THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 03382)

(1) REVISION OF ANNUAL CAPS IN RELATION TO 2020 NON-EXEMPT FRAMEWORK AGREEMENTS; (2) RENEWAL OF CONTINUING CONNECTED TRANSACTIONS IN RELATION TO 2023 NON-EXEMPT FRAMEWORK AGREEMENTS AND (3) NOTICE OF EXTRAORDINARY GENERAL MEETING

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

華升資本
CHINA SUNRISE CAPITAL

A letter from the Board is set out on pages 6 to 42 of this circular. A letter from the Independent Board Committee is set out on pages 43 to 44 of this circular. A letter from China Sunrise Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, is set out on pages 45 to 95 of this circular.

A notice convening the EGM to be held on the Victoria Room I, 3/F, Regal Hongkong Hotel, No. 88 Yee Wo Street, Causeway Bay, Hong Kong on Friday, 1 December 2023 at 3:00 p.m. is set out on pages EGM-1 to EGM-4 of this circular. A form of proxy for use at the EGM (or any adjournment thereof) is also enclosed.

Whether or not you are able to attend the EGM, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time scheduled for holding the EGM (or any adjournment thereof). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM (or any adjournment thereof) should you so wish.

Hong Kong, 13 November 2023

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

"2020 Integrated Services Framework Agreement"	a framework agreement dated 28 September 2020 entered into between the Company and Tianjin Port Group in relation to the provision of utilities and supporting services by the Tianjin Port Group Companies to the Group;
"2020 Non-exempt Framework Agreements"	the 2020 Procurement Framework Agreement, the 2020 Property and Assets Lease Framework Agreement and the 2020 Integrated Services Framework Agreement;
"2020 Procurement Framework Agreement"	a framework agreement dated 28 September 2020 entered into between the Company and Tianjin Port Group in relation to the purchase of products including port machinery, equipment and working tools, materials and other products by the Group from the Tianjin Port Group Companies;
"2020 Property and Assets Lease Framework Agreement"	a framework agreement dated 28 September 2020 entered into between the Company and Tianjin Port Group in relation to the leasing of freight yards, warehouses, office buildings, facilities and equipment in Tianjin Binhai New Area from the Tianjin Port Group Companies to the Group;
"2023 Integrated Services Framework Agreement"	a framework agreement dated 25 September 2023 entered into between the Company and Tianjin Port Group in relation to the provision of utilities and supporting services by the Tianjin Port Group Companies to the Group;
"2023 Non-exempt Framework Agreements"	the 2023 Procurement Framework Agreement, the 2023 Property Lease (Right-of-use Assets) Framework Agreement and the 2023 Integrated Services Framework Agreement;
"2023 Procurement Framework Agreement"	a framework agreement dated 25 September 2023 entered into between the Company and Tianjin Port Group in relation to the purchase of products (including port machinery, equipment and working tools, materials and other products) by the Group from the Tianjin Port Group Companies;

"2023 Property Lease (Right-of-use Assets) Framework Agreement"	a framework agreement dated 25 September 2023 entered into between the Company and Tianjin Port Group for the Right-of-use Assets Leases in respect of leasing freight yards, warehouses, office buildings, facilities and equipment in Tianjin Binhai New Area from the Tianjin Port Group Companies to the Group and in relation to leases which are required to be recognised as right-of-use assets according to HKFRS 16 and with the agreement of the auditor of the Company, including but not limited to a lease with a lease term of more than 12 months;
"Announcement"	the announcement dated 25 September 2023 of Company in relation to, among other things, the Revision of Annual Caps and the Renewal of Continuing Connected Transactions;
"associate(s)"	has the same meaning as defined in the Listing Rules;
"Board"	the board of Directors;
"Company"	Tianjin Port Development Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 03382);
"connected person(s)"	has the meaning ascribed to it under the Listing Rules;
"controlling Shareholder"	has the meaning ascribed to it under the Listing Rules;
"Director(s)"	the director(s) of the Company;
"EGM" or "Extraordinary General Meeting"	the extraordinary general meeting of the Company to be held on Friday, 1 December 2023 at 3:00 p.m. for the purpose of considering and, if thought fit, approving the Revision of Annual Caps and the Renewal of Continuing Connected Transactions;
"Group"	the Company and its subsidiaries;
"HKFRS 16"	the Hong Kong Financial Reporting Standard 16 "Leases" (as amended from time to time);
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;

"Independent Board Committee"	the independent committee of the Board comprising all the independent non-executive Directors, which has been established to advise the Independent Shareholders in respect of the Revision of Annual Caps and the Renewal of Continuing Connected Transactions;
"Independent Financial Adviser" or "China Sunrise Capital"	China Sunrise 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 the Independent Board Committee and the Independent Shareholders in respect of the Revision of Annual Caps and the Renewal of Continuing Connected Transactions;
"Independent Shareholders"	Shareholders other than (a) Tianjin Port Group and its associates and (b) any other Shareholder who has (or who is an associate of any person who has) a material interest in the Revision of Annual Caps and/or the Renewal of Continuing Connected Transactions (as the case may be);
"Latest Practicable Date"	7 November 2023, 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;
"PRC"	the People's Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan;
"PRC State Prescribed Price(s)"	the price(s) that are set by or with reference to the relevant laws, regulations, determination, orders or policies issued by the relevant departments of the PRC government;
"Proposed Annual Cap(s)"	the proposed annual cap(s) for the three years ending 31 December 2026;
"Proposed Revised 2023 Annual Cap(s)"	the proposed revised annual cap(s) for the year ending 31 December 2023;

"Renewal of Continuing Connected Transactions"	collectively, the entering into of the 2023 Non-exempt Framework Agreements and the transactions contemplated thereunder and the adoption of the relevant Proposed Annual Caps;
"Revision of Annual Caps"	collectively, the revision of the relevant existing annual caps for the year ending 31 December 2023 to the relevant Proposed Revised 2023 Annual Caps for the 2020 Non-exempt Framework Agreements;
"Right-of-use Assets Leases"	leases with a lease term of more than 12 months which, pursuant to HKFRS 16, are recognised as right-of-use assets and lease liabilities in the consolidated statement of financial position when the leased assets are available for use by the Group, and are recognised as depreciation of right-of-use assets and interest expenses on lease liabilities in the consolidated income statement;
"RMB"	Renminbi, the lawful currency of the PRC;
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company;
"Shareholder(s)"	the shareholder(s) of the Company;
"Short-term Leases"	leases with a lease term of 12 months or less and leases of low value assets, payments for which, according to HKFRS 16, are recognised as rental expenses in the consolidated income statement;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"TDRC"	Tianjin Development and Reform Commission（天津市發展和改革委員會）;
"Tianjin Port Group"	天津港（集團）有限公司 (Tianjin Port (Group) Co., Ltd.*), an entity reorganised as a wholly state-owned company in the PRC on 29 July 2004 and holding the business owned and operated by the former government regulatory body of the port of Tianjin; and the indirect holder of 53.5% of the issued share capital of the Company as at the Latest Practicable Date;
"Tianjin Port Group Companies"	Tianjin Port Group and its associates;

"Transactions"	the transactions conducted and/or contemplated under the 2020 Non-exempt Framework Agreements and the 2023 Non-exempt Framework Agreements; and
"%"	per cent.

* *For identification purposes only*

Unless otherwise stated, in the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.

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

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

Executive Directors:
CHU Bin (*Chairman*)
LUO Xunjie (*Managing Director*)
TENG Fei
SUN Bin
LOU Zhanshan
YANG Zhengliang

Independent Non-executive Directors:
Japhet Sebastian LAW
CHENG Chi Pang, Leslie
ZHANG Weidong
LUO Laura Ying

Registered Office:
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PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

Principal Place of Business in Hong Kong:
Suite 3904-3907, 39/F.
Tower Two, Times Square
1 Matheson Street
Causeway Bay, Hong Kong

13 November 2023

To the Shareholders

Dear Sir or Madam,

(1) REVISION OF ANNUAL CAPS IN RELATION TO 2020 NON-EXEMPT FRAMEWORK AGREEMENTS; (2) RENEWAL OF CONTINUING CONNECTED TRANSACTIONS IN RELATION TO 2023 NON-EXEMPT FRAMEWORK AGREEMENTS AND (3) NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the Announcement of the Company dated 25 September 2023 in relation to, among other things, (1) the Revision of Annual Caps and (2) the Renewal of Continuing Connected Transactions, for which the Company shall seek the Independent Shareholders' approval at the EGM pursuant to the requirements under the Listing Rules.

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

(a) details of the revision of the relevant existing annual caps for the year ending 31 December 2023 under the 2020 Non-exempt Framework Agreements to the relevant Proposed Revised 2023 Annual Caps;

(b) details of the terms of the 2023 Non-exempt Framework Agreements, and the relevant Proposed Annual Caps;

(c) a letter from the Independent Board Committee to the Independent Shareholders in respect of the Revision of Annual Caps and the Renewal of Continuing Connected Transactions (including the adoption of the relevant Proposed Annual Caps);

(d) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Revision of Annual Caps and the Renewal of Continuing Connected Transactions (including the adoption of the relevant Proposed Annual Caps); and

(e) a notice of the EGM.

REVISION OF ANNUAL CAPS TO THE PROPOSED REVISED 2023 ANNUAL CAPS FOR 2020 NON-EXEMPT FRAMEWORK AGREEMENTS

1. Background

Reference is made to the announcement of the Company dated 28 September 2020 where it was announced, among other things, that the Company entered into the 2020 Non-exempt Framework Agreements with Tianjin Port Group.

References are also made to the announcement of the Company dated 28 April 2021 in relation to the revision of the annual caps for the 2020 Procurement Framework Agreement and the announcement of the Company dated 15 December 2022 in relation to the revision of the annual caps for the 2020 Property and Assets Lease Framework Agreement.

As disclosed in the Announcement, the Board has been monitoring the continuing connected transactions of the Group and expects that the existing annual caps for the year ending 31 December 2023 under the 2020 Non-exempt Framework Agreements will be insufficient and hence the Board proposes the revision of the relevant existing annual caps.

Other than the revision of the relevant existing annual caps for the year ending 31 December 2023 to the Proposed Revised 2023 Annual Caps, all other terms and conditions under each of the 2020 Non-exempt Framework Agreements (namely, the 2020 Procurement Framework Agreement, the 2020 Property and Assets Lease Framework Agreement and the 2020 Integrated Services Framework Agreement), remain unchanged.

2. The 2020 Procurement Framework Agreement

The principal terms of the 2020 Procurement Framework Agreement are as follows:

(a) Principal terms

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

Nature of the transactions:

The Group purchases products from the Tianjin Port Group Companies, including port machinery, equipment and working tools, materials, software, office equipment and such products as required by the Group from time to time.

Pricing determination:

Prices are determined with reference to (i) the types and qualities of the products, the relevant comparable market prices of the similar products; and (ii) the quantities of the products.

The terms of the transactions for the purchase of products by the Group from the Tianjin Port Group Companies shall be no less favourable to the Group than those for the purchase of products by the Group from independent third-party suppliers.

Payment terms:

Payments will be made by the Group to the Tianjin Port Group Companies on a one-off or monthly basis, or in accordance with the payment terms agreed by the relevant parties in the contracts to be entered into pursuant to this framework agreement.

(b) Historical transaction amounts and Proposed Revised 2023 Annual Cap

Set out below are the historical transaction amounts under the 2020 Procurement Framework Agreement for the two years ended 31 December 2021 and 2022 and the eight months ended 31 August 2023, and its existing annual cap for the year ending 31 December 2023 and its Proposed Revised 2023 Annual Cap.

Historical transaction amounts *(RMB in thousands)*			**Annual cap** *(RMB in thousands)*	
For the year ended 31 December 2021	**For the year ended 31 December 2022**	**For the eight months ended 31 August 2023**	**Existing annual cap for the year ending 31 December 2023**	**Proposed Revised 2023 Annual Cap**
31,739	146,519	57,308	150,000	300,000

Set out below are the utilisation rates under the 2020 Procurement Framework Agreement for the two years ended 31 December 2021 and 2022 and the eight months ended 31 August 2023.

	For the year ended 31 December 2021	**For the year ended 31 December 2022**	**For the eight months ended 31 August 2023**
Historical transaction amounts *(RMB in thousands)*	31,739	146,519	57,308
Existing approved annual cap *(RMB in thousands)*	140,000	150,000	150,000
Utilisation rate	22.7%	97.7%	38.2%

(c) Basis of the Proposed Revised 2023 Annual Cap

The Proposed Revised 2023 Annual Cap under the 2020 Procurement Framework Agreement is determined with reference to, among other things, the following factors:

(i) the historical transactions and transaction amounts for the purchase of products;

(ii) the expectation on the demand for products in light of the expected business growth of the Group;

(iii) the anticipated annual inflation rate of 3.0% in 2023, with reference to the 2023 State Council Government Work Report which expected that the consumer prices in the PRC will increase by 3.0% in 2023;

(iv) the Group's plans to further purchase the new system software and the related hardware to enhance the intelligence of port operation; and

(v) the anticipated demand for the purchase of products by the Group, which has exceeded the initial expectation of the Group.

While the transaction amounts for the eight months ended 31 August 2023 have not reached the existing annual cap for the year ending 31 December 2023, further transactions are expected to be entered into before the end of 2023.

Transactions to be entered into before the end of 2023 under the existing projects

Based on the utilisation rate of nearly 98% for the year ended 31 December 2022, it is estimated that the total amount of all transactions under the existing projects will amount to approximately RMB150 million by the end of 2023. On top of the approximately RMB57 million worth of transactions that have been recorded up to 31 August 2023, it is expected that an additional approximately RMB70 million worth of transactions under the existing projects will be entered into before the end of 2023, such as the procurement of office equipment and purchase of products.

The existing projects include the transactions that were originally contemplated under the 2020 Procurement Framework Agreement, along with the transactions that were not contemplated under the 2020 Procurement Framework Agreement but were entered into by Tianjin Port Euroasia International Container Terminal Co., Ltd. ("**Euroasia**") and Tianjin Port Alliance International Container Terminal Co., Ltd. ("**Alliance**") with Tianjin Port Group Companies.

The existing annual cap for the year ending 31 December 2023 was determined in 2020 and subsequently revised on 28 April 2021, neither of which had taken into consideration the acquisition of Euroasia and Alliance, the completion of which took place after such annual caps had been determined or revised (as the case may be). The Group has completed the acquisition of 30% and 20% of equity interests of Euroasia and Alliance respectively over the past 2 years. Since then, Euroasia and Alliance have become the subsidiaries of the Company and their transactions with Tianjin Port Group Companies are now considered as connected transactions and form part of the Transactions.

In other words, the existing annual cap was determined on the basis that the transactions between Euroasia or Alliance as a party and Tianjin Port Group Companies as the other party would not contribute to the transactions contemplated under the 2020 Procurement Framework Agreement. In 2023, the transactions between Euroasia and the Tianjin Port Group Companies and Alliance and Tianjin Port Group Companies which fall within the ambit of the 2020 Procurement Framework Agreement in aggregate are estimated to contribute approximately RMB22 million to the Proposed Revised 2023 Annual Cap.

Transactions to be entered into before the end of 2023 under (A) new projects to be commenced in late 2023 and (B) early-completed projects

Apart from the transactions to be entered into before the end of 2023 under the existing projects, several procurement projects are scheduled to commence or are expected to be completed by the end of 2023, with an estimated total amount of RMB139 million. These procurement projects include but are not limited to:–

(1) purchase of several systems for intelligent automation, amounting to approximately RMB50 million in 2023, among which:–

   (a) the automated container terminal operating system, the total contract sum of which is approximately RMB80 million with the whole project to be commenced by the end of 2023 and expected to be completed in 2025, will amount to approximately RMB30 million in 2023;

   (b) Tianjin port loading and unloading sector integrated fee collection management and control platform and other system development, the whole project of which is expected to be completed by 2023, will amount to approximately RMB8 million in 2023;

   (c) digital petrochemical terminal production management and control platform, the development of which is expected to be completed by the end of 2023, will amount to approximately RMB5 million in 2023; and

   (d) the intelligent collaborative dispatching platform, the total contract sum of which is approximately 10 million with the whole project expected to be completed by the end of 2023, will amount to approximately RMB4 million in 2023;

(2) procurement of shore-based power supply system for promoting the construction of green port, which will amount to approximately RMB5 million and the project is expected to be completed within one year; and

(3) modification of existing equipment in order to upgrade the existing facilities amounted to approximately RMB34 million.

Besides, the Group is expected to purchase approximately an additional RMB50 million worth of fuels from Tianjin Port Group Companies by the end of 2023. The Group's procurement has shifted from relying on third-party suppliers to Tianjin Port Group Companies, considering that the prices in the quotations from Tianjin Port Group Companies are generally lower than the PRC State Prescribed Price. The terms of the transactions for the purchase of products by the Group from the Tianjin Port Group Companies shall be no less favourable to the Group than those for the purchase of products by the Group from independent third-party suppliers.

In light of all the above factors, it is expected that the transaction amounts under the 2020 Procurement Framework Agreement will exceed the existing annual cap for the year ending 31 December 2023 by the end of 2023 and the Proposed Revised 2023 Annual Cap has been determined to cover all transactions that will be actually entered into under the 2020 Procurement Framework Agreement.

Moreover, pursuant to the internal control measures that are consistently adopted, the Company has been monitoring the transaction amounts under the 2020 Procurement Framework Agreement closely to ensure that such transaction amounts will not exceed the annual cap, unless and until the annual cap has been revised. In fact, the need for subsidiaries of the Company to enter into further transactions under the 2020 Procurement Framework Agreement with Tianjin Port Group Companies is imminent. Once the Proposed Revised 2023 Annual Cap is approved and adopted by the Independent Shareholders at the EGM, the Company expects that further transactions under the 2020 Procurement Framework Agreement will be entered into before the end of 2023.

In other words, if the Proposed Revised 2023 Annual Cap under the 2020 Procurement Framework Agreement is not approved by the Independent Shareholders at the EGM, some of the new projects or even existing projects could not proceed for the reason that the transactions contemplated under the 2020 Procurement Framework Agreement will exceed its annual cap for the financial year ending 31 December 2023.

