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

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

If you have sold or transferred all your shares in **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.

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

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 882)**

**RENEWAL OF  
EXISTING CONTINUING CONNECTED TRANSACTIONS  
WITH TIANJIN TEDA INVESTMENT HOLDING CO., LTD.  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

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



**紅日資本有限公司**  
**RED SUN CAPITAL LIMITED**

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A letter from the Board is set out on pages 6 to 22 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 23 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 24 to 52 of this circular. A notice convening the EGM to be held by way of a virtual meeting on 30 December 2024 (Monday) at 3:00 p.m. is set out on pages 57 to 59 of this circular. A form of proxy for use at the EGM (or any adjournment thereof) is also enclosed with this circular.

Whether or not you are able to attend the fully virtual EGM (or any adjournment thereof), 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 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong or via the designated website (<https://spot-e-meeting.tricor.hk>) by using the username and password provided on the notification letter sent by the Company's share registrar as soon as possible and in any event no later than 3:00 p.m. on 27 December 2024 (Friday), or in case of any adjournment of the EGM, not less than 48 hours (exclusive of any part of a day that is a public holiday) before the time appointed for the holding of the adjourned meeting. Completion and return of the form of proxy will not preclude you from attending and voting through Tricor e-Meeting System at the EGM (or any adjournment thereof) should you so wish.

Hong Kong, 5 December 2024

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## DEFINITIONS

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

“2024 Integrated Services Master Agreement”	the master agreement dated 15 November 2024 entered into between the Company and TEDA Holding for the provision of the Integrated Services by members of the TEDA Holding Group to members of the Group for a term from 1 January 2025 to 31 December 2027
“2024 Non-exempt Master Agreements”	collectively, the 2024 Steam Purchase Master Agreement, the 2024 Products Procurement Master Agreement, and the 2024 Integrated Services Master Agreement
“2024 Products Procurement Master Agreement”	the master agreement dated 15 November 2024 entered into between the Company and TEDA Holding for the purchase of the Products by members of the Group from members of the TEDA Holding Group for a term from 1 January 2025 to 31 December 2027
“2024 Steam Purchase Master Agreement”	The steam purchase master agreement dated 15 November 2024 entered into between TEDA Holding (as supplier) and the Company (as purchaser), in relation to the purchase of Steam and Heat Power Products for a term commencing from 1 January 2025 to 31 December 2027
“Announcement”	the announcement dated 15 November 2024 of the Company in relation to, among other things, the Renewal of Continuing Connected Transactions
“associates”	has the meaning ascribed to it under 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)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company

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## DEFINITIONS

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“EGM”	the extraordinary general meeting of the Company to be held by way of a virtual meeting on 30 December 2024 (Monday) at 3:00 p.m. for the Independent Shareholders to consider and, if thought fit, approve the 2024 Non-exempt Master Agreements and the respective transactions contemplated thereunder (including the proposed annual caps)
“Existing Integrated Services Master Agreement”	the master agreement dated 29 August 2024 entered into between the Company (as customer) and TEDA Holding (as service provider) for the provision of the Integrated Services from 1 September 2024 to 31 December 2024
“Existing Non-exempt Master Agreements”	the Existing Steam Purchase Master Agreement, the Existing Products Procurement Master Agreement, and the Existing Integrated Services Master Agreement
“Existing Products Procurement Master Agreement”	the master agreement dated 29 August 2024 entered into between the Company (as purchaser) and TEDA Holding (as supplier) for the purchase of the Products from 1 September 2024 to 31 December 2024
“Existing Steam Purchase Master Agreement”	the steam purchase master agreement dated 17 November 2021 entered into between the Company (as purchaser) and TEDA Holding (as supplier), as amended by a supplemental agreement dated 11 November 2022, in relation to the purchase of Steam and Heat Power Products from 1 January 2022 to 31 December 2024
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors, which has been established to advise the Independent Shareholders in respect of the 2024 Non-exempt Master Agreements and the transactions contemplated thereunder (including the proposed annual caps)

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## DEFINITIONS

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“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 2024 Non-exempt Master Agreements and the transactions contemplated thereunder (including the proposed annual caps)
“Independent Shareholders”	the Shareholders who do not have a material interest in the 2024 Non-exempt Master Agreements and the transactions contemplated thereunder, and excluding associates of TEDA Holding
“Integrated Services”	services including (a) construction and engineering services (such as structural engineering, outdoor and interior design); (b) property and facility management services (such as provision of greening and environmental enhancement works); (c) human resources related services (such as recruitment and canteen catering management); (d) consultancy and advisory services (such as tendering and bidding services, sales and marketing consultancy); and (e) other ancillary services related to the aforementioned types of services as required by the Group from time to time
“Integrated Services Transaction(s)”	the provision of Integrated Services by members of the TEDA Holding Group to members of the Group as contemplated under the 2024 Integrated Services Master Agreement
“Latest Practicable Date”	29 November 2024, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Other Products”	has the meaning ascribed to it under the sub-section named “2. 2024 Products Procurement Master Agreement – Historical figure, the previous cap amount and the proposed annual caps” under the section “RENEWAL OF THE EXISTING NON-EXEMPT MASTER AGREEMENTS” in the letter from the Board of this circular

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## DEFINITIONS

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“percentage ratios”	has the meaning ascribed to it under the Listing Rules
“PRC”	the People’s Republic of China (for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
“Products”	product(s) including daily office supplies, consumables and spare parts, cardboard materials and base paper, production machinery and equipment and other ancillary or related products associated with the aforementioned as may be required by the Group from time to time
“Procurement Transaction(s)”	the purchase of Products by members of the Group from members of the TEDA Holding Group as contemplated under the Products Procurement Master Agreement
“Renewal of Continuing Connected Transactions”	collectively, the entering into of the 2024 Non-exempt Master Agreements and the respective transactions contemplated thereunder and the adoption of the relevant proposed annual caps
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	holder(s) of share(s) in the Company
“Steam and Heat Power Products”	steam and heat power products
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto in the Listing Rules
“TEDA”	Tianjin Economic and Technological Development Area (天津經濟技術開發區)
“TEDA E-Commerce Platform”	the supply chain e-commerce system established and operated by the TEDA Holding Group
“TEDA Holding”	Tianjin TEDA Investment Holding Co., Ltd. (天津泰達投資控股有限公司), a state-owned enterprise established in the PRC which is indirectly wholly-owned by the Tianjin Government and is an intermediate controlling Shareholder

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## DEFINITIONS

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“TEDA Holding Group”	TEDA Holding and its subsidiaries (other than members of the Group)
“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 state-owned enterprise established in the PRC which is indirectly wholly-owned by TEDA Holding and is an intermediate controlling Shareholder
“Tianjin Government”	the Tianjin Municipal People’s Government of the PRC
“%”	per cent

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

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LETTER FROM THE BOARD

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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. Teng Fei (*Chairman*)  
Dr. Zhai Xinxiang (*General Manager*)

*Registered office:*

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

*Non-executive Director:*

Mr. Sun Lijun

*Independent non-executive Directors:*

Ms. Ng Yi Kum, Estella  
Mr. Wong Shiu Hoi, Peter  
Mr. Lau Ka Keung  
Mr. Sin Hendrick

5 December 2024

*To the Shareholders*

Dear Sirs,

**RENEWAL OF  
EXISTING CONTINUING CONNECTED TRANSACTIONS  
WITH TIANJIN TEDA INVESTMENT HOLDINGS CO., LTD.  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**INTRODUCTION**

Reference is made to the announcement of the Company dated 15 November 2024 in relation to, among other things, the 2024 Non-exempt Master Agreements and the respective transactions contemplated thereunder which constitute non-exempt continuing connected transactions of the Company under Chapter 14A of the Listing Rules, and the Company shall seek the Independent Shareholders' approval at the EGM pursuant to the requirements under Chapter 14A of the Listing Rules.

As disclosed in the Announcement, the Existing Non-exempt Master Agreements will expire on 31 December 2024. On 15 November 2024, the Company entered into, among others, the 2024 Steam Purchase Master Agreement, the 2024 Products Procurement Master Agreement and the 2024 Integrated Services Master Agreement with TEDA Holding to renew the continuing connected transactions contemplated under the Existing Non-exempt Master Agreements for a term of three years commencing from 1 January 2025 to 31 December 2027.



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## LETTER FROM THE BOARD

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The purpose of this circular is to provide you with, among other things:

- (i) details of the 2024 Non-exempt Master Agreements, and the respective transactions contemplated thereunder (including the proposed annual caps);
- (ii) the recommendations from the Independent Board Committee to the Independent Shareholders in respect of the Renewal of Continuing Connected Transactions;
- (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Renewal of Continuing Connected Transactions;
- (iv) a notice convening the EGM; and
- (v) other information as required under the Listing Rules.

### RENEWAL OF THE EXISTING NON-EXEMPT MASTER AGREEMENTS

#### 1. The 2024 Steam Purchase Master Agreement

The principal terms of the 2024 Steam Purchase Master Agreement are summarised as follows:

***Date***

15 November 2024

***Parties***

- (1) The Company (for itself and on behalf of its subsidiaries) (as purchaser); and
- (2) TEDA Holding (for itself and on behalf of its subsidiaries) (as supplier).

***Subject matter***

Members of the Group may from time to time purchase Steam and Heat Power Products from members of the TEDA Holding Group for use in their operation.

***Term***

Subject to the satisfaction of the conditions precedent referred to below, for a term of three years commencing from 1 January 2025 to 31 December 2027, unless terminated by either party by giving one month's notice in writing.

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## LETTER FROM THE BOARD

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### *Pricing policy*

The price of the Steam and Heat Power Products will be determined in accordance with the government guidance prices, the rate of return and the standard of quality of products, and in particular with reference to the followings:

- (1) guidance prices of the prices of natural gas for industrial use as announced by the Tianjin Municipal Development and Reform Commission of the PRC from time to time and the current transacted coal prices of local coal exchange or market in the PRC;
- (2) the rate of return of capital (with reference to the rate of return of capital as stipulated in the Energy Products Subsidy Plan in TEDA (天津開發區能源產品補貼方案) issued by the TEDA Finance Bureau from time to time); and
- (3) the standard of quality of the Steam and Heat Power Products as specified in the individual purchase contract(s).

The relevant member(s) of the Group will pay the relevant member(s) of the TEDA Holding Group in accordance with the detailed payment terms as set out in the individual purchase contract(s), which will be entered into by the relevant parties pursuant to the principles and conditions set out in the 2024 Steam Purchase Master Agreement. In addition, the terms of each individual transaction (including but not limited to the quality and technical requirements of the Steam and Heat Power Products, production coordination and measurement, price and payment terms) shall be fair and reasonable, in accordance with the applicable laws and regulations of the PRC and on normal commercial terms, and shall be no less favourable to the Group as compared with the terms provided by an independent third party as supplier in respect of products of a similar or comparable nature. For that purpose, the relevant member(s) of the Group have to justify the price by either making reference with the most comparable market prices in other regions, or comparing with the cost of acquiring such product on their own.

### *Conditions precedent*

The 2024 Steam Purchase Master Agreement will only be effective upon the fulfilment of the following conditions precedent by 31 December 2024:

- (1) all necessary approvals from competent authorities, as well as the board of directors, independent non-executive directors and general meetings of the parties to the agreement and/or all other relevant parties having been obtained (including the necessary approvals of the agreement and the transactions contemplated thereunder from the Stock Exchange and the Independent Shareholders); and

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## LETTER FROM THE BOARD

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- (2) the compliance with all applicable laws and regulations (including the Listing Rules) and all requirements of competent authorities (including the Stock Exchange) in relation to the agreement and the transactions contemplated thereunder by the Company.

***Historical figures, the previous annual caps and the proposed annual caps***

Set out below are (i) the historical transaction amounts paid by the Group to the TEDA Holding Group in respect of the transactions carried out under the Existing Steam Purchase Master Agreement for the two years ended 31 December 2023 and the nine months ended 30 September 2024, (ii) the annual caps of the Existing Steam Purchase Master Agreement for the three years ending 31 December 2024, and (iii) the proposed annual caps for the three years ending 31 December 2027:

	<b>For the year ended 31 December 2022</b>	<b>For the year ended 31 December 2023</b>	<b>For the nine months ended 30 September 2024</b>
<b>Historical amounts</b>	RMB1,133,861,000	RMB947,003,000	RMB609,710,000
	<b>For the year ended 31 December 2022</b>	<b>For the year ended 31 December 2023</b>	<b>For the year ending 31 December 2024</b>
<b>Previous annual caps</b>	RMB1,350,000,000	RMB1,500,000,000	RMB1,633,000,000
	<b>For the year ending 31 December 2025</b>	<b>For the year ending 31 December 2026</b>	<b>For the year ending 31 December 2027</b>
<b>Proposed annual caps</b>	RMB1,400,000,000	RMB1,600,000,000	RMB1,700,000,000

The abovementioned proposed annual caps were determined with reference to the following factors:

- (i) the historical transaction amount in relation to Steam and Heat Power Products;
- (ii) the expected increase in demand of and the Company's projection of the purchase volume of Steam and Heat Power Products by the Group from the TEDA Holding Group during the term of the 2024 Steam Purchase Master Agreement; and
- (iii) the latest government guidance prices for the natural gas, and the current transacted prices of coal in the local coal exchange or market in the PRC, both of which are raw materials required to produce the Steam and Heat Power Products, and the recent and historical market prices of such products in the nearby regions.

