019, FY2020 and 1H2021.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(b) HPG

As stated in the Letter from the Board, the business scope of HPG mainly includes investment in port construction and investment management; leasing of house, port facilities and equipment; providing facilities to terminals for vessels; port operation; port passenger transport services; providing loading and unloading and storing services; engaging in the leasing and maintenance business of port facilities, equipment and port machinery; and corporate management. As at the Latest Practicable Date, HPG was wholly owned by the State-owned Assets Supervision & Administration Commission of the People's Government of Hebei Province.

(c) HPG Finance

As stated in the Letter from the Board, the business scope of HPG Finance includes providing financial and financing consultancy, credit verification and relevant consultancy and agency services for member entities; assisting member entities in the settlement of accounts payable and receivable; insurance agency services (subject to approval), providing guarantees for member entities, handling entrusted loan between member entities; handling bill acceptance and discounting for member entities; settling internal transfer between member entities and formulating relevant settlement and liquidation plans; absorbing deposits from member entities, providing loans and finance leasing for member entities and inter-bank borrowing. As at the Latest Practicable Date, HPG Finance was 40% owned by the Company and 60% owned by HPG. HPG Finance has (i) obtained Reply on Operation of Hebei Port Group Finance Company Limited by CBRC Hebei Branch (《河北銀監局關於河北港口集團財務有限公司開業的批覆》) on 1 July 2014 and Financial Business Operation Permit (金融許可證) on 7 July 2014, and (ii) obtained the business license on 10 July 2014. As such, HPG Finance has obtained all the required licenses from the relevant government authorities for providing financial services since 10 July 2014.

We understood from the representatives of the Company that HPG 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 Regulatory Commission (the “**CBRC**”, now merged to become the CBIRC) which regulates the operation of non-bank financial institutions which provide financial management services to the enterprise group member entities. Based on the confirmation provided by the representatives of HPG Finance, it has been in compliance with all the requirements and regulatory indicators set forth by the CBIRC in the past three years.

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The table below sets out the key financial ratio requirements of the Administrative Measures, the Provisional Measures for Risk Regulation Indicators Assessment of Finance Companies of Enterprise Groups* 《企業集團財務公司風險監管指標考核暫行辦法》 (the “**Provisional Measures**”) issued by the CBRC on 29 December 2006 and a notice on relevant requirements for off-site supervision of finance companies of enterprise groups (the “**Notice**”) dispatched by the Non-bank Financial Institution Supervision Department* (非銀部) of the CBRC on 25 November 2009 and the respective financial ratios of HPG Finance for the two years ended 31 December 2020 and the ten months ended 31 October 2021 as provided by HPG Finance:

		For the year ended 31 December 2019 (approximate %)	For the year ended 31 December 2020 (approximate %)	For the ten months ended 31 October 2021 (approximate %)
	Requirements	Lowest during the respective period		
Capital adequacy ratio	Not less than 10%	44.70%	39.38%	39.61%
	Requirements	Highest during the respective period		
Inter-financial institution borrowing balances to total capital ratio	Not more than 100%	Nil	Nil	Nil
Total outstanding guarantees to total capital ratio	Not more than 100%	Nil	Nil	Nil
Investment balance to total capital ratio	Not more than 70%	60.20%	42.58%	36.70%
Self-owned fixed assets to total capital ratio	Not more than 20%	0.17%	0.10%	0.06%
Non-performing loan ratio	Not more than 5%	Nil	Nil	Nil

As shown in the table above, HPG Finance complied with the relevant financial ratio requirements as set out in the Administrative Measures, the Provisional Measures and the Notice during the two years ended 31 December 2020 and the ten months ended 31 October 2021 and the financial ratios of HPG Finance were better than the requirement specified in the Administrative Measures, the Provisional Measures and the Notice. In particular, the non-performing loan ratio of HPG Finance for the two years ended 31 December 2020 and the ten months ended 31 October 2021 were all nil, which indicated that HPG Finance did not have any non-performing loans. In light of the above, we are of the view that the credit risk exposure of HPG Finance would be mitigated and HPG Finance would be able to perform the relevant obligations under the New Financial Services Framework Agreement.

2. The General Services

(a) *Principal terms of the General Services*

Since the Old General Services Agreement will expire on 31 December 2021, on 28 October 2021, the Company and HPG entered into the New General Services Agreement pursuant to which HPG and/or its subsidiaries shall provide the General Services to the Group and the Group shall provide various services to HPG and/or its subsidiaries from 1 January 2022 to 31 December 2024 (both days inclusive). Further details of the terms of the New General Services Agreement are stated in the Letter from the Board.

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Both parties agreed to accept the services provided by the other party on a pre-emptive basis (as good quality services were provided by the other party and the conditions of the services were agreed to be no less favourable than those offered by any third party), in the event that any third party provides the same services under identical or less favourable terms or conditions. Provided that for projects available for tendering under the relevant laws and regulations (such as port construction and mechanical maintenance), the counterparty must be determined by tendering. Both parties shall ensure that the services provided to the other party are in good quality and at fair and reasonable prices. The conditions of such services shall not be less favourable than those offered by any third party.

The pricing of the General Services shall be determined in accordance with the following principles and the order of priority:

- (i) Government-prescribed price: if at any time, the government-prescribed price is applicable to any specific products or services, such products or services shall be provided at the applicable government-prescribed price (regardless of national or local pricing). The government-prescribed price refers to the price in respect of certain categories of services determined by the central or local governments, relevant price control authorities or the industry regulators in the PRC as prescribed by the laws, regulations, decisions, orders or charging standards. The government-prescribed prices are announced by the relevant government departments irregularly on the official websites of Provincial Commodity Price Bureaus* (省物價局) and the Group shall pay close attention to the updates of the government-prescribed prices from time to time and will adopt them pursuant to the relevant PRC laws and regulations and the relevant price determination documents published by the government departments;
- (ii) Government-guided price: where there is a government-guided standard pricing, the price shall be agreed within the scope of the government-guided price. The government-guided price refers to the pricing range or level provided by the central or local governments, industry associations or other competent authorities for certain specific types of services, the price of which will be determined by the parties through negotiations with reference to the said pricing range or level. The government-guided prices are announced by the relevant government departments irregularly on the official websites of Provincial Commodity Price Bureaus* (省物價局) and the Group adopts them pursuant to the relevant PRC laws and regulations and the relevant price determination documents published by the government departments;
- (iii) Market price: where the above two pricing standards are not applicable, the market price can be taken as a reference to determine the price. The “market price” shall be formulated in the following manner: (1) making reference to the price charged by at least two independent third parties offering the same or similar type of products, technology or services on normal commercial terms in the ordinary and usual course of business at or near the area; or (2) where (1) is inapplicable, making reference to

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the price charged by at least two independent third parties offering the same or similar type of products, technology or services on normal commercial terms in the ordinary and usual course of business in the PRC; or making reference to the price charged by the Group or HPG and/or its subsidiaries (as the case may be) to independent third parties on the same or similar type of products, technology or services on normal commercial terms in the ordinary and usual course of business;

- (iv) Agreed price: where the above three pricing standards are not applicable, the pricing standard shall be determined according to the reasonable cost and reasonable profit for the provision of the related services. The management of the both parties shall consider at least two comparable transactions with independent third parties for the same period when determining reasonable profit for related services under the New General Services Agreement; which shall be in principle not more than 15% of the cost, unless otherwise agreed in the specific agreement. The cap of reasonable profit (in principle not more than 15% of the cost) is determined with reference to (1) the average gross profit margin of listed companies engaging in transportation and logistics for the three years ended 31 December 2020 and the six months ended 30 June 2021; and (2) the average gross profit margin of the historical transactions of the same or similar services provided by HPG and/or its subsidiaries to the Group or provided by the Group to HPG and/or its subsidiaries (as the case may be). The reasonable cost for the provision of the related services is determined with reference to factors including labour cost, depreciation expense, material consumption, maintenance fee and tax expense.