(d) Reasons for and benefits of revision of annual cap to the Proposed Revised 2023 Annual Cap for the 2020 Procurement Framework Agreement

The Tianjin Port Group Companies are reliable and co-operative suppliers and have been able to meet the stringent requirements of the Group for the products sold by them to the Group. The purchase of products by the Group from the Tianjin Port Group Companies at market price, on normal commercial terms and terms that are no less favourable to the Group than those offered by independent third parties, and purchasing products from reliable and co-operative suppliers (such as the Tianjin Port Group Companies) is in the interests of the Group and the Shareholders as a whole. The revision of the relevant annual cap will allow the Group to continue to leverage on the services which the Group requires for its operations.

3. The 2020 Property and Assets Lease Framework Agreement

The principal terms of the 2020 Property and Assets Lease Framework Agreement are as follows:

(a) Principal terms

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

Nature of the transactions:

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

Pricing determination:

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

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

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

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

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

Payment terms:

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

(1) Freight yards and warehouses: payment on a monthly, quarterly or half-yearly basis.

(2) Office buildings: payment on a half-yearly or annual basis.

(3) Facilities and equipment: payment on a monthly, quarterly, half-yearly or annual basis, depending on the type of facilities and equipment.

(b) Historical transaction amounts and Proposed Revised 2023 Annual Caps

Set out below are the historical transaction amounts under the 2020 Property and Assets Lease Framework Agreement for the two years ended 31 December 2021 and 2022 and the eight months ended 31 August 2023, and its existing annual caps for the year ending 31 December 2023 and its Proposed Revised 2023 Annual Caps.

	Historical transaction amounts *(RMB in thousands)*			**Annual caps** *(RMB in thousands)*	
	For the year ended 31 December 2021	**For the year ended 31 December 2022**	**For the eight months ended 31 August 2023**	**Existing annual caps for the year ending 31 December 2023**	**Proposed Revised 2023 Annual Caps**
Right-of-use Assets Leases	70,453	4,885	–	226,000	525,000
Short-term Leases	38,671	32,430	28,293	42,000	85,000

Set out below are the utilisation rates under the 2020 Property and Assets Lease Framework Agreement for the two years ended 31 December 2021 and 2022 and the eight months ended 31 August 2023.

Right-of-use Assets Leases	For the year ended 31 December 2021	For the year ended 31 December 2022	For the eight months ended 31 August 2023
Historical transaction amounts *(RMB in thousands)*	70,453	4,885	–
Existing approved annual caps *(RMB in thousands)*	225,000	49,000	226,000
Utilisation rate	31.3%	10.0%	0.0%

Short-term Leases	For the year ended 31 December 2021	For the year ended 31 December 2022	For the eight months ended 31 August 2023
Historical transaction amounts *(RMB in thousands)*	38,671	32,430	28,293
Existing approved annual caps *(RMB in thousands)*	54,000	58,000	42,000
Utilisation rate	71.6%	55.9%	67.4%

(c) Basis of the Proposed Revised 2023 Annual Caps

The Proposed Revised 2023 Annual Cap for the Right-of-use Assets Leases

The annual cap for the Right-of-use Assets Leases is determined by the total value of right-of-use assets that are or will be recognised in the relevant period. The Proposed Revised 2023 Annual Cap for the Right-of-use Assets Leases under the 2020 Property and Assets Lease Framework Agreement are determined with reference to, among other things, the following factors:

(i) the historical transactions and transaction amounts for the leased assets;

(ii) the expected lease arrangement with reference to the current lease arrangement including lease term and payment terms;

(iii) the expected demand for the Right-of-use Assets Leases in light of the business growth of the Group;

(iv) the anticipated annual inflation rate of 3.0% in 2023, with reference to the 2023 State Council Government Work Report which expected that the consumer prices in the PRC will increase by 3.0% in 2023;

(v) the expected borrowing rates with reference to the loan prime rate for the relevant lease term published by the National Interbank Fund Centre as authorised by the People’s Bank of China; and

(vi) the anticipated demand for the Right-of-use Assets Leases required by the Group which has exceeded the initial expectation of the Group (including the Right-of-use Assets Leases added in the past two years).

The Proposed Revised 2023 Annual Cap for the Right-of-use Assets Leases consists of the lease agreements of (a) the anticipated new Right-of-use Assets Leases expected to be entered into by the end of 2023 and (b) the existing Right-of-use Assets Leases.

(a) The anticipated new Right-of-use Assets Leases expected to be entered into by the end of 2023

It is anticipated that two Right-of-use Assets Leases will be entered into by the end of 2023 or in early 2024 by the Group. The first lease is a three-year lease for an office building, the previous leasing of which was recorded as a short-term lease as it was renewed on an annual basis. In order to determine the rental amount for the coming three years for better cost control, the Group is negotiating with the lessor to change the lease term from one year to three years. Accordingly, such lease will be recognised as a Right-of-use Assets Lease according to HKFRS 16. If such lease can be successfully renewed for three years by the end of 2023 or in early 2024, the amount of the anticipated right-of-use assets to be recognised in either 2023 or 2024 is approximately RMB45 million. The second lease is a lease for freight yards, which is currently used by the Group. According to the current lessor, the freight yards may be sold to a Tianjin Port Group Company. After the transfer of the freight yards, the lease of the said freight yards will become a continuing connected transaction between the Group and the Tianjin Port Group Companies. Accordingly, depending on the completion date of the aforesaid transfer of the freight yards, the amount of the anticipated right-of-use assets to be recognised in either 2023 or 2024 according to HKFRS 16 will be approximately RMB40 million.

(b) The renewal of existing Right-of-use Assets Leases

The existing annual cap for the Right-of-use Assets Leases under the 2020 Property and Assets Lease Framework Agreement was determined in 2020, at which time the Company did not contemplate some new or additional Right-of-use Assets Leases entered into by the Group with the Tianjin Port Group Companies over the past two years and those to be entered into in the year of 2023. In the past two years, three new Right-of-use Assets Leases have been entered into with Tianjin Port Group Companies by the Group for leasing of freight yards, office building and facilities with an amortisation period to be ended by 31 December 2023. Accordingly, if these three leases are renewed by the end of 2023, the amount of the anticipated right-of-use assets to be recognised in 2023 according to HKFRS 16 is approximately RMB126 million. Taking into account (i) the possible renewal by the end of 2023 of the above three leases entered into in the past two years and (ii) the renewal of Right-of-use Assets Leases that already existed in 2020, the amount of the anticipated right-of-use assets under which to be recognised in 2023 according to HKFRS 16 is approximately RMB311 million, the existing Right-of-use Assets Leases represented the renewal of the existing lease agreements (with estimated increment on the existing lease amount) in 2023 and the amount of anticipated right-of-use assets to be recognised in 2023 according to HKFRS 16 is approximately RMB437 million.

The need for the revision of annual cap to the Proposed Revised 2023 Annual Cap for the Right-of-use Assets Leases under the 2020 Property and Assets Lease Framework Agreement is imminent to ensure the Group can continue with the necessary lease arrangements for its operation.

The Proposed Revised 2023 Annual Cap for the Short-term Leases

The Proposed Revised 2023 Annual Cap for the Short-term Leases under the 2020 Property and Assets Lease Framework Agreement are determined with reference to, among other things, the following factors:

(i) the historical transactions and transaction amounts for the leased freight yards, warehouses, office buildings, facilities and equipment;

(ii) the expected lease arrangement with reference to the current lease arrangement including lease term and payment terms;

(iii) the expected demand for the Short-term Leases of freight yards, warehouses, office buildings, facilities and equipment in light of the business growth of the Group;

(iv) the anticipated annual inflation rate of 3.0% in 2023, with reference to the 2023 State Council Government Work Report which expected that the consumer prices in the PRC will increase by 3.0% in 2023; and

(v) the anticipated demand for the Short-term Leases required by the Group which has exceeded the initial expectation of the Group.

The existing annual cap for the year ending 31 December 2023 for the Short-term Leases under the 2020 Property and Assets Lease Framework Agreement was determined in 2020. Even though the Company revised the annual cap for Short-term Leases under the 2020 Property and Assets Lease Framework Agreement once in December 2022, that revision was related to the annual cap for the year ended 31 December 2022 only. Despite having expected some increase in demand in light of normal business growth of the Group, the Company back then was unable to contemplate such high demand for Short-term leases with the Tianjin Port Group Companies in the year of 2023, and thus was unable to take into account such new lease payment amounts when determining the annual cap.

The Group entered into Short-term Leases in 2023 with Tianjin Port Group Companies for leasing facilities and railways, shifting the transportation of freight flow from highway to railway to promote green port in the backdrop of the "road to rail" policy. To continue supporting the development of green port, it is anticipated that there will be high demand for Short-term Leases in 2023 for leasing facilities and railways. As some of the rental expenses are on turnover basis, taking reference from the utilisation rate of approximately 67.4% for the eight months ended 31 August 2023 which was higher than that of 55.9% for the year ended 31 December 2022 and almost reached that of 71.6% for the year ended 31 December 2021, it has become more evident to the subsidiaries of the Company that the rental expenses, in aggregate, will exceed the existing annual cap for the year ending 31 December 2023 for the Short-term Leases under the 2020 Property and Assets Lease Framework Agreement. Pursuant to the internal control measures that are consistently adopted, the Company has been monitoring the transaction amounts under the 2020 Property and Assets Lease Framework Agreement closely to ensure that such transaction amounts will not exceed the relevant annual cap, unless and until the relevant annual cap has been revised. The need for the revision of annual cap for the Short-term Leases under the 2020 Property and Assets Lease Framework Agreement is imminent to ensure the Group can continue with the necessary lease arrangements for its operation.

(d) Reasons for and benefits of revision of annual caps to the Proposed Revised 2023 Annual Caps under the 2020 Property and Assets Lease Framework Agreement

The Tianjin Port Group Companies owned the freight yards, warehouses, office buildings and facilities for carrying out the port business. When these port businesses were subsequently spun off into the Group, the Group continues to lease freight yards, warehouses, office buildings and facilities from the Tianjin Port Group Companies. The freight yards, warehouses, office buildings, facilities and equipment are leased to the Group from the Tianjin Port Group Companies at market price, on normal commercial terms and terms that are no less favourable to the Group than those offered by independent third parties, and the leasing of freight yards, warehouses, office buildings, facilities and equipment from reliable and cooperative owners (such as the Tianjin Port Group Companies) is in the interests of the Group and the Shareholders as a whole. The revision of the relevant annual caps will allow the Group to continue to leverage on the services which the Group requires for its operations.

4. The 2020 Integrated Services Framework Agreement

The principal terms of the 2020 Integrated Services Framework Agreement are as follows:

(a) Principal terms

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

Nature of the transactions:

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

Pricing determination:

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

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

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

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

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

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

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

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

(7) Labour services:

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

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

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

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

Payment terms:

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

(1) Water supply services: payment on a monthly basis;

(2) Electricity supply services: payment on a monthly basis;

(3) Communication services: payment on a monthly or quarterly basis, depending on the services nature;

(4) IT support services: payment on a quarterly basis;

(5) Repair and maintenance of port facilities and equipment:

    (i) for contracts on a project basis: payment on a one-off basis; and

    (ii) for contracts on an annual basis: payment on a quarterly basis.

(6) Project management services: payment on a one-off basis;

(7) Labour services: payment on a monthly basis; and

(8) General administrative services: payment on a monthly basis.

(b) Historical transaction amounts and Proposed Revised 2023 Annual Cap

Set out below are the historical transaction amounts under the 2020 Integrated Services Framework Agreement for the two years ended 31 December 2021 and 2022 and the eight months ended 31 August 2023, and its existing annual cap for the year ending 31 December 2023 and its Proposed Revised 2023 Annual Cap.

Historical transaction amounts *(RMB in thousands)*			**Annual cap** *(RMB in thousands)*	
For the year ended 31 December 2021	**For the year ended 31 December 2022**	**For the eight months ended 31 August 2023**	**Existing annual cap for the year ending 31 December 2023**	**Proposed Revised 2023 Annual Cap**
1,296,892	1,363,947	910,874	1,674,000	1,975,000

Set out below are the utilisation rates under the 2020 Integrated Services Framework Agreement for the two years ended 31 December 2021 and 2022 and the eight months ended 31 August 2023.

	For the year ended 31 December 2021	**For the year ended 31 December 2022**	**For the eight months ended 31 August 2023**
Historical transaction amounts *(RMB in thousands)*	1,296,892	1,363,947	910,874
Existing approved annual cap *(RMB in thousands)*	1,512,000	1,580,000	1,674,000
Utilisation rate	85.8%	86.3%	54.4%

(c) Basis of the Proposed Revised 2023 Annual Caps

The Proposed Revised 2023 Annual Cap under the 2020 Integrated Services Framework Agreement is determined with reference to, among other things, the following factors:

(i) the historical transactions and transaction amounts for the provision of utilities and supporting services;

(ii) the expected business growth of the Group based on the historical growth rate of 5.0% and 0.2% in 2021 and 2022 respectively in the annual total throughput of the Group, with reference to a growth rate of 8.1% and 3.0% in China's GDP in 2021 and 2022 respectively, and a year-on-year increase of 21.2% and 7.7% in China's total import and export value in RMB in 2021 and 2022 respectively;

(iii) the expected increase in demand for integrated services including communication services and labour services, etc. for an anticipated amount of approximately RMB50 million for the year ended 31 December 2023 after the Group's new logistics project (i.e. Tianjin Wuze Logistics Co., Ltd.* (天津物澤物流有限公司), a subsidiary of the Group newly incorporated at the end of 2022, which is principally engaged in port operation services) commences operation;

(iv) the expected increase in demand for IT support services, project management services and repair and maintenance of port facilities and equipment as the Group enhances the automation and intelligence of the port operation;

(v) the anticipated annual inflation rate of 3.0% in 2023, with reference to the 2023 State Council Government Work Report which expected that the consumer prices in the PRC will increase by 3.0% in 2023;

(vi) the anticipated annual increase in the PRC State Prescribed Prices;

(vii) the estimated increase in the market price of labour of 6.5% per year based on the recommended average increase in wages of 6.5% according to the "Notice on the Guideline for Wages for Corporates issued by the Municipal Human Resources and Social Security Bureau in 2022"* (《市人社局關於發佈2022年全市企業工資指導線的通知)》) issued by the Tianjin Municipal Human Resources and Social Security Bureau in 2022; and

(viii) the anticipated demand for the repair and maintenance of port facilities and equipment, IT support services, project management services and the labour services under the 2020 Integrated Services Framework Agreement by the Group which has exceeded the initial expectation of the Group, for example, (1) Tianjin Port Tugboat Lighter Co., Ltd.* (天津港輪駁有限公司) has encountered additional integrated services, of, in aggregate, approximately RMB70 million in 2023, which includes a passenger terminal hall renovation project as well as several buildings and facilities upgrade engineering procurement construction renovation project; (2) Tianjin Port Yuanhang International Ore Terminal Co., Ltd.* (天津港遠航國際礦石碼頭有限公司) has encountered additional integrated services of, in aggregate, approximately RMB210 million in 2023 due to two new construction projects; and (3) Tianjin Port Pacific International Container Terminal Co., Ltd.* (天津港太平洋國際集裝箱碼頭有限公司) has encountered additional integrated services of, in aggregate, approximately RMB43 million in 2023 due to three renovation and maintenance of port facilities and equipment projects.

The Group has completed the acquisition of 30% and 20% of equity interests of Euroasia and Alliance respectively over the past 2 years. Since then, Euroasia and Alliance have become the subsidiaries of the Company and their transactions with Tianjin Port Group Companies are now considered as connected transactions and form part of the Transactions.

The existing annual cap for the year ending 31 December 2023 was determined in 2020, which did not take into consideration of the acquisition of Euroasia and Alliance. In other words, the existing annual cap was determined on the basis that the transactions between Euroasia or Alliance as a party and Tianjin Port Group Companies as the other party would not contribute to the transactions contemplated under the 2020 Integrated Services Framework Agreement. However, the continuing connected transactions between Euroasia and the Tianjin Port Group Companies and Alliance and Tianjin Port Group Companies in aggregate are estimated to contribute approximately RMB232 million to the Proposed Revised 2023 Annual Cap.

The estimation of transaction amounts was made by the subsidiaries of the Company in the year of entering into the relevant framework agreements, based on the fulfilment of the business plans and development plans. Therefore, it is essential for the Group to review the utilisation rates of previous annual caps of the relevant framework agreements to determine if the estimated transaction amounts by the subsidiaries of the Group are close to the actual transaction amounts for the relevant framework agreements. Generally, most of the fees under the 2020 Integrated Services Framework Agreement such as utilities and supporting services fees, are determined by the actual quantity or volume of the services used. Taking into account (a) the transactions between Euroasia or Alliance as a party and Tianjin Port Group Companies as the other party which now form part of the transactions under the 2020 Integrated Services Framework Agreement; (b) the anticipated demand by the Group for the integrated services under the 2020 Integrated Services Framework Agreement has exceeded the initial expectation of the Group with details disclosed in (iii) and (viii) under this sub-section titled "Basis of the Proposed Revised 2023 Annual Caps"; (c) the historical transaction amounts under the 2020 Integrated Services Framework Agreement for the years ending 31 December 2021 and 31 December 2022, which reached up to 85.8% and 86.3% of the relevant annual cap and (d) the Group will determine most of the fees in the last quarter of the year when confirming the actual usage with the services providers. Thus, even though the utilisation rate of transaction amounts for the eight months as at 31 August 2023 was only 54.4% of the 2023 annual cap, it is expected that the existing annual cap for the year ending 31 December 2023 will be insufficient.

In addition, pursuant to the internal control measures that are consistently adopted, the Company has been closely monitoring the transaction amounts under the 2020 Integrated Services Framework Agreement to ensure that such transaction amounts will not exceed the annual cap, unless and until the annual cap has been revised. Once the relevant Proposed Revised 2023 Annual Cap is approved and adopted by the Independent Shareholders at the EGM, the Company expects that further transactions under the 2020 Integrated Services Framework Agreement will be entered into before the end of 2023.