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## LETTER FROM THE BOARD

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Given that the prices of the raw materials of the Steam and Heat Power Products are fluctuating and highly sensitive to the commodity prices in that region at the time, in arriving at the proposed annual caps, for prudence sake, the highest historical annual transaction amounts among 2022, 2023 and 2024, i.e. the transaction amount for the year ended 31 December 2022 of RMB1,133,861,000<sup>Note</sup> will be taken as a benchmark and to assess the highest possible transaction amounts in the years of 2025 to 2027. Based on such benchmark, the proposed annual caps for the years ending 31 December 2025, 31 December 2026 and 31 December 2027 are arrived at by taking into account an estimated increase of purchase volume of 5% each year, an estimated increase of prices of the raw materials (namely, coal-generated steam and gas-generated steam, and on a combined basis) of 6%, 5% and 4% per annum for those three years respectively, as well as a buffer of around 10% each year.

*Note:* the annual cap for the year ended 31 December 2022 had originally been RMB1,040,000,000, but was further revised to RMB1,350,000,000 pursuant to an ordinary resolution of the Company passed on the extraordinary general meeting of the Company held on 21 December 2022, as a result of, among other reasons, the fluctuation in price index of coal and natural gas in the PRC at the time.

### ***Reasons for and benefits of the entering into of the 2024 Steam Purchase Master Agreement***

The Group has been involved in the heat supply industry in TEDA since 2006 and has continued to supply heat and thermal power to industrial, commercial and residential customers in TEDA over the years. The entering into of the 2024 Steam Purchase Master Agreement with TEDA Holding will enable the Group to maintain an uninterrupted supply of heat and thermal power to its customers and is essential for the effective, efficient and continuous operation of the Group's utilities businesses in TEDA.

## **2. 2024 Products Procurement Master Agreement**

The principal terms of the 2024 Products Procurement Master Agreement are summarised as follows:

### ***Date***

15 November 2024

### ***Parties***

- (1) the Company (for itself and on behalf of its subsidiaries) (as purchaser); and
- (2) TEDA Holding (for itself and on behalf of its subsidiaries) (as supplier)

### ***Term***

Subject to the satisfaction of the conditions precedent referred to below, for a term of three years commencing from 1 January 2025 to 31 December 2027, unless terminated by either party by giving one month's notice in writing.

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## LETTER FROM THE BOARD

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### *Subject matter*

Members of the Group may from time to time purchase the Products as may be required by the Group in its ordinary course of business from members of the TEDA Holding Group based on the business needs of the Group.

### *Pricing basis and payment terms*

The price payable by the Group to the TEDA Holding Group in respect of the Procurement Transactions shall be determined with reference to the type, quantity, quality and specifications of Products purchased by members of the Group from members of the TEDA Holding Group and the pricing principles of the prevailing market price of the products of similar type and quality. In particular:

- (1) in respect of the Products available on the TEDA E-Commerce Platform, the unit price will be the unit price as displayed on the TEDA E-Commerce Platform; and
- (2) in respect of the Products not available on the TEDA E-Commerce Platform, members of the TEDA Holding Group may (at the request of the members of the Group) assist the members of the Group in sourcing the suitable and applicable Products, and the terms in respect of settlement and payment, and the unit price of such Products will be negotiated between the relevant member of the Group and the relevant member of the TEDA Holding Group in individual contracts on an arm's length basis and on normal commercial terms, with reference to the prevailing market price of similar products offered by independent third parties to the Group, and will not be less favourable to the Group than those available from independent third parties under the same commercial conditions.

The relevant member of the Group will pay the relevant member of the TEDA Holding Group in accordance with the detailed payment terms as set out in the relevant individual contract, which will be entered into by the relevant parties pursuant to the principles and conditions set out in the 2024 Products Procurement Master Agreement. In general, if the Products are procured via the TEDA E-Commerce Platform, the consideration for such Procurement Transaction shall be settled simultaneously when the order is placed by the purchaser. In addition, the terms of each of the individual transaction (including but not limited to the quality standards, delivery, return of goods, consideration and payment terms) shall be fair and reasonable, in accordance with the applicable laws and regulations of the PRC and on normal commercial terms, and no less favourable to the Group than the terms available from independent third parties in similar transactions. For that purpose, the relevant member(s) of the Group will obtain quotations from other independent third-party suppliers where practicable, and if a particular Product is only provided by a sole supplier in that region, the relevant member(s) of the Group have to justify the price by either making reference with the most comparable market prices in other regions, or making reference with terms offered to other customers, which are not a member of the Group, by such sole supplier; or comparing with the cost of acquiring such product on their own.

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## LETTER FROM THE BOARD

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### *Conditions precedent*

The 2024 Products Procurement Master Agreement will only be effective upon the fulfilment of the following conditions precedent by 31 December 2024:

- (1) all necessary approvals from competent authorities, as well as the board of directors, independent non-executive directors and general meetings of the parties to the agreement and/or all other relevant parties having been obtained (including the necessary approvals of the agreement and the transactions contemplated thereunder from the Stock Exchange and the Independent Shareholders); and
- (2) the compliance with all applicable laws and regulations (including the Listing Rules) and all requirements of competent authorities (including the Stock Exchange) in relation to the agreement and the transactions contemplated thereunder by the Company.

### *Historical figure, the previous cap amount and the proposed annual caps*

Set out below are (i) the historical transaction amount paid by the Group to the TEDA Holding Group in respect of the Procurement Transactions for the period from 1 September 2024 to 30 September 2024, (ii) the cap amount of the Existing Products Procurement Master Agreement and (iii) the proposed annual caps for the 2024 Products Procurement Master Agreement for the three years ending 31 December 2027:

	<b>For the period from 1 September 2024 to 30 September 2024</b>		
<b>Historical amount</b>	RMB5,868,000 <i>Note</i>		
	<b>For the period from 1 September 2024 to 31 December 2024</b>		
<b>Previous cap amount</b>	RMB65,000,000		
	<b>For the year ending 31 December 2025</b>	<b>For the year ending 31 December 2026</b>	<b>For the year ending 31 December 2027</b>
<b>Proposed annual caps</b>	RMB200,000,000	RMB280,000,000	RMB350,000,000

*Note:* During the period from 1 September 2024 to 30 September 2024, the TEDA E-commerce Platform was still in its initial stage of operation, resulting in that (i) some of the Products were not available on the TEDA E-commerce Platform yet; (ii) the necessary internal approvals from either the Group or the TEDA Holding Group in respect of certain Procurement Transactions were still in process. It is expected to have an uptick of Procurement Transactions in the last quarter of 2024, however, the amount of which could not be ascertained as at the Latest Practicable Date.

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## LETTER FROM THE BOARD

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The abovementioned proposed annual caps are determined with reference to the following factors:

- (i) the types and quantities of daily office supplies consumed by the Group in the past, and the types and quantities of daily office supplies to be purchased by the Group from TEDA Holding Group during the term of the 2024 Products Procurement Master Agreement;
- (ii) the expected demand for cardboard materials and non-specialized machinery and equipment for the Group's pharmaceutical printing business during the term of the 2024 Products Procurement Master Agreement; and
- (iii) the current market prices offered by independent supplier of the Group for the procurement of similar products.

In estimating the proposed annual cap for the year ending 31 December 2025, based on the contemplated procurement plans of relevant members of the Group, it is expected that the purchases of (i) cardboard materials and base paper; (ii) production machinery and equipment; and (iii) the daily office supplies, consumables and spare parts, and other ancillary or related products the types of which are not specifically mentioned in the aforesaid (the "**Other Products**") will constitute approximately 54%, 39% and 7% of all the Procurement Transactions in the year ending 31 December 2025 respectively.

As to the proposed annual cap for the year ending 31 December 2026, it is determined after taking into consideration the estimated future demand, the inflation factor and, particularly, the estimated increase of demand for cardboard materials and non-specialised machinery and equipment for the Group's pharmaceutical printing business as a result of the commissioning of its second phase of production lines in Jiangsu, which is expected to take place in 2026. The purchases of (i) cardboard materials and base paper; (ii) production machinery and equipment; and (iii) the Other Products will constitute approximately 60%, 35% and 5% of all the Procurement Transactions in the year ending 31 December 2026 respectively.

In arriving at the proposed annual cap for the year ending 31 December 2027, it is determined after taking into consideration, on top of the factors which will have impacted the Procurement Transactions in the years of 2025 and 2026, the projected future demand and the inflation factor. The purchases of (i) cardboard materials and base paper; (ii) production machinery and equipment; and (iii) the Other Products will constitute approximately 65%, 30% and 5% of all the Procurement Transactions in the year ending 31 December 2027 respectively.

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## LETTER FROM THE BOARD

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### *Reasons for and benefits of the entering into of the 2024 Products Procurement Master Agreement*

Through the TEDA E-Commerce Platform established in November 2023 and operated by the TEDA Holding Group which provides supply chain e-commercial management services, coupled with the TEDA Holding Group's background as a sizable state-owned enterprise with significant bargaining power and the capability to obtain better market price for the Products, by entering into the 2024 Products Procurement Master Agreement, the Group can benefit from the competitive price and reduce its procurement cost in sourcing the Products to meet the Group's operational needs. The Group can also improve the efficiency of procuring supplies through the TEDA E-Commerce Platform which facilitates its daily operational management.

### **3. 2024 Integrated Services Master Agreement**

The principal terms of the 2024 Integrated Services Master Agreement are summarised as follows:

#### *Date*

15 November 2024

#### *Parties*

- (1) the Company (for itself and on behalf of its subsidiaries) (as service receiver); and
- (2) TEDA Holding (for itself and on behalf of its subsidiaries) (as service provider)

#### *Term*

Subject to the satisfaction of the conditions precedent referred to below, for a term of three years commencing from 1 January 2025 to 31 December 2027, unless terminated by either party by giving one month's notice in writing.

#### *Subject matter*

Members of the Group may from time to time engage members of the TEDA Holding Group for the provision of the Integrated Services as required by the Group in its ordinary course of business.



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## LETTER FROM THE BOARD

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### *Pricing basis and payment terms*

The price payable by the Group to the TEDA Holding Group in respect of the Integrated Services Transactions shall be determined with reference to the type, quantity, quality and specifications of Integrated Services engaged by members of the Group from members of the TEDA Holding Group and the pricing principles of the prevailing market price of the services of similar type and quality. The terms of the Integrated Services Transactions shall be on normal commercial terms and no less favourable to the Group than those offered by the TEDA Holding Group to independent third parties in similar transactions, and the price payable by the relevant member of the Group to the relevant member of the TEDA Holding Group shall be (i) determined in accordance with the prescribed price set by the PRC government, (ii) in the absence of a prescribed price set by the PRC government, determined with reference to and no higher than the guidance price set by the PRC government, or (iii) in the absence of a prescribed price or a guidance price by the PRC government, determined with reference to the prevailing market price.

The relevant member of the Group will pay the relevant member of the TEDA Holding Group in accordance with the detailed payment terms as set out in the relevant individual contract, which could be on a one-off, monthly, quarterly, half-yearly or annual basis subject to the relevant type of services, or in accordance with the payment terms to be agreed by the relevant parties. In addition, the terms of each of the individual transaction (including but not limited to the quality standards, delivery, consideration and payment terms) shall be fair and reasonable, in accordance with the applicable laws and regulations of the PRC and on normal commercial terms, and no less favourable to the Group than the terms available from independent third parties in similar transactions. For that purpose, the relevant member(s) of the Group will obtain quotations from other independent third-party service providers where practicable, and if a particular type of service could only be provided by a sole service provider, the relevant member(s) of the Group have to justify the price by either making reference with the most comparable market prices in other regions, or making reference with terms offered to other users, which are not a member of the Group, by such sole service provider; or comparing with the cost of developing or setting up the required services on their own.

### *Conditions precedent*

The 2024 Integrated Services Master Agreement will only be effective upon the fulfilment of the following conditions precedent by 31 December 2024:

- (1) all necessary approvals from competent authorities, as well as the board of directors, independent non-executive directors and general meetings of the parties to the agreement and/or all other relevant parties having been obtained (including the necessary approvals of the agreement and the transactions contemplated thereunder from the Stock Exchange and the Independent Shareholders); and

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**LETTER FROM THE BOARD**

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- (2) the compliance with all applicable laws and regulations (including the Listing Rules) and all requirements of competent authorities (including the Stock Exchange) in relation to the agreement and the transactions contemplated thereunder by the Company.