For projects subject to tender process pursuant to the applicable laws and regulations, the price shall be determined by tender process.

As stated in the Letter from the Board, the General Services are broadly classified into three kinds, namely social services, living logistics services and production services. Therefore, we conducted our works to assess the pricing policy of the General Services according to these three kinds of the General Services. We obtained the contract(s) or the top three contracts (if there are more than three contracts) in each of the two largest amount transactions of each kind of services for each of the year ended 31 December 2020 and the eight months ended 31 August 2021.

The two selected largest amount transactions of the social services under the General Services for the year ended 31 December 2020 involve medical services for body check. The representatives of the Company advised us that the Group provides medical benefits to its staff only at Hebei Port Group Harbour Hospital* (河北港口集團有限公司港口醫院) (“**Harbour Hospital**”) operated by HPG members. According to the notice issued by HPG dated 2 April 2019 and the notice issued by the Group dated 4 April 2019 regarding the body check services provided to all the members of HPG and the Group, the standard price of body check provided by Harbour Hospital to all members of HPG is the same as the standard price provided by Harbour Hospital to the Group. We have checked the prices of body check provided by Harbour Hospital to the Group against the prices of similar body check provided to independent third

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parties by Harbour Hospital of the corresponding period. We noted that the prices of the body check charged by Harbour Hospital to the Group were not less favourable than the prices offered by the Harbour Hospital to independent third parties. The two selected largest amount transactions of the social services under the General Services for the eight months ended 31 August 2021 involve medical services for nucleic acid test, the pricing of which was determined by the government-prescribed price. We have obtained the notice issued by Hebei Provincial Healthcare Security Administration* (河北省醫療保障局) dated 8 February 2021 regarding the government-prescribed price of the nucleic acid test. We have checked the prices of nucleic acid test provided to the Group against the government-prescribed price of nucleic acid test and noted that the prices of nucleic acid test provided to the Group were equal to the government-prescribed price of nucleic acid test. As the prices offered by HPG members to the Group for the social services under the General Services were not less favourable than the government-prescribed price or those of similar quality services offered by HPG members to independent third parties, we are of the view that the pricing policies of the social services under the General Services are fair and reasonable so far as the Independent Shareholders are concerned.

The two selected largest amount transactions of the living logistics services under the General Services for each of the year ended 31 December 2020 and the eight months ended 31 August 2021 involve property management services. The representatives of the Company advised us that the fees of the property management services charged by HPG members were determined based on the market prices. We have checked the fees of the property management services charged by HPG members against two quotations from independent third parties for the same services and the same period and noted that the prices offered by HPG members to the Group were lower than the prices quoted from independent third parties. As the prices offered by HPG members to the Group for the living logistics services under the General Services were not less favourable than the prices quoted from independent third parties, we are of the view that the pricing policies of the living logistics services under the General Services are fair and reasonable so far as the Independent Shareholders are concerned.

The two selected largest amount transactions of the production services under the General Services for each of the year ended 31 December 2020 and the eight months ended 31 August 2021 involve port engineering maintenance and equipment maintenance. The representatives of the Company advised us that the fees of the port engineering maintenance charged by HPG members were determined based on the government-guided prices. The Group has installed a system of the government-guided prices for port engineering maintenance for calculating the fees of the port engineering maintenance. The system provides the government-guided prices in the national unified construction, installation, municipal and decoration budget quota Hebei Province consumption quota* (全國統一建築、安裝、市政及房屋修繕等工程基礎定額河北省消耗量定額) published by the Department of Housing and Urban Rural Development of Hebei Province* (河北省住房和城鄉建設廳) and would be adjusted with the latest government-guided prices published by the Department of Housing and Urban Rural Development of Hebei Province* (河北省住房和城鄉建設廳) correspondingly. We noted that the prices for the port engineering maintenance offered by HPG members to the Group were equal to the government-guided prices. The representatives of the Company advised us that the fees of the

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equipment maintenance charged by HPG members were determined based on the market prices or prices determined by tender process pursuant to the applicable laws and regulations. For the equipment maintenance services the pricing of which was based on market prices, we have obtained the breakdown of contracts and noted that the amounts of contracts consisted of labour cost and material expenses. For the labour cost, we have checked the unit prices of the labour offered by HPG members to the Group against the unit prices of the labour offered by HPG members to two independent third parties for similar services and the same period or the unit prices of the labour quoted from two independent third parties and noted that the unit prices offered by HPG members to the Group were lower than the unit prices offered by HPG members to independent third parties or lower than the unit prices of the labour quoted from independent third parties. For the material expenses, the representatives of the Company advised us that the unit prices of the materials offered by HPG members were determined based on the prices of similar materials purchased from independent third parties which were recorded in a system named Enterprise Asset Management (the “**EAM System**”). We have checked the unit prices of the materials offered by HPG members to the Group against the unit prices of the materials in the EAM System and noted that the unit prices of the materials offered by HPG members to the Group were within the range of the unit prices of similar materials purchased from independent third parties. For the equipment maintenance services the pricing of which was based on bid prices, the representatives of the Company advised us that the bid evaluation committee shall recommend the top three candidates and we noted that the selection of the suppliers and the prices of the selected transactions were based on the bidding notice issued by an independent bidding company. As the prices offered by HPG members to the Group for the production services under the General Services were not less favourable than the government-guided prices, market prices or prices determined by tender process, we are of the view that the pricing policies of the production services under the General Services are fair and reasonable so far as the Independent Shareholders are concerned.

Therefore, we are of the view that the pricing policies for the General Services are fair and reasonable so far as the Independent Shareholders are concerned.

(b) Reasons for and benefits of the General Services

As stated in the Letter from the Board, in view of the requirements of port operation, the Group needs services related to port operation provided by HPG and its subsidiaries and entities. As further advised by the representatives of the Company, HPG and its subsidiaries have been providing the Group with ancillary administrative, property management and construction services since 2008. The General Services are essential to the core business and operation of the Group as they provide the supporting services to the port services of the Group. The terms of the General Services have been arrived at after arm’s length negotiation. The Directors believe that securing the General Services from HPG and its subsidiaries, who are experienced service providers, will provide the Group with a stable and reliable supply of supporting services at competitive costs.

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By entering into the General Services, the Group can take advantage of (i) its long-established relationship with HPG and its subsidiaries; and (ii) the stability and reliability of the supply of supporting services by HPG and its subsidiaries. Moreover, the General Services offer an additional option to the Group as the New General Services Agreement does not restrict the Group to procure the services from the corresponding contractual parties only. Thus, the Group may, but is not obliged to, continue to procure the services from the corresponding contractual parties if the price is competitive. Therefore, we concur with the Directors' view that the General Services, 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.

