THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in **Tianjin Development Holdings Limited (天津發展控股有限公司)**, 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.

天津發展控股有限公司

TIANJIN DEVELOPMENT HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 882)

DISCLOSEABLE AND CONNECTED TRANSACTION

DISPOSAL OF THE ENTIRE EQUITY INTEREST IN TIANJIN HEAVENLY PALACE WINERY CO., LTD. AND NOTICE OF EXTRAORDINARY GENERAL MEETING

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

红日资本有限公司

RED SUN CAPITAL LIMITED

A letter from the Board is set out on pages 4 to 11 of this circular and a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 12 of this circular. A letter from Red Sun Capital containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 13 to 30 of this circular. A notice convening the EGM to be held at 24th Floor, Admiralty Centre, Tower I, 18 Harcourt Road, Hong Kong on 17 August 2020 (Monday) at 4:00 p.m. is set out on pages 48 to 49 of this circular.

Whether or not you are able to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's share registrar, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event no later than 4:00 p.m. on 15 August 2020 (Saturday), or in case of any adjournment thereof, not less than 48 hours before the time appointed for the holding of any adjourned meeting. 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 50 of this circular for precautionary measures being taken to prevent and control the spread of Novel Coronavirus (COVID-19) at the EGM, including:

1. compulsory wearing of surgical mask;
2. compulsory body temperature checks; and
3. no refreshments or drinks will be served.

Any person who does not comply with the precautionary measures may be denied entry into the venue of the EGM. The Company also encourages the Independent Shareholders to consider appointing the chairman of the EGM as his/her proxy to vote on the resolution at the EGM as an alternative to attending in person.

31 July 2020

CONTENTS

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

"associate(s)"	has the meaning ascribed to it in the Listing Rules
"Board"	the board of Directors
"Company"	Tianjin Development Holdings Limited (天津發展控股有限公司), a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Stock Exchange (Stock Code: 882)
"Completion"	has the meaning ascribed to it under the section headed "*Letter from the Board — The Equity Transfer Agreement — Completion*" of this circular
"connected person(s)"	has the meaning ascribed to it in the Listing Rules
"Directors"	the directors of the Company
"Disposal"	the disposal of the Sale Interest by the Company to Tianjin Food pursuant to the Equity Transfer Agreement
"EGM"	the extraordinary general meeting of the Company to be held at 24th Floor, Admiralty Centre, Tower I, 18 Harcourt Road, Hong Kong on 17 August 2020 (Monday) at 4:00 p.m. to approve, *inter alia*, the Equity Transfer Agreement and the transactions contemplated thereunder
"Equity Transfer Agreement"	the conditional state-owned equity transfer agreement dated 18 June 2020 entered into between the Company and Tianjin Food in relation to the Disposal
"Group"	the Company and its subsidiaries
"Heavenly Palace"	Tianjin Heavenly Palace Winery Co., Ltd. (天津天宮葡萄釀酒有限公司), a limited company established under the laws of the PRC, and a direct wholly-owned subsidiary of the Company as at the Latest Practicable Date
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China

"Independent Board Committee"	the independent committee of the Board comprising all the independent non-executive Directors, which has been established to advise the Independent Shareholders on the Equity Transfer Agreement and the transactions contemplated thereunder
"Independent Financial Adviser" or "Red Sun Capital"	Red Sun 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, which has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Equity Transfer Agreement and the transactions contemplated thereunder
"Independent Shareholders"	Shareholders other than Tsinlien and its associates
"Independent Valuer"	Pan-China Assets Appraisal Co., Ltd. (北京天健興業資產評估有限公司), which has been appointed as the independent valuer for the valuation of the Sale Interest as at the Valuation Benchmark Date
"Latest Practicable Date"	27 July 2020, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"PRC"	the People's Republic of China (for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan)
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Interest"	the entire equity interest in Heavenly Palace
"SFO"	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
"Shareholder(s)"	holder(s) of issued ordinary share(s) of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"Tianjin Bohai"	Tianjin Bohai State-owned Assets Management Co., Ltd. (天津渤海國有資產經營管理有限公司), a limited company established under the laws of the PRC, and is indirectly wholly-owned by the Tianjin Municipal People's Government of the PRC
"Tianjin Food"	Tianjin Food Group Co., Ltd (天津食品集團有限公司), a limited company established under the laws of the PRC, and is directly wholly-owned by Tianjin Bohai
"Tsinlien"	Tsinlien Group Company Limited (津聯集團有限公司), a company incorporated in Hong Kong with limited liability, being the controlling Shareholder and an offshore window company directly wholly-owned by Tianjin Bohai
"Valuation Benchmark Date"	30 September 2019
"%"	per cent

English names of the PRC-established companies/entities in this circular are only translations of their official Chinese names. In case of inconsistency, the Chinese names prevail.

In this circular, RMB has been converted to HK$ at the rate of RMB0.92 = HK$1.00 for illustration purpose only. No representation is made that any amounts in RMB or HK$ have been, could have been or could be converted at the above rate or at any other rates or at all.

天津發展控股有限公司
TIANJIN DEVELOPMENT HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 882)

Executive Directors:
Mr. Wang Zhiyong *(Chairman)*
Mr. Chen Yanhua *(General Manager)*
Dr. Li Xiaoguang
Mr. Zhuang Qifei
Mr. Cui Xiaofei

Non-executive Director:
Mr. Cheung Wing Yui, Edward

Independent non-executive Directors:
Dr. Cheng Hon Kwan
Mr. Mak Kwai Wing, Alexander
Ms. Ng Yi Kum, Estella
Mr. Wong Shiu Hoi, Peter
Dr. Loke Yu

Registered office:
Suites 7–13, 36/F
China Merchants Tower
Shun Tak Centre
168–200 Connaught Road Central
Hong Kong

31 July 2020

To the Shareholders

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTION

DISPOSAL OF THE ENTIRE EQUITY INTEREST IN TIANJIN HEAVENLY PALACE WINERY CO., LTD.

INTRODUCTION

Reference is made to the announcement of the Company dated 18 June 2020 in relation to the Disposal.

The purpose of this circular is to provide you with information regarding, *inter alia*, details of (i) the terms of the Equity Transfer Agreement and the transactions contemplated thereunder; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Equity Transfer Agreement and the transactions contemplated thereunder; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Equity Transfer Agreement and the transactions contemplated thereunder; and (iv) the notice convening the EGM.

THE EQUITY TRANSFER AGREEMENT

On 18 June 2020, the Company as vendor and Tianjin Food as purchaser entered into the Equity Transfer Agreement, pursuant to which the Company conditionally agreed to sell and Tianjin Food conditionally agreed to purchase the Sale Interest, representing the entire equity interest in Heavenly Palace. Set out below is a summary of the principal terms of the Equity Transfer Agreement.

Date

18 June 2020

The Equity Transfer Agreement was effective upon the obtaining of necessary approvals of the same from the relevant authorities in the PRC on 24 June 2020.

Parties

(1) the Company (as vendor); and

(2) Tianjin Food (as purchaser).

Information on Heavenly Palace

Heavenly Palace, the entire equity interest in which forms the subject-matter proposed to be transferred under the Equity Transfer Agreement, is a limited company established under the laws of the PRC and acquired by the Company in 1997, and is principally engaged in production of pure water with its own pure water production facilities and sale of pure water and bottled mineral water to a limited number of customers, and investment holding.

Set out below is the unaudited financial information of Heavenly Palace (prepared in accordance with the generally accepted accounting principles in Hong Kong ("**HK GAAP**")) for the two financial years ended 31 December 2018 and 2019 *Notes* and for the five months ended 31 May 2020 respectively:

	For the five months ended 31 May	For the year ended 31 December	
	2020	**2019**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
	(unaudited)	*(unaudited)*	*(unaudited)*
Revenue	99	1,405	1,493
Net loss before taxation	(2,715)	(4,181)	(3,162)
Net loss after taxation	(2,715)	(4,353)	(3,686)

	As at 31 May	As at 31 December	
	2020	2019	2018
	RMB'000	*RMB'000*	*RMB'000*
	(unaudited)	*(unaudited)*	*(unaudited)*
Net assets	158,860	161,368	165,721

Notes:

1. As Heavenly Palace is a limited company established under the laws of the PRC, audited financial statements of Heavenly Palace are prepared every year (including the two financial years ended 31 December 2018 and 2019) in accordance with China Accounting Standards for Business Enterprises ("**CASBE**").

2. The financial information of Heavenly Palace prepared in accordance with the HK GAAP for the two financial years ended 31 December 2018 and 2019, which were unaudited, were provided for information, as the Company itself prepares its consolidated financial statements in accordance with HK GAAP and the provision of such financial information of Heavenly Palace would better assist the Shareholders in appreciating the financial effect of the Disposal to the Group.

3. For reference, audited financial information of Heavenly Palace prepared in accordance with CASBE for the two financial years ended 31 December 2018 and 2019 is also set out as follows, with the differences in net profit/loss (before and after taxation) and net assets between the two sets of financial information mainly attributable to the fact that under CASBE, Heavenly Palace's investments in joint ventures and associate were not accounted for using the equity method:

	For the year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
	(audited)	*(audited)*
Revenue	1,405	1,493
Net profit before taxation	909	3,678
Net profit after taxation	737	3,154

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
	(audited)	*(audited)*
Net assets	193,119	272,561

Consideration

The consideration for the Sale Interest is RMB331,922,200 (equivalent to approximately HK$360,785,000), which shall be paid and satisfied by Tianjin Food in cash to the Company in full within 7 days from the date the condition precedent to Completion is fulfilled, and Tianjin Food shall pay a penalty of 0.05% of the consideration to the Company for each day of delay in payment.

The consideration for the Sale Interest was determined after arm's length negotiation between the parties to the Equity Transfer Agreement with reference to the appraised net asset value of Heavenly Palace as at the Valuation Benchmark Date in the amount of RMB181,967,200 (equivalent to approximately HK$197,790,435) and the dividend receivable by the Company in an aggregate sum of RMB149,955,090 (equivalent to approximately HK$162,994,663) payable by Heavenly Palace.

