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

If you have sold or transferred all your shares in Tianjin Port Development Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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天津港發展控股有限公司
Tianjin Port Development Holdings Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 03382)

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS AND NOTICE OF EXTRAORDINARY GENERAL MEETING

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



Capital Limited
創富融資有限公司

A letter from the Board is set out on pages 5 to 16 of this circular. A letter from the Independent Board Committee is set out on page 17 of this circular. A letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 18 to 38 of this circular.

A notice convening the EGM to be held at Forum Room I, Basement 2, Regal Hongkong Hotel, No. 88 Yee Wo Street, Causeway Bay, Hong Kong on Tuesday, 15 December 2020 at 3:00 p.m. is set out on pages 43 to 44 of this circular. A form of proxy for use at the EGM (or any adjournment thereof) is also enclosed.

Whether or not you are able to attend the EGM, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time scheduled for holding the EGM (or any adjournment thereof). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM (or any adjournment thereof) should you so wish.

PRECAUTIONARY MEASURES FOR THE EGM

Please refer to page 1 of this circular for precautionary measures being taken to prevent the spreading of Novel Coronavirus (COVID-19) at the EGM, including:

1. Compulsory body temperature checks
2. Submission of health declaration form
3. Compulsory wearing of surgical face mask
4. No refreshments or drinks will be provided

Any person who does not comply with the precautionary measures may be denied entry into the EGM venue, at the absolute discretion of the Company as permitted by the laws of Hong Kong. The Company also encourages Shareholders to consider appointing the chairman of the EGM as his/her proxy to vote on the relevant resolutions at the EGM as an alternative to attending the EGM in person.

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PRECAUTIONARY MEASURES FOR THE EXTRAORDINARY GENERAL MEETING

In view of the present Novel Coronavirus (COVID-19) pandemic and recent requirements, if any, for prevention and control of its spreading, to safeguard the health and safety of Shareholders who might be attending the EGM in person, the Company will implement the following precautionary measures at the EGM:

- (i) Compulsory body temperature checks will be conducted on every attendee at the entrance of the EGM venue. Any person with a body temperature of over 37.3 degrees Celsius, or has flu-like symptoms or is otherwise unwell will be denied entry into the EGM venue.
- (ii) Submission of health declaration form by all attendees at the entrance of the EGM venue.
- (iii) Compulsory wearing of surgical face masks by all attendees prior to admission to the EGM venue and throughout the EGM.
- (iv) Maintenance of a safe distance between seats. The Company may limit the number of attendees at the EGM as may be necessary to avoid over-crowding.
- (v) No refreshments or drinks will be provided.

To the extent permitted under the laws of Hong Kong, the Company reserves the right to deny entry into the EGM venue or require any person to leave the EGM venue so as to ensure the health and safety of the attendees at the EGM.

Subject to the development of the COVID-19 situation, the Company may implement additional precautionary measures as and when appropriate.

In the interest of all stakeholders' health and safety and consistent with recent COVID-19 guidelines for prevention and control, the Company reminds all Shareholders that physical attendance at the EGM is not necessary for the purpose of exercising voting rights. As an alternative to attending the EGM in person, Shareholders are encouraged to consider appointing the chairman of the EGM as their proxy to vote on the relevant resolutions at the EGM by submitting the form of proxy with voting instructions inserted.

The form of proxy for the EGM is enclosed with this circular. Alternatively, the form of proxy can be downloaded from the Company's website at www.tianjinportdev.com and the HKEXnews website at www.hkexnews.hk.

If you are not a registered Shareholder (if your Shares are held via banks, brokers, custodians or the Hong Kong Securities Clearing Company Limited), you should consult directly with your banks, brokers or custodians (as the case may be) to assist you in the appointment of proxy.

DEFINITIONS

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

“2017 Integrated Services Framework Agreement”	a framework agreement dated 27 September 2017 entered into between the Company and Tianjin Port Group in relation to the provision of utilities and supporting services by the Tianjin Port Group Companies to the Group;
“2017 Property and Assets Lease Framework Agreement”	a framework agreement dated 27 September 2017 entered into between the Company and Tianjin Port Group in relation to the leasing of freight yards, warehouses, office buildings, facilities and equipment in Tianjin Binhai New Area from the Tianjin Port Group Companies to the Group;
“2020 Integrated Services Framework Agreement”	a framework agreement dated 28 September 2020 entered into between the Company and Tianjin Port Group in relation to the provision of utilities and supporting services by the Tianjin Port Group Companies to the Group;
“2020 Property and Assets Lease Framework Agreement”	a framework agreement dated 28 September 2020 entered into between the Company and Tianjin Port Group in relation to the leasing of freight yards, warehouses, office buildings, facilities and equipment in Tianjin Binhai New Area from the Tianjin Port Group Companies to the Group;
“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“Company”	Tianjin Port Development Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 03382);
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“EGM” or “Extraordinary General Meeting”	the extraordinary general meeting of the Company to be convened and held to consider and, if thought fit, to approve the 2020 Property and Assets Lease Framework Agreement, the 2020 Integrated Services Framework Agreement, the Non-exempt Continuing Connected Transactions and the Proposed Annual Caps;
“Group”	the Company and its subsidiaries;
“HKFRS 16”	Hong Kong Financial Reporting Standard 16 “Leases” (as amended from time to time);
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;

DEFINITIONS

“Independent Board Committee”	the independent board committee comprising all of the independent non-executive Directors;
“Independent Shareholders”	Shareholders, other than the Tianjin Port Group Companies;
“Latest Practicable Date”	19 November 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Non-exempt Continuing Connected Transactions”	the transactions contemplated under each of the 2020 Property and Assets Lease Framework Agreement and the 2020 Integrated Services Framework Agreement;
“Opus Capital” or “Independent Financial Adviser”	Opus Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Non-exempt Continuing Connected Transactions and the Proposed Annual Caps;
“PRC”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“PRC State Prescribed Price(s)”	the price(s) that are set by or with reference to the relevant laws, regulations, determination, orders or policies issued by the relevant departments of the PRC government;
“Proposed Annual Cap(s)”	the proposed respective annual cap(s) for the Non-exempt Continuing Connected Transactions for the three years ending 31 December 2023;
“RMB”	Renminbi, the lawful currency of the PRC;
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Shareholder(s)”	the shareholder(s) of the Company;
“Share(s)”	the ordinary share(s) of HK\$0.10 each in the issued share capital of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“TDRC”	Tianjin Development and Reform Commission (天津市發展和改革委員會);

DEFINITIONS

“Tianjin Port Group”	天津港(集團)有限公司 (Tianjin Port (Group) Co., Ltd.*), an entity reorganised as a wholly state-owned company in the PRC on 29 July 2004 and holding the business owned and operated by the former government regulatory body of the port of Tianjin; and the indirect holder of 53.5% of the issued share capital of the Company as at the Latest Practicable Date;
“Tianjin Port Group Companies”	Tianjin Port Group and its associates; and
“%”	per cent.

* *For identification purposes only*

In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.

LETTER FROM THE BOARD



天津港發展控股有限公司
Tianjin Port Development Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 03382)

Executive Directors:

CHU Bin (*Chairman*)
LUO Xunjie (*Managing Director*)
SUN Bin
WANG Junzhong
SHI Jing

Registered Office:

P.O. Box 1350, Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

Independent Non-executive Directors:

Japhet Sebastian LAW
CHENG Chi Pang, Leslie
ZHANG Weidong

Principal Place of Business in Hong Kong:

Suite 3904-3907, 39/F.
Tower Two, Times Square
1 Matheson Street
Causeway Bay
Hong Kong

25 November 2020

To the Shareholders

Dear Sir or Madam,

**NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the announcement of the Company dated 28 September 2020 in relation to, among other things, the Non-exempt Continuing Connected Transactions. Pursuant to the requirements under the Listing Rules, the Company will seek the Independent Shareholders' approval in relation to the 2020 Property and Assets Lease Framework Agreement, the 2020 Integrated Services Framework Agreement, the Non-exempt Continuing Connected Transactions and the Proposed Annual Caps at the EGM.

The purpose of this circular is to provide you with:

- (a) details of the Non-exempt Continuing Connected Transactions and the Proposed Annual Caps;
- (b) a letter from the Independent Board Committee to the Independent Shareholders in respect of the Non-exempt Continuing Connected Transactions and the Proposed Annual Caps;
- (c) a letter of advice from Opus Capital to the Independent Board Committee and the Independent Shareholders in respect of the Non-exempt Continuing Connected Transactions and the Proposed Annual Caps; and
- (d) a notice of EGM.

LETTER FROM THE BOARD

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

1. Background

Reference is made to the announcement of the Company dated 27 September 2017 where it was announced, among other things, that the Company entered into the 2017 Property and Assets Lease Framework Agreement and the 2017 Integrated Services Framework Agreement with Tianjin Port Group.

As the 2017 Property and Assets Lease Framework Agreement and the 2017 Integrated Services Framework Agreement will expire on 31 December 2020, the Company had on 28 September 2020 entered into the 2020 Property and Assets Lease Framework Agreement and the 2020 Integrated Services Framework Agreement with Tianjin Port Group to continue the Non-exempt Continuing Connected Transactions.

2. 2020 Property and Assets Lease Framework Agreement – leasing of freight yards, warehouses, office buildings, facilities and equipment from the Tianjin Port Group Companies to the Group

(a) *Principal terms*

Date	:	28 September 2020
Parties	:	(1) the Company (2) Tianjin Port Group
Term	:	1 January 2021 to 31 December 2023

Nature of the transactions:

The Tianjin Port Group Companies lease the freight yards, warehouses, office buildings, facilities and equipment in Tianjin Binhai New Area to the Group.

Pricing determination:

Prices are determined with reference to (i) actual content of the leases, area of the leases, number of the leases, and the term of the leases; and (ii) market price of similar leasing services.

- (1) Prices of the lease of freight yards and warehouses: Through obtaining market price information by various means (including enquiring users or lessors of the neighbouring freight yards and warehouses about the recent rent, conducting research on the auction price in the sale of neighbouring land with similar usage on government websites), the prices for the leases are determined with reference to the market price, the lease term, the historical prices, the location and the degree of usage of freight yards and warehouses to be leased, and the demand and supply of the market.

LETTER FROM THE BOARD

- (2) Prices of the lease of office buildings: Through obtaining market price information by various means (including enquiring tenants or lessors of the neighbouring office buildings about the recent rent, enquiring agents about the rent of the neighbouring commercial properties), the prices for the leases are determined with reference to the market price, the lease term, the historical prices, the location and the degree of usage of office buildings to be leased, and the demand and supply of the market.
- (3) Prices of the lease of facilities and equipment: Through obtaining market price information by various means (including enquiring users or lessors of the neighbouring facilities and equipment about the recent rent), the prices for the leases are determined with reference to the market price, the lease term, the historical prices, the condition and the degree of usage of facilities and equipment to be leased, and the demand and supply of the market.