(c) Proposed annual caps for the General Services and basis of determination

The following table sets out the historical transaction amounts of the provision of the General Services by HPG and/or its subsidiaries to the Group for the two years ended 31 December 2020 and the eight months ended 31 August 2021, and the proposed annual caps for the three years ending 31 December 2024:

	Historical transaction amounts			Annual caps		
	For the year ended 31		For the eight	For the year ending		
	December		months ended	31 December		
	2019	2020	31 August	2022	2023	2024
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
Provision of the General Services by HPG and/or its subsidiaries to the Group	437,229	521,289	185,294	607,000	637,000	669,000

The representatives of the Company advised us that the annual cap for the General Services for the year ending 31 December 2022 was determined mainly based on (i) the maximum historical transaction amount of the provision of the General Services by HPG and/or its subsidiaries to the Group for each of the two years ended 31 December 2020 and the eight months ended 31 August 2021; and (ii) the business development of the Group for the next three years, including the expected increase in expenses of port engineering maintenance.

As shown in the above table, the maximum historical transaction amount of the provision of the General Services by HPG and/or its subsidiaries to the Group for each of the two years ended 31 December 2020 and the eight months ended 31 August 2021 was approximately RMB521 million. Besides, the representatives of the Company advised us that the expected increase in expenses of port engineering maintenance was due to the expected maintenance expenses of the new port, which were determined based on the expenses of port engineering maintenance of similar ports of the Group. Furthermore, the expected increase in the General

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Services from HPG and/or its subsidiaries for the year ending 31 December 2022 was due to the expected growth in revenue of the Group for the year ending 31 December 2022 as compared to that for the year ended 31 December 2020.

As shown in the above table, the annual caps for the General Services are RMB637 million and RMB669 million for the two years ending 31 December 2024 respectively, representing an increase of approximately 5% as compared to the previous year. According to the website of the National Bureau of Statistics (國家統計局), the average annual growth rate of the gross domestic product of the PRC is approximately 5.7% for the last five years. Thus, the Company determined that the annual caps for the General Services for the two years ending 31 December 2024 will have a growth of approximately 5% as compared with the previous year.

Based on the above, we are of the view that the annual caps for the General Services are 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. The Deposit Taking Services

(a) Principal terms of the Deposit Taking Services

Since the Old Financial Services Framework Agreement will expire on 31 December 2021, on 28 October 2021, the Company and HPG Finance entered into the New Financial Services Framework Agreement pursuant to which HPG Finance shall provide financial services (including the Deposit Taking Services) to the Group from 1 January 2022 to 31 December 2024 (both days inclusive). Further details of the terms of the New Financial Services Framework Agreement are stated in the Letter from the Board.

Both parties agreed that the financial services under the New Financial Services Framework Agreement shall not be less favourable than (i) the terms offered by any Relevant Commercial Banks (including but not limited to Bank of China, Bank of Agriculture of China, Industrial and Commercial Bank of China, China Construction Bank and Bank of Communications) for their provision of the same or similar services; or (ii) the terms offered by HPG Finance to HPG members for the same or similar services.

The pricing policies for the Deposit Taking Services under the New Financial Services Framework Agreement are the same as those under the Old Financial Services Framework Agreement. The interest rate applicable to the Group's deposits with HPG Finance shall not be lower than any of the following interest rates: (i) the benchmark interest rate for deposits published by the PBOC regularly; (ii) the interest rate offered by the Relevant Commercial Banks for deposits of the same type for the same period; and (iii) the interest rate applicable to any HPG member's deposits with HPG Finance of the same type for the same period.

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We have obtained and reviewed the deposit slips for the five largest amounts of deposits of the Group with HPG Finance as at the date of maximum daily balance of deposits and interest income for each of the year ended 31 December 2020 and the eight months ended 31 August 2021. We have compared the interest rates for deposits offered by HPG Finance to the Group against (i) the then interest rates stipulated by the PBOC; (ii) the then interest rates offered by four major commercial banks in the PRC; and (iii) the then interest rates offered by HPG Finance to HPG member for similar type and terms of deposits. We noted that the interest rates received by the Group from HPG Finance for the Deposit Taking Services were not less favourable than those of (i), (ii) and (iii) as mentioned above. Therefore, we are of the view that the pricing policies for the Deposit Taking Services are fair and reasonable so far as the Independent Shareholders are concerned.

(b) Reasons for and benefits of the Deposit Taking Services

The representatives of the Company advised us that HPG Finance has been providing financial services to the Group since July 2014. With the benefit of this long-standing relationship, HPG Finance understands well the financial condition of the Group and will be able to cater for the financial needs of the Group more efficiently.

Moreover, the New Financial Services Framework Agreement does not restrict the Group from procuring financial services provided by third parties and therefore offers an additional option to the Group and enhances the financial flexibility of the Group. Therefore, the Group may, but is not obliged to, continue to procure the Deposit Taking Services from HPG Finance if the price is competitive. Having such flexibility afforded under the New Financial Services Framework Agreement, the Group would be able to better manage its current capital and cashflow position.

As HPG Finance was 40% owned by the Company as at the Latest Practicable Date, the Company would be able to ultimately benefit from the business development of HPG Finance.

As stated in the Letter from the Board, after considering the following internal control measures, arrangements and agreements, the Company believes that it can ensure the recoverability of deposits in HPG Finance:

1. according to the New Financial Services Framework Agreement, HPG Finance will provide annual auditing report to the Company in a regular manner, provide other accounting statements to the Company if needed, report its operation conditions and financial conditions to the Company regularly, and allow the Company's auditor to check records of relevant accounts so as to make report for transactions under these framework agreements in accordance with the SSE Listing Rules and the Listing Rules of the Stock Exchange;

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2. as at the Latest Practicable Date, the Company held 40% of HPG Finance. As a shareholder of HPG Finance, the Company is entitled to understand the operation conditions and financial conditions of HPG Finance, to read and copy its financial accounting report, such that the Company may monitor the operation conditions and financial conditions of HPG Finance at any time and respond to possible barriers to the recovery in time;
3. HPG Finance only serves to the internal member entities under HPG, and does not conduct business such as credit business. HPG Finance had stable operating conditions, good returns and low risks in operation over the years. Thus, there is no restriction to the possibility of recovery on the Company's deposits in HPG Finance;
4. since the inception of HPG Finance, HPG Finance has not previously defaulted any repayment obligation;
5. the articles of association of HPG Finance requires: the board of directors of HPG, the controlling shareholder of HPG Finance, has undertaken to provide more funding to HPG Finance in light of its actual needs to address payment difficulties in the event that HPG Finance experiences any urgent payment difficulties.

We concur with the Directors that the above measures, arrangements and agreements would enable the Group to monitor the credit risk in respect of the Deposit Taking Services and ensure the recoverability of deposits with HPG Finance.

Given that (i) the nature of the Deposit Taking Services provided by HPG Finance is the same as those provided by the Relevant Commercial Banks; (ii) HPG Finance has been in compliance with all the requirements and regulatory indicators set forth by the CBIRC in the past three years as mentioned in the paragraphs headed "Background information of the parties to the New General Services Agreement and the New Financial Services Framework Agreement – HPG Finance" above; (iii) the non-performing loan ratio of HPG Finance for the two years ended 31 December 2020 and the ten months ended 31 October 2021 were all nil, which indicated that HPG Finance did not have any non-performing loans; and (iv) as stated in the articles of association of HPG Finance, HPG has undertaken to provide funding to HPG Finance to satisfy its capital needs in the event that HPG Finance experiences any urgent payment difficulties, we are of the view that although the financial strength of HPG Finance may not be similar to that of the Relevant Commercial Banks, the entering into of the Deposit Taking Services is fair and reasonable.