The appraised net asset value of Heavenly Palace as at the Valuation Benchmark Date in the amount of RMB181,967,200 (equivalent to approximately HK$197,790,435) was arrived at according to the valuation report prepared by the Independent Valuer using the asset-based approach, which was considered to have essentially reflected the value of the Sale Interest. The said valuation report with the Valuation Benchmark Date of 30 September 2019 has been prepared in compliance with the PRC legal requirement for a valuation report to be prepared as the basis for the determination of consideration for transfer of state-owned assets, which is considered to be effective within one year from the Valuation Benchmark Date. A summary of the relevant valuation report dated 18 May 2020 prepared by the Independent Valuer is set out in Appendix I to this circular, which includes, *inter alia*, the reasons for the adoption of the asset-based approach for enterprise value appraisal, the methodologies and assumptions adopted by the Independent Valuer, the scope of the valuation and the valuation results.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Directors are of the view that, for the period from the Valuation Benchmark Date to the Latest Practicable Date, there has been no material change in the financial position of Heavenly Palace or the assumptions used in the valuation report which may affect the valuation results as set out therein, as Heavenly Palace is a going concern with no material changes in its assets and liabilities, business operation and business model since the Valuation Benchmark Date. In light of the above, and taking into account (i) the fact that the valuation report has been prepared in compliance with PRC valuation procedures, standards, laws and regulations by the Independent Valuer with necessary qualification as members of the China Appraisal Society and over 10 years of valuation-related experience; (ii) that the Independent Valuer had reviewed relevant financial information, operational information and other relevant data concerning Heavenly Palace, and the registrations, legal documents, permits and licenses relating to Heavenly Palace to gain a thorough understanding of the company; and (iii) the reasons for the adoption of the asset-based approach for enterprise value appraisal and the unsuitability of other approaches, the methodologies and assumptions adopted by the Independent Valuer which are reasonable and common for this type of valuation, the scope of the valuation and the valuation results (which have all been thoroughly explained by the Independent Valuer and summarised in Appendix I to this circular), the Directors, including the independent non-executive Directors having taken into account the independent advice from the Independent Financial Adviser, consider that the results of the valuation reflected the value of the Sale Interest and are fair and reasonable, and that the consideration for the Sale Interest determined based on the valuation results is fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Condition precedent

Completion is subject to the passing of an ordinary resolution by the Independent Shareholders at the EGM to approve the Equity Transfer Agreement and the transactions contemplated thereunder and the satisfaction of any other requirements under the Listing Rules by the Company on or before 30 September 2020 (or any other date agreed by the parties to the Equity Transfer Agreement in writing).

Completion

Following the date of payment of the consideration for the Sale Interest in full by Tianjin Food, the Company shall procure Heavenly Palace to assist in the completion of the necessary change of industrial and commercial registration procedures in connection with the Disposal ("**Completion**").

FINANCIAL EFFECT OF THE DISPOSAL

Upon Completion, the Company will cease to have any interests in Heavenly Palace, and Heavenly Palace will cease to be a subsidiary of the Company.

Subject to the review by the auditors of the Company, it is estimated that an unaudited gain of approximately RMB10,004,230 (equivalent to approximately HK$10,874,163) will arise from the Disposal, which is calculated with reference to (i) the consideration of RMB331,922,200 (equivalent to approximately HK$360,785,000); (ii) the unaudited net assets of Heavenly Palace of approximately RMB161,368,000 (equivalent to approximately HK$175,400,000) as at 31 December 2019; (iii) the settlement of dividend receivable of RMB149,955,090 (equivalent to approximately HK$162,994,663) payable by Heavenly Palace to the Company; and (iv) the capital gain tax of approximately RMB10,194,880 (equivalent to approximately HK$11,081,391) and other transaction costs of approximately RMB400,000 (equivalent to approximately HK$434,783) incidental to the Disposal. Based on preliminary assessment with reference to the financial information of Heavenly Palace and the amount of the consideration, it is expected that upon Completion, consolidated total liabilities of the Group will decrease in the amount of approximately HK$10,844,000 whereas consolidated total assets of the Group will not be affected. The actual amount of gain will depend on the carrying value of the Group's interest in Heavenly Palace as at Completion. The Company intends to apply the proceeds from the Disposal, after deducting relevant expenses and taxes, as its general working capital and for use in the core businesses of the Group with a view to enhancing the Shareholder value of the Company.

REASONS FOR AND BENEFITS OF THE DISPOSAL

With a view to further concentrate resources on its core businesses, the Group has been reducing its investments in non-core businesses gradually. The principal businesses of Heavenly Palace, which focus on production and sale of pure water and bottled mineral water and investment holding, are non-core businesses that do not complement the business segments of the Group including utilities, pharmaceutical, hotel, electrical and mechanical and strategic and other investments. Furthermore, Heavenly Palace reported operating losses for some years without clear potential for significant improvement on its performance in the coming years. The Company believes that the Disposal has provided an excellent opportunity for it to realise its investment in the relevant non-core businesses and may enhance the operational efficiency of the assets of the Group, which is in line with the strategic deployment of resources and the actual needs for operational development of the Group.

None of the Directors have a material interest in the Equity Transfer Agreement and the transactions contemplated thereunder. In view of good corporate governance practices, Mr. Wang Zhiyong and Mr. Chen Yanhua, who are also directors of Tsinlien and Tianjin Tsinlien Investment Holdings Co., Ltd. (天津津聯投資控股有限公司), the holding company of Tianjin Bohai, abstained from voting on the resolutions of the Board approving the Equity Transfer Agreement and the transactions contemplated thereunder.

GENERAL

The Company is listed on the Main Board of the Stock Exchange, with Tsinlien being its controlling Shareholder. Tsinlien is in turn directly wholly-owned by Tianjin Bohai, which is ultimately wholly-owned by the Tianjin Municipal People's Government of the PRC. The principal activity of the Company is investment holding. The principal activities of the Group are (i) utilities including supply of electricity, water and heat and thermal power; (ii) pharmaceutical including manufacture and sale of chemical drugs, and research and development of new medicine technology and new products, as well as design, manufacture and printing for pharmaceutical packaging and sale of other paper-based packaging materials; (iii) hotel; (iv) electrical and mechanical including the manufacture and sale of presses, mechanical and hydroelectric equipment and large scale pump units; and (v) strategic and other investments including investments in associates which are principally engaged in the manufacture and sale of elevators and escalators and provision of port services in Tianjin.

Tianjin Food is principally engaged in (i) modern agriculture, animal husbandry and fisheries; (ii) production and processing of food; (iii) warehousing, logistics and trade services; and (iv) real estate development. Tianjin Food is a direct wholly-owned subsidiary of Tianjin Bohai, a controlling Shareholder.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios in respect of the transactions contemplated under the Equity Transfer Agreement calculated under Chapter 14 of the Listing Rules exceeds 5% but all the applicable percentage ratios are less than 25%, the transactions contemplated under the Equity Transfer Agreement constitute a discloseable transaction of the Company and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Tsinlien is the controlling Shareholder of the Company, which directly and indirectly holds and controls the voting right in respect of a total of 673,759,143 shares of the Company, representing approximately 62.81% of the total issued shares of the Company as at the Latest Practicable Date. As Tsinlien and Tianjin Food are both direct wholly-owned subsidiaries of Tianjin Bohai, Tianjin Food is therefore a fellow subsidiary of Tsinlien and a connected person of the Company. Accordingly, the transactions contemplated under the Equity Transfer Agreement also constitute connected transactions of the Company, and are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Tsinlien and its associates which together hold the aforementioned 673,759,143 shares of the Company will abstain from voting on the ordinary resolution to be proposed at the EGM for the approval of the Equity Transfer Agreement and the transactions contemplated thereunder.

EGM

Set out on pages 48 to 49 of this circular is the notice of the EGM at which an ordinary resolution will be proposed, if thought fit, to approve the Equity Transfer Agreement and the transactions contemplated thereunder. A form of proxy for use at the EGM is enclosed herewith.

Whether or not you are able to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's share registrar, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event no later than 4:00 p.m. on 15 August 2020 (Saturday), or in case of any adjournment thereof, not less than 48 hours before the time appointed for the holding of any adjourned meeting. 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.

VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Accordingly, the resolution sets out in the notice of the EGM will be taken by way of poll.

An announcement on the poll results will be published by the Company after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

RECOMMENDATION

The Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders in respect of the Equity Transfer Agreement and the transactions contemplated thereunder. Your attention is drawn to the letter from the Independent Board Committee dated 31 July 2020 as set out on page 12 of this circular which contains the recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Equity Transfer Agreement and the transactions contemplated thereunder.

Red Sun Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Equity Transfer Agreement and the transactions contemplated thereunder. Your attention is drawn to the letter from the Independent Financial Adviser dated 31 July 2020 as set out on pages 13 to 30 of this circular which contains the recommendation from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Equity Transfer Agreement and the transactions contemplated thereunder and the principal factors and reasons considered by the Independent Financial Adviser in arriving at its recommendation.

The Directors, including the independent non-executive Directors having taken into account the independent advice from the Independent Financial Adviser, consider that, although the Equity Transfer Agreement and the transactions contemplated thereunder are not in the ordinary and usual course of business of the Group, the terms of the Equity Transfer Agreement are fair and reasonable so far as the Independent Shareholders are concerned and the transactions contemplated under the Equity Transfer Agreement are on normal commercial terms and in the interests of the Company and the Shareholders as a whole. The Directors would therefore recommend the Independent Shareholders to vote in favour of the ordinary resolution at the EGM to approve the Equity Transfer Agreement and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

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

Yours faithfully,
By Order of the Board
Tianjin Development Holdings Limited
Wang Zhiyong
Chairman and Executive Director

天津發展控股有限公司
TIANJIN DEVELOPMENT HOLDINGS LIMITED
(Incorporated in Hong Kong with limited liability)
(Stock Code: 882)

31 July 2020

To the Independent Shareholders

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTION

DISPOSAL OF THE ENTIRE EQUITY INTEREST IN TIANJIN HEAVENLY PALACE WINERY CO., LTD.

We refer to the circular of the Company to the Shareholders dated 31 July 2020 (the "**Circular**"), of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as given to them in the Circular.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders on whether the terms of the Equity Transfer Agreement are fair and reasonable, and whether the transactions contemplated thereunder are on normal commercial terms or better, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

We wish to draw your attention to the letter from the Board as set out on pages 4 to 11 of the Circular and the letter from Red Sun Capital, the Independent Financial Adviser, as set out on pages 13 to 30 of the Circular.

Having taken into account the factors and reasons considered by, and the opinion of Red Sun Capital, we consider that although the Equity Transfer Agreement and the transactions contemplated thereunder are not in the ordinary and usual course of business of the Group, the terms of the Equity Transfer Agreement are fair and reasonable so far as the Independent Shareholders are concerned and the transactions contemplated under the Equity Transfer Agreement are on normal commercial terms and in the interests of the Company and the Shareholders as a whole. We would therefore recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Equity Transfer Agreement and the transactions contemplated thereunder.

Yours faithfully,
The Independent Board Committee
Tianjin Development Holdings Limited
Dr. Cheng Hon Kwan
Mr. Mak Kwai Wing, Alexander
Ms. Ng Yi Kum, Estella
Mr. Wong Shiu Hoi, Peter
Dr. Loke Yu
Independent Non-Executive Directors

The following is the letter of advice from Red Sun Capital Limited prepared for the purpose of inclusion in this circular in relation to the Equity Transfer Agreement and transactions contemplated thereunder, setting out its advice to the Independent Board Committee and the Independent Shareholders.

红日资本有限公司
RED SUN CAPITAL LIMITED

Unit 3303, 33/F, West Tower,
Shun Tak Centre,
168–200 Connaught Road Central,
Hong Kong

Tel: (852) 2857 9208
Fax: (852) 2857 9100

31 July 2020

To: *The Independent Shareholders and the Independent Board Committee of Tianjin Development Holdings Limited*

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION

DISPOSAL OF THE ENTIRE EQUITY INTEREST IN TIANJIN HEAVENLY PALACE WINERY CO. LTD.

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the Equity Transfer Agreement and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company to the Shareholders dated 31 July 2020 (the "**Circular**"), of which this letter forms part. Unless otherwise defined, terms used in this letter shall have the same meanings as those defined in the Circular.

On 18 June 2020, the Company entered into the Equity Transfer Agreement with Tianjin Food in relation to the disposal of the Sale Interest, representing the entire equity interest in Heavenly Palace, by the Company to Tianjin Food at a consideration of RMB331,922,200 (equivalent to approximately HK$360,785,000).