(d) Reasons for and benefits of revision of annual cap to the Proposed Revised 2023 Annual Cap for the 2020 Integrated Services Framework Agreement

The Tianjin Port Group Companies have been providing the above utilities and supporting services to the Group. The Tianjin Port Group Companies are familiar with the operation pattern of the Group and are able to provide services in an efficient and effective manner to the Group. The Tianjin Port Group Companies are reliable and co-operative service providers and have consistently been able to meet the Group's stringent demands and deliver services in a timely manner. The provision of services to the Group by reliable and co-operative service providers (such as the Tianjin Port Group Companies) is very important and beneficial to the ordinary business operation of the Group. The provision of services by the Tianjin Port Group Companies to the Group on terms that are no less favourable to the Group than those offered by independent third parties is in the interests of the Group and the Shareholders as a whole. The revision of the relevant annual cap will allow the Group to continue to leverage on the services which the Group requires for its operations.

RENEWAL OF THE 2023 NON-EXEMPT FRAMEWORK AGREEMENTS

1. Background

As disclosed in the Announcement, several framework agreements governing the continuing connected transactions of the Company, including the 2020 Non-exempt Framework Agreements will expire on 31 December 2023. Therefore, the Company on 25 September 2023 entered into, among others, the 2023 Non-exempt Framework Agreements (namely, the 2023 Procurement Framework Agreement, the 2023 Property Lease (Right-of-use Assets) Framework Agreement and the 2023 Integrated Services Framework Agreement) with Tianjin Port Group to continue the relevant transactions for the period from 1 January 2024 to 31 December 2026.

2. 2023 Procurement Framework Agreement – purchase of products by the Group from the Tianjin Port Group Companies

The principal terms of the 2023 Procurement Framework Agreement are as follows:

(a) Principal terms

Date:	25 September 2023
Parties:	(1) the Company (2) Tianjin Port Group
Term:	1 January 2024 to 31 December 2026

Nature of the transactions:

The Group purchases products from the Tianjin Port Group Companies, including port machinery, equipment and working tools, materials, software, office equipment and such products as required by the Group from time to time.

Pricing basis:

Prices are determined with reference to (i) the types and qualities of the products, the relevant comparable market prices of the similar products; (ii) the quantities of the products; and (iii) the Group's purchase cost of similar products in the past.

The terms of the transactions for the purchase of products by the Group from the Tianjin Port Group Companies shall be no less favourable to the Group than those for the purchase of products by the Group from independent third-party suppliers.

Payment terms:

Payments will be made by the Group to the Tianjin Port Group Companies based on normal commercial terms on a one-off or monthly basis, or in accordance with the payment terms agreed by the relevant parties in the contracts to be entered into pursuant to this framework agreement.

(b) Historical transaction amounts and Proposed Annual Caps

Set out below are (i) the historical transaction amounts for the purchase of products by the Group from the Tianjin Port Group Companies for the two years ended 31 December 2021 and 2022 and the eight months ended 31 August 2023, and (ii) the Proposed Annual Caps.

Historical transaction amounts *(RMB in thousands)*			**Proposed Annual Caps** *(RMB in thousands)*		
For the year ended 31 December 2021	**For the year ended 31 December 2022**	**For the eight months ended 31 August 2023**	**For the year ending 31 December 2024**	**For the year ending 31 December 2025**	**For the year ending 31 December 2026**
31,739	146,519	57,308	319,000	339,100	360,400

Set out below are the utilisation rates under the 2020 Procurement Framework Agreement for the two years ended 31 December 2021 and 2022 and the eight months ended 31 August 2023.

	For the year ended 31 December 2021	For the year ended 31 December 2022	For the eight months ended 31 August 2023
Historical transaction amounts *(RMB in thousands)*	31,739	146,519	57,308
Existing approved annual cap *(RMB in thousands)*	140,000	150,000	150,000
Utilisation rate	22.7%	97.7%	38.2%

(c) Basis of the Proposed Annual Caps

The Proposed Annual Caps are determined with reference to, among other things, the following factors:

(i) the historical transactions and transaction amounts for the purchase of products;

(ii) the expected demand for products in light of the expected business growth of the Group;

(iii) the anticipated annual inflation rate of 3.0%, with reference to the 2023 State Council Government Work Report which expected that the consumer prices in the PRC will increase by 3.0% in 2023; and

(iv) the Group's plans to further purchase the new system software and the related hardware to enhance the intelligence of port operation.

(d) Reasons for and benefits of entering into the 2023 Procurement Framework Agreement

The Tianjin Port Group Companies are reliable and co-operative suppliers and have been able to meet the stringent requirements of the Group for the products sold by them to the Group. Entering into the 2023 Procurement Framework Agreement can ensure that the purchase of products by the Group from the Tianjin Port Group Companies will be conducted at market price, on normal commercial terms and terms that are no less favourable to the Group than those offered by independent third parties, and that the products are purchased from reliable and co-operative suppliers (such as the Tianjin Port Group Companies), and therefore, the transactions contemplated under the 2023 Procurement Framework Agreement are in the interests of the Group and the Shareholders as a whole.

3. 2023 Property Lease (Right-of-use Assets) Framework Agreement – Right-of-use Assets Leases in respect of leasing of freight yards, warehouses, office buildings, facilities and equipment from the Tianjin Port Group Companies to the Group

The principal terms of the 2023 Property Lease (Right-of-use Assets) Framework Agreement are as follows

(a) Principal terms

Date:	25 September 2023
Parties:	(1) the Company (2) Tianjin Port Group
Term:	1 January 2024 to 31 December 2026

Nature of the transactions:

The Right-of-use Assets Leases pursuant to which Tianjin Port Group Companies lease the freight yards, warehouses, office buildings, facilities and equipment in Tianjin Binhai New Area to the Group.

Pricing basis:

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

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

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

(3) Prices of the lease of facilities and equipment: Through obtaining market price information by various means (including enquiring users or lessors of the neighbouring facilities and equipment about the recent rent), the prices for the leases are determined with reference to the market price, the lease term, the historical prices and the historical prices of similar transactions, the condition and the degree of usage of facilities and equipment to be leased, and the demand and supply conditions of the market.

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

Payment terms:

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

(1) Freight yards and warehouses: payment on a monthly, quarterly or half-yearly basis.

(2) Office buildings: payment on a quarterly, half-yearly or annual basis.

(3) Facilities and equipment: payment on a monthly, quarterly, half-yearly or annual basis, depending on the type of facilities and equipment.

(b) Historical transaction amounts and Proposed Annual Caps

Set out below are (i) the historical transaction amounts for the Right-of-use Assets Leases in respect of leasing of freight yards, warehouses, office buildings, facilities and equipment from the Tianjin Port Group Companies to the Group for the two years ended 31 December 2021 and 2022 and the eight months ended 31 August 2023, and (ii) the Proposed Annual Caps.

Historical transaction amounts *(RMB in thousands)*			**Proposed Annual Caps** *(RMB in thousands)*		
For the year ended 31 December 2021	**For the year ended 31 December 2022**	**For the eight months ended 31 August 2023**	**For the year ending 31 December 2024**	**For the year ending 31 December 2025**	**For the year ending 31 December 2026**
70,453	4,885	–	85,000	20,000	698,000

Set out below are the utilisation rates under the 2020 Property and Assets Lease Framework Agreement for the two years ended 31 December 2021 and 2022 and the eight months ended 31 August 2023.

Right-of-use Assets Leases	**For the year ended 31 December 2021**	**For the year ended 31 December 2022**	**For the eight months ended 31 August 2023**
Historical transaction amounts *(RMB in thousands)*	70,453	4,885	–
Existing approved annual cap *(RMB in thousands)*	225,000	49,000	226,000
Utilisation rate	31.3%	10.0%	0.0%

(c) Basis of the Proposed Annual Caps

The Proposed Annual Caps for the Right-of-use Assets Leases are the total value of right-of-use assets recognised in the relevant period. The said total values of the right-of-use assets are determined with reference to, among other things, the following factors:

(i) the historical transactions and transaction amounts for the leased assets;

(ii) the expected lease arrangement with reference to the current lease arrangement including lease term and payment terms;

(iii) the expected demand for the Right-of-use Assets Leases in light of the business growth of the Group;

(iv) the anticipated annual inflation rate of 3.0%, with reference to the 2023 State Council Government Work Report which expected that the consumer prices in the PRC will increase by 3.0% in 2023; and

(v) the expected borrowing rates with reference to the loan prime rate for the relevant lease term published by the National Interbank Fund Centre as authorised by the People's Bank of China.

The Proposed Annual Caps for the Right-of-use Assets Leases consist of the lease agreements of the existing Right-of-use Assets Leases and the anticipated Right-of-use Assets Leases. Based on the preliminary assessment, except for two new agreements which are expected to be entered into by the end of 2023 or during 2024, and the annual expected lease increment that will be recognised as right-of-use assets in the years ending 31 December 2025 pursuant to HKFRS 16; the remaining agreements are expected to be renewed by the end of 2023 and subsequently by the end of each year, which will be recognised as right-of-use assets in the years of 2023 and 2026 pursuant to HKFRS 16, thereby resulting in the difference between the Proposed Annual Caps for the years ending 31 December 2024 and 2025 and the Proposed Annual Cap for the year ending 31 December 2026.

It is anticipated that two new Right-of-use Assets Leases will be entered into by the end of 2023 or in early 2024. The first lease is a three-year lease for an office building, the previous leasing of which was recorded as a short-term lease as it was renewed on an annual basis. In order to determine the rental amount for the coming three years for better cost control, the Group is negotiating with the lessor to change the lease term from one year to three years. Accordingly, such lease will be recognised as a Right-of-use Assets Lease according to HKFRS 16. If such lease can be successfully renewed for three years by end of 2023 or in early 2024, the amount of the anticipated right-of-use assets to be recognised in either 2023 or 2024 is approximately RMB45 million. The second lease is a lease for freight yards which is currently used by the Group. According to the current lessor, the freight yards may be sold to a Tianjin Port Group Company. After the transfer of the freight yards, the lease of the said freight yards will become a continuing connected transaction between the Group and the Tianjin Port Group Companies. Accordingly, depending on the completion date of the aforesaid transfer of the freight yards, the amount of the anticipated right-of-use assets to be recognised in either 2023 or 2024 according to HKFRS 16 will be approximately RMB40 million.

In relation to the existing Right-of-use Assets Leases, as it is expected that there may be some adjustments on the rental amount which may lead to the addition of right-of-use assets of approximately RMB20 million for the year ended 31 December 2024.

The amount of the anticipated annual cap for the year ended 31 December 2026 is approximately RMB698 million, assuming all of the existing Right-of-use Assets Leases and the two new Right-of-use Assets Leases would continue to be renewed (with certain increment on the rental amount) for the period from 2027 to 2029.

Pursuant to HKFRS 16, the Group is required to recognise the lease of freight yards and warehouses for the period from 2024 to 2026 pursuant to the 2023 Property Lease (Right-of-use Assets) Framework Agreement as the right-of-use assets of the Group in 2023 and to recognise the future renewal of the framework agreements for the period from 2027 to 2029 as the right-of-use assets of the Group in 2026.

(d) ***Reasons for and benefits of entering into the 2023 Property Lease (Right-of-use Assets) Framework Agreement***

The Tianjin Port Group Companies owned the freight yards, warehouses, office buildings and facilities for carrying out the port business. When these port businesses were subsequently spun off into the Group, the Group continues to lease freight yards, warehouses, office buildings, and facilities from the Tianjin Port Group Companies. Entering into the 2023 Property Lease (Right-of-use Assets) Framework Agreement can ensure that the freight yards, warehouses, office buildings, facilities and equipment are leased to the Group from the Tianjin Port Group Companies at market price, on normal commercial terms and terms that are no less favourable to the Group than those offered by independent third parties, and that the freight yards, warehouses, office buildings, facilities and equipment will be leased from reliable and co-operative owners (such as the Tianjin Port Group Companies), and therefore, the transactions contemplated under the 2023 Property Lease (Right-of-use Assets) Framework Agreement are in the interests of the Group and the Shareholders as a whole.

4. 2023 Integrated Services Framework Agreement – provision of utilities and supporting services by the Tianjin Port Group Companies to the Group

The principal terms of the 2023 Integrated Services Framework Agreement are as follows:

(a) ***Principal terms***

Date:	25 September 2023
Parties:	(1) the Company (2) Tianjin Port Group
Term:	1 January 2024 to 31 December 2026

Nature of the transactions:

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

Pricing basis:

The prices are determined with reference to the specific services such as the actual service content, quantity and quality, and the price of similar services paid by the Group in the past and the price determination mechanism according to each category of services as follow:

(1) Water supply services: (i) the relevant PRC State Prescribed Prices published from time to time, such as Notice of Municipal Commission of Development and Reform, Municipal Finance Bureau and Municipal Water Authority Regarding the Reduction of Water Charges for Non-Residents* (《市發展改革委市財政局市水務局關於降低非居民自來水價格的通知)》; and (ii) the quantity of the water to be provided to the Group.

(2) Electricity supply services: (i) the relevant PRC State Prescribed Prices published from time to time, such as Notice of Municipal Commission of Development and Reform Regarding Further Reduction of Industrial and Commercial Electricity Tariff* (《市發展改革委關於進一步降低我市一般工商業用電價格的通知)》; and (ii) the quantity of electricity to be provided to the Group.

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

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

(5) Repair and maintenance of port facilities and equipment: (i) with reference to the market prices of the relevant similar services based on the content of the services (such as types, qualities and quantities); and (ii) the quantities of repair and maintenance items to be provided to the Group.

(6) Project management services: (i) the relevant service charge rates determined based on the content of the services (such as the service type of the repair and maintenance projects (tendering agency, construction agency, design, supervision, and project consultancy services), the scope and the size of the repair and maintenance projects); and (ii) the costs of the relevant repair and maintenance projects.

(7) Labour services:

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

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

(8) General administrative services: (i) with reference to the market prices of the relevant similar services based on the content of the services (such as the position, type, skills, expertise, years of experience, experience and number of the labour required; or the scope and scale of the contracted services provided) (for example, with reference to the market prices of labour in Port of Tianjin or prices of similar labour of the Group); and (ii) the number of labour or the quantity of services to be provided to the Group and their scale.

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

Payment terms:

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

(1) Water supply services: payment on a monthly basis;

(2) Electricity supply services: payment on a monthly basis;

(3) Communication services: payment on a monthly or quarterly basis, depending on the services nature;

(4) IT support services: payment on a quarterly basis;

(5) Repair and maintenance of port facilities and equipment:

(i) for contracts on a project basis: payment on a one-off basis; and

(ii) for contracts on an annual basis: payment on a quarterly basis;

(6) Project management services: payment on a one-off basis;

(7) Labour services: payment on a monthly basis; and

(8) General administrative services: payment on a monthly basis

(b) Historical transaction amounts and Proposed Annual Caps

Set out below are (i) the historical transaction amounts for utilities and supporting services provided by the Tianjin Port Group Companies to the Group for the two years ended 31 December 2021 and 2022 and the eight months ended 31 August 2023, and (ii) the Proposed Annual Caps.

Historical transaction amounts *(RMB in thousands)*			**Proposed Annual Caps** *(RMB in thousands)*		
For the year ended 31 December 2021	**For the year ended 31 December 2022**	**For the eight months ended 31 August 2023**	**For the year ending 31 December 2024**	**For the year ending 31 December 2025**	**For the year ending 31 December 2026**
1,296,892	1,363,947	910,874	2,450,000	2,700,000	2,975,000

Set out below are the utilisation rates under the 2020 Integrated Services Framework Agreement for the two years ended 31 December 2021 and 2022 and the eight months ended 31 August 2023.

	For the year ended 31 December 2021	**For the year ended 31 December 2022**	**For the eight months ended 31 August 2023**
Historical transaction amounts *(RMB in thousands)*	1,296,892	1,363,947	910,874
Existing approved annual cap *(RMB in thousands)*	1,512,000	1,580,000	1,674,000
Utilisation rate	85.8%	86.3%	54.4%

(c) Basis of the Proposed Annual Caps

The Proposed Annual Caps are determined with reference to, among other things, the following factors:

(i) the historical transactions and transaction amounts for the provision of public utilities and supporting services;

(ii) the expected business growth of the Group based on the historical growth rate of 5.0% and 0.2% in 2021 and 2022 respectively in the annual total throughput of the Group, with reference to a growth rate of 8.1% and 3.0% in China's GDP in 2021 and 2022 respectively, and a year-on-year increase of 21.2% and 7.7% in China's total import and export value in RMB in 2021 and 2022 respectively;

(iii) the expected increase in demand for the electricity supply after the Group implemented the automation and intelligence of the port operation;

(iv) the expected increase in demand for integrated services after the Group's new logistics project commence operation;

(v) the expected increase in demand for IT support services, project management services and repair and maintenance of port facilities and equipment as the Group continuously enhances the automation and intelligence of the port operation;

(vi) the anticipated annual inflation rate of 3.0%, with reference to the 2023 State Council Government Work Report which expected that the PRC consumer prices will increase by 3.0% in 2023;

(vii) the anticipated annual increase in the PRC State Prescribed Prices of 2.0% based on the increase in PRC consumer prices of 2.0% in 2022; and

(viii) the estimated increase in the market price of labour of 6.5% per year based on the recommended average increase in wages of 6.5% according to the "Notice on the Guideline for Wages for Corporates issued by the Municipal Human Resources and Social Security Bureau in 2022"*（《市人社局關於發佈2022年全市企業工資指導線的通知》） issued by the Tianjin Municipal Human Resources and Social Security Bureau in 2022.

Based on the above factors, the anticipated basic annual increment in the demand for the integrated services is approximately 10.0% per year. Initially, the estimated aggregate transaction amount for the year ended 31 December 2024 should be around RMB2,170 million. However, Tianjin Port Coke Terminal Co., Ltd.*（天津港焦炭碼頭有限公司）, a subsidiary of the Company, is expecting to incur an additional integrated services fee of approximately RMB300 million for upgrading and reconstruction of its terminal at Nanjiang 6# berth*（南疆6#焦炭泊位）in 2024. Therefore, it is estimated that the Proposed Annual Cap for the year ended

31 December 2024 should be approximately RMB2,450 million, a 24.1% increase from the Proposed Annual Cap of RMB1,975 million for the year ended 31 December 2023.