Having considered that (i) HPG Finance is familiar with the financial condition of the Group due to the long-established relationship; (ii) the New Financial Services Framework Agreement provides the Group with more flexibility in managing its current capital and cashflow position; and (iii) as a shareholder of HPG Finance, the Company would be able to

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ultimately benefit from the business development of HPG Finance, we concur with the Directors' view that the Deposit Taking Services, 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.

(c) Proposed annual caps for the Deposit Taking Services and basis of determination

The following table sets out the historical transaction amounts of the provision of the Deposit Taking Services by HPG Finance to the Group for the two years ended 31 December 2020 and the eight months ended 31 August 2021, and the proposed annual caps for the three years ending 31 December 2024:

	Historical transaction amounts			Annual caps		
	For the year ended		For the eight	For the year ending		
	31 December		months ended	31 December		
	2019	2020	31 August	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Maximum daily balance of deposits and interest income	2,692,142	3,008,250	3,743,992	5,500,000	6,000,000	6,500,000

The representatives of the Company advised us that the annual caps for the Deposit Taking Services for the three years ending 31 December 2024 were determined mainly based on (i) the maximum daily balance of deposits and interest income of the Group for the two years ended 31 December 2020 and the eight months ended 31 August 2021; (ii) the expected increase in cash and bank balances of the Group for the year ending 31 December 2022 as compared with those for the year ending 31 December 2021; and (iii) the operation of new port terminal and project development of the Group.

As shown in the above table, the maximum daily balance of deposits and interest income of the Group for the two years ended 31 December 2020 and the eight months ended 31 August 2021 were approximately RMB3,744 million. Besides, the representatives of the Company advised us that the cash and bank balances of the Group for the year ending 31 December 2022 are expected to increase as compared with those for the year ending 31 December 2021 and the deposits placed with HPG Finance by the Group will increase accordingly. According to the 2021 Interim Report and the 2020 Annual Report, the cash and bank balances of the Group increased by approximately 26.7% from approximately RMB2,805 million as at 31 December 2019 to approximately RMB3,555 million as at 31 December 2020, and further increased by approximately 21.6% to approximately RMB4,322 million as at 30 June 2021. Thus, the Company expected that the cash and bank balances of the Group for the year ending 31 December 2022 will experience a growth of approximately 22% as compared with those for the year ending 31 December 2021. Furthermore, the representatives of the Company advised us that the new port terminal of the Group is expected to commence operation during the year

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ending 31 December 2022 and the revenue of the new port terminal for the three years ending 31 December 2024 will be placed with HPG Finance. The Company determined the expected revenue of the new port terminal based on the revenue of similar port terminals of the Group. In addition, the funding for the project development of the Group which will be placed with HPG Finance was determined based on (i) the estimated development progress of the phase 1 of crude oil terminal of Huanghua Port for the three years ending 31 December 2024; and (ii) the planned amount of fixed asset investment for the three years ending 31 December 2024 with reference to the amounts of fixed assets available for replacement or upgrade.

Given the foregoing, we are of the view that the annual caps for the Deposit Taking Services are determined based on reasonable estimation and after due and careful consideration and are fair and reasonable so far as the Independent Shareholders are concerned.

4. Internal control measures

The representatives of the Company advised us that the continuing connected transactions of the Group will be executed in accordance with the Qinhuangdao Port Co., Ltd. Connected Transaction Management Measures* (秦皇島港股份有限公司關聯交易管理辦法) (the “Measures”) to monitor and ensure that the pricing policies and annual caps of the continuing connected transactions are complied with. We have obtained the Measures and noted that a connected transaction committee is set up to manage all affairs relating to connected transactions of the Group and to guide, supervise and check the management of the connected transactions by the relevant departments. The finance department of the Company is responsible for (i) collecting the transaction amounts of the continuing connected transactions on a monthly basis; (ii) reporting the status of the continuing connected transactions periodically; and (iii) reporting to the connected transaction committee when there exists a possibility that any annual caps may be exceeded. We have obtained and reviewed the monthly reports for the eight months ended 31 August 2021 and noted that both transaction amounts and annual caps for the continuing connected transactions for the corresponding year were recorded in the monthly statements.

Further details of the internal control measures of the Group are set out in the Letter from the Board.

As stated in the 2020 Annual Report, the independent non-executive Directors have reviewed the continuing connected transactions stated in the 2020 Annual Report and confirmed that the transactions have been entered into (i) in the ordinary and usual course of business of the Company; (ii) either on normal commercial terms or, if there are no sufficient comparable transactions to judge whether they are on normal commercial terms or not, on terms no less favourable than those available to or from independent third parties; and (iii) in accordance with the relevant agreements governing the transactions and on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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As stated in the 2020 Annual report, the auditor of the Company has issued an unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed in the 2020 Annual report in accordance with Rule 14A.56 of the Listing Rules. The continuing connected transactions stated in the 2020 Annual Report (i) have been approved by the Board; (ii) have been, in all material respects, effected in accordance with pricing policies specified under the respective agreements relating to the transactions; (iii) have been, in all material respects, entered into on the terms of the respective agreements relating to the transactions; and (iv) do not exceed the annual caps as disclosed in relevant announcements.

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 General Services and the Deposit Taking Services (including the respective annual caps) and hence the interest of the Independent Shareholders would be safeguarded.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that the terms of the General Services and the Deposit Taking Services (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 General Services and the Deposit Taking Services, 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 resolution(s) to be proposed at the EGM to approve the General Services under the New General Services Agreement and the Deposit Taking Services under the New Financial Services Framework Agreement.

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

APPENDIX I AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The proposed amendments to the Articles of Association (as underlined) are as follows:

Before amendments	After amendments
<p>Article 12 The business scope of the Company shall be in accordance with the items approved by company registry.</p> <p>The business scope of the Company includes provision of berthing facilities for vessels; provision of loading and discharging, warehousing, container stacking, less than container load services entrusted by the principal; provision of pushing and towing services for vessels entering and leaving port, berthing and shifting berth; lease, repair and maintenance of harbour facilities, equipment and machinery; provision of shore power for vessels, crew shuttling, provision of waste recovery, oil fence services; provision of shore power and electrical engineering installation, repair and maintenance services, power use management and technological upgrading; buildings and premises leases; manufacturing, processing, repair and lease of hand tools; repair of motor vehicles; provision of computer engineering, network and software development services; harbour information and technology consultation services; the research and development, consultancy and services of harbour loading and unloading automation technology; cargo weighing; freight forwarding; ordinary freight; freight station (site) (logistics services); transport of special goods (containers); enterprise management services; provision of harbour-related labor services; import and export services of goods (except those prohibited by the state or for which a prior approval should be obtained); labor dispatch (operated with a valid operating license for labor dispatch); intellectualized building engineering; security engineering; maintenance of computer and auxiliary equipment; installation and maintenance of central air-conditioning; inspection of lightning protection devices; fire protection technical consultation; inspection, installation and maintenance of fire protection equipment;</p>	<p>Article 12 The business scope of the Company shall be in accordance with the items approved by company registry.</p> <p>The business scope of the Company includes provision of berthing facilities for vessels; provision of loading and discharging, warehousing, container stacking, less than container load services entrusted by the principal; provision of pushing and towing services for vessels entering and leaving port, berthing and shifting berth; lease, repair and maintenance of harbour facilities, equipment and machinery; provision of shore power for vessels, crew shuttling, provision of waste recovery, oil fence services; provision of shore power and electrical engineering installation, repair and maintenance services, power use management and technological upgrading; buildings and premises leases; manufacturing, processing, repair and lease of hand tools; repair of motor vehicles; provision of computer engineering, network and software development services; harbour information and technology consultation services; the research and development, consultancy and services of harbour loading and unloading automation technology; cargo weighing; freight forwarding; ordinary freight; freight station (site) (logistics services); transport of special goods (containers); enterprise management services; provision of harbour-related labor services; import and export services of goods (except those prohibited by the state or for which a prior approval should be obtained); labor dispatch (operated with a valid operating license for labor dispatch); intellectualized building engineering; security engineering; maintenance of computer and auxiliary equipment; installation and maintenance of central air-conditioning; inspection of lightning protection devices; fire protection technical consultation; inspection, installation and maintenance of fire protection equipment;</p>