***Historical figure, the previous cap amount and the proposed annual caps***

Set out below are (i) the historical transaction amount paid by the Group to the TEDA Holding Group in respect of the transactions carried out under the Existing Integrated Services Master Agreement for the period from 1 September 2024 to 30 September 2024, (ii) the cap amount of the Existing Integrated Services Master Agreement and (iii) the proposed annual caps for the 2024 Integrated Services Master Agreement for the three years ending 31 December 2027:

	<b>For the period from 1 September 2024 to 30 September 2024</b>		
<b>Historical amount</b>	RMB1,401,000 <i>Note</i>		
	<b>For the period from 1 September 2024 to 31 December 2024</b>		
<b>Previous cap amount</b>	RMB17,000,000		
	<b>For the year ending 31 December 2025</b>	<b>For the year ending 31 December 2026</b>	<b>For the year ending 31 December 2027</b>
<b>Proposed annual caps</b>	RMB150,000,000	RMB180,000,000	RMB200,000,000

*Note:* During the period from 1 September 2024 to 30 September 2024, (i) certain scheduled projects in which the Group will receive construction and engineering services from certain members of the TEDA Holding Group either had not commenced or were behind the original schedule and (ii) some of the Integrated Services Transactions were pending internal approval according to the Company's internal control measures.

The abovementioned proposed annual caps are determined with reference to the following factors:

- (i) the types and level of similar Integrated Services furnished by independent service providers in the past, and the types and level of Integrated Services to be furnished by TEDA Holding Group to the Group during the term of the 2024 Integrated Services Master Agreement;

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## LETTER FROM THE BOARD

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- (ii) the prescribed price and the guidance price set by the PRC government for the Integrated Services (if any) during the term of the 2024 Integrated Services Master Agreement; and
- (iii) the price offered by independent services providers of the Group for providing similar services.

In arriving at the proposed annual caps for the years ending 31 December 2025, 31 December 2026 and 31 December 2027, it is estimated that (a) the construction and engineering services; (b) the property and facility management services; (c) the human resources related services; (d) the consultancy and advisory services; and (e) other ancillary services related to the aforementioned types of services will constitute around 67%, 17%, 12%, 3% and 1% of all Integrated Services Transactions each year respectively. The proposed annual caps have also taken into account the estimated future demand and the inflation factor projected on a year-to-year basis.

### *Reasons for and benefits of the entering into of the 2024 Integrated Services Master Agreement*

TEDA Holding principally engages in, among other things, the provision of modern services. The Company considers that the entering into of the 2024 Integrated Services Master Agreement will enable the Group to enjoy a stable provision of Integrated Services with consistently reliable quality and competitive price from the TEDA Holding Group, which is essential and beneficial to the Group for the effective, efficient and continuous daily operation and business development.

### **INTERNAL CONTROL MEASURES**

In order to ensure that the transactions contemplated under the 2024 Non-exempt Master Agreements will be conducted in accordance with its terms and the pricing policies and within the respective proposed cap amounts, the Group has in place the following internal control measures to monitor the transactions:

- (1) the members of the Group will keep track of the offered prices for the Steam and Heat Power Products quarterly, while the offered prices for Products and Integrated Services will be tracked on an individual basis and, where available, compare them with those offered by independent third parties under the supervision of the finance department of the relevant Group members to ensure that the fees or prices for the aforementioned products or services are conducted on normal commercial terms and in accordance with the pricing policies in respect of the 2024 Steam Purchase Master Agreement, the 2024 Products Procurement Master Agreement, and the 2024 Integrated Services Master Agreement.

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## LETTER FROM THE BOARD

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- (2) the financial management department of the relevant members of the Group will be responsible for preparing the accounting records, reporting, and statistical analysis of the continuing connected transactions, and for submitting the same to the Group on a quarterly basis, to monitor the utilisation of the proposed annual caps and to ensure compliance with the terms of the respective agreement and the pricing policy. The relevant financial management department will also regularly collect and monitor the transaction amounts of the continuing connected transactions quarterly to ensure timely assessment on whether the annual caps are exceeded;
- (3) the financial management department of the relevant members of the Group will be responsible for obtaining at least two quotations from other independent third party suppliers/service providers (as the case may be) before such member of the Group enter into a transaction under any of the 2024 Non-exempt Master Agreements, and such quotations (or where it is not practicable to obtain a quotation, the relevant reasons and at least two alternative price comparisons/justifications) shall be submitted along with the accounting records, reporting, and statistical analysis as mentioned in paragraph (2) above to the Group; and
- (4) the external auditors and independent non-executive Directors of the Company will review the transactions contemplated under the 2024 Non-exempt Master Agreements on an annual basis to check and confirm, among other things, whether the pricing policies have been adhered to and whether the proposed annual caps have been exceeded.

### INFORMATION ON THE PARTIES

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, proprietary Chinese medicines and other healthcare products, 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 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.

TEDA Holding, the indirect controlling Shareholder, is a state-owned enterprise established in the PRC which principally engages in regional development, public utilities, finance and modern services.

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## LETTER FROM THE BOARD

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### LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, TEDA Holding indirectly holds a total of 673,759,143 shares of the Company, representing approximately 62.81% of the total issued shares of the Company. Members of the TEDA Holding Group are therefore connected persons of the Company as defined in the Listing Rules. Accordingly, the transactions contemplated under the 2024 Non-exempt Master Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (other than the profits ratio) calculated based on the proposed annual caps for the respective transactions contemplated under each of the 2024 Non-exempt Master Agreements exceeds 5%, the entering into of the said agreements and the respective transactions contemplated thereunder are subject to the reporting, announcement, annual review, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

### EGM

The EGM will be convened at which ordinary resolutions will be proposed, if thought fit, to approve the 2024 Non-exempt Master Agreements and the respective transactions contemplated thereunder (including the proposed annual caps). As TEDA Holding is an indirect controlling shareholder of the Company and is materially interested in the transactions conducted and/or contemplated under the Existing Non-exempt Master Agreements and the 2024 Non-exempt Master Agreements, the associates of TEDA Holding, which hold 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, will abstain from voting on the resolutions. Save as disclosed above, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, there is no other Shareholder who has a material interest in the Existing Non-exempt Master Agreements or the 2024 Non-exempt Master Agreements who is required to abstain from voting on the resolutions to be proposed at the EGM.

Registered Shareholders are requested to provide a valid email address of himself/herself/itself or his/her/its proxy (except for the appointment of the chairman of the EGM) for the proxy to receive the login access code to participate online in Tricor e-Meeting System.

Registered Shareholders will be able to attend the EGM, vote, call to raise questions and submit questions online via the designated website (<https://spot-emeeting.tricor.hk>) by using the username and password provided on the notification letter sent by the Company's share registrar.

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## LETTER FROM THE BOARD

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Non-registered Shareholders whose Shares are held in the Central Clearing and Settlement System through banks, brokers, custodians or Hong Kong Securities Clearing Company Limited may also be able to attend the EGM, vote, call to raise questions and submit questions online. In this regard, they should consult directly with their banks, brokers, custodians, nominees or HKSCC Nominees Limited through which their shares are held (as the case may be) (collectively the “**Intermediary**”) and instruct the Intermediary to appoint them as proxy or corporate representative to attend and vote at the EGM electronically and in doing so, they will be asked to provide their email address, before the time limit required by the relevant Intermediary. Details regarding the Tricor e-Meeting System including the login details will be emailed to them by the Company’s share registrar, Tricor Tengis Limited.

If any Shareholder has any question on the arrangements of the EGM, please contact the Company’s share registrar, Tricor Tengis Limited, at the following:

Address : 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong  
Email : is-enquiries@hk.tricorglobal.com  
Telephone : (852) 2980-1333  
(From 9:00 a.m. to 5:00 p.m. Monday to Friday, excluding Hong Kong public holidays)

A notice convening the EGM to be held by way of a virtual meeting on 30 December 2024 (Monday) at 3:00 p.m. is set out on pages 57 to 59 of this circular. A form of proxy for use at the EGM (or any adjournment thereof) is also enclosed in this circular. Whether or not you are able to attend the fully virtual EGM (or any adjournment thereof), 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 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong or via the designated website (<https://spot-emeeting.tricor.hk>) by using the username and password provided on the notification letter sent by the Company’s share registrar as soon as possible and in any event no later than 3:00 p.m. on 27 December 2024 (Friday), or in case of any adjournment of the EGM, not less than 48 hours (exclusive of any part of a day that is a public holiday) before the time appointed for the holding of the adjourned meeting. Completion and return of the form of proxy will not preclude you from attending and voting through Tricor e-Meeting System at the EGM (or any adjournment thereof) should you so wish, and in such event, the form of proxy shall be deemed to be revoked.

The register of members of the Company will be closed from 23 December 2024 (Monday) to 30 December 2024 (Monday), both days inclusive, during which period no transfer of shares will be registered. In order to determine the entitlement to attend and vote at the EGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company’s share registrar, Tricor Tengis Limited at 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on 20 December 2024 (Friday).

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## LETTER FROM THE BOARD

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### 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 set out in the notice of 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

None of the Directors has a material interest in the 2024 Non-exempt Master Agreements and the respective transactions contemplated thereunder. Notwithstanding the aforementioned, Mr. Teng Fei, Dr. Zhai Xinxiang and Mr. Sun Lijun, being Directors who are also director(s) and/or senior management of certain members of TEDA Holding, have either voluntarily abstained from voting on the Board resolutions, or were absent from the relevant Board meeting, for approving the 2024 Non-exempt Master Agreements and the respective transactions contemplated thereunder (including the proposed annual caps). Since all the executive Directors and the non-executive Director have voluntarily abstained or were absent from voting, the Board defers to the Independent Board Committee's recommendations on the 2024 Non-exempt Master Agreements and the transactions contemplated thereunder.

The Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders in respect of each of the 2024 Non-exempt Master Agreements and the transactions contemplated thereunder (including the proposed annual caps). Red Sun Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

Your attention is drawn to (i) the letter from the Independent Board Committee as set out on page 23 of this circular which contains the recommendation from the Independent Board Committee to the Independent Shareholders; and (ii) the letter from the Independent Financial Adviser as set out on pages 24 to 52 of this circular which contains the advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the 2024 Non-exempt Master Agreements and the respective transactions contemplated thereunder (including the proposed annual caps) and reasons considered by the Independent Financial Adviser in arriving at its advice.

After considering the advice of the Independent Financial Adviser, the independent non-executive Directors consider that (i) the entering into of the 2024 Non-exempt Master Agreements and the respective transactions contemplated thereunder (including the proposed annual caps) is in the ordinary and usual course of business of the Group, and (ii) the terms thereof are on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The independent non-executive Directors would therefore recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the 2024 Non-exempt Master Agreements and the respective transactions contemplated thereunder (including the proposed annual caps).

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**LETTER FROM THE BOARD**

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**ADDITIONAL INFORMATION**

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

Yours faithfully,  
By Order of the Board  
**Tianjin Development Holdings Limited**  
**Teng Fei**  
*Chairman and Executive Director*





天津发展控股有限公司  
TIANJIN DEVELOPMENT HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 882)

5 December 2024

*To the Independent Shareholders*

Dear Sirs,

**RENEWAL OF  
EXISTING CONTINUING CONNECTED TRANSACTIONS  
WITH TIANJIN TEDA INVESTMENT HOLDING CO., LTD.**

We refer to the circular of the Company to the Shareholders dated 5 December 2024 (the “**Circular**”) of which this letter forms part. Terms defined in the Circular shall have the same meaning in this letter unless the context requires otherwise.

We have been appointed by the Board as the members of the Independent Board Committee to consider and to advise the Independent Shareholders as to whether the terms of the 2024 Non-exempt Master Agreements and the respective transactions contemplated thereunder (including the proposed annual caps) are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Red Sun Capital has been appointed as the independent financial adviser to advise us and the Independent Shareholders in this regard.

We wish to draw your attention to the letter from the Board as set out on pages 6 to 22 of the Circular and the letter from the Independent Financial Adviser as set out on pages 24 to 52 of the Circular.

Having considered the terms, reasons for and benefits of the 2024 Non-exempt Master Agreements and the respective transactions contemplated thereunder (including the proposed annual caps) and taking into account the principal factors and reasons considered by, and the advice of the Independent Financial Adviser, we consider that (i) the entering into of the 2024 Non-exempt Master Agreements and the respective transactions contemplated thereunder (including the proposed annual caps) is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, and (ii) the terms thereof are on normal commercial terms and are fair and reasonable. We therefore recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the 2024 Non-exempt Master Agreements and the respective transactions contemplated thereunder (including the proposed annual caps).