The terms of the transactions for the leasing services provided by the Tianjin Port Group Companies to the Group shall be no less favourable to the Group than those for the leasing services provided by independent third-parties to the Group.

Payment terms:

Payments will be made by the Group to the Tianjin Port Group Companies based on normal commercial terms on a monthly, quarterly, half-yearly or annual basis, or in accordance with the payment terms agreed by the relevant parties in the contracts to be entered into pursuant to such framework agreement. In general,

- (1) Freight yards and warehouses: payment on a monthly, quarterly or half-yearly basis.
- (2) Office buildings: payment on a half-yearly or annual basis.
- (3) Facilities and equipment: payment on a monthly, quarterly, half-yearly or annual basis, depending on the type of facilities and equipment.

(b) Historical amounts and Proposed Annual Caps

According to HKFRS 16, (i) leases with a lease term of more than 12 months (the “**Right-of-use Assets Leases**”) are recognised as right-of-use assets and lease liabilities in the consolidated statement of financial position when the leased assets are available for use by the Group, and are recognised as depreciation of right-of-use assets and interest expenses on lease liabilities in the consolidated income statement; and (ii) payments for leases with a lease term of 12 months or less and leases of low value assets (the “**Short-term Leases**”) are recognised as rental expenses in the consolidated income statement. The Group has categorised the Proposed Annual Caps for the transactions contemplated under the 2020 Property and Assets Lease Framework Agreement according to (i) the Right-of-use Assets Leases and (ii) the Short-term Leases in accordance with HKFRS 16 and the Listing Rules.

LETTER FROM THE BOARD

Set out below are (i) the historical amounts for the leasing of freight yards, warehouses, office buildings, facilities and equipment from the Tianjin Port Group Companies to the Group for the years ended 31 December 2018 and 2019 and the nine months ended 30 September 2020, and (ii) the Proposed Annual Caps.

	Historical amounts (RMB in thousands)			Proposed Annual Caps (RMB in thousands)		
	For the year ended 31 December 2018 <i>(Note 1)</i>	For the year ended 31 December 2019 <i>(Note 2)</i>	For the nine months ended 30 September 2020 <i>(Note 2)</i>	For the year ending 31 December 2021	For the year ending 31 December 2022	For the year ending 31 December 2023
Prior to HKFRS 16 being effective	137,820	N/A	N/A	N/A	N/A	N/A
Right-of-use Assets Leases	N/A	2,597	19,000	225,000	49,000	226,000
Short-term Leases	N/A	34,512	18,000	54,000	41,000	42,000

Notes:

The Group has adopted HKFRS 16 since 1 January 2019:

1. The Group has not restated the historical amounts for 2018, as permitted under the specific transitional provisions in HKFRS 16. Operating leases are recognised as lease rental expenses in the consolidated income statement.
2. The historical amounts for 2019 and 2020 are presented according to HKFRS 16: (i) the Right-of-use Assets Leases are recognised as addition amounts in the consolidated statement of financial position; and (ii) the Short-term Leases are recognised as lease rental expenses in the consolidated income statement.

Set out below are (i) the historical rental amounts for the leasing of freight yards, warehouses, office buildings, facilities and equipment from the Tianjin Port Group Companies to the Group for the years ended 31 December 2018 and 2019 and the nine months ended 30 September 2020, and (ii) the expected rental amounts for the three years ending 31 December 2023.

	Historical amounts and historical annual caps under the 2017 Property and Assets Lease Framework Agreement (RMB in thousands)			Expected amounts under the 2020 Property and Assets Lease Framework Agreement (RMB in thousands)		
	For the year ended 31 December 2018	For the year ended 31 December 2019	For the nine months ended 30 September 2020	For the year ending 31 December 2021	For the year ending 31 December 2022	For the year ending 31 December 2023
Rental amounts	137,820 (2018 cap: 179,500)	143,745 (2019 cap: 204,500)	93,000 (2020 cap: 208,500)	147,000	135,000	138,000

The Company expects that the actual transaction amount for the year ending 31 December 2020 will not exceed its historical annual cap.

LETTER FROM THE BOARD

(c) Basis of the Proposed Annual Caps

The Proposed Annual Caps for the Right-of-use Assets Leases are the total value of right-of-use assets recognised in the relevant period. The said total values of the right-of-use assets are determined with reference to, among other things, the following factors: (i) the historical transactions and transaction amounts for the leased assets; (ii) the expected lease arrangement with reference to the current lease arrangement including lease term and payment terms; (iii) the expectation on the demand for the Right-of-use Assets Leases in light of the business growth of the Group; (iv) the anticipated annual inflation rate of 2.9% based on the increase in PRC consumer price index of 2.9% in 2019; and (v) the expected borrowing rates with reference to the loan prime rate for the relevant lease term published by the National Interbank Funding Centre as authorised by the People's Bank of China.

The Proposed Annual Caps for the Right-of-use Assets Leases consist of the lease agreements of the existing leased assets. Based on the preliminary assessment, except for one agreement which is expected to be renewed in 2022, the remaining agreements are expected to be renewed in early 2021 and by the end of 2023 and will be recognised as right-of-use assets in respective years under HKFRS 16, resulting in the difference between the Proposed Annual Caps for the years ending 31 December 2021 and 2023 and the Proposed Annual Cap for the year ending 31 December 2022.

The Proposed Annual Caps for the Short-term Leases are determined with reference to, among other things, the following factors: (i) the historical transactions and transaction amounts for the leased assets; (ii) the expected lease arrangement with reference to the current lease arrangement including lease term and payment terms; (iii) the expectation on the demand for the Short-term Leases in light of the business growth of the Group; and (iv) the anticipated annual inflation rate of 2.9% based on the increase in PRC consumer price index of 2.9% in 2019.

(d) Reasons for and benefits of entering into the 2020 Property and Assets Lease Framework Agreement

The Tianjin Port Group Companies owned the freight yards, warehouses, office buildings and facilities for carrying out the port business. When these port businesses were subsequently spun off into the Group, the Group continues to lease freight yards, warehouses, office buildings and facilities from the Tianjin Port Group Companies. The freight yards, warehouses, office buildings, facilities and equipment are leased to the Group from the Tianjin Port Group Companies at market price, on normal commercial terms and terms that are no less favourable to the Group than those offered by independent third parties, and the leasing of freight yards, warehouses, office buildings, facilities and equipment from reliable and co-operative owners (such as the Tianjin Port Group Companies) is in the interests of the Group as a whole.

LETTER FROM THE BOARD

3. 2020 Integrated Services Framework Agreement – provision of utilities and supporting services by the Tianjin Port Group Companies to the Group

(a) *Principal terms*

Date	:	28 September 2020
Parties	:	(1) the Company (2) Tianjin Port Group
Term	:	1 January 2021 to 31 December 2023

Nature of the transactions:

The Tianjin Port Group Companies provide utilities and supporting services for the daily operations of the Group at the port of Tianjin, including but not limited to water supply services; electricity supply services; communication services (including but not limited to telephone services, internet services, and rental services for optical fibre); IT support services (including but not limited to repair and maintenance of electronic data information system, and hardware and software of the information network in respect of port operations); repair and maintenance of port facilities and equipment (including but not limited to repair and maintenance of cargo handling machineries, general facilities and equipment, and dredging); project management services (including but not limited to tendering agency, management, design, supervision, and project consultancy services for repair and maintenance projects); labour services (including but not limited to the provision of on-site operation personnel for cargo handling and logistics operation such as cargo reconfiguration and storage, and on-site statistical personnel for basic management services); and general administrative services (including but not limited to office support services, general maintenance services, cleaning services, and catering services).

Pricing determination:

The mechanisms for determining the prices for each category of services are as follow:

- (1) Water supply services: (i) the relevant PRC State Prescribed Prices published from time to time by TDRC, such as Notice of Municipal Commission of Development and Reform, Municipal Finance Bureau and Municipal Water Authority Regarding the Reduction of Water Charges for Non-Residents (Tianjin Development and Reform Price Management [2017] No. 646)* (市發展改革委市財政局市水務局關於降低非居民自來水價格的通知 (津發改價管[2017]646號)); and (ii) the quantity of the water to be provided to the Group.
- (2) Electricity supply services: (i) the relevant PRC State Prescribed Prices published from time to time by TDRC, such as Notice of Municipal Commission of Development and Reform Regarding Further Reduction of Industrial and Commercial Electricity Tariff (Tianjin Development and Reform Price Management [2019] No. 354)* (市發展改革委關於進一步降低我市一般工商業用電價格的通知(津發改價綜[2019]354號)); and (ii) the quantity of electricity to be provided to the Group.
- (3) Communication services: (i) the market prices (the service charge standards by other major carriers) of the relevant similar services with reference to the content of the services (such as the demand for telephones and internet); and (ii) the number of technical support personnel or quantity of services to be provided to the Group.

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- (4) IT support services: (i) the market prices of the relevant similar services with reference to the content of the services (such as types, qualities and quantities); and (ii) the quantities of the specific maintenance items to be provided to the Group.
- (5) Repair and maintenance of port facilities and equipment: (i) the market prices of the relevant similar services with reference to the content of the services (such as types, qualities and quantities); and (ii) the quantities of repair and maintenance items to be provided to the Group.
- (6) Project management services: (i) the relevant service charge rates determined with reference to the content of the services (such as the service type of the repair and maintenance projects (tendering agency, management, design, supervision, and project consultancy services), the scope and the size of the repair and maintenance projects); and (ii) the costs of the relevant repair and maintenance projects.

The subsidiaries conduct enquiries on the price for project management services when the need for such services arises, and select the service provider based on the quotations and other factors, including but not limited to the specific requirement of the repair and maintenance project, the quality of services, technical strengths, qualification and relevant experience of the service providers.

- (7) Labour services:

Labour services related to cargo handling: (i) the service charges determined with reference to the type of cargo handled; and (ii) the quantity of cargo handled.

Labour services related to outdoor works (including but not limited to at berths and depots) (except for labour services related to cargo handling): (i) the relevant labour service charges determined with reference to the content of the services (such as the position, type, skills, expertise and experience of the labour required); and (ii) the number of labour or the quantity of services to be provided to the Group.

- (8) General administrative services: (i) the market prices of the relevant similar services with reference to the content of the services (such as the position, type, skills, expertise, experience and number of the labour required); and (ii) the number of labour or the quantity of services to be provided to the Group.

The terms of the transactions for the provision of services by the Tianjin Port Group Companies to the Group shall be no less favourable to the Group than those for the provision of services by independent third-party service providers to the Group.

Payment terms:

Payments will be made by the Group to the Tianjin Port Group Companies based on normal commercial terms on a one-off, monthly, quarterly, half-yearly or annual basis (subject to the category of services), or in accordance with the payment terms agreed by the relevant parties in the contracts to be entered into pursuant to such framework agreement. In general,

- (1) Water supply services: payment on a monthly basis.
- (2) Electricity supply services: payment on a monthly basis.