APPENDIX I AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Before amendments	After amendments
<p>(The operation of the following items are restricted to the branches only): provision of supplies purchasing services for the Company; provision of services of funds settlement and financial administration in relation to the Company; security services for harbor facilities; environmental landscaping and sanitary services; railway transport services within the harbour district; computer system services.</p>	<p><u>design, production, agency sale and release of various advertisements in China; corporate image planning; corporate marketing planning; graphic and textual design and production; digital content production services (excluding publication and distribution); Internet information services (operated with a license); conference and exhibition services; human resource management consulting service; internal trainings for enterprise staff; repair for communication terminal equipment.</u> (The operation of the following items are restricted to the branches only): provision of supplies purchasing services for the Company; provision of services of funds settlement and financial administration in relation to the Company; security services for harbor facilities; environmental landscaping and sanitary services; railway transport services within the harbour district; computer system services.</p>
<p>Article 157 The Board of Directors shall exercise the following duties and powers:</p> <p>(1) To convene the shareholders' general meeting, and report the work to the shareholders' general meeting;</p> <p>(2) To implement the resolutions of the shareholders' general meeting;</p> <p>(3) To determine the operation plan and investment program of the Company;</p> <p>(4) To formulate the annual financial budget plan and final accounting plan;</p> <p>(5) To formulate the profit distribution plan and loss compensation plan of the Company;</p>	<p>Article 157 The Board of Directors shall exercise the following duties and powers:</p> <p>(1) To convene the shareholders' general meeting, and report the work to the shareholders' general meeting;</p> <p>(2) To implement the resolutions of the shareholders' general meeting;</p> <p>(3) To determine the operation plan and investment program of the Company;</p> <p>(4) To formulate the annual financial budget plan and final accounting plan;</p> <p>(5) To formulate the profit distribution plan and loss compensation plan of the Company;</p>

APPENDIX I AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Before amendments	After amendments
(6) To formulate the plans for increase or decrease of registered capital, issuing bonds or other securities and listing plan;	(6) To formulate the plans for increase or decrease of registered capital, issuing bonds or other securities and listing plan;
(7) To formulate the plans for the merger, split, dissolution and change of corporate form of the Company;	(7) To formulate the plans for the merger, split, dissolution and change of corporate form of the Company;
(8) To formulate the significant acquisition plan and the plan of acquisition of company shares;	(8) To formulate the significant acquisition plan and the plan of acquisition of company shares;
(9) To determine, within the authorization scope of the shareholders' general meeting, the external investments, assets acquisition and sales, pledge of assets, external guarantee, trust management and related transactions etc.;	(9) To determine, within the authorization scope of the shareholders' general meeting, the external investments, assets acquisition and sales, pledge of assets, external guarantee, trust management and related transactions etc.;
(10) To determine the establishment of internal management bodies and branch bodies of the Company;	(10) To determine the establishment of internal management bodies and branch bodies of the Company;
(11) To elect the Chairman and Deputy Chairman;	(11) To elect the Chairman and Deputy Chairman;
(12) To employ or dismiss the President and Secretary of the Board of Directors in accordance with the nomination or proposal of the Chairman; to employ or dismiss the Vice President, Financial Controller or other officers of the Company, and determine the remuneration and award and penalty provisions in accordance with the nomination or proposal of the President;	(12) To employ or dismiss the President and Secretary of the Board of Directors in accordance with the nomination or proposal of the Chairman; to employ or dismiss the Vice President, Financial Controller or other officers of the Company, and determine the remuneration and award and penalty provisions in accordance with the nomination or proposal of the President;
(13) To formulate the basic management system of the Company;	(13) To formulate the basic management system of the Company;
(14) To formulate the modification plan of the Articles of Association;	(14) To formulate the modification plan of the Articles of Association;
(15) To manage the information disclosures of the Company;	(15) To manage the information disclosures of the Company;

APPENDIX I AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Before amendments	After amendments
(16) To propose the shareholders' general meeting to employ or replace the public accounting firm of the Company;	(16) To propose the shareholders' general meeting to employ or replace the public accounting firm of the Company;
(17) To hear the working reports of the President and examine the work of the President;	(17) To hear the working reports of the President and examine the work of the President;
(18) To formulate and implement the equity incentive plan of the Company;	(18) To formulate and implement the equity incentive plan of the Company;
(19) To determine the loan financing of the Company;	(19) To determine the loan financing of the Company;
(20) To decide on the Company's compliance management objectives, promote the construction of a compliance culture in the Company and supervise and resolve the problems within the Company's compliance management;	(20) To decide on the Company's compliance management objectives, promote the construction of a compliance culture in the Company and supervise and resolve the problems within the Company's compliance management;
(21) The duties and powers granted by the laws, administrative rules, departmental regulations, securities regulatory provisions of the place where the shares of the Company are listed and the Articles of Association and other duties and powers granted by the shareholders' general meeting.	<u>(21) To promote the establishment of the Company's risk management system and consider matters on risk management of the Company;</u>
Unless otherwise provided by the laws, administrative rules and the Articles of Association, before making the resolutions about matters, the matters other than those in items (6), (7), (14) that must be approved by the voting of two thirds (2/3) of the whole directors may be approved by the voting of more than one half of the whole directors.	(22) The duties and powers granted by the laws, administrative rules, departmental regulations, securities regulatory provisions of the place where the shares of the Company are listed and the Articles of Association and other duties and powers granted by the shareholders' general meeting.
To determine the Company's important issues, the Board shall listen to the views of the Party Committee of the Company in advance.	Unless otherwise provided by the laws, administrative rules and the Articles of Association, before making the resolutions about matters, the matters other than those in items (6), (7), (14) that must be approved by the voting of two thirds (2/3) of the whole directors may be approved by the voting of more than one half of the whole directors.
	To determine the Company's important issues, the Board shall listen to the views of the Party Committee of the Company in advance.

