
CONNECTED TRANSACTIONS

CONNECTED PERSONS

Following the Global Offering (whether or not the Over-allotment Option is exercised), our Controlling Shareholder will hold more than 10% of our issued share capital and will continue to be our substantial shareholder as defined under the Hong Kong Listing Rules. Under Rules 14A.11(1) and (4) of the Hong Kong Listing Rules, our Controlling Shareholder and its associates are our connected persons.

Accordingly, the transactions between (i) our Group, and (ii) our Controlling Shareholder and/or its associates, which will continue after the listing of the H shares on the Hong Kong Stock Exchange, will constitute our continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules.

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We have entered into certain agreements with our Controlling Shareholder, including the Non-Competition Agreement and Undertaking, the Trademark License Agreement and Undertaking, the Lease Agreement, and the General Services Agreement. Transactions under these agreements and undertakings will constitute our connected transactions or continuing connected transactions within the meaning of the Hong Kong Listing Rules.

Non-Recurrent Transaction

Non-Competition Agreement and Undertaking

We and our Controlling Shareholder entered into the Non-Competition Agreement and Undertaking, pursuant to which we were granted with options for new business opportunities relating to our Core Business, as well as options and pre-emptive rights to acquire new business opportunities. Please refer to the section headed “Relationship with Controlling Shareholder – Non-Competition Agreement and Undertaking by the Controlling Shareholder” in this prospectus for further details.

When we decide whether to exercise the Option for New Business Opportunities, the option for acquisitions or the pre-emptive rights granted under the Non-Competition Agreement and Undertaking, we shall comply with the relevant requirements under Chapter 14A of the Hong Kong Listing Rules.

Continuing Connected Transactions

The following table is a summary of our continuing connected transactions:

Nature of Transaction	Applicable Hong Kong Listing Rules	Waiver Sought	Proposed Annual Cap for the Year Ending December 31,		
			2013	2014 (RMB '000)	2015
Exempt continuing connected transaction					
(1) Trademark License Agreement and Undertaking	14A.33(3)	N/A	Nil	Nil	Nil
Non-exempt continuing connected transactions					
(2) Lease Agreement	14A.34	Waiver from announcement requirement under 14A.34	104,900	104,900	104,900


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<u>Nature of Transaction</u>	<u>Applicable Hong Kong Listing Rules</u>	<u>Waiver Sought</u>	<u>Proposed Annual Cap for the Year Ending December 31,</u>		
			<u>2013</u>	<u>2014</u> (RMB '000)	<u>2015</u>
(3) General Services Agreement	14A.35	Waiver from announcement and independent shareholders' approval requirement under 14A.35			
A. Provision of services by our Controlling Shareholder and/or its subsidiaries to us			465,384	494,000	524,000
B. Provisions of services by us to our Controlling Shareholder and/or its subsidiaries			77,443	91,590	113,590

Exempt Continuing Connected Transaction

The following transaction will be exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under Rule 14A.33(3) of the Hong Kong Listing Rules.

(1) Trademark License Agreement and Undertaking

Principal terms: We entered into a trademark license agreement with our Controlling Shareholder on December 25, 2008, pursuant to which our Controlling Shareholder has agreed to grant our Group a general license to use the trademark owned by our Controlling Shareholder, “” (the “Trademark”) with registered number 755062, for nil consideration. The trademark license agreement is for an initial term of ten years commencing on March 31, 2008. Unless otherwise agreed in writing by the parties, the trademark license agreement will be renewed for another ten years upon serving a one-month prior written notice to our Controlling Shareholder by the Company before its expiry, subject to relevant laws, regulations and requirements of the regulatory departments. Our Controlling Shareholder provided a Hong Kong trademark undertaking on July 11, 2013, which authorized the Group to use a trademark registered by our Controlling Shareholder in Hong Kong for nil consideration, and incorporated such trademark in the above trademark license agreement (“**Trademark License Agreement and Undertaking**”).

Reason for the transaction: We have been using the Trademark over the years. As such, in order to maintain the consistency of our market image and to continue use the Trademark as a tool to develop corporate culture, we will continue to use the Trademark after completion of the Global Offering.

Historical amounts: The amounts of transaction carried out for the three years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013 were nil, nil, nil and nil, respectively.

