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

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

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

(Stock Code: 2880)

**PROPOSED DISCLOSEABLE AND CONNECTED TRANSACTION
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

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



Capitalised terms used in this cover shall have the same meaning as those defined in the section headed "Definitions" in this circular.

A letter from the Board is set out on pages 5 to 20 of this circular. A letter from the Independent Board Committee is set out on pages 21 to 22 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 23 to 41 of this circular.

A notice convening the EGM to be held at Room 109, Liaoning Port Group Building, No. 1 Gangwan Street, Zhongshan District, Dalian, Liaoning, the PRC at 9:00 a.m. on Tuesday, 24 September 2024 is set out on pages EGM-1 to EGM-2 of this circular.

A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible but in any event not less than 24 hours before the time appointed for the holding of the EGM or any adjournment thereof. Delivery of the form of proxy shall not preclude a Shareholder of the Company from attending and voting in person at the EGM and, in such event, the form of proxy shall be deemed to be revoked.

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

* *For identification purposes only*

2 September 2024

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	5
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	21
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER	23
APPENDIX I – GENERAL INFORMATION	I-1
NOTICE OF EXTRAORDINARY GENERAL MEETING	EGM-1

DEFINITIONS

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

“A Share(s)”	A Share(s) of RMB1.00 each in the capital of the Company which is/are listed and traded on the Shanghai Stock Exchange
“Board”	the board of Directors of the Company
“Changxing Development Construction Investment”	Dalian Changxing Island Development Construction Investment Co., Ltd.* (大連長興島開發建設投資有限公司), a limited liability company established in the PRC and wholly owned by Dalian Changxing Island Economic and Technological Development Zone Management Committee* (大連長興島經濟技術開發區管理委員會) as at the Latest Practicable Date
“Changxing Investment Development”	Dalian Changxing Island Port Investment Development Co., Ltd.* (大連長興島港口投資發展有限公司), a limited liability company established in the PRC and owned as to approximately 53.42% by PDA Group and approximately 46.58% by the Company as at the Latest Practicable Date
“Changxing Investment Development Entrustment”	the entrustment by PDA Group which entrust the Company to exercise certain shareholders’ rights of its equity interests in Changxing Investment Development pursuant to the Changxing Investment Development Entrustment Agreement
“Changxing Investment Development Entrustment Agreement”	the entrustment agreement to be entered into between the Company and PDA Group in relation to the Changxing Investment Development Entrustment
“Changxing Port”	Dalian Changxing Island Port Co., Ltd.* (大連長興島港口有限公司), a limited liability company established in the PRC and owned as to 40% by the Company, 40% by IMC Port & Logistics Holdings Pte. Ltd. (萬邦港口物流控股有限公司) and 20% by Changxing Development Construction Investment as at the Latest Practicable Date
“Changxing Port Entrustment”	the entrustment by PDA Group which entrust the Company to exercise certain shareholders’ rights of its equity interests in Changxing Port pursuant to the Changxing Port Entrustment Agreement

DEFINITIONS

“Changxing Port Entrustment Agreement”	the entrustment agreement to be entered into between the Company and PDA Group in relation to the Changxing Port Entrustment
“CMG”	China Merchants Group Limited* (招商局集團有限公司), the ultimate controller of the Company, and a state wholly-owned enterprise established under the laws of the PRC which is under the direct control of the State-owned Assets Supervision and Administration Commission of the State Council of the PRC, which mainly provides services in three sectors, including transportation and related infrastructure, financial investment and asset management, and industry park and property development and management
“Company”	Liaoning Port Co., Ltd.* (遼寧港口股份有限公司), a joint stock limited company incorporated in the PRC
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened on Tuesday, 24 September 2024 or any adjournment thereof
“Group”	the Company and its subsidiaries
“H Share(s)”	H Share(s) of RMB1.00 each in the capital of the Company which is/are listed and traded on the Stock Exchange
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Independent Board Committee”	an independent committee of the Board comprising all independent non-executive Directors which has been established to advise the Independent Shareholders on (i) the terms of the Changxing Investment Development Entrustment Agreement and the transaction contemplated thereunder and (ii) the terms of the Changxing Port Entrustment Agreement and the transaction contemplated thereunder
“Independent Financial Adviser”	TC Capital International Limited, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on (i) the terms of the Changxing Investment Development Entrustment Agreement and the transaction contemplated thereunder and (ii) the terms of the Changxing Port Entrustment Agreement and the transaction contemplated thereunder
“Independent Shareholders”	Shareholders who are not required to abstain from voting on the resolutions to be proposed at the EGM on (i) the terms of the Changxing Investment Development Entrustment Agreement and the transaction contemplated thereunder and (ii) the terms of the Changxing Port Entrustment Agreement and the transaction contemplated thereunder
“Independent Third Party(ies)”	person(s) or company(ies), who/which, to the best knowledge of the Directors having made all reasonable enquiries, is/ are not connected person(s) of the Company within the meaning ascribed thereto under the Listing Rules
“Latest Practicable Date”	29 August 2024, being the latest practicable date prior to the publication of this circular for the purpose of ascertaining certain information contained therein
“Liaoning Port Group”	Liaoning Port Group Limited* (遼寧港口集團有限公司), formerly known as Liaoning North East Asia Gang Hang Development Co., Ltd.* (遼寧東北亞港航發展有限公司), a limited liability company established in the PRC on 27 November 2017
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

DEFINITIONS

“PDA Group”	Dalian Port Corporation Limited (大連港集團有限公司), a limited liability company established in the PRC and ultimately controlled by CMG as at the Latest Practicable Date
“PRC”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, Macao Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	A Share(s) and/or H Share(s) of the Company
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Supervisor(s)”	the supervisors of the Company
“Yingkou Port Group”	Yingkou Port Group Corporation Limited* (營口港務集團有限公司), a limited liability company established in the PRC on 17 April 2003
“%”	per cent

* For identification purpose only

LETTER FROM THE BOARD



辽宁港口股份有限公司
LIAONING PORT CO., LTD.*

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

(Stock Code: 2880)

Executive Directors:

Wang Zhixian

Wei Minghui

Non-executive Directors:

Li Guofeng

Wang Zhu

Li Yubin

Yang Bing

Independent Non-executive Directors:

Liu Chunyan

Cheng Chaoying

Chan Wai Hei

Registered Office:

Xingang Commercial Building

Dayao Bay

Dalian Free Trade Zone

PRC

Place of Business in the PRC:

Xingang Commercial Building

Jingang Road

Dalian International

Logistic Park Zone

Liaoning Province

PRC

2 September 2024

To the Shareholders

Dear Sir or Madam,

**PROPOSED DISCLOSEABLE AND CONNECTED TRANSACTION
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

1. INTRODUCTION

Reference is made to the announcement of the Company dated 26 August 2024 in relation to Changxing Investment Development Entrustment and Changxing Port Entrustment.

The purpose of this circular is to provide you with, among other things, (i) further information relating to (a) the terms of the Changxing Investment Development Entrustment Agreement and the transaction contemplated thereunder and (b) the terms of the Changxing Port Entrustment Agreement and the transaction contemplated thereunder; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from TC Capital International Limited to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the EGM.

LETTER FROM THE BOARD

2. BACKGROUND INFORMATION

Reference is made to the prospectus of the Company dated 18 April 2006 and the circular of the Company dated 15 October 2009 in relation to, among others, a non-competition agreement in 2006 and a revised non-competition agreement in 2009 (the “**Non-Competition Agreements**”) entered into between the Company and PDA Group, respectively, pursuant to which PDA Group provided certain non-competition undertakings in favor of the Company and granted right of first refusal and option to the Company in respect of the business of PDA Group and future business opportunities; and the circular of the Company dated 6 June 2024 in relation to, among others, proposed exemption for PDA Group from the constraints of complying with certain non-competition undertakings.

In order to help the Changxing Investment Development and Changxing Port alleviate the current financial difficulties and return to normal production and operation, PDA Group has acquired from Dalian Changxing Island Economic and Technological Development Zone Management Committee* (大連長興島經濟技術開發區管理委員會) 50% equity interests in Changxing Investment Development (the “**Changxing Investment Development Acquisition**”), which was owned as to 50% by Dalian Changxing Island Economic and Technological Development Zone Management Committee, approximately 46.58% by the Company and approximately 3.42% by PDA Group immediately before the completion of the Changxing Investment Development Acquisition; and proposed to acquire 20% equity interests in Changxing Port from Changxing Development Construction Investment (the “**Proposed Changxing Port Acquisition**”). To the best knowledge and information of the Directors, the Proposed Changxing Port Acquisition is expected to be completed before 31 December 2024, subject to applicable laws and regulations and further negotiation between PDA Group and Changxing Development Construction Investment.

3. CHANGXING INVESTMENT DEVELOPMENT ENTRUSTMENT

The Company and PDA Group propose to enter into the Changxing Investment Development Entrustment Agreement, pursuant to which, PDA Group agrees to entrust the Company to exercise certain shareholders’ rights of its equity interests in Changxing Investment Development. The principal terms of the Changxing Investment Development Entrustment Agreement are as follows:

- Parties:**
- (1) PDA Group (as entruster); and
 - (2) The Company (as trustee).

Subject matter: PDA Group agrees to entrust the Company to exercise the shareholders’ rights of its equity interests in Changxing Investment Development (other than the ownership, right to income, disposal right (including pledging of shares) and share options), right to appoint directors and supervisors, voting rights and other relevant rights.

LETTER FROM THE BOARD

Entrustment fee: RMB100,000 per annum (tax inclusive).

The entrustment fee was determined on a fair and reasonable basis, with reference to the pricing principles of similar entrustment arrangements to solve non-competition issues of the listed companies in the PRC, and actual operation of Changxing Investment Development, from which the Directors believe no additional operation costs will be incurred for the Company's performance of its duties under the Changxing Investment Development Entrustment Agreement as the Company has established a solid internal system for management of group companies.