APPENDIX I AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Before amendments	After amendments
<p>Article 174 The Board of Directors of the Company shall have a Strategy Committee, an Audit Committee, a Nomination Committee, a Remuneration and Appraisal Committee and a Compliance Management Committee. The Board of Directors may establish other special committees and adjust existing committees in accordance with the requirements.</p>	<p>Article 174 The Board of Directors of the Company shall have a Strategy Committee, an Audit Committee, a Nomination Committee, a Remuneration and Appraisal Committee, a Compliance Management Committee, a Compliance Management Committee <u>and a Risk Management Committee.</u> The Board of Directors may establish other special committees and adjust existing committees in accordance with the requirements.</p>
<p>New Article.</p>	<p><u>Article 181 Main responsibilities and power of the Risk Management Committee include:</u></p> <p><u>(1) To consider the annual reports on the comprehensive risk management work;</u></p> <p><u>(2) To consider the risk management strategies and solutions on the material risk management issues;</u></p> <p><u>(3) To consider the risk management organization structure and its responsibility plan;</u></p> <p><u>(4) To handle other matters on the comprehensive risk management delegated by the Board.</u></p>

**APPENDIX II AMENDMENTS TO THE RULES OF PROCEDURE
OF THE BOARD OF DIRECTORS**

The proposed amendments to the Rules of Procedure to the Board of Directors (as underlined) are as follows:

Before amendments	After amendments
Article 2 The Board of Directors shall exercise the following duties and powers:	Article 2 The Board of Directors shall exercise the following duties and powers:
(1) To convene the shareholders' general meeting, and report the work to the shareholders' general meeting;	(1) To convene the shareholders' general meeting, and report the work to the shareholders' general meeting;
(2) To implement the resolutions of the shareholders' general meeting;	(2) To implement the resolutions of the shareholders' general meeting;
(3) To determine the operation plan and investment program of the Company;	(3) To determine the operation plan and investment program of the Company;
(4) To formulate the annual financial budget plan and final accounting plan;	(4) To formulate the annual financial budget plan and final accounting plan;
(5) To formulate the profit distribution plan and loss compensation plan of the Company;	(5) To formulate the profit distribution plan and loss compensation plan of the Company;
(6) To formulate the plans for increase or decrease of registered capital, issuing bonds or other securities and listing plan;	(6) To formulate the plans for increase or decrease of registered capital, issuing bonds or other securities and listing plan;
(7) To formulate the plans for the merger, split, dissolution and change of corporate form of the Company;	(7) To formulate the plans for the merger, split, dissolution and change of corporate form of the Company;
(8) To formulate the significant acquisition plan and the plan of acquisition of company shares;	(8) To formulate the significant acquisition plan and the plan of acquisition of company shares;
(9) To determine, within the authorization scope of the shareholders' general meeting, the external investments, assets acquisition and sales, pledge of assets, external guarantee, trust management and related transactions etc.;	(9) To determine, within the authorization scope of the shareholders' general meeting, the external investments, assets acquisition and sales, pledge of assets, external guarantee, trust management and related transactions etc.;

**APPENDIX II AMENDMENTS TO THE RULES OF PROCEDURE
OF THE BOARD OF DIRECTORS**

Before amendments	After amendments
(10) To determine the establishment of internal management bodies and branch bodies of the Company;	(10) To determine the establishment of internal management bodies and branch bodies of the Company;
(11) To elect the Chairman and Deputy Chairman;	(11) To elect the Chairman and Deputy Chairman;
(12) To employ or dismiss the President and Secretary of the Board of Directors in accordance with the nomination or proposal of the Chairman; to employ or dismiss the Vice President, Financial Controller or other officers of the Company, and determine the remuneration and award and penalty provisions in accordance with the nomination or proposal of the President;	(12) To employ or dismiss the President and Secretary of the Board of Directors in accordance with the nomination or proposal of the Chairman; to employ or dismiss the Vice President, Financial Controller or other officers of the Company, and determine the remuneration and award and penalty provisions in accordance with the nomination or proposal of the President;
(13) To formulate the basic management system of the Company;	(13) To formulate the basic management system of the Company;
(14) To formulate the amendment plan of the Articles of Association;	(14) To formulate the amendment plan of the Articles of Association;
(15) To manage the information disclosures of the Company;	(15) To manage the information disclosures of the Company;
(16) To propose the shareholders' general meeting to employ or replace the public accounting firm of the Company;	(16) To propose the shareholders' general meeting to employ or replace the public accounting firm of the Company;
(17) To hear the working reports of the President and examine the work of the President;	(17) To hear the working reports of the President and examine the work of the President;
(18) To formulate and implement the share incentive plan of the Company;	(18) To formulate and implement the share incentive plan of the Company;
(19) To determine the loan financing of the Company;	(19) To determine the loan financing of the Company;

**APPENDIX II AMENDMENTS TO THE RULES OF PROCEDURE
OF THE BOARD OF DIRECTORS**

Before amendments	After amendments
<p>(20) To determine the compliance management objectives of the Company, promote the compliance culture construction of the Company, and supervise and resolve the issues in the compliance management of the Company;</p> <p>(21) The duties and powers granted by the laws, administrative rules, departmental regulations, securities regulatory provisions of the place where the shares of the Company are listed and the Articles of Association and other duties and powers granted by the shareholders' general meeting.</p> <p>Unless otherwise provided by the laws, administrative rules and the Articles of Association, before making the resolutions about matters, the matters other than those in items (6), (7), (14) that must be approved by the voting of two thirds (2/3) of the whole directors may be approved by the voting of more than one half of the whole directors.</p>	<p>(20) To determine the compliance management objectives of the Company, promote the compliance culture construction of the Company, and supervise and resolve the issues in the compliance management of the Company;</p> <p><u>(21) To promote the establishment of the Company's risk management system and consider matters on risk management of the Company;</u></p> <p>(22) The duties and powers granted by the laws, administrative rules, departmental regulations, securities regulatory provisions of the place where the shares of the Company are listed and the Articles of Association and other duties and powers granted by the shareholders' general meeting.</p> <p>Unless otherwise provided by the laws, administrative rules and the Articles of Association, before making the resolutions about matters, the matters other than those in items (6), (7), (14) that must be approved by the voting of two thirds (2/3) of the whole directors may be approved by the voting of more than one half of the whole directors.</p>
<p>Article 10 The Board of Directors of the Company shall have a Strategy Committee, an Audit Committee, a Nomination Committee, a Remuneration and Appraisal Committee and a Compliance Management Committee. The Board of Directors may establish other special committees and adjust existing committees in accordance with the requirements.</p>	<p>Article 10 The Board of Directors of the Company shall have a Strategy Committee, an Audit Committee, a Nomination Committee, a Remuneration and Appraisal Committee, a Compliance Management Committee <u>and a Risk Management Committee</u>. The Board of Directors may establish other special committees and adjust existing committees in accordance with the requirements.</p>

**APPENDIX II AMENDMENTS TO THE RULES OF PROCEDURE
OF THE BOARD OF DIRECTORS**

Before amendments	After amendments
New Article.	<p><u>Article 16 Main responsibilities and power of the Risk Management Committee include:</u></p> <p><u>(1) To consider the annual reports on the comprehensive risk management work;</u></p> <p><u>(2) To consider the risk management strategies and solutions on the material risk management issues;</u></p> <p><u>(3) To consider the risk management organization structure and its responsibility plan;</u></p> <p><u>(4) To handle other matters on the comprehensive risk management delegated by the Board.</u></p>

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for the two years ended 31 December 2019 and 2020 and the six months ended 30 June 2021 have been set out in the Company's annual report for the year ended 31 December 2019 (the "**2019 Annual Report**"), annual report for the year ended 31 December 2020 (the "**2020 Annual Report**"), and interim report for the six months ended 30 June 2021 (the "**2021 Interim Report**").

The 2019 Annual Report has been posted on the website of the Stock Exchange (https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0420/2020042000314_c.pdf) and the Company (https://media-portqhd.todayir.com/202004220059311798165466_tc.pdf).

The 2020 Annual Report has been posted on the website of the Stock Exchange (https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0421/2021042100481_c.pdf) and the Company (https://media-portqhd.todayir.com/2021042116400263379726695_tc.pdf).

The 2021 Interim Report has been posted on the website of the Stock Exchange (https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0917/2021091700598_c.pdf) and the Company (https://media-portqhd.todayir.com/2021091716560188119941506_tc.pdf).