Yours faithfully,  
The Independent Board Committee  
**Tianjin Development Holdings Limited**  
**Ms. Ng Yi Kum, Estella**  
**Mr. Wong Shiu Hoi, Peter**  
**Mr. Lau Ka Keung**  
**Mr. Sin Hendrick**  
*Independent non-executive Directors*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the full text of the letter of advice from Red Sun Capital Limited to the Independent Shareholders and the Independent Board Committee in relation to the 2024 Non-exempt Master Agreements and the respective transactions contemplated thereunder (including the Proposed Annual Caps) prepared for the purpose of incorporation in this circular.*



紅日資本有限公司  
RED SUN CAPITAL LIMITED

Room 310, 3/F,  
China Insurance Group Building,  
141 Des Voeux Road Central, Hong Kong  
Tel: (852) 2857 9208  
Fax: (852) 2857 9100

5 December 2024

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

Dear Sir or Madam,

### **RENEWAL OF EXISTING CONTINUING CONNECTED TRANSACTIONS WITH TIANJIN TEDA INVESTMENT HOLDING CO., LTD.**

#### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders of the Company in respect of the 2024 Steam Purchase Master Agreement, the 2024 Products Procurement Master Agreement and the 2024 Integrated Services Master Agreement (together the “**2024 Non-exempt Master Agreements**”) and the respective transactions contemplated thereunder (including the respective proposed annual caps (the “**Proposed Annual Caps**”)), details of which are set out in the letter from the board (the “**Letter from the Board**”) in the circular of the Company dated 5 December 2024 (the “**Circular**”), of which this letter forms part. Unless otherwise defined, terms used herein shall have the same meanings as those defined in the Circular.

As the Existing Steam Purchase Master Agreement, the Existing Products Procurement Master Agreement and the Existing Integrated Services Master Agreement will expire on 31 December 2024, on 15 November 2024, the Company entered into, among others, the 2024 Steam Purchase Master Agreement, the 2024 Products Procurement Master Agreement, and the 2024 Integrated Services Master Agreement with TEDA Holding to renew the continuing connected transactions contemplated under the Existing Steam Purchase Master Agreement, the Existing Products Procurement Master Agreement and the Existing Integrated Services Master Agreement for a term of three years commencing from 1 January 2025 to 31 December 2027.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### **Listing Rules implications**

As at the Latest Practicable Date, Tianjin Bohai, an indirect wholly-owned subsidiary of TEDA Holding, indirectly holds a total of 673,759,143 shares of the Company, representing approximately 62.81% of the total issued shares of the Company. Members of TEDA Holding Group are therefore connected persons of the Company as defined in the Listing Rules. Accordingly, the transactions contemplated under the 2024 Non-exempt Master Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (other than the profits ratio) calculated based on the proposed annual caps for the respective transactions contemplated under each of the 2024 Non-exempt Master Agreements exceeds 5%, the entering into of the 2024 Non-exempt Master Agreements and the respective transactions contemplated thereunder are subject to the reporting, announcement, annual review, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

An EGM will be convened at which ordinary resolutions will be proposed, if thought fit, to approve the 2024 Non-exempt Master Agreements and the respective transactions contemplated thereunder (including the Proposed Annual Caps). The associates of TEDA Holding will abstain from voting on the relevant resolutions.

### **THE INDEPENDENT BOARD COMMITTEE**

The Board currently comprises (i) two executive Directors, namely, Mr. Teng Fei and Dr. Zhai Xinxiang; (ii) one non-executive Director, namely, Mr. Sun Lijun; and (iii) four independent non-executive Directors, namely, Ms. Ng Yi Kum, Estella, Mr. Wong Shiu Hoi, Peter, Mr. Lau Ka Keung and Mr. Sin Hendrick.

The Independent Board Committee, comprising all the independent non-executive Directors, has been established to make a recommendation to the Independent Shareholders in relation to the 2024 Non-exempt Master Agreements, which comprised of the 2024 Steam Purchase Master Agreement, the 2024 Products Procurement Master Agreement and the 2024 Integrated Services Master Agreement, and the respective transactions contemplated thereunder (including the Proposed Annual Caps) as to (i) whether the entering into of the 2024 Non-exempt Master Agreements and the transactions contemplated thereunder (including the Proposed Annual Caps) is conducted in the ordinary and usual course of business of the Group, and is in the interests of the Company and the Shareholders as a whole; (ii) the terms there of are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned; and (iii) how the Independent Shareholders should vote in respect of the relevant resolutions at the EGM.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### OUR INDEPENDENCE

As at the Latest Practicable Date, we were independent from and not connected with the Company, TEDA Holding and their respective shareholders, directors or chief executives, or any of their respective associates and accordingly, are qualified to give independent advice to the Independent Board Committee and the Independent Shareholders regarding the 2024 Non-exempt Master Agreements and the respective transactions contemplated thereunder (including the Proposed Annual Caps).

Save for this appointment and our appointment as the independent financial adviser in respect of (i) the discloseable and connected transaction for the disposal of 15% equity interest in Tianjin Pharmaceutical Group Finance Co., Ltd.; and (ii) the continuing connected transactions and the proposed revision of annual caps under the 2021 Steam Purchase Master Agreement, details of which are set out in the circular of the Company dated 10 November 2023 and 30 November 2022 respectively, Red Sun Capital has not acted 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 Group that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent from the Group pursuant to Rule 13.84 of the Listing Rules.

### 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, TEDA Holding 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, the Management and/or the Directors, 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 and up to the date of EGM. 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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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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 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.

This letter is issued to the Independent Board Committee and the Independent Shareholders solely in connection for their consideration of the terms of the transactions contemplated under the 2024 Non-exempt Master Agreements (including the Proposed Annual Caps), is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes without our prior written consent. In the event of inconsistency, the English text of this letter shall prevail over the Chinese translation of this letter.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In formulating our opinion and recommendation regarding the 2024 Non-exempt Master Agreements and the respective transactions contemplated thereunder, we have considered the following principal factors and reasons:

#### **1. Information on the Group and TEDA Holding**

##### ***1.1 Background information of the Group***

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, proprietary Chinese medicines and other healthcare products, 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 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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Summary of the historical financial performance of the Group*

Set out below is the summary of the historical financial performance of the Group for the two years ended 31 December 2022 and 2023 and the six months ended 30 June 2023 and 2024, which were extracted from the annual report of the Company for the year ended 31 December 2023 (the “**2023 Annual Report**”) and the interim report of the Company for the six months ended 30 June 2024 (the “**2024 Interim Report**”):

	For the six months ended		For the year ended	
	30 June		31 December	
	2024	2023	2023	2022
	<i>(HK\$' million)</i>	<i>(HK\$' million)</i>	<i>(HK\$' million)</i>	<i>(HK\$' million)</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(audited)</i>	<i>(audited)</i>
<b>Revenue</b>	<b>1,820.3</b>	<b>1,830.5</b>	<b>3,338.4</b>	<b>3,705.1</b>
– Utilities	768.7	856.3	1,599.8	1,859.2
– Pharmaceutical	895.4	833.4	1,441.4	1,486.8
– Hotel	66.6	60.4	130.4	77.7
– Electrical and mechanical	89.7	80.4	166.8	281.4
<b>Gross profit</b>	<b>588.5</b>	<b>601.0</b>	<b>1,010.1</b>	<b>1,010.5</b>
<b>Profit for the period/year attributable to the owners of the Company</b>	<b>288.1</b>	<b>371.5</b>	<b>635.6</b>	<b>358.2</b>

### *Financial performance of the Group for the six months ended 30 June 2023 and 2024*

We noted from the 2024 Interim Report that revenue of the Group was largely stable at approximately HK\$1,820.3 million for the six months ended 30 June 2024 compared to approximately HK\$1,830.5 million for the six months ended 30 June 2023. Gross profit of the Group for the six months ended 30 June 2024 of approximately HK\$588.5 million was also broadly in line with that of the six months ended 30 June 2023 of approximately HK\$601.0 million.

The slight fluctuation in revenue and gross profit of the Group during the six months ended 30 June 2024 were primarily attributable to the net effects of (i) the decrease in revenue from the utilities segment of approximately HK\$87.6 million or 10.2% from approximately HK\$856.3 million for the six months ended 30 June 2023 to approximately HK\$768.7 million for the six months ended 30 June 2024, which was mainly due to lower government supplemental income in relation to the distribution of heat and thermal power; (ii) the increase in revenue from the pharmaceutical segment of approximately HK\$62.0 million or 7.4% from approximately HK\$833.4 million for the six months ended 30 June 2023 to approximately HK\$895.4 million for the six months ended 30 June 2024, which was

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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mainly due to the increased revenue from manufacturing and sale of chemical drugs, proprietary Chinese medicines and other healthcare products; (iii) the increase in revenue from hotel segment of approximately HK\$6.2 million or 10.3% from approximately HK\$60.4 million for the six months ended 30 June 2023 to approximately HK\$66.6 million for the six months ended 30 June 2024, which was mainly due to the increased average occupancy rate of the hotel operated by the Group; and (iv) the increase in revenue from electrical and mechanical segment of approximately HK\$9.3 million or 11.6% from approximately HK\$80.4 million for the six months ended 30 June 2023 to approximately HK\$89.7 million for the six months ended 30 June 2024.

Profit for the period attributable to owners of the Company decreased by approximately HK\$83.4 million or 22.4% from approximately HK\$371.5 million for the six months ended 30 June 2023 to approximately HK\$288.1 million for the six months ended 30 June 2024. Such decrease was mainly due to the net effects of (i) the decrease in share of net profit of associates and joint venture of the Company of approximately HK\$91.2 million; (ii) the decrease in general and administrative expenses of approximately HK\$24.8 million; and (iii) the increase in other net losses of approximately HK\$20.5 million.

### *Financial performance of the Group for the years ended 31 December 2022 and 2023*

As disclosed in the 2023 Annual Report, while revenue of the Group decreased by approximately HK\$366.7 million or 9.9% from approximately HK\$3,705.1 million for the year ended 31 December 2022 to approximately HK\$3,338.4 million for the year ended 31 December 2023, gross profit of the Group remained broadly stable at approximately HK\$1,010.1 million for the year ended 31 December 2023 compared to approximately HK\$1,010.5 million for the year ended 31 December 2022.

The fluctuation in revenue and gross profit of the Group were primarily the net result of (i) the decrease in revenue from the utilities segment of approximately HK\$259.4 million or 14.0% from approximately HK\$1,859.2 million for the year ended 31 December 2022 to approximately HK\$1,599.8 million for the year ended 31 December 2023, which was mainly due to lower ancillary services income relating to supplying water and the decrease in government supplemental income relating to the distribution of heat and thermal power; (ii) the decrease in revenue from the pharmaceutical segment of approximately HK\$45.4 million or 3.1% from approximately HK\$1,486.8 million for the year ended 31 December 2022 to approximately HK\$1,441.4 million for the year ended 31 December 2023, which was primarily attributable to the decrease in sales of pharmaceutical products and partly offset by the increase in revenue from sale of packaging materials; (iii) the increase in revenue from the hotel segment of approximately HK\$52.7 million or 67.8% from approximately HK\$77.7 million for the year ended 31 December 2022 to approximately HK\$130.4 million for the year ended 31 December 2023, the average occupancy rate increased by approximately 19% to approximately 83.2%

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for the year ended 31 December 2023; and (iv) the decrease in revenue from the electrical and mechanical segment of approximately HK\$114.6 million or 40.7% from approximately HK\$281.4 million for the year ended 31 December 2022 to approximately HK\$166.8 million for the year ended 31 December 2023, which was mainly due to lower level of contract works completed in the hydroelectric equipment business.

Profit for the year attributable to owners of the Company increased by approximately HK\$277.4 million or 77.4% from approximately HK\$358.2 million for the year ended 31 December 2022 to approximately HK\$635.6 million for the year ended 31 December 2023. Such increase was primarily attributable to the net effects of (i) the increase in other gains and losses, net of approximately HK\$429.8 million (ii) the increase in share of net profit of associates and joint venture of the Company of approximately HK\$95.4 million; (iii) the increase in tax expense of approximately HK\$50.1 million; (iv) the decrease in other income of approximately HK\$41.0 million; and (v) the decrease in selling and distribution expenses of approximately HK\$38.4 million.