Payment: During the term of the Changxing Investment Development Entrustment, PDA Group shall pay the entrustment fee to the Company within 3 months after the end of the previous calendar year. If the term of the Changxing Investment Development Entrustment is less than one year as at the calendar year end, the entrustment fee shall be settled on a pro-rata basis within 3 months after the end of the previous calendar year.

Term of the entrustment: Infinite term unless by termination

The Changxing Investment Development Entrustment Agreement shall be effective from the execution date of the agreement to the execution date of a written termination agreement between the Company and PDA Group.

Termination of the entrustment: The Changxing Investment Development Entrustment Agreement can only be terminated upon mutual agreement in writing between the Company and PDA Group.

LETTER FROM THE BOARD

**Scope of the
entrustment:**

PDA Group reserves the following shareholders' rights of its equity interests in Changxing Investment Development:

- (i) ownership of its equity interests in Changxing Investment Development;
- (ii) right to income (including dividend right) of its equity interests in Changxing Investment Development;
- (iii) right to distribute residual properties of Changxing Investment Development;
- (iv) right to determine disposal of equity interests in Changxing Investment Development or other encumbrances through transfer, capital contribution, exchange, pledge or other means; and
- (v) preemptive right to subscribe shares when the registered capital of Changxing Investment Development increases.

Other than the aforementioned rights reserved by PDA Group, the Company is entrusted to exercise all the other shareholders' rights of PDA Group's equity interests in Changxing Investment Development, right to appoint directors and supervisors, voting rights and other relevant rights, including but not limited to:

- (i) legally convening, presiding over, attending and appointing a proxy to attend the general meetings of Changxing Investment Development;
- (ii) shareholders' right to propose and submit shareholder proposals or resolutions including but not limited to nomination, recommendation and election of directors (candidates) and supervisors (candidates) to Changxing Investment Development;

LETTER FROM THE BOARD

- (iii) voting rights on behalf of PDA Group in respect of matters subject to discussion and consideration at the meetings of the board of directors and general meetings of Changxing Investment Development in accordance with applicable laws, regulations, department rules and other regulatory documents and the articles of association of Changxing Investment Development, as well as executing relevant documents;
- (iv) other shareholders' rights and voting rights of directors/supervisors in accordance with laws and regulations and the articles of association of Changxing Investment Development; and
- (v) exercising all the entrusted rights without obtaining the power of attorney separately from PDA Group during the term of the Changxing Investment Development Entrustment. If separate power of attorney issued by PDA Group is required for exercising the entrusted rights by the Company in accordance with the laws and regulations then in effect or the articles of association of Changxing Investment Development, PDA Group agrees to execute relevant documents in a timely manner based on the Company's request.

Condition Precedent

The Company and the PDA Group propose to enter into the Changxing Investment Development Entrustment Agreement upon:

- passing of an ordinary resolution by the Independent Shareholders to approve the terms of the Changxing Investment Development Entrustment Agreement and the transaction contemplated thereunder at the EGM.

Entering into the Changxing Investment Development Entrustment Agreement and the Changxing Port Entrustment Agreement are not inter-conditional upon each other.

As at the Latest Practicable Date, the above condition precedent has not been satisfied. Based on the negotiation between the Company and PDA Group, the above condition precedent shall be satisfied before 31 December 2024, subject to applicable laws and regulations and further negotiation between the Company and PDA Group. Upon fulfillment of the above condition precedent, the Company and PDA Group propose to enter into the Changxing Investment Development Entrustment Agreement within three months.

LETTER FROM THE BOARD

Consolidation of Changxing Investment Development into the Group

Upon the completion of the Changxing Investment Development Entrustment, the Group will be able to in aggregate exercise all of the voting rights of Changxing Investment Development, of which approximately 53.42% of the voting rights are entrusted by PDA Group through the Changxing Investment Development Entrustment, and thus will have control over Changxing Investment Development (assuming that there is no other change in the issued share capital of Changxing Investment Development from the Latest Practicable Date to the completion date of the Changxing Investment Development Entrustment). As a result of the completion of Changxing Investment Development Entrustment, Changxing Investment Development will be consolidated into the consolidated financial statements of the Company as a subsidiary of the Company (except that profits and losses attributable to the entrusted shares will not be accounted for in the profit attributable to equity holders of the Company under its consolidated financial statements as PDA Group will retain the right to income/loss attached to the entrusted shares) by virtue of applicable accounting principles.

Although Changxing Investment Development recorded net loss for the two years ended 31 December 2023 and the six months ended 30 June 2024, taking into account that profits and losses attributable to the entrusted shares will not be accounted for in the profit attributable to equity holders of the Company under its consolidated financial statements as PDA Group will retain the right to income/loss attached to the entrusted shares upon consolidation of Changxing Investment Development into the consolidated financial statements of the Company, the Directors (including the independent non-executive Directors) are of the view that consolidation of Changxing Investment Development into the consolidated financial statements of the Company will not materially and adversely affect the financial condition of the Company.

Listing Rules Implications

PDA Group is an indirect controlling shareholder of the Company and is therefore a connected person of the Company. Accordingly, the Changxing Investment Development Entrustment constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the (i) Changxing Investment Development Entrustment Agreement and (ii) Changxing Port Entrustment Agreement will be entered into with the same party, PDA Group, and the transactions contemplated thereunder are of the same nature, such transactions shall be aggregated pursuant to Rules 14.22 and 14A.81 of the Listing Rules. Given that Changxing Investment Development will be consolidated into the consolidated financial statements of the Company as a subsidiary of the Company by virtue of applicable accounting principles after the completion of the Changxing Investment Development Entrustment, 100% of Changxing Investment Development's total assets, profits and revenue are taken as the value of the total assets, profits and revenue when calculating the applicable percentage ratios. Upon completion of the Changxing Investment Development Entrustment, Changxing Investment Development

LETTER FROM THE BOARD

will become a connected subsidiary of the Company for the purpose of Rule 14A.16 of the Listing Rules, as PDA Group will control the exercise of more than 10% voting power at the general meeting of Changxing Investment Development.

As the highest applicable percentage ratio in relation to the Changxing Investment Development Entrustment (aggregated with the Changxing Port Entrustment) is more than 5% but less than 25%, such connected transaction is subject to the reporting, announcement, annual review, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Also, the Changxing Investment Development Entrustment constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Each of Mr. Wang Zhixian, Mr. Wei Minghui, Dr. Li Guofeng and Mr. Wang Zhu, being a Director and also holding a management position or directorship with PDA Group or its parent company, is considered to have a material interest in the transaction contemplated under the Changxing Investment Development Entrustment Agreement, and has abstained from voting on the relevant Board resolution approving the above transaction.

As the highest applicable percentage ratio of the annual entrustment fee under the Changxing Investment Development Entrustment Agreement (aggregated with that under the Changxing Port Entrustment Agreement) is less than 0.1%, the entrustment arrangement contemplated under the Changxing Investment Development Entrustment Agreement meets the de minimis transaction requirements under Rule 14A.76 of the Listing Rules, and is exempt from the reporting, announcement, annual review, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

4. CHANGXING PORT ENTRUSTMENT

The Company and PDA Group propose to enter into the Changxing Port Entrustment Agreement, pursuant to which PDA Group agrees to entrust the Company to exercise certain shareholders' rights of its equity interests in Changxing Port. The principal terms of the Changxing Port Entrustment Agreement are as follows:

- Parties:**
- (1) PDA Group (as entruster); and
 - (2) The Company (as trustee).
- Subject matter:**
- PDA Group agrees to entrust the Company to exercise the shareholders' rights of its equity interests in Changxing Port (other than the ownership, right to income, disposal right (including pledging of shares) and share options), right to appoint directors and supervisors, voting rights and other relevant rights.

LETTER FROM THE BOARD

- Entrustment fee:** RMB100,000 per annum (tax inclusive).
- The entrustment fee was determined on a fair and reasonable basis, with reference to the pricing principles of similar entrustment arrangements to solve non-competition issues of the listed companies in the PRC, and actual operation of Changxing Port, from which the Directors believe no additional operation costs will be incurred for the Company's performance of its duties under the Changxing Port Entrustment Agreement as the Company has established a solid internal system for management of group companies.
- Payment:** During the term of the Changxing Port Entrustment, PDA Group shall pay the entrustment fee to the Company within 3 months after the end of the previous calendar year. If the term of the Changxing Port Entrustment is less than one year as at the calendar year end, the entrustment fee shall be settled on a pro-rata basis within 3 months after the end of the previous calendar year.
- Term of the entrustment:** Infinite term unless by termination
- The Changxing Port Entrustment Agreement shall be effective from the execution date of the agreement to the execution date of a written termination agreement between the Company and PDA Group.
- Termination of the entrustment:** The Changxing Port Entrustment Agreement can only be terminated upon mutual agreement in writing between the Company and PDA Group.

LETTER FROM THE BOARD

**Scope of the
entrustment:**

PDA Group reserves the following shareholders' rights of its equity interests in Changxing Port:

- (i) ownership of its equity interests in Changxing Port;
- (ii) right to income (including dividend right) of its equity interests in Changxing Port;
- (iii) right to distribute residual properties of Changxing Port;
- (iv) right to determine disposal of equity interests in Changxing Port or other encumbrances through transfer, capital contribution, exchange, pledge or other means; and
- (v) preemptive right to subscribe shares when the registered capital of Changxing Port increases.