2. INDEBTEDNESS

As at the close of business on 31 October 2021 being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this circular, the Group had outstanding unsecured credit borrowings of approximately RMB7,390 million, details of which are as follows:

Borrowings:

	At 31 October 2021 <i>RMB million</i> (unaudited)
Credit Borrowings	7,390

Guarantees:

As at 31 October 2021, the Group had no guarantees provided to a subsidiary or a third-party entity.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, as at the close of business on 31 October 2021, the Group did not have any issued and outstanding, or committed, loan capital, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

3. WORKING CAPITAL

Taking into account the financial resources available to the Group, the Directors are of the opinion that the Group will have sufficient working capital to meet its present requirements for at least twelve months from the date of this circular.

4. FINANCIAL AND TRADING PROSPECTS

It is expected that the PRC's economy will maintain its growth within a reasonable range. Consolidating the existing achievements, the Group will continue to tap its potential, strengthen market development and achieve stable operation of the Group. The Company's prospects for various businesses are as follows:

Coal business

The Company will strengthen the development of coal supply and the improvement of service quality. While tapping its potential and improving efficiency, it will visit targeted high-quality customers, strive for the transit of supply of goods in its ports, continuously improve the quality of freight services, focus on key business sectors, refine work process, strengthen inspection and assessment, continuously track the effect of rectification, ensure the fair and just business order of the port, and protect the vital interests of customers.

Metal ores business

The Company will continue to strengthen the development of metal ore business, carry out in-depth cooperation with major domestic and foreign customers, and improve the comprehensive service quality of the port; optimize the supply structure, and continue to develop various ore businesses such as manganese ore and chrome ore based on iron ore business, and do well in value-added services such as mixed ore; improve the railway delivery capacity, make full use of the newly added operating capacity after the continued construction project of Cangzhou Ore Phase I is put into operation, with an aim to further enhance the Company's market competitiveness.

Container business

The Company will continue to vigorously push ahead the development of container business, catch up with the development of domestic advanced terminals, promote port information-based and intelligent construction, and continue to improve customer service quality; strive to expand the "dry bulk to containers" business, and improve and strengthen the container sea-rail combined transportation business; persist in the development of new domestic and foreign trade routes to attract more sources of goods; carry out the construction of inland ports and container yards to enhance the Company's ability to radiate and drive the Hinterland.

General cargoes business

The Company will further exert its efforts in sourcing of goods and maintenance of customer relations, identify customer' in-depth needs, stabilize the existing source of goods, and develop new sources of goods; take the “transformation from road haulage to rail-freight transport” of steel as an opportunity to make greater use of the advantages of port and railway transportation to strive for more bulk or sparse shipping business; continue to implement standardized and normalized operations, strengthen production organization, increase investment in port facilities to improve operation efficiency and storage capacity.

5. EFFECT OF THE DEPOSIT TAKING SERVICES ON THE EARNINGS AND ASSETS AND LIABILITIES OF THE GROUP

Given the interest income expected to be earned from the Group's deposits with HPG Finance under the New Financial Services Framework Agreement will unlikely represent a significant contribution to the Group's earnings and assets, the Company anticipates that the interest income to be earned from the deposits for the three years ending 31 December 2024 will not have any material impact on its earnings, assets and liabilities.

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. DISCLOSURE OF INTERESTS**Directors, Supervisors and chief executive of the Company**

As at the Latest Practicable Date, none of the Directors, supervisor or chief executive of the Company (and their respective associate(s)) had or was deemed to have 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) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are deemed or taken to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO to be entered into the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange.

Substantial shareholders' interests

As at the Latest Practicable Date, save as disclosed below, according to the list of substantial shareholders extracted from the website of the Stock Exchange, the following companies or persons (except for the Directors, supervisors or chief executives of the Company) had an interest or short position in the Shares and the register of interests kept by the Company under section 336 of the SFO and as far as is known to the Directors, no person other than a Director whose interests are disclosed above, had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group or had any option in respect of such capital:

Name of Shareholders	Number of Shares held	Capacity in which the Shares were held	Class of Shares	Approximate percentage to the total number of same class of issued share capital of the Company	Approximate percentage to the total number of issued share capital of the Company	Long position/ short position
State-owned Assets Supervision & Administration Commission of the People's Government of Hebei Province	3,032,528,078 (Note 1)	Interest of controlled corporation	A Shares	63.74%	54.27%	Long position
HPG	3,032,528,078 (Note 1)	Beneficial owner	A Shares	63.74%	54.27%	Long position
Qinhuangdao Municipal People's Government State-owned Assets Supervision and Administration Commission	621,455,485	Beneficial owner	A Shares	13.06%	11.12%	Long position

Name of Shareholders	Number of Shares held	Capacity in which the Shares were held	Class of Shares	Approximate percentage to the total number of issued share capital of the Company	Approximate percentage to the total number of issued share capital of the Company	Long position/ short position
HPG	71,303,000 (Note 2)	Interest of controlled corporation	H Shares	8.59%	1.28%	Long position
HPG (H.K.) Limited	71,303,000 (Note 2)	Beneficial owner	H Shares	8.59%	1.28%	Long position
Fosun Holdings Limited	44,839,500 (Note 3)	Interest of controlled corporation	H Shares	5.40%	0.80%	Long position
Fosun International Holdings Ltd.	44,839,500 (Note 3)	Interest of controlled corporation	H Shares	5.40%	0.80%	Long position
Fosun International Limited	44,839,500 (Note 3)	Interest of controlled corporation	H Shares	5.40%	0.80%	Long position
GUO Guangchang (郭廣昌)	44,839,500 (Note 3)	Interest of controlled corporation	H Shares	5.40%	0.80%	Long position
China Shipping (Group) Company	44,296,500 (Note 4)	Interest of controlled corporation	H Shares	5.34%	0.79%	Long position
China Shipping (H.K.) Holdings Co., Ltd.	44,296,500 (Note 4)	Interest of controlled corporation	H Shares	5.34%	0.79%	Long position
China Shipping Ports Development Co., Ltd.	44,296,500 (Note 4)	Beneficial owner	H Shares	5.34%	0.79%	Long position

Notes:

1. State-owned Assets Supervision & Administration Commission of the People's Government of Hebei Province is the controlling shareholder of HPG, therefore, was deemed to be interested in 3,032,528,078 Shares of the Company under the SFO;
2. HPG is the controlling shareholder of HPG (H.K.) Limited, therefore, was deemed to be interested in 71,303,000 Shares of the Company under the SFO;
3. In accordance with the Disclosure of Interests Online System of the Stock Exchange, each of Mr. GUO Guangchang (郭廣昌) (being the direct controlling shareholder of Fosun International Holdings Ltd.), Fosun International Holdings Ltd. (being the direct controlling shareholder of Fosun Holdings Limited) and Fosun Holdings Limited (being the direct controlling shareholder of Fosun International Limited) was deemed to be interested in 44,296,500 Shares of the Company respectively under the SFO; and
4. Each of China Shipping (Group) Company (being the direct controlling shareholder of China Shipping (H.K.) Holdings Co., Ltd.) and China Shipping (H.K.) Holdings Co., Ltd. (being the direct controlling shareholder of China Shipping Ports Development Co., Ltd.) was deemed to be interested in 44,296,500 Shares of the Company respectively under the SFO.