LETTER FROM THE BOARD

- (3) Communication services: payment on a monthly or quarterly basis, depending on the services nature.
- (4) IT support services: payment on a quarterly basis.
- (5) Repair and maintenance of port facilities and equipment:
 - (i) for contracts on a project basis: payment on a one-off basis; and
 - (ii) for contracts on an annual basis: payment on a quarterly basis.
- (6) Project management services: payment on a one-off basis.
- (7) Labour services: payment on a monthly basis.
- (8) General administrative services: payment on a monthly basis.

(b) Historical amounts and Proposed Annual Caps

Set out below are (i) the historical amounts for utilities and supporting services provided by the Tianjin Port Group Companies to the Group for the years ended 31 December 2018 and 2019 and the nine months ended 30 September 2020, and (ii) the Proposed Annual Caps.

Historical amounts and historical annual caps (RMB in thousands)			Proposed Annual Caps (RMB in thousands)		
For the year ended 31 December 2018	For the year ended 31 December 2019	For the nine months ended 30 September 2020	For the year ending 31 December 2021	For the year ending 31 December 2022	For the year ending 31 December 2023
1,160,588	1,127,868	785,000	1,512,000	1,580,000	1,674,000
(2018 cap: 1,522,000)	(2019 cap: 1,639,000)	(2020 cap: 1,776,000)			

The Company expects that the actual transaction amount for the year ending 31 December 2020 will not exceed its historical annual cap.

Labour services, electricity supply services and general administrative services were, and are expected to continue to be, the three highest categories of services contributing to the total integrated services provided in terms of transaction amount. They represented, and are expected to represent, approximately 84%-88% of the total integrated services provided in terms of transaction amount for the year ended 31 December 2019, the nine months ended 30 September 2020, and for the Proposed Annual Caps.

(c) Basis of the Proposed Annual Caps

The Proposed Annual Caps are determined with reference to, among other things, the following factors: (i) the historical transactions and transaction amounts for the provision of utilities and supporting services; (ii) the expected business growth of the Group based on the historical growth rate of 3.5% in 2019 in the annual total throughput of the Group, and taking into account a growth rate of 6.1% in China's gross domestic product in 2019

LETTER FROM THE BOARD

and a year-on-year increase of 3.4% in China's total import and export value in RMB in 2019; (iii) the increase in demands for integrated services upon completion of the acquisition in 2019; (iv) the expected increase in demands for integrated services after new terminal project and logistics project commence operation; (v) the expected increase in demand for IT support services as the Group enhances the automation and intelligence of the port operation; (vi) the anticipated annual inflation rate of 2.9% based on the increase in PRC consumer price index of 2.9% in 2019; (vii) the anticipated annual increase in the PRC State Prescribed Prices of 2.9% based on the increase in PRC consumer price index of 2.9% in 2019; and (viii) the estimated annual increase in the market price of labour of 7% based on the recommended average increase in wages of 7% according to the "Notice on the Guideline for Wages for Corporates issued by the Municipal Human Resources and Social Security Bureau in 2019"* (《市人社局關於發佈2019年全市企業工資指導線的通知》) issued by the Tianjin Municipal Human Resources and Social Security Bureau in 2019.

Given that labour services and general administrative services, both dependent on the market price of labour, together account for approximately 68% of the total integrated services provided in terms of transaction amount, the estimated annual increase in the market price of labour of 7% would have a relatively significant impact on the growth rate of the Proposed Annual Caps.

(d) Reasons for and benefits of entering into the 2020 Integrated Services Framework Agreement

The Tianjin Port Group Companies have been providing the above utilities and supporting services to the Group. Tianjin Port Group is the only company responsible for the provision of utilities including water, electricity and communication at the port of Tianjin. The Tianjin Port Group Companies also provide supporting services to the Group in relation to the operations of the Group. The Tianjin Port Group Companies are familiar with the operation pattern of the Group and are able to provide services in an efficient and effective manner to the Group. The Tianjin Port Group Companies are reliable and co-operative service providers and have consistently been able to meet the Group's stringent demands and deliver services in a timely manner. The provision of services by reliable and co-operative service providers (such as the Tianjin Port Group Companies) is very important and beneficial to the ordinary business operation of the Group. The provision of services by the Tianjin Port Group Companies to the Group on terms that are no less favourable to the Group than those offered by independent third parties is in the interests of the Group as a whole.

MEASURES OF INTERNAL CONTROL

The Company has established a series of internal control measures to ensure that the pricing mechanism and terms of the continuing connected transactions are fair and reasonable and no less favourable than the terms offered to/by independent third parties, including:

- (1) The Group has adopted various internal policies, such as purchasing policies, contract policies and connected transactions policies, to govern the subsidiaries of the Company, in particular:

The relevant departments of subsidiaries have to conduct comparison procedures by obtaining quotations from suppliers for products or services provided and/or by price enquiry under certain circumstances according to the Group's requirements, and the actual prices for products or services are determined based on the market prices, the historical prices and the demand and supply of products or services. Such comparison procedures are conducted by the department responsible for the relevant services, which may include information management department

LETTER FROM THE BOARD

(for communication services and IT support services), general services department (for repair and maintenance of port facilities and general administrative services), equipment management department (for repair and maintenance of port equipment), engineering management department (for project management services), human resources department and business department (for labour services), or such other departments or persons depending on the corporate structure of the relevant subsidiary, the type of services and the amount of the transactions. Before entering into any contract, the relevant subsidiaries shall perform review procedures, contracts have to be reviewed by various relevant departments (such as finance department and/or audit department) and obtain proper approval. For connected transactions, the subsidiaries additionally have to compare the terms offered to/by the connected parties with those offered to/by the independent third parties to ensure that the terms offered to/by the connected parties are no less favourable than those offered to/by independent third parties. Proper approvals also have to be obtained in accordance with the relevant internal management policies before entering into any contract.

- (2) The Group would conduct financial monitoring (including the execution of continuing connected transactions) and internal control review on a regular basis for inspecting the effectiveness of internal control measures on connected transactions, financial audit on an annual basis and spot checks and supervision from time to time on related matters, so as to ensure that the transactions are entered into according to the terms of the relevant agreements.
- (3) The audit committee of the Company, which comprises all the independent non-executive Directors, shall review the continuing connected transactions of the Group every year according to the requirements of the Listing Rules to ensure that the transactions are entered into on normal commercial terms and according to the relevant agreements, and are on terms that are fair and reasonable and are in the interests of the Shareholders as a whole.
- (4) The auditors of the Company shall issue a letter in respect of the continuing connected transactions of the Group to the Board every year pursuant to the requirements under the Listing Rules.

INFORMATION ON THE PARTIES

The Group is principally engaged in containerised and non-containerised cargo handling services, sales and other port ancillary services at the port of Tianjin in the PRC, primarily through its subsidiaries and associated companies.

Tianjin Port Group is the controlling shareholder of the Company. Its principal business includes port handling and stevedoring services, warehousing, logistics, and port area land development at the port of Tianjin in the PRC through its group companies.

LISTING RULES IMPLICATIONS

Tianjin Port Group is the controlling shareholder of the Company indirectly interested in 53.5% of the issued share capital of the Company. Hence, the Tianjin Port Group Companies are connected persons of the Company as defined in the Listing Rules. Accordingly, the Non-exempt Continuing Connected Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios (as defined in the Listing Rules) in respect of the Proposed Annual Caps for the Non-exempt Continuing Connected Transactions exceed 5%, the Non-exempt Continuing Connected Transactions are subject to the reporting, announcement, annual review, circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

An Independent Board Committee has been established to advise the Independent Shareholders on the terms of the Non-exempt Continuing Connected Transactions and the Proposed Annual Caps. Opus Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this connection.

The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, to approve the 2020 Property and Assets Lease Framework Agreement, the 2020 Integrated Services Framework Agreement, the Non-exempt Continuing Connected Transactions and the Proposed Annual Caps. As Tianjin Port Group is a controlling shareholder of the Company and is materially interested in the Non-exempt Continuing Connected Transactions, the Tianjin Port Group Companies, together holding 3,294,530,000 Shares which represent 53.5% of the issued share capital of the Company as at the Latest Practicable Date, will abstain from voting in respect of such resolutions.

The Directors are of the view that the 2020 Property and Assets Lease Framework Agreement, the 2020 Integrated Services Framework Agreement and the Non-exempt Continuing Connected Transactions are entered into in the ordinary and usual course of business of the Group, and on normal commercial terms, and the terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and the Proposed Annual Caps are fair and reasonable.

None of the Directors had a material interest in the Non-exempt Continuing Connected Transactions. In view of good corporate governance practices, Chu Bin, Luo Xunjie and Wang Junzhong, the Directors, abstained from voting in respect of such Board resolutions in relation to the Non-exempt Continuing Connected Transactions.

EXTRAORDINARY GENERAL MEETING

A notice convening the EGM to be held at Forum Room I, Basement 2, Regal Hongkong Hotel, No. 88 Yee Wo Street, Causeway Bay, Hong Kong on Tuesday, 15 December 2020 at 3:00 p.m. at which ordinary resolutions will be proposed for the approval by the Independent Shareholders of the 2020 Property and Assets Lease Framework Agreement, the 2020 Integrated Services Framework Agreement, the Non-exempt Continuing Connected Transactions and the Proposed Annual Caps is set out on pages 43 to 44 of this circular.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. The chairman of the EGM will, therefore, exercise his power under Article 72 of the articles of association of the Company to put the resolutions to be proposed at the EGM to be voted by way of poll. An announcement on the results of the poll will be made by the Company after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

The register of members of the Company will be closed from Thursday, 10 December 2020 to Tuesday, 15 December 2020 (both days inclusive), during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the EGM, all transfer forms and the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 9 December 2020.

LETTER FROM THE BOARD

Whether or not you are able to attend the EGM, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time scheduled for holding the EGM (or any adjournment thereof). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM (or any adjournment thereof) should you so wish.

RECOMMENDATIONS

The Independent Board Committee, having taken into account the advice of Opus Capital, considers that the 2020 Property and Assets Lease Framework Agreement, the 2020 Integrated Services Framework Agreement and the Non-exempt Continuing Connected Transactions are entered into in the ordinary and usual course of business of the Group, and on normal commercial terms, and the terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and the Proposed Annual Caps are fair and reasonable. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the 2020 Property and Assets Lease Framework Agreement, the 2020 Integrated Services Framework Agreement, the Non-exempt Continuing Connected Transactions and the Proposed Annual Caps.

Your attention is also drawn to the additional information set out in the Appendix to this circular.

By Order of the Board
Tianjin Port Development Holdings Limited
Chu Bin
Chairman

* *For identification purposes only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



天津港發展控股有限公司
Tianjin Port Development Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 03382)

25 November 2020

To the Independent Shareholders

Dear Sir or Madam,

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of the Company dated 25 November 2020 (the “**Circular**”) to the Shareholders, of which this letter forms part. Terms defined in the Circular have the same meanings in this letter unless the context requires otherwise.

