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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

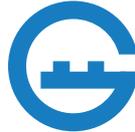
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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

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.

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**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: 03369)**

- I. 2022 PROFIT DISTRIBUTION PLAN AND DECLARATION OF FINAL DIVIDEND;**
- II. THE RE-APPOINTMENT OF THE AUDITOR FOR THE YEAR 2023 AND THE AUDIT FEES FOR THE YEAR 2023;**
- III. THE RE-APPOINTMENT OF THE INTERNAL CONTROL AUDITOR FOR THE YEAR 2023 AND THE INTERNAL CONTROL AUDIT FEES FOR THE YEAR 2023;**
- IV. THE DIRECTORS' 2022 ANNUAL REMUNERATION;**
- V. THE SUPERVISORS' 2022 ANNUAL REMUNERATION;**
- VI. PROPOSED REVISION OF THE EXISTING ANNUAL CAPS OF THE CONTINUING CONNECTED TRANSACTIONS UNDER THE NEW GENERAL SERVICES AGREEMENT;**
- AND**
- VII. NOTICE OF ANNUAL GENERAL MEETING**

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



**TC CAPITAL**

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A notice for convening the AGM to be held at 11:00 a.m. on Wednesday, 28 June 2023 at Feila Seaview Hotel (菲拉海景酒店), 195 Dongshan Street, Haigang District, Qinhuangdao, Hebei Province, PRC is set out on pages AGM-1 to AGM-2 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 AGM (or any adjournment thereof). Completion and return of the form of proxy will not preclude you from attending and voting in person at the AGM or any adjournment thereof should you so wish.

\* For identification purpose only

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## DEFINITIONS

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

“2021 Announcement on Continuing Connected Transactions”	the announcement of the Company dated 28 October 2021 regarding (including) the New General Services Agreement
“2021 Circular on Continuing Connected Transactions”	the circular of the Company dated 29 November 2021 regarding (including) the New General Services Agreement
“A Share(s)”	the RMB ordinary shares with a par value of RMB1.00 each (stock code: 601326) issued by the Company in China that is subscribed in RMB and listed on the SSE
“AGM” or “Annual General Meeting”	the annual general meeting or any adjournment thereof of the Company to be held at 11:00 a.m. on Wednesday, 28 June 2023 at Feila Seaview Hotel (菲拉海景酒店), 195 Dongshan Street, Haigang District, Qinhuangdao, Hebei Province, PRC
“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
“Company”	Qinhuangdao Port Co., Ltd.* (秦皇島港股份有限公司), a joint stock limited liability company incorporated in the PRC, the H Shares of which are listed on the Main Board of the Stock Exchange, the A Shares of which are listed on the Main Board of the SSE
“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

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## DEFINITIONS

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“Existing Annual Caps”	the annual caps under the New General Services Agreement for the years ending 31 December 2022, 2023 and 2024 in respect of (i) the provision of services by the Group to HPG and/or its subsidiaries; and (ii) the provision of services by HPG and/or its subsidiaries to the Group, are (i) RMB166 million, RMB166 million and RMB166 million; and (ii) RMB607 million, RMB637 million and RMB669 million, respectively
“Form(s) of Proxy”	forms of proxy to be delivered to the Shareholders together with this circular
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign shares with nominal value of RMB1.00 each (stock code: 03369) in the ordinary share capital of the Company which are listed on the Main Board of the Stock Exchange and are traded in Hong Kong dollars
“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. As at the Latest Practicable Date, HPG is interested in 3,144,268,078 A Shares and 71,303,000 H Shares, representing approximately 57.55% of the issued share capital of the Company
“HPG Member(s)”	HPG and/or its subsidiaries from time to time, or any one of them (excluding members of the Group)
“Independent Board Committee”	an independent committee of the Board comprising all independent non-executive Directors, namely CHEN Ruihua, XIAO Zuhe, ZHAO Jinguang and ZHU Qingxiang
“Independent Shareholders”	the Shareholders other than HPG and its associates

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## DEFINITIONS

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“Latest Practicable Date”	19 May 2023, 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 General Services Agreement”	the General Services Agreement entered into between the Company and HPG (and on behalf of its subsidiaries) on 28 October 2021
“Notice of AGM”	the Notice of AGM to be held as set out on pages AGM-1 to AGM-2 of this circular
“percentage ratio(s)”	having the meaning ascribed to it under the Listing Rules
“PRC”	the People’s Republic of China which, for the purposes of this circular, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Revised Annual Caps”	the annual caps under the New General Services Agreement for the years ending 31 December 2023 and 2024 in respect of (i) the provision of services by the Group to HPG and/or its subsidiaries; and (ii) the provision of services by HPG and/or its subsidiaries to the Group, are (i) RMB200 million and RMB200 million; and (ii) RMB1,239.40 million and RMB1,363.34 million, respectively
“Revised Annual Cap I”	the annual caps under the New General Services Agreement for the years ending 31 December 2023 and 2024 in respect of the provision of services by the Group to HPG and/or its subsidiaries, are RMB200 million and RMB200 million, respectively
“Revised Annual Cap II”	the annual caps under the New General Services Agreement for the years ending 31 December 2023 and 2024 in respect of the provision of services by HPG and/or its subsidiaries to the Group, are RMB1,239.40 million and RMB1,363.34 million, respectively
“RMB”	Renminbi, the lawful currency of the PRC

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## DEFINITIONS

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“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)”	shareholder(s) of A Shares and H Shares of the Company
“Shareholder(s) of A Shares”	holder(s) of A Shares
“Shareholder(s) of H Shares”	holder(s) of H 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

*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.*

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## LETTER FROM THE BOARD

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# 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: 03369)

*Executive Directors:*

ZHANG Xiaoqiang (Chairman)  
Mr. NIE Yuzhong  
Mr. GAO Feng

*Non-executive Directors:*

Mr. LI Yingxu  
Ms. XIAO Xiang

*Independent non-executive Directors:*

Mr. CHEN Ruihua  
Mr. XIAO Zuhe  
Mr. ZHAO Jinguang  
Ms. ZHU Qingxiang

*Registered office:*

35 Haibin Road  
Haigang District,  
Qinhuangdao  
Hebei Province  
PRC

*Principal place of business in  
Hong Kong:*

Unit 7, 9/F, Enterprise Square Three  
No. 39 Wang Chiu Road  
Kowloon Bay, Hong Kong

24 May 2023

*To the Shareholders*

Dear Sir or Madam,

- I. 2022 PROFIT DISTRIBUTION PLAN AND DECLARATION OF FINAL DIVIDEND;**  
**II. THE RE-APPOINTMENT OF THE AUDITOR FOR THE YEAR 2023 AND THE AUDIT FEES FOR THE YEAR 2023;**  
**III. THE RE-APPOINTMENT OF THE INTERNAL CONTROL AUDITOR FOR THE YEAR 2023 AND THE INTERNAL CONTROL AUDIT FEES FOR THE YEAR 2023;**  
**IV. THE DIRECTORS' 2022 ANNUAL REMUNERATION;**  
**V. THE SUPERVISORS' 2022 ANNUAL REMUNERATION;**  
**VI. PROPOSED REVISION OF THE EXISTING ANNUAL CAPS OF THE CONTINUING CONNECTED TRANSACTIONS UNDER THE NEW GENERAL SERVICES AGREEMENT;**  
**AND**  
**VII. NOTICE OF ANNUAL GENERAL MEETING**

### INTRODUCTION

The purpose of this circular is to provide you with the information regarding: I. 2022 profit distribution plan and declaration of final dividend; II. the re-appointment of the auditor for the year 2023 and the audit fees for the year 2023; III. the re-appointment of the internal control auditor for the year 2023 and the internal control audit fees for the year 2023; IV. the

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## LETTER FROM THE BOARD

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Directors' 2022 annual remuneration; V. the supervisors' 2022 annual remuneration; VI. proposed revision of the existing annual caps of the continuing connected transactions under the New General Services Agreement (including, (i) further details of the proposed revision of the existing annual caps of the continuing connected transactions under the New General Services Agreement; (ii) the recommendation from the Independent Board Committee; and (iii) the advice from the Independent Financial Adviser on the Revised Annual Cap II under the New General Services Agreement); and VII. the Notice of AGM.