Other than the aforementioned rights reserved by PDA Group, the Company is entrusted to exercise all the other shareholders' rights of PDA Group's equity interests in Changxing Port, right to appoint directors and supervisors, voting rights and other relevant rights, including but not limited to:

- (i) legally convening, presiding over, attending and appointing a proxy to attend the general meetings of Changxing Port;
- (ii) shareholders' right to propose and submit shareholder proposals or resolutions including but not limited to nomination, recommendation and election of directors (candidates) and supervisors (candidates) to Changxing Port;
- (iii) voting rights on behalf of PDA Group in respect of matters subject to discussion and consideration at the meetings of the board of directors and general meetings of Changxing Port in accordance with applicable laws, regulations, department rules and other regulatory documents and the articles of association or joint venture agreement of Changxing Port, as well as executing relevant documents;

LETTER FROM THE BOARD

- (iv) other shareholders' rights and voting rights of directors/supervisors in accordance with laws and regulations and the articles of association or joint venture agreement of Changxing Port; and
- (v) exercising all the entrusted rights without obtaining the power of attorney separately from PDA Group during the term of the Changxing Port Entrustment. If separate power of attorney issued by PDA Group is required for exercising the entrusted rights by the Company in accordance with the laws and regulations then in effect or the articles of association of Changxing Port, PDA Group agrees to execute relevant documents in a timely manner based on the Company's request.

Condition Precedent

The Company and the PDA Group propose to enter into the Changxing Port Entrustment Agreement upon:

- completion of the Proposed Changxing Port Acquisition;
- establishment of the shareholders' meeting as the highest authority of Changxing Port in accordance with the Company Law of the PRC and the Foreign Investment Law of the PRC (as at the Latest Practicable Date, Changxing Port has no shareholders' meeting and the board of directors is the highest authority); and
- passing of an ordinary resolution by the Independent Shareholders to approve the terms of the Changxing Port Entrustment Agreement and the transaction contemplated thereunder at the EGM.

Entering into the Changxing Investment Development Entrustment Agreement and the Changxing Port Entrustment Agreement are not inter-conditional upon each other.

As at the Latest Practicable Date, the above conditions precedent have not been satisfied. Based on the negotiation between the Company and PDA Group, the above conditions precedent should be satisfied before 31 December 2024, subject to applicable laws and regulations, time needed for the completion of the Proposed Changxing Port Acquisition and the establishment of the shareholders' meeting as the highest authority of Changxing Port, and further negotiation between the Company and PDA Group. Upon fulfillment of the above conditions precedent, the Company and PDA Group propose to enter into the Changxing Port Entrustment Agreement within three months.

LETTER FROM THE BOARD

Consolidation of Changxing Port into the Group

Upon the completion of the Changxing Port Entrustment, the Group will be able to in aggregate exercise 60% of the voting rights of Changxing Port, of which 20% of the voting rights are entrusted by PDA Group through the Changxing Port Entrustment, and thus will have control over Changxing Port (other than the Proposed Changxing Port Acquisition, assuming that there is no other change in the issued share capital of Changxing Port from the Latest Practicable Date to the completion date of the Changxing Port Entrustment). As a result of the completion of Changxing Port Entrustment, Changxing Port will be consolidated into the consolidated financial statements of the Company as a subsidiary of the Company (except that profits and losses attributable to the entrusted shares will not be accounted for in the profit attributable to equity holders of the Company under its consolidated financial statements as PDA Group will retain the right to income/loss attached to the entrusted shares) by virtue of applicable accounting principles.

Although Changxing Port recorded net loss for the two years ended 31 December 2023 and the six months ended 30 June 2024, taking into account that profits and losses attributable to the entrusted shares will not be accounted for in the profit attributable to equity holders of the Company under its consolidated financial statements as PDA Group will retain the right to income/loss attached to the entrusted shares upon consolidation of Changxing Port into the consolidated financial statements of the Company, the Directors (including the independent non-executive Directors) are of the view that consolidation of Changxing Port into the consolidated financial statements of the Company will not materially and adversely affect the financial condition of the Company.

Listing Rules Implications

PDA Group is an indirect controlling shareholder of the Company and is therefore a connected person of the Company. Accordingly, the Changxing Port Entrustment constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the (i) Changxing Investment Development Entrustment Agreement and (ii) Changxing Port Entrustment Agreement will be entered into with the same party, PDA Group, and the transactions contemplated thereunder are of the same nature, such transactions shall be aggregated pursuant to Rules 14.22 and 14A.81 of the Listing Rules. Given that Changxing Port will be consolidated into the consolidated financial statements of the Company as a subsidiary of the Company by virtue of applicable accounting principles after the completion of the Changxing Port Entrustment, 100% of Changxing Port's total assets, profits and revenue are taken as the value of the total assets, profits and revenue when calculating the applicable percentage ratios.

As the highest applicable percentage ratio in relation to the Changxing Port Entrustment (aggregated with the Changxing Investment Development Entrustment) is more than 5% but less than 25%, such connected transaction is subject to the reporting, announcement, annual review, circular and Independent Shareholders' approval requirements under Chapter 14A of

LETTER FROM THE BOARD

the Listing Rules. Also, the Changxing Port Entrustment constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules. Upon completion of the Changxing Port Entrustment, Changxing Port will become a connected subsidiary of the Company for the purpose of Rule 14A.16 of the Listing Rules, as PDA Group will control the exercise of more than 10% voting power at the general meeting of Changxing Port.

Each of Mr. Wang Zhixian, Mr. Wei Minghui, Dr. Li Guofeng and Mr. Wang Zhu, being a Director and also holding a management position or directorship with PDA Group or its parent company, is considered to have a material interest in the transaction contemplated under the Changxing Port Entrustment Agreement, and has abstained from voting on the relevant Board resolution approving the above transaction.

As the highest applicable percentage ratio of the annual entrustment fee under the Changxing Port Entrustment Agreement (aggregated with that under the Changxing Investment Development Entrustment Agreement) is less than 0.1%, the entrustment arrangement contemplated under the Changxing Port Entrustment Agreement meets the de minimis transaction requirements under Rule 14A.76 of the Listing Rules, and is exempt from the reporting, announcement, annual review, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

5. GENERAL INFORMATION

Information on the Company

The Company is a joint stock limited company incorporated in the PRC whose H Shares and A Shares are listed on the Main Board of the Stock Exchange (stock code: 2880) and the Shanghai Stock Exchange (stock code: 601880), respectively. The Group is principally engaged in oil/liquefied chemicals terminal and related logistics services (oil segment), container terminal and related logistics services (container segment), automobile terminal and related logistics services (automobile terminal segment), bulk and general cargo terminal and related logistics services (bulk and general cargo segment), bulk grain terminal and related logistics services (bulk grain segment), passenger and roll-on/roll-off terminal and related logistics services (passenger and ro-ro segment) and value-added and ancillary port operations (value-added services segment).

Information on PDA Group

PDA Group is a limited liability company established in the PRC and is an investment entity. As at the Latest Practicable Date, it was wholly owned by Liaoning Port Group and was ultimately controlled by CMG.

LETTER FROM THE BOARD

Information on Changxing Investment Development

Changxing Investment Development is a limited liability company established in the PRC and is principally engaged in national reserve oil and international crude oil transit business. As at the Latest Practicable Date, it was owned as to approximately 53.42% by PDA Group and approximately 46.58% by the Company.

The following table sets forth the financial information of Changxing Investment Development for the two years ended 31 December 2023 and the six months ended 30 June 2024:

	Year ended 31 December		Six months ended 30 June
	2022	2023	2024
	(Audited)		(Unaudited)
	(RMB million)		
Profit/(loss) before taxation	(33.71)	(85.50)	(17.22)
Profit/(loss) after taxation	(33.71)	(85.50)	(17.22)

As at 30 June 2024, the unaudited book value of the total asset of Changxing Investment Development was approximately RMB4,274.71 million.

Information on Changxing Port

Changxing Port is a limited liability company established in the PRC and is principally engaged in the bulk and general cargo business. As at the Latest Practicable Date, it was owned as to 40% by the Company, 40% by IMC Port & Logistics Holdings Pte. Ltd. (萬邦港口物流控股有限公司), which was ultimately controlled by Tsao Pao Chee Group Limited (a company mainly engaged in real estate, shipping and fund investment business), and 20% by Changxing Development Construction Investment. After the completion of the Proposed Changxing Port Acquisition, Changxing Port will be owned as to 40% by the Company, 40% by IMC Port & Logistics Holdings Pte. Ltd. and 20% by PDA Group. As at the Latest Practicable Date, each of IMC Port & Logistics Holdings Pte. Ltd., Changxing Development Construction Investment and their respective ultimate beneficial owners are Independent Third Parties.

LETTER FROM THE BOARD

The following table sets forth the financial information of Changxing Port for the two years ended 31 December 2023 and the six months ended 30 June 2024:

	Year ended 31 December		Six months
	2022	2023	ended 30 June
	(Audited)		2024
	(RMB million)		(Unaudited)
Profit/(loss) before taxation	(45.71)	(52.98)	(206.76)
Profit/(loss) after taxation	(45.71)	(52.98)	(206.76)

As at 30 June 2024, the unaudited book value of the total asset of Changxing Port was approximately RMB1,679.49 million.

6. REASONS FOR AND BENEFITS OF THE ENTRUSTMENT

As Changxing Investment Development is principally engaged in national reserve oil and international crude oil transit business and Changxing Port is principally engaged in bulk and general cargo business, after the completion of the Changxing Investment Development Acquisition and the Proposed Changxing Port Acquisition, the business of PDA Group may potentially compete with the business of the Group. Through the Changxing Investment Development Entrustment and the Changxing Port Entrustment, the Group will be able to appoint directors and in aggregate exercise all of the voting rights of Changxing Investment Development and 60% of the voting rights of Changxing Port, respectively, and thus control the business operation and management of Changxing Investment Development and Changxing Port, including making decisions on their business direction, operating policies and investment plans, which the Directors believe will help avoid breach of the Non-Competition Agreements by PDA Group. In addition, incorporating Changxing Investment Development and Changxing Port into the management system of the Group is conducive to achieving the integrated operation of and promoting synergistic development of all ports in Liaoning Province, which will also help to enhance the efficiency of management, overall industry competitiveness and supply chain resource acquisition capabilities of the Group.