We have been appointed by the Board as the members of the Independent Board Committee to consider and to advise the Independent Shareholders as to whether the Non-exempt Continuing Connected Transactions and the Proposed Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Opus Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Non-exempt Continuing Connected Transactions and the Proposed Annual Caps. The text of the letter of advice from Opus Capital to the Independent Board Committee and the Independent Shareholders is set out on pages 18 to 38 of the Circular.

We wish to draw your attention to the letter from the Board, as set out on pages 5 to 16 of the Circular.

Having taken into account the terms and conditions of the Non-exempt Continuing Connected Transactions and the advice of Opus Capital, we consider that the 2020 Property and Assets Lease Framework Agreement, the 2020 Integrated Services Framework Agreement and the Non-exempt Continuing Connected Transactions are entered into in the ordinary and usual course of business of the Group, and on normal commercial terms, and the terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and the Proposed Annual Caps are fair and reasonable. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the 2020 Property and Assets Lease Framework Agreement, the 2020 Integrated Services Framework Agreement, the Non-exempt Continuing Connected Transactions and the Proposed Annual Caps.

Yours faithfully,

For and on behalf of the Independent Board Committee

Japhet Sebastian LAW
*Independent Non-executive
Director*

CHENG Chi Pang, Leslie
*Independent Non-executive
Director*

ZHANG Weidong
*Independent Non-executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Non-exempt Continuing Connected Transactions and the Proposed Annual Caps for the purpose of incorporation into this circular.



18th Floor, Fung House
19-20 Connaught Road Central
Central, Hong Kong

25 November 2020

To: The Independent Board Committee and the Independent Shareholders

Dear Sir or Madam,

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the 2020 Property and Assets Lease Framework Agreement, the 2020 Integrated Services Framework Agreement (collectively, the “**Framework Agreements**”), the Non-exempt Continuing Connected Transactions and the Proposed Annual Caps, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 25 November 2020 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

FRAMEWORK AGREEMENTS AND NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

As stated in the Letter from the Board, on 28 September 2020, the Company and Tianjin Port Group entered into the Framework Agreements to continue the Non-exempt Continuing Connected Transactions.

As at the Latest Practicable Date, Tianjin Port Group is the controlling shareholder of the Company indirectly interested in 53.5% of the issued share capital of the Company. Hence, the Tianjin Port Group Companies are connected persons of the Company as defined in the Listing Rules. Accordingly, the Non-exempt Continuing Connected Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios (as defined in the Listing Rules) in respect of the Proposed Annual Caps for the Non-exempt Continuing Connected Transactions exceed 5%, the Non-exempt Continuing Connected Transactions are subject to the reporting, announcement, annual review, circular (including independent financial advice) and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, to approve the 2020 Property and Assets Lease Framework Agreement, the 2020 Integrated Services Framework Agreement, the Non-exempt Continuing Connected Transactions and the Proposed Annual Caps. As Tianjin Port Group is a controlling shareholder of the Company and is materially interested in the Non-exempt Continuing Connected Transactions, the Tianjin Port Group Companies, together holding 3,294,530,000 Shares which represent 53.5% of the issued share capital of the Company as at the Latest Practicable Date, will abstain from voting in respect of such resolutions.

None of the Directors had a material interest in the Non-exempt Continuing Connected Transactions. In view of good corporate governance practices, Chu Bin, Luo Xunjie and Wang Junzhong, the Directors, abstained from voting in respect of such Board resolutions in relation to the Non-exempt Continuing Connected Transactions.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising Professor Japhet Sebastian Law, Mr. Cheng Chi Pang, Leslie and Mr. Zhang Weidong, all of whom are independent non-executive Directors, has been formed to advise the Independent Shareholders as to (i) whether the terms of the Non-exempt Continuing Connected Transactions and the Proposed Annual Caps are fair and reasonable; (ii) whether the Non-exempt Continuing Connected Transactions are conducted in the ordinary and usual course of business of the Group, on normal commercial terms, and in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote on the ordinary resolutions to be proposed at the EGM to approve the Framework Agreements, the Non-exempt Continuing Connected Transactions and the Proposed Annual Caps. We have been appointed by Company to advise the Independent Board Committee and the Independent Shareholders in the same regard.

OUR INDEPENDENCE

As at the Latest Practicable Date, we do not have any relationship with, or interest in, the Group, the Tianjin Port Group Companies, or any other parties that could reasonably be regarded as relevant to our independence. During the two years immediately prior to this letter, we have not acted as an independent financial adviser to the Company. Apart from normal independent financial advisory fees payable to us in connection with this appointment, no arrangements exist whereby we had received or will receive any fees or benefits from the Group, the Tianjin Port Group Companies or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

In formulating our advice and recommendation to the Independent Board Committee and the Independent Shareholders, we have reviewed, amongst other things:

- (i) the Framework Agreements;
- (ii) the 2017 Property and Assets Lease Framework Agreement;
- (iii) the 2017 Integrated Services Framework Agreement;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (iv) the Company's annual report for the year ended 31 December ("FY") 2019 (the "**2019 Annual Report**");
- (v) the Company's interim report for the six months ended 30 June ("HY") 2020 (the "**2020 Interim Report**"); and
- (vi) other information as set out in the Circular.

We have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations made to us by the Company, the Directors and the management of the Group (collectively, the "**Management**"). We have assumed that all information and representations contained or referred to in the Circular and provided to us by the Management, for which they are solely and wholly responsible, are true, accurate and complete in all material respects and not misleading or deceptive at the time when they were provided or made and continued to be so up to the Latest Practicable Date.

We have also assumed that all statements of belief, opinion, expectation and intention made by the Management in the Circular were reasonably made after due enquiries and careful consideration and there are no other facts not contained in the Circular, the omission of which make any such statement contained in the Circular misleading. We have no reason to suspect that any relevant information has been withheld, or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Management, which have been provided to us.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. However, we have not carried out any independent verification of the information provided to us by the Management, nor have we conducted any independent investigation into the business, financial conditions and affairs of the Group or its future prospects. We also have not considered the taxation implications on the Group as a result of the Framework Agreements and the transactions contemplated thereunder.

The Directors jointly and severally accept full responsibility for the Circular and confirm, having made all reasonable enquiries that to the best of their knowledge and belief, the information contained in the 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 in the Circular misleading.

This letter is issued to the Independent Board Committee and the Independent Shareholders solely for their consideration of the Framework Agreements, the Non-exempt Continuing Connected Transactions and the Proposed Annual Caps, and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose without our prior written consent.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating and giving our independent financial advice to the Independent Board Committee and the Independent Shareholders, we have taken into account the following principal factors:

1. Background of the Non-exempt Continuing Connected Transactions

Reference is made to the announcement of the Company dated 27 September 2017 where it was announced, among other things, that the Company entered into the 2017 Property and Assets Lease Framework Agreement and the 2017 Integrated Services Framework Agreement with Tianjin Port Group.

As the 2017 Property and Assets Lease Framework Agreement and the 2017 Integrated Services Framework Agreement will expire on 31 December 2020, the Company had on 28 September 2020 entered into the Framework Agreements with Tianjin Port Group to continue the Non-exempt Continuing Connected Transactions.

2. Information on the parties

The Group is principally engaged in containerised and non-containerised cargo handling services, sales and other port ancillary services at the port of Tianjin in the PRC, primarily through its subsidiaries and associated companies.

Tianjin Port Group is the controlling shareholder of the Company. Its principal business includes port handling and stevedoring services, warehousing, logistics, and port area land development at the port of Tianjin in the PRC through its group companies.

3. 2020 Property and Assets Lease Framework Agreement

Principal terms

Date: 28 September 2020

Parties: (1) the Company
(2) Tianjin Port Group

Term: 1 January 2021 to 31 December 2023

Nature of the transactions:

The Tianjin Port Group Companies lease the freight yards, warehouses, office buildings, facilities and equipment in Tianjin Binhai New Area to the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Pricing determination:

Prices are determined with reference to (i) actual content of the leases, area of the leases, number of the leases, and the term of the leases; and (ii) market price of similar leasing services.

- (1) Prices of the lease of freight yards and warehouses: Through obtaining market price information by various means (including enquiring users or lessors of the neighbouring freight yards and warehouses about the recent rent, conducting research on the auction price in the sale of neighbouring land with similar usage on government websites), the prices for the leases are determined with reference to the market price, the lease term, the historical prices, the location and the degree of usage of freight yards and warehouses to be leased, and the demand and supply of the market.
- (2) Prices of the lease of office buildings: Through obtaining market price information by various means (including enquiring tenants or lessors of the neighbouring office buildings about the recent rent, enquiring agents about the rent of the neighbouring commercial properties), the prices for the leases are determined with reference to the market price, the lease term, the historical prices, the location and the degree of usage of office buildings to be leased, and the demand and supply of the market.
- (3) Prices of the lease of facilities and equipment: Through obtaining market price information by various means (including enquiring users or lessors of the neighbouring facilities and equipment about the recent rent), the prices for the leases are determined with reference to the market price, the lease term, the historical prices, the condition and the degree of usage of facilities and equipment to be leased, and the demand and supply of the market.

The terms of the transactions for the leasing services provided by the Tianjin Port Group Companies to the Group shall be no less favourable to the Group than those for the leasing services provided by independent third-parties to the Group.

Payment terms:

Payments will be made by the Group to the Tianjin Port Group Companies based on normal commercial terms on a monthly, quarterly, half-yearly or annual basis, or in accordance with the payment terms agreed by the relevant parties in the contracts to be entered into pursuant to such framework agreement. In general,

- (1) Freight yards and warehouses: payment on a monthly, quarterly or half-yearly basis.
- (2) Office buildings: payment on a half-yearly or annual basis.
- (3) Facilities and equipment: payment on a monthly, quarterly, half-yearly or annual basis, depending on the type of facilities and equipment.

Assessment on the principal terms

As the 2017 Property and Assets Lease Framework Agreement will expire on 31 December 2020, the 2020 Property and Assets Lease Framework Agreement was entered into on 28 September 2020 between the Company and Tianjin Port Group, subject to the approval by the Independent Shareholders, to (i) continue the transactions contemplated under the 2020 Property and Assets Lease Framework Agreement for the three years ending 31 December 2023, and (ii) provide for new annual caps.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The pricing policy and all other material terms and conditions of the 2020 Property and Assets Lease Framework Agreement remained the same as the 2017 Property and Assets Lease Framework Agreement.