### *Summary of the historical financial positions of the Group*

Set out below is a summary of the financial positions of the Group as at 31 December 2022, 31 December 2023 and 30 June 2024, which were extracted from the 2023 Annual Report and the 2024 Interim Report:

	<b>As at 30 June 2024</b>	<b>As at 31 December</b>	
	<b>2024</b>	<b>2023</b>	<b>2022</b>
	<i>(HK\$' million)</i>	<i>(HK\$' million)</i>	<i>(HK\$' million)</i>
	<i>(unaudited)</i>	<i>(audited)</i>	<i>(audited)</i>
Non-current assets	11,585.1	11,633.9	11,210.4
Current assets	10,549.5	10,658.7	10,055.8
Non-current liabilities	1,889.3	1,951.9	1,733.9
Current liabilities	2,971.0	2,827.9	3,103.1
Total equity attributable to owners of the Company	12,506.8	12,534.8	12,016.0



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*Financial positions of the Group as at 30 June 2024 and 31 December 2023*

We noted from the 2024 Interim Report that total assets of the Group as at 30 June 2024 mainly comprised of (i) investments accounted for using the equity method of approximately HK\$6,887.9 million; (ii) cash and cash equivalents of approximately HK\$3,847.1 million; (iii) time deposits with maturity over three months of approximately HK\$2,182.6 million; (iv) property, plant and equipment of approximately HK\$2,118.4 million; (v) trade receivables of approximately HK\$1,516.9 million; and (iv) equity instruments at fair value through other comprehensive income of approximately HK\$1,235.2 million.

Total liabilities of the Group as at 30 June 2024 mainly included (i) bank borrowings, including both current and non-current portions, of approximately HK\$1,972.7 million; (ii) other payables and accruals of approximately HK\$1,367.5 million; (iii) trade payables of approximately HK\$558.5 million; and (iv) contract liabilities of approximately HK\$513.7 million.

Total equity attributable to owners of the Company as at 30 June 2024 remained largely stable at approximately HK\$12,506.8 million compared to approximately HK\$12,534.8 million as at 31 December 2023.

As set out in the 2023 Annual Report, total assets of the Group as at 31 December 2023 mainly comprised of (i) investments accounted for using the equity method of approximately HK\$6,826.7 million; (ii) cash and cash equivalents of approximately HK\$4,461.1 million; (iii) property, plant and equipment of approximately HK\$2,111.9 million; (iv) time deposits with maturity over three months of approximately HK\$1,926.8 million; (v) equity instruments at fair value through other comprehensive income of approximately HK\$1,719.5 million; and (iv) trade receivables of approximately HK\$1,390.1 million.

Total liabilities of the Group as at 31 December 2023 mainly comprised of (i) bank borrowings, including both current and non-current portions, of approximately HK\$1,810.6 million; (ii) other payables and accruals of approximately HK\$1,294.9 million; (iii) contract liabilities of HK\$632.4 million; and (iv) trade payables of approximately HK\$518.4 million.

Total equity attributable to owners of the Company as at 31 December 2023 of approximately HK\$12,534.8 million was broadly in line with that of 31 December 2022 at approximately HK\$12,016.0 million.

### **1.2 Background information of TEDA Holding**

As at the Latest Practicable Date, TEDA Holding indirectly holds a total of 673,759,143 shares of the Company, representing approximately 62.81% of the total issued shares of the Company. TEDA Holding is a state-owned enterprise established in the PRC which is indirectly wholly-owned by the Tianjin Municipal People's Government of the PRC and principally engages in regional development, public utilities, finance and modern services.

## **2. Overview of the PRC economy, energy production and consumption in the PRC**

### **2.1 Overview of the PRC and Tianjin economy**

Based on publication titled Statistical Bulletin of the PRC on National Economic and Social Development in 2023\* (中華人民共和國2023年國民經濟和社會發展統計公報) by the National Bureau of Statistics of the PRC dated 29 February 2024<sup>1</sup>, the gross domestic product ("GDP") of the PRC in 2023 amounted to approximately RMB126,058.2 billion, representing a yearly increase of approximately 5.2%. The manufacturing industry expanded by approximately 5.0%, and the electricity, heat, gas and water production and supply industry grew by approximately 4.3% in 2023 compared to the corresponding prior year. The total retail sales of consumer goods for 2023 amounted to approximately RMB47,149.5 billion, representing a year-on-year growth of approximately 7.2%.

Based on publication titled Statistical Bulletin of Tianjin National Economic and Social Development in 2023\* (2023年天津市國民經濟和社會發展統計公報) by Tianjin Municipal Bureau of Statistics\* (天津市統計局) dated 18 March 2024<sup>2</sup>, Tianjin's GDP amounted to approximately RMB1,673.7 billion, representing a yearly increase of approximately 4.3%. The manufacturing industry of Tianjin expanded by approximately 2.7% and the electricity, heat, gas and water production and supply industry increased by approximately 11.1% over the corresponding prior year. Total retail sales of consumer goods for 2023 increased by approximately 7.0% over the previous year.

Given the businesses of the Group are mainly located in or around Tianjin, the Group could benefit from opportunities arising from the economic development of the Tianjin, the continued Coordinated Development of the Beijing-Tianjin-Hebei Region\* (京津冀協同發展), and the strategic planning by State Council of the PRC over time. As such, the continuous development in Tianjin and its adjacent regions may have positive impacts to the Group's core businesses.

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<sup>1</sup> Source: [https://www.stats.gov.cn/sj/zxfb/202402/t20240228\\_1947915.html](https://www.stats.gov.cn/sj/zxfb/202402/t20240228_1947915.html)

<sup>2</sup> Source: [https://stats.tj.gov.cn/tjsj\\_52032/tjgb/202403/t20240318\\_6563697.html](https://stats.tj.gov.cn/tjsj_52032/tjgb/202403/t20240318_6563697.html)

**2.2 *Overview of energy production and consumption in the PRC***

As set out in the Letter from the Board, the price of the Steam and Heat Power Products will be determined with reference to, among others, the prices of natural gas with reference to the guidance prices of the same for industrial use as announced by the Tianjin Municipal Development and Reform Commission of the PRC and the current transacted coal prices of local coal exchange or market in the PRC.

As the PRC economy continued to develop and expand, so does the demand for energy consumption. With reference to, among others, the China Natural Gas Development Report (2024)\* (中國天然氣發展報告(2024))<sup>3</sup> published by National Energy Administration of the PRC dated 23 July 2024 and information published by the National Bureau of Statistics, the consumption of natural gas and coal in the PRC have continued to grow in 2023. Given energy production and consumption will remain to be a cornerstone of the continuous development of the PRC economy, it is expected that the PRC government will continue to monitor and regulate the energy production market, including that of the natural gas and coal markets in the PRC.

**3. *Reasons for and the benefits of entering into the 2024 Non-exempt Master Agreements***

We have summarised the reasons for and the benefits of entering into the 2024 Non-exempt Master Agreements as set out in the Letter from the Board below.

**(A) *The 2024 Steam Purchase Master Agreement***

The Group has been involved in the heat supply industry in TEDA since 2006 and has continued to supply heat and thermal power to industrial, commercial and residential customers in TEDA over the years. The entering into of the 2024 Steam Purchase Master Agreement with TEDA Holding will enable the Group to maintain an uninterrupted supply of heat and thermal power to its customers and is essential for the effective, efficient and continuous operation of the Group's utilities businesses in TEDA.

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<sup>3</sup> Source: [https://www.nea.gov.cn/2024-07/23/c\\_1310782456.htm](https://www.nea.gov.cn/2024-07/23/c_1310782456.htm)

**(B) *The 2024 Products Procurement Master Agreement***

Through the TEDA E-Commerce Platform established in November 2023 and operated by the TEDA Holding Group which provides supply chain e-commercial management services, coupled with the TEDA Holding Group's background as a sizable state-owned enterprise with significant bargaining power and the capability to obtain better market price for the Products, by entering into the 2024 Products Procurement Master Agreement, the Group can benefit from the competitive price and reduce its procurement cost in sourcing the Products to meet the Group's operational needs. The Group can also improve the efficiency of procuring supplies through the TEDA E-Commerce Platform which facilitates its daily operational management.

**(C) *The 2024 Integrated Services Master Agreement***

TEDA Holding principally engages in, among other things, the provision of modern services. The Company considers that the entering into of the 2024 Integrated Services Master Agreement will enable the Group to enjoy a stable provision of Integrated Services with consistently reliable quality and competitive price from the TEDA Holding Group, which is essential and beneficial to the Group for the effective, efficient and continuous daily operation and business development.

Having considered (i) the utilities segment of the Group is one of the Group's largest segments by revenue, which contributed more than 40% of the Group's revenue during the six month ended 30 June 2024, and each of the two years ended 31 December 2022 and 2023, respectively; (ii) the transactions contemplated under the 2024 Steam Purchase Master Agreement are a furtherance of the Group's business and that the transactions contemplated under the 2024 Products Procurement Master Agreement and the 2024 Integrated Services Master Agreement shall facilitate the operations of the Group; and (iii) the reasons for entering into the respective 2024 Non-exempt Master Agreements as set out above, we concur with the Directors' view that the transactions contemplated under the 2024 Non-exempt Master Agreements are in the interests of the Company and the Shareholders as a whole.

**4. The 2024 Non-exempt Master Agreements**

Set out below is a summary of the principal terms of each of the 2024 Steam Purchase Master Agreement, the 2024 Products Procurement Master Agreement and the 2024 Integrated Services Master Agreement, which was entered into by the Company on 15 November 2024, respectively:

**(A) *The 2024 Steam Purchase Master Agreement***

*Parties*

- (1) The Company (for itself and on behalf of its subsidiaries) (as purchaser); and
- (2) TEDA Holding (for itself and on behalf of its subsidiaries) (as supplier).

*Subject matter*

Members of the Group may from time to time purchase Steam and Heat Power Products from members of the TEDA Holding Group for use in their operation.

*Term*

Subject to the satisfaction of the conditions precedent referred to the 2024 Steam Purchase Master Agreement, for a term of three years commencing from 1 January 2025 to 31 December 2027, unless terminated by either party by giving one month's notice in writing.

*Other terms*

For further details on the pricing policy and conditions precedent of the 2024 Steam Purchase Master Agreement, please refer to the section headed "1. The 2024 Steam Purchase Master Agreement" in the Letter from the Board.

**(B) *The 2024 Products Procurement Master Agreement***

*Parties*

- (1) The Company (for itself and on behalf of its subsidiaries) (as purchaser); and
- (2) TEDA Holding (for itself and on behalf of its subsidiaries) (as supplier).

*Subject matter*

Members of the Group may from time to time purchase the Products as may be required by the Group in its ordinary course of business from members of the TEDA Holding Group based on the business needs of the Group.

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### *Term*

Subject to the satisfaction of the conditions precedent referred to the 2024 Products Procurement Master Agreement, for a term of three years commencing from 1 January 2025 to 31 December 2027, unless terminated by either party by giving one month's notice in writing.

### *Other terms*

For further details on the pricing policy and conditions precedent of the 2024 Products Procurement Master Agreement, please refer to the section headed "2. 2024 Products Procurement Master Agreement" in the Letter from the Board.

### **(C) *The 2024 Integrated Services Master Agreement***

#### *Parties*

- (1) the Company (for itself and on behalf of its subsidiaries) (as service receiver); and
- (2) TEDA Holding (for itself and on behalf of its subsidiaries) (as service provider).

#### *Subject matter*

Members of the Group may from time to time engage members of the TEDA Holding Group for the provision of the Integrated Services as required by the Group in its ordinary course of business.

### *Term*

Subject to the satisfaction of the conditions precedent referred to the 2024 Integrated Services Master Agreement, for a term of three years commencing from 1 January 2025 to 31 December 2027, unless terminated by either party by giving one month's notice in writing.

### *Other terms*

For further details on the pricing policy and conditions precedent of the 2024 Integrated Services Master Agreement, please refer to the section headed "3. 2024 Integrated Services Master Agreement" in the Letter from the Board.

**5. Internal control measures**

As disclosed in the Letter from the Board, with a view to ensuring that the transactions contemplated under the 2024 Non-exempt Master Agreements will be conducted in accordance with its terms and the pricing policies and within the respective proposed cap amounts, the Group has the following internal control measures in place to monitor the relevant transactions:

- (i) the members of the Group will keep track of the offered prices for the Steam and Heat Power Products quarterly, while the offered prices for Products and Integrated Services will be tracked on an individual basis and, where available, compare them with those offered by independent third parties under the supervision of the finance department of the relevant Group members to ensure that the fees or prices for the aforementioned products or services are conducted on normal commercial terms and in accordance with the pricing policies in respect of the 2024 Steam Purchase Master Agreement, the 2024 Products Procurement Master Agreement and the 2024 Integrated Services Master Agreement;
- (ii) the financial management department of the relevant members of the Group will be responsible for preparing the accounting records, reporting, and statistical analysis of the continuing connected transactions, and for submitting the same to the Group on a quarterly basis, to monitor the utilisation of the proposed annual caps and to ensure compliance with the terms of the respective agreement and the pricing policy. The relevant financial management department will also regularly collect and monitor the transaction amounts of the continuing connected transactions quarterly to ensure timely assessment on whether the annual caps are exceeded;
- (iii) the financial management department of the relevant members of the Group will be responsible for obtaining at least two quotations from other independent third party suppliers/service providers (as the case may be) before such member of the Group enter into a transaction under any of the 2024 Non-exempt Master Agreements, and such quotations (or where it is not practicable to obtain a quotation, the relevant reasons and at least two alternative price comparisons/justifications) shall be submitted along with the accounting records, reporting, and statistical analysis as mentioned in paragraph (2) above to the Group; and
- (iv) the external auditors and independent non-executive Directors of the Company will review the transactions contemplated under the 2024 Non-exempt Master Agreements on an annual basis to check and confirm, among other things, whether the pricing policies have been adhered to and whether the proposed annual caps have been exceeded.