### **I. 2022 PROFIT DISTRIBUTION PLAN AND DECLARATION OF FINAL DIVIDEND**

According to the relevant resolution approved at the meeting of the Board on 29 March 2023, on the basis of total share capital of 5,587,412,000 Shares as at 31 December 2022, the Board recommended the payment of a final dividend of RMB0.71 per 10 Shares (inclusive of tax) to the Shareholders of the Company, with a total cash dividend amounting to RMB396,706,252.00. If there is any change to the total share capital registered at the share registration date of the subsequent implementation of interest distribution, the Company intends to keep the total distribution unchanged and make corresponding adjustment to the distribution ratio. If the profit distribution plan is approved by the Shareholders at the AGM, the final dividend will be distributed by 25 August 2023 to the Shareholders whose names appear on the register of members of the Company as at 18 July 2023. In accordance with the Articles of Association, dividends for Shareholders of A Shares are to be declared and paid in RMB, whereas dividends for Shareholders of H Shares are to be declared in RMB and paid in Hong Kong dollars, the exchange rate of which will be calculated based on the average exchange rate published by The People's Bank of China one week immediately preceding the date of AGM to be held on 28 June 2023.

In accordance with the Enterprise Income Tax Law of the People's Republic of China and its implementation rules effective on 1 January 2008, where a PRC domestic enterprise distributes dividends for financial periods beginning from 1 January 2008 to non-resident enterprise shareholders, it is required to withhold 10% enterprise income tax for such non-resident enterprises. Therefore, as a PRC domestic enterprise, the Company will, after withholding 10% of final dividend as enterprise income tax, distribute the final dividend to non-resident enterprise Shareholders, i.e., any Shareholders who hold the Company's Shares in the name of non-individual Shareholders, including but not limited to Shareholders of H Shares registered in the name of HKSCC Nominees Limited, other nominees, trustees, or other organizations and groups.

Due to the changes in the PRC tax laws and regulations, according to the Announcement on the List of Fully and Partially Invalid and Repealed Tax Regulatory Documents issued by the State Taxation Administration on 4 January 2011, individual Shareholders who hold the H Shares of QHD Port and whose names appeared on the H Share register of members of QHD Port can no longer be exempted from individual income tax pursuant to the Notice on Matters Concerning the Taxation of Gains on Transfer and Dividends from Shares (Equities) Received by Foreign Investment Enterprises, Foreign Enterprises and Foreign Individuals (Guo Shui Fa

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## LETTER FROM THE BOARD

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[1993] No. 045) issued by the State Taxation Administration, whilst pursuant to the letter titled Tax Arrangements on Dividends Paid to Hong Kong Residents by Mainland Companies issued by the Hong Kong Stock Exchange to the issuers on 4 July 2011 and the Notice on Matters Concerning the Levy and Administration of Individual Income Tax after the Repeal of Guo Shui Fa [1993] No. 045 of State Administration of Taxation (Guo Shui Han [2011] No. 348), it is confirmed that the overseas resident individual shareholders holding shares of domestic non-foreign invested enterprises issued in Hong Kong are entitled to the relevant preferential tax treatments pursuant to the provisions in the tax agreements between the countries where they reside and the PRC or the tax arrangements between the PRC and Hong Kong (Macau). Therefore, the Company will withhold 10% of the dividend as individual income tax, unless it is otherwise specified in the relevant tax regulations and tax agreements, in which case the Company will withhold individual income tax of such dividends in accordance with the tax rates and the relevant procedures as specified by the relevant regulations.

### **II. THE RE-APPOINTMENT OF THE AUDITOR FOR THE YEAR 2023 AND THE AUDIT FEES FOR THE YEAR 2023**

The Company proposed to re-appoint Ernst & Young Hua Ming LLP as the auditor of the Company for the year 2023, who will hold office until the conclusion of the annual general meeting for the year 2023.

The total fees for the audit of financial statements for the year 2023 will be RMB4 million (inclusive of tax).

### **III. THE RE-APPOINTMENT OF THE INTERNAL CONTROL AUDITOR FOR THE YEAR 2023 AND THE INTERNAL CONTROL AUDIT FEES FOR THE YEAR 2023**

The Company proposed to re-appoint Ernst & Young Hua Ming LLP as the internal control auditor of the Company for the year 2023, who will hold office until the conclusion of the annual general meeting for the year 2023.

The total internal control audit fees for the year 2023 will be RMB0.7 million (inclusive of tax).

## LETTER FROM THE BOARD

### IV. THE DIRECTORS' 2022 ANNUAL REMUNERATION

In accordance with the requirements under the PRC Company Law and other relevant laws, regulations and normative documents and the Articles of Association, as well as the decision-making procedures and basis of determination for the remuneration of the Company's Directors, the Company has formulated the 2022 annual remuneration plan for Directors, which is as follows:

#### 2022 Annual Remuneration Plan for Directors

*Unit: RMB' ten thousand*

Name	Position	Remuneration paid (before tax)	Social insurance, housing provident fund and corporate annuities paid by the Company	Total remuneration before tax received from the Company	Remarks
CAO Ziyu	Executive Director, chairman				Resigned in February 2023
SUN Wenzhong	Non-executive Director, vice- chairman				Resigned in February 2023
YANG Wensheng	Executive Director, president	80.22	17.39	97.61	Resigned in February 2023
MA Xiping	Executive Director, secretary to the Board	84.51	17.01	101.52	Resigned in February 2023
LI Yingxu	Non-executive Director				Appointed in June 2022
XIAO Xiang	Non-executive Director				
CHEN Ruihua	Independent non- executive Director	10		10	
XIAO Zuhe	Independent non- executive Director	10		10	
ZHAO Jinguang	Independent non- executive Director	5		5	Appointed in June 2022
ZHU Qingxiang	Independent non- executive Director	5		5	Appointed in June 2022
LIU Guanghai	Non-executive Director, vice- chairman				Leaving in June 2022
LI Jianping	Non-executive Director				Leaving in June 2022
ZANG Xiuqing	Independent non- executive Director	5		5	Leaving in June 2022
Total	/	199.73	34.40	234.13	

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## LETTER FROM THE BOARD

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Among them, CAO Ziyu, SUN Wenzhong, LI Yingxu, XIAO Xiang, LIU Guanghai and LI Jianping do not receive remuneration from the Company; the Company has four independent non-executive Directors, and the allowance standard for them amounted to RMB100,000 per year (before tax).

### V. THE SUPERVISORS' 2022 ANNUAL REMUNERATION

In accordance with the requirements under the PRC Company Law and other relevant laws, regulations and normative documents and the Articles of Association, as well as the decision-making procedures and basis of determination for the remuneration of the Company's supervisors, the Company has formulated the 2022 annual remuneration plan for supervisors, which is as follows:

#### 2022 Annual Remuneration Plan for Supervisors

*Unit: RMB' ten thousand*

Name	Position	Remuneration paid (before tax)	Social insurance, housing provident fund and corporate annuities paid by the Company	Total remuneration before tax received from the Company	Remarks
MENG Bo	Supervisor, chairman of the supervisory committee				Resigned in March 2023
BU Zhouqing	Supervisor				Resigned in March 2023
BIAN Yingzi	Supervisor				
Yang Jun	Employee representative supervisor	63.62	14.85	78.47	Resigned in March 2023
ZHOU Chengtao	Employee representative supervisor	52.42	15.13	67.55	Resigned in March 2023
CHEN Linyan	Employee representative supervisor	5.04	1.36	6.40	Resigned in January 2022
Total	/	121.08	31.34	152.42	

Among them, the chairman of the supervisory committee, MENG Bo, the supervisors, BU Zhouqing and BIAN Yingzi do not receive remuneration from the Company.