*(d) **Reasons for and benefits of entering into the 2023 Integrated Services Framework Agreement***

The Tianjin Port Group Companies have been providing the above utilities and supporting services to the Group in the past. The Tianjin Port Group Companies are familiar with the operation pattern of the Group and are able to provide services in an efficient and effective manner to the Group. The Tianjin Port Group Companies are reliable and co-operative service providers and have consistently been able to meet the Group's stringent demand and deliver services in a timely manner. The provision of services to the Group by reliable and co-operative service providers (such as the Tianjin Port Group Companies) is very important and beneficial to the ordinary daily business operation of the Group. Entering into the 2023 Integrated Services Framework Agreement can ensure that the provision of services by the Tianjin Port Group Companies to the Group will be conducted at market price, on normal commercial terms and terms that are no less favourable to the Group than those offered by independent third parties. The transactions contemplated under the 2023 Integrated Services Framework Agreement are therefore in the interests of the Group and the Shareholders as a whole.

MEASURES OF INTERNAL CONTROL

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

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

The relevant departments of subsidiaries have to conduct comparison procedures by obtaining quotations from at least three suppliers in general, for products or services provided and/or by price enquiry under certain circumstances according to the requirements of the Group, and to determine the actual prices for products or services with reference to the market prices and the historical prices, and the demand and supply conditions of products or services. As for those services with sole supplier, the relevant subsidiaries have to justify the price by either making reference with the most comparable market prices, or making reference with terms offered to other users, which are not a subsidiary of the Group, by Tianjin Port Group Companies; or comparing with the cost of developing or setting up the required services on their own. For example, for the communication services, the relevant subsidiaries are required to provide the justification by making reference from the internet services fee offered by the independent services providers in Tianjin city excluding the Tianjin port area; and for the IT services, the comparison will be conducted by making reference from the system services fee offered to other users, which are not a subsidiary of the Group, by

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

(2) The Group would conduct financial monitoring (including the execution of continuing connected transactions) on a semi-annual basis and internal control and review on an annual basis for inspecting the effectiveness of internal control measures on connected transactions, as well as financial audit on an annual basis and spot checks and supervision from time to time on related matters, so as to ensure that the transactions are conducted according to the terms of the relevant agreements.

(3) The audit committee of the Company, which comprises all the independent non-executive Directors, shall review the continuing connected transactions of the Group every year according to the requirements of the Listing Rules to ensure that the transactions are conducted on normal commercial terms and according to the relevant agreements, and are on terms that are fair and reasonable and are in the interests of the Shareholders as a whole.

(4) The auditors of the Company shall issue a letter containing their findings and conclusions in respect of the continuing connected transactions of the Group to the Board every year pursuant to the requirements under the Listing Rules.

INFORMATION ON THE PARTIES

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

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

LISTING RULES IMPLICATIONS

Tianjin Port Group is the controlling shareholder of the Company indirectly interested in 53.5% of the issued share capital of the Company. Hence, the Tianjin Port Group Companies are connected persons of the Company as defined in the Listing Rules. Accordingly, the transactions contemplated under each of the 2020 Non-exempt Framework Agreements and the 2023 Non-exempt Framework Agreements, being transactions between the Group and the Tianjin Port Group Companies on a recurring or continuing basis, constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The Revision of Annual Caps

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Proposed Revised 2023 Annual Cap for each of the 2020 Non-exempt Framework Agreements exceed 5%, the Revision of Annual Caps is subject to the reporting, announcement, annual review, circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Proposed Revised 2023 Annual Cap for the Right-of-use Assets Leases under the 2020 Property and Assets Lease Framework Agreement exceeds 5% but is less than 25%, the acquisitions of the right-of-use assets under the 2020 Property and Assets Lease Framework Agreement which are recorded in the year ending 31 December 2023, in aggregate, constitute a discloseable transaction of the Company subject to the disclosure requirements under Chapter 14 of the Listing Rules. As part of the Revision of Annual Caps, the acquisitions of the above-mentioned right-of-use assets by the Company are also subject to the reporting, announcement, annual review, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Renewal of Continuing Connected Transactions

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Proposed Annual Caps for each of the 2023 Non-exempt Framework Agreements exceeds 5%, the Renewal of Continuing Connected Transactions is subject to the reporting, announcement, annual review, circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Proposed Annual Cap for the year ending 31 December 2026 under the 2023 Property Lease (Right-of-use Assets) Framework Agreement exceeds 5% but is less than 25%, the acquisitions of the right-of-use assets under the 2023 Property Lease (Right-of-use Assets) Framework Agreement which are recorded in the year ending 31 December 2026, in aggregate, constitute a discloseable transaction of the Company subject to the disclosure requirements under Chapter 14 of the Listing Rules. As part of the Renewal of Continuing Connected Transactions, the acquisitions of the above right-of-use assets by the Company are also subject to the reporting, announcement, annual review, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee has been established to advise the Independent Shareholders on the Revision of Annual Caps and the Renewal of Continuing Connected Transactions. China Sunrise Capital has also been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this connection.

The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, to approve, among other things, the Revision of Annual Caps and the Renewal of Continuing Connected Transactions. As Tianjin Port Group is a controlling shareholder of the Company and is materially interested in the transactions conducted and/or contemplated under the 2020 Non-exempt Framework Agreements and the 2023 Non-exempt Framework Agreements, Tianjin Port Group and its associates (who were interested in 3,294,530,000 Shares, representing 53.5% of the issued share capital of the Company as at the Latest Practicable Date) will abstain from voting in respect of such resolutions.

Save as disclosed above, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no other Shareholders are required to abstain from voting on the ordinary resolutions to be proposed at the EGM.

None of the Directors had a material interest in the 2020 Non-exempt Framework Agreements, 2023 Non-exempt Framework Agreements or any transaction contemplated thereunder. In view of good corporate governance practices, Chu Bin, Luo Xunjie and Sun Bin, the Directors who are also directors and/or senior management of Tianjin Port Group, abstained and will abstain from voting in the relevant Board resolutions in relation to the transactions with Tianjin Port Group and/or its associates.

EXTRAORDINARY GENERAL MEETING

A notice convening the EGM to be held on the Victoria Room I, 3/F, Regal Hongkong Hotel, No. 88 Yee Wo Street, Causeway Bay, Hong Kong on Friday, 1 December 2023 at 3:00 p.m. at which ordinary resolutions will be proposed for the approval by the Independent Shareholders of the Revision of Annual Caps and the Renewal of Continuing Connected Transactions, is set out on pages EGM-1 to EGM-4 of this circular.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman of the meeting, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Accordingly, the resolutions to be proposed at the EGM (as set out in the notice of EGM) will be voted by way of a poll. An announcement on the results of the poll will be made by the Company after the EGM in the manner prescribed under Rules 13.39(5) and 13.39(5A) of the Listing Rules.

The register of members of the Company will be closed from Tuesday, 28 November 2023 to Friday, 1 December 2023 (both days inclusive), during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the EGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the

Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Monday, 27 November 2023.

Whether or not you are able to attend the EGM, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time scheduled for holding the EGM (or any adjournment thereof). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM (or any adjournment thereof) should you so wish.

RECOMMENDATIONS

Your attention is drawn to (i) the letter from the Independent Board Committee containing its recommendation to the Independent Shareholders in relation to the Revision of Annual Caps and the Renewal of Continuing Connected Transactions set out on pages 43 to 44 of this circular; and (ii) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders containing its advice in respect of the Revision of Annual Caps and the Renewal of Continuing Connected Transactions set out on pages 45 to 95 of this circular.

In the section headed "Letter from the Independent Board Committee" of this circular, the Independent Board Committee stated that having taken into account details of the Revision of Annual Caps and the Renewal of Continuing Connected Transactions and the advice of the Independent Financial Adviser, the Independent Board Committee considers that (1) the revision of the relevant existing annual caps for the year ending 31 December 2023 under the 2020 Non-exempt Framework Agreements to the relevant Proposed Revised 2023 Annual Caps is fair and reasonable and in the interests of the Group and the Shareholders as a whole, and the relevant Proposed Revised 2023 Annual Caps are fair and reasonable; and (2) the entering into of the 2023 Non-exempt Framework Agreements and the transactions contemplated thereunder, as well as the adoption of the relevant Proposed Annual Caps are all in the ordinary and usual course of business of the Group, and the terms thereof are on normal commercial terms, are fair and reasonable and in the interests of the Group and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Revision of Annual Caps and the Renewal of Continuing Connected Transactions.

The Directors are of the view that consider that (1) the revision of the relevant existing annual caps for the year ending 31 December 2023 under the 2020 Non-exempt Framework Agreements to the relevant Proposed Revised 2023 Annual Caps is fair and reasonable and in the interests of the Group and the Shareholders as a whole, and the relevant Proposed Revised 2023 Annual Caps are fair and reasonable; and (2) the entering into of the 2023 Non-exempt Framework Agreements and the transactions contemplated thereunder, as well as the adoption of the relevant Proposed Annual Caps, are all in the ordinary and usual course of business of the Group, and the terms thereof are on normal commercial terms, are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

Accordingly, the Directors (including members of the Independent Board Committee having considered the advice from the Independent Financial Adviser) recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Revision of Annual Caps and the Renewal of Continuing Connected Transactions.

ADDITIONAL INFORMATION

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

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

* *For identification purposes only*

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

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

13 November 2023

To the Independent Shareholders

Dear Sir or Madam,

(1) REVISION OF ANNUAL CAPS IN RELATION TO 2020 NON-EXEMPT FRAMEWORK AGREEMENTS AND (2) RENEWAL OF CONTINUING CONNECTED TRANSACTIONS IN RELATION TO 2023 NON-EXEMPT FRAMEWORK AGREEMENTS

We refer to the circular of the Company dated 13 November 2023 (the "**Circular**") to the Shareholders, of which this letter forms part. Terms defined in the Circular shall have the same meaning herein 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 Revision of Annual Caps and the Renewal of Continuing Connected Transactions, are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

China Sunrise Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Revision of Annual Caps and the Renewal of Continuing Connected Transactions. The text of the letter of advice from China Sunrise Capital to the Independent Board Committee and the Independent Shareholders is set out on pages 45 to 95 of the Circular.

We wish to draw your attention to the letter from the Board, as set out on pages 6 to 42 of the Circular.

Having taken into account the details, reasons for and benefits of the Revision of Annual Caps and the Renewal of Continuing Connected Transactions, and the advice of China Sunrise Capital, we consider that (1) the revision of the relevant existing annual caps for the year ending 31 December 2023 under the 2020 Non-exempt Framework Agreements to the relevant Proposed Revised 2023 Annual Caps is fair and reasonable and in the interests of the Group and the Shareholders as a whole, and the relevant Proposed Revised 2023 Annual Caps are fair and reasonable; and (2) the entering into of the 2023 Non-exempt Framework Agreements and the transactions contemplated thereunder, as well as the adoption of the relevant Proposed Annual Caps, are all in the ordinary and usual course of business of the Group, and the terms thereof are on normal commercial terms, are fair and reasonable and in the interests of the Group and the Shareholders as a whole, so far as the Independent

Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Revision of Annual Caps and the Renewal of Continuing Connected Transactions.

Yours faithfully,
For and on behalf of the Independent Board Committee

Japhet Sebastian Law *Independent Non-executive Director*	**Cheng Chi Pang, Leslie** *Independent Non-executive Director*	**Zhang Weidong** *Independent Non-executive Director*	**Luo Laura Ying** *Independent Non-executive Director*

The following is the text of the letter of advice dated 13 November 2023 from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the (1) the revision of the annual caps for the 2020 Non-exempt Framework Agreements to the relevant Proposed Revised 2023 Annual Caps; and (2) the entering into of the 2023 Non-exempt Framework Agreements along with the transactions contemplated thereunder and the Proposed Annual Caps for the purpose of incorporation in this circular.

華升資本
CHINA SUNRISE CAPITAL

CHINA SUNRISE CAPITAL LIMITED
Unit 4513, 45th Floor
The Center
99 Queen's Road Central
Hong Kong

13 November 2023

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

Dear Sirs,

REVISION OF ANNUAL CAPS IN RELATION TO 2020 NON-EXEMPT FRAMEWORK AGREEMENTS AND RENEWAL OF CONTINUING CONNECTED TRANSACTIONS IN RELATION TO 2023 NON-EXEMPT FRAMEWORK AGREEMENTS

INTRODUCTION

We refer to our appointment by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Revision of Annual Caps and the Renewal of Continuing Connected Transactions (collectively, the "**Non-exempt Continuing Connected Transactions**"), details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company dated 13 November 2023 (the "**Circular**"), of which this letter (the "**Letter**") forms part. Capitalised terms used in this Letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

The Revision of Annual Caps

Reference is made to the Letter from the Board that the Board has been monitoring the continuing connected transactions of the Group and expects that, among others, the existing annual caps for the year ending 31 December 2023 ("**FY2023**") under the 2020 Procurement Framework Agreement, the 2020 Property and Assets Lease Framework Agreement and the 2020 Integrated Services Framework Agreement (i.e. the 2020 Non-exempt Framework Agreements) will be insufficient and hence the Board proposes the revision of the relevant existing annual caps.

The Renewal of Continuing Connected Transactions

As stated in the Letter from Board, as the 2020 Non-exempt Framework Agreements will expire on 31 December 2023, the Company had on 25 September 2023 entered into, among others, the 2023 Non-exempt Framework Agreements with Tianjin Port Group to continue the relevant transactions for the period from 1 January 2024 to 31 December 2026.

LISTING RULES IMPLICATIONS

Tianjin Port Group is the controlling shareholder of the Company indirectly interested in 53.5% of the issued share capital of the Company. Hence, the Tianjin Port Group Companies are connected persons of the Company as defined in the Listing Rules. Accordingly, the transactions contemplated under each of the 2020 Non-exempt Framework Agreements and the 2023 Non-exempt Framework Agreements, being transactions between the Group and the Tianjin Port Group Companies on a recurring or continuing basis, constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The Revision of Annual Caps

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Proposed Revised 2023 Annual Cap for each of the 2020 Non-exempt Framework Agreements exceed 5%, the Revision of Annual Caps is subject to the reporting, announcement, annual review, circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Proposed Revised 2023 Annual Cap for the Right-of-use Assets Leases under the 2020 Property and Assets Lease Framework Agreement exceeds 5% but is less than 25%, the acquisitions of the right-of-use assets under the 2020 Property and Assets Lease Framework Agreement which are recorded in the year ending 31 December 2023, in aggregate, constitute a discloseable transaction of the Company subject to the disclosure requirements under Chapter 14 of the Listing Rules. As part of the Revision of Annual Caps, the acquisitions of the above-mentioned right-of-use assets by the Company are also subject to the reporting, announcement, annual review, circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Renewal of Continuing Connected Transactions

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Proposed Annual Caps for each of the 2023 Non-exempt Framework Agreements exceed 5%, the Renewal of Continuing Connection Transactions is subject to the reporting, announcement, annual review, circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Proposed Annual Cap for the year ending 31 December 2026 under the 2023 Property Lease (Right-of-use Assets) Framework Agreement exceeds 5% but is less than 25%, the acquisitions of the right-of-use assets under the 2023 Property Lease (Right-of-use Assets) Framework Agreement which are recorded in the year ending 31 December 2026, in aggregate, constitute a discloseable transaction of the Company subject to the disclosure requirements under Chapter 14 of the Listing Rules. As part of the Renewal of Continuing Connected Transactions, the acquisitions of the above right-of-use assets by the Company are also subject to the reporting, announcement, annual review, circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

None of the Directors had a material interest in the 2020 Non-exempt Framework Agreements, 2023 Non-exempt Framework Agreements or any transactions contemplated thereunder. In view of good corporate governance practices, Mr. Chu Bin, Mr. Luo Xunjie and Mr. Sun Bun, the Directors who are also directors and/or senior management of Tianjin Port Group, abstained and will abstain from voting in the relevant Board resolutions in relation to transactions with Tianjin Port Group and/or its associates.

The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, to approve, among other things, the Non-exempt Continuing Connected Transactions. As Tianjin Port Group is a controlling shareholder of the Company and is materially interested in the transactions conducted and/or contemplated under the 2020 Framework Agreements and the 2023 Non-exempt Framework Agreements, Tianjin Port Group and its associates (who were interested in 3,294,530,000 Shares, representing approximately 53.5% of the issued share capital of the Company as at the Latest Practicable Date) will abstain from voting in respect of such resolutions.

Save as disclosed above, and to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no other Shareholders are required to abstain from voting on the relevant resolutions to approve the aforesaid matters at the EGM.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all the independent non-executive Directors, namely Professor Japhet Sebastian Law, Mr. Cheng Chi Pang, Leslie, Mr. Zhang Weidong and Ms. Luo Laura Ying, has been established by the Company to advise the Independent Shareholders as to:

(a) whether the entering into of the Non-exempt Continuing Connected Transactions is in the ordinary and usual course of business of the Group;

(b) whether the terms of the Non-exempt Continuing Connected Transactions are on normal commercial terms and are fair and reasonable;

(c) whether the Non-exempt Continuing Connected Transactions are in the interests of the Company and the Shareholders as a whole; and

(d) the voting in the relevant Board resolutions in relation to the Non-exempt Continuing Connected Transactions at the EGM.

We, China Sunrise Capital Limited ("**China Sunrise**"), have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard. Our appointment as the Independent Financial Adviser has been approved by the Independent Board Committee.

None of the members of the Independent Board Committee has any interest or involvement in the Non-exempt Continuing Connected Transactions. Having obtained and considered the advice from the Independent Financial Adviser, the view and recommendation of the Independent Board Committee in respect of the Non-exempt Continuing Connected Transactions are set out in the Letter from the Independent Board Committee in this Circular.