Non-exempt Continuing Connected Transactions

The following transaction will be subject to the reporting, announcement and annual review requirements but will be exempted from the independent shareholders' approval requirement under Rule 14A.34 of the Hong Kong Listing Rules.

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(2) Lease Agreement

Our Company and our Controlling Shareholder entered into a lease agreement on December 25, 2008 which was renewed on March 28, 2011 (“**Lease Agreement**”) in respect of the lease of certain assets which include land, buildings, facilities and equipment from our Controlling Shareholder to us. The Lease Agreement is valid from March 31, 2008 to December 31, 2013. On July 11, 2013, we entered into a supplemental agreement to the Lease Agreement, which extended its term to December 31, 2015, with effect from the execution date of the supplemental agreement. Pursuant to the Lease Agreement, the Controlling Shareholder has leased to us certain facilities, equipment and properties related to our operations in the western zone of Qinhuangdao Port. Such facilities, equipment and properties include office buildings, stacking yards, pipelines, starting engines, office facilities and instruments, and a majority of which are immovable properties.

Material terms of the Lease Agreement: During the term of the Lease Agreement, the Company has an exclusive right to use all the facilities, equipment and properties that had been identified under the Lease Agreement. The annual fee for the lease is fixed at RMB104.9 million. Such rental fee was determined by adding a reasonable profit margin over the cost of the Controlling Shareholder for each individual facilities, equipment and properties. We may request to renew the term of the Lease Agreement by issuing a written notice to our Controlling Shareholder at least six months before expiry of the lease. Upon receipt of the said notice, our Controlling Shareholder shall renew the lease for another three years. We have the right to terminate all or part of the lease by serving a six-month prior written notice to the Controlling Shareholder. The Controlling Shareholder may not terminate the agreement during the term of the agreement, or sell, pledge or otherwise dispose of any of the facilities, equipment and properties without the Company’s prior written consent. The Company also has the preemptive right to purchase from the Controlling Shareholder any of the facilities, equipment and properties, under the same terms and conditions offered by the Controlling Shareholder to any other third parties. The Controlling Shareholder shall procure and guarantee that any transferee of the facilities, equipment and properties should abide by the terms and conditions of the Lease Agreement.

Reasons for the transaction: Pursuant to the Reorganization, the Controlling Shareholder originally intended to inject to us certain facilities, equipment and properties related to our operations in the western zone of Qinhuangdao Port. Although such facilities, equipment and properties relate to our operation in the western zone of Qinhuangdao Port, the Controlling Shareholder had decided not to inject such assets into our Group at the time of the Reorganization due to the title defects in certain immovable properties and the anticipated relocation of the port operations in the western zone to the eastern zone of Qinhuangdao Port as part of the city planning by the governments of Hebei Province and Qinhuangdao City. As a result, it was agreed that our Company would lease such operational facilities, equipment and properties from the Controlling Shareholder in accordance with our operational needs prior to the completion of the relocation. Hence, our company has entered into the Lease Agreement with the Controlling Shareholder.

Historical amounts: The rental payments made to the Controlling Shareholder under the Lease Agreement for the three years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013 were RMB104.9 million, RMB104.9 million, RMB104.9 million and RMB52.45 million, respectively.

Annual caps: According to the above pricing basis, the maximum aggregate annual fees to be incurred under the Lease Agreement for the years ending December 31, 2013, 2014, and 2015 shall not exceed the caps set out below:

	Proposed Annual Cap for the Year Ending December 31,		
	2013	2014	2015
	(RMB '000)		
Total rental:	104,900	104,900	104,900

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Savills Valuation and Professional Services Limited has confirmed that the annual fees of the Lease Agreement between us and the Controlling Shareholder is fair and reasonable and represent the prevailing market rates for similar properties that are used for similar purposes at the relevant dates.

The following transaction will be subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Rule 14A.35 of the Hong Kong Listing Rules.

(3) General Services Agreement

Principal terms: We entered into a general services agreement with our Controlling Shareholder on December 25, 2008 which was renewed on March 28, 2011 (the "**General Services Agreement**"). On July 11, 2013, we entered into a supplemental agreement to the General Services Agreement, which extended the term to December 31, 2015 with effect from the execution date of the supplemental agreement. The General Services Agreement serves as a framework agreement containing the scope of goods and services, transaction principle, stipulation on the formulation of annual procurement and estimation plan, pricing terms and policies in respect of the goods and services to be provided under the General Services Agreement.