The Directors (Including the independent non-executive Directors) are of the view that the operation and financial condition of the Company would not be materially and adversely affected by entering into the Changxing Investment Development Entrustment Agreement and the Changxing Port Entrustment Agreement.

7. EGM

A notice convening the EGM to be held at Room 109, Liaoning Port Group Building, No. 1 Gangwan Street, Zhongshan District, Dalian, Liaoning, the PRC at 9:00 a.m. on Tuesday, 24 September 2024 is set out on pages EGM-1 to EGM-2 of this circular. The voting on the resolutions proposed at the EGM will be taken by way of poll.

LETTER FROM THE BOARD

Pursuant to Rule 14A.36 of the Listing Rules, PDA Group is considered to have a material interest in the (i) Changxing Investment Development Entrustment Agreement and (ii) Changxing Port Entrustment Agreement, and hence PDA Group and its associates (including Yingkou Port Group, whose 45.93% voting rights are controlled by PDA Group pursuant to an entrustment agreement dated 29 March 2021, Liaoning Gangwan Industry and Finance Investment Group Co., Ltd. (遼寧港灣產融投資集團有限公司) (“**Liaoning Gangwan**”), a wholly-owned subsidiary of Yingkou Port Group, Team Able International Limited, an indirect subsidiary of CMG (the ultimate controller of PDA Group), and Bradford Global Limited, an indirect subsidiary of CMG), collectively holding 16,586,998,459 Shares (comprising 12,293,749,764 A Shares and 4,293,248,695 H Shares) amounting to approximately 69.15% of the total issued share capital of the Company as at the Latest Practicable Date, are required to abstain from voting at the EGM in respect of the resolutions to approve the terms of the (i) Changxing Investment Development Entrustment Agreement and (ii) Changxing Port Entrustment Agreement, and the transactions contemplated thereunder. To the best of the Directors’ knowledge, information and belief, saved as disclosed above, none of the Shareholders are required to abstain from voting at the EGM.

In order to determine the holders of H Shares who are entitled to attend the EGM, the register of members of the Company will be closed from Thursday, 19 September 2024 to Tuesday, 24 September 2024 (both days inclusive), during which period no transfer of H Shares will be effected. Holders of H Shares whose names appear on the H Shares register of members on Tuesday, 24 September 2024 are entitled to attend and vote at the EGM. In order to qualify for attending and voting at the EGM, instruments of transfer accompanied by share certificates and other appropriate documents in respect of transfer of H Shares must be lodged with the H Share registrar of the Company, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Tuesday, 17 September 2024.

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

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

LETTER FROM THE BOARD

8. RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out in this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders in relation to (a) the terms of the Changxing Investment Development Entrustment Agreement and the transaction contemplated thereunder and (b) the terms of the Changxing Port Entrustment Agreement and the transaction contemplated thereunder; (ii) the letter from the Independent Financial Adviser set out in this circular which contains its advice to the Independent Board Committee and the Independent Shareholders on (a) the terms of the Changxing Investment Development Entrustment Agreement and the transaction contemplated thereunder and (b) the terms of the Changxing Port Entrustment Agreement and the transaction contemplated thereunder, as well as the principal factors and reasons taken into account by the Independent Financial Adviser in arriving at its advice; and additional information set out in the appendix to this circular.

The Directors and the Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, consider that the terms of the (i) Changxing Investment Development Entrustment Agreement and (ii) Changxing Port Entrustment Agreement are fair and reasonable, and although the (i) Changxing Investment Development Entrustment and (ii) Changxing Port Entrustment are not in the ordinary and usual course of business of the Company, such transactions are on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors and the Independent Board Committee recommend the Independent Shareholders to vote in favour of the above ordinary resolutions to be proposed at the EGM.

9. OTHER INFORMATION

Your attention is drawn to other sections of this circular.

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

* *For identification purposes only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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

(Stock Code: 2880)

2 September 2024

To the Independent Shareholders

Dear Sir or Madam,

PROPOSED DISCLOSEABLE AND CONNECTED TRANSACTION

We refer to the circular (the “**Circular**”) of the Company dated 2 September 2024 despatched to the Shareholders of which this letter forms a part. Unless the context requires otherwise, capitalised terms and expressions used in this letter shall have the same meanings as those defined in the Circular.

We have been appointed to advise the Independent Shareholders on (i) the terms of the Changxing Investment Development Entrustment Agreement and the transaction contemplated thereunder and (ii) the terms of the Changxing Port Entrustment Agreement and the transaction contemplated thereunder. TC Capital International Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to the letter from the Board set out on pages 5 to 20 of the Circular and the letter from TC Capital International Limited set out on pages 23 to 41 of the Circular.

Having considered the terms of (i) Changxing Investment Development Entrustment Agreement and (ii) Changxing Port Entrustment Agreement, reasons for and benefits of the transactions contemplated thereunder, and the advice given by TC Capital International Limited, we are of the opinion that the terms of the (i) Changxing Investment Development Entrustment Agreement and (ii) Changxing Port Entrustment Agreement are fair and reasonable, and although the (i) Changxing Investment Development Entrustment and (ii) Changxing Port Entrustment are not in the ordinary and usual course of business of the Company, such transactions are on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the above ordinary resolutions to be proposed at the EGM.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Yours faithfully,

For and on behalf of the Independent Board Committee

LIU Chunyan CHENG Chaoying CHAN Wai Hei

Independent Non-executive Directors

* *For identification purposes only*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the text of a letter received from TC Capital International Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Changxing Investment Development Entrustment and the Changxing Port Entrustment for the purpose of inclusion in this circular.



2 September 2024

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

Dear Sirs,

PROPOSED DISCLOSEABLE AND CONNECTED TRANSACTION

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Changxing Investment Development Entrustment and the Changxing Port Entrustment, 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 2 September 2024 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.

The Company and PDA Group propose to enter into the Changxing Investment Development Entrustment Agreement, pursuant to which, PDA Group agrees to entrust the Company to exercise certain shareholders’ rights of its equity interests in Changxing Investment Development.

The Company and PDA Group propose to enter into the Changxing Port Entrustment Agreement, pursuant to which PDA Group agrees to entrust the Company to exercise certain shareholders’ rights of its equity interests in Changxing Port.

As at the Latest Practicable Date, PDA Group was an indirect controlling shareholder of the Company and was therefore a connected person of the Company. The Changxing Investment Development Entrustment and the Changxing Port Entrustment constitute connected transactions of the Company and are subject to the reporting, announcement, annual review, circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising Dr. Liu Chunyan, Ms. Cheng Chaoying and Mr. Chan Wai Hei (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Changxing Investment Development Entrustment Agreement and the Changxing Port Entrustment Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Changxing Investment Development Entrustment and the Changxing Port Entrustment are in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the relevant resolutions to approve the Changxing Investment Development Entrustment and the Changxing Port Entrustment at the EGM. We, TC Capital International Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationships with or interests in the Company or any other parties that could reasonably be regarded as relevant to the independence of us. In the last two years, we have acted as an independent financial adviser to the then independent board committee of the Company and the then independent shareholders of the Company in relation to an occasion as detailed in the circular of the Company dated 27 November 2023. Apart from the normal professional fees paid/payable to us in respect of the aforementioned engagement and the current engagement with the Company, there is no arrangement exist whereby we had received any fees or benefits from the Company, PDA Group, and their respective subsidiaries and/or associates. Given (i) our independent role in the aforementioned engagement; and (ii) our fees for the aforementioned engagement represented an insignificant percentage of our revenue, we consider that the aforementioned engagement would not affect our independence to form our opinion in respect of the Changxing Investment Development Entrustment and the Changxing Port Entrustment.

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 Changxing Investment Development Entrustment Agreement and the Changxing Port Entrustment Agreement; (ii) the annual reports of the Company for the years ended 31 December 2022 and 2023 (the “**2022 Annual Report**” and the “**2023 Annual Report**” respectively) and the first quarterly report of the Company for the three months ended 31 March 2024 (the “**2024 First Quarterly Report**”); (iii) the financial information of Changxing Investment Development and Changxing Port for the two years ended 31 December 2023 and the six months ended 30 June 2024; (iv) other information as set out in the Circular; and (v) relevant market data and information available from public sources.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have assumed that all such information, opinions, facts and representations provided to us by the Directors and/or the representatives of the Company, for which they are fully responsible, are true, accurate and complete in all respects. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and/or the representatives of the Company. The Company has also confirmed to us that no material facts have been omitted from the information supplied and we have no reason to suspect that any material information has been withheld or is misleading. We consider that we have taken sufficient and necessary steps (including review of the Changxing Investment Development Entrustment Agreement and the Changxing Port Entrustment Agreement; comparing the entrustment fees of the Changxing Investment Development Entrustment Agreement and the Changxing Port Entrustment Agreement with the entrustment fees of the Comparables (as defined below); and analysis on the reasons for and benefits of the Changxing Investment Development Entrustment and the Changxing Port Entrustment) on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

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

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion in respect of the Changxing Investment Development Entrustment and the Changxing Port Entrustment, we have taken into account the following principal factors and reasons:

A. Background information of the parties

1. Information on the Group

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is certain financial information of the Group for the three years ended 31 December 2023 (“FY2021”, “FY2022” and “FY2023” respectively) and the three months ended 31 March 2023 and 2024 (“1Q2023” and “1Q2024” respectively) as extracted from the 2022 Annual Report, the 2023 Annual Report and the 2024 First Quarterly Report or provided by the Company:

	For the three months ended 31 March		For the year ended 31 December			
	2024	2023	2023	2022	2022	2021
	<i>RMB million</i> <i>(Unaudited)</i>	<i>RMB million</i> <i>(Unaudited)</i>	<i>RMB million</i> <i>(Audited)</i>	<i>RMB million</i> <i>(Audited and</i> <i>restated)</i>	<i>RMB million</i> <i>(Audited)</i>	<i>RMB million</i> <i>(Audited)</i>
Revenue	2,889	2,876	12,220	12,167	11,981	12,348
Gross profit	807	865	3,390	3,178	3,097	3,829
Net profit attributable to shareholders of the parent company	372	390	1,343	1,318	1,280	1,916

	As at 31 March		As at 31 December		
	2024	2023	2022	2022	2021
	<i>RMB million</i> <i>(Unaudited)</i>	<i>RMB million</i> <i>(Audited)</i>	<i>RMB million</i> <i>(Audited and</i> <i>restated)</i>	<i>RMB million</i> <i>(Audited)</i>	<i>RMB million</i> <i>(Audited)</i>
Total assets	57,342	56,353	57,876	57,609	57,813
Total liabilities	14,173	13,624	15,974	15,867	16,760
Total equity attributable to owners of the parent company	39,993	39,602	38,792	38,646	37,946

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The revenue of the Group for FY2023 remained relatively stable as compared to the corresponding restated figure for FY2022. As stated in the 2023 Annual Report, such performance of the revenue of the Group was mainly due to the increase in the volume of containers, oil products, passenger and ro-ro and other businesses. However, as a result of the impact of the continued losses in the steel industry, the decline in the volume of bulk and general cargo business such as ores and steels, and the decrease in the container logistics service business such as shipping export agency and automobile imported parts and components, the increase in revenue was restrained. The gross profit of the Group for FY2023 increased by approximately 6.7% and the net profit attributable to shareholders of the parent company for FY2023 remained relatively stable as compared to those corresponding restated figures for FY2022. As stated in the 2023 Annual Report, the increase in the gross profit of the Group for FY2023 was mainly due to the growth in the business volume of container and oil products with high margins, and the recovery growth in the passenger and ro-ro business, which together contributed to the growth in revenue, as well as the decline in costs.

The revenue of the Group for 1Q2024 remained relatively stable as compared to that for 1Q2023. The gross profit of the Group and the net profit attributable to shareholders of the parent company for 1Q2024 decreased by approximately 6.7% and 4.6% as compared to those for 1Q2023. As advised by the representatives of the Company, such decrease in the gross profit of the Group was mainly due to the decrease in the business volume of steel, iron ore and oil products with high margins.

The total equity attributable to owners of the parent company as at 31 December 2022 and 2023 and 31 March 2024 represented slight increments as compared with those as at 31 December 2021, 2022 and 2023 respectively. The representatives of the Company advised us that such movement in the total equity attributable to owners of the parent company were mainly due to the profit-making position of the Group during FY2022, FY2023 and 1Q2024.

2. Information on PDA Group

As stated in the Letter from the Board, PDA Group is a limited liability company established in the PRC and an investment entity. As at the Latest Practicable Date, it was wholly owned by Liaoning Port Group and was ultimately controlled by CMG.

3. Information on Changxing Investment Development

As stated in the Letter from the Board, Changxing Investment Development is a limited liability company established in the PRC and is principally engaged in national reserve oil and international crude oil transit business. As at the Latest Practicable Date, it was owned as to approximately 53.42% by PDA Group and approximately 46.58% by the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following table sets forth the financial information of Changxing Investment Development for the two years ended 31 December 2023 and the six months ended 30 June 2024 as extracted from the Letter from the Board:

	For the year ended 31 December		For the six months ended 30 June
	2022	2023	2024
	<i>(Audited)</i>		<i>(Unaudited)</i>
	<i>(RMB million)</i>		
Profit/(loss) before taxation	(33.71)	(85.50)	(17.22)
Profit/(loss) after taxation	(33.71)	(85.50)	(17.22)

As at 30 June 2024, the unaudited book value of the total assets of Changxing Investment Development was approximately RMB4,274.71 million.

4. Information on Changxing Port

As stated in the Letter from the Board, Changxing Port is a limited liability company established in the PRC and is principally engaged in the bulk and general cargo business. As at the Latest Practicable Date, it was owned as to 40% by the Company, 40% by IMC Port & Logistics Holdings Pte. Ltd. (萬邦港口物流控股有限公司), which was ultimately controlled by Tsao Pao Chee Group Limited (a company mainly engaged in real estate, shipping and fund investment business), and 20% by Changxing Development Construction Investment. After the completion of the Proposed Changxing Port Acquisition, Changxing Port will be owned as to 40% by the Company, 40% by IMC Port & Logistics Holdings Pte. Ltd. and 20% by PDA Group. As at the Latest Practicable Date, each of IMC Port & Logistics Holdings Pte. Ltd., Changxing Development Construction Investment and their respective ultimate beneficial owners were Independent Third Parties.

The following table sets forth the financial information of Changxing Port for the two years ended 31 December 2023 and the six months ended 30 June 2024 as extracted from the Letter from the Board:

	For the year ended 31 December		For the six months ended 30 June
	2022	2023	2024
	<i>(Audited)</i>		<i>(Unaudited)</i>
	<i>(RMB million)</i>		
Profit/(loss) before taxation	(45.71)	(52.98)	(206.76)
Profit/(loss) after taxation	(45.71)	(52.98)	(206.76)

As at 30 June 2024, the unaudited book value of the total assets of Changxing Port was approximately RMB1,679.49 million.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

B. The Changxing Investment Development Entrustment and the Changxing Port Entrustment

1. Reasons for and benefits of the Changxing Investment Development Entrustment and the Changxing Port Entrustment

As stated in the Letter from the Board, the Company and PDA Group entered into the Non-Competition Agreements in 2006 and 2009 respectively, pursuant to which PDA Group provided certain non-competition undertakings in favour of the Company and granted right of first refusal and option to the Company in respect of the business of PDA Group and future business opportunities.

As further stated in the Letter from the Board, as Changxing Investment Development is principally engaged in national reserve oil and international crude oil transit business and Changxing Port is principally engaged in bulk and general cargo business, after the completion of the Changxing Investment Development Acquisition and the Proposed Changxing Port Acquisition, the business of PDA Group may potentially compete with the business of the Group. Through the Changxing Investment Development Entrustment and the Changxing Port Entrustment, the Group will be able to appoint directors and in aggregate exercise all of the voting rights of Changxing Investment Development and 60% of the voting rights of Changxing Port, respectively, and thus control the business operation and management of Changxing Investment Development and Changxing Port, including making decisions on their business direction, operating policies and investment plans, which the Directors believe will help avoid breach of the Non-Competition Agreements by PDA Group. In addition, incorporating Changxing Investment Development and Changxing Port into the management system of the Group is conducive to achieving the integrated operation of and promoting synergistic development of all ports in Liaoning Province, which will also help to enhance the efficiency of management, overall industry competitiveness and supply chain resource acquisition capabilities of the Group.

Avoidance of breach of the Non-Competition Agreements

As stated in the circular of the Company dated 6 June 2024, pursuant to the Non-Competition Agreements, the Company has preemptive right to purchase the interests of Changxing Investment Development and Changxing Port. As Changxing Investment Development and Changxing Port are exposed to the risk of debt default, it is premature for the Company to directly acquire the shares of Changxing Investment Development and Changxing Port at present. Under the circumstances, PDA Group will first acquire the shares of Changxing Investment Development and Changxing Port and when the performance of these two companies improves, the Company can acquire their shares at any time in the future, which can better safeguard the interests of the Company and the Shareholders and effectively control the risks of acquisitions. Under the arrangements of the Changxing Investment Development Entrustment and the Changxing Port Entrustment, PDA Group can assist Changxing Investment Development and Changxing Port in alleviating their current financial difficulties and resuming their normal production and operation through the Changxing Investment Development Acquisition and the Proposed Changxing Port Acquisition, while avoiding breach of the Non-Competition Agreements by PDA Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have obtained and reviewed the Non-Competition Agreements and noted that PDA Group has undertaken that (i) in the event PDA Group or its associates intend to dispose of any assets which may be suitable for use by terminal operations and related logistics services, such assets shall be first offered to the Company. PDA Group and/or its associates may only proceed with such disposal to any third party on terms not more favourable than those offered to the Company, following the rejection of such offer by the Company; and (ii) the independent non-executive Directors shall have the right on behalf of the Company to review at least on an annual basis and, subject to the applicable laws and regulations and the relevant company's articles of association, determine the exercise of any of the rights of first refusal and options in respect of the business of PDA Group and other relevant business opportunities. In the event the Company determines to exercise any of the aforesaid rights and options, the consideration shall be determined with reference to the valuation prepared by an independent valuer, subject to compliance with the applicable laws and regulations. The Company will disclose decisions on matters reviewed by the independent non-executive Directors in relation to the Non-Competition Agreements by way of public announcement or in the annual report of the Company and will make an annual declaration on compliance of the Non-Competition Agreements in the annual report of the Company. As such, the Changxing Investment Development Entrustment and the Changxing Port Entrustment are in line with the non-competing undertakings committed by PDA Group and would help address the potential competition between the Company and PDA Group. As advised by the representatives of the Company, as at the Latest Practicable Date, the Non-Competition Agreements remained in force, and PDA Group has been in compliance with the provisions of the Non-Competition Agreements and there has been no breach on the side of PDA Group.