INDEPENDENCE OF CHINA SUNRISE

Save for this appointment as the Independent Financial Adviser to provide our independent advice on the Non-exempt Continuing Connected Transactions, as at the Latest Practicable Date, China Sunrise did not have any other relationship or connection, financial or otherwise, with or any interests in the Company, or the Directors, chief executive or substantial Shareholders of the Company or any of their respective associates that could reasonably be regarded as relevant to our independence. In the last two years, save for the appointment as the Independent Financial Adviser in connection with the Non-exempt Continuing Connected Transactions, there was no engagement between the Group and China Sunrise.

Apart from normal professional fees paid or payable to us in connection with this appointment, no arrangement exists whereby we have received or will receive any fees or benefits from the Group, or the Directors, chief executive or substantial Shareholders of the Company or any of their respective associates, and we are not aware of the existence of or change in any circumstances that would affect our independence. Accordingly, we consider that we are eligible to give independent advice on the Non-exempt Continuing Connected Transactions under Rule 13.84 of the Listing Rules.

BASIS OF OUR ADVICE

In formulating our advice, we have relied on the truth, accuracy and completeness of the statements, information, facts, representations and opinions contained or referred to in this Circular, provided and made to us by the Directors and the management of the Group (collectively, the "**Management**"), the Company, and its advisers. We have reviewed, among other things:

(i) the 2020 Non-exempt Framework Agreements;

(ii) the 2023 Non-exempt Framework Agreements;

(iii) the announcement of the Company dated 28 September 2020 in relation to, among other things, the 2020 Non-exempt Framework Agreements (the "**2020 Announcement**");

(iv) the circular of the Company dated 25 November 2020 in relation to the 2020 Property and Assets Lease Framework Agreement and the 2020 Integrated Services Framework Agreements;

(v) the announcement of the Company dated 28 April 2021 in relation to the revision of annual caps for the 2020 Procurement Framework Agreement;

(vi) the announcement of the Company dated 15 December 2022 in relation to the revision of the annual caps for the 2020 Property and Assets Lease Framework Agreement;

(vii) the Announcement;

(viii) the interim report of the Group for the six months ended 30 June 2023 (the "**2023 Interim Report**");

(ix) the annual report of the Group for the financial year ended 31 December 2022 (the "**2022 Annual Report**");

(x) the annual report of the Group for the financial year ended 31 December 2021 (the "**2021 Annual Report**");

(xi) the annual report of the Group for the financial year ended 31 December 2020 (the "**2020 Annual Report**"); and

(xii) other information, representations and opinions as contained or referred to in this Circular and those provided by the Management, the Company and its advisers.

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 in this Circular or this Circular misleading. We have also sought and received confirmation from the Directors that no material information or facts have been omitted from the information and facts provided to us and the representations made and opinions expressed by them are not misleading or deceptive in any material respect. We have no reason to suspect that any material information or facts have been omitted or withheld nor to doubt the truth, accuracy or completeness of the information and facts contained in this Circular or provided to us, or the reasonableness of the opinions expressed by the Management, the Company, and its advisers, which have been provided to us.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for us to formulate our advice as set out in this Letter. We have assumed that all statements, information, facts, representations and opinions contained or referred to in this Circular and/or those provided to us by the Management, the Company and its advisers, for which they are solely and wholly responsible, have been reasonably made after due enquiries and careful consideration and are true, accurate and complete in all material respects and not misleading or deceptive at the time when they were provided or made and will continue to be so in all material respect up to the date of the EGM.

We, as the Independent Financial Adviser, take no responsibility for the contents of any part of this Circular, save and except for this Letter.

We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our advice. We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the businesses, affairs, operations, financial position or future prospects of the Group.

Our advice is necessarily based on the prevailing financial, economic, market and other conditions and the information made available to us as at the Latest Practicable Date. Where information in this Letter has been extracted from published or otherwise publicly available sources, the sole responsibility of ours is to ensure that such information has been correctly and fairly extracted, reproduced or presented from the relevant stated sources and not used out of context.

This Letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the matters relating to the Non-exempt Continuing Connected Transactions. Except for its inclusion in this Circular, this Letter 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.

PRINCIPAL FACTORS TAKEN INTO CONSIDERATION

In formulating our opinion and recommendations in respect of the Non-exempt Continuing Connected Transactions to the Independent Board Committee and the Independent Shareholders, we have taken into consideration the following principal factors and reasons. Our conclusions are based on the results of all analyses taken as a whole.

1. Information of the parties

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

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

2. Market outlook of import and export industry in the PRC

The global economy is still in an unstable state due to factors such as the impacts of the tightening monetary policies implemented by central banks around the world to combat inflation. In the World Economic Outlook Update released in July 2023, the International Monetary Fund (IMF) predicted that the global economic growth to be 3.0% and China's economic growth to be 5.2% in 2023, mainly due to the rapid growth coming after the normalisation of supply chains. The uncertainty of the global economy coupled with geopolitical and other factors have led to weakened external demand, which posed challenges to China's port business.

Based on our discussions with the Management, we understand that, in the near future, the Group will continue to pursue high-quality development and prioritise customer needs; actively promote the advantages of the coordinated development of the Beijing-Tianjin-Hebei Region and fully leverage the role of the "maritime gateway" hub of the Beijing-Tianjin-Hebei Region; continuously improve the level of port infrastructure, and promote the upgrading of port intelligence and low-carbon development; perpetually expand the functions of port services to maintain the smooth and efficient operation of the port; and strive to build a world-class, efficient, high-quality, smart and green port.

3. The Revision of Annual Caps

Reference is made to the Letter from the Board that the Board has been monitoring the continuing connected transactions of the Group and expects that, among others, the existing annual caps for FY2023 under the 2020 Non-exempt Framework Agreements will be insufficient and hence the Board proposes the revision of the relevant existing annual caps.

3.1 The 2020 Procurement Framework Agreement

(a) Historical transaction amounts and Proposed Revised 2023 Annual Cap

The table below sets out the historical transaction amounts under the 2020 Procurement Framework Agreement for the two years ended 31 December 2021 ("**FY2021**") and 31 December 2022 ("**FY2022**") and the eight months ended 31 August 2023 ("**8M2023**") (collectively, the "**Review Period**"), and its existing annual cap for FY2023 and its Proposed Revised 2023 Annual Cap.

Historical transaction amounts *(RMB in thousands)*			Annual cap *(RMB in thousands)*	
FY2021	**FY2022**	**8M2023**	**Existing annual cap FY2023**	**Proposed Revised 2023 Annual Cap**
31,739	146,519	57,308	150,000	300,000

Set out below are the utilisation rates under the 2020 Procurement Framework Agreement for FY2021, FY2022 and 8M2023:

	FY2021	**FY2022**	**8M2023**
Historical transaction amounts *(RMB in thousands)*	31,739	146,519	57,308
Existing approved annual cap *(RMB in thousands)*	140,000	150,000	150,000
Utilisation rate	22.7%	97.7%	38.2%

(b) Basis of the Proposed Revised 2023 Annual Cap

As set out in the Letter from the Board, the Proposed Revised 2023 Annual Cap under the 2020 Procurement Framework Agreement is determined with reference to, among other things, the following factors:

(i) the historical transactions and transaction amounts for the purchase of products;

(ii) the expectation on the demand for products in light of the expected business growth of the Group;

(iii) the anticipated annual inflation rate of 3.0% in 2023, with reference to the 2023 State Council Government Work Report which expected that the consumer prices in the PRC will increase by 3.0% in 2023;

(iv) the Group's plans to further purchase the new system software and the related hardware to enhance the intelligence of port operation; and

(v) the anticipated demand for the purchase of products by the Group, which has exceeded the initial expectation of the Group.

While the transaction amounts for 8M2023 have not reached the existing annual cap for FY2023, further transactions are expected to be entered into before the end of 2023.

Transactions to be entered into before the end of 2023 under the existing projects

Based on the utilisation rate of nearly 98% for FY2022, it is estimated that the total amount of all transactions under the existing projects will amount to approximately RMB150 million by the end of 2023. On top of the approximately RMB57 million worth of transactions that have been recorded up to 31 August 2023, it is expected that an additional approximately RMB70 million worth of transactions under the existing projects will be entered into before the end of 2023, such as the procurement of office equipment and purchase of products.

The existing projects include the transactions that were originally contemplated under the 2020 Procurement Framework Agreement, along with the transactions that were not contemplated under the 2020 Procurement Framework Agreement but were entered into by Tianjin Port Euroasia International Container Terminal Co., Ltd. ("**Euroasia**") and Tianjin Port Alliance International Container Terminal Co., Ltd. ("**Alliance**") with Tianjin Port Group Companies.

The existing annual cap for FY2023 was determined in 2020 and subsequently revised on 28 April 2021, neither of which had taken into consideration the acquisition of Euroasia and Alliance, the completion of which took place after such annual caps had been determined or revised (as the case may be). The Group has completed the acquisition of 30% and 20% of equity interests of Euroasia and Alliance respectively over the past 2 years. Since then, Euroasia and Alliance have become the subsidiaries of the Company and their transactions with Tianjin Port Group Companies are now considered as connected transactions and form part of the Transactions.

In other words, the existing annual cap was determined on the basis that the transactions between Euroasia or Alliance as a party and Tianjin Port Group Companies as the other party would not contribute to the transactions contemplated under the 2020 Procurement Framework Agreement. In 2023, the transactions between Euroasia and the Tianjin Port Group Companies and Alliance and Tianjin Port Group Companies which fall within the ambit of the 2020 Procurement Framework Agreement in aggregate are estimated to contribute approximately RMB22 million to the Proposed Revised 2023 Annual Cap.

Transactions to be entered into before the end of 2023 under (A) new projects to be commenced in late 2023 and (B) early-completed projects

Apart from the transactions to be entered into before the end of 2023 under the existing projects, several procurement projects are scheduled to commence or are expected to be completed by the end of 2023, with an estimated total amount of RMB139 million. These procurement projects include but not limited to:

(1) purchase of several systems for intelligent automation, which amounted to approximately RMB50 million in 2023, among which:

  (a) the automated container terminal operating system the total contract sum of which is approximately RMB80 million with the whole project to be commenced by the end of 2023 and expected to be completed in 2025, will amount to approximately RMB30 million in 2023;

  (b) Tianjin port loading and unloading sector integrated fee collection management and control platform and other system development, the whole project of which is expected to be completed by 2023, will amount to approximately RMB8 million in 2023;

  (c) digital petrochemical terminal production management and control platform, the development of which is expected to be completed by the end of 2023, will amount to approximately RMB5 million in 2023; and

  (d) the intelligent collaborative dispatching platform, the total contract sum of which is approximately 10 million with the whole project expected to be completed by the end of 2023, will amount to approximately RMB4 million in 2023;

(2) procurement of shore-based power supply system for promoting the construction of green port, which will amount to approximately RMB5 million and the project is expected to be completed within one year; and

(3) modification of existing equipment in order to upgrade the existing facilities amounted to approximately RMB34 million.

Besides, the Group is expected to purchase approximately an additional RMB50 million worth of fuels from Tianjin Port Group Companies by the end of 2023. The Group's procurement has shifted from relying on third-party suppliers to Tianjin Port Group Companies, considering the quotations from Tianjin Port Group Companies are generally more favourable than the PRC State Prescribed Price. The terms of the transactions for the purchase of products by the Group from the Tianjin Port Group Companies shall be no less favourable to the Group than those for the purchase of products by the Group from independent third-party suppliers.

In light of all the above factors, it is expected that the transaction amounts under the 2020 Procurement Framework Agreement will exceed the existing annual cap for FY2023 by the end of 2023 and the Proposed Revised 2023 Annual Cap has been determined to cover all transactions that will be actually entered into under the 2020 Procurement Framework Agreement.

Moreover, pursuant to the internal control measures that are consistently adopted, the Company has been monitoring the transaction amounts under the 2020 Procurement Framework Agreement closely to ensure that such transaction amounts will not exceed the annual cap, unless and until the annual cap has been revised. In fact, the need for subsidiaries of the Company to enter into further transactions under the 2020 Procurement Framework Agreement with Tianjin Port Group Companies are imminent. Once the Proposed Revised 2023 Annual Cap is approved and adopted by the Independent Shareholders at the EGM, the Company expects that further transactions under the 2020 Procurement Framework Agreement will be entered into before the end of 2023.

In other words, if the Proposed Revised 2023 Annual Cap under the 2020 Procurement Framework Agreement is not approved by the Independent Shareholders at the EGM, some of the new projects or even existing projects could not proceed for the reason that the transactions contemplated under the 2020 Procurement Framework Agreement will exceed its annual cap for FY2023.

(c) Reasons for and benefits of revision of annual cap to the Proposed Revised 2023 Annual Cap for the 2020 Procurement Framework Agreement

The Tianjin Port Group Companies are reliable and co-operative suppliers and have been able to meet the stringent requirements of the Group for the products sold by them to the Group. The purchase of products by the Group from the Tianjin Port Group Companies at market price, on normal commercial terms and terms that are no less favourable to the Group than those offered by independent third parties, and purchasing products from reliable and co-operative suppliers (such as the Tianjin Port Group Companies) is in the interests of the Group and the Shareholders as a whole. The revision of the relevant annual cap will allow the Group to continue to leverage on the services which the Group requires for its operations.

(d) Assessment on the Proposed Revised 2023 Annual Cap

We noted that the Board expects that the existing annual cap under the 2020 Procurement Framework Agreement for FY2023 will be insufficient and hence the Board proposes the revision of the relevant existing annual cap. It is proposed that the existing annual cap of RMB150 million be revised to the Proposed Revised 2023 Annual Cap of RMB300 million, representing an increase of 100%.

To assess the fairness and reasonableness of the Proposed Revised 2023 Annual Cap under the 2020 Procurement Framework Agreement, we have discussed with the Management and considered the following:

(i) For FY2022, the utilisation rate in relation to the annual cap under the 2020 Procurement Framework Agreement was approximately 97.7%;

(ii) the global economy is recovering from the negative impact on global trade adversely affected by the outbreak of COVID-19 and the Group managed to record a slight increase in the total cargo throughput handled for the six months ended 30 June 2023 ("**HY2023**") which increased from approximately 222 million tonnes for the six months ended 30 June 2022 ("**HY2022**") to approximately 224 million tonnes for HY2023 according to the 2023 Interim Report;

(iii) the total cargo throughput handled by the Group from approximately 421 million tonnes for the year ended 31 December 2020 ("**FY2020**") to approximately 442 million tonnes for FY2021, representing a year-on-year increase of approximately 5.0%, then to approximately 443 million tonnes for FY2022, representing a year-on-year increase of approximately 0.2% according to the 2020 Annual Report, the 2021 Annual Report and the 2022 Annual Report, respectively, which was in line with the increase in the total import and export value in the PRC which increased from approximately RMB39.1 trillion in FY2021 to approximately RMB42.1 trillion in FY2022, representing an increase of approximately 7.7% as extracted from National Bureau of Statistics;

(iv) the anticipated annual inflation rate of 3.0% adopted by the Management is based on the 2023 State Council Government Work Report which expected that consumer prices in the PRC will increase by 3.0% in 2023 which we have verified from the information available from National Bureau of Statistics;

(v) based on our review of the past accounts and the estimation provided by the Company, we noted that, the inclusion of procurement of products from Tianjin Port Group Companies following completion of the acquisitions of Euroasia and Alliance in continuing connected transactions that in aggregate are estimated to contribute approximately RMB22 million to the Proposed Revised 2023 Annual Cap;

(vi) based on our review of the procurement plan of the Company, we noted that, to enhance the intelligence of port operation which is in line with the Group's target to maintain the smooth and efficient operation of the port and strive to build a world-class, efficient, high-quality, smart and green port, before 31 December 2023;

   (a) the plan for the purchase of several systems for intelligent automation, which amounted to approximately RMB50 million, including (a) automated container terminal operating system, (b) Tianjin port loading and unloading sector integrated fee collection management and control platform and other system development, (c) digital petrochemical terminal production management and control system and (d) the intelligent collaborative dispatching platform;

(b) procurement of shore-based power supply system for promoting the construction of green port, which will amount to approximately RMB5 million; and

(c) modification of existing equipment in order to upgrade the existing facilities amounted to approximately RMB34 million;

(vii) based on our review of the procurement plan of the Company, we noted that, before 31 December 2023, two of the Company's subsidiaries have plans for the purchase of an additional RMB50 million worth of fuels, from Tianjin Port Group Companies;

(viii) based on our review of the procurement plan of the Company, we noted that, the Group plans to purchase an additional RMB30 million worth of electricity or monitoring system or facility upgrade such as transformer equipment from Tianjin Port Group of Companies; and

(ix) save as the revision of the relevant 2023 annual cap as disclosed above, all other terms of the 2020 Procurement Framework Agreement as disclosed in the 2020 Announcement remain unchanged.

The Tianjin Port Group Companies are reliable and co-operative suppliers and have been able to meet the stringent requirements of the Group for the products sold by them to the Group. The purchase of products by the Group from the Tianjin Port Group Companies at market price, on normal commercial terms and terms that are no less favourable to the Group than those offered by independent third parties, and purchasing products from reliable and co-operative suppliers (such as the Tianjin Port Group Companies) is in the interests of the Group and the Shareholders as a whole. The revision of the relevant annual cap will allow the Group to continue to leverage on the services which the Group requires for its operations.

Having considered the above, we are of the view that the Proposed Revised 2023 Annual Cap under the 2020 Procurement Framework Agreement is fair and reasonable.

3.2 The 2020 Property and Assets Lease Framework Agreement

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

(a) Historical transaction amounts and Proposed Revised 2023 Annual Caps

The table below sets out the historical transaction amounts under the 2020 Property and Assets Lease Framework Agreement for the Review Period, and its existing annual cap for FY2023 and its Proposed Revised 2023 Annual Caps.