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## LETTER FROM THE BOARD

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### VI. PROPOSED REVISION OF THE EXISTING ANNUAL CAPS OF THE CONTINUING CONNECTED TRANSACTIONS UNDER THE NEW GENERAL SERVICES AGREEMENT

Reference is made to the 2021 Announcement on Continuing Connected Transactions and the 2021 Circular on Continuing Connected Transactions, both in relation to, among other things, the New General Services Agreement. The effective period of the New General Services Agreement is from 1 January 2022 to 31 December 2024 (both days inclusive), the annual caps thereunder for the years ending 31 December 2022, 2023 and 2024 in respect of (i) the provision of services by the Group to HPG and/or its subsidiaries; and (ii) the provision of services by HPG and/or its subsidiaries to the Group, are (i) RMB166 million, RMB166 million and RMB166 million; and (ii) RMB607 million, RMB637 million and RMB669 million, respectively.

Reference is also made to the announcement of the Company dated 29 March 2023, in relation to, among other things, the proposed revision of the Existing Annual Caps of the continuing connected transactions under the New General Services Agreement. In view of the requirements of port operations required for the designated business, both the Group and HPG and/or its subsidiaries need services provided by each other. In view of the Group's business development needs in the next two years, it is expected that transactions between the Group and HPG shall exceed previous expectations. As a result, the total service fees payable or receivable under the New General Services Agreement will be higher than as expected when entering into the New General Services Agreement between both parties. Therefore, in order to cater to the ever-increasing service needs, the Board believes that the Existing Annual Caps set out in the New General Services Agreement may not be sufficient to cover the anticipated transactions. On 29 March 2023, the Board passed a resolution to propose a revision to the Existing Annual Caps. All other terms and conditions of the New General Services Agreement will remain unchanged except for the revision to the Existing Annual Caps.

Principal terms of the New General Services Agreement are set out as follows:

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)

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## LETTER FROM THE BOARD

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- 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.

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 such parties to any third party.

- Condition precedent: The New General Services Agreement is subject to approval of the Independent Shareholders at a general meeting (the ordinary resolutions regarding, among others, the New General Services Agreement were passed at the extraordinary general meeting of the Company held on 16 December 2021).

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## LETTER FROM THE BOARD

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### *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. As at the Latest Practicable Date, among the transactions conducted under the New General Services Agreement, the port electricity management services provided by the Group to HPG and/or its subsidiaries adopted the government-prescribed price;
- (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, for which the prices 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. As at the Latest Practicable Date, among the transactions conducted under the New General Services Agreement, there were no transactions that adopted the government-guided price. If any government-guided price is applicable to the relevant transaction, the Company will implement such government-guided price in accordance with the principles and the order of priority;
- (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 where the services are rendered; or (2) where (1) is inapplicable, making reference to the price charged by at least two independent third

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## LETTER FROM THE BOARD

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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. Comparable transactions in the same period refer to the transactions of identical or similar services provided or accepted by independent third parties in or in the vicinity of Qinhuangdao City during the same period. 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 bidding pursuant to the applicable laws and regulations, the price shall be determined by bidding process.

The relevant laws and regulations governing the procedures of tenders and bids include Law of the People's Republic of China on Bid Invitation and Bidding (《中華人民共和國招標投標法》) and, the Implementing Regulations on Law of the People's Republic of China on Bid Invitation and Bidding (《中華人民共和國招標投標法實施條例》). Currently, the prices for certain types of services for engineering and maintenance shall be determined through bidding process under laws and regulations.

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) Where there are less than three bidders, the bids shall not be opened pursuant to the relevant laws and regulations;

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## LETTER FROM THE BOARD

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- (3) The bidding applications shall be examined by the legally established bid evaluation commission 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 by law, 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 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;
- (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 Transaction Amount*

The Existing Annual Caps and the audited total transaction amount for the year ended 31 December 2022 under the New General Services Agreement are as follows:

*Unit: RMB0'000*

<b>Transaction</b>	<b>For the year ended 31 December 2022</b>	
	<b>Existing Annual Caps</b>	<b>Historical Transactions Amount</b>
The Group providing services to HPG and/or its subsidiaries	16,600.00	10,803.51
HPG and/or its subsidiaries providing services to the Group	60,700.00	60,331.13

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## LETTER FROM THE BOARD

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The audited total transaction amount for the years ending 31 December 2020 and 2021 are as follows:

*Unit: RMB0'000*

<b>Transaction</b>	<b>For the year ended 31 December 2021 Historical Transactions Amount</b>	<b>For the year ended 31 December 2020 Historical Transactions Amount</b>
The Group providing services to HPG and/or its subsidiaries	8,766.4	11,139.1
HPG and/or its subsidiaries providing services to the Group	60,603.3	52,128.9

The Group did not determine the annual cap for each of the social services, living logistics services and production services categories provided by HPG and/or its subsidiaries to the Group for the years ended 31 December 2020, 2021 and 2022. Their respective historical transaction amounts are set out as follows:

*Unit: RMB0'000*

	<b>For the year ended 31 December 2022 Historical Transactions Amount</b>	<b>For the year ended 31 December 2021 Historical Transactions Amount</b>	<b>For the year ended 31 December 2020 Historical Transactions Amount</b>
Social services	965.2	565.7	537.4
Living logistics services	4,787.8	4,983.4	5,744.6
Production services	54,578.1	55,054.2	45,846.9
Total	<u>60,331.1</u>	<u>60,603.3</u>	<u>52,128.9</u>

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## LETTER FROM THE BOARD

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### *Revised Annual Caps and the Basis of Determination*

The following table sets out the Existing Annual Caps and the Revised Annual Caps for the two years ending 31 December 2023 and 31 December 2024:

*Unit: RMB0'000*

<i>Transactions</i>	<b>For the year ending 31 December 2023</b>		<b>For the year ending 31 December 2024</b>	
	<i>Existing</i>	<i>Revised</i>	<i>Existing</i>	<i>Revised</i>
	<i>Annual</i>	<i>Annual</i>	<i>Annual</i>	<i>Annual</i>
	<i>Caps</i>	<i>Caps</i>	<i>Caps</i>	<i>Caps</i>
The Group providing services to HPG and/or its subsidiaries	16,600.00	<b>20,000.00</b>	16,600.00	<b>20,000.00</b>
HPG and/or its subsidiaries providing services to the Group <sup>(Note)</sup>	63,700.00	<b>123,940.00</b>	66,900.00	<b>136,334.00</b>

*Note:* For the Revised Annual Caps (for the two years ending 31 December 2023 and 31 December 2024) for the services to be provided by HPG and/or its subsidiaries to the Group, it is expected that approximately 1%, 5% and 94% of which will be allocated towards social services, living logistics services and production services respectively.