6. Our work performed and analysis on the internal control and pricing policies

6.1 *Our work performed on the internal control procedures in respect of the 2024 Steam Purchase Master Agreement*

With a view to assessing the reasonableness of the internal control procedures in respect of the 2024 Steam Purchase Master Agreement, we have performed the following work and analysis:

- (i) obtained and reviewed internal approval record for the Existing Steam Purchase Master Agreement, including, the steam purchase master agreement dated 17 November 2021 and the supplemental agreement dated 11 November 2022 entered into between the Company and TEDA Holding in relation to the revision of annual caps under the Existing Steam Purchase Master Agreement by the Board;
- (ii) as advised by the Management, the supply price of Steam and Heat Power Products may adjust subject to the then prevailing market conditions. Under such circumstances, the supply price of Steam and Heat Power Products will be notified by the supplier, being members of TEDA Holding Group, the relevant Tianjin government-owned body. The relevant calculations of the supply price shall be in accordance with the subject pricing policy, including, where applicable, the then applicable prices of natural gas with reference to the relevant guidance prices as announced by the Tianjin Municipal Development and Reform Commission of the PRC and the prevailing transacted coal prices of local coal exchange or market in the PRC;
- (iii) obtained and reviewed 12 agreements entered into between members of the Group and members of the TEDA Holding Group under the Existing Steam Purchase Master Agreement governing the terms of the transactions and any amendments thereof (the “**Sampled Steam Agreement(s)**”). When selecting the samples, we ensured the Sampled Steam Agreements covered each of the years ended / ending 31 December 2022, 2023 and 2024 and that for each of the aforesaid calendar years, we obtained four sample agreements, which covered agreements entered into with each of the two connected persons, being the only two connected suppliers of Steam and Heat Power Products as advised by the Management. Based on our work performed and as confirmed by the Management, the Sampled Steam Agreements were subject to the same internal approval procedures. Given the above factors and the sampling basis, we considered the sampled agreements to be sufficient.



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Furthermore, we have reviewed the price calculation table\* (價格測算表) of the price of Steam and Heat Power Products under each Sampled Steam Agreement and further confirmed with the Management that the corresponding supply price was determined with reference to the pricing policy. In addition, we also obtained and reviewed the internal approval records for each of the 12 Sampled Steam Agreements submitted by the finance team\* (財務中心) of Tsinlien Heat & Power and approved by the management of Tsinlien Heat & Power, including, its head of the finance team\* (財務中心) or finance director\* (財務總監), where applicable, and chairman of the board of directors\* (董事長). Given the above factors and our work performed, we considered the transactions under the Sampled Steam Agreement to be fair and reasonable, and on normal commercial terms or better;

- (iv) obtained and reviewed the quarterly records prepared by the finance management department of the Group for monitoring of the utilisation of the proposed annual cap amount for the two years ended 31 December 2023 and for the nine months ended 30 September 2024 under the Existing Steam Purchase Master Agreement, respectively; and
- (v) obtained and reviewed the annual review records and/or the annual reports of the Group setting out that the external auditors and audit committee have reviewed the subject continuing connected transactions under the Existing Steam Purchase Master Agreement, and that no material issues were identified.

Based on our work and analysis performed as set out above, including those in relation to the internal control procedures, we considered that effective implementation of these internal control policies and the pricing policies would ensure the transactions under the 2024 Steam Purchase Master Agreement to be conducted on terms which are fair and reasonable.

### ***6.2 Our work performed on the internal control procedures in respect of the 2024 Products Procurement Master Agreement***

With a view to assessing the reasonableness of the internal control procedures, we have performed the following work and analysis:

- (i) obtained and reviewed internal approval record for the Existing Products Procurement Master Agreement by the Board;

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- (ii) obtained and reviewed 24 transactions/quotations/prevaling marking price, which included, (a) six transactions contemplated under the Existing Products Procurement Master Agreement entered into between members of the Group and the members of the TEDA Holding Group; and (b) quotations/prevaling marking price from independent third parties (the “**Sampled Products Transactions**”). When selecting the samples, we ensured the Sampled Products Transactions covered various months up to 31 October 2024 since the commencement Existing Products Procurement Master Agreement, and that the Sampled Products Transactions also covered transactions via the TEDA E-Commerce Platform and those conducted outside the aforesaid platform;

Based on our work performed and as confirmed by the Management, the Sampled Products Transactions entered into with connected parties were subject to the comparison of three quotations and/or market prices of similar products from independent third parties, which is in line with the internal control requirements, to ensure that the purchase price of the subject products for these Sampled Products Transactions with connected party(ies) were fair and reasonable, and on normal commercial terms or better. Given the above factors and sampling basis, we considered the sampled agreements to be sufficient;

- (iii) for the Sampled Products Transactions entered into with connected parties, we compared (a) the unit price of the relevant products under the transactions with connected parties; against (b) the prevailing market price of the relevant products or the unit price of the relevant products as stated in the quotation of the relevant products provided by the independent third party supplier, and noted that the relevant unit price of the transactions with connected parties under the Sampled Products Transactions are not less favourable than the quotation from independent third party supplier;
- (iv) obtained and reviewed the internal approval records for each of the Sampled Products Transactions entered into with connected parties and noted that they were approved by the management of relevant members of the Group, including, its head of the general management department\* (綜合管理部), production operation department\* (生產運行部), logistics and procurement department\* (物流採購部) or the management of finance department\* (財務部), where applicable;
- (v) obtained and reviewed the September 2024 record for the monitoring of the utilisation of the proposed cap amount by the financial management department of the Group for the year ending 31 December 2024 under the Existing Products Procurement Master Agreement; and

- (vi) the external auditors and audit committee shall check and confirm the transactions contemplated under the 2024 Products Procurement Master Agreement on an annual basis, which is considered to be one of the internal control and reporting procedures governing the compliance of the transactions contemplated under the 2024 Products Procurement Master Agreement. The effective implementation of which shall ensure the subject continuing connected transactions to be conducted on normal commercial terms.

Based on our work and analysis performed as set out above, we considered that effective implementation of these internal control policies would ensure the transactions under the 2024 Products Procurement Master Agreement to be conducted on terms which are fair and reasonable.

**6.3 *Our work performed on the internal control procedures in respect of the 2024 Integrated Services Master Agreement***

- (i) obtained and reviewed internal approval record for the Existing Integrated Services Master Agreement by the Board;
- (ii) obtained and reviewed 15 transactions/quotations in relation to the provision of the integrated services, including, (a) five transactions in progress between members of the Group and the members of the TEDA Holding Group; and (b) relevant quotations provided by independent third party suppliers for comparison purposes, up to 31 October 2024 (the “**Sampled Services Transactions**”). When selecting the samples, we ensured the Sampled Services Transactions covered various months up to 31 October 2024 and that the Sampled Services Transactions also covered transactions with a number of different services. Based on our work performed and as confirmed by the Management, each of the Sampled Services Transactions entered into with connected party(ies) were subject to the comparison of two quotations of comparable services from independent third parties to ensure that the amount charged to the Group for these Sampled Services Transactions by connected party(ies) were fair and reasonable, and on normal commercial terms or better. Given the above factors and sampling basis, we considered the sampled agreements to be sufficient;
- (iii) for the Sampled Services Transactions, we compared (a) the price of the relevant integrated services under the transactions with connected parties; against (b) the relevant quotations of integrated services from two independent third party suppliers for each Sampled Services Transactions, and noted that the relevant price of the Sampled Services Transactions are not less favourable than the quotation provided by the independent third party suppliers;

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- (iv) obtained and reviewed the internal approval records for each of the Sampled Services Transactions entered into with connected parties approved by the management of relevant members of the Group, including, its head of the production safety department\*(安全生產部), equipment engineering department\*(裝備工程部), general management department\*(綜合管理部), general manager office\*(總經理辦公室), the management of finance department\*(財務部)\* or the general manager\*(總經理), where applicable;
- (v) obtained and reviewed the September 2024 record for the monitoring of the utilisation of the proposed cap amount by the financial management department of the Group for the year ending 31 December 2024 under the 2024 Integrated Services Master Agreement; and
- (vi) the external auditors and audit committee shall check and confirm the transactions contemplated under the 2024 Integrated Services Master Agreement on an annual basis, which is considered to be one of the internal control and reporting procedures governing the compliance of the transactions contemplated under the 2024 Integrated Services Master Agreement. The effective implementation of which shall ensure the subject continuing connected transactions to be conducted on normal commercial terms.

Based on our work and analysis performed as set out above, we considered that effective implementation of these internal control policies would ensure the transactions under the 2024 Integrated Services Master Agreement to be conducted on terms which are fair and reasonable.

### **7. The Proposed Annual Caps**

#### **(A) *The 2024 Steam Purchase Master Agreement***

As extracted from in the Letter from the Board, set out below are (i) the historical transaction amounts paid by the Group to the TEDA Holding Group in respect of the transactions contemplated under the Existing Steam Purchase Master Agreement for the two years ended 31 December 2023 and nine months ended 30 September 2024, and (ii) the proposed annual caps for the three years ending 31 December 2027:

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	For the year ended 31 December 2022	For the year ended 31 December 2023	For the nine months ended 30 September 2024
Historical amount <i>(Utilisation rate (%))</i>	RMB1,133,861,000 <i>(84.0%)</i>	RMB947,003,000 <i>(63.1%)</i>	RMB609,710,000 <i>(37.3%) (note 1), on an annualised basis (49.8%) (note 2)</i>
	For the year ending 31 December 2025	For the year ending 31 December 2026	For the year ending 31 December 2027
Proposed annual caps <i>(the “Steam Purchase Annual Caps”)</i>	RMB1,400,000,000 <i>(the “2025 Steam Purchase Annual Cap”)</i>	RMB1,600,000,000 <i>(the “2026 Steam Purchase Annual Cap”)</i>	RMB1,700,000,000 <i>(the “2027 Steam Purchase Annual Cap”)</i>

*Notes:*

1. Based on the historical amount for the nine months ended 30 September 2024.
2. Utilisation based on the annualised amount calculated using the transaction amount for the nine months ended 30 September 2024 is for illustration purposes only and does not represent the actual transaction amount for the year ending 31 December 2024.

The Steam Purchase Annual Caps were determined with reference to the expected demand of Steam and Heat Power Products of the Group from the TEDA Holding Group during the term, the latest government guidance prices for the natural gas and the current transacted coal prices of the local coal exchange or market in the PRC required to produce the Steam and Heat Power Products and the recent market price of such products in the nearby regions. For further details, please refer to the section headed “1. The 2024 Steam Purchase Master Agreement” in the Letter from the Board.

*Our analysis on the Steam Purchase Annual Caps*

As part of our work performed to assess the reasonableness of the Steam Purchase Annual Caps, we have obtained and reviewed the breakdown of each of the 2025 Steam Purchase Annual Cap, 2026 Steam Purchase Annual Cap and 2027 Steam Purchase Annual Cap from the Management (the “**Steam Purchase Annual Caps Breakdown**”).

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With reference to the Letter from the Board and based on the Steam Purchase Annual Caps Breakdown, the Steam Purchase Annual Caps were determined with reference to (i) the historical transaction amount in relation to Steam and Heat Power Products; (ii) the expected increase in demand of and the Company's projection of the purchase volume of Steam and Heat Power Products by the Group from the TEDA Holding Group during the term of the 2024 Steam Purchase Master Agreement; and (iii) the latest government guidance prices for the natural gas, and the current transacted prices of coal in the local coal exchange or market in the PRC, both of which are raw materials required to produce the Steam and Heat Power Products, and the recent market prices of such products in the nearby regions.

It is noted that the historical transaction amounts under the Existing Steam Purchase Master Agreement for the each of the years ended 31 December 2022 and 2023, and the nine months ended 30 September 2024<sup>4</sup> (on an annualised basis) fluctuated between approximately RMB812.9 million to approximately RMB1,133.9 million. As the price of natural gas and coal is market driven and had fluctuated historically, the market price of which are beyond the Company's control and that the price trend may be reversed, under such circumstances the historical price of natural gas and coal, which was one of the factors affecting the utilisation of the historical annual caps, may have its limitations as a price reference going forward, therefore for prudent purposes, we have referred to the high-end of the aforesaid historical transaction amount of approximately RMB1,133.9 million to assess the reasonable of the 2025 Steam Purchase Annual Cap. Given (i) the historical transaction amount of approximately RMB1,133.9 million represents over 80% of the 2025 Steam Purchase Annual Cap; and (ii) the top and bottom range represented a difference of approximately 39.5%, which was mainly attributable to one or more of the following factors, including (a) the purchase price of natural gas/coal generated steam over the subject year; (b) the proportion of natural gas/coal generated steam purchased by the Group over the subject year; and/or (c) the total volume of steam purchased in the subject year. On this basis, the actual transaction amount will fluctuate and the Company needs to ensure the annual cap is able to cater for such fluctuations. Having considered the above factors and analysis, we are of the view that the 2025 Steam Purchase Annual Cap is reasonable.