The Group's development strategies in oil segment and bulk and general cargo segment

As stated in the interim report of the Company for the six months ended 30 June 2023, the major initiatives of the Group for market development of its oil segment are, among other things, to deeply cultivate the market of crude oil transshipped in Hebei and northern Shandong area, improve the logistics system of imported crude oil distribution in Bohai Rim and increase the business volume, take advantage of favourable policy on the increase of export quotas for refined oil products and expand the foreign trade export business of refined oil products to drive the improvement in throughput, and focus on the transportation demands of refineries in the hinterland, give full play to the advantages in deepwater berths, optimise transshipment services and expand the market share in the hinterland.

As stated in the 2023 Annual Report, the major initiatives of the Group for market development of its bulk and general cargo segment are, among other things, to further improve the construction of liner shipping routes system for bulk and general cargo, build an integrated supply chain service brand for iron ore, formulate a sound supply chain value-added service system integrating "direct sales + processing + trading + distribution", strive for the qualification of "national strategic reserve facilities (國家戰略儲備庫)" for iron ore, carry out diversified value-added services for iron ore, continue to work on transportation of grains from the north to the south and deeply explore national policy sources of grains.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As set out in the Letter from the Board, Changxing Investment Development and Changxing Port will be consolidated into the consolidated financial statements of the Company as subsidiaries of the Company by virtue of applicable accounting principles as a result of the Changxing Investment Development Entrustment and the Changxing Port Entrustment respectively. Given that Changxing Investment Development is principally engaged in national reserve oil and international crude oil transit business and Changxing Port is principally engaged in bulk and general cargo business, which are included in the principal business of the Group, the Company expected that the Changxing Investment Development Entrustment and the Changxing Port Entrustment will further expand the market share of the Group and enhance the operational efficiency and market penetration of the Group. Moreover, the synergistic effects conducive to the Changxing Investment Development Entrustment and the Changxing Port Entrustment as mentioned below will help to enhance the efficiency of management, overall industry competitiveness and supply chain resource acquisition capabilities of the Company, Changxing Investment Development and Changxing Port. Therefore, the Changxing Investment Development Entrustment and the Changxing Port Entrustment are in line with the market development initiatives of the Group.

Synergy between the Company, Changxing Investment Development and Changxing Port

As set out in the circular of the Company dated 6 June 2024, Changxing Investment Development and Changxing Port, following the completion of the Changxing Investment Development Acquisition and the Proposed Changxing Port Acquisition, will be incorporated into the integrated operation of ports in Liaoning Province to promote the coordinated development of ports in Liaoning Province. The integration of ports in Liaoning Province is conducive to solving the previous problems of separate management and homogeneous competition among ports and can enhance the level of overall management of ports to achieve the sustainable development of ports in Liaoning Province.

As advised by the representatives of the Company, through the Changxing Investment Development Entrustment and the Changxing Port Entrustment, the Company will have the practical capability to direct the development strategies, business policies, major investments and other aspects of Changxing Investment Development and Changxing Port in accordance with the applicable laws, regulations, department rules, other regulatory documents and the articles of association of Changxing Investment Development and Changxing Port. As such, Changxing Investment Development and Changxing Port will fall under the management of the Company, thereby facilitating the Company's strategic planning for its operations within the oil segment and the bulk and general cargo segment and enhancing the efficiency of management of the Company. In addition, the synergistic effects conducive to the Changxing Investment Development Entrustment and the Changxing Port Entrustment, including but not limited to the reasonable allocation of key resources and strengthened collaboration, will also help to improve the comprehensive utilisation of terminal resources and enhance the overall industry competitiveness and supply chain resource acquisition capabilities of the Company, Changxing Investment Development and Changxing Port.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Having considered the aforementioned factors, in particular, (i) the Changxing Investment Development Entrustment and the Changxing Port Entrustment align with the non-competing undertakings committed by PDA Group and would help address the potential competition between the Company and PDA Group; (ii) the Changxing Investment Development Entrustment and the Changxing Port Entrustment align with the development strategies of the Group; and (iii) the Changxing Investment Development Entrustment and the Changxing Port Entrustment will create strategic synergies within the Group, and thus enhance the efficiency of management, overall industry competitiveness and supply chain resource acquisition capabilities of the Group, we are of the view that the Changxing Investment Development Entrustment and the Changxing Port Entrustment, which are not conducted in the ordinary and usual course of business of the Group, are in the interests of the Company and the Shareholders as a whole.

2. Principal terms of the Changxing Investment Development Entrustment Agreement and the Changxing Port Entrustment Agreement

Principal terms of the Changxing Investment Development Entrustment Agreement

The principal terms of the Changxing Investment Development Entrustment Agreement are as follows:

- Parties:**
- (1) PDA Group (as entruster); and
 - (2) The Company (as trustee).

Subject matter: PDA Group agrees to entrust the Company to exercise the shareholders' rights of its equity interests in Changxing Investment Development (other than the ownership, right to income, disposal right (including pledging of shares) and share options), right to appoint directors and supervisors, voting rights and other relevant rights.

Entrustment fee: RMB100,000 per annum (tax inclusive).

The entrustment fee was determined on a fair and reasonable basis, with reference to the pricing principles of similar entrustment arrangements to solve non-competition issues of the listed companies in the PRC, and actual operation of Changxing Investment Development, from which the Directors believe no additional operation costs will be incurred for the Company's performance of its duties under the Changxing Investment Development Entrustment Agreement as the Company has established a solid internal system for management of group companies.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Payment:	During the term of the Changxing Investment Development Entrustment, PDA Group shall pay the entrustment fee to the Company within 3 months after the end of the previous calendar year. If the term of the Changxing Investment Development Entrustment is less than one year as at the calendar year end, the entrustment fee shall be settled on a pro-rata basis within 3 months after the end of the previous calendar year.
Term of the entrustment:	<p>Infinite term unless by termination</p> <p>The Changxing Investment Development Entrustment Agreement shall be effective from the execution date of the agreement to the execution date of a written termination agreement between the Company and PDA Group.</p>
Termination of the entrustment:	The Changxing Investment Development Entrustment Agreement can only be terminated upon mutual agreement in writing between the Company and PDA Group.
Scope of the entrustment:	<p>PDA Group reserves the following shareholders' rights of its equity interests in Changxing Investment Development:</p> <ul style="list-style-type: none">(i) ownership of its equity interests in Changxing Investment Development;(ii) right to income (including dividend right) of its equity interests in Changxing Investment Development;(iii) right to distribute residual properties of Changxing Investment Development;(iv) right to determine disposal of equity interests in Changxing Investment Development or other encumbrances through transfer, capital contribution, exchange, pledge or other means; and(v) preemptive right to subscribe shares when the registered capital of Changxing Investment Development increases. <p>Other than the aforementioned rights reserved by PDA Group, the Company is entrusted to exercise all the other shareholders' rights of PDA Group's equity interests in Changxing Investment Development, right to appoint directors and supervisors, voting rights and other relevant rights. Please refer to the Letter from the Board for further details.</p>

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Condition Precedent

The Company and PDA Group propose to enter into the Changxing Investment Development Entrustment Agreement upon:

- passing of an ordinary resolution by the Independent Shareholders to approve the terms of the Changxing Investment Development Entrustment Agreement and the transaction contemplated thereunder at the EGM.

Entering into the Changxing Investment Development Entrustment Agreement and the Changxing Port Entrustment Agreement are not inter-conditional upon each other.

As at the Latest Practicable Date, the above condition precedent has not been satisfied. Based on the negotiation between the Company and PDA Group, the above condition precedent shall be satisfied before 31 December 2024, subject to applicable laws and regulations and further negotiation between the Company and PDA Group. Upon fulfillment of the above condition precedent, the Company and PDA Group propose to enter into the Changxing Investment Development Entrustment Agreement within three months.

Principal terms of the Changxing Port Entrustment Agreement

The principal terms of the Changxing Port Entrustment Agreement are as follows:

- Parties:** (1) PDA Group (as entruster); and
(2) The Company (as trustee).
- Subject matter:** PDA Group agrees to entrust the Company to exercise the shareholders' rights of its equity interests in Changxing Port (other than the ownership, right to income, disposal right (including pledging of shares) and share options), right to appoint directors and supervisors, voting rights and other relevant rights.
- Entrustment fee:** RMB100,000 per annum (tax inclusive).
- The entrustment fee was determined on a fair and reasonable basis, with reference to the pricing principles of similar entrustment arrangements to solve non-competition issues of the listed companies in the PRC, and actual operation of Changxing Port, from which the Directors believe no additional operation costs will be incurred for the Company's performance of its duties under the Changxing Port Entrustment Agreement as the Company has established a solid internal system for management of group companies.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Payment:	During the term of the Changxing Port Entrustment, PDA Group shall pay the entrustment fee to the Company within 3 months after the end of the previous calendar year. If the term of the Changxing Port Entrustment is less than one year as at the calendar year end, the entrustment fee shall be settled on a pro-rata basis within 3 months after the end of the previous calendar year.
Term of the entrustment:	<p>Infinite term unless by termination</p> <p>The Changxing Port Entrustment Agreement shall be effective from the execution date of the agreement to the execution date of a written termination agreement between the Company and PDA Group.</p>
Termination of the entrustment:	The Changxing Port Entrustment Agreement can only be terminated upon mutual agreement in writing between the Company and PDA Group.
Scope of the entrustment:	<p>PDA Group reserves the following shareholders' rights of its equity interests in Changxing Port:</p> <ul style="list-style-type: none">(i) ownership of its equity interests in Changxing Port;(ii) right to income (including dividend right) of its equity interests in Changxing Port;(iii) right to distribute residual properties of Changxing Port;(iv) right to determine disposal of equity interests in Changxing Port or other encumbrances through transfer, capital contribution, exchange, pledge or other means; and(v) preemptive right to subscribe shares when the registered capital of Changxing Port increases. <p>Other than the aforementioned rights reserved by PDA Group, the Company is entrusted to exercise all the other shareholders' rights of PDA Group's equity interests in Changxing Port, right to appoint directors and supervisors, voting rights and other relevant rights. Please refer to the Letter from the Board for further details.</p>

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Condition Precedent

The Company and PDA Group propose to enter into the Changxing Port Entrustment Agreement upon:

- completion of the Proposed Changxing Port Acquisition;
- establishment of the shareholders' meeting as the highest authority of Changxing Port in accordance with the Company Law of the PRC and the Foreign Investment Law of the PRC (as at the Latest Practicable Date, Changxing Port has no shareholders' meeting and the board of directors is the highest authority); and
- passing of an ordinary resolution by the Independent Shareholders to approve the terms of the Changxing Port Entrustment Agreement and the transaction contemplated thereunder at the EGM.