While considering the Revised Annual Caps, the Board has taken into consideration several factors including:

1. Historical transaction amount:
  - (1) the total fee received by the Group from HPG and/or its subsidiaries for its provision of services under the New General Services Agreement for the year ended 31 December 2022 accounts for over 65% of the Existing Annual Caps;
  - (2) the total fee paid by the Group to HPG and/or its subsidiaries for their provision of services under the New General Services Agreement for the year ended 31 December 2022 accounts for over 99% of the Existing Annual Caps;
2. The expected increase of the fixed asset investment and maintenance demand of the Group, including: (1) the phase 1 (expansion) of metal ores terminal project in the bulk cargo area of Cangzhou Huanghua Port of the Group has been put into operation recently, and hence the Group is expected the throughput to increase. The operation of phase 1 (expansion) of metal ores terminal project and the increase in the throughput will lead to an increase in the expenditure of inspection and maintenance, etc. by HPG; The Group will start the construction of new terminals

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## LETTER FROM THE BOARD

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in due course according to the approval progress of projects, which is expected to lead to an increase in the expenditure of construction, supervision and maintenance, etc. of projects by HPG; and (2) the Group actively promotes the construction of green, safe and smart ports, including strengthening investment in environmental protection, improving port environmental protection system, and improving port pollution control facilities; increasing investment in safety equipment and facilities, and comprehensively promoting safe production in port areas; as well as building smart ports with high standards, and promoting the construction of intelligent, automated and unmanned terminals. In addition, according to the the equipment operating condition, the Group will update and transform the equipment, which will lead to the increase of expenditure in port project maintenance, project construction, testing and maintenance of HPG. It is expected that the demand for fixed asset investment and maintenance, in relation to the amount of services provided by HPG and/or its subsidiaries to the Group, will be increased by approximately RMB580 million for the year ending 31 December 2023 as compared to the year ended 31 December 2022. In addition, taking into account the average annual growth rate of PRC's gross domestic product, the expected increase in construction expenses and in throughput of the new terminals, the Revised Annual Caps shall be increased by approximately 10% for the year ending 31 December 2024 over the year ending 31 December 2023;

3. The business development of the Group for the next two years. In particular, due to the port integration in Hebei Province, the Company expects that its actual demand for the transaction with HPG to exceed the previous expectation. Reference is made to the Company's announcements dated 18 July 2022, 20 July 2022, 25 July 2022, 30 August 2022, 2 September 2022, 8 September 2022, 14 September 2022, 28 September 2022 and 28 October 2022, in relation to, among others, the acceptance by HPG of a series of transfer of state-owned equity interest at nil consideration, resulting in estimated 73 entities which were originally not connected persons of the Company becoming HPG Members. If such new connected persons offer more competitive prices, the Group may replace certain general services providers (which are independent third parties) with those entities. The amount of potential and uncertain connected transactions that may arise from the said reorganization of HPG is expected to be approximately RMB50 million.

### ***Reasons for and Benefits of Revising the Existing Annual Caps***

In view of the requirements of port operations required for the designated business, both the Group and HPG and/or its subsidiaries need services provided by each other. HPG and/or its subsidiaries have been providing general services to the Group since 2008. Such general services are very important to the core businesses and operation of the Group, and as experienced service providers, HPG and/or its subsidiaries have been providing stable and reliable general services to the Group at competitive service quality and prices. HPG and/or its subsidiaries provides various services to the Group, among which, (i) social services are mainly physical examination benefits provided by the Group to its employee. The Group

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## LETTER FROM THE BOARD

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receives physical examination services provided by Harbour Hospital affiliated with HPG. The Group provides employees with medical benefits every year, including regular physical examination plan. The prices of physical examination packages provided by Harbour Hospital affiliated to HPG are better than those provided by independent third parties, thus the Group engages Harbour Hospital to provide the physical examination service to its employees; (ii) living logistics services mainly include office property, port area environmental sanitation and other services of the Group. HPG and/or its subsidiaries provide the Group with comprehensive logistics support services, including but not limited to property and environmental sanitation services. The Group receives property and greening services provided by Qinhuangdao Fangyu Property Services Management Co., Ltd. affiliated to HPG; (iii) production services are mainly port facilities, equipment maintenance, testing, supervision and other services of the Group. The Group receives related services provided by the port engineering companies, port machinery companies and testing companies affiliated to HPG. As stated above in “2. The expected increase of the fixed asset investment and maintenance demand of the Group” under “Revised Annual Caps and the Basis of Determination”, it is expected that the fixed asset investment and maintenance demand in relation to the port facilities and equipment maintenance of the Group shall have a significant increase. In view of the Group’s business development demands in the next two years, the actual demand for the transaction with HPG is anticipated to exceed previous expectations. As a result, the total service fees payable or receivable under the New General Services Agreement will be higher than as expected when entering the New General Services Agreement between both parties. Therefore, in order to cater to the ever-increasing service needs, the Board believes that the Existing Annual Caps set out in the New General Services Agreement may not be sufficient to cover the transactions, and now proposes to revise the Existing Annual Caps.

Save for “2. The expected increase of the fixed asset investment and maintenance demand of the Group” and “3. The business development of the Group for the next two years” under “Revised Annual Caps and the Basis of Determination” above, to the best knowledge, information and belief of the Directors of the Company, having made all reasonable enquiries, in 2022, port resource integration began in Hebei Province and the reorganization of HPG was completed at the end of October, resulting in significant changes in the number of subsidiaries of HPG (namely, the new connected parties), and hence it is expected that there will be an increase in connected transactions between the Group and the new connected parties of HPG.

In view of the reasons above, the Directors (excluding Mr. Zhang Xiaoqiang and Mr. Nie Yuzhong who are required to abstain from voting on the relevant Board resolutions as well as the independent non-executive Directors, whose opinion will be set out in the letter from the Independent Board Committee of the circular to be despatched to the Shareholders) consider that the proposed revision of the Existing Annual Caps and the transactions contemplated under the New General Services Agreement are on normal commercial terms, fair and reasonable, and are in the interests of the Group and its Shareholders as a whole.

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## LETTER FROM THE BOARD

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### *Internal Control Measures for Continuing Connected Transactions*

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 with:

- (1) a connected transaction committee is set up by the Company to manage all affairs relating to the 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 the enterprise management 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 reports to the connected transaction committee when there exists a possibility that any annual cap may be exceeded.

### *Information of HPG and the Group*

The business scope of HPG mainly includes: investment in construction and operational management of ports and waterway; cargo loading and unloading, storing, boat tugging, railway transportation and other port operations and logistics services; shipping and port passenger transport services; port information technology consultation services; leasing and maintenance of port facilities, equipment and machinery; port industry investment, purchase and storage, development and utilization of land resources along the coastline and in the port area; leasing of house; providing facilities to terminals for vessels; port operation; corporate management. As at the Latest Practicable Date, the State-owned Assets Supervision and Administration Commission of the Hebei Provincial People's Government (河北省人民政府國有資產監督管理委員會) was the controlling shareholder of HPG, which held 61.99% of the issued shares of HPG. Each of State-owned Assets Supervision and Administration Commission of Tangshan Municipal People's Government (唐山市人民政府國有資產監督管理委員會), Caofeidian State Holding Investment Group Co., Ltd. (曹妃甸國控投資集團有限公司), Hebei Construction Investment Transportation Investment Co., Ltd. (河北建投交通投資有限責任公司), Tangshan Iron and Steel Group Co., Ltd. (唐山鋼鐵集團有限責任公司) and Tangshan Construction Investment Limited (唐山建設投資有限責任公司) held 26.29%, 6.63%, 3.24%, 1.37% and 0.47% of the issued shares of HPG.

The Group principally engages in the supply 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.

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## LETTER FROM THE BOARD

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### *Listing Rules Implications*

As at the Latest Practicable Date, HPG is interested in 3,144,268,078 A Shares and 71,303,000 H Shares, representing approximately 57.55% of the issued share capital of the Company and hence a controlling shareholder and a connected person of the Company. Therefore, the transactions contemplated under the New General Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Under Rule 14A.54 of the Listing Rules, if the Company proposes to revise the annual caps of its continuing connected transactions, the Company must re-comply the provisions of Chapter 14A of the Listing Rules applicable to relevant continuing connected transactions.