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<sup>4</sup> This is the calculated annualised amount based on the transaction amount for the nine months ended 30 September 2024 of approximately RMB609,710,000, such is used for illustration purposes only and does not purport the actual transaction amount for the year ending 31 December 2024.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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For the 2026 and 2027 Steam Purchase Annual Caps, which represented a year-on-year increase of approximately 14.3% and 6.3%, respectively. In this connection, we have conducted market research on the price index of natural gas and coal in the PRC. Based on the pricing of the Liquefied Natural Gas<sup>5</sup> (“LNG”)\* (LNG報價資料) published by the Shanghai Petroleum and Gas Exchange\* (上海石油天然氣交易中心), the price of LNG on 1 October 2023 ranged from approximately RMB4,000 to RMB5,500 per tonne compared to approximately RMB4,780 to RMB6,000 per tonne on 30 September 2024, representing a yearly increase of approximately 9.1% to 19.5%. For coal, based on information published on the website of China Coal Transport & Distribution Association\* (中國煤炭市場網), the published price index of the Bohai-Rim Steam-Coal Q5500K spot reference price\* (環渤海動力煤現貨參考價)<sup>6</sup> fluctuated from 981 on 28 September 2023 to 871 on 29 September 2024 representing a fluctuation of approximately 11.2%. Upon further analysis, we noted that as recent as 14 June 2023, the subject spot reference price was 772, the spot reference price on 29 September 2024 is therefore approximately 12.8% higher in comparison, thus this supports our analysis that the price of Bohai-Rim Steam-Coal Q5500K spot reference price\* has fluctuated significantly and the annual caps should have sufficient flexibility to cater for such fluctuations going forward.

Given (i) the rate of increase of the 2026 and 2027 Steam Purchase Annual Cap is within the range of the LNG and coal price fluctuation as analysed above; and (ii) the proposed annual caps require a degree of flexibility to cater for steam to be produced by LNG and/or coal, the actual mix of LNG/coal produced steam of which may change over time, we considered the basis of each of the 2026 and 2027 Steam Purchase Annual Cap to be reasonable.

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<sup>5</sup> Source: [www.shpgx.com/html/zhyhdscjzjg.html](http://www.shpgx.com/html/zhyhdscjzjg.html)

<sup>6</sup> Source: [www.cctd.com.cn/index.php?m=content&c=index&a=lists&catid=470&htmlname=HBHCKJ](http://www.cctd.com.cn/index.php?m=content&c=index&a=lists&catid=470&htmlname=HBHCKJ)

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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**(B) *The 2024 Products Procurement Master Agreement***

As extracted from in the Letter from the Board, set out below are (i) the historical transaction amount paid by the Group to TEDA Holding in respect of the transactions contemplated under the Existing Products Procurement Master Agreement for the one month ended 30 September 2024; and (ii) the proposed annual caps for the three years ending 31 December 2027:

	For the period from 1 September 2024 to 30 September 2024		
Historical amount <i>(Utilisation rate (%))</i>	RMB5,868,000 <i>(9.0%)</i>		
	For the year ending 31 December 2025	For the year ending 31 December 2026	For the year ending 31 December 2027
Proposed annual caps <i>(the “Products Procurement Annual Caps”)</i>	RMB200,000,000 <i>(the “2025 Products Procurement Annual Cap”)</i>	RMB280,000,000 <i>(the “2026 Products Procurement Annual Cap”)</i>	RMB350,000,000 <i>(the “2027 Products Procurement Annual Cap”)</i>

As set out in the Existing Products Procurement Master Agreement, the cap amount for the term thereunder from 1 September 2024 to 31 December 2024 is RMB65,000,000.

As set out in the Letter from the Board, the abovementioned Products Procurement Annual Caps were determined with reference to the historical consumption record and the expected demand of the Products of the Group for the years ending 31 December 2027 and the prevailing market prices offered by independent supplier of the Group for the procurement of similar products. For further details, please refer to the section headed “2. 2024 Products Procurement Master Agreement” in the Letter from the Board.

*Our analysis on the Products Procurement Annual Caps*

The historical transaction amount for the one month ended 30 September 2024 under the Existing Products Procurement Master Agreement was approximately RMB5.9 million. Based on the above, the calculated transaction amount for a year, on an annualised basis, would be approximately RMB70.4 million.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In addition, we also considered that (i) the Existing Products Procurement Master Agreement was only entered into on 29 August 2024. The Management advised that familiarisation of the subject platform/system, initiating purchases via the TEDA E-commerce Platform or via other means, implementation of relevant internal procedures and the roll-out of procurement arrangement took time; (ii) given the reasons under (i), transaction volume is likely to be lower at the beginning (i.e. during the one month ended 30 September 2024), but the Management expects the transaction volume and amount to gradually increase over time as users become more familiar with the TEDA E-commerce Platform, the arrangement and the related procedures; and (iii) the Products under the 2024 Products Procurement Master Agreement shall primarily comprised of printing and packaging materials for pharmaceutical products under the Group's pharmaceutical segment (the "**Pharmaceutical Packaging Materials**"), which should primarily be accounted for under the "cost of sales" balance, and automated equipment and machineries for the Group's pharmaceutical segment and utilities segment (the "**Equipment and Machineries**"), such automated equipment and machineries should primarily be accounted for under the "property, plant and equipment" balance, together they accounted for over 90% of the 2025 Products Procurement Annual Cap, the remaining of the annual cap comprised of office supplies, consumables and spare parts, and other products as may be required by the Group from time to time based on the business and operational needs of the Group.

We noted from information provided by the Management that during the year ended 31 December 2023, around 80% of such packaging materials were sold to independent third parties, with the remaining 20% being sold to (i) members of Tianjin Lisheng Pharmaceutical Co., Ltd. (天津力生製藥股份有限公司) ("**Lisheng**"), being a non-wholly owned listed subsidiary of the Group; and (ii) members of Tianjin Pharmaceutical Group Co., Ltd. (天津市醫藥集團有限公司) (the "**Tianjin Pharmaceutical Group**").

The costs of Pharmaceutical Packaging Materials under the 2025 Products Procurement Annual Cap have been estimated to be in the region of RMB90.0 million. Having considered (i) the purchase of Pharmaceutical Packaging Materials shall facilitate the sale of packaging materials under the Group's pharmaceutical segment; (ii) the value of packaging materials sold to Lisheng and Tianjin Pharmaceutical Group amounted to approximately RMB8.7 million and RMB23.1 million for the year ended 31 December 2023, respectively; (iii) out of the packaging materials sold by the Group, only in the region of 5% were sold to Lisheng, the shares of which are listed on the Shenzhen Stock Exchange, which manufactured, among others, over 8,300 million tablets\* (片劑) and 150 million capsules\* (膠囊), with a revenue of RMB1,153 million during the year ended 31 December 2023, and in the event that Lisheng and/or Tianjin Pharmaceutical Group increases their purchase of processed packaging materials from the Group in the future, our demand of raw materials for packaging may correspondingly increase; (iv) we have conducted research on the PRC pharmaceutical retail market

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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and considered the information contained in a report published by Deloitte in 2024<sup>7</sup>, which sets out, among others, that the PRC pharmaceutical market<sup>8</sup> (中國醫藥銷售市場規模) is expected to experience continuous growth, the estimated corresponding market size is estimated to be approximately US\$192 billion in 2025, and as set out in the aforesaid report, the year-on-year growth is estimated to be approximately 5.4% and 5.1% for 2026 and 2027, respectively. Given the substantial size of the estimated PRC pharmaceutical market as a whole, the Company's potential growth in this segment can be significant; and (v) the expected growth and continuous development of the PRC pharmaceutical market driven by the advancement of medicine as well as the aging population in the PRC, we are of the view that the basis of the estimated costs of Pharmaceutical Packaging Materials under the 2025 Products Procurement Annual Cap is justifiable.

As for the portion of the 2025 Products Procurement Annual Cap attributable to Equipment and Machineries, based on information obtained from the Management, we understand the Group estimated Equipment and Machineries may include, among others, (i) replacement of various units of machineries in relation to the Group's utilities business segment, such included one or more units of the following machineries, among others, low voltage switchgear\* (低壓開關櫃), pilot plants\* (中試裝置) and ozone generators\* (臭氧發生器), a list of the machineries has been obtained from the Management. The estimated costs of the aforesaid machineries listed above, which are the more expensive machineries, have an estimated costs of RMB0.7 million and above per unit, with the most expensive unit being more than RMB1.9 million, the estimated total cost of machineries in the region of RMB18.0 million in total; and (ii) machineries for automation of production lines in relation to the Group's pharmaceutical business segment, such machineries included, among others, offset printing press\* (膠刷機), waste cleaning die cutting machine\* (全清廢模切機), inkjet equipment\* (噴碼機) and box pasting machine\* (糊盒機), a list of the machineries has been obtained from the Management, the estimated costs of these machineries ranged from RMB0.1 million to not more than RMB18.0 million per unit, which is estimated to cost in the region of RMB52.0 million in total.

As for the 2026 and 2027 Products Procurement Annual Cap, we have reviewed (i) the cost of sales of the Group, which amounted to approximately HK\$2,694.7 million and HK\$2,328.3 million for the year ended 31 December 2022 and 2023; and (ii) the additions to the property, plant and equipment of the Group ranged from approximately HK\$119.8 million to approximately HK\$167.1 million for the years ended 31 December 2022 and 2023 (together the "**Historical Relevant Balances**"). The 2026 and 2027 Products Procurement Annual Cap of RMB280.0 million and RMB350.0 million represents approximately 9.8% and 12.2% of the higher end of the Historical Relevant Balances, respectively.

<sup>7</sup> Source: [www2.deloitte.com/content/dam/Deloitte/cn/Documents/life-sciences-health-care/deloitte-cn-lshc-rising-star-2023-zh-240130.pdf](http://www2.deloitte.com/content/dam/Deloitte/cn/Documents/life-sciences-health-care/deloitte-cn-lshc-rising-star-2023-zh-240130.pdf)

<sup>8</sup> The market sizing of the PRC pharmaceutical retail market does not include distribution channels into hospitals and have not taken into consideration Chinese medicine or supplements.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Given (i) the basis and our work performed on the breakdown and significant components of the annual caps; (ii) the relevant annual caps represent a moderate percentage of the Historical Relevant Balances respectively as calculated above; (iii) the transactions under the 2024 Products Procurement Master Agreement shall be conducted on terms no less favourable than similar transactions with independent third parties; (iv) the Group has the rights but not the obligation to carry out transactions under the 2024 Products Procurement Master Agreement; and (v) our analysis and assessment on the reasonableness of the annual caps based on historical transaction amounts as well as the potential demands as set out above, we are of the view that the basis of the Products Procurement Annual Caps is fair and reasonableness.

**(C) *The 2024 Integrated Services Master Agreement***

As extracted from in the Letter from the Board, set out below are (i) the historical transaction amount paid by the Group to TEDA Holding in respect of the transactions contemplated under the Existing Integrated Services Master Agreement for the one month ended 30 September 2024, and (ii) the proposed annual caps for the three years ending 31 December 2024:

	For the period from 1 September 2024 to 30 September 2024		
	For the year ending 31 December 2025	For the year ending 31 December 2026	For the year ending 31 December 2027
Historical amount			RMB1,401,000
Proposed annual caps (the “ <i>Integrated Services Annual Caps</i> ”)	RMB150,000,000 (the “ <i>2025 Integrated Services Annual Cap</i> ”)	RMB180,000,000 (the “ <i>2026 Integrated Services Annual Cap</i> ”)	RMB200,000,000 (the “ <i>2027 Integrated Services Annual Cap</i> ”)

As set out in the Existing Integrated Services Master Agreement, the cap amount for the term thereunder from 1 September 2024 to 31 December 2024 is RMB17,000,000.

As set out in the Letter from the Board, the abovementioned Integrated Services Annual Caps were determined with reference to, including, the historical consumption record of the Integrated Services and the price offered by independent services providers of the Group for providing similar services. For further details, please refer to the section headed “3. 2024 Integrated Services Master Agreement” in the Letter from the Board.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Our analysis on the Integrated Services Annual Caps*

We have obtained and reviewed the annual cap breakdown for the 2024 Integrated Services Master Agreement from the Management (the “**Integrated Services Annual Cap Schedule**”). From our review of the Integrated Services Annual Cap Schedule, we noted that the Management expects the integrated services to cover a wide range of services, including but not limited to, construction contracting services, property management services, labour works, greenery services, canteen management services, costs advisory services and tender agency services, etc. Out of the aforesaid services, the largest contributors are expected to be construction contracting services and property management services, which is estimated to contribute in the region of 80% of the 2025 Integrated Services Annual Cap, in aggregate.