As stated in the Letter from the Board, the prices of the lease of freight yards and warehouses, office buildings, facilities and equipment will be determined by making references to: (i) actual content of the leases, area of the leases, number of the leases, and the term of the leases; and (ii) market price of similar leasing services. We have randomly selected, obtained and reviewed the samples for FY2018, FY2019 and the nine months ended 30 September (“9M”) 2020 (collectively, the “**Review Period**”) as follows:

- (i) 15 sample lease agreements of leasing freight yards and warehouses, office buildings, facilities and equipment entered into between the Group and the Tianjin Port Group Companies under the 2017 Property and Assets Lease Framework Agreement (the “**Historical Lease Agreements**”); and
- (ii) 5 sample lease agreements of leasing freight yards and warehouses, office buildings, facilities and equipment entered into between the Group and independent third parties in relation to the lease of assets with similar nature to those under the 2017 Property and Assets Lease Framework Agreement (the “**I3P Lease Agreements**”).

Given that: (i) the aggregate contract amounts of the Historical Lease Agreements represented over half of the total transaction amounts of leases for the Review Period; and (ii) the I3P Lease Agreements covered each type of leases under the 2017 Property and Assets Lease Framework Agreement, we consider that the sample size is sufficient. We noted that the unit prices (i.e. daily rent per square metre for the lease of freight yards, warehouses and office buildings, monthly rent per unit for the lease of facilities and equipment) set out in the Historical Lease Agreements are no less favourable than the unit prices set out in the I3P Lease Agreements of similar assets. Further, we noted from the Historical Lease Agreements that the unit prices of entering into leasing arrangements with the Tianjin Port Group Companies remained at a relatively stable level. We understand from the Management that the unit prices for the leasing arrangements to be entered into with the Tianjin Port Group Companies under the 2020 Property and Assets Lease Framework Agreement are expected to continue to remain at a stable level for the three years ending 31 December 2023.

Having considered the above, we concur with the Directors that the terms of the 2020 Property and Assets Lease Framework Agreement are on normal commercial terms.

Historical amounts and Proposed Annual Caps

According to HKFRS 16, (i) leases with a lease term of more than 12 months (the “**Right-of-use Assets Leases**”) are recognised as right-of-use assets and lease liabilities in the consolidated statement of financial position when the leased assets are available for use by the Group, and are recognised as depreciation of right-of-use assets and interest expenses on lease liabilities in the consolidated income statement; and (ii) payments for leases with a lease term of 12 months or less and leases of low value assets (the “**Short-term Leases**”) are recognised as rental expenses in the consolidated income statement. The Group has categorised the Proposed Annual Caps for the transactions contemplated under the 2020 Property and Assets Lease Framework Agreement according to (i) the Right-of-use Assets Leases; and (ii) the Short-term Leases in accordance with HKFRS 16 and the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The table below sets out the historical amounts for the leasing of freight yards, warehouses, office buildings, facilities and equipment from the Tianjin Port Group Companies to the Group for the Review Period under the 2017 Property and Assets Lease Framework Agreement.

	FY2018 <i>(Note 1)</i> (RMB in thousands)	FY2019 <i>(Note 2)</i> (RMB in thousands)	9M2020 <i>(Note 2)</i> (RMB in thousands)
Prior to HKFRS 16 being effective	137,820	N/A	N/A
Right-of-use Assets Leases	N/A	2,597	19,000
Short-term Leases	N/A	34,512	18,000

Notes:

The Group has adopted HKFRS 16 since 1 January 2019.

1. The Group has not restated the historical amounts for FY2018, as permitted under the specific transitional provisions in HKFRS 16. Operating leases are recognised as lease rental expenses in the consolidated income statement.
2. The historical amounts for FY2019 and 9M2020 are presented according to HKFRS 16: (i) the Right-of-use Assets Leases are recognised as addition amounts in the consolidated statement of financial position; and (ii) the Short-term Leases are recognised as lease rental expenses in the consolidated income statement.

The table below sets out: (i) the historical rental amounts for the leasing of freight yards, warehouses, office buildings, facilities and equipment from the Tianjin Port Group Companies to the Group for the Review Period; and (ii) the expected rental amounts for the three years ending 31 December 2023.

	Historical amounts and historical annual caps under the 2017 Property and Assets Lease Framework Agreement (RMB in thousands)			Expected amounts under the 2020 Property and Assets Lease Framework Agreement (RMB in thousands)		
	FY2018	FY2019	9M2020	FY2021	FY2022	FY2023
Rental amounts	137,820	143,745	93,000	147,000	135,000	138,000
	(2018 cap: 179,500)	(2019 cap: 204,500)	(2020 cap: 208,500)			

The Company expects that the actual transaction amount for FY2020 will not exceed its historical annual cap.

The table below sets out the Proposed Annual Caps for the Right-of-use Assets Leases (the “**Right-of-use Assets Lease Cap(s)**”) and the Proposed Annual Caps for the Short-term Leases (the “**Short-term Lease Cap(s)**”) under the 2020 Property and Assets Lease Framework Agreement.

	FY2021 (RMB in thousands)	FY2022 (RMB in thousands)	FY2023 (RMB in thousands)
Right-of-use Assets Lease Caps	225,000	49,000	226,000
Short-term Lease Caps	54,000	41,000	42,000

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Basis of the Proposed Annual Caps

The Right-of-use Assets Lease Caps are the total value of right-of-use assets recognised in the relevant period. The said total values of the right-of-use assets are determined with reference to, among other things, the following factors: (i) the historical transactions and transaction amounts for the leased assets; (ii) the expected lease arrangement with reference to the current lease arrangement including lease term and payment terms; (iii) the expectation on the demand for the Right-of-use Assets Leases in light of the business growth of the Group; (iv) the anticipated annual inflation rate of 2.9% based on the increase in PRC consumer price index of 2.9% in FY2019; and (v) the expected borrowing rates with reference to the loan prime rate for the relevant lease term published by the National Interbank Funding Centre as authorised by the People's Bank of China.

The Right-of-use Assets Lease Caps consist of the lease agreements of the existing leased assets (the **"Existing Leased Assets"**). Based on the Company's preliminary assessment, except for one agreement which is expected to be renewed in FY2022, the remaining agreements are expected to be renewed in early FY2021 and by the end of FY2023 and will be recognised as right-of-use assets in respective years under HKFRS 16, resulting in the difference between: (i) the Right-of-use Assets Lease Caps for FY2021 and FY2023; and (ii) the Right-of-use Assets Lease Cap for FY2022.

The Short-term Lease Caps are determined with reference to, among other things, the following factors: (i) the historical transactions and transaction amounts for the leased assets; (ii) the expected lease arrangement with reference to the current lease arrangement including lease term and payment terms; (iii) the expectation on the demand for the Short-term Leases in light of the business growth of the Group; and (iv) the anticipated annual inflation rate of 2.9% based on the increase in PRC consumer price index of 2.9% in FY2019.

Assessment on the Right-of-use Assets Lease Caps

Pursuant to HKFRS 16, the Group as lessee is required to recognise the present value of the lease payments throughout the lease term under the 2020 Property and Assets Lease Framework Agreement as right-of-use assets. Right-of-use assets represent the Group's right to use the underlying leased assets for the duration of the lease term and the corresponding lease liabilities represent the Group's obligation to make lease payments throughout the lease term. Accordingly, the Right-of-use Assets Lease Caps reflect the estimated total value of the right-of-use assets under the definitive agreements between the Group and the Tianjin Port Group Companies expected to be entered into for each of the three years ending 31 December 2023 under the 2020 Property and Assets Lease Framework Agreement.

To assess the fairness and reasonableness of the Right-of-use Assets Lease Caps, we have obtained and reviewed the calculations provided by the Management in relation to the Right-of-use Assets Leases (the **"Right-of-use Assets Lease Caps Analysis"**). After our review of the Right-of-use Assets Lease Caps Analysis and discussions with the Management, we understand that the Right-of-use Assets Lease Caps consist of the lease agreements of the Existing Leased Assets (the **"Existing Leased Assets"**). We have enquired about the rent and the payment terms for the lease renewal agreements expected to be entered into in relation to the Existing Leased Assets. As advised by the Management, both the rent and the payment terms to be adopted for renewing the lease agreements of the Existing Leased Assets will be substantially the same as the lease agreements under the 2017 Property and Assets Lease Framework Agreement. It is noted that the Right-of-use Assets Lease Cap for FY2023 is set at a comparable level to that for FY2021 while there is a decrease in the relevant annual cap amount for FY2022. After our enquiry, we understand from the Management that most of the lease agreements of the

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Existing Leased Assets will be renewed in early FY2021 and by the end of FY2023. As such, the Right-of-use Assets Lease Cap for FY2023 is comparable to that for FY2021. For the Right-of-use Assets Lease Cap for FY2022, the Management has considered that a lease agreement of an Existing Leased Asset will be renewed in FY2022 which has resulted in the decrease in the Right-of-use Assets Lease Cap for FY2022.

We have obtained and reviewed the lease agreements under the 2017 Property and Assets Lease Framework Agreement for two Existing Leased Assets which the estimated total value of right-of-use assets accounts for over 85% of the Right-of-use Assets Lease Caps for FY2021 and FY2023. We noted from the lease agreements obtained that: (i) the rents adopted in the Right-of-use Assets Lease Caps Analysis are the same as those set out in the lease agreements; and (ii) the unit prices set out in the lease agreements are no less favourable than those set out in the independent third parties lease agreements for similar assets.

As stated in the Letter from the Board, the Right-of-use Assets Lease Caps are determined with reference to, among other things, the business growth of the Group, the anticipated annual inflation rate of 2.9% based on the increase in PRC consumer price index of 2.9% in FY2019 and the expected borrowing rates with reference to the loan prime rate for the relevant lease term published by the National Interbank Funding Centre as authorised by the People's Bank of China. The business growth of the Group was evidenced by the increase in the total cargo throughput handled by the Group from approximately 397.8 million tonnes for FY2018 to approximately 411.8 million tonnes in FY2019, representing an increase of approximately 3.5% according to the 2019 Annual Report.

We have also verified the anticipated annual inflation rate of 2.9% based on the increase in PRC consumer price index of 2.9% in FY2019 through independent sources. From the Right-of-use Assets Lease Caps Analysis, we noted that the discount rate adopted was made reference to the loan prime rate for the relevant lease term published by the National Interbank Funding Centre.

As advised by the Management, the Group has been leasing the assets from the Tianjin Port Group Companies for a period of time. Further, we understand from the Management that the Existing Leased Assets are crucial to the Group's operation and the Group has intention to continue to lease the Existing Leased Assets from the Tianjin Port Group Companies. The leases of the Existing Leased Assets have been already recognised as right-of-use assets since the adoption of HKFRS 16 on 1 January 2019. We have discussed the calculation methodology and the classification of long-term leases adopted by the Management in the Right-of-use Assets Lease Caps Analysis with the auditor of the Group and understand that they have no disagreement with the basis of recognition of the Right-of-use Assets and the calculation methodology adopted by the Management in the Right-of-use Assets Lease Caps Analysis.

Having considered the above, we are of the view that the Right-of-use Assets Lease Caps are fair and reasonable.