A. Provision of general services by our Controlling Shareholder and/or its subsidiaries to us

Pursuant to the General Services Agreement, our Controlling Shareholder and/or its subsidiaries shall provide a wide range of services to the Group, which include (i) social services such as employee training, medical services, printing and other relevant or similar services, (ii) office and logistics services such as property services, office leasing, office supplies and other daily supplies leasing, water and heat supply, hygiene, greening and other relevant or similar services, and (iii) production services such as equipment manufacturing, survey and design, supervisory services, vehicle and other equipment leasing, port construction, port engineering maintenance and communication services, reclaimed water supply, goods and resource supply and other relevant or similar services.

B. Provision of general services by us to our Controlling Shareholder and/or its subsidiaries

Pursuant to the General Services Agreement, the Group shall provide our Controlling Shareholder and/or its subsidiaries with the following services: general port services, port electricity management services, transportation services, software services, labor services, leasing services, resources supply services and other relevant or similar services.

Transaction Principle: Both parties under the General Services Agreement agree to accept the services provided by the other party on a pre-emptive basis in the event that any third party provides the same services under identical or inferior terms or conditions, subject to bidding requirements under relevant laws and regulations imposed on projects such as port construction and equipment maintenance. Both parties shall ensure the services provided to the other party should be in good quality and at fair and reasonable prices. The conditions of such services shall not be inferior to those of any services provided to any third party.

Demand Estimation: Other than public bidding, by October 31 of each year, each of the parties under the General Services Agreement should submit an estimation of its demand for services for the next year or any adjustment plan on service items for the current year. Both parties shall reach an agreement on the estimated plan before November 30 of the same year. In the event that the expected demand for services in the next year is the same as that of the current year, both parties should try to satisfy each other's demand.

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Basis of Determination of Price: The pricing of the relevant goods and services provided under the General Services Agreement shall be determined in accordance with the following principles in ascending order:

- (i) *government-prescribed price:* if at any time, the government-prescribed price is applicable to any particular product or service, such product or service shall be supplied at the applicable government-prescribed price, whether nationwide or local;
- (ii) *government-guided price:* where a government-guided fee standard is available, the price will be agreed within the range of the government-guided price;
- (iii) *market price:* where the above two price standards are not available, but the price of the same or similar products, technology or services provided by an independent third party during the ordinary course of business on normal commercial terms is available, the price will be determined by reference to the then market price; and
- (iv) *agreed price:* where the above three price standards are not available, the price will be determined by adding a reasonable profit over its cost.

Reasons for the transaction:

A. Provision of general services by our Controlling Shareholder and/or its subsidiaries to us

Certain of our berths, ports and offices in Qinhuangdao are located in areas in which our Controlling Shareholder has provided ancillary administrative, property management and construction services, including conference facilities, catering services, water and heating supply services, port management and engineering services, to its subsidiaries (including the Group) which occupy these areas. Given the cost efficiency and convenience of using such ancillary services, it will be beneficial to the Group to continue procuring such services from our Controlling Shareholder and/or its subsidiaries. In addition, we have been receiving cultural and educational training provided by our Controlling Shareholder and/or its subsidiaries since the establishment of the Group, including foreign language and cultural training courses, international project management courses, occupational skills training courses and management skills training seminars. The Company considers these trainings to be beneficial to the professional development of its staff.

B. Provision of general services by us to our Controlling Shareholder and/or its subsidiaries

The principal business of our Controlling Shareholder and/or its subsidiaries include coal wholesaling businesses and often require our integrated port services for the outbound shipment of coal. Due to the close proximity of the Group's port operations and the location of our Controlling Shareholder and/or its subsidiaries, the Group has provided our Controlling Shareholder and/or its subsidiaries with (i) port services such as stevedoring, stacking, warehousing, transportation and logistics services, and (ii) other services ancillary to our port operations, such as power consumption management and software services which are required for the continuing and ordinary business operation of our Controlling Shareholder and/or its subsidiaries. The provision of such services by the Group to our Controlling Shareholder and/or its subsidiaries facilitates the long-term use of certain utilities, logistics facilities and technical services by our Controlling Shareholder and/or its subsidiaries.