We noted from the Integrated Services Annual Cap Schedule that the construction contracting services may comprise of, where applicable, (i) facility repair and maintenance services; (ii) construction and engineering works; (iii) surveying services; (iv) construction supervisory services; and (v) audit of construction works. The Management estimates that the Group would undertake a sizeable replacement/redevelop construction projects\* (重置項目), which comprised not less than 10 different type of contracting works / components and not less than 10 new construction projects (together the “**Construction Contracting Services/Works**”) under its utilities segment and pharmaceutical segment, that may require construction contracting services. It is estimated that the largest five Construction Contracting Services/Works by estimated cost, ranged from more than RMB5 million to not more than RMB25 million, subject to the relevant work scope, required services, scale and timeline of the subject project. The aforesaid largest five Construction Contracting Services/Works comprised, among others, factory redevelop/renovation project\* (廠房工程改造項目), transportation management centre heat pipe network repair and maintenance services\* (運管中心熱力管網大修、檢修及搶修專案外委施工) and the replacement of regulating reservoir\* (調節池).

As for the property management services, the Management advised that such may comprise of, where applicable, (i) general day-to-day management services relating to a property; (ii) management of the environment of a property; (iii) repair, maintenance and improvement of a property; (iv) facility management relating to a property; (v) human resources management relating to personnel involved in the management of a property; and (vi) other ancillary management services relating to a property. The Management estimates that the Group would require property management services for the facilities and offices at the water treatment plant as well as its pharmaceutical factories with an aggregate site area of over 170,000 square metres, with an estimated management fee per square metre in the region of RMB7 per square metre per month.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In addition to our analysis above, we also noted that the costs associated with the construction contracting services accounted for in the region of 70% of the 2025 Integrated Services Annual Cap, which was primarily accounted for under the cost of sales or under property, plants and equipment of the Group. For information purposes only, the cost of sales of the Group and additions to the property, plants and equipment amounted to approximately HK\$2,328.3 million and HK\$119.8 million for the year ended 31 December 2023 (together the “**2023 Costs Balance**”). Based on the above, the estimated costs associated with the construction contracting services under the 2025 Integrated Services Annual Cap represents less than 5% of the 2023 Costs Balance. As for the other integrated services under the 2025 Integrated Services Annual Cap, the majority of which should be accounted for under the general and administrative expenses of the Group. For information purposes only, the general and administrative expenses of the Group amounted to approximately HK\$409.5 million for the year ended 31 December 2023 (the “**2023 G&A Expenses**”). Based on the above, the estimated costs associated with other integrated services under the 2025 Integrated Services Annual Cap represents less than 10% of the 2023 G&A Expenses. Having considered the basis of the 2025 Integrated Services Annual Cap and the costs associated with the relevant integrated services represent only a moderate percentage of, where applicable, the 2023 Cost of Sales/the 2023 G&A Expenses, we consider the basis of the 2025 Integrated Services Annual Cap to be reasonable.

The 2026 Integrated Services Annual Cap and the 2027 Integrated Services Annual Cap represent a year-on-year increase of approximately 20.0% and 11.1%, respectively. Given the cost components of construction contracting and property management services, the two largest components of the annual caps by amount, are mainly driven by labour costs, we have conducted research into the movement in salary in Tianjin. Based on statistics published by the Census and Statistics of the Tianjin government\* (天津市統計局) in June 2024, the average salary of employees for non-government positions in cities\* (城鎮私營單位就業人員年平均工資) increased by approximately 8.5% from 2022 to 2023, and more specifically for the relevant services, such as, electricity, heat, gas and water production and supply industry\* (電力, 熱力, 燃氣及水生產和供應業), water conservancy, environment and public facilities management industry\* (水利環境和公共設施管理業) and residential repair services and other services\* (居民服務維修和其他服務業), increased by approximately 8.4% to 16.7%. Furthermore, the Company also needs to take into account of non-routine repair and maintenance services attributable to unforeseeable circumstances and/or on an emergency basis, in particular, as it is of paramount importance that the Group maintains its operational capacities and capabilities for its utility services related operations without any prolonged disruptions with a view to avoid circumstances which the utilities services to be provided to the public is adversely impacted. Hence, a degree of flexibility should be incorporated in the annual caps to ensure any related contracting services are carried out in a timely manner. On this basis, we are of the view that the growth rate and the basis of the 2026 Integrated Services Annual Cap and the 2027 Integrated Services Annual Cap to be fair and reasonable.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### RECOMMENDATION

Having taken into account the above principal factors and reasons, we are of the view that (i) the entering into of the 2024 Non-exempt Master Agreements and the respective transactions contemplated thereunder (including the Proposed Annual Caps) is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole; and (ii) the terms of the 2024 Non-exempt Master Agreements and the respective transactions contemplated thereunder (including the Proposed Annual Caps) are on normal commercial terms that are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the 2024 Non-exempt Master Agreements and the respective transactions contemplated thereunder (including the Proposed Annual Caps).

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 17 years of experience in the corporate finance industry.*

\* *For identification purpose only*

## 1. RESPONSIBILITY STATEMENT

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

## 2. DISCLOSURE OF 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:

<b>Name of Director</b>	<b>Name of company</b>	<b>Position</b>
Mr. Teng Fei	Tianjin TEDA Industrial Group Co., Ltd. (天津泰達實業集團有限公司) ("TEDA Industrial")	Director and general manager
	Tianjin Bohai	Director and general manager
	Tsinlien Group Company Limited (津聯集團有限公司) ("Tsinlien")	Director and general manager

Name of Director	Name of company	Position
Dr. Zhai Xinxiang	TEDA Industrial	Deputy general manager
	Tsinlien	Director and deputy general manager
Mr. Sun Lijun	TEDA Industrial	Financial controller
	Tianjin Bohai	Supervisor
	Tsinlien	Financial controller

### 3. 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 2023, 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.

### 4. 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.

### 5. 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.

### 6. DIRECTORS' INTERESTS IN COMPETING BUSINESS

Mr. Teng Fei is a director and general manager of TEDA Industrial and Tianjin Bohai which, through certain of their 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 TEDA Industrial and Tianjin Bohai.



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 pursuant to Rule 8.10 of the Listing Rules.

#### 7. 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 2023, being the date to which the latest published audited consolidated financial statements of the Company were made up.

#### 8. QUALIFICATION AND CONSENT OF EXPERT

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

<b>Name</b>	<b>Qualification</b>
Red Sun Capital	a corporation licensed by the SFC for carrying out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

The Independent Financial Adviser 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 as set out in this circular.

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

As at the Latest Practicable Date, the Independent Financial Adviser did not have any direct or indirect interest in any assets which have been, since 31 December 2023, 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(s) of the Group, or were proposed to be acquired or disposed of by or leased to any member(s) of the Group.

**9. DOCUMENTS ON DISPLAY**

Copies of the following documents will be published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.tianjindev.com](http://www.tianjindev.com)) during the period of 14 days from the date of this circular:

- (a) the 2024 Steam Purchaser Master Agreement;
- (b) the 2024 Products Procurement Master Agreement;
- (c) the 2024 Integrated Services Master Agreement;
- (d) the letter from the Independent Board Committee, the full text of which is set out on page 23 of this circular; and
- (e) the letter from the Independent Financial Adviser, the full text of which is set out on pages 24 to 52 of this circular.

**10. MISCELLANEOUS**

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

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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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 (the “EGM”) of Tianjin Development Holdings Limited (天津發展控股有限公司) (the “**Company**”) will be held by way of a virtual meeting on 30 December 2024 (Monday) at 3:00 p.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolutions as ordinary resolution of the Company:

#### ORDINARY RESOLUTIONS

1. “**THAT:**

- (a) the 2024 Steam Purchase Master Agreement (as defined and described in the circular of the Company dated 5 December 2024 (the “**Circular**”), a copy of the 2024 Steam Purchase Master Agreement marked “**A**” together with a copy of the Circular marked “**B**” are produced to the meeting and initialled by the chairman of the meeting for the purpose of identification) and the transactions contemplated thereunder (including the proposed annual caps) be and are hereby approved, confirmed and ratified; and
- (b) any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are 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 or they may in his or their absolute discretion consider to be necessary, desirable, appropriate or expedient to implement and/or give effect to the 2024 Steam Purchase Master Agreement and the transactions contemplated thereunder (including the proposed annual caps) and all matters incidental to, ancillary to or in connection with the matters contemplated therein.”

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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2. **“THAT:**

- (a) the 2024 Products Procurement Master Agreement (as defined and described in the Circular, a copy of the 2024 Products Procurement Master Agreement marked “C” is produced to the meeting and initialled by the chairman of the meeting for the purpose of identification) and the transactions contemplated thereunder (including the proposed annual caps) be and are hereby approved, confirmed and ratified; and
- (b) any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are 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 or they may in his or their absolute discretion consider to be necessary, desirable, appropriate or expedient to implement and/or give effect to the 2024 Products Procurement Master Agreement and the transactions contemplated thereunder (including the proposed annual caps) and all matters incidental to, ancillary to or in connection with the matters contemplated therein.”

3. **“THAT:**

- (a) the 2024 Integrated Services Master Agreement (as defined and described in the Circular, a copy of the 2024 Integrated Services Master Agreement marked “D” is produced to the meeting and initialled by the chairman of the meeting for the purpose of identification) and the transactions contemplated thereunder (including the proposed annual caps) be and are hereby approved, confirmed and ratified; and
- (b) any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are 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 or they may in his or their absolute discretion consider to be necessary, desirable, appropriate or expedient to implement and/or give effect to the 2024 Integrated Services Master Agreement and the transactions contemplated thereunder (including the proposed annual caps) and all matters incidental to, ancillary to or in connection with the matters contemplated therein.”

By Order of the Board  
**Tianjin Development Holdings Limited**  
**Teng Fei**  
*Chairman and Executive Director*

Hong Kong, 5 December 2024

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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*Notes:*

- (1) Registered Shareholders are requested to provide a valid email address of himself/herself/itself or his/her/its proxy (except for the appointment of the chairman of the EGM as proxy) to receive the login access code to participate online in Tricor e-Meeting System.

Registered Shareholders will be able to attend the EGM, vote and submit questions online via the designated website (<https://spot-emeeting.tricor.hk>) by using the username and password provided on the notification letter sent by the Company's share registrar.

Non-registered Shareholders whose Shares are held in the Central Clearing and Settlement System through banks, brokers, custodians or Hong Kong Securities Clearing Company Limited may also be able to attend the EGM, vote, call to raise questions and submit questions online. In this regard, they should consult directly with their banks, brokers, custodians, nominees or HKSCC Nominees Limited through which their shares are held (as the case may be) (collectively the "Intermediary") and instruct the Intermediary to appoint them as proxy or corporate representative to attend and vote at the EGM electronically and in doing so, they will be asked to provide their email address, before the time limit required by the relevant Intermediary. Details regarding the Tricor e-Meeting System including the login details will be emailed to them by the Company's share registrar, Tricor Tengis Limited.

- (2) Any member of the Company entitled to attend and vote at the EGM 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.
- (3) 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 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong or via the designated website (<https://spot-emeeting.tricor.hk>) by using the username and password provided on the notification letter sent by the Company's share registrar no later than 3:00 p.m. on 27 December 2024 (Friday), or in case of any adjournment of the EGM, not less than 48 hours (exclusive of any part of a day that is a public holiday) before the time appointed for the holding of the adjourned meeting. Completion and return of the form of proxy will not preclude a member from attending and voting through Tricor e-Meeting System at the meeting, and in such event, the form of proxy shall be deemed to be revoked.
- (4) Where there are joint registered holders of any shares of the Company, any one of such persons may vote at the EGM (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 EGM 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.
- (5) The register of members of the Company will be closed from 23 December 2024 (Monday) to 30 December 2024 (Monday), both days inclusive, during which period no transfer of shares will be registered. In order to determine the entitlement to attend and vote at the EGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Tengis Limited at 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on 20 December 2024 (Friday).
- (6) All the resolutions set out in this notice will be decided by poll.

*As at the date of this notice, the Board of the Company consists of Mr. Teng Fei, Dr. Zhai Xinxiang, Mr. Sun Lijun\*, Ms. Ng Yi Kum, Estella\*\*, Mr. Wong Shiu Hoi, Peter\*\*, Mr. Lau Ka Keung\*\* and Mr. Sin Hendrick\*\*.*

\* *non-executive director*

\*\* *independent non-executive director*