	Historical transaction amounts *(RMB in thousands)*			**Annual caps** *(RMB in thousands)*	
	FY2021	**FY2022**	**8M2023**	**Existing annual caps FY2023**	**Proposed Revised 2023 Annual Caps**
Right-of-use Assets Leases	70,453	4,885	–	226,000	525,000
Short-term Leases	38,671	32,430	28,293	42,000	85,000

Set out below are the utilisation rates of the Right-of-use Assets Leases and Short-term Leases under the 2020 Property and Assets Lease Framework Agreement for FY2021, FY2022 and 8M2023:

Right-of-use Assets Leases:

	FY2021	**FY2022**	**8M2023**
Historical transaction amounts *(RMB in thousands)*	70,453	4,885	–
Existing approved annual caps *(RMB in thousands)*	225,000	49,000	226,000
Utilisation rate	31.3%	10.0%	0.0%

Short-term Leases:

	FY2021	**FY2022**	**8M2023**
Historical transaction amounts *(RMB in thousands)*	38,671	32,430	28,293
Existing approved annual caps *(RMB in thousands)*	54,000	58,000	42,000
Utilisation rate	71.6%	55.9%	67.4%

(b) Basis of the Proposed Revised 2023 Annual Caps

The Proposed Revised 2023 Annual Cap for the Right-of-use Assets Leases

As set out in the Letter of the Board, the annual cap for the Right-of-use Assets Leases is determined by the total value of right-of-use assets that are and will be recognised in the relevant period. The Proposed Revised 2023 Annual Cap for the Right-of-use Assets Leases under the 2020 Property and Assets Lease Framework Agreement is determined with reference to, among other things, the following factors:

(i) the historical transactions and transaction amounts for the leased assets;

(ii) the expected lease arrangement with reference to the current lease arrangement including lease term and payment terms;

(iii) the expected demand for the Right-of-use Assets Leases in light of the business growth of the Group;

(iv) the anticipated annual inflation rate of 3.0% in 2023, with reference to the 2023 State Council Government Work Report which expected that the consumer prices in the PRC will increase by 3.0% in 2023;

(v) the expected borrowing rates with reference to the loan prime rate for the relevant lease term published by the National Interbank Fund Centre as authorised by the People's Bank of China; and

(vi) the anticipated demand for the Right-of-use Assets Leases required by the Group which has exceeded the initial expectation of the Group (including the Right-of-use Assets Leases added in the past two years).

The Proposed Revised 2023 Annual Cap for the Right-of-use Assets Leases consists of the lease agreements of (a) the anticipated new Right-of-use Assets Leases expected to be entered into by the end of 2023 and (b) the existing Right-of-use Assets Leases.

(a) The anticipated new Right-of-use Assets Leases expected to be entered into by the end of 2023

It is anticipated that two Right-of-use Assets Leases will be entered into by the end of 2023 or in early 2024 by the Group. The first lease is a three-year lease for an office building, the previous leasing of which was recorded as a short-term lease as it was renewed on an annual basis. In order to determine the rental amount for the coming three years for better cost control, the Group is negotiating with the lessor to change the lease term from one year to three years. Accordingly, such lease will be recognised as a Right-of-use Assets Lease according to HKFRS 16. If such lease can be successfully renewed for three years by the end of 2023 or early of 2024, the amount of the anticipated right-of-use assets to be recognised in either 2023 or 2024 is approximately RMB45 million. The second lease is a lease for freight yards, which is currently used by the Group. According to the current lessor, the freight yards may be sold to a Tianjin Port Group Company. After the transfer of the freight yards, the lease of the said freight yards will become a continuing connected transaction between the Group and the Tianjin Port Group Companies. Accordingly, depending on the completion date of the aforesaid transfer of the freight yards, the amount of the anticipated right-of-use assets to be recognised in either 2023 or 2024 according to HKFRS 16 will be approximately RMB40 million.

(b) *The renewal of existing Right-of-use Assets Leases*

The existing annual cap for the Right-of-use Assets Leases under the 2020 Property and Assets Lease Framework Agreement was determined in 2020, at which time the Company did not contemplate some new or additional Right-of-use Assets Leases entered into by the Group with the Tianjin Port Group Companies over the past two years and those to be entered into in the year of 2023. In the past two years, three new Right-of-use Assets Leases have been entered into with Tianjin Port Group Companies by the Group for leasing of freight yards, office building and facilities with an amortisation period to be ended by 31 December 2023. Accordingly, if these three leases are renewed by the end of 2023, the amount of the anticipated right-of-use assets to be recognised in 2023 according to HKFRS 16 is approximately RMB126 million. Taking into account (i) the possible renewal by the end of 2023 of the above three leases entered into in the past two years and (ii) the renewal of Right-of-use Assets Leases that already existed in 2020, the amount of the anticipated right-of-use assets under which to be recognised in 2023 according to HKFRS 16 is approximately RMB311 million, the existing Right-of-use Assets Leases represented the renewal of the existing lease agreements (with estimated increment on the existing lease amount) in 2023 and the amount of anticipated right-of-use assets to be recognised in 2023 according to HKFRS 16 is approximately RMB437 million.

The need for the revision of annual cap to the Proposed Revised 2023 Annual Cap for the Right-of-use Assets Leases under the 2020 Property and Assets Lease Framework Agreement is imminent to ensure the Group can continue with the necessary lease arrangements for its operation.

The Proposed Revised 2023 Annual Cap for the Short-term Leases

The Proposed Revised 2023 Annual Cap for the Short-term Leases under the 2020 Property and Assets Lease Framework Agreement is determined with reference to, among other things, the following factors:

(i) the historical transactions and transaction amounts for the leased freight yards, warehouses, office buildings, facilities and equipment;

(ii) the expected lease arrangement with reference to the current lease arrangement including lease term and payment terms;

(iii) the expected demand for the Short-term Leases of freight yards, warehouses, office buildings, facilities and equipment in light of the business growth of the Group;

(iv) the anticipated annual inflation rate of 3.0% in 2023, with reference to the 2023 State Council Government Work Report which expected that the consumer prices in the PRC will increase by 3.0% in 2023; and

(v) the anticipated demand for the Short-term Leases required by the Group which has exceeded the initial expectation of the Group.

The existing annual cap for FY2023 for the Short-term Leases under the 2020 Property and Assets Lease Framework Agreement was determined in 2020. Even though the Company revised the annual cap for Short-term Leases under the 2020 Property and Assets Lease Framework Agreement once in December 2022, that revision was related to the annual cap for FY2022 only. Despite having expected some increase in demand in light of normal business growth of the Group, the Company back then was unable to contemplate such high demand for Short-term leases with the Tianjin Port Group Companies in the year of 2023, and thus was unable to take into account such new lease payment amounts when determining the annual cap.

The Group entered into Short-term Leases in 2023 with Tianjin Port Group Companies for leasing facilities and railways, shifting the transportation of freight flow from highway to railway to promoting green port in the backdrop of the "road to rail" policy. To continue supporting the development of green port, it is anticipated that there will be high demand for Short-term Leases in 2023 for leasing facilities and railways. As some of the rental expenses are on turnover basis, taking reference from the utilisation rate of approximately 67.4% for 8M2023 which was higher than that of 55.9% for FY2022 and almost reached that of 71.6% for FY2021, it has become more evident to the subsidiaries of the Company that the rental expenses, in aggregate, will exceed the existing annual cap for FY2023 for the Short-term Leases under the 2020 Property and Assets Lease Framework Agreement. Pursuant to the internal control measures that are consistently adopted, the Company has been monitoring the transaction amounts under the 2020 Property and Assets Lease Framework Agreement closely to ensure that such transaction amounts will not exceed the relevant annual cap, unless and until the relevant annual cap has been revised. The need for the revision of annual cap for the Short-term Leases under the 2020 Property and Assets Lease Framework Agreement is imminent to ensure the Group can continue with the necessary lease arrangements for its operations.

(c) Reasons for and benefits of revision of annual caps to the Proposed Revised 2023 Annual Caps under the 2020 Property and Assets Lease Framework Agreement

The Tianjin Port Group Companies owned the freight yards, warehouses, office buildings and facilities for carrying out the port business. When these port businesses were subsequently spun off into the Group, the Group continues to lease freight yards, warehouses, office buildings and facilities from the Tianjin Port Group Companies. The freight yards, warehouses, office buildings, facilities and equipment are leased to the Group from the Tianjin Port Group Companies at market price, on normal commercial terms and terms that are no less favourable to the Group than those offered by independent third parties, and the leasing of freight yards, warehouses, office buildings, facilities and equipment from reliable and cooperative owners (such as the Tianjin Port Group Companies) is in the interests of the Group and the Shareholders as a whole. The revision of the relevant annual caps will allow the Group to continue to leverage on the services which the Group requires for its operations.

(d) Assessment on the Proposed Revised 2023 Annual Caps

We noted that the Board expects that the existing annual cap under the 2020 Property and Assets Lease Framework Agreement for FY2023 will be insufficient and hence the Board proposes the revision of the relevant existing annual cap. It is proposed that (i) the existing annual cap for Rights-of-use Assets of RMB226 million be revised to the Proposed Revised 2023 Annual Cap of RMB525 million, representing an increase of approximately 132.3%, and (ii) the existing annual cap for Short-term Leases of RMB42 million be revised to the Proposed Revised 2023 Annual Cap of RMB85 million, representing an increase of approximately 102.4%.

To assess the fairness and reasonableness of the Proposed Revised 2023 Annual Cap for the Right-of-use Assets Leases under the 2020 Property and Assets Lease Framework Agreement, we have discussed with the Management and considered the following:

(i) the global economy is recovering from the negative impact on global trade adversely affected by the outbreak of COVID-19 and the Group managed to record a slight increase in the total cargo throughput handled for HY2023 which increased from approximately 222 million tonnes for HY2022 to approximately 224 million tonnes for HY2023 according to the 2023 Interim Report;

(ii) the total cargo throughput handled by the Group from approximately 421 million tonnes for FY2020 to approximately 442 million tonnes for FY2021, representing a year-on-year increase of approximately 5.0%, then to approximately 443 million tonnes for FY2022, representing a year-on-year increase of approximately 0.2% according to the 2020 Annual Report, the 2021 Annual Report and the 2022 Annual Report, respectively, which was in line with the increase in the total import and export value in the PRC which increased from approximately RMB39.1 trillion in FY2021 to approximately RMB42.1 trillion in FY2022, representing an increase of approximately 7.7% as extracted from National Bureau of Statistics;

(iii) the anticipated annual inflation rate of 3.0% adopted by the Management is based on the 2023 State Council Government Work Report which expected that consumer prices in the PRC will increase by 3.0% in 2023 which we have verified from the information available from National Bureau of Statistics;

(iv) based on our review of the existing Right-of-use Assets Lease agreements and respective calculations and past accounts, we noted that, the recognition timing for Right-of-use Assets Leases pursuant to HKFRS 16 that Right-of-use Assets Leases (i.e. leases with a lease term of more than 12 months) are recognised as right-of-use assets and lease liabilities in the consolidated statement of financial position when the leased assets are available for use by the Group, and are recognised as depreciation of right-of-use assets and interest expenses on lease liabilities in the consolidated income statement and the Group has categorised the annual caps for the transactions contemplated under the 2020 Property and Assets Lease Framework Agreement according to the Right-of-use Assets Leases in accordance with HKFRS 16 and the Listing Rules;

(v) based on our review of the existing Right-of-use Assets Lease agreements and respective calculations and past accounts of the Company, we noted that, the increase of new leases from FY2020 to FY2022 that three new Right-of-use Assets Leases have been entered into with Tianjin Port Group Companies for leasing of freight yards, office building and facilities with an amortisation period to be ended by 31 December 2023. Accordingly, if these three leases are renewed by the end of 2023, the amount of the anticipated right-of-use assets to be recognised in 2023 according to HKFRS 16 is approximately RMB126 million. Taking into account the above leases entered into in the past two years, the existing Right-of-use Assets Leases represented the renewal of the existing lease agreements (with estimated increment on the existing lease amount) in 2023 and the amount of anticipated right-of-use assets to be recognised in 2023 according to HKFRS 16 is approximately RMB437 million;

(vi) based on our review of the business plan provided by the Company, we noted that, the expected new leases to be entered into before 31 December 2023 that (1) the first lease is a three-year lease for an office building with the amount of the anticipated right-of-use assets to be recognised in either 2023 or 2024 is approximately RMB45 million; and (2) the second lease is a lease for freight yards with the amount of the anticipated right-of-use assets to be recognised in either 2023 or 2024 is approximately RMB40 million;

(vii) based on our review of the past interest rates and the business forecasts provided by the Company, we noted that, the expected borrowing rates with reference to the loan prime rates (3.45% to 4.85%) for one-year and five-years loan terms published by the National Interbank Fund Centre as authorised by the People's Bank of China which we have verified from the website of People's Bank of China;

(viii) based on our review of the past interest rates, we noted that, although the fluctuation of the loan prime rates in the PRC during FY2021, FY2022 and 8M2023 is not considered significant due to the sub-due economic condition, the borrowing rates may move significantly when the economic condition improves; and

(ix) save as the revision of the relevant 2023 annual cap as disclosed above, all other terms of the 2020 Property and Assets Lease Framework Agreement as disclosed in the 2020 Announcement remain unchanged.

To assess the fairness and reasonableness of the Proposed Revised 2023 Annual Cap for the Short-term Leases under the 2020 Property and Assets Lease Framework Agreement, we have we have discussed with the Management and considered the following:

(i) the global economy is recovering from the negative impact on global trade adversely affected by the outbreak of COVID-19 and the Group managed to record a slight increase in the total cargo throughput handled for HY2023 which increased from approximately 222 million tonnes for HY2022 to approximately 224 million tonnes for HY2023 according to the 2023 Interim Report;

(ii) the total cargo throughput handled by the Group from approximately 421 million tonnes for FY2020 to approximately 442 million tonnes for FY2021, representing a year-on-year increase of approximately 5.0%, then to approximately 443 million tonnes for FY2022, representing a year-on-year increase of approximately 0.2% according to the 2020 Annual Report, the 2021 Annual Report and the 2022 Annual Report, respectively, which was in line with the increase in the total import and export value in the PRC which increased from approximately RMB39.1 trillion in FY2021 to approximately RMB42.1 trillion in FY2022, representing an increase of approximately 7.7% as extracted from National Bureau of Statistics;

(iii) the anticipated annual inflation rate of 3.0% adopted by the Management is based on the 2023 State Council Government Work Report which expected that consumer prices in the PRC will increase by 3.0% in 2023 which we have verified from the information available from National Bureau of Statistics;

(iv) based on our review of the business plan provided by the Company, we noted that, the anticipated high demand for Short-term Leases is primarily driven by the new lease agreement(s) entered into in 2023 with Tianjin Port Group Companies for leasing facilities and railways, promoting green port by transferring freight flow from highway to railway and the revision of annual cap for the Short-term Leases under the 2020 Property and Assets Lease Framework Agreement is imminent to ensure the Group can continue with the necessary lease arrangements for its operations; and

(v) save as the revision of the relevant 2023 annual cap as disclosed above, all other terms of the 2020 Property and Assets Lease Framework Agreement as disclosed in the 2020 Announcement remain unchanged.

The Tianjin Port Group Companies owned the freight yards, warehouses, office buildings and facilities for carrying out the port business. When these port businesses were subsequently spun off into the Group, the Group continues to lease freight yards, warehouses, office buildings and facilities from the Tianjin Port Group Companies. The freight yards, warehouses, office buildings, facilities and equipment are leased to the Group from the Tianjin Port Group Companies at market price, on normal commercial terms and terms that are no less favourable to the Group than those offered by independent third parties, and the leasing of freight yards, warehouses, office buildings, facilities and equipment from reliable and cooperative owners (such as the Tianjin Port Group Companies) is in the interests of the Group and the Shareholders as a whole. The revision of the relevant annual cap will allow the Group to continue to leverage on the services which the Group requires for its operations.

Having considered the above, we are of the view that the Proposed Revised 2023 Annual Caps of the Right-of-use Assets Leases and Short-term Leases under the 2020 Property and Assets Lease Framework Agreement are fair and reasonable.

3.3 The 2020 Integrated Services Framework Agreement

(a) Historical transaction amounts and Proposed Revised 2023 Annual Cap

The table below sets out the historical transaction amounts under the 2020 Integrated Services Framework Agreement for the Review Period, and its existing annual cap for FY2023 and its Proposed Revised 2023 Annual Cap.

Historical transaction amounts *(RMB in thousands)*			**Annual cap** *(RMB in thousands)*	
FY2021	**FY2022**	**8M2023**	**Existing annual cap FY2023**	**Proposed Revised 2023 Annual Cap**
1,296,892	1,363,947	910,874	1,674,000	1,975,000

Set out below are the utilisation rates under the 2020 Integrated Services Framework Agreement for FY2021, FY2022 and 8M2023:

	FY2021	**FY2022**	**8M2023**
Historical transaction amounts *(RMB in thousands)*	1,296,892	1,363,947	910,874
Existing approved annual cap *(RMB in thousands)*	1,512,000	1,580,000	1,674,000
Utilisation rate	85.8%	86.3%	54.4%

(b) Basis of the Proposed Revised 2023 Annual Cap

As set out in the Letter of the Board, the Proposed Revised 2023 Annual Cap under the 2020 Integrated Services Framework Agreement is determined with reference to, among other things, the following factors:

(i) the historical transactions and transaction amounts for the provision of utilities and supporting services;

(ii) the expected business growth of the Group based on the historical growth rate of 5.0% and 0.2% in 2021 and 2022 respectively, in the annual total throughput of the Group, with reference to a growth rate of 8.1% and 3.0% in China's Gross Domestic Product ("**GDP**") in 2021 and 2022 respectively, and a year-on-year increase of 21.2% and 7.7% in China's total import and export value in RMB in 2021 and 2022 respectively;

(iii) the expected increase in demand for integrated services including communication services and labour services, etc. for an anticipated amount of approximately RMB50 million for FY2023 after the Group's new logistics project (i.e. 天津物澤物流有限公司 (Tianjin Wuze Logistics Co., Ltd.*), a subsidiary of the Group newly incorporated at the end of 2022, which is principally engaged in port operation services) commences operation;

(iv) the expected increase in demand for IT support services, project management services and repair and maintenance of port facilities and equipment as the Group enhances the automation and intelligence of the port operation;

(v) the anticipated annual inflation rate of 3.0% in 2023, with reference to the 2023 State Council Government Work Report which expected that the consumer prices in the PRC will increase by 3.0% in 2023;

(vi) the anticipated annual increase in the PRC State Prescribed Prices;

(vii) the estimated increase in the market price of labour of 6.5% per year based on the recommended average increase in wages of 6.5% according to the "Notice on the Guideline for Wages for Corporates issued by the Municipal Human Resources and Social Security Bureau in 2022"*（《市人社局關於發佈2022年全市企業工資指導線的通知》）issued by the Tianjin Municipal Human Resources and Social Security Bureau in 2022; and

(viii) the anticipated demand for the repair and maintenance of port facilities and equipment, IT support services, project management services and the labour services under the 2020 Integrated Services Framework Agreement by the Group which has exceeded the initial expectation of the Group, for example, (1) Tianjin Port Tugboat Lighter Co., Ltd.*（天津港輪駁有限公司）has encountered additional integrated services of, in aggregate, approximately RMB70 million in 2023, including a passenger terminal hall renovation project as well as several buildings and facilities upgrade engineering procurement construction renovation project; (2) Tianjin Port Yuanhang International Ore Terminal Co., Ltd.*（天津港遠航國際礦石碼頭有限公司）has encountered additional integrated services of, in aggregate, approximately RMB210 million in 2023 due to two new construction projects; and (3) Tianjin Port Pacific International Container Terminal Co., Ltd.*（天津港太平洋國際集裝箱碼頭有限公司）has encountered additional integrated services of, in aggregate, approximately RMB43 million in 2023 due to three renovation and maintenance of port facilities and equipment projects.