Listing Rules implications

As one of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in respect the transactions contemplated under the Equity Transfer Agreement calculated under Chapter 14 of the Listing Rules exceeds 5% but all of the applicable percentage ratios are less than 25%, the transactions contemplated under the Equity Transfer Agreement constitute a discloseable transaction for the Company and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Tsinlien is the controlling Shareholder of the Company, which directly and indirectly holds a total of 673,759,143 shares of the Company, representing approximately 62.81% of the total issued shares of the Company as at the Latest Practicable Date. As Tsinlien and Tianjin Food are both direct wholly-owned subsidiaries of Tianjin Bohai, Tianjin Food is therefore a fellow subsidiary of Tsinlien and a connected person of the Company. Accordingly, the transactions contemplated under the Equity Transfer Agreement also constitute connected transactions of the Company, and are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Tsinlien and its associates which together hold the aforementioned 673,759,143 shares of the Company will abstain from voting on the ordinary resolution to be proposed at the EGM for the approval of the Equity Transfer Agreement and the transactions contemplated thereunder.

As set out in the Letter from the Board, none of the Directors have a material interest in the Equity Transfer Agreement and the transactions contemplated thereunder. In view of good corporate governance practices, Mr. Wang Zhiyong and Mr. Chen Yanhua, who are also directors of Tsinlien and Tianjin Tsinlien Investment Holdings Co., Ltd. (天津津聯投資控股有限公司), the holding company of Tianjin Bohai, abstained from voting on the resolutions of the Board approving the Equity Transfer Agreement and the transactions contemplated thereunder.

THE INDEPENDENT BOARD COMMITTEE

The Board currently comprises (i) five executive Directors, namely, Mr. Wang Zhiyong, Mr. Chen Yanhua, Dr. Li Xiaoguang, Mr. Zhuang Qifei, Mr. Cui Xiaofei; (ii) one non-executive Director, namely, Mr. Cheung Wing Yui, Edward; and (iii) five independent non-executive Directors, namely, Dr. Cheng Hon Kwan, Mr. Mak Kwai Wing, Alexander, Ms. Ng Yi Kum, Estella, Mr. Wong Shiu Hoi, Peter and Dr. Loke Yu.

The Independent Board Committee comprising all the independent non-executive Directors, namely Dr. Cheng Hon Kwan, Mr. Mak Kwai Wing, Alexander, Ms. Ng Yi Kum, Estella, Mr. Wong Shiu Hoi, Peter and Dr. Loke Yu, has been established to make a recommendation to the Independent Shareholders in relation to the Disposal and whether its terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Red Sun Capital Limited has been appointed by the Board with the approval of the Independent Board Committee as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any business relationship with or interest in the Company or any other parties to the Disposal that could reasonably be regarded as relevant in assessing our independence. Save for our appointment as the Independent Financial Adviser, Red Sun Capital did not act as an independent financial adviser to the

Company under the Listing Rules in the past two years. Apart from the normal advisory fee payable to us in connection with our appointment as the Independent Financial Adviser, no arrangement exists whereby we shall receive any other fees or benefits from the Company or its respective substantial shareholders or any party acting in concert, or presumed to be acting in concert, with any of them.

BASIS AND ASSUMPTIONS OF THE ADVICE

In formulating our advice, we have relied solely on the statements, information, opinions, beliefs and representations for matters relating to the Group and their respective shareholders and management contained in the Circular and the information and representations provided to us by the Group, its senior management (the "**Management**") and/or the Directors. We have assumed that all information, representations and opinions contained or referred to in the Circular, which have been provided by the Company, the Directors and the Management and for which they are solely and wholly responsible, were true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have assumed that all such statements, information, opinions, beliefs and representations contained or referred to in the Circular (including this letter) or otherwise provided or made or given by the Group and/or the Management and/or the Directors and for which it is/they are solely responsible were true and accurate, and valid and complete in all material respects at the time they were made and given and continue to be true and accurate, and valid and complete in all material respects as at the Latest Practicable Date. We have assumed that all the opinions, beliefs and representations for matters relating to the Group made or provided by the Management and/or the Directors contained in the Circular have been reasonably made after due and careful enquiry. We have also sought and obtained confirmation from the Company, the Management and/or the Directors that no material facts have been omitted from the information provided and referred to in the Circular.

We consider that we have been provided with sufficient information and documents to enable us to reach an informed view and the Management has assured us no material information has been withheld from us to allow us to reasonably rely on the information provided so as to provide a reasonable basis for our advice. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions, beliefs and representations provided to us by the Group, the Management and/or the Directors and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the business and affairs of the Group, Heavenly Palace, Tianjin Food, Tsinlien and its respective shareholder(s) and subsidiaries or affiliates, and their respective histories, experience and track records, or the prospects of the markets in which they respectively operate.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation regarding the Disposal, we have considered the following principal factors and reasons:

1. Overview of the PRC economy

As disclosed on the website of the National Bureau of Statistics of the PRC[1], year-on-year ("**YoY**") growth in gross domestic products ("**GDP**") for the PRC in 2019 was approximately 6.1% (2018: 6.6%). Preliminary estimated GDP for the first half of 2020 was approximately RMB45.7 trillion, representing a slight decrease of approximately 1.6% compared to the corresponding period in 2019.

Pursuant to the Thirteenth Five-year Plan* (十三五規劃) introduced by the PRC government, the annual GDP growth target for the five years commenced from 2016 was approximately 6.5%. However, such target was subsequently adjusted down to 6.0% by the PRC government in March 2019. As stated in the Thirteenth Five Year Plan, the PRC government targets to, among others, (i) accelerate the agricultural population urbanisation* (加快農業轉移人口市民化) by implementing three main strategies, namely further reform of the household registration system* (深化戶籍制度改革), implementation of the residence permit system* (實施居住證制度) and improvement on the system for promoting urbanisation of agricultural population* (健全促進農業轉移人口市民化的機制); and (ii) optimise urbanisation layout* (優化城鎮化佈局和形態) by implementing three main strategies, namely the acceleration of the construction and advancement of urban agglomeration* (加快城市群建設發展), enhance the drive of activities by central cities* (增強中心城市輻射帶動功能) and speeding up of the development of small and medium-sized cities and characteristical towns* (加快發展中小城市和特色鎮). The Thirteenth Five Year Plan also promotes continued development of major PRC regions and cities under various PRC government initiatives, such as the Coordinated Development of Beijing-Tianjin-Hebei* (京津冀協同發展) and the Collaboration in the Bohai Bay Economic Rim* (環渤海經濟圈合作).

As disclosed in the Government Work Report* (政府工作報告) and promulgated in the Third Session of the Thirteenth National People's Congress* (第十三屆全國人民代表大會第三次會議) in May 2020[2], the PRC government proposed reformative measures for, including, among others, stabilising unemployment rate, stimulating consumption by driving domestic demands, in response to the economic and livelihood challenges arising from the recent novel coronavirus outbreak (the "**Outbreak**").

In the short-term, among others, the outcome of the ongoing Sino-U.S. trade negotiation, the development of the Outbreak globally, the corresponding measures and policies implemented/to be implemented by the respective governments, and the rate of recovery of international economic activities, may cause uncertainties, increase market volatility and continue to have an effect on the PRC economy. However, in the

1 *Source: http://data.stats.gov.cn*

2 *Source: http://www.gov.cn/zhuanti/2020qglh/2020zfgzbgdzs/img/2020e-book.pdf*

medium to long term, the Group shall benefit from (i) the expected increase in urban population in the Tianjin City over time; (ii) the continued coordinated development of the Beijing-Tianjin-Hebei* (京津冀協同發展); and (iii) the continued strategic support to the PRC domestic market from the PRC government. The Management is of the view that the Disposal enables the Group to reduce and realise its investments in the non-core business, being in line with the strategic deployment and the actual needs for operational development of the Group, which also allows the Group to re-deploy its resources in view of the ongoing market development as discussed above.

2. Information on the Group

The Group is principally engaged in (i) utilities including supply of electricity, water and heat and thermal power; (ii) pharmaceutical including manufacture and sale of chemical drugs, and research and development of new medicine technology and new products, as well as design, manufacture and printing for pharmaceutical packaging and sale of other paper-based packaging materials; (iii) hotel; (iv) electrical and mechanical including the manufacture and sale of presses, mechanical and hydroelectric equipment and large scale pump units; and (v) strategic and other investments including investments accounted for using the equity method which are principally engaged in the manufacture and sale of elevators and escalators and provision of port services in Tianjin, the PRC.

Set out below is a summary of the Group's financial performance for the two years ended 31 December 2018 and 2019, which were extracted from the Company's annual report for the year ended 31 December 2019 (the "**2019 Annual Report**"):

	For the year ended 31 December	
	2019	**2018**
	(audited)	**(audited)**
	(HK$'million)	*(HK$'million)*
Revenue from continuing operations, comprised of:	4,549.1	5,391.5
— Utilities	1,412.6	1,444.1
— Pharmaceutical	1,903.4	2,574.8
— Electrical and mechanical	1,127.3	1,244.9
— Hotel	105.8	127.7
Gross profit from continuing operations	1,599.9	2,079.6
Profit for the year from electricity business	134.6	84.2
Profit for the year attributable to the owners of the Company	461.4	471.9

As disclosed in the 2019 Annual Report, for the year ended 31 December 2019, the Group recorded revenue from continuing operations of approximately HK$4,549.1 million, representing an decrease of approximately 15.6% from approximately HK$5,391.5 million for the year ended 31 December 2018 and recorded gross profit from continuing operations of approximately HK$1,599.9 million for the year ended 31 December 2019, representing a decrease of approximately 23.1% as compared with approximately HK$2,079.6 million for the year ended 31 December 2018. This was primarily due to the notable decrease in revenue and segment results from manufacture and sales of pharmaceutical products of the pharmaceutical segment. The Group recorded profit for the year attributable to its owners of approximately HK$461.4 million for the year ended 31 December 2019, representing a decrease of approximately 2.2% from approximately HK$471.9 million for the year ended 31 December 2018. The slight decrease in profit for the year attributable to its owners was mainly due to the net effects of (i) the reduction in gross profit; (ii) other losses of approximately HK$8.1 million for the year ended 31 December 2019, compared to other gains of approximately HK$243.9 million for the year ended 31 December 2018; and (iii) the notable reduction in selling and distribution expenses of approximately HK$265.7 million compared to the corresponding prior year.

Set out below is a summary of the financial position of the Group as at 31 December 2018 and 2019, which were extracted from the 2019 Annual Report:

	As at 31 December	
	2019	**2018**
	(audited)	**(audited)**
	(HK$'million)	*(HK$'million)*
Non-current assets	12,017.5	11,432.7
Current assets	10,538.6	11,568.8
Non-current liabilities	2,229.3	301.7
Current liabilities	4,435.1	6,599.0
Net assets	15,891.8	16,100.8

As disclosed in the 2019 Annual Report, the Group recorded net assets of approximately HK$15,891.8 million as at 31 December 2019, representing a slight decrease of approximately 1.3% from approximately HK$16,100.8 million as at 31 December 2018.