3. INTERESTS IN CONTRACT OR ARRANGEMENT

As at the Latest Practicable Date:

- (i) none of the Directors had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2020, being the date to which the latest published audited consolidated financial statements of the Group were made up; and
- (ii) none of the Directors was materially interested in contract or arrangement subsisting as at the Latest Practicable Date which is significant in relation to the business of the Group.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, there is no existing service contract entered into or proposed service contract to be entered into between any Director and any member of the Group (excluding agreements expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that there were no material adverse changes in the financial or trading position of the Group since 31 December 2020 (being the date to which the latest published audited accounts of the Company were made up).

6. COMPETING INTERESTS

As at the Latest Practicable Date, save for the business of the Group, none of the Directors nor his or her close associates was interested in any business that competes or might compete, with any business of the Group.

7. EXPERT AND CONSENT

The followings are the qualifications of the expert who has given advices or opinions contained in this circular:

Name	Qualification
TC Capital International Limited	a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, TC Capital had given and had not withdrawn its written consent to the issue of this circular with inclusion of its letter and the reference to its name included herein in the form and context in which it appears.

As at the Latest Practicable Date, TC Capital did not have any shareholding in the Company 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, TC Capital did not have any direct or indirect interest in any asset which had been acquired or disposed of by or leased to any member of the Group, or was proposed to be acquired or disposed of by or leased to any member of the Group, since 31 December 2020, being the date to which the latest published audited financial statements of the Company were made up.

8. LITIGATION

Save as one litigation as disclosed in the announcements dated 31 January 2018, 29 June 2018, 18 September 2018, 18 October 2018, 3 January 2020 and 15 September 2020 as at the Latest Practicable Date, no member of the Group was engaged in any litigation or claim of material importance and, to the Directors' best knowledge, there was no litigation or claim of material importance pending or threatened by or against any member of the Group.

9. MATERIAL CONTRACTS

Within two years immediately prior to the Latest Practicable Date, there was no contract (not being contracts entered into in the ordinary course of business) entered into by any member of the Group which was or might be material.

10. MISCELLANEOUS

- (a) The company secretary of the Company is Mr. Zhan Nan. For details of his biographical information, please refer to the Company's 2020 Annual Report.
- (b) In the event of inconsistency, the English text of this circular shall prevail over the Chinese.

11. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>) and the Company (<https://www.portqhd.com>) for a period of 14 days from the date of this circular:

- (a) the proposed amendments to the Articles of Association; and
- (b) New General Services Agreement and New Financial Services Framework Agreement;

NOTICE OF EXTRAORDINARY GENERAL MEETING



秦皇島港股份有限公司 QINHUANGDAO PORT CO., LTD.*

(a joint stock limited liability company incorporated in the People's Republic of China)

(Stock Code: 3369)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (the “EGM”) of the Company will be held at 11:00 a.m. on Thursday, 16 December 2021 at Port Hotel, 20 Haibin Road, Haigang District, Qinhuangdao, Hebei Province, the People’s Republic of China for the purpose of considering and if thought fit, passing the following resolutions:

ORDINARY RESOLUTIONS

1. The resolution regarding the entering into of the General Services Agreement:
 - (i) approve the Company (and on behalf of the Group) to enter into the General Services Agreement (the “**New General Services Agreement**”) with HPG (and on behalf of its subsidiaries) and the transactions thereunder;
 - (ii) approve and confirm the proposed annual caps for each of the years ending 31 December 2022, 2023 and 2024, respectively;
 - (iii) authorise the Directors, for and on behalf of the Company, to take all steps necessary or expedient in their opinion to implement and/or give effect to the terms of the New General Services Agreement; and
 - (iv) authorise the Directors, for and on behalf of the Company, to execute all such other documents, instruments and agreements and to do all such acts or things deemed by them to be incidental to, ancillary to or in connection with the matters contemplated under the New General Services Agreement and to agree to any amendment to any of the terms of the New General Services Agreement which in the opinion of the Directors is not of a material nature and is in the interests of the Company.

* *For identification purpose only*

NOTICE OF EXTRAORDINARY GENERAL MEETING

2. The resolution regarding the entering into of the Financial Services Framework Agreement:
 - (i) approve the Company (and on behalf of the Group) to enter into the Financial Services Framework Agreement (the “**New Financial Services Framework Agreement**”) with HPG Finance and the transactions thereunder;
 - (ii) approve and confirm the proposed annual caps for each of the years ending 31 December 2022, 2023 and 2024, respectively;
 - (iii) authorise the Directors of the Company, for and on behalf of the Company, to take all steps necessary or expedient in their opinion to implement and/or give effect to the terms of the New Financial Services Framework Agreement;
 - (iv) authorise the Directors, for and on behalf of the Company, to execute all such other documents, instruments and agreements and to do all such acts or things deemed by them to be incidental to, ancillary to or in connection with the matters contemplated under the New Financial Services Framework Agreement and to agree to any amendment to any of the terms of the New Financial Services Framework Agreement which in the opinion of the Directors is not of a material nature and is in the interests of the Company.

SPECIAL RESOLUTIONS

3. The resolution regarding amendments to the Articles of Association of Qinhuangdao Port Co., Ltd..
4. The resolution regarding amendments to Rules of Procedure to the Board of Directors of Qinhuangdao Port Co., Ltd..

By order of the Board
Qinhuangdao Port Co., Ltd.*
CAO Ziyu
Chairman

Qinhuangdao, Hebei Province, the People’s Republic of China
29 November 2021

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. Capitalised terms defined in the announcement of the Company dated 28 October 2021 shall have the same meanings when used in this notice, unless the context otherwise requires.
2. In order to determine the holders of H Shares who will be entitled to attend and vote at the EGM, the register of members of the Company will be closed from Monday, 13 December 2021 to Thursday, 16 December 2021 (both days inclusive), during which period no transfer of Shares will be registered. H Shareholders whose name appear on the register of members of the Company before the close of business on Monday, 13 December 2021 are entitled to attend and vote in respect of all resolutions to be proposed at the EGM. In order for the holders of H Shares of the Company to qualify for attending the EGM, all completed share transfer documents accompanied by the relevant share certificates must be lodged with the Company's H Share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, and in any case no later than 4:30 p.m. on Friday, 10 December 2021.
3. Any Shareholders entitled to attend and vote at the EGM can appoint one or more proxies to attend and, on a poll, vote on his/her behalf. A proxy need not be a Shareholder.
4. In order to be valid, the proxy form must be deposited by hand or by post by the H Shareholders of the Company to the Company's H Shares Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 24 hours before the time for holding the EGM or any adjournment thereof or the time appointed for taking the poll. If the proxy form is signed by a person under a power of attorney or other authority, a notarially certified copy of that power of attorney or authority shall be deposited at the same time as mentioned in the proxy form. Completion and return of the proxy form will not preclude Shareholders from attending and voting in person at the EGM or any adjournment thereof should they so wish.
5. Shareholders or their proxies shall produce their identification documents when attending the EGM.
6. The EGM is expected to last for no more than half a day. Shareholders who attend the EGM (in person or by proxy) shall bear their own travelling and accommodation expenses.
7. The contact of the Company:

Address: 35 Haibin Road, Haigang District, Qinhuangdao, Hebei Province, PRC
Postal Code: 066000
Fax: 0335-3093599
8. All votes of resolutions at the EGM will be taken by poll pursuant to the Listing Rules and the results of the poll will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.portqhd.com) in accordance with the Listing Rules.

As at the date of this notice, the executive directors of the Company are CAO Ziyu, YANG Wensheng, and MA Xiping; the non-executive directors of the Company are LIU Guanghai, LI Jianping and XIAO Xiang; and the independent non-executive directors of the Company are ZANG Xiuqing, HOU Shujun, CHEN Ruihua and XIAO Zuhe.