Assessment on the Short-term Lease Caps

Pursuant to HKFRS 16, the Group as lessee shall recognise the lease payments associated with the Short-term Leases as an expense on a straight-line basis over the lease term. The Short-term Lease Caps are based on the total lease payments expected to be payable for each of the three years ending 31 December 2023.

To assess the fairness and reasonableness of the Short-term Lease Caps, we have obtained and reviewed the analysis provided by the Management in relation to the Short-term Leases (the "Short-term Lease Caps Analysis"). After our review of the Short-term Lease Caps Analysis

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and discussions with the Management, we understand that the Short-term Lease Caps mainly consist of the lease agreements of three types of assets: (i) office buildings; (ii) freight yards and warehouses; and (iii) facilities and equipment. As stated in the Letter from the Board, the Short-term Lease Caps decrease from RMB54 million for FY2021 to RMB41 million and RMB42 million for FY2022 and FY2023 respectively.

From the review of the Short-term Lease Caps Analysis, it is noted that a short-term lease of a freight yard is expected to be entered into for FY2021 only. After our enquiry with the Management, we understand that the lease of that freight yard is an existing lease which is currently recognised as right-of-use asset and will expire in FY2020, and that freight yard is expected to be leased by another subsidiary for one year only in FY2021. As such, the lease will be recognised as a short-term lease and the relevant lease payments will be included under the Short-term Lease Cap for FY2021. Excluding the effect of the abovementioned change in lease term for the freight yard, the remaining amount of the Short-term Lease Cap for FY2021 is in line with the Short-term Lease Caps for FY2022 and FY2023 and the Short-term Lease Caps are comparable to the historical amount of approximately RMB34.5 million for FY2019.

Having considered the above, we are of the view that the Short-term Lease Caps are fair and reasonable.

Reasons for and benefits of entering into the 2020 Property and Assets Lease Framework Agreement

The Tianjin Port Group Companies owned the freight yards, warehouses, office buildings and facilities for carrying out the port business. When these port businesses were subsequently spun off into the Group, the Group continues to lease freight yards, warehouses, office buildings and facilities from the Tianjin Port Group Companies. The freight yards, warehouses, office buildings, facilities and equipment are leased to the Group from the Tianjin Port Group Companies at market price, on normal commercial terms and terms that are no less favourable to the Group than those offered by independent third parties, and the leasing of freight yards, warehouses, office buildings, facilities and equipment from reliable and co-operative owners (such as the Tianjin Port Group Companies) is in the interests of the Group as a whole.

4. 2020 Integrated Services Framework Agreement

Principal terms

Date:	28 September 2020
Parties:	(1) the Company (2) Tianjin Port Group
Term:	1 January 2021 to 31 December 2023

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Nature of the transactions:

The Tianjin Port Group Companies provide utilities and supporting services for the daily operations of the Group at the port of Tianjin, including but not limited to:

- (1) water supply services;
- (2) electricity supply services;
- (3) communications services (including but not limited to telephone services, internet services, and rental services for optical fibre);
- (4) IT support services (including but not limited to repair and maintenance of electronic data information system, and hardware and software of the information network in respect of port operations);
- (5) repair and maintenance of port facilities and equipment (including but not limited to repair and maintenance of cargo handling machineries, general facilities and equipment, and dredging);
- (6) project management services (including but not limited to tendering agency, management, design, supervision, and project consultancy services for repair and maintenance projects);
- (7) labour services (including but not limited to the provision of on-site operation personnel for cargo handling and logistics operation such as cargo reconfiguration and storage, and on-site statistical personnel for basic management services); and
- (8) general administrative services (including but not limited to office support services, general maintenance services, cleaning services, and catering services).

Pricing determination:

The mechanisms for determining the prices for each category of services are as follows:

- (1) Water supply services
 - (i) the relevant PRC State Prescribed Price published from time to time by TDRC, such as Notice of Municipal Commission of Development and Reform, Municipal Finance Bureau and Municipal Water Authority Regarding the Reduction of Water Charges for Non-Residents (Tianjin Development and Reform Price Management [2017] No. 646)* (市發展改革委市財政局市水務局關於降低非居民自來水價格的通知 (津發改價管[2017]646號)); and
 - (ii) the quantity of water to be provided to the Group.

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(2) Electricity supply services

- (i) the relevant PRC State Prescribed Prices published from time to time by TDRC, such as Notice of Municipal Commission of Development and Reform Regarding Further Reduction of Industrial and Commercial Electricity Tariff (Tianjin Development and Reform Price Management [2019] No. 354)* (市發展改革委關於進一步降低我市一般工商業用電價格的通知 (津發改價綜[2019]354號)); and
- (ii) the quantity of electricity to be provided to the Group.

(3) Communication services

- (i) the market prices (the service charge standards by other major carriers) of the relevant similar services with reference to the content of the services (such as the demand for telephones and internet); and
- (ii) the number of technical support personnel or quantity of services to be provided to the Group.

(4) IT support services

- (i) the market prices of the relevant similar services with reference to the content of the services (such as types, qualities and quantities); and
- (ii) the quantities of the specific maintenance items to be provided to the Group.

(5) Repair and maintenance of port facilities and equipment

- (i) the market prices of the relevant similar services with reference to the content of the services (such as types, qualities and quantities); and
- (ii) the quantities of repair and maintenance items to be provided to the Group.

(6) Project management services

- (i) the relevant service charge rates determined with reference to the content of the services (such as the service type of the repair and maintenance projects (tendering agency, management, design, supervision, and project consultancy services), the scope and the size of the repair and maintenance projects); and
- (ii) the costs of the relevant repair and maintenance projects.

The subsidiaries conduct enquiries on the price for project management services when the need for such services arises, and select the service provider based on the quotations and other factors, including but not limited to the specific requirement of the repair and maintenance project, the quality of services, technical strengths, qualification and relevant experience of the service providers.

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(7) Labour services

(a) for labour services related to cargo handling:

- (i) the service charges determined with reference to the type of cargo handled; and
- (ii) the quantity of cargo handled.

(b) for labour services related to outdoor works (including but not limited to at berths and depots) (except for labour services related to cargo handling):

- (i) the relevant labour service charges determined with reference to the content of the services (such as the position, type, skills, expertise and experience of the labour required); and
- (ii) the number of labour or the quantity of services to be provided to the Group.

(8) General administrative services

- (i) the market prices of the relevant similar services with reference to the content of the services (such as the position, type, skills, expertise, experience and number of the labour required); and
- (ii) the number of labour or the quantity of services provided to the Group.

The terms of the transactions for the provision of services by the Tianjin Port Group Companies to the Group shall be no less favourable to the Group than those for the provision of services by independent third-party service providers to the Group.

Payment terms:

Payments will be made by the Group to the Tianjin Port Group Companies based on normal commercial terms on a one-off, monthly, quarterly, half-yearly or annual basis (subject to the category of services), or in accordance with the payment terms agreed by the relevant parties in the contracts to be entered into pursuant to such framework agreement. In general,

- (1) Water supply services: payment on a monthly basis.
- (2) Electricity supply services: payment on a monthly basis.
- (3) Communication services: payment on a monthly or quarterly basis, depending on the services nature.
- (4) IT support services: payment on a quarterly basis.

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- (5) Repair and maintenance of port facilities and equipment:
 - (i) for contracts on a project basis: payment on a one-off basis; and
 - (ii) for contracts on an annual basis: payment on a quarterly basis.
- (6) Project management services: payment on a one-off basis.
- (7) Labour services: payment on a monthly basis.
- (8) General administrative services: payment on a monthly basis.

Assessment on the principal terms

As the 2017 Integrated Services Framework Agreement will expire on 31 December 2020, the 2020 Integrated Services Framework Agreement was entered into on 28 September 2020 between the Company and Tianjin Port Group, subject to the approval by the Independent Shareholders, to (i) continue the transactions contemplated under the 2020 Integrated Services Framework Agreement for the three years ending 31 December 2023; and (ii) provide for new annual caps.

The pricing policy and all other material terms and conditions of the 2020 Integrated Services Framework Agreement remained the same as the 2017 Integrated Services Framework Agreement.

We have randomly selected, obtained and reviewed more than 40 samples of agreements and/or invoices for the services under the 2017 Integrated Services Framework Agreement for the Review Period (the “**Historical Services Samples**”) and we noted that:

- (i) the pricing of water and electricity supply was strictly determined with reference to the relevant PRC State Prescribed Prices published from time to time by TDRC;
- (ii) the pricing of repair and maintenance of port facilities and equipment, project management services and general administrative services was mainly determined with reference to the relevant market prices by obtaining quotations or tenders; and
- (iii) the pricing of labour services was mainly determined with reference to: (a) type of cargo handled for cargo handling; and (b) the content of the services for outdoor works.

After our discussion with the Management, we understand that:

- (i) Tianjin Port Group is the sole service provider of communication services at the port of Tianjin and we have obtained and reviewed more than five sets of samples among the Historical Services Samples for communication services provided by the Tianjin Port Group Companies to the Group and companies other than the Group and noted that the pricing of communication services provided by the Tianjin Port Group Companies to both the Group and companies other than the Group was made reference to the content of the services such as bandwidth; and

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- (ii) The Tianjin Port Group Companies developed the IT system for the Group and the Management is therefore of the view that it is beneficial to the Group to retain the Tianjin Port Group Companies to provide IT support services to the Group. We have obtained and reviewed more than five sets of samples among the Historical Services Samples for IT support services provided by the Tianjin Port Group Companies to the Group and companies other than the Group and noted that the pricing of IT support services provided by the Tianjin Port Group Companies to both the Group and companies other than the Group was made reference to the content of the services such as the number of user accounts.

Given that: (i) the Historical Services Samples in relation to water and electricity supply showed that the pricing of water and electricity supply was strictly determined with reference to the relevant PRC State Prescribed Prices published from time to time by TDRC; (ii) the aggregate transaction amounts of the Historical Services Samples (excluding water and electricity supply services) represented over 20% of the total integrated services (excluding water and electricity supply services) provided in terms of transaction amounts for the Review Period; (iii) labour services accounted for approximately 62% of the total integrated services provided in terms of transaction amounts for the Review Period and the transaction amounts of the Historical Services Samples in relation to labour services represented more than 25% of the transaction amount of labour services for the Review Period; and (iv) the integrated services involve numerous service agreements due to the different nature of services as advised by the Management, we consider that the sample size is sufficient. Based on the samples we have reviewed, the pricing of the services adhered to the pricing policy as stated above.

Having considered the above, we concur with the Directors that the terms of the 2020 Integrated Services Framework Agreement are on normal commercial terms.

Historical amounts and Proposed Annual Caps

The table below sets out the historical amounts for utilities and supporting services provided by the Tianjin Port Group Companies to the Group and the historical annual caps for the Review Period under the 2017 Integrated Services Framework Agreement:

	FY2018	FY2019	9M2020
	<i>(RMB in thousands)</i>	<i>(RMB in thousands)</i>	<i>(RMB in thousands)</i>
Historical services fee for provision of utilities and supporting services	1,160,588	1,127,868	785,000
Historical annual caps for provision of utilities and supporting services	1,522,000	1,639,000	1,776,000

The Company expects that the actual transaction amount for FY2020 will not exceed its historical annual cap.