Total assets of the Group as at 31 December 2019 mainly comprised of (i) investments accounted for using the equity method of approximately HK$6,558.5 million; (ii) cash and cash equivalents of approximately HK$3,097.3 million; and (iii) property, plant and equipment of approximately HK$2,859.4 million. Total liabilities of the Group as at 31 December 2019, on the other hand, mainly included (i) bank borrowings of approximately HK$2,356.6 million; (ii) contract liabilities of approximately HK$1,341.6 million; and (iii) other payables and accruals of approximately HK$1,194.1 million.

3. Information on Heavenly Palace

Heavenly Palace, the entire equity interest in which forms the subject-matter proposed to be transferred under the Equity Transfer Agreement, is a limited company established under the laws of the PRC and acquired by the Company in 1997, and is principally engaged in production of pure water with its own pure water production facilities and sale of pure water and bottled mineral water to a limited number of customers, and investment holding.

As set out in the Letter from the Board, the unaudited financial information of Heavenly Palace (prepared in accordance with the generally accepted accounting principles in Hong Kong) for the two financial years ended 31 December 2018 and 2019[3] and for the five months ended 31 May 2020 are set out below:

	For the five months ended/ As at 31 May	For the year ended/ As at 31 December	
	2020	**2019**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
	(unaudited)	**(unaudited)**	**(unaudited)**
	(approximately)	*(approximately)*	*(approximately)*
Revenue	99	1,405	1,493
Net loss before taxation	(2,715)	(4,181)	(3,162)
Net loss after taxation	(2,715)	(4,353)	(3,686)
Net assets	158,860	161,368	165,721

In addition to the above financial information of Heavenly Palace prepared in accordance with the generally accepted accounting principles in Hong Kong, for reference, the Company also sets out the audited financial information of Heavenly Palace prepared in accordance with China Accounting Standards for Business Enterprises for the two financial years ended 31 December 2018 and 2019 under the paragraph headed "Information on Heavenly Palace" in the Letter from the Board.

Based on the unaudited financial information provided by the Management, as at 31 May 2020, (i) the total assets of Heavenly Palace amounted to approximately RMB318.7 million, which mainly comprised of (a) cash in bank of approximately RMB200.4 million; (b) other receivables and prepayments of approximately RMB49.0 million; and (c) investment in associates and joint ventures of approximately RMB40.3 million; and (ii) total liabilities amounted to approximately RMB159.8 million, which mainly comprised of (a) dividend payable of approximately RMB150.0 million; and (b) other payables and accruals of approximately RMB9.7 million.

3 *For further details of the basis of preparation of the unaudited financial information of Heavenly Palace, please refer to the section headed "Information on Heavenly Palace" in the Letter from the Board.*

We understand from the Management that the investment in associates and joint ventures balance primarily consisted of (i) 40% equity interest of Tianjin Haihe Dairy Company Limited* ("**Haihe Dairy**") 天津海河乳業有限公司; (ii) 56% equity interest of Liaoning Wang Chao Wunushan Icewine Co., Ltd.* 遼寧王朝五女山冰酒莊有限公司 ("**Wunushan Icewine**"); and (iii) 25% equity interest of Liaoning Wunushan Milan Winery Co., Ltd.* ("**Wunushan Milan Winery**") 遼寧王朝五女山米蘭酒業有限公司 (together the "**Equity Investments**"). The carrying value of the Equity Investments was recorded based on the Group's share of the respective net assets under the equity method. Based on financial information provided by the Management, for the year ended 31 December 2019, (i) Haihe Dairy recorded a profit attributable to its equity shareholder of approximately RMB0.4 million; and (ii) each of Wunushan Icewine and Wunushan Milan Winery were loss making.

4. Reasons for, and the benefits of, the Disposal and intended use of proceeds from the Disposal

As disclosed in the Letter from the Board, the Management is of the view that the Group would like to further concentrate resources on its core businesses by reducing its investments in non-core businesses gradually. The principal businesses of Heavenly Palace, which focus on production and sale of pure water and bottled mineral water and investments holdings, are non-core businesses that do not complement the business segments of the Group including utilities, pharmaceutical, hotel, electrical and mechanical and strategic and other investments. Furthermore, Heavenly Palace reported operating losses for some years without clear potential for significant improvement on its performance in the coming years. The Management believes that the Disposal has provided an excellent opportunity for it to realise its investment in the relevant non-core businesses and may enhance the operational efficiency of the assets of the Group, which is in line with the strategic deployment of resources and the actual needs for operational development of the Group. In view of this, the Management considers that, although the Equity Transfer Agreement and the transactions contemplated thereunder are not in the ordinary and usual course of business of the Group, the terms of the Equity Transfer Agreement are fair and reasonable and the transactions contemplated under the Equity Transfer Agreement are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

As set out in the Letter from the Board, the Company intends to apply the proceeds from the Disposal, after deducting relevant expenses and taxes, as its general working capital and for use in the core businesses of the Group with a view to enhancing the Shareholder value of the Company.

Having considered the reasons as set out above, in particular, (i) the principal businesses of Heavenly Palace are considered to be non-core businesses, that has reported operating losses for some years, and do not complement the existing core businesses of the Group; and (ii) our analysis and assessment on, among others, the terms of the Disposal, including the consideration, the valuation of Heavenly Palace conducted by the Valuer, the market comparables and the expected financial impact of the Disposal including an unaudited gain of approximately RMB10.0 million, further details of which are set out under the sections headed "6. Our analysis" and "7. Expected financial impact of the Disposal" in this letter below, we are of the view that the Disposal is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

5. The Equity Transfer Agreement

As disclosed in the Letter from the Board, the principal terms of each of the Equity Transfer Agreement are summarised below:

Date: 18 June 2020

Parties: (1) the Company (as vendor); and

(2) Tianjin Food (as purchaser).

Subject matter: The Company conditionally agreed to sell and Tianjin Food conditionally agreed to purchase the Sale Interest, representing the entire equity interest in Heavenly Palace, at the consideration of RMB331,922,200 (equivalent to approximately HK$360,785,000).

Pricing basis: The consideration for the Sale Interest was determined after arm's length negotiation between the parties to the Equity Transfer Agreement with reference to the appraised net asset value of Heavenly Palace as at the Valuation Benchmark Date in the amount of RMB181,967,200 (equivalent to approximately HK$197,790,435) and the dividend receivable in an aggregate sum of RMB149,955,090 (equivalent to approximately HK$162,994,663) payable by Heavenly Palace.

The appraised net asset value of Heavenly Palace as at the Valuation Benchmark Date in the amount of RMB181,967,200 (equivalent to approximately HK$197,790,435) was arrived at by the independent valuer using the asset-based approach, which was considered to have essentially reflected the value of the Sale Interest. The said valuation report with the Valuation Benchmark Date of 30 September 2019 has been prepared in compliance with the PRC legal requirement for a valuation report to be prepared as the basis for the determination of consideration for transfer of state-owned assets, which is considered to be effective within one year from the Valuation Benchmark Date.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Directors are of the view that, for the period from the Valuation Benchmark Date to the Latest Practicable Date, there has been no material change in the financial position of Heavenly Palace or the assumptions used in the valuation report which may affect the valuation results as set out therein, as Heavenly Palace is a going concern with no material changes in its assets and liabilities, business operation and business model since the Valuation Benchmark Date. In light of the above, and taking into account (i) the fact that the valuation report has been prepared in compliance with PRC valuation procedures, standards, laws and regulations by the Independent Valuer with necessary qualification as members of the China Appraisal Society and over 10 years of valuation-related experience; (ii) that the Independent Valuer had reviewed relevant financial information, operational information and other relevant data concerning Heavenly Palace, and the registrations, legal documents, permits and licenses relating to Heavenly Palace to gain a thorough understanding of the company; and (iii) the reasons for the adoption of the asset-based approach for enterprise value appraisal and the unsuitability of other approaches, the methodologies and assumptions adopted by the Independent Valuer which are reasonable and common for this type of valuation, the scope of the valuation and the valuation results, the Directors consider that the results of the valuation reflected the value of the Sale Interest and are fair and reasonable, and that the consideration for the Sale Interest determined based on the valuation results is fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Payment method: The consideration for the Sale Interest is RMB331,922,200 (equivalent to approximately HK$360,785,000), which shall be paid and satisfied by Tianjin Food in cash to the Company in full within 7 days from the date the condition precedent to Completion is fulfilled, and Tianjin Food shall pay a penalty of 0.05% of the consideration to the Company for each day of delay in payment.

Condition precedent:	Completion is subject to the passing of an ordinary resolution by the Independent Shareholders at the EGM to approve the Equity Transfer Agreement and the transactions contemplated thereunder and the satisfaction of any other requirements under the Listing Rules by the Company on or before 30 September 2020 (or any other date agreed by the parties to the Equity Transfer Agreement in writing).
Completion:	Following the date of payment of the consideration for the Sale Interest in full by Tianjin Food, the Company shall procure Heavenly Palace to assist in the completion of the necessary change of industrial and commercial registration procedures in connection with the Disposal.

Having considered the above principal terms of the Disposal, including (i) the consideration basis, which was determined after arm's length negotiation between the parties to the Equity Transfer Agreement with reference to the appraised net asset value of Heavenly Palace as at the Valuation Benchmark Date, such being in line with general market practice of determining the consideration with reference to the subject valuation by an independent valuer, further work and analysis of which are set out below; and (ii) the payment method which shall be paid and satisfied by Tianjin Food in cash to the Company in full within 7 days from the date the condition precedent to Completion is fulfilled, which is largely in line with market practice of the settlement of the consideration in full on or shortly after the completion date, we considered that the principal terms of the Disposal, other than the consideration which is further analysed and assessed in this letter below, are on normal commercial terms and are fair and reasonable as a whole.

6. Our analysis

As set out in the Letter from the Board, the consideration for the Sale Interest is RMB331,922,200 (equivalent to approximately HK$360,785,000) (the "**Consideration**"), which was determined after arm's length negotiation between the parties to the Equity Transfer Agreement with reference to the appraised net asset value of Heavenly Palace as at the Valuation Benchmark Date prepared by the Valuer in the amount of RMB181,967,200 (equivalent to approximately HK$197,790,435) and the dividend receivable of RMB149,955,090 (equivalent to approximately HK$162,994,663) from Heavenly Palace.

On the basis that the Consideration comprised of (i) dividend receivable of approximately RMB149,955,090; and (ii) appraised net asset value of Heavenly Palace as at the Valuation Benchmark Date of approximately RMB181,967,200, we have conducted the following analysis.

(a) Dividend receivable

We have discussed with the Management and was advised that, Heavenly Palace owed its immediate holding company, being the Company as at the date of the Equity Transfer Agreement, a dividend of approximately RMB149,955,090 (equivalent to approximately HK$162,994,663) (the "**Dividend Receivable**"). On this basis, pursuant to the Equity Transfer Agreement, Tianjin Food shall acquire the Dividend Receivable from the Company on a dollar-for-dollar basis.

(b) Valuation of Heavenly Palace by the Independent Valuer

During the course of our review on the valuation report (the "**Valuation Report**") by Pan-China Assets Appraisal Co., Ltd (the Independent Valuer), we have complied with the requirements under Rule 13.80(2)(b) Note 1(d) of the Listing Rules. In particular, we have enquired and the Valuer has confirmed its independence from the Group and other parties to the Equity Transfer Agreement, in addition to our discussion with the Independent Valuer on its firm's experience and expertise, we have obtained its relevant qualification certificate and credentials, which sets out that the Independent Valuer has over 10 years' experience in valuation in the PRC. We also reviewed the Independent Valuer's terms of engagement and discussed with the Independent Valuer regarding its work performed in connection with the valuation.