Under the New General Services Agreement, (i) the applicable percentage ratio in respect to the Revised Annual Cap I on an annual basis exceeds 0.1% but is less than 5%, and 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; and (ii) the applicable percentage ratio in respect of the Revised Annual Cap II on an annual basis exceeds 5%, and 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.

### *Abstention from Voting on Board Resolutions*

Since Mr. Zhang Xiaoqiang and Mr. Nie Yuzhong both being Directors, have material interests in the above transactions, they are deemed to have material interests in the revision of annual caps and have abstained from voting on the Board resolutions in respect to the approval of the above matters. Save and except for the aforesaid, none of the Directors have any material interest in the above matters and were required to abstain from voting on the Board resolutions in relation to the above matters.

### **AGM**

The AGM is to be held at 11:00 a.m. on Wednesday, 28 June 2023 at Feila Seaview Hotel (菲拉海景酒店), 195 Dongshan Street, Haigang District, Qinhuangdao, Hebei Province. At the AGM, voting will be taken by poll. The notice of AGM is set out on pages AGM-1 to AGM-2 of this circular.

As at the Latest Practicable Date, HPG is a controlling shareholder holding 3,144,268,078 A Shares and 71,303,000 H Shares, representing approximately 57.55% of the issued share capital of the Company, and has material interest in the Revised Annual Cap II under the New General Services Agreement. Therefore, pursuant to the Listing Rules, HPG and its associates are required to abstain from voting on the resolution to be proposed to approve the Revised Annual Cap II under the New General Services Agreement. As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, and save as disclosed above, no other Shareholders are required to abstain from voting in respect of any of the resolutions to be proposed at the AGM.

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## LETTER FROM THE BOARD

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In order to determine the Shareholders of H Shares who will be entitled to attend the AGM, the register of members of the Company will be closed from Thursday, 22 June 2023 to Wednesday, 28 June 2023 (both days inclusive), during which period no transfer of Shares will be registered. In order for the unregistered Shareholders of H Shares of the Company to qualify for attending the AGM, 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, Wanchai, Hong Kong, and in any case no later than 4:30 p.m. on Wednesday, 21 June 2023.

Subject to the approval of the proposed declaration of dividend of the Company at the AGM, dividends will be paid to the Shareholders whose names appear on the register of members of the Company after the close of the market on 18 July 2023. The register of members of the Company will be closed from Thursday, 13 July 2023 to Tuesday, 18 July 2023 (both days inclusive), during which period no transfer of shares will be registered. In order to be entitled to the final dividend, Shareholders of H Shares of the Company who have not registered their transfer documents are required to deposit the transfer documents together with the relevant share certificates with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, and in any case no later than 4:30 p.m. on Wednesday, 12 July 2023. The Company has no obligation and will not be responsible for ascertaining the identities of the Shareholders. The Company takes no responsibility in respect of any claims arising from any delay or inaccuracies in ascertaining the identities of the Shareholders or any disputes over the mechanism of withholding.

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

### **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 AGM 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.

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## LETTER FROM THE BOARD

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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 the votes or cast all the votes he/she/it uses in the same manner.

### RECOMMENDATIONS

The Board is of the view that all resolutions to be proposed at the AGM are in the best interests of the Company and its Shareholders as a whole. The Board therefore recommends the Shareholders to vote in favour of the relevant resolutions to be proposed at the AGM.

In particular, the Independent Board Committee comprising all the independent non-executive Directors has been established to give advice to the Independent Shareholders in respect of the Revised Annual Cap II under the New General Services Agreement. The letter from the Independent Board Committee, which contains its recommendation to the Independent Shareholders in respect of the Revised Annual Cap II under the New General Services Agreement, is set out on pages 19 to 20 of this circular. The Company has appointed TC Capital as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Revised Annual Cap II under the New General Services Agreement. The letter of advice from TC Capital to the Independent Board Committee and the Independent Shareholders is set out on pages 21 to 32 of this circular.

The Directors (including the independent non-executive Directors, whose opinions are set out in the letter from the Independent Board Committee herein) are of the view that the relevant terms of the Revised Annual Cap II under the New General Services Agreement are on normal commercial terms, fair and reasonable, and for the Independent Shareholders, are in the best interest of the Company and its Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favor of the ordinary resolution for approving the Revised Annual Cap II under the New General Services Agreement.

### 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.\***  
**ZHANG Xiaoqiang**  
*Chairman*

Qinhuangdao, Hebei Province, the PRC

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*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 terms of the New General Services Agreement and the transactions contemplated and the annual caps thereunder.*



### 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: 03369)**

24 May 2023

*To the Independent Shareholders*

Dear Sirs/Madams,

#### **CONTINUING CONNECTED TRANSACTIONS REVISED ANNUAL CAP II UNDER THE NEW GENERAL SERVICES AGREEMENT**

We refer to the circular (the “**Circular**”) dated 24 May 2023 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 Revised Annual Cap II under the New General Services Agreement is made on normal commercial terms in the ordinary and usual course of business of the Group, is fair and reasonable so far as the Independent Shareholders are concerned and is 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 as to the Revised Annual Cap II under the New General Services Agreement.

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 Revised Annual Cap II under the New General Services Agreement; and (iii) the additional information as set out in the appendices to the Circular.

\* *For identification purpose only*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Having taken into account the advice of TC Capital International Limited as set out in this circular, we are of the view that the terms of the Revised Annual Cap II under the New General Services Agreement are entered into on normal commercial terms, are fair and reasonable so far as the Independent Shareholders are concerned, in the ordinary and usual course of operation of the Group 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 AGM as set out in the Notice of AGM.

Yours faithfully,

On behalf of the Independent Board Committee

**Mr. CHEN Ruihua      Mr. XIAO Zuhe      Mr. ZHAO Jinguang      Ms. ZHU Qingxiang**  
*Independent Non-executive Directors*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*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 Revised Annual Cap II under the New General Services Agreement in relation to the services provided by HPG and/or its subsidiaries to the Group for the purpose of inclusion in this circular.*



24 May 2023

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

Dear Sirs,

### **CONTINUING CONNECTED TRANSACTIONS REVISED ANNUAL CAP II UNDER THE NEW GENERAL SERVICES AGREEMENT**

#### **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 Revised Annual Cap II for the two years ending 31 December 2024 for the provision of services by HPG and/or its subsidiaries to the Group under the New General Services Agreement (the “**General 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 24 May 2023 issued to the Shareholders (the “**Circular**”). Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

As at the Latest Practicable Date, HPG was interested in 3,144,268,078 A Shares and 71,303,000 H Shares, representing approximately 57.55% of the issued share capital of the Company and hence a controlling shareholder and a connected person of the Company. The applicable percentage ratio in respect of the Revised Annual Cap II for the provision of services by HPG and/or its subsidiaries to the Group on an annual basis exceeds 5% and hence such transactions are subject to the reporting, annual review, announcement and independent shareholders’ approval requirements of Chapter 14A of the Listing Rules.

The Independent Board Committee comprising Mr. Chen Ruihua, Mr. Xiao Zuhe, Mr. Zhao Jinguang and Ms. Zhu Qingxiang (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the General Services (including the Revised Annual Cap II) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the revision of annual caps is in the interests of the Company and the Shareholders as a whole; and

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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(iii) how the Independent Shareholders should vote in respect of the relevant resolution to approve the Revised Annual Cap II at the AGM. We, TC Capital International Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

### OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationships with or interests in the Company or any other parties that could reasonably be regarded as relevant to the independence of us. In the last two years, we have acted as an independent financial adviser to the then independent board committee and independent shareholders of the Company in respect of the provision of the General Services by HPG and/or its subsidiaries to the Group under the New General Services Agreement and the provision of deposit taking services by Hebei Port Group Finance Company Limited to the Group under the new financial services framework agreement, details of which are set out in the circular of the Company dated 29 November 2021. Given (i) our independent role in the abovementioned engagement; and (ii) our fees for the abovementioned engagement represented an insignificant percentage of our revenue, we consider that the abovementioned engagement would not affect our independence to form our opinion in respect of the Revised Annual Cap II.