The Group has completed the acquisition of 30% and 20% of equity interests of Euroasia and Alliance respectively over the past 2 years. Since then, Euroasia and Alliance have become the subsidiaries of the Company and their transactions with Tianjin Port Group Companies are now considered as connected transactions and form part of the Transactions.

The existing annual cap for FY2023 was determined in 2020, which did not take into consideration of the acquisition of Euroasia and Alliance. In other words, the existing annual cap was determined on the basis that the transactions between Euroasia or Alliance as a party and Tianjin Port Group Companies as the other party would not contribute to the transactions contemplated under the 2020 Integrated Services Framework Agreement. However, the continuing connected transactions between Euroasia and the Tianjin Port Group Companies and Alliance and Tianjin Port Group Companies in aggregate are estimated to contribute approximately RMB232 million to the Proposed Revised 2023 Annual Cap.

The estimation of transaction amounts was made by the subsidiaries of the Company in the year of entering into the relevant framework agreements, based on the fulfillment of the business plans and development plans. Therefore, it is essential for the Group to review the utilisation rates of previous annual caps of the relevant framework agreements to determine if the estimated transaction amounts by the subsidiaries of the Group are close to the actual transaction amounts for the relevant framework agreements. Generally, most of the fees under the 2020 Integrated Services Framework Agreement such as utilities and supporting services fees, are determined by the actual quantity or volume of the services used. Taking into account (a) the transactions between Euroasia or Alliance as a party and Tianjin Port Group Companies as the other party which now form part of the transactions under the 2020 Integrated Services Framework Agreement and (b) the anticipated demand by the Group for the integrated services under the 2020 Integrated Services Framework Agreement has exceeded the initial expectation of the Group with details disclosed in (iii) and (viii) under this sub-section titled "Basis of the Proposed Revised 2023 Annual Caps", (c) the historical transaction amounts under the 2020 Integrated Services Framework Agreement for FY2021 and FY2022, which reached up to 85.8% and 86.3% of the relevant annual caps, respectively, and (d) the Company will determine most of the fees in the last quarter of the year when confirming the actual usage with the services providers. Thus, even though the utilisation rate of transaction amounts for 8M2023 was only 54.4% of the 2023 annual cap, it is expected that the existing annual cap for the FY2023 will be insufficient.

In addition, pursuant to the internal control measures that are consistently adopted, the Company has been closely monitoring the transaction amounts under the 2020 Integrated Services Framework Agreement to ensure that such transaction amounts will not exceed the annual cap, unless and until the annual cap has been revised. Once the relevant Proposed Revised 2023 Annual Cap is approved and adopted by the Independent Shareholders at the EGM, the Company expects that further transactions under the 2020 Integrated Services Framework Agreement will be entered into before the end of 2023.

(c) Reasons for and benefits of revision of annual cap to the Proposed Revised 2023 Annual Cap for the 2020 Integrated Services Framework Agreement

The Tianjin Port Group Companies have been providing the above utilities and supporting services to the Group. The Tianjin Port Group Companies are familiar with the operation pattern of the Group and are able to provide services in an efficient and effective manner to the Group. The Tianjin Port Group Companies are reliable and co-operative service providers and have consistently been able to meet the Group's stringent demands and deliver services in a timely manner. The provision of services to the Group by reliable and co-operative service providers (such as the Tianjin Port Group Companies) is very important and beneficial to the ordinary business operation of the Group. The provision of services by the Tianjin Port Group Companies to the Group on terms that are no less favourable to the Group than those offered by independent third parties is in the interests of the Group and the Shareholders as a whole. The revision of the relevant annual cap will allow the Group to continue to leverage on the services which the Group requires for its operations.

(d) Assessment on the Proposed Revised 2023 Annual Cap

We noted that the Board expects that the existing annual cap under the 2020 Integrated Services Framework Agreement for FY2023 will be insufficient and hence the Board proposes the revision of the relevant existing annual cap. It is proposed that the existing annual cap of RMB1,674 million be revised to the Proposed Revised 2023 Annual Caps of RMB1,975 million, representing an increase of approximately 18.0%. As at 31 August 2023, the Group has utilised approximately RMB910.9 million or 54.4% of the existing annual cap.

To assess the fairness and reasonableness of the Proposed Revised 2023 Annual Cap under the 2020 Integrated Services Framework Agreement, we have discussed with the Management and considered the following:

(i) the global economy is recovering from the negative impact on global trade adversely affected by the outbreak of COVID-19 and the Group managed to record a slight increase in the total cargo throughput handled for HY2023 which increased from approximately 222 million tonnes for HY2022 to approximately 224 million tonnes for HY2023 according to the 2023 Interim Report;

(ii) the total cargo throughput handled by the Group from approximately 421 million tonnes for FY2020 to approximately 442 million tonnes for FY2021, representing a year-on-year increase of approximately 5.0%, then to approximately 443 million tonnes for FY2022, representing a year-on-year increase of approximately 0.2% according to the 2020 Annual Report, the 2021 Annual Report and the 2022 Annual Report, respectively, which was in line with the increase in the total import and export value in the PRC which increased from approximately RMB39.1 trillion in FY2021 to approximately RMB42.1 trillion in FY2022, representing an increase of approximately 7.7% as extracted from National Bureau of Statistics;

(iii) the annual increase in the market price of labour of approximately 6.5% estimated by the Group is in line with the recommended average increase in wages of approximately 6.5% according to the "Notice on the Guideline for Wages for Corporates issued by the Municipal Human Resources and Social Security Bureau in 2022"*（《市人社局關於發佈2022年全市企業工資指導線的通知》）issued by the Tianjin Municipal Human Resources and Social Security Bureau in 2022;

(iv) the anticipated annual inflation rate of 3.0% adopted by the Management are based on the 2023 State Council Government Work Report which expected that consumer prices in the PRC will increase by 3.0% in 2023 which we have verified from the information available from National Bureau of Statistics;

(v) the utilisation rates of the annual caps under the 2020 Procurement Framework Agreement in FY2021 and FY2022 were approximately 85.7% and 86.3%, respectively;

(vi) based on our review of the past accounts and the estimation provided by the Company, we noted that, the inclusion of services required from the Tianjin Port Group Companies following completion of the acquisitions of Euroasia and Alliance in continuing connected transactions that in aggregate are estimated to contribute approximately RMB232 million to the Proposed Revised 2023 Annual Cap;

(vii) based on our review of the estimation provided by the Company, we noted that, increase in the integrated services including communication services and labour services, etc. for an anticipated amount of approximately RMB50 million for FY2023 as a result of the establishment of a new logistics company, Tianjin Wuze Logistics Co., Ltd.*（天津物澤物流有限公司）, by the Group at the end of FY2022, which is principally engaged in port operation services;

(viii) based on our review of the estimations provided by the Company, we noted that, (1) a subsidiary of the Company, Tianjin Port Tugboat Lighter Co., Ltd.*（天津港輪駁有限公司）has encountered additional integrated services of, in aggregate, approximately RMB70 million in 2023 for a passenger terminal hall renovation project and an engineering procurement construction renovation project; (2) a subsidiary of the Company, Tianjin Port Yuanhang International Ore Terminal Co., Ltd.*（天津港遠航國際礦石碼頭有限公司）has encountered additional integrated services of, in aggregate, approximately RMB210 million in 2023 due to two new construction projects; and (3) a subsidiary of the Company, Tianjin Port Pacific International Container Terminal Co., Ltd.*（天津港太平洋國際集裝箱碼頭有

限公司) has encountered additional integrated services of, in aggregate, approximately RMB43 million in 2023 due to three renovation and maintenance of port facilities and equipment projects; and

(ix) save as the revision of the relevant 2023 annual cap as disclosed above, all other terms of the 2020 Integrated services Framework Agreement as disclosed in the 2020 Announcement remain unchanged.

The Tianjin Port Group Companies have been providing the above utilities and supporting services to the Group. The Tianjin Port Group Companies are familiar with the operation pattern of the Group and are able to provide services in an efficient and effective manner to the Group. The Tianjin Port Group Companies are reliable and co-operative service providers and have consistently been able to meet the Group's stringent demands and deliver services in a timely manner. The provision of services to the Group by reliable and co-operative service providers (such as the Tianjin Port Group Companies) is very important and beneficial to the ordinary business operation of the Group. The provision of services by the Tianjin Port Group Companies to the Group on terms that are no less favourable to the Group than those offered by independent third parties is in the interests of the Group and the Shareholders as a whole. The revision of the relevant annual cap will allow the Group to continue to leverage on the services which the Group requires for its operations.

Having considered the above, we are of the view that the Proposed Revised 2023 Annual Cap under the 2020 Integrated Services Framework Agreement is fair and reasonable.

4. The Renewal of Continuing Connected Transactions

As disclosed in the Announcement, several framework agreements governing the continuing connected transactions of the Company, including the 2020 Non-exempt Framework Agreements will expire on 31 December 2023. Therefore, the Company on 25 September 2023 entered into, among others, the 2023 Non-exempt Framework Agreements (namely, the 2023 Procurement Framework Agreement, the 2023 Property Lease (Right-of-use Assets) Framework Agreement and the 2023 Integrated Services Framework Agreement) with Tianjin Port Group to continue the relevant transactions for the period from 1 January 2024 to 31 December 2026.

4.1 2023 Procurement Framework Agreement – purchase of products by the Group from the Tianjin Port Group Companies

The principal terms of the 2023 Procurement Framework Agreement are as follows:

(a) Principal terms

Date: 25 September 2023

Parties:	(1) the Company (2) Tianjin Port Group
Term:	1 January 2024 to 31 December 2026

Nature of the transactions:

The Group purchases products from the Tianjin Port Group Companies, including port machinery, equipment and working tools, materials, software, office equipment and such products as required by the Group from time to time.

Pricing basis:

Prices are determined with reference to (i) the types and qualities of the products, the relevant comparable market prices of the similar products; (ii) the quantities of the products; and (iii) the Group's purchase cost of similar products in the past.

The terms of the transactions for the purchase of products by the Group from the Tianjin Port Group Companies shall be no less favourable to the Group than those for the purchase of products by the Group from independent third-party suppliers.

Payment terms:

Payments will be made by the Group to the Tianjin Port Group Companies based on normal commercial terms on a one-off or monthly basis, or in accordance with the payment terms agreed by the relevant parties in the contracts to be entered into pursuant to this framework agreement.

(b) Assessment of the principal terms

As the 2020 Procurement Framework Agreement will expire on 31 December 2023, the 2023 Procurement Framework Agreement was entered into on 25 September 2023 between the Company and Tianjin Port Group, subject to the approval by the Independent Shareholders, to (i) continue the transactions contemplated under the 2023 Procurement Framework Agreement for the three years ending 31 December 2026, and (ii) adopt the new annual caps for the three years ending 31 December 2026 (the "**Procurement Cap(s)**").

The terms of the transactions for the purchase of products by the Group from the Tianjin Port Group Companies shall be no less favourable to the Group than those for the purchase of products by the Group from independent third-party suppliers.

We understand that the pricing policy and all other material terms and conditions of the 2023 Procurement Framework Agreement remained the same as the 2020 Procurement Framework Agreement.

We have randomly selected, obtained and reviewed 12 samples of agreements, bidding award documents and invoices for the products purchased under the 2020 Procurement Framework Agreement for the Review Period (the "**Historical Procurement Samples**") including intelligent logistics management system, virtual port system, cloud desktop system, fuel, ground equipment and fire prevention equipment. We noted that the pricing of purchase of products was determined with reference to (i) the types and qualities of the products, the relevant comparable market prices of the similar products by obtaining quotations or tenders; (ii) the quantities of the products; and (iii) the Group's purchase cost of similar products in the past. Given that: (i) the selected samples covered various products under the 2020 Procurement Framework Agreement for the Review Period; and (ii) they also covered every year of the Review Period, we consider that the sample size is sufficient.

Based on the Historical Procurement Samples we have reviewed, the pricing of the purchase of products adhered to the pricing policy as stated above.

Having considered the above, we concur with the Directors that the terms of the 2023 Procurement Framework Agreement are on normal commercial terms.

(c) Historical transaction amounts and Procurement Caps

The table below sets out the historical transaction amounts for the purchase of products by the Group from the Tianjin Port Group Companies for the Review Period and the historical annual caps under the 2020 Procurement Framework Agreement for the Review Period.

	FY2021 *(RMB in thousands)*	**FY2022** *(RMB in thousands)*	**8M2023** *(RMB in thousands)*
Historical transaction amounts	31,739	146,519	57,308
Historical annual caps for the 2020 Procurement Framework Agreement	140,000	150,000	150,000 To be revised to 300,000
Utilisation rate	22.7%	97.7%	38.2% based on existing annual cap

The table below sets out the Proposed Annual Caps for each of the years ending 31 December 2024 ("**FY2024**"), 2025 ("**FY2025**") and 2026 ("**FY2026**") under the 2023 Procurement Framework Agreement:

	FY2024 *(RMB in thousands)*	**FY2025** *(RMB in thousands)*	**FY2026** *(RMB in thousands)*
Procurement Caps	319,000	339,100	360,400

(d) Basis of the Procurement Caps

As set out in the Letter from the Board, the Procurement Caps are determined with reference to, among other things, the following factors:

(i) the historical transactions and transaction amounts for the purchase of products;

(ii) the expected demand for products in light of the expected business growth of the Group;

(iii) the anticipated annual inflation rate of 3.0%, with reference to the 2023 State Council Government Work Report which expected that the consumer prices in the PRC will increase by 3.0% in 2023; and

(iv) the Group's plans to further purchase the new system software and the related hardware to enhance the intelligence of port operation.

(e) Assessment of the Proposed Annual Caps

It is noted that the historical transaction amounts represented approximately 22.6% and 97.7% utilisation of the annual caps for FY2021 and FY2022 respectively. For 8M2023, the utilisation of the annual cap for FY2023 is approximately 38.2%.

It is noted that the Procurement Cap for FY2024 of RMB319 million represents an increase of approximately 6.3% from the Proposed Revised 2023 Annual Cap under the 2020 Procurement Framework Agreement of RMB319 million for FY2023. The Procurement Cap for FY2025 increases further by approximately 6.3% to RMB339.1 million and a further approximately 6.3% to RMB360.4 million for FY2026.

In order to assess the fairness and reasonableness of the Procurement Caps, we have discussed with the Management and considered the following:

(i) the global economy is recovering from the negative impact on global trade adversely affected by the outbreak of COVID-19 and the Group managed to record a slight increase in the total cargo throughput handled for HY2023 which increased from approximately 222 million tonnes for HY2022 to approximately 224 million tonnes for HY2023 according to the 2023 Interim Report;

(ii) the total cargo throughput handled by the Group from approximately 421 million tonnes for FY2020 to approximately 442 million tonnes for FY2021, representing a year-on-year increase of approximately 5.0%, then to approximately 443 million tonnes for FY2022, representing a year-on-year increase of approximately 0.2% according to the 2020 Annual Report, the 2021 Annual Report and the 2022 Annual Report, respectively, which was in line with the increase in the total import and export value in the PRC which increased from approximately RMB39.1 trillion in FY2021 to approximately RMB42.1 trillion in FY2022, representing an increase of approximately 7.7% as extracted from National Bureau of Statistics;

(iii) the anticipated annual inflation rate of 3.0.% adopted by the Management is based on the 2023 State Council Government Work Report which expected that consumer prices in the PRC will increase by 3.0% in 2023 which we have verified from the information available from National Bureau of Statistics; and

(iv) based on our review of the procurement plan and estimations provided by the Company, we noted that, for FY2024 to FY2026, the Group's plan to purchase new system software and new hardware to replace certain existing hardware in order to enhance the automation and intelligence of port operation, which estimated amount is more than RMB100 million per year.

We concur with the Management that the Procurement Caps are fair and reasonable on the ground that: (i) the expected business growth of the Group; (ii) the anticipated annual inflation rate of approximately 3.0%; and (iii) the business development plan of the Group for FY2024 to FY2026.

(f) Reasons for and benefits of entering into the 2023 Procurement Framework Agreement

The Tianjin Port Group Companies are reliable and co-operative suppliers and have been able to meet the stringent requirements of the Group for the products sold by them to the Group. Entering into the 2023 Procurement Framework Agreement can ensure that the purchase of products by the Group from the Tianjin Port Group Companies will be conducted at market price, on normal commercial terms and terms that are no less favourable to the Group than those offered by independent third parties, and that the products are purchased from reliable and co-operative suppliers (such as the Tianjin Port Group Companies), and therefore, the transactions contemplated under the 2023 Procurement Framework Agreement are in the interests of the Group and the Shareholders as a whole.