In assessing the appraised value of Heavenly Palace, we have reviewed and discussed with the Independent Valuer, the methodology of, and basis and assumptions adopted for, the valuation of Heavenly Palace as set out in the summary of the Valuation Report in Appendix I to the Circular.

We have discussed with the engagement team of the Independent Valuer as to their expertise, valuation experience, their scope of work and valuation procedures conducted in relation to the appraised value of Heavenly Palace. We also noted that the Independent Valuer reviewed relevant financial information, operational information and other relevant data concerning Heavenly Palace, and reviewed the registrations, legal documents, permits and licenses relating to the Heavenly Palace. Based on the above, we are satisfied that the Independent Valuer is qualified for giving their opinion as set out in the Valuation Report taken into account their relevant experience and expertise, their independence, and their scope of work and valuation procedures conducted.

For further details of the information of the Heavenly Palace, please refer to the section headed "3. Information on the Heavenly Palace" in this letter.

Methodology of the Valuation

According to the Valuation Report and based on our discussion with the Independent Valuer for the methodologies, basis and assumptions adopted by the Independent Valuer, we understood that the Independent Valuer has considered three generally accepted approaches, namely the market approach, income approach and asset-based approach in the Valuation.

The market approach refers to the valuation where the asset value is arrived by comparison of the market value of a similar comparable at the time near to the valuation date. However, the Independent Valuer is of the view that there were insufficient identifiable market comparable transactions with similar characteristics that has publicly available information, in terms of financial and operational, thus the market approach is not considered to be an appropriate valuation methodology for the purpose of its valuation.

The income approach refers to the valuation where the asset value is arrived through estimating the present value of the future returns of the appraised subject. According to relevant asset valuation standards, discounted cash flow (the "**DCF**") is commonly-used method in income approach, where the future expected cash flow of the appraised subject is estimated, and an appropriate discount rate is applied thereon to convert the same into a present value to arrive at the appraised value. The use of the expected DCF is based on the reasonable forecast of the expected cash flow. Heavenly Palace is principally engaged in the production of sales of pure water and bottled mineral water for a limited number of customers. Therefore, the Independent Valuer is of the view that it is not practicable to rely on a profit forecast given the insufficient customer base as well as the uncertainties and risks around a profit forecast. Therefore, the Independent Valuer did not apply the income approach for the purpose of its valuation.

The asset-based approach measures the value of an asset by the cost to reproduce or replace, with relevant adjustments, where appropriate, and typically such would involve the Independent Valuer assessing the appraised value of principal assets and liabilities of appraised subject.

According to the Independent Valuer, in determining the selection of valuation approach used, the Independent Valuer has considered the business nature, the financial performance and position of Heavenly Palace, its future prospects as well as relevant publicly available information. We understand that the Independent Valuer had considered the merits and limitations of each of the aforesaid valuation methodologies as well as the nature and status of Heavenly Palace's business as at the valuation date, including, among others, (i) the lack of sufficient suitable direct market comparables for the purpose of adopting the market approach; and (ii) the historical loss making track record of Heavenly Palace for each of the two years ended 31 December 2018 and 2019. In this connection, the Independent Valuer considered that the asset-based approach to be the most appropriate valuation approach for the purpose of its valuation of Heavenly Palace.

As set out in the Valuation Report, the appraised value of Heavenly Palace amounted to approximately RMB181,967,200 compared to the unaudited net asset value of Heavenly Palace of approximately RMB175,364,500 as at Valuation Benchmark Date, respectively. The appreciation in value was mainly attributable to the appraised value attributable to investment in associate held by Heavenly Palace, being classified under non-current assets, being higher than that of its carrying value.

Based on our review and discussion with the Independent Valuer in relation to its valuation approach and basis, in particular, Heavenly Palace has recorded unaudited losses for each of the two years ended 31 December 2018 and 2019, hence adopting the income approach would be considered inappropriate as there are uncertainties around how and when the business can be turned around, if at all, and without recording a profit for its last two completed financial years would mean that adopting the market approach is considered unsuitable as there are no profit-to-earnings ratio for comparison purposes and that the Independent Valuer also stated that there are insufficient identifiable market comparable transactions with similar characteristics that has publicly available information for the purpose of adopting the market approach, and having reviewed the major valuation assumptions and considerations made by the Independent Valuer as set out in the summary of the Valuation Report in Appendix I to the Circular, we are of the view that the valuation approach and the assumptions adopted in the valuation is fair and reasonable.

Market comparable analysis

In assessing the fairness and reasonableness of the Consideration (excluding the Dividend Receivable), we have also considered further analysis by comparing the implied price-to-earnings ratio (the "**P/E ratio**") and the implied price-to-book ratio (the "**P/B ratio**") under the Disposal, both of which are considered to be commonly used valuation metrics. However, as the Heavenly Palace has recorded unaudited loss after taxation for the year ended 31 December 2019, the implied P/E ratio under the Disposal will be negative, hence not appropriate for comparison purposes. In view of the above, we have compared the implied P/B ratio against that of the companies which are listed on the Stock Exchange and are engaged in similar businesses to those of the Heavenly Palace, the principal business of which is the production and sale of pure water, bottled mineral water and investments holdings.

In respect of the implied P/B ratio of the Heavenly Palace, such is calculated based on the unaudited net asset value approximately RMB161.4 million as at 31 December 2019, being the equity attributable to owners of the Heavenly Palace. On this basis, the implied P/B ratio under the Disposal, calculated based on (i) the implied value of 100% equity interest of Heavenly Palace based on the Consideration (excluding the Dividend Receivable) of approximately RMB182.0 million; and divided by (ii) the unaudited net asset value of the Heavenly Palace of approximately RMB161.4 million as at 31 December 2019, would be approximately 1.13 times.

For the purpose of our comparable analysis, we have identified comparable companies based on the following criteria: (i) the shares of which are listed on the Main Board of the Stock Exchange[4]; (ii) the market capitalisation[5] of which is between HK$100 million and HK$2,000 million as at the date of Equity Transfer Agreement; (iii) engage in principal business similar to the Heavenly Palace's business and generated over 50% of its total revenue for the latest completed financial year from the production and sale of pure water and bottled mineral water; and (iv) over 75% of revenue primarily generated from the PRC for the latest completed financial year (the "**Initial Criteria**"). Based on the Initial Criteria, we have only identified Tibet Water Resources Ltd. (Stock code: 1115) as a comparable. Having considered that the sample size of one comparable may not give a representative view of the beverage industry of which Heavenly Palace operates in. In this connection, with a view to analyse a larger sample size of comparable companies, we have expanded Initial Criteria (iii) to cover listed companies that generated over 50% of its revenue from the sale of non-alcoholic and non-dairy beverages for its latest completed financial year, while keeping the other Initial Criteria the same (together the "**Final Criteria**"). Based on the Final Criteria, on a best effort basis, we have identified an exhaustive list of six comparable companies (the "**Comparable Companies**"). Notwithstanding that five out of six of the Comparable Companies are not engaged in the production and sale of pure water and bottled mineral water, being the principal business of Heavenly Palace, but these Comparable Companies shared many similarities and are considered to be appropriate for comparison purposes, such as a majority of their revenue was derived from the sale of non-alcoholic and non-dairy beverages in the PRC, which operated broadly under a similar beverage industry. On this basis, we considered the Comparable Companies to be a fair and representative sample.

4 *For the avoidance of doubt, shares of companies which were suspended in trading as at the date of the Equity Transfer Agreement were not included as Comparables Companies.*

5 *Market capitalisation is calculated based on the respective closing price as quoted on the Stock Exchange as at the date of the Equity Transfer Agreement and the number of issued shares based on published information as at 31 May 2020.*

The table below sets out the P/B ratio of each of the Comparable Companies and the implied P/B ratio of the Heavenly Palace.

Company name (stock code)	**Principal business**	**Market capitalisation as at the date of Announcement** *HK$ million* (approximately) *(Note 1)*	**P/B ratio** *times* (approximately) *(Note 2, 3)*
China Haisheng Juice Holdings Co., Ltd. (0359)	Manufacturing and sales of fruit juice concentrate and related products	152.2	0.12
Hung Fook Tong Group Holdings Ltd. (1446)	Production and sales of Chinese herbal drinks and other drink products	249.3	0.92
Summi (Group) Holdings Ltd. (0756)	Production and sales of orange juice and related products	165.8	n/a *(Note 4)*
Tibet Water Resources Ltd. ("**Tibet Water**") (1115)	Production and sales of premium bottled mineral water products segment and the production and sales of highland barley beer products segment	1,220.2	0.41
Tsit Wing International Holdings Ltd. (2119)	Processing and sales of coffee, tea and related complementary products	673.6	1.23
Yantai North Andre Juice Co. Ltd. — H Shares (2218)	Manufacturing and sales of apple juice concentrate, pear juice concentrate, bio-feedstuff and related products	1,872.3	0.90
		Maximum	1.23
		Minimum	0.12
		Average	0.72
Heavenly Palace			1.13

Source: *the website of the Stock Exchange and the respective interim/annual results announcement and/or report of the Comparable Companies*

Notes:

(1) In respect of the Comparable Companies, market capitalisation is calculated based on the respective closing price as quoted on the Stock Exchange as at the date of the Equity Transfer Agreement and the number of issued shares based on published information as at 31 May 2020.

(2) For the illustrative purpose of this table, conversion of RMB into HK$ in relation to the respective financial figures of the Comparable Companies denominated in RMB (where applicable) is calculated at the approximate exchange rate of RMB1.0 to HK$1.09. This exchange rate is for illustration purpose only and does not constitute a representation that any amounts have been, could have been, or may be exchanged at this or any other rate at all.

(3) Calculated by dividing the respective market capitalisation by the respective consolidated equity attributable to the owners of the Comparable Companies, as extracted from the latest published financial statements.

(4) Summi (Group) Holdings Ltd. recorded negative consolidated shareholders' equity attributable to its owners as at 31 December 2019, according to its interim report for the six months ended 31 December 2019.

The P/B ratios of the Comparable Companies ranged from approximately 0.12 times to 1.23 times, with an average of approximately 0.72 times. The implied P/B ratio of Heavenly Palace under the Disposal was approximately 1.13 times which is within range, towards the high end and above the average of the P/B ratio of the Comparable Companies. Out of all of the Comparable Companies, the principal business of Tibet Water is closest to that of Heavenly Palace's business of production and sale of pure water and bottled mineral water, the implied P/B ratio of Heavenly Palace under the Disposal of approximately 1.13 times is notably higher than that of Tibet Water, being approximately 0.41 times.

Having considered our analysis above together with our work performed on the Valuation Report as set out under sub-section headed "(b) Valuation by the Independent Valuer" above, we are of the view that the Consideration is fair and reasonable.

7. Expected financial impact of the Disposal

Gains/losses arising from the Disposal

Upon the Completion, the Company will cease to have any equity interest in Heavenly Palace, and Heavenly Palace will cease to be a subsidiary of the Company.