### 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 annual reports of the Company for the years ended 31 December 2021 and 2022 (the “**2021 Annual Report**” and the “**2022 Annual Report**” respectively) and the first quarterly report of the Company for the three months ended 31 March 2023 (the “**2023 First Quarterly Report**”); (iii) other information as set out in the Circular; and (iv) relevant market data and information available from public sources.

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

We consider that we have 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 and any of their respective subsidiaries and associates.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion in respect of the Revised Annual Cap II, we have taken into account the following principal factors and reasons:

#### 1. Background information of the parties to the New General Services Agreement

##### (a) *The Group*

As stated in the Letter from the Board, the Group principally engages in the supply 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.

Set out below is certain financial information of the Group for the three years ended 31 December 2022 (“FY2020”, “FY2021” and “FY2022” respectively) and the three months ended 31 March 2022 and 2023 (“2022Q1” and “2023Q1” respectively) as extracted from the 2021 Annual Report, the 2022 Annual Report and the 2023 First Quarterly Report:

	<b>For the three months</b>		<b>For the year ended 31 December</b>		
	<b>ended 31 March</b>		<b>2022</b>	<b>2021</b>	<b>2020</b>
	<b>2023</b>	<b>2022</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
	<i>RMB’</i>	<i>RMB’</i>	<i>RMB’</i>	<i>RMB’</i>	<i>RMB’</i>
	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Audited)</i>
Revenue	1,726	1,648	6,919	6,595	6,456
Operating profits	527	431	1,665	1,278	1,230
Net profit attributable to shareholders of the parent	418	336	1,308	1,038	995
	<b>As at</b>		<b>As at 31 December</b>		
	<b>31 March</b>		<b>2022</b>	<b>2021</b>	<b>2020</b>
	<b>2023</b>		<b>2022</b>	<b>2021</b>	<b>2020</b>
	<i>RMB’ million</i>	<i>RMB’ million</i>	<i>RMB’ million</i>	<i>RMB’ million</i>	<i>RMB’ million</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Audited)</i>
Total assets	28,260	27,941	27,777		26,243
Total liabilities	9,543	9,716	10,867		10,144
Net assets	18,717	18,225	16,910		16,099

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As shown in the above table, the revenue of the Group amounted to approximately RMB6,595 million for FY2021, representing a slight increase of approximately 2% as compared with the corresponding figure for FY2020. The revenue of the Group further increased to approximately RMB6,919 million for FY2022, representing an increase of approximately 5% as compared with the corresponding figure for FY2021. The net profit attributable to shareholders of the parent amounted to approximately RMB1,038 million for FY2021, representing an increase of approximately 4% as compared with the corresponding figure for FY2020. The net profit attributable to shareholders of the parent further increased to approximately RMB1,308 million for FY2022, representing an increase of approximately 26% as compared with the corresponding figure for FY2021. The improvement in financial performance of the Group in FY2021 was mainly due to the increase in coal throughput of the Group as the Group focused on business expansion through various measures, such as proactively releasing its potential by improving efficiency and full coverage grid-based marketing, further refining production and continuously enhancing handling efficiency. The improvement in financial performance of the Group in FY2022 was mainly due to the increase in the throughput of metal ore, metal ore related products and other general cargoes of the Group as (i) two berths for iron ore which were newly put into operation have improved the berth utilisation and handling efficiency; and (ii) the Group strived to expand the cargo sources of “dry bulk to containers” and operated more routes to/from Tianjin port and newly launched regional routes in Shandong and Southern China.

The revenue of the Group amounted to approximately RMB1,726 million for 2023Q1, representing an increase of approximately 5% as compared with the corresponding figure for 2022Q1. The net profit attributable to shareholders of the parent amounted to approximately RMB418 million for 2023Q1, representing an increase of approximately 24% as compared with the corresponding figure for 2022Q1. The improvement in financial performance of the Group in 2023Q1 was mainly due to the increase in gains of Cangzhou Huanghuagang Mineral Port Co., Ltd.\* and Tangshan Caofeidian Coal Port Co., Ltd\*, subsidiaries of the Group, as compared to 2022Q1.

The net assets of the Group as at 31 December 2021 were approximately RMB16,910 million, representing an increase of approximately 5% as compared to that as at 31 December 2020, and further increased to approximately RMB18,225 million as at 31 December 2022, representing an increase of approximately 8%. The net assets of the Group as at 31 March 2023 were approximately RMB18,717 million, representing an increase of approximately 3% as compared to that as at 31 December 2022. 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 FY2021, FY2022 and 2023Q1.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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**(b) HPG**

As stated in the Letter from the Board, the business scope of HPG mainly includes investment in construction and operational management of ports and waterway; cargo loading and unloading, storing, boat tugging, railway transportation and other port operations and logistics services; shipping and port passenger transport services; port information technology consultation services; leasing and maintenance of port facilities, equipment and machinery; port industry investment, purchase and storage, development and utilisation of land resources along the coastline and in the port area; leasing of house; providing facilities to terminals for vessels; port operation; corporate management. As at the Latest Practicable Date, the State-owned Assets Supervision and Administration Commission of the Hebei Provincial People's Government was the controlling shareholder of HPG, which held 61.99% of the issued shares of HPG. Each of the State-owned Assets Supervision and Administration Commission of Tangshan Municipal People's Government, Caofeidian State Holding Investment Group Co., Ltd., Hebei Construction Investment Transportation Investment Co., Ltd., Tangshan Iron and Steel Group Co., Ltd. and Tangshan Construction Investment Limited held 26.29%, 6.63%, 3.24%, 1.37% and 0.47% of the issued shares of HPG.

### **2. The General Services**

**(a) Principal terms of the General Services**

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 for an effective period from 1 January 2022 to 31 December 2024 (both days inclusive). On 29 March 2023, the Board passed a resolution to propose a revision to the Existing Annual Caps. Further details of the terms of the New General Services Agreement are stated in the Letter from the Board.

For details of the pricing policies in relation to the General Services, please refer to the paragraphs headed "Basis for fee determination" under the section headed "Proposed revision of the Existing Annual Caps of the continuing connected transactions under the New General Services Agreement" in the Letter from the Board.

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 have conducted our works to assess the pricing policy of the General Services according to these three kinds of the General Services. We have 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 two years ended 31 December 2022.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The two selected largest amount transactions of the social services under the General Services for each of the two years ended 31 December 2022 involved body check services. 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 and the fees of such medical benefits are payable by the Group to Harbour Hospital. We have obtained the breakdown of body check services provided by Harbour Hospital to the Group which comprised various body check packages and noted that the body check packages provided by Harbour Hospital to the staff of the Group were based on the title and gender of the staff. The representatives of the Company advised us that the prices of the body check packages charged by Harbour Hospital were determined based on the market prices, i.e. prices quoted from two independent third parties offering similar type of body check packages. We have reviewed the price list of body check packages and noted that the standard prices of body check packages provided by Harbour Hospital to all members of HPG are the same as the standard prices of the same body check packages provided by Harbour Hospital to the Group. We have also checked and noted that the prices of body check packages offered by Harbour Hospital to the Group were not less favourable than the prices of similar body check packages quoted from independent third parties to the Group.