Historical amounts:

A. Provision of general services by our Controlling Shareholder and/or its subsidiaries to us

The amounts of general services provided by our Controlling Shareholder and/or its subsidiaries to us for the three years ended December 31, 2010, 2011 and 2012 and the six months ended

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June 30, 2013 were approximately RMB188.11 million, RMB170.04 million, RMB358.88 million and RMB108.76 million, respectively.

B. Provision of general services by us to our Controlling Shareholder and/or its subsidiaries

The amounts of general services provided by us to our Controlling Shareholder and/or its subsidiaries for the three years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013 were approximately RMB18.59 million, RMB22.78 million and RMB35.46 million and RMB46.94 million, respectively.

Annual caps:

A. Provision of general services by our Controlling Shareholder and/or its subsidiaries to us

The maximum aggregate annual fees to be incurred under the provision of general services by our Controlling Shareholder and/or its subsidiaries to us for the years ending December 31, 2013, 2014 and 2015 shall not exceed the caps set out below:

	Proposed Annual Cap for the Year Ending December 31,		
	2013	2014	2015
	(RMB '000)		
Total fees:	465,384	494,000	524,000

B. Provision of general services by us to our Controlling Shareholder and/or its subsidiaries

The maximum aggregate annual fees to be incurred under the provision of general services by us to our Controlling Shareholder and/or its subsidiaries for the years ending December 31, 2013, 2014 and 2015 shall not exceed the caps as set out below:

	Proposed Annual Cap for the Year Ending December 31,		
	2013	2014	2015
	(RMB '000)		
Total fees:	77,443	91,590	113,590

Basis of annual caps:

A. Provision of general services by our Controlling Shareholder and/or its subsidiaries to us

In determining the above annual caps, the Company has taken account of the following factors: (i) the historical fees paid to our Controlling Shareholder and/or its subsidiaries for providing ancillary administrative services, property management and engineering services etc, including conference facilities, catering services, water and heating supply services, port management and engineering services; (ii) the expected increase in construction projects, maintenance projects and the use of facilities and services provided by our Controlling Shareholder and/or its subsidiaries, in particular, the actual or expected increase in construction services provided or to be provided by our Controlling Shareholder to our Group since 2012, including the retrofitting of coal storage yard and structure of ports and maintenance fees; (iii) the estimated increase in labor costs, raw material costs and rental of facilities and other production services; and (iv) the estimated increase in government-prescribed prices, government-guided prices, market prices and/or agreed prices in compliance with the pricing principles under the General Services Agreement.

The amount of general services provided by our Controlling Shareholder and/or its subsidiaries to us was approximately RMB358.88 million for the year ended December 31, 2012. Such amount is expected to increase for the year ending December 31, 2013 to an amount not exceeding

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RMB465.38 million. The increase is mainly attributable to the construction projects and maintenance projects provided or to be provided by our Controlling Shareholder and/or its subsidiaries during 2013. The projects formed part of the annual demand estimation plan prepared by us during late 2012, which took into account the state of our equipments and facilities and the need for construction, reconstruction and/or maintenance. Such projects include (a) the retrofitting of our coal storage yards and structure of our ports, (b) the maintenance of our liquefied chemical berths, (c) the construction of windproof nets in our coal stacking yards, and (d) the reconstruction of water sprinkler systems. Most of these projects are subject to bidding requirements under relevant laws and regulations. There is no guarantee that our Controlling Shareholder and/or its subsidiaries will be successful in their bids on these projects, and hence, the final amount of general services to be incurred by us for the year ending December 31, 2013 may not reach the proposed annual cap of RMB465.38 million.

B. Provision of general services by us to our Controlling Shareholder and/or its subsidiaries

In determining the above annual caps, the Company has taken account of the following factors: (i) the historical income generated from the provision of power consumption management, transportation and software services etc to our Controlling Shareholder and/or its subsidiaries; (ii) the estimated expansion of the coal wholesaling business and the corresponding increase in power consumption, transportation and software services etc provided or to be provided to our Controlling Shareholder and/or its subsidiaries since 2012; and (iii) the estimated increase in government-prescribed prices, government-guided prices, market prices and/or agreed prices in compliance with the pricing principles under the General Services Agreement.