Subject to the review by the auditors of the Company, the Management estimated that an unaudited gain of approximately RMB10,004,230 (equivalent to approximately HK$10,874,163) will arise from the Disposal, which is calculated with reference to (i) the Consideration of RMB331,922,200 (equivalent to approximately HK$360,785,000); (ii) the unaudited net assets of Heavenly Palace of approximately RMB161,368,000 (equivalent to approximately HK$175,400,000) as at 31 December 2019; (iii) the settlement of dividend receivable of RMB149,955,090 (equivalent to approximately

HK$162,994,663) payable by Heavenly Palace to the Company; and (iv) the capital gain tax of approximately RMB10,194,880 (equivalent to approximately HK$11,081,391) and other transaction costs of approximately RMB400,000 (equivalent to approximately HK$434,783) incidental to the Disposal. Based on preliminary assessment with reference to the financial information of Heavenly Palace and the amount of the consideration, it is expected that upon Completion, the consolidated total liabilities of the Group will decrease in the amount of approximately HK$10,844,000 whereas consolidated total assets of the Group will not be materially affected. The actual amount of gain will depend on the carrying value of the Group's interest in Heavenly Palace as at Completion.

Working capital

As the Consideration shall be settled by Tianjin Food in cash to the Company in full within 7 days from the date the condition precedent to Completion is fulfilled. The cash position of the Group will be increased by the net proceeds to be received under the Disposal. The Company intends to apply the proceeds from the Disposal as general working capital of the Group.

RECOMMENDATION

Having considered of the above principal factors and reasons, we consider that the entering into of the Disposal, albeit not in the ordinary and usual course of the business of the Company, is in the interests of the Company and the Shareholders as a whole, and the terms of the Disposal are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. We therefore advise the Independent Shareholders, and the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the relevant ordinary resolution to approve the Disposal at the EGM.

Yours faithfully,
For and on behalf of
Red Sun Capital Limited
Lewis Lai
Managing Director

Mr. Lewis Lai is a licensed person registered with the SFC and a responsible officer of Red Sun Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 13 years of experience in the corporate finance industry.

* *For identification purpose only*

The following is a summary of the valuation report dated 18 May 2020 prepared by the Independent Valuer in connection with its valuation of the Sale Interest as at the Valuation Benchmark Date for the purpose of, among others, inclusion in this circular.

Summary of Asset Valuation Report

The Entire Shareholders' Equity in Tianjin Heavenly Palace Winery Co., Ltd. Involved in the Project for its Proposed Transfer by Tianjin Development Holdings Limited

To: Tianjin Development Holdings Limited

Pan-China Assets Appraisal Co., Ltd. (北京天健興業資產評估有限公司) accepted the appointment by Tianjin Development Holdings Limited (天津發展控股有限公司) to perform a valuation on the market value as at 30 September 2019 of the entire shareholders' equity in Tianjin Heavenly Palace Winery Co., Ltd. (天津天宮葡萄釀酒有限公司), which constitutes the subject-matter of the proposed transfer of the equity interest in Tianjin Heavenly Palace Winery Co., Ltd. (天津天宮葡萄釀酒有限公司) by Tianjin Development Holdings Limited (天津發展控股有限公司). The valuation was conducted by adopting the asset-based approach, in accordance with necessary valuation procedures and the requirements under relevant laws, administrative regulations and asset valuation standards, and following the principles of independence, objectivity and fairness. The asset valuation is hereby reported as follows:

I. Valuation purpose: Tianjin Development Holdings Limited (天津發展控股有限公司) proposed to transfer the entire equity interest in Tianjin Heavenly Palace Winery Co., Ltd. (天津天宮葡萄釀酒有限公司). In this connection, a valuation is required to be performed on the entire shareholders' equity in Tianjin Heavenly Palace Winery Co., Ltd. (天津天宮葡萄釀酒有限公司), in order to form a basis on which reference can be made for the consideration of the aforesaid economic behavior.

II. Valuation subject: The entire shareholders' equity in Tianjin Heavenly Palace Winery Co., Ltd. (天津天宮葡萄釀酒有限公司) as at the valuation benchmark date.

III. Scope of valuation: The entire assets of Tianjin Heavenly Palace Winery Co., Ltd. (天津天宮葡萄釀酒有限公司), including total assets and relevant liabilities.

IV. Type of valuation: Market value.

V. Valuation benchmark date: 30 September 2019.

VI. Valuation method: Asset-based approach.

VII. Valuation conclusions:

The asset-based approach has been adopted by the valuers in conducting the valuation on the valuation subject. This report together with the conclusions is only intended to be used for the valuation purpose as described herein and for no other purposes. According to the relevant regulations of the PRC, these valuation conclusions shall remain in force for one year from 30 September 2019 (being the valuation benchmark date) to 29 September 2020.

Basic approaches for enterprise value appraisal include the asset-based approach, the income approach and the market approach.

The asset-based approach for enterprise value appraisal, also known as the cost approach, refers to the valuation method that determines the value of a valuation subject by appraising the value of its various assets and liabilities on balance sheet and various identifiable assets and liabilities off balance sheet, with reference to the balance sheet of the valued entity as at the valuation benchmark date.

The income approach for enterprise value appraisal refers to the valuation method that determines the value of a valuation subject by capitalising or discounting its expected income. The specific methods commonly involved when using the income approach include the dividend discount method and the discounted cash flow method. The income approach is the assessment of the value of an enterprise by its profitability, which is based on the economics theory of expected utility.

The valued entity has discontinued its principal business of winery many years ago as a result of the challenging business environment in the winery sector and currently focuses on the production of pure water with its only remaining set of pure water production facilities. Given the fact that the valued entity relies on limited customers for its sales, it is not possible to accurately predict the relevant income, costs and expenses in the future. As there are large uncertainties in its future operating results, it is inappropriate to adopt the income approach for this valuation.

The market approach for enterprise value appraisal refers to the valuation method that determines the value of a valuation subject by comparing the valuation subject with comparable listed companies or comparable transaction cases. There are two commonly used specific methods under the market approach, which are listed-company comparison and transaction-case comparison.

As the valued entity is not a listed company, it is vastly different from the listed companies in the same industry in areas including business structure, operation model, business scale, assets allocation and usage, stage of operational development, growth, operational risks, financial risks, etc. In addition, as there were limited cases of transfers, acquisitions or mergers conducted by comparable enterprises in the same industry in the PRC on or about the valuation benchmark date, an appropriate value ratio cannot be properly calculated due to failure to obtain the relevant reliable operating and financial data of comparable transaction cases. Therefore, it is inappropriate to adopt the market approach in this valuation.

The valuation results based on the asset-based approach as at the valuation benchmark date is considered to have essentially reflected the value of the relevant equity interest, and therefore only the assets-based approach has been adopted in this valuation.

Based on the valuation under the assets-based approach, the book value of the total assets of Tianjin Heavenly Palace Winery Co., Ltd. (天津天宮葡萄釀酒有限公司) was RMB343,981,400, with the appraised value being RMB350,584,100, and the appreciation amount was RMB6,602,700 with an appreciation rate at 1.92%; the book value of its total liabilities was RMB168,616,900, with the appraised value being RMB168,616,900, without any appreciation or depreciation; the book value of its net assets was RMB175,364,500, with the appraised value being RMB181,967,200, and the appreciation amount was RMB6,602,700 with an appreciation rate at 3.77%.

The summary of the valuation results is set out as follows:

Item	**Book value** *(RMB0'000)*	**Appraised value** *(RMB0'000)*	**Appreciation/ depreciation amount** *(RMB0'000)*	**Appreciation rate** *(%)*
Current assets	29,545.24	29,542.99	–2.25	–0.01
Non-current assets	4,852.90	5,515.42	662.52	13.65
in which: Long-term equity investments	4,843.54	5,492.76	649.22	13.40
Fixed assets	9.36	22.42	13.06	139.53
Intangible assets	—	0.24	0.24	—
Total assets	**34,398.14**	**35,058.41**	**660.27**	**1.92**
Current liabilities	16,861.69	16,861.69	—	—
Non-current liabilities	—	—	—	—
Total liabilities	**16,861.69**	**16,861.69**	**—**	**—**
Net assets	**17,536.45**	**18,196.72**	**660.27**	**3.77**

This valuation has covered the total assets and liabilities of Tianjin Heavenly Palace Winery Co., Ltd. (天津天宮葡萄釀酒有限公司) as at the valuation benchmark date, of which the book value of the total assets was RMB343,981,400, the book value of the total liabilities was RMB168,616,900 and the book value of the net assets was RMB175,364,500. There were differences in the appraised value of major assets as compared with their book values:

(a) Current assets

The current assets included under the scope of valuation include cash and bank deposits, trade receivables, other receivables and inventories. The book value and appraisal results as at the valuation benchmark date are set out in the following table:

Summary table of current assets valuation

Item	Book value	Appraised value	Depreciation amount
	(RMB0'000)	*(RMB0'000)*	*(RMB0'000)*
Cash and bank deposits	20,449.30	20,449.30	—
Trade receivables	338.47	338.47	—
Other receivables	8,679.37	8,679.37	—
Inventories	78.10	75.85	–2.25
Total current assets	29,545.24	29,542.99	–2.25

The decrease in the appraised value of current assets was mainly due to the depreciation in the appraised value of inventories. Reasons for the depreciation are as follows:

Inventories — Depreciation of revolving materials in use — The revolving materials in use mainly comprised of low-value consumables such as empty barrels used for turnover in operations. This valuation adopted the replacement cost approach for conducting the valuation and the actual market prices of revolving materials in use were lower than their book values, thereby resulting in the depreciation in the appraised value.

(b) Long-term equity investments

The book value and carrying amount of provision for impairment of long-term equity investments were RMB66,150,500 and RMB17,715,100 respectively while the book value after impairment was RMB48,435,400. The long-term equity investments mainly represented the long-term equity investments in three investee companies, including one associate and two joint ventures. In terms of long-term equity investment in Liaoning Wang Chao Wunushan Icewine Co., Ltd. (遼寧王朝五女山冰酒莊有限公司), the valued entity had determined there was an indication of impairment, and estimated its recoverable amount and carried out impairment test. The provision of the impairment was calculated based on the difference between the book value and the recoverable amount of the net assets, and recognised towards impairment losses in previous years. After valuation, the book value and carrying amount of provision for impairment of long-term equity investments were RMB66,150,500 and RMB17,715,100 respectively while the book value after impairment was RMB48,435,400, and the appraised value was RMB54,927,600.

The basic information and valuation results of the long-term equity investments that fall within the scope of valuation as at the valuation benchmark date are set out in the table below:

Name of the investee company	Percentage of shareholding	Book value *(RMB0'000)*	Provision for impairment *(RMB0'000)*	Appraised value *(RMB0'000)*	Appreciated amount *(RMB0'000)*
Liaoning Wang Chao Wunushan Icewine Co., Ltd. (遼寧王朝五女山冰酒莊有限公司)	56%	5,502.00	–1,771.51	4,185.67	455.18
Tianjin Haihe Dairy Co., Ltd. (天津海河乳業有限公司)	40%	—	—	—	—
Liaoning Wunushan Milan Winery Co., Ltd. (遼寧五女山米蘭酒業有限公司)	25%	1,113.05	—	1,307.09	194.04
Total		6,615.05	–1,771.51	5,492.76	649.22

According to the breakdown of the long-term equity investments appraisal, the valuers had checked the articles of association, agreements, business scope and operating conditions, investment dates, original investment amount, equity ratio and other written information in respect of the investee companies. The valuation of the investee companies was conducted in accordance with the appropriate enterprise value appraisal methods selected pursuant to the overall project plan.