Entering into the Changxing Investment Development Entrustment Agreement and the Changxing Port Entrustment Agreement are not inter-conditional upon each other.

As at the Latest Practicable Date, the above conditions precedent have not been satisfied. Based on the negotiation between the Company and PDA Group, the above conditions precedent should be satisfied before 31 December 2024, subject to applicable laws and regulations, time needed for the completion of the Proposed Changxing Port Acquisition and the establishment of the shareholders' meeting as the highest authority of Changxing Port, and further negotiation between the Company and PDA Group. Upon fulfillment of the above conditions precedent, the Company and PDA Group propose to enter into the Changxing Port Entrustment Agreement within three months.

Entrustment fee

As stated in the Letter from the Board, the entrustment fees of the Changxing Investment Development Entrustment Agreement and the Changxing Port Entrustment Agreement are proposed to be RMB100,000 per annum (tax inclusive) respectively. The entrustment fees were determined with reference to the pricing principles of similar entrustment arrangement to solve non-competition issues of the listed companies in the PRC, and actual operation of Changxing Investment Development and Changxing Port respectively.

To further assess whether the entrustment fees of the Changxing Investment Development Entrustment Agreement and the Changxing Port Entrustment Agreement are fair and reasonable, we have conducted a comparable analysis based on the criteria that (i) the equity entrustment agreement to solve non-competition issues was entered into by companies listed on the mainboard of the Shenzhen Stock Exchange or the Shanghai Stock Exchange; and (ii) the announcement in relation to the equity entrustment agreement was issued within the period from 27 May 2024 to 26 August 2024 (i.e. the date of the announcement in relation to the Changxing Investment Development Entrustment and the Changxing Port Entrustment).

Based on our independent research, we have, on best effort basis, identified three comparables (the "**Comparables**") which are exhaustive based on the aforesaid criteria. As (i) the reason for entering into equity entrustment agreements by the Comparables is to solve non-competition issues or avoid potential competition, which is the same as the reason for entering into the Changxing Investment Development Entrustment Agreement and the Changxing Port Entrustment Agreement; and (ii) the review period is sufficiently recent to demonstrate the prevailing market practice, we are of the view that the Comparables are fair and representative.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the summary of the Comparables as extracted from their relevant announcements published on the website of the Shenzhen Stock Exchange or the Shanghai Stock Exchange:

Company name	Stock code	Industry (Note)	Date of announcement	Non-competition issue	Total entrustment fee per annum (RMB)	Number of target companies under the equity entrustment agreement (the "Target Company(ies)")	Average entrustment fee per Target Company (RMB)	Basis for determining the entrustment fee	Duration of the entrustment
Beijing Jingcheng Machinery Electric Company Limited ("Beijing Jingcheng")	600860.SH	Manufacturing	28 May 2024	In view of the overlap of the small amount of hydrogen supply system business between the Target Company and Beijing Jingcheng, the controlling shareholder of Beijing Jingcheng proposed to provide certain supplemental non-competition undertakings, pursuant to which the controlling shareholder of Beijing Jingcheng will initiate the injection of its equity interests in the Target Company or its assets or businesses subject to horizontal competition into Beijing Jingcheng. If the relevant equity interests, assets or businesses have not been injected into Beijing Jingcheng, the controlling shareholder of Beijing Jingcheng undertakes to extend the entrustment period, or to transfer the relevant equity interests in the Target Company or its assets or businesses subject to horizontal competition to an unrelated third party, or to eliminate horizontal competition through integration of businesses or assets.	200,000	1	200,000	The costs incurred for (i) the performance of the entrustment work stipulated in the agreement and was determined by both parties after negotiations	From the effective date of the agreement until the occurrence of one of the following events, whichever is earlier: (1) the date on which Beijing Jingcheng and the Target Company eliminate horizontal competition; or (2) without breaching the undertaking regarding avoidance of horizontal competition given by the controlling shareholder of Beijing Jingcheng, the date on which Beijing Jingcheng and the entrustor of the entrustment agreement unambiguously terminate the agreement; and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Company name	Stock code	Industry (Note)	Date of announcement	Non-competition issue	Total entrustment fee per annum (RMB)	Number of Target Company(ies)	Average entrustment fee per Target Company (RMB)	Basis for determining the entrustment fee	Duration of the entrustment
Jinjian Cereals Industry Co., Ltd. ("Jinjian Cereals")	600127.SH	Manufacturing	28 June 2024	The principal business of the Target Company is similar to part of the business of Jinjian Cereals and may potentially compete with the business of Jinjian Cereals. On 3 August 2022, the indirect controlling shareholder of Jinjian Cereals provided certain non-competition undertakings to solve the competition issue before 30 June 2024, by means of, including but not limited to, restructuring and integration, redefining the business scope, equity transfer, asset acquisition, liquidation and closure, asset entrustment, etc.	50,000	1	50,000	The size of the Target Company, similar service fees in the market, the costs incurred for the performance of the entrustment work and reasonable cost markups and was determined by both parties after negotiations	From the execution date of the agreement to the occurrence of one of the following events, whichever is earlier: (1) the execution date of a written termination agreement between Jinjian Cereals and the indirect controlling shareholder of Jinjian Cereals; or (2) the date on which Jinjian Cereals acquires the equity interest in the Target Company held by the indirect controlling shareholder of Jinjian Cereals by the legal means.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Company name	Stock code	Industry (Note)	Date of announcement	Non-competition issue	Total entrustment fee per annum (RMB)	Number of Target Company(ies)	Average entrustment fee per Target Company (RMB)	Basis for determining the entrustment fee	Duration of the entrustment
Anhui Wenergy Company Limited (“Anhui Wenergy”)	000543.SZ	Electricity, heat, gas and water production and supply	22 August 2024	In August 2018, the controlling shareholder of Anhui Wenergy provided certain updated non-competition undertakings to entrust the management of its equity interests in the Target Companies, which have not been injected into Anhui Wenergy, to Anhui Wenergy to avoid the potential competition.	200,000	5	40,000	The labour costs incurred for the performance of the entrustment work and was determined by both parties after negotiations	From the termination date of the previous entrustment agreement, which is 31 December 2023, to 31 December 2033. Meanwhile, the entrustment agreement can be terminated when one of the following events is completed:
									(1) the injection of the equity interests in or the assets of the Target Companies held by the controlling shareholder of Anhui Wenergy (the “Entrusted Shares or Assets”) into Anhui Wenergy;
									(2) the transfer of the Entrusted Shares or Assets to the independent third parties; or
									(3) the change of business of the Target Companies and the elimination of horizontal competition between Anhui Wenergy and the Target Companies.

Note: The industries of the Comparables were referenced from “The industry classification results of listed companies in the second half of 2023” published by the China Association for Public Companies on 3 April 2024.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As depicted by the above table, the average entrustment fees per Target Company of the Comparables range from RMB40,000 to RMB200,000. We noted that the proposed entrustment fees of the Changxing Investment Development Entrustment Agreement and the Changxing Port Entrustment Agreement fall within the range of the Comparables.

The durations of entrustment of the Comparables are eight years, ten years and infinite term unless by termination, and all of the annual entrustment fees of the Comparables are fixed over the whole durations of entrustment. As such, we concur with the Company that the proposed durations of the Changxing Investment Development Entrustment Agreement and the Changxing Port Entrustment Agreement are in line with the market practice. We are of the view that the proposed durations of the Changxing Investment Development Entrustment Agreement and the Changxing Port Entrustment Agreement are fair and reasonable, and the fixed entrustment fees of RMB100,000 over the whole duration of the Changxing Investment Development Entrustment Agreement and the Changxing Port Entrustment Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Changxing Investment Development Entrustment and the Changxing Port Entrustment are expected to bring various other benefits to the Group. As stated in the section headed “Reasons for and benefits of the Changxing Investment Development Entrustment and the Changxing Port Entrustment” above, (i) the Changxing Investment Development Entrustment and the Changxing Port Entrustment align with the non-competing undertakings committed by PDA Group and would help address the potential competition between the Company and PDA Group; (ii) the Changxing Investment Development Entrustment and the Changxing Port Entrustment align with the development strategies of the Group; and (iii) the Changxing Investment Development Entrustment and the Changxing Port Entrustment will create strategic synergies within the Group, and thus enhance the efficiency of management, overall industry competitiveness and supply chain resource acquisition capabilities of the Group.