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The table below sets out the Proposed Annual Caps under the 2020 Integrated Services Framework Services Agreement (the “**Integrated Services Caps**”):

	FY2021	FY2022	FY2023
	<i>(RMB in thousands)</i>	<i>(RMB in thousands)</i>	<i>(RMB in thousands)</i>
Integrated Services Caps	1,512,000	1,580,000	1,674,000

Labour services, electricity supply services and general administrative services were, and are expected to continue to be, the three highest categories of services contributing to the total integrated services provided in terms of transaction amount. They represented, and are expected to represent, approximately 84%-88% of the total integrated services provided in terms of transaction amount for FY2019, 9M2020, and for the Proposed Annual Caps.

Basis of the Proposed Annual Caps

As set out in the Letter from the Board, the Integrated Services Caps are determined with reference to, among other things, the following factors: (i) the historical transactions and transaction amounts for the provision of utilities and supporting services; (ii) the expected business growth of the Group based on the historical growth rate of 3.5% in FY2019 in the annual total throughput of the Group, and taking into account a growth rate of 6.1% in China’s gross domestic product in FY2019 and a year-on-year increase of 3.4% in China’s total import and export value in RMB in FY2019; (iii) the increase in demands for integrated services upon completion of the acquisition in FY2019; (iv) the expected increase in demands for integrated services after new terminal project and logistics project commence operation; (v) the expected increase in demand for IT support services as the Group enhances the automation and intelligence of the port operation; (vi) the anticipated annual inflation rate of 2.9% based on the increase in PRC consumer price index of 2.9% in FY2019; (vii) the anticipated annual increase in the PRC State Prescribed Prices of 2.9% based on the increase in PRC consumer price index of 2.9% in FY2019; and (viii) the estimated annual increase in the market price of labour of 7% based on the recommended average increase in wages of 7% according to the 《市人社局關於發佈2019年全市企業工資指導線的通知》 (“Notice on the Guideline for Wages for Corporates issued by the Municipal Human Resources and Social Security Bureau in 2019”)* issued by the Tianjin Municipal Human Resources and Social Security Bureau in FY2019.

We are advised by the Management that Tianjin Five Continents International Container Terminal Co., Ltd. (“**Tianjin Five Continents**”) was consolidated after it became a subsidiary of the Group upon the completion of its acquisition in June 2019. The consolidation of Tianjin Five Continents led to the increase in integrated services (including but not limited to water, electricity, labour services) as compared to FY2019. We noted that the estimated transaction amount (excluding the effect of the abovementioned acquisition) for FY2020 is approximately 11% higher than the historical amount for FY2019 and the Integrated Services Caps for FY2021 is approximately 13% higher than the estimated transaction amount (excluding the effect of the abovementioned acquisition) of FY2020.

It is noted that the historical transaction amounts represented approximately 76.3% and 68.8% utilisation of the annual caps for FY2018 and FY2019 respectively.

It is noted that the Integrated Services Caps for FY2022 only increase slightly from RMB1,512 million for FY2021 to RMB1,580 million, representing an increase of approximately 4.5%. The Integrated Services Caps for FY2023 also increase slightly from RMB1,580 million for FY2022 to RMB1,674 million for FY2023, representing an increase of approximately 5.9%.

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In order to assess the fairness and reasonableness of the Integrated Services Caps, we have discussed with the Management and reviewed the following:

- (i) the global economy in the first half of 2020 was adversely affected by the outbreak of COVID-19 but the Group still managed to record an increase in the total cargo throughput handled for HY2020 which increased from less than 200 million tonnes for HY2019 to approximately 200.8 million tonnes for HY2020 according to the 2020 Interim Report;
- (ii) the total cargo throughput handled by the Group increased from approximately 397.8 million tonnes for FY2018 to approximately 411.8 million tonnes for FY2019, representing an increase of approximately 3.5% according to the 2019 Annual Report which was in line with the increase in the total import and export value in the PRC which increased from approximately RMB30,501.0 billion in FY2018 to approximately RMB31,550.5 billion in FY2019, representing an increase of approximately 3.4% as extracted from National Bureau of Statistics;
- (iii) the annual increase in the market price of labour of approximately 7% estimated by the Group is in line with the recommended average increase in wages of approximately 7% according to the 《市人社局關於發佈2019年全市企業工資指導線的通知》(“Notice on the Guideline for Wages for Corporates issued by the Municipal Human Resources and Social Security Bureau in 2019”)* issued by the Tianjin Municipal Human Resources and Social Security Bureau in FY2019;
- (iv) from the review of the analysis of the Integrated Services Caps, we noted that the aggregated transaction amount of labour services, electricity supply services and general administrative services is expected to account for at least approximately 84% of the Integrated Services Caps for the three years ending FY2023 which is in line with the historical portion over the total integrated services provided in terms of transaction amount for FY2019;
- (v) we have made further enquiry to the Management regarding the estimated transaction increment of the integrated services in FY2021 and understand that some labour services are currently provided by an independent third party and the Management plans to change the labour services provider to the Tianjin Port Group Companies; and
- (vi) the anticipated annual inflation rate of 2.9% and the anticipated annual increase in the PRC State Prescribed Prices of 2.9% adopted by the Management are based on the increase in PRC consumer price index of approximately 2.9% in FY2019 which we have verified from the information available from National Bureau of Statistics.

As set out in the Letter from the Board, given that labour services and general administrative services, both are dependent on the market price of labour, together account for approximately 68% of the total integrated services provided in terms of transaction amount, the estimated annual increase in the market price of labour of 7% would have a relatively significant impact on the growth rate of the Proposed Annual Caps.

We concur with the Management that the Integrated Services Caps are fair and reasonable on the ground that (i) the expected business growth of the Group; (ii) the estimated annual increase in the market price of labour of 7%; (iii) the anticipated annual inflation rate of approximately 2.9%; (iv) the anticipated annual increase in the PRC State Prescribed Prices of approximately 2.9%; and (v) the portion of the expected aggregated transaction amount of labour services, electricity supply services and general administrative services over the Integrated Services Caps are consistent with the historical pattern.

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In conclusion, as the above assumptions to determine the Integrated Services Caps are supported by historical growth trend in the total cargo throughput handled by the Group and/or the anticipated inflation rates published by governmental authorities and/or the recommended increment in wages from the guidelines published by governmental authorities, we concur with the Directors that the Integrated Services Caps are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Reasons for and benefits of entering into the 2020 Integrated Services Framework Agreement

We have discussed with the Management and noted that the 2020 Integrated Services Framework Agreement can provide the Group with an adequate and a stable supply of services to maintain its operation and performance. In particular, as set out in the Letter from the Board, the Tianjin Port Group Companies have been providing the above utilities and supporting services to the Group and Tianjin Port Group is the only company responsible for the provision of utilities including water, electricity and communication at the port of Tianjin. In addition, the Tianjin Port Group Companies also provide supporting services to the Group in relation to the operations of the Group. As such, the Tianjin Port Group Companies are familiar with the operation pattern of the Group and are able to provide services in an efficient and effective manner to the Group. Moreover, the Tianjin Port Group Companies are reliable and co-operative service providers and have consistently been able to meet the Group's stringent demands and deliver services in a timely manner. Therefore, we consider that the provision of services by reliable and co-operative service providers, such as the Tianjin Port Group Companies, is very important and beneficial to the ordinary business operation of the Group. We also consider that the provision of services by the Tianjin Port Group Companies to the Group on terms that are no less favourable to the Group than those offered by independent third parties is in the interests of the Group as a whole.

5. Measures of Internal Control

As set out in the Letter from the Board, the Company has established a series of internal control measures to ensure that the pricing mechanism and terms of the continuing connected transactions are fair and reasonable and no less favourable than the terms offered to/by independent third parties, including:

- (i) The Group has adopted various internal policies, such as purchasing policies, contract policies and connected transactions policies, to govern the subsidiaries of the Company, in particular:

The relevant departments of subsidiaries have to conduct comparison procedures by obtaining quotations from suppliers for products or services provided and/or by price enquiry under certain circumstances according to the Group's requirements, and the actual prices for products or services are determined based on the market prices, the historical prices and the demand and supply of products or services. Such comparison procedures are conducted by the department responsible for the relevant services, which may include information management department (for communication services and IT support services), general services department (for repair and maintenance of port facilities and general administrative services), equipment management department (for repair and maintenance of port equipment), engineering management department (for project management services), human resources department and business department (for labour services), or such other departments or persons depending on the corporate structure of the relevant subsidiary, the type of services and the amount of the transactions. Before entering into any contract, the relevant subsidiaries shall perform review procedures, contracts have to be reviewed by various relevant departments (such as finance department and/or audit

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department) and obtain proper approval. For connected transactions, the subsidiaries additionally have to compare the terms offered to/by the connected parties with those offered to/by the independent third parties to ensure that the terms offered to/by the connected parties are no less favourable than those offered to/by independent third parties. Proper approvals also have to be obtained in accordance with the relevant internal management policies before entering into any contract.

- (ii) The Group would conduct financial monitoring (including the execution of continuing connected transactions) and internal control review on a regular basis for inspecting the effectiveness of internal control measures on connected transactions, financial audit on an annual basis and spot checks and supervision from time to time on related matters, so as to ensure that the transactions are entered into according to the terms of the relevant agreements.
- (iii) The audit committee of the Company, which comprises all the independent non-executive Directors, shall review the continuing connected transactions of the Group every year according to the requirements of the Listing Rules to ensure that the transactions are entered into on normal commercial terms and according to the relevant agreements, and are on terms that are fair and reasonable and are in the interests of the Shareholders as a whole.
- (iv) The auditors of the Company shall issue a letter in respect of the continuing connected transactions of the Group to the Board every year pursuant to the requirements under the Listing Rules.

Regarding the effectiveness of the internal control procedures to safeguard the continuing connected transactions of the Group, we have obtained and reviewed the internal control policies of the Group governing the Group's connected transactions to ensure that the transactions are on normal commercial terms and are fair and reasonable. It is noted that the internal control procedures as set out in the internal control policies are in line with the abovementioned procedures. The Management also confirmed that the internal policies of the Group as mentioned above form an adequate system of control to monitor the Non-exempt Continuing Connected Transactions.