For long-term investment in the joint ventures, valuation was performed on the entire investee company using enterprise value appraisal method, and the long-term equity investment of the valued entity would then be valued with reference to the said appraised value multiplied by the percentage of its shareholding.

For long-term investment in the associated company, different valuation methods were adopted taking into account its specific circumstances:

- For long-term equity investment in investee company which the valued entity has never received any investment return or dividend therefrom, and permission was granted for the valuers to have access to the said investee company for the purpose of performing a valuation on the entire company, in general such valuation would first be performed on the entire investee company using enterprise value appraisal method, and the long-term equity investment of the valued entity in such company would then be valued with reference to the said appraised value multiplied by the percentage of its shareholding;

- For long-term equity investment in investee company which the valued entity has never received any investment return or dividend therefrom, and no permission was granted for the valuers to have access to the said investee company for the purpose of performing a valuation on the entire company in light of the small shareholding percentage in the investee company held by the valued entity, then the long-term equity investment of the valued entity in such company would be valued with reference to the net asset value of the investee company multiplied by the percentage of its shareholding as at the valuation benchmark date.

The name of the investee companies and the valuation approaches adopted are as follows:

No.	Name of investee company	Percentage of shareholding	Valuation approach	Pricing approach
1.	Liaoning Wang Chao Wunushan Icewine Co., Ltd. (遼寧王朝五女山冰酒莊有限公司)	56%	Asset-based approach	Asset-based approach
2.	Tianjin Haihe Dairy Co., Ltd. (天津海河乳業有限公司)	40%	Asset-based approach	Asset-based approach
3.	Liaoning Wunushan Milan Liquor Co., Ltd. (遼寧五女山米蘭酒業有限公司)	25%		Net assets value as shown on financial statements multiplied by shareholding percentage

(1) Liaoning Wang Chao Wunushan Icewine Co., Ltd. (遼寧王朝五女山冰酒莊有限公司)

Liaoning Wang Chao Wunushan Icewine Co., Ltd. (遼寧王朝五女山冰酒莊有限公司) was established on 4 November 2009 with its registered capital as of the valuation benchmark date being RMB98,250,000. The company was jointly invested and established by Tianjin Heavenly Palace Winery Co., Ltd. (天津天宮葡萄釀酒有限公司), Liaoning Energy Investment (Group) Co., Ltd. (遼寧能源投資(集團)有限責任公司) and Sunshine 100 Property Co., Ltd. (陽光壹佰置業有限公司), and their subscribed capital contribution to the company were RMB55,020,000, RMB23,580,000 and RMB19,650,000 respectively, representing 56%, 24% and 20% of the registered capital of the company respectively. The scope of business of Liaoning Wang Chao Wunushan Icewine Co., Ltd. (遼寧王朝五女山冰酒莊有限公司) includes the wholesale and retail of pre-packaged food, bulk food and dairy products, accommodation services, catering services and exhibition services. As of the valuation benchmark date, under the going concern assumption, the book values of the total assets, total liabilities and net assets of Liaoning Wang Chao Wunushan Icewine Co., Ltd. (遼寧王朝五女山冰酒莊有限公司) were

RMB75,064,000, RMB48,031,300 and RMB27,032,700 respectively. For the period from January to September 2019, the revenue and net profits of the company were nil and RMB–5,129,700 respectively. Based on the asset-based approach, the appraised value of total assets and total liabilities were RMB122,775,700 and RMB48,031,300 respectively. The appraised net assets value was RMB74,744,300, representing an appreciation of RMB47,711,700 or 176.50%. The differences between the appraised value of certain assets and their book values and the reasons for such differences are as follows:

(a) Fixed assets — appreciation of value of buildings

- The appreciation of the appraised gross value of buildings was due to the increases in labour costs, machinery costs and material costs in recent years, resulting in the appreciation in the appraised gross value as compared to the book gross value;

- The appreciation of the appraised net value of buildings was mainly due to their useful lives being longer than the accounting depreciation lives adopted by the investee company.

(b) Intangible assets — appreciation of value of land use rights

- The book value of land use rights was lower than its original value after the deduction of government subsidies following acquisition of such rights and annual amortisation;

- The land prices have risen in recent years due to the supply and demand relation in the land market and the steady development of the local economy.

(2) Tianjin Haihe Dairy Company Limited (天津海河乳業有限公司)

Tianjin Haihe Dairy Company Limited (天津海河乳業有限公司) was established in January 2002 with its registered capital as of the valuation benchmark date being RMB200,000,000. The company was jointly invested and established by Tianjin Food Group Co., Ltd (天津食品集團有限公司) and Tianjin Heavenly Palace Winery Co., Ltd. (天津天宮葡萄釀酒有限公司), and their subscribed capital contribution to the company were RMB120,000,000 and RMB80,000,000 respectively, representing 60% and 40% of the registered capital of the company respectively. As of the valuation benchmark date, under the going concern assumption, the book values of the total assets, total liabilities and net assets of Tianjin Haihe Dairy Company Limited (天津海河乳業有限公司) were RMB253,461,100, RMB423,254,700 and RMB–169,793,600 respectively. For the period from January to September 2019, the revenue and net profits of the company were RMB334,759,400 and RMB–7,482,100 respectively. Based on the asset-based approach, the appraised value of total assets and total liabilities were

RMB246,033,900 and RMB421,061,700 respectively. The appraised net assets value was RMB–175,027,800, representing a depreciation of RMB5,234,100 and a deprecation rate of 3.08%.

(3) Liaoning Wunushan Milan Winery Co., Ltd. (遼寧五女山米蘭酒業有限公司)

Liaoning Wunushan Milan Winery Co., Ltd. (遼寧五女山米蘭酒業有限公司) was established in June 2001 with its registered and paid-in capital as of the valuation benchmark date being RMB20,000,000. The company was jointly invested and established by Liaoning Energy Investment (Group) Co., Ltd. (遼寧能源投資(集團)有限責任公司), Liaoning Wunushan Green Food Development Co., Ltd. (遼寧省五女山綠色食品開發有限公司) and Tianjin Heavenly Palace Winery Co., Ltd. (天津天宮葡萄釀酒有限公司), among which, the subscribed capital contribution of Tianjin Heavenly Palace Winery Co., Ltd. (天津天宮葡萄釀酒有限公司) was RMB5,000,000, representing 25% of the registered capital of the company. The company is classified as "other limited liability company", with its principal businesses and products being the production and processing of ice wine, wine, fruit wine, mixed wine, liquor, fruit juice, non-alcoholic beverages and other beverage products; and the design, making, agency and releasing of advertisements. As of the valuation benchmark date, the total assets, total liabilities and net assets of the company were RMB252,909,000, RMB200,625,600 and RMB52,283,500 respectively. For the period from January to September 2019, the revenue and net profit of the company were RMB19,371,300 and RMB871,100 respectively.

(c) Fixed-assets

The equipment included under the scope of the valuation are divided into three major categories: machineries and equipment, vehicles and electronics. The gross book value of equipment was RMB1,064,101.44, and the net book value was RMB93,566.17. The details are as follows:

Item	**Gross book value** *(RMB0'000)*	**Net book value** *(RMB0'000)*
Machineries and equipment	55.56	4.41
Vehicles	36.78	3.39
Electronics	14.07	1.55
Total	106.41	9.35

The replacement cost approach was principally adopted for the valuation of machineries and equipment and electronics while the market approach was adopted for the valuation of vehicles. The replacement cost approach for equipment valuation is used to determine the appraised value of machineries and equipment through estimating the replacement cost for brand new machineries and equipment, with the deduction of the actual depreciation, functional depreciation, and economic depreciation or on the basis of its determined comprehensive newness rate.

The appraised values of gross value and net value of equipment were RMB519,830.24, representing a depreciation at the rate of 51.15% and RMB224,251.40, representing an appreciation at the rate of 139.56% respectively. Summary of the valuation results of equipment is set out in the following table:

Summary of the valuation results of equipment

	Book value *(RMB0'000)*		**Appraised value** *(RMB0'000)*		**Appreciation rate** *(%)*	
Item	**Gross value**	**Net value**	**Gross value**	**Net value**	**Gross value**	**Net value**
Machineries and equipment	55.56	4.41	42.05	9.71	–24.31	120.07
Vehicles	36.78	3.39	8.85	12.01	–75.95	254.21
Electronics	14.07	1.55	1.09	0.69	–92.29	–55.43
Total	106.41	9.35	51.98	22.42	–51.15	139.56

(1) The valuation depreciation of the gross value of machineries and equipment was due to the replacement costs of the machineries and equipment being lower than their construction costs and the valuation appreciation of the net value of equipment was due to the accounting depreciation life adopted by the valued entity was shorter than the economic life adopted in the valuation for machineries and equipment.

(2) The valuation appreciation of net value of vehicles was mainly due to the accounting depreciation life adopted by the valued entity was shorter than the economic life adopted in the valuation for vehicles and also the inclusion of open market tender price of vehicle license in Tianjin on the valuation benchmark date.

(3) The valuation depreciation of electronics and other equipment was mainly due to the lower actual current market price as compared to its book value since such equipment was purchased by the valued entity long before.

(d) Intangible assets

A trademark with nil book value was included under the scope of valuation. Details of the trademark are set out in the following table:

No.	**Name of trademark**	**Trademark registration no.**	**Classification**	**Application date**	**Effective date**	**Status**	**Name of applicant**
1.	Fresh Fruit Paradise (鮮果樂園)	3980041	32	26 March 2004	13 February 2026	Continuing	Tianjin Heavenly Palace Winery Co., Ltd. (天津天宮葡萄釀酒有限公司)

The cost approach was adopted in the valuation of trademark and is a method for determining the value of trademark rights based on various expenses and costs required in the formation of trademark rights. The valued entity's product pricing is mainly dependent on product quality, marketing network and tender rather than the trademark of its products. The trademark was mainly used as defensive registration to prevent infringement by other enterprises or individuals, and cannot make a significant contribution to product sales. In this case, it is appropriate to adopt cost approach in this valuation.

As both registration and agency fees are valid for 10 years, and fresh registration and agency fees will be paid upon expiry for renewal, therefore, the depreciation rate of the fees (renewal fees) is calculated according to their remaining useful lives. The final valuation value is determined according to the replacement cost minus the depreciation factor, as below:

No.	Name of trademark	Date of trademark acquisition	Years of use	Depreciation rate	Replacement cost *(RMB)*	Renewal fees *(RMB)*	Final appraised value *(RMB)*
1.	Fresh Fruit Paradise (鮮果樂園)	13 February 2016	3.63	0.36	3,000.00	1,800.00	2,352.00
Total							2,352.00

(e) Current liabilities

The scope of valuation includes the various current liabilities reported by the valued entity. The book values of various liabilities as of the valuation benchmark date were shown as follows:

Item	**Book value** *(RMB0'000)*
Current liabilities:	
Accounts payable	12.54
Advance receipts	0.03
Accrued wages	1,626.98
Taxed payable	8.93
Other payables	15,213.21
Total current liabilities	16,861.69
Total liabilities	16,861.69

(1) Accrued wages

The book value of accrued wages was RMB16,269,757.12, representing the relevant staff benefits provided by the valued entity according to the requirements under its articles.