Given the above, we are of the view that the terms of the Changxing Investment Development Entrustment Agreement and the Changxing Port Entrustment Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

3. Financial effects of the Changxing Investment Development Entrustment and the Changxing Port Entrustment

As advised by the representatives of the Company, as a result of the Changxing Investment Development Entrustment, Changxing Investment Development will be consolidated into the consolidated financial statements of the Company, except that profits and losses attributable to the shares of Changxing Investment Development held by PDA Group (the “**Changxing Investment Development Entrusted Shares**”) will not be accounted for in the profit attributable to shareholders of the Company under its consolidated financial statements as PDA Group will retain the rights to income/loss attached to the Changxing Investment Development Entrusted Shares.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As a result of the Changxing Port Entrustment, if the Company obtains the control over Changxing Port via amendments to the memorandum and articles of association of Changxing Port, Changxing Port will be consolidated into the consolidated financial statements of the Company, except that profits and losses attributable to the shares of Changxing Port to be held by PDA Group (the “**Changxing Port Entrusted Shares**”) will not be accounted for in the profit attributable to shareholders of the Company under its consolidated financial statements as PDA Group will retain the rights to income/loss attached to the Changxing Port Entrusted Shares.

Shareholders should note that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position of the Group will be upon completion of the Changxing Investment Development Entrustment and the Changxing Port Entrustment.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that (i) the terms of the Changxing Investment Development Entrustment Agreement and the Changxing Port Entrustment Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Changxing Investment Development Entrustment and the Changxing Port Entrustment, which are not conducted in the ordinary and usual course of business of the Group, are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend (i) the Independent Board Committee to advise the Independent Shareholders; and (ii) the Independent Shareholders, to vote in favour of the relevant resolutions to be proposed at the EGM to approve the Changxing Investment Development Entrustment and the Changxing Port Entrustment.

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

Note: Mr. Edward Wu has been a responsible officer of type 6 (advising on corporate finance) regulated activities under the SFO since 2005. Ms. Edith Lee has been a responsible officer of type 6 (advising on corporate finance) regulated activities under the SFO since 2015. Both Mr. Wu and Ms. Lee have participated in and completed various advisory transactions in respect of connected transactions of listed companies in Hong Kong.

* *For identification purposes only*

1. RESPONSIBILITY STATEMENT

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

2. INTERESTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

As at the Latest Practicable Date, none of the Directors, Supervisors or the chief executive had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) 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 were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register as referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules, to be notified to the Company and the Stock Exchange.

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

As at the Latest Practicable Date, to the best knowledge and information of the Directors, the following persons (other than the Directors or Supervisors) had any interest or short position in the shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of shareholder	Class of shares	Number of shares/ underlying shares held (shares)	Capacity	As % of the relevant class of share capital ⁽¹⁾	As % of the total share capital ⁽²⁾
Yingkou Port Group ⁽³⁾	A Shares	6,916,185,012 (long position)	Beneficial owner	36.73%	28.83%
	A Shares	67,309,590 (long position)	Interest of controlled corporations ⁽⁴⁾	0.36%	0.28%

Name of shareholder	Class of shares	Number of shares/ underlying shares held (shares)	Capacity	As % of the relevant class of share capital ⁽¹⁾	As % of the total share capital ⁽²⁾
PDA Group ⁽³⁾	A Shares	5,310,255,162 (long position)	Beneficial owner	28.20%	22.14%
CMG ⁽⁵⁾	H Shares	4,293,248,695 (long position)	Interest of controlled corporations	83.22%	17.90%

Notes:

- Number of Shares in the relevant class of share capital of the Company as at the Latest Practicable Date: A Shares – 18,828,349,817, H Shares – 5,158,715,999.
- Total number of Shares in the share capital of the Company as at the Latest Practicable Date: 23,987,065,816.
- According to a voting right entrustment agreement entered into by PDA Group and Yingkou Port Group on 29 March 2021, PDA Group agreed to fully entrust the exercise of shareholders' rights of its equity interests in the Company, other than right to earnings, right of disposition (including share pledge) and share options, to Yingkou Port Group.
- Liaoning Gangwan, as a wholly-owned subsidiary of Yingkou Port Group, holds 67,309,590 A Shares of the Company. As such, Yingkou Port Group is deemed to be interested in the 67,309,590 A Shares of the Company held by Liaoning Gangwan.
- CMG held 722,166,000 H shares through its indirect subsidiary, PDA Group, 2,714,736,000 H shares through its indirect subsidiary, Team Able International Limited, and 856,346,695 H shares through its indirect subsidiary, Broadford Global Limited.

Save as disclosed above, as at the Latest Practicable Date, to the best knowledge and information of the Directors, no other persons (other than the Directors or Supervisors) had any interest or short position in the shares of the Company which is required to be disclosed to the Company and Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under Section 336 of the SFO.

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

As at the Latest Practicable Date, to the best knowledge and information of the Directors, none of the Directors or the Supervisors had any interest in any assets which has been, since 31 December 2023 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

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

5. DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

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

6. DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

7. DIRECTORS' AND SUPERVISORS' EMPLOYMENT WITH SUBSTANTIAL SHAREHOLDERS

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

Mr. Wang Zhixian, being an executive Director, serves as the secretary of the Party Committee, a director and the chief executive officer of Liaoning Port Group, the chairman of PDA Group, and the chairman of Yingkou Port Group.

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

Dr. Li Guofeng, being a non-executive Director, serves as the chief operating officer and the general manager of Liaoning Port Group, and a director of PDA Group.

Mr. Wang Zhu, being a non-executive Director, serves as the chief financial officer of Liaoning Port Group.

8. NO MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse changes in the financial or trading position of the Group since 31 December 2023 (being the date to which the latest published audited consolidated financial statements of the Group were made up).

9. QUALIFICATION OF EXPERT AND CONSENT

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

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

As at the Latest Practicable Date, the Independent Financial Adviser did not have any shareholding in 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, the Independent Financial Adviser had given and had not withdrawn its written consent to the issue of this Circular with the inclusion of the text of its letter and references to its name, logo, qualification and/or its advice in the form and context in which they respectively appear herein.

As at the Latest Practicable Date, the Independent Financial Adviser did not have any direct or indirect interests in any assets which had been acquired, disposed of or leased to, or which were proposed to be acquired, disposed of by or leased to, any member of the Group since 31 December 2023, being the date to which the latest published audited consolidated financial statements of the Group were made up.

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

10. MISCELLANEOUS

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

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.liaoganggf.cn) for a period of 14 days from the date of this circular:

- the Changxing Investment Development Entrustment Agreement; and
- the Changxing Port Entrustment Agreement.

NOTICE OF EXTRAORDINARY GENERAL MEETING

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



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

(Stock Code: 2880)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting of Liaoning Port Co., Ltd.* (the “**Company**”) will be held at Room 109, Liaoning Port Group Building, No. 1 Gangwan Street, Zhongshan District, Dalian, Liaoning, the PRC at 9:00 a.m. on Tuesday, 24 September 2024 (the “**EGM**”) (or at any adjournment thereof) for the purposes of considering and, if thought fit, passing, with or without modifications, the following resolutions. Unless otherwise defined, capitalised terms used in this notice shall have the same meaning as those defined in the circular of the Company dated 2 September 2024 (the “**Circular**”).

ORDINARY RESOLUTIONS

1. To consider and approve the terms of the Changxing Investment Development Entrustment Agreement and the transaction contemplated thereunder; and any Director or its authorised representative be and is hereby authorised to implement and take all steps and to do all acts and things as may be necessary or desirable to give effect and/or to complete the connected transactions contemplated thereunder and all other matters ancillary thereto, and to sign and execute such further documents, or to do any other matters incidental thereto and/or as contemplated thereunder and to make changes or amendments to the aforesaid agreement, as such Director or authorised representative may in his/her absolute discretion deem fit.

NOTICE OF EXTRAORDINARY GENERAL MEETING

2. To consider and approve the terms of the Changxing Port Entrustment Agreement and the transaction contemplated thereunder; and any Director or its authorised representative be and is hereby authorised to implement and take all steps and to do all acts and things as may be necessary or desirable to give effect and/or to complete the connected transactions contemplated thereunder and all other matters ancillary thereto, and to sign and execute such further documents, or to do any other matters incidental thereto and/or as contemplated thereunder and to make changes or amendments to the aforesaid agreement, as such Director or authorised representative may in his/her absolute discretion deem fit.

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

Dalian City, Liaoning Province, the PRC

2 September 2024

Notes:

1. A Shareholder entitled to attend and vote at the EGM is entitled to appoint another person as his/her proxy to attend and vote instead of him/her; a proxy need not be a Shareholder of the Company. A Shareholder who is the holder of two or more Shares may appoint more than one proxy to represent him/her and vote on his/her behalf at the EGM. On a poll, votes may be given either personally or by proxy. Any Shareholder who has the right to attend and vote at the EGM is entitled to appoint in writing one or more proxies to attend and vote on his/her behalf at the EGM. A proxy need not be a Shareholder of the Company.
2. In the case of joint holders, any one of such joint holders may vote at the EGM, either in person or by proxy, in respect of such Share as if he/she were solely entitled thereto, but if more than one of such joint holders be present at the EGM, whether in person or by proxy, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and for this purpose seniority shall be determined as that one of the said persons so present whose name stands first on the register of members of the Company in respect of such Share shall alone be entitled to vote in respect thereof.
3. In order to be valid, a form of proxy must be deposited at the H Share Registrar, at the address of 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for holders of H Shares not less than 24 hours before the time fixed for holding the EGM or any adjournment thereof (as the case may be). The completion and return of the form of proxy shall not preclude Shareholders of the Company from attending and voting in person at the above meeting (or any adjourned meeting thereof) if they so wish.
4. The register of members of the Company will be closed from Thursday, 19 September 2024 to Tuesday, 24 September 2024, both days inclusive, during which period no share transfers can be registered. In order to qualify for attending and voting at the EGM, all transfers accompanied by the relevant share certificates must be lodged with the H Share Registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 17 September 2024.

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

Executive Directors: WANG Zhixian and WEI Minghui

Non-executive Directors: LI Guofeng, WANG Zhu, LI Yubin and YANG Bing

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

* *For identification purposes only*