In order to perform our test checks on the internal control system of the Company, we have randomly selected, obtained and reviewed more than 10 samples of historical transactions, specifically the documents regarding the Group obtaining quotations and/or tenders from independent third parties, the Group's internal assessment of the actual market service prices, departmental review and approval records, the Company's monitoring the compliance of connected transaction policies and documentation of the Company's periodic checks on the continuing connected transaction with the terms of the relevant agreement. Given that the samples: (i) covered each of the year/period throughout the Review Period; and (ii) covered the transactions conducted under both the 2017 Property and Assets Lease Framework Agreement and the 2017 Integrated Services Framework Agreement, we consider that the sample size is sufficient. After our comparison between these documents and the Company's abovementioned internal control procedures and policies, the Company's internal control system is in place and the Group has followed its internal control policies regarding the pricing and payment terms of the relevant transactions.

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Furthermore, we have obtained and reviewed three annual review records of the audit committee of the Company which included the minutes of the audit committee meeting and the list of continuing connected transactions conducted by the Group for FY2017, FY2018 and FY2019, and we noted that the Group had conducted internal control review on a regular basis. It is noted that the continuing connected transactions carried out by the Group under the 2017 Integrated Services Framework Agreement were concluded to have been entered into on normal commercial terms, fair and reasonable, and carried out pursuant to the terms of the 2017 Integrated Services Framework Agreement.

Furthermore, we noted from the annual reports of the Company for the three years ended 31 December 2019 that in accordance with the Listing Rules, the independent auditor of the Company was engaged to report on the continuing connected transactions of the Group and issued unqualified letter in respect of continuing connected transactions for each of the three years ended 31 December 2019.

After our discussions with the Management and the review of the abovementioned documents, we consider that the policies as mentioned above form a system of internal control that requires the relevant departments of subsidiaries to perform reviews and obtain approvals before entering into any contract. Accordingly, we concur with the Management's view that the internal policies of the Group as mentioned above form an adequate system of internal control to monitor the Non-exempt Continuing Connected Transactions.

In conclusion, we are of the view that the entering into of the Framework Agreements falls within the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

RECOMMENDATION

In relation to the Framework Agreements, the Non-exempt Continuing Connected Transactions and the Proposed Annual Caps, we have considered the above principal factors and reasons and, in particular, having taken into account the following in arriving at our opinion:

- (a) the entering into of the Framework Agreements with Tianjin Port Group falls within the ordinary and usual course of business of the Group and is in the interest of the Company and the Shareholders as a whole;
- (b) the terms of the Framework Agreements are on normal commercial terms;
- (c) the Integrated Services Caps of the provision of utilities and supporting services by the Tianjin Port Group Companies to the Group, the Right-of-use Assets Lease Caps and the Short-term Lease Caps of leasing of freight yards, warehouses, office buildings, facilities and equipment from the Tianjin Port Group Companies to the Group are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and
- (d) the Group has adequate internal control system in place to monitor the Non-exempt Continuing Connected Transactions.

Having considered the above, we are of the view that the Framework Agreements are entered into in the ordinary and usual course of business of the Group on normal commercial terms, and the terms of the Framework Agreements, the Non-exempt Continuing Connected Transactions and the Proposed Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Framework Agreements, the Non-exempt Continuing Connected Transactions and the Proposed Annual Caps.

Yours faithfully,
For and on behalf of
Opus Capital Limited
Li Lan
Executive Director

Mr. Li Lan is an Executive Director of Opus Capital Limited and is licensed under the SFO as a Responsible Officer to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. Mr. Li has over 10 years of experience in the corporate finance industry.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company 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 (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, were as follows:

(a) Long position in the Shares

Name of Director	Capacity	Nature of interest	Number of Shares held	Approximate percentage of issued share capital of the Company
Japhet Sebastian Law	Beneficial owner	Interest held jointly with another person	2,700,000	0.04%

(b) Long position in underlying shares of unlisted equity derivatives of the Company

The share option scheme of the Company was adopted pursuant to the written resolutions of the sole shareholder of the Company passed on 26 April 2006 under which the Directors may, at their discretion, invite any employees of the Group or Directors to take up options to subscribe for Shares subject to the terms and conditions stipulated in the share option scheme. The details of share options granted to the Directors which were outstanding as at the Latest Practicable Date were as follows:

Name of Director	Number of share options held	Exercise price HK\$	Grant date	Exercisable from	Exercisable until
Shi Jing	1,100,000	1.514	16/09/2014	16/03/2015	15/09/2024
Japhet Sebastian Law	150,000	0.896	28/06/2012	28/12/2012	27/06/2022
Cheng Chi Pang, Leslie	150,000	0.896	28/06/2012	28/12/2012	27/06/2022
Zhang Weidong	450,000	0.896	28/06/2012	28/12/2012	27/06/2022

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors, none of the Directors and chief executive of the Company or their respective associates had any interests or short positions in any Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange.

As at the Latest Practicable Date, so far as was known to the Directors, the following Directors were also directors or employees of a company which has an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Director	Name of company	Position
Chu Bin	Tianjin Port Group	director and chairman
Luo Xunjie	Tianjin Port Group	director and vice president
Shi Jing	天津津聯投資控股有限公司 (Tianjin Tsinlien Investment Holdings Co., Ltd.*)	assistant to general manager
	Tsinlien Group Company Limited	director
	Tianjin Development Holdings Limited	assistant to general manager
	Leadport Holdings Limited	director

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group which do not expire or are not terminable within one year without payment of compensation (other than statutory compensation).

4. COMPETING INTEREST

Chu Bin, an executive Director and chairman of the Board, and Luo Xunjie, an executive Director and the managing Director, are directors of Tianjin Port Group. As the Board is independent of the board of directors of Tianjin Port Group (save for Chu Bin and Luo Xunjie who are the common directors in both companies) and Chu Bin and Luo Xunjie have no control over the Board, the Group is capable of carrying on its businesses independently of the businesses of Tianjin Port Group.

Save as disclosed above, as at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective close associates (as defined in the Listing Rules) had any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

5. INTERESTS IN ASSETS AND/OR CONTRACTS AND OTHER INTERESTS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been, since 31 December 2019, being the date to which the latest published audited consolidated financial statements of the Company were made up, acquired or disposed of by or leased to, or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement which was significant in relation to the business of the Group.

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2019, being the date to which the latest published audited consolidated financial statements of the Company were made up.

7. EXPERT

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

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

As at the Latest Practicable Date, Opus Capital did not have any shareholding, direct or indirect, in any member of the Group or any 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, Opus Capital did not have any direct or indirect interest in any assets which had been, since 31 December 2019, being the date to which the latest published audited consolidated financial statements of the Company were made up, acquired or disposed of by or leased to, or are proposed to be acquired or disposed of by or leased to any member of the Group.

Opus Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and reference to its name in the form and context in which they appear.

The letter given by Opus Capital is given as of the date of this circular for incorporation herein.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at Suite 3904-3907, 39/F., Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong during normal business hours within 14 days from the date of this circular:

- (a) the 2017 Integrated Services Framework Agreement;
- (b) the 2017 Property and Assets Lease Framework Agreement;
- (c) the 2020 Integrated Services Framework Agreement;
- (d) the 2020 Property and Assets Lease Framework Agreement;
- (e) the letter from the Independent Board Committee, the text of which is set out on page 17 of this circular;
- (f) the letter from Opus Capital, the text of which is set out on pages 18 to 38 of this circular; and
- (g) the consent letter of Opus Capital referred to in the section headed “Expert” of this appendix.

* *For identification purposes only*

NOTICE OF EXTRAORDINARY GENERAL MEETING



天津港發展控股有限公司
Tianjin Port Development Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 03382)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of Tianjin Port Development Holdings Limited (the “Company”) will be held at Forum Room I, Basement 2, Regal Hongkong Hotel, No. 88 Yee Wo Street, Causeway Bay, Hong Kong on Tuesday, 15 December 2020 at 3:00 p.m. for the purposes of considering and, if thought fit, passing, with or without modification, the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT**

the 2020 Property and Assets Lease Framework Agreement, the transactions contemplated thereunder and the relevant Proposed Annual Caps, all as defined and described in the circular of the Company dated 25 November 2020, and all other transactions in connection therewith and any other ancillary documents, be and are hereby approved, confirmed and/or ratified; and THAT the directors of the Company be and are hereby authorised for and on behalf of the Company to sign, seal, execute, perfect, perform, deliver all such agreements, instruments, documents and deeds, and do all such acts, matters and things and take all such steps as they may in their discretion consider necessary, desirable or expedient to implement and/or to give effect to the 2020 Property and Assets Lease Framework Agreement, the transactions contemplated thereunder and the relevant Proposed Annual Caps and all other transactions thereby contemplated as they may in their discretion consider to be desirable and in the interests of the Company.”

2. “**THAT**

the 2020 Integrated Services Framework Agreement, the transactions contemplated thereunder and the relevant Proposed Annual Caps, all as defined and described in the circular of the Company dated 25 November 2020, and all other transactions in connection therewith and any other ancillary documents, be and are hereby approved, confirmed and/or ratified; and THAT the directors of the Company be and are hereby authorised for and on behalf of the Company to sign, seal, execute, perfect, perform, deliver all such agreements, instruments, documents and deeds, and do all such acts, matters and things and take all such steps as they may in their discretion consider necessary, desirable or expedient to implement and/or to give effect to the 2020 Integrated Services Framework Agreement, the transactions contemplated thereunder and the relevant Proposed Annual Caps and all other transactions thereby contemplated as they may in their discretion consider to be desirable and in the interests of the Company.”

By Order of the Board
Tianjin Port Development Holdings Limited
Chu Bin
Chairman

Hong Kong, 25 November 2020

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. An eligible shareholder of the Company is entitled to appoint one or more proxies to attend and vote in his/her stead. A proxy does not need to be a shareholder of the Company.
2. Where there are joint registered holders of any share of the Company, any one of such persons may vote at the EGM (or any adjournment thereof), either in person or by proxy, in respect of such share as if he/she was solely entitled thereto, but the vote of the senior holder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.
3. In order to be valid, the form of proxy together with any power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be deposited at the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time scheduled for holding the EGM (or any adjournment thereof).
4. Completion and return of the form of proxy will not preclude a shareholder of the Company from attending and voting in person at the EGM or any adjournment (as the case may be) should he/she so wish, and in such event, the form of proxy shall be deemed to be revoked.
5. The register of members of the Company will be closed from Thursday, 10 December 2020 to Tuesday, 15 December 2020 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the EGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 9 December 2020.
6. The resolutions set out in this notice will be decided by poll at the EGM.
7. **In order to facilitate the prevention and control of the spreading of the Novel Coronavirus (COVID-19) pandemic and to safeguard the health and safety of the shareholders of the Company, the Company encourages its shareholders to consider appointing the chairman of the EGM as his/her proxy to vote on the relevant resolutions at the EGM as an alternative to attending in person.**

As at the date of this notice, the board of directors of the Company comprises Mr. Chu Bin, Mr. Luo Xunjie, Mr. Sun Bin, Mr. Wang Junzhong and Ms. Shi Jing as executive directors; Professor Japhet Sebastian Law, Mr. Cheng Chi Pang, Leslie and Mr. Zhang Weidong as independent non-executive directors.