The two selected largest amount transactions of the living logistics services under the General Services for each of the two years ended 31 December 2022 involved property management and cleaning services and catering services. The representatives of the Company advised us that the fees of the property management and cleaning services offered by HPG members were determined based on market prices. We have checked the fees of the property management and cleaning services offered 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. For the catering services, we have checked the prices of the food and beverages offered by HPG members against prices quoted from independent third parties and noted that the prices offered by HPG members to the Group were lower than the prices quoted from independent third parties.

The two selected largest amount transactions of the production services under the General Services for each of the two years ended 31 December 2022 involved port maintenance services. For the 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 obtained the letter of acceptance and 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. For the maintenance services the fees of which comprised labour cost and material expenses, the representatives of the Company advised us that the prices of the labour cost and material expenses were determined based on the market prices. For the labour cost, we have checked and noted that the unit prices of the labour offered by HPG members to the Group were lower than the unit prices of the labour quoted from two 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

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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recorded in a system named Enterprise Asset Management (the “EAM System”). We have checked 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 as recorded in the EAM System. We have also checked that the records of materials purchased from independent third parties in the EAM System are consistent with three relevant contracts, so we agree with the Company that the EAM System is reliable. For the maintenance services the fee rates of which were determined based on the Hebei provincial construction, installation, municipal and decoration engineering cost standard\* (河北省建築、安裝、市政、裝飾裝修工程費用標準) (the “Standard”) prepared by the Hebei Provincial Engineering Construction Cost Management Station\* (河北省工程建設造價管理總站) and issued by the Department of Housing and Urban Rural Development of Hebei Province\* (河北省住房和城鄉建設廳), the representatives of the Company advised us that the pricing of these fee rates was also determined based on the market prices as the Standard was not a compulsory standard for the pricing of engineering costs. We have checked and noted that the fee rates offered by HPG members to the Group were not less favourable than the fee rates offered by independent third parties to the Group.

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 revision of annual caps*

As advised by the representatives of the Company, (i) in view of the requirements of port operations required for the designated business, the Group needs services related to port operation provided by HPG and/or its subsidiaries. For the various services provided by HPG and/or its subsidiaries to the Group and among which, (a) social services are mainly physical examination benefits provided by the Group to its employees. The Group receives physical examination services provided by Harbour Hospital affiliated to HPG. The Group provides employees with medical benefits every year, including regular physical examination plan. The prices of physical examination packages provided by Harbour Hospital affiliated to HPG are better than those provided by independent third parties, thus the Group engages Harbour Hospital to provide the physical examination service to its employees; (b) living logistics services mainly include office property, port area environmental sanitation and other services of the Group. HPG and/or its subsidiaries provide the Group with comprehensive logistics support services, including but not limited to property and environmental sanitation services. The Group receives property and greening services provided by Qinhuangdao Fangyu Property Services Management Co., Ltd. affiliated to HPG; (c) production services are mainly port facilities, equipment maintenance, testing, supervision and other services of the Group. The Group receives related services provided by the port engineering companies, port machinery companies and testing companies affiliated to HPG. It is expected that the fixed asset investment and maintenance demand in relation to the port facilities and equipment maintenance of the Group shall have a significant increase; (ii) HPG and/or 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

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Group. The Directors believe that securing the General Services from HPG and/or its subsidiaries, who are experienced service providers, will provide the Group with a stable and reliable supply of supporting services at competitive costs; (iii) the total service fee for the General Services provided by HPG and/or its subsidiaries to the Group for the year ended 31 December 2022 accounted for over 99% of the Existing Annual Cap for the General Services provided by HPG and/or its subsidiaries to the Group for the year ended 31 December 2022; (iv) the consideration to be paid for the General Services provided by HPG and/or its subsidiaries to the Group under the New General Services Agreement shall be determined based on government-prescribed prices, government-guided prices, market prices, agreed prices or prices determined by tender process; and (v) in 2022, port resource integration started in Hebei Province and the reorganisation was completed to form a new HPG at the end of October 2022, with significant changes in the list of affiliated enterprises of HPG (namely, the new connected parties), and hence it is expected that there will be an increase in connected transactions between the Group and the new connected parties of HPG.

By entering into the General Services, the Group can take advantage of (i) its long-established relationship with HPG and/or its subsidiaries; and (ii) the stability and reliability of the supply of supporting services by HPG and/or 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. Having also taken into account that (i) the utilisation rate of the Existing Annual Cap for the General Services provided by HPG and/or its subsidiaries to the Group for the year ended 31 December 2022 is over 99%; and (ii) the transaction amount with HPG and/or its subsidiaries is expected to increase due to the increase in the number of connected persons after the port integration in Hebei Province, we concur with the Directors that the revision of annual caps is in the interests of the Company and the Shareholders as a whole.

***(c) The Revised Annual Cap II 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 2022 and the Revised Annual Cap II for the two years ending 31 December 2024:

	<b>Historical transaction</b>		<b>Revised Annual Cap II</b>	
	<b>amounts</b>		<b>For the year ending</b>	
	<b>For the year ended</b>		<b>31 December</b>	
	<b>31 December</b>		<b>31 December</b>	
	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
	<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	606,033.1	603,311.3	1,239,400.0	1,363,340.0

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The representatives of the Company advised us that the Revised Annual Cap II for the year ending 31 December 2023 was determined mainly based on (i) the 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 2022; (ii) the expected increase in fixed asset investment and maintenance demand of the Group; and (iii) the expected increase in transaction amount with HPG and/or its subsidiaries due to the port integration in Hebei Province.

As shown in the above table, the historical transaction amount of the provision of the General Services by HPG and/or its subsidiaries to the Group for the year ended 31 December 2022 amounted to approximately RMB603 million, which accounted for over 99% of the Existing Annual Cap for the General Services provided by HPG and/or its subsidiaries to the Group for the year ended 31 December 2022.

The expected increase in fixed asset investment and maintenance demand, in relation to the amount of services provided by HPG and/or its subsidiaries to the Group, of approximately RMB580 million for the year ending 31 December 2023 was determined based on the signed contracts of the Group and the fixed asset investment and maintenance plan of the Group. We have obtained a list of the signed contracts and the fixed asset investment plan of the Group and noted that the signed contracts and the projects in the fixed asset investment plan were mainly classified into smart port projects, green port projects, safe port projects and updating existing equipment and machinery. According to the 2021 Annual Report, the Group has formulated and issued three-year action plans for construction of smart port, green port and safe port, and the construction of the three-type port has been comprehensively upgraded and accelerated. In terms of smart port, the Group accelerates the unmanned and intelligent transformation of loading and unloading equipment, has carried out intelligent transformation of certain shiploaders and dumpers, and creates a new business card for the digital transformation of ports. In terms of green ports, the Group promotes measures such as atmospheric dust monitoring and improves preferential policies on shore power supporting facilities and renovated container yard bridges. In terms of safe port, the Group has carried out the labour competition of Safety Shift Action (勞動班組行), and promotes the transition of labour thought from “I was required to keep safe (要我安全)” to “I want to keep safe (我要安全)”. In addition, the Group improved safety management agreements with surrounding enterprises to effectively eliminate blind spots in supervision. We have also obtained the three largest amount contracts on the list of the signed contracts (the “**Top Three Contracts**”). The aggregate expected amount for the year ending 31 December 2023 as derived from the Top Three Contracts represented approximately 39% of the total expected amount of the signed contracts of the Group for the year ending 31 December 2023. Besides, the representatives of the Company advised us that the expected increase in maintenance demand of the Group was attributable to the maintenance demand of the phase 1 (expansion) of metal ores terminal project, the amount of which was determined based on the inspection and maintenance expenses of similar terminals of the Group.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The expected increase in transaction amount with HPG and/or its subsidiaries of approximately RMB50 million for the year ending 31 December 2023 was due to the increase in the number of connected persons after the port integration in Hebei Province. Moreover, the Group may shift the providers of some social services, living logistics services and production services from independent third parties to these new connected persons if the prices offered by them were more competitive. As advised by the representatives of the Company, after the discussion with HPG, the capacity of HPG and/or its subsidiaries to provide the General Services to the Group was higher than the Revised Annual Cap II and therefore HPG and/or its subsidiaries would be able to satisfy the expected increase in demand of the Group.