The valuers verified and spot-tested various breakdowns of the accrued wages, and at the same time reviewed the ledgers and voucher, and examined the accrual, distribution and use of each item in accordance with company regulations. Upon checking, the accounting treatments were found to be accurate and consistent with the relevant policy under the company regulations and the verified book value was determined as the appraised value.

(2) Other payable

The book value of other payable was RMB152,132,144.94, mainly representing the dividend payable to the shareholder of the valued entity and amounts received from other units and individuals temporarily, such as the pool pension payable to the retired employees, amounts due to individuals, amounts due to and from intra-group companies etc.

The valuers examined relevant documents, contracts and supporting documents and no irregularities were found which might depreciate or appreciate the value. After determining its authenticity, the verified book value was determined as the appraised value.

After the implementation of the valuation above, there is no appreciation in the appraised value of current liability.

VIII. Valuation assumptions

1. Trading assumption: assuming that all assets to be appraised were in the course of being transacted and the valuation appraised by the valuers was based on a simulated market taking into account the terms of transaction of the assets to be appraised.

2. Open market assumption: open market assumption is an assumption of the conditions of the market the assets proposed to enter and of how the assets will be affected given such market conditions. Open market refers to fully developed and sound market conditions, which is a competitive market with voluntary purchasers and sellers, and in which purchasers and sellers are of equal standing and have opportunities and time to collect sufficient market information. In an open market, parties to the transaction trade voluntarily, rationally, under no compulsion and without restriction.

3. Continuous use assumption: continuous use assumption is an assumption of the conditions of the market the assets proposed to enter and of the status of the assets under such market conditions. It is assumed that, firstly, the assets to be appraised are under use, and secondly, the assets under use will be used continuously. Under continuous use assumption, changed use of the assets and the best condition of use will not be taken into account, and the scope of use of the valuation results is limited.

4. Going concern assumption: a valuation made on the overall assets of an enterprise as the valuation subject. That means the enterprise, as the main business entity, is assumed to continue to operate in the external environment in accordance with its business goals as a going concern. It is presumed that the business operators of the enterprise are accountable for, and are competent in, discharging their responsibilities. It is also presumed that the enterprise operates legally, and is able to obtain adequate profits for it to maintain sustainable operation as a going concern.

IX. Date of asset valuation report

The date of this asset valuation report is 18 May 2020.

Pan-China Assets Appraisal Co., Ltd.

Asset appraiser: Huang Jun
(member of the China Appraisal Society)

Asset appraiser: Wang Tiancai
(member of the China Appraisal Society)

18 May 2020

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 DIRECTORS' INTERESTS

As at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they 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 maintained by the Company referred to therein; or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers 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 had 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
Mr. Wang Zhiyong	Tianjin Tsinlien Investment Holdings Co., Ltd. (天津津聯投資控股有限公司) ("**Tsinlien Investment Holdings**")	Director
	Tsinlien	Director
Mr. Chen Yanhua	Tsinlien Investment Holdings	Director
	Tsinlien	Director
Dr. Li Xiaoguang	Tsinlien Investment Holdings	Deputy General Manager
	Tsinlien	Deputy General Manager
Mr. Zhuang Qifei	Tsinlien Investment Holdings	Deputy General Manager
	Tsinlien	Deputy General Manager
Mr. Cui Xiaofei	Tsinlien Investment Holdings	Deputy General Manager
	Tsinlien	Deputy General Manager

3. DISCLOSURE OF SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at the Latest Practicable Date, the following persons or corporations, other than the Directors or chief executive of the Company, had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name of Shareholder	Notes	Capacity	Number of shares held	Approximate percentage of total issued shares
Tsinlien Investment Holdings	1&2	Interest of controlled corporation	673,759,143	62.81%
Tianjin Bohai	1&2	Interest of controlled corporation	673,759,143	62.81%
Tsinlien	1&3	Direct beneficial interest and interest of controlled corporation	673,759,143	62.81%

Notes:

1. All interests stated above represent long positions.

2. Tsinlien is a direct wholly-owned subsidiary of Tianjin Bohai and an indirect wholly-owned subsidiary of Tsinlien Investment Holdings. By virtue of the SFO, Tsinlien Investment Holdings and Tianjin Bohai are deemed to be interested in the same parcel of shares of the Company in which Tsinlien is interested.

3. As at the Latest Practicable Date, Tsinlien directly held 22,960,000 shares of the Company and its wholly-owned subsidiaries, namely Tianjin Investment Holdings Limited, Tsinlien Venture Capital Company Limited and Tsinlien Investment Limited held 568,017,143 shares, 2,022,000 shares and 80,760,000 shares of the Company respectively. By virtue of the SFO, Tsinlien is deemed to have an interest in the shares of the Company in which Tianjin Investment Holdings Limited, Tsinlien Venture Capital Company Limited and Tsinlien Investment Limited are interested.

Save as disclosed above, as at the Latest Practicable Date, the Company had not been notified by any person or corporation, other than the Directors or chief executive of the Company, who had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

4. DIRECTORS' INTERESTS IN ASSETS

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

5. DIRECTORS' INTERESTS IN CONTRACTS AND ARRANGEMENTS

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

6. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter, into a service contract with any members of the Group which did not expire or was not determinable by the relevant member of the Group within one year without payment of compensation other than statutory compensation.

7. DIRECTORS' INTERESTS IN COMPETING BUSINESS

Mr. Wang Zhiyong and Mr. Chen Yanhua are directors of Tsinlien Investment Holdings which, through certain of its subsidiaries, is partly engaged in the businesses of pharmaceutical including manufacture and sale of medicinal raw materials, food additive and medical disinfecting products. As these businesses are of different types and/or different sales regions, the Group is capable of carrying on its businesses independently of, and at arm's length from, the businesses of Tsinlien Investment Holdings.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and their respective close associates had any interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group other than those business to which the Directors and his or her associates were appointed to represent the interests of the Company and/or the Group.

8. 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 financial statements of the Group were made up.

9. QUALIFICATION AND CONSENT OF EXPERTS

The followings are the qualifications of the experts who have given their opinions and advice, which are included in this circular:

Name	Qualification
Pan-China Assets Appraisal Co., Ltd. (北京天健興業資產評估有限公司)	independent valuer
Red Sun Capital	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter, report and/or references to its name in the form and context in which they appear.

As at the Latest Practicable Date, each of the above experts did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

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

10. GENERAL

(a) The registered office of the Company is at Suites 7–13, 36/F., China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong.

(b) The share registrar and transfer office of the Company is Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(c) The secretary of the Company is Ms. Lee Su Yee, Bonnia, who is an associate member of both The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute.

(d) The English language text of this circular shall prevail over the Chinese language text in case of inconsistency.

11. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the Equity Transfer Agreement is available for inspection during normal business hours on a business day in Hong Kong at the registered office of the Company at Suites 7–13, 36/F., China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong for a period of 14 days from the date of this circular.

天津發展控股有限公司
TIANJIN DEVELOPMENT HOLDINGS LIMITED
(Incorporated in Hong Kong with limited liability)
(Stock Code: 882)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Tianjin Development Holdings Limited (天津發展控股有限公司) (the "**Company**") will be held at 24th Floor, Admiralty Centre, Tower I, 18 Harcourt Road, Hong Kong on 17 August 2020 (Monday) at 4:00 p.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution as ordinary resolution:

ORDINARY RESOLUTION

"**THAT**:

(a) the equity transfer agreement dated 18 June 2020 entered into between the Company as vendor and Tianjin Food Group Co., Ltd. (天津食品集團有限公司) ("**Tianjin Food**") as purchaser in relation to the disposal of the entire equity interest of Tianjin Heavenly Palace Winery Co., Ltd. (天津天宮葡萄釀酒有限公司) to Tianjin Food by the Company (the "**Equity Transfer Agreement**", a copy of which has been produced to the meeting marked "**A**" and initialled by the chairman of the meeting for the purpose of identification) and all transactions contemplated thereunder and in connection therewith be and are hereby approved, confirmed and ratified; and

(b) any one director of the Company be and is hereby authorised for and on behalf of the Company to sign, execute, perform and deliver all such other instruments, deeds, documents and agreements and do such acts or things and take all such steps as he/she may in his/her absolute discretion consider to be necessary, desirable, appropriate or expedient to implement and/or give effect to the Equity Transfer Agreement and the transactions contemplated thereunder or to be incidental to, ancillary to or in connection with the matters contemplated therein, including agreeing and making any modifications, amendments or variations to or waivers or extensions of the Equity Transfer Agreement and the transactions contemplated thereunder as may be necessary or appropriate."

By Order of the Board
Tianjin Development Holdings Limited
Wang Zhiyong
Chairman and Executive Director

Hong Kong, 31 July 2020

Notes:

(1) Any member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend, speak and vote in his/her stead. A proxy may not be a member of the Company.

(2) In order to be valid, the completed form of proxy together with any power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney or other authority, must be deposited at the Company's share registrar, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:00 p.m. on 15 August 2020 (Saturday), or in case of any adjournment thereof, not less than 48 hours before the time appointed for the holding of any adjourned meeting. Completion and return of the form of proxy will not preclude a member from attending and voting in person at the meeting.

(3) Where there are joint registered holders of any shares, any one of such persons may vote at the meeting (or at any adjournment thereof), either personally or by proxy in respect of such shares as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the meeting personally or by proxy, that one of such joint holders so present whose name stands first on the register of members of the Company shall alone be entitled to vote in respect of such shares.

(4) The resolution set out in this notice will be decided by poll.

(5) **In order to facilitate the prevention and control of the spread of the Novel Coronavirus (COVID-19) epidemic and to safeguard the health and safety of the shareholders of the Company ("Shareholders"), the Company encourages Shareholders to consider appointing the chairman of the meeting as his/her proxy to vote on the resolution as an alternative to attending in person.**

As at the date of this notice, the board of directors of the Company consists of Mr. Wang Zhiyong, Mr. Chen Yanhua, Dr. Li Xiaoguang, Mr. Zhuang Qifei, Mr. Cui Xiaofei, Mr. Cheung Wing Yui, Edward, Dr. Cheng Hon Kwan**, Mr. Mak Kwai Wing, Alexander**, Ms. Ng Yi Kum, Estella**, Mr. Wong Shiu Hoi, Peter** and Dr. Loke Yu**.*

* *non-executive director*
** *independent non-executive director*

In view of the ongoing Novel Coronavirus (COVID-19) epidemic and recent requirements, if any, for prevention and control of its spread, the Company will implement the following preventive measures at the EGM:

(i) compulsory wearing of surgical face masks by all attendees prior to admission to the meeting venue and throughout the EGM;

(ii) compulsory temperature check will be conducted on every attendee, any person with a body temperature of over 37.2 degrees Celsius, or has flu-like symptoms or is otherwise unwell will not be admitted to the meeting venue;

(iii) maintenance of a safe distance between seats, and the Company may limit the number of attendees at the EGM as may be necessary to avoid over-crowding; and

(iv) no refreshments or drinks will be served.

To the extent permitted under the laws of Hong Kong, the Company reserves the right to deny entry into the meeting venue or require any person to leave the meeting venue in order to ensure the 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 in person 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 resolution at the EGM by submitting the form of proxy with voting instructions inserted.

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 or brokers or custodians (as the case may be) to assist you in the appointment of proxy.