The amount of general services provided by us to our Controlling Shareholder and/or its subsidiaries was approximately RMB35.46 million for the year ended December 31, 2012. Such amount is expected to increase for the year ending December 31, 2013 to an amount not exceeding RMB77.44 million. The increase is mainly attributable to (a) the estimated expansion of the coal wholesaling business of our Controlling Shareholder and/or its subsidiaries which require our integrated port services for the outbound shipment of coal, and (2) the increase in our lump sum handling fee for coal by RMB2 per tonne effective from June 1, 2013.

WAIVER APPLICATION FOR NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

No waivers applied for in respect of certain category of connected transaction

For the continuing connected transaction described in the section titled “Exempt Continuing Connected Transaction – Trademark License Agreement and Undertaking” above, the percentage ratio (other than profits ratio) of the Trademark License Agreement and Undertaking calculated by reference to Rule 14.07 of the Hong Kong Listing Rules, is expected on an annual basis to be less than 0.1%. Accordingly, the Trademark License Agreement and Undertaking qualifies under Rule 14A.33(3) of the Hong Kong Listing Rules as *de minimis* transaction that is exempt from the reporting, announcement, annual review and independent shareholders’ approval requirements.

Waivers from compliance with announcement and/or independent shareholders’ approval requirements

In respect of the Lease Agreement, since the highest applicable percentage ratio as set out in the Hong Kong Listing Rules based on the relevant annual cap as set out above is, on an annual basis, expected to be more than 0.1% but less than 5%, such transaction is exempt from the independent shareholders’ approval requirement but is subject to the reporting and announcement requirements as set out in Rules 14A.45 to 14A.47 of the Hong Kong Listing Rules and the annual review requirements as set out in Rules 14A.37 to 14A.40 of the Hong Kong Listing Rules.

In respect of the General Services Agreement, since the highest applicable percentage ratio as set out in the Hong Kong Listing Rules based on the relevant annual cap as set out above is, on an

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annual basis, expected to exceed 5%, such transaction is subject to the (i) reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Hong Kong Listing Rules, (ii) annual review requirements under Rules 14A.37 to 14A.40 of the Hong Kong Listing Rules, and (iii) independent shareholders' approval requirements under Rule 14A.48 of the Hong Kong Listing Rules.

As the Lease Agreement and the General Services Agreement are expected to continue on a recurring and continuing basis, our Directors consider that compliance with the above announcement and/or independent Shareholders' approval requirements would be impractical, unduly burdensome and would impose unnecessary administrative costs upon us.

Accordingly, we have applied for, and the Hong Kong Stock Exchange has granted to us, a waiver pursuant to Rule 14A.42(3) of the Hong Kong Listing Rules to exempt (i) the Lease Agreement from compliance with the announcement requirement under Rule 14A.47 of the Hong Kong Listing Rules, and (ii) the General Services Agreement from compliance with the announcement and independent shareholders' approval requirements under Rules 14A.47 to 14A.54 of the Hong Kong Listing Rules. In addition, we will comply with the applicable provisions under Rules 14A.35(1), 14A.35(2), 14A.36, 14A.37, 14A.38, 14A.39 and 14A.40 of the Hong Kong Listing Rules.

In the event of any future amendments to the Hong Kong Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on the continuing connected transactions referred to in this prospectus, we will take immediate steps to ensure compliance with such new requirements within reasonable time.

The waiver for the discloseable and non-exempt continuing connected transactions will expire on December 31, 2015.

CONFIRMATION FROM OUR DIRECTORS

Our Directors (including our independent non-executive Directors) are of the view that the continuing connected transactions as set out above have been and will be entered into during our ordinary and usual course of business on normal commercial terms, and are fair and reasonable and in the interest of us and our Shareholders as a whole, and that the proposed annual caps for these transactions are fair and reasonable and in the interests of us and our Shareholders as a whole.

CONFIRMATION FROM THE JOINT SPONSORS

The Joint Sponsors are of the view that (i) the continuing connected transactions as set out above have been entered into during our ordinary and usual course of business on normal commercial terms, and are fair and reasonable and in the interest of us and our Shareholders as a whole; and (ii) the proposed annual caps of such transactions are fair and reasonable and in the interest of us and our Shareholders as a whole.