As shown in the above table, the Revised Annual Cap II for the year ending 31 December 2024 is approximately RMB1,363 million, representing an increase of 10% as compared to the previous year. Such increase was determined based on the average annual growth rate of the gross domestic product of the PRC and the expected increase in expenses of new port construction. 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% for the last five years. Besides, the representatives of the Company advised us that the expected increase in expenses of new port construction was attributable to the expected construction, engineering supervision and maintenance expenses of the new port, which were determined based on the expenses of similar ports of the Group. Thus, the Company determined that the Revised Annual Cap II for the year ending 31 December 2024 will have a growth of approximately 10% as compared with the previous year.

Given that (i) the utilisation rate of the Existing Annual Cap for the General Services provided by HPG and/or its subsidiaries to the Group for FY2022 is over 99%; (ii) the Top Three Contracts represented approximately 39% of the total expected amount of the signed contracts of the Group for the year ending 31 December 2023; (iii) according to the 2021 Annual Report, the construction of the three-type port has been comprehensively upgraded and accelerated; (iv) the number of connected persons increased after the port integration in Hebei Province; and (v) the new port construction is expected to increase the construction, engineering supervision and maintenance expenses of the Group, we are of the view that the Revised Annual Cap II 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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 3. 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 twelve months ended 31 December 2022 and noted that both transaction amounts and annual caps for the continuing connected transactions for the corresponding year were recorded in the monthly reports.

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

As stated in the 2022 Annual Report, the independent non-executive Directors have reviewed the continuing connected transactions disclosed in the 2022 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.

As stated in the 2022 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 2022 Annual Report in accordance with Rule 14A.56 of the Listing Rules. The continuing connected transactions disclosed in the 2022 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 (including the Revised Annual Cap II) and hence the interest of the Independent Shareholders would be safeguarded.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that the terms of the General Services (including the Revised Annual Cap II) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and the revision of annual caps is 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 to be proposed at the AGM to approve the Revised Annual Cap II.

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

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

\* *For identification purpose only*

**1. RESPONSIBILITY STATEMENT**

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

**2. 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 or 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.

As at the Latest Practicable Date, none of the Directors, proposed Directors (if any), supervisors, proposed supervisors (if any), chief executive or proposed chief executive (if any) of the Company, being also a director or employee of a company, had any interest or short position in the Shares or 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.

**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 recorded in 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	3,144,268,078 (Note 1)	Interest of controlled corporation	A Shares	66.09%	56.27%	Long position
HPG	3,144,268,078 (Note 1)	Beneficial owner	A Shares	66.09%	56.27%	Long 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
China Shipping (Group) Company	44,296,500 (Note 3)	Interest of controlled corporation	H Shares	5.34%	0.79%	Long position
China Shipping (H.K.) Holdings Co., Ltd.	44,296,500 (Note 3)	Interest of controlled corporation	H Shares	5.34%	0.79%	Long position
China Shipping Ports Development Co., Ltd.	44,296,500 (Note 3)	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 3,144,268,078 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. 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 2022, 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 2022 (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:

<b>Name</b>	<b>Qualification</b>
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 any member of the Group 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 2022, being the date to which the latest published audited financial statements of the Company were made up.

## **8. LITIGATION**

Reference is made to the announcement of the Company dated 29 December 2022, in relation to, among other things, the litigations in which the Company and its subsidiaries were involved during the past 12 months. Save as disclosed above, 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. 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:

- (1) New General Services Agreement;
- (2) the letter from the Independent Board Committee to the Independent Shareholders;
- (3) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and
- (4) the written consent of the expert (the Independent Financial Adviser).

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## NOTICE OF ANNUAL GENERAL MEETING

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# 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: 03369)

## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** an annual general meeting (the “AGM”) of Qinhuangdao Port Co., Ltd.\* (the “Company”) will be held at 11:00 a.m. on Wednesday, 28 June 2023 at Feila Seaview Hotel (菲拉海景酒店), 195 Dongshan Street, Haigang District, Qinhuangdao, Hebei Province, the People's Republic of China (the “PRC”) for the purpose of considering and if thought fit, passing the following resolutions:

### ORDINARY RESOLUTIONS

1. The resolution regarding the report of the board (the “Board”) of directors (the “Directors”) of the Company for 2022;
2. The resolution regarding the report of the supervisory committee of the Company for 2022;
3. The resolution regarding the final financial report of the Company for 2022;
4. The resolution regarding the 2022 profit distribution plan and declaration of final dividend of the Company;
5. The resolution regarding the re-appointment of the auditor for the year 2023 and the audit fees for the year 2023;
6. The resolution regarding the re-appointment of the internal control auditor for the year 2023 and the internal control audit fees for the year 2023;
7. The resolution regarding the Directors' 2022 annual remuneration;
8. The resolution regarding the supervisors' 2022 annual remuneration;
9. the resolution regarding the adjustment of the cap amounts of the continuing connected transactions under the General Services Agreement for 2023 and 2024, namely the New General Services Agreement, including the Revised Annual Cap II.

By order of the Board  
**Qinhuangdao Port Co., Ltd.\***  
**ZHANG Xiaoqiang**  
Chairman

Qinhuangdao, Hebei Province, the PRC  
24 May 2023

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## NOTICE OF ANNUAL GENERAL MEETING

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*Notes:*

1. Capitalised terms defined in the circular of the Company dated 24 May 2023 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 AGM, the register of members of the Company will be closed from Thursday, 22 June 2023 to Wednesday, 28 June 2023 (both days inclusive), during which period no transfer of Shares will be registered. In order for the unregistered Shareholders of H Shares of the Company to qualify for attending the AGM, 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 Wednesday, 21 June 2023.
3. Any Shareholders entitled to attend and vote at the AGM 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. The instrument appointing a proxy shall be in writing under the hand of the Shareholder or of his/her attorney duly authorised in writing or, if the Shareholder is a corporation, either under its common seal or under the hand of its directors or an attorney duly authorised in writing to sign the same. If that instrument is signed by an attorney of the Shareholder, the power of attorney authorising the attorney to sign, or other authorization documents shall be notarized. For Shareholders, the aforementioned documents must be lodged with the share registrar for H Shares, 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 appointed for holding the AGM or any adjournment thereof in order for such documents to be valid. Completion and delivery of the form of proxy shall not preclude a Shareholder of the Company from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
5. If a proxy attends the AGM on behalf of a Shareholder, he/she should produce his/her identification document and the power of attorney or other documents signed by the appointer or his/her legal representative, which specifies the date of its issuance. If a representative of a corporate Shareholder attends the AGM, such representative shall produce his/her identification document and the notarized copy of the resolution passed by the board of directors or other authority or other notarized copy of any authorization documents issued by such corporate Shareholder.
6. The AGM is expected to last for no more than half a day. Shareholders who attend the AGM (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 AGM 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](http://www.hkexnews.hk)) and the Company ([www.portqhd.com](http://www.portqhd.com)) in accordance with the Listing Rules.

*As at the date of this notice, the executive Directors of the Company are ZHANG Xiaoqiang, NIE Yuzhong and GAO Feng; the non-executive Directors of the Company are LI Yingxu and XIAO Xiang; and the independent non-executive Directors of the Company are CHEN Ruihua, XIAO Zuhe, ZHAO Jinguang and ZHU Qingxiang.*