4.2 *2023 Property Lease (Right-of-use Assets) Framework Agreement – Right-of-use Assets Leases in respect of leasing of freight yards, warehouses, office buildings, facilities and equipment from the Tianjin Port Group Companies to the Group*

The principal terms of the 2023 Property Lease (Right-of-use Assets) Framework Agreement are as follows:

(a) Principal terms

Date:	25 September 2023
Parties:	(1) the Company (2) Tianjin Port Group
Term:	1 January 2024 to 31 December 2026

Nature of the transactions:

The Right-of-use Assets Leases pursuant to which Tianjin Port Group Companies lease the freight yards, warehouses, office buildings, facilities and equipment in Tianjin Binhai New Area to the Group.

Pricing basis:

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

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

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

(3) Prices of the lease of facilities and equipment: Through obtaining market price information by various means (including enquiring users or lessors of the neighbouring facilities and equipment about the recent rent), the prices for the leases are determined with reference to the market price, the lease term, the historical prices and the historical prices of similar transactions, the condition and the degree of usage of facilities and equipment to be leased, and the demand and supply conditions of the market.

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

Payment terms:

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

(1) Freight yards and warehouses: payment on a monthly, quarterly or, half-yearly basis.

(2) Office buildings: payment on a quarterly, half-yearly or annual basis.

(3) Facilities and equipment: payment on a monthly, quarterly, half-yearly or annual basis, depending on the type of facilities and equipment.

(b) Assessment of the principal terms

As the 2020 Property and Assets Lease Framework Agreement will expire on 31 December 2023, the 2023 Property Lease (Right-of-use Assets) Framework Agreement was entered into on 25 September 2023 between the Company and Tianjin Port Group, subject to the approval by the Independent Shareholders, to (i) continue the transactions contemplated under the 2023 Property Lease (Right-of-use Assets) Framework Agreement for the three years ending 31 December 2026, and (ii) adopt the new annual caps for the three years ending 31 December 2026 (the "**Right-of-use Assets Lease Caps**").

The pricing policy and all other material terms and conditions of the 2023 Property Lease (Right-of-use Assets) Framework Agreement remained the same as the Right-of-use Assets Leases under the 2020 Property and Assets Lease Framework Agreement.

As stated in the Letter from the Board, the pricing basis of the lease of freight yards and warehouses, office buildings, facilities and equipment will be determined by making references to: (i) actual content of the leases, area and number under the leases, and the term of the leases; and (ii) market price of similar leasing services. We have randomly selected, obtained and reviewed the samples for the Review Period as follows:

(i) 9 sample lease agreements of leasing freight yards and warehouses, office buildings, facilities and equipment entered into between the Group and the Tianjin Port Group Companies under the 2020 Property and Assets Lease Framework Agreement (the "**Historical Lease Agreements**"); and

(ii) 3 sample lease agreements of leasing freight yards and warehouses, office buildings, facilities and equipment entered into between the Group and independent third parties in relation to the lease of assets with similar nature to those under the 2020 Property and Assets Lease Framework Agreement (the "**I3P Lease Agreements**").

Given that: (i) the number of contracts of the Historical Lease Agreements represented approximately one third of the total number of Right-of-use Assets Leases and they also covered each type of leases recognised as Right-of-use Assets Leases under the 2020 Property and Assets Lease Framework Agreement for the Review Period; and (ii) the I3P Lease Agreements covered each type of leases under the 2020 Property and Assets Lease Framework Agreement, we consider that the sample size is sufficient. We noted that the unit prices (i.e. daily rent per square meter for the lease of freight yards, warehouses and office buildings, monthly rent per unit for the lease of facilities and equipment) set out in the Historical Lease Agreements are no less favourable than the unit prices set out in the I3P Lease Agreements of similar assets.

Having considered the above, we concur with the Directors that the terms of the 2023 Property Lease (Right-of-use Assets) Framework Agreement are on normal commercial terms.

(c) Historical transaction amounts and Right-of-use Assets Leases Caps

The table below sets out the historical transaction amounts for the Right-of-use Assets Leases in respect of leasing of freight yards, warehouses, office buildings, facilities and equipment from the Tianjin Port Group Companies to the Group for the Review Period; and the historical annual caps under the 2020 Property Lease (Right-of-use Assets) Framework Agreement for the Review Period:

	FY2021 *(RMB in thousands)*	**FY2022** *(RMB in thousands)*	**8M2023** *(RMB in thousands)*
Historical transaction amounts for the Right-of-use Assets Leases	70,453	4,885	–
Historical annual caps for the Right-of-use Assets Leases	225,000	49,000	226,000 To be revised to 525,000
Utilisation rate	31.3%	10.0%	0.0%

The table below sets out the Right-of-use Assets Leases Caps:

	FY2024 *(RMB in thousands)*	**FY2025** *(RMB in thousands)*	**FY2026** *(RMB in thousands)*
Right-of-use Assets Leases Caps	85,000	20,000	698,000

(d) Basis of the Right-of-use Assets Leases Caps

As set out in the Letter of the Board, the Right-of-use Assets Leases Caps are the total value of right-of-use assets recognised in the relevant period. The said total values of the right-of-use assets are determined with reference to, among other things, the following factors:

(i) the historical transactions and transaction amounts for the leased assets;

(ii) the expected lease arrangement with reference to the current lease arrangement including lease term and payment terms;

(iii) the expected demand for the Right-of-use Assets Leases in light of the business growth of the Group;

(iv) the anticipated annual inflation rate of 3.0%, with reference to the 2023 State Council Government Work Report which expected that the consumer prices in the PRC will increase by 3.0% in 2023; and

(v) the expected borrowing rates with reference to the loan prime rate for the relevant lease term published by the National Interbank Fund Centre as authorised by the People's Bank of China.

The Proposed Annual Caps for the Right-of-use Assets Leases consist of the lease agreements of the existing Right-of-use Assets Leases and the anticipated Right-of-use Assets Leases. Based on the preliminary assessment, except for two new agreements which are expected to be entered into by the end of 2023 or during 2024, and the annual expected lease increment that will be recognised as right-of-use assets in FY2025 pursuant to HKFRS 16; the remaining agreements are expected to be renewed by the end of 2023 and subsequently by the end of each year, which will be recognised as right-of-use assets in the years of 2023 and 2026. HKFRS 16, thereby resulting in the difference between the Right-of-use Assets Leases Caps for FY2024 and FY2025 and the Right-of-use Assets Leases Cap for FY2026.

Based on our discussions with the Management and review of the business plan of the Company, we understand that it is anticipated that two new Right-of-use Assets Leases will be entered into by the end of 2023 or in early 2024. Although the terms of such new leases are still under negotiation, we noted that the first lease is a three-year lease for an office building, the previous leasing of which was recorded as a short-term lease as it was renewed on an annual basis. In order to determine the rental amount for the coming three years for better cost control, the Group is negotiating with the lessor to change the lease term from one year to three years. Accordingly, such lease will be recognised as a Right-of-use Assets Lease according to HKFRS 16. If such lease can be successfully renewed for three years by end of 2023 or in early 2024, the amount of the anticipated right-of-use assets to be recognised in either 2023 or 2024 is approximately RMB45 million. In addition, we noted that the second lease is a lease for freight yards which is currently used by the Group. According to the current lessor, the freight yards may be sold to a Tianjin Port Group Company. After the transfer of the freight yards, the lease of the said freight yards will become a continuing connected transaction between the Group and the Tianjin Port Group Companies. Accordingly, depending on the completion date of the aforesaid transfer of the freight yards, the amount of the anticipated right-of-use assets to be recognised in either 2023 or 2024 according to HKFRS 16 will be approximately RMB40 million.

We have reviewed all the existing Right-of-use Assets Leases agreements, and based on our discussions with the Management, we understand that, for the renewal of the existing Right-of-use Assets Leases, it is expected that there may be some adjustments on the rental amount which may lead to the addition of right-of-use assets of approximately RMB20 million for FY2025.

The amount of the anticipated annual cap for FY2026 is approximately RMB698 million, assuming all of the existing Right-of-use Assets Leases and the two new Right-of-use Assets Leases would continue to be renewed (with certain increment on the rental amount) for the period from 2027 to 2029.

Pursuant to HKFRS 16, the Group is required to recognise the lease of freight yards and warehouses for the period from 2024 to 2026 pursuant to the 2023 Property Lease (Right-of-use Assets) Framework Agreement as the right-of-use assets of the Group in 2023 and to recognise the future renewal of the framework agreements for the period from 2027 to 2029 as the right-of-use assets of the Group in 2026.

(e) Assessment of the Right-of-use Assets Leases Caps

Pursuant to HKFRS 16, the Group as lessee is required to recognise the present value of the lease payments throughout the lease term under the 2023 Property Lease (Right-of-use Assets) Framework Agreement as right-of-use assets. Right-of-use assets represent the Group's right to use the underlying leased assets for the duration of the lease term and the corresponding lease liabilities represent the Group's obligation to make lease payments throughout the lease term. Accordingly, the Right-of-use Assets Leases Caps reflect the estimated total value of the right-of-use assets under the definitive agreements between the Group and the Tianjin Port Group Companies expected to be entered into for each of the three years ending 31 December 2026 under the 2023 Property Lease (Right-of-use Assets) Framework Agreement.

In order to assess the fairness and reasonableness of the Right-of-use Assets Leases Caps, we have discussed with the Management and reviewed the following:

(i) the global economy is recovering from the negative impact on global trade adversely affected by the outbreak of COVID-19 and the Group managed to record a slight increase in the total cargo throughput handled for HY2023 which increased from approximately 222 million tonnes for HY2022 to approximately 224 million tonnes for HY2023 according to the 2023 Interim Report;

(ii) the total cargo throughput handled by the Group from approximately 421 million tonnes for FY2020 to approximately 442 million tonnes for FY2021, representing a year-on-year increase of approximately 5.0%, then to approximately 443 million tonnes for FY2022, representing a year-on-year increase of approximately 0.2% according to the 2020 Annual Report, the 2021 Annual Report and the 2022 Annual Report, respectively, which was in line with the increase in the total import and export value in the PRC which increased from approximately RMB39.1 trillion in FY2021 to approximately RMB42.1 trillion in FY2022, representing an increase of approximately 7.7% as extracted from National Bureau of Statistics;

(iii) the anticipated annual inflation rate of 3.0.% adopted by the Management is based on the 2023 State Council Government Work Report which expected that consumer prices in the PRC will increase by 3.0% in 2023 which we have verified from the information available from National Bureau of Statistics;

(iv) based on our review of the past interest rates and business forecasts provided by the Company, we noted that, the expected borrowing rates with reference to the loan prime rates (3.45% to 4.85%) for one-year and five-years loan terms published by the National Interbank Fund Centre as authorised by the People's Bank of China which we have verified from the website of People's Bank of China; and

(v) based on our review of the past interest rates, we noted that, although the fluctuation of the loan prime rates in the PRC during FY2021, FY2022 and 8M2023 is not considered significant due to the sub-due economic condition, the borrowing rates may move significantly when the economic condition improves.

Having considered the above, we concur with the Management that the Right-of-use Assets Leases Caps are fair and reasonable on the ground that: (i) the expected business growth of the Group; (ii) the anticipated annual inflation rate of approximately 3.0%; and (iii) the expected borrowing rates.

(f) Reasons for and benefits of entering into the 2023 Property Lease (Right-of-use Assets) Framework Agreement

The Tianjin Port Group Companies owned the freight yards, warehouses, office buildings and facilities for carrying out the port business. When these port businesses were subsequently spun off into the Group, the Group continues to lease freight yards, warehouses, office buildings, and facilities from the Tianjin Port Group Companies. Entering into the 2023 Property Lease (Right-of-use Assets) Framework Agreement can ensure that the freight yards, warehouses, office buildings, facilities and equipment are leased to the Group from the Tianjin Port Group Companies at market price, on normal commercial terms and terms that are no less favourable to the Group than those offered by independent third parties, and that the freight yards, warehouses, office buildings, facilities and equipment will be leased from reliable and co-operative owners (such as the Tianjin Port Group Companies), and therefore, the transactions contemplated under the 2023 Property Lease (Right-of-use Assets) Framework Agreement are in the interests of the Group and the Shareholders as a whole.

4.3 2023 Integrated Services Framework Agreement – provision of utilities and supporting services by the Tianjin Port Group Companies to the Group

The principal terms of the 2023 Integrated Services Framework Agreement are as follows:

(a) Principal terms

Date:	25 September 2023
Parties:	(1) the Company (2) Tianjin Port Group
Term:	1 January 2024 to 31 December 2026

Nature of the transactions:

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

(1) water supply services;

(2) electricity supply services;

(3) communication services (including but not limited to telephone services, internet services, and rental services for optical fibre);

(4) IT support services (including but not limited to repair and maintenance of hardware and software of electronic data information system and the information network in respect of port operations);

(5) repair and maintenance of port facilities and equipment (including but not limited to repair and maintenance of cargo handling machineries, and general facilities and equipment, and dredging);

(6) project management services (including but not limited to tendering agency, project consultancy, design, supervision, and engineering consulting services for repair and maintenance projects);

(7) labour services (including but not limited to the on-site operation personnel dispatch services for cargo handling and logistics operation such as reshipment and storage, and personnel dispatch services required for basic management services such as onsite statistical personnel); and

(8) general administrative services and logistics services (including but not limited to office support services, general maintenance services, safety production management, training services, publicity and culture, medical health, cleaning services, catering services, and greening and cleaning).

Pricing basis:

The prices are determined with reference to the specific services such as the actual service content, quantity and quality, and the price of similar services paid by the Group in the past and the price determination mechanism according to each category of services as follow:

(1) Water supply services:

(i) the relevant PRC State Prescribed Prices published from time to time, such as Notice of Municipal Commission of Development and Reform, Municipal Finance Bureau and Municipal Water Authority Regarding the Reduction of Water Charges for Non-Residents* (《市發展改革委市財政局市水務局關於降低非居民自來水價格的通知》); and

(ii) the quantity of the water to be provided to the Group.

(2) Electricity supply services:

(i) the relevant PRC State Prescribed Prices published from time to time, such as Notice of Municipal Commission of Development and Reform Regarding Further Reduction of Industrial and Commercial Electricity Tariff* (《市發展改革委關於進一步降低我市一般工商業用電價格的通知》); and

(ii) the quantity of electricity to be provided to the Group.

(3) Communication services:

(i) with reference to the market prices (the service charge standards by other major carriers) of the relevant similar services the based on the content of the services (such as the demand for telephones and internet); and

(ii) the number of technical support personnel or quantity of services to be provided to the Group.

(4) IT support services:

(i) with reference to the market prices of the relevant similar services based on the content of the services (such as types, qualities and quantities); and

(ii) the quantities of the specific maintenance items to be provided to the Group.

(5) Repair and maintenance of port facilities and equipment:

(i) with reference to the market prices of the relevant similar services based on the content of the services (such as types, qualities and quantities); and

(ii) the quantities of repair and maintenance items to be provided to the Group.

(6) Project management services:

(i) the relevant service charge rates determined based on the content of the services (such as the service type of the repair and maintenance projects (tendering agency, construction agency, design, supervision, and project consultancy services), the scope and the size of the repair and maintenance projects); and

(ii) the costs of the relevant repair and maintenance projects.

(7) Labour services:

(a) Labour services related to cargo handling:

(i) the service charges determined based on the type of cargo handled; and

(ii) the quantity of cargo handled.

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

(i) the relevant labour service charges determined based on the content of the services (such as the position, type, skills, expertise and experience of the labour required); and

(ii) the quantity of labour or services to be provided to the Group.

(8) General administrative services:

(i) with reference to the market prices of the relevant similar services based on the content of the services (such as the position, type, skills, expertise, years of experience, experience and number of the labour required; or the scope and scale of the contracted services provided) (for example, with reference to the market prices of labour in Port of Tianjin or prices of similar labour of the Group); and

(ii) the number of labour or the quantity of services to be provided to the Group and their scale.

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

Payment terms:

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

(1) Water supply services: payment on a monthly basis;

(2) Electricity supply services: payment on a monthly basis;

(3) Communication services: payment on a monthly or quarterly basis, depending on the services nature;

(4) IT support services: payment on a quarterly basis;

(5) Repair and maintenance of port facilities and equipment:

(i) for contracts on a project basis: payment on a one-off basis; and

(ii) for contracts on an annual basis: payment on a quarterly basis;

(6) Project management services: payment on a one-off basis;

(7) Labour services: payment on a monthly basis; and

(8) General administrative services: payment on a monthly basis.

(b) Assessment of the principal terms

As the 2020 Integrated Services Framework Agreement will expire on 31 December 2023, the 2023 Integrated Services Framework Agreement was entered into on 25 September 2023 between the Company and Tianjin Port Group, subject to the approval by the Independent Shareholders, to (i) continue the transactions contemplated under the 2023 Integrated Services Framework Agreement for the three years ending 31 December 2026; and (ii) adopt the new annual caps for the three years ending 31 December 2026 (the "**Integrated Services Caps**").

We understand that the pricing policy and all other material terms and conditions of the 2023 Integrated Services Framework Agreement remained the same as the 2020 Integrated Services Framework Agreement.

We have randomly selected, obtained and reviewed more than 20 samples of agreements and bidding award documents, which covered all types of services, for the services under the 2020 Integrated Services Framework Agreement for the Review Period (the "**Historical Services Samples**") and we noted that:

(i) the pricing of water and electricity supply was strictly determined with reference to the relevant PRC State Prescribed Prices published from time to time by TDRC;

(ii) the pricing of repair and maintenance of port facilities and equipment, project management services and general administrative services was mainly determined with reference to the relevant market prices by obtaining quotations or tenders; and

(iii) the pricing of labour services was mainly determined with reference to: (a) type of cargo handled for cargo handling; and (b) the content of the services for outdoor works.

After our discussion with the Management, we understand that:

(i) Tianjin Port Group is the sole service provider of communication services at the port of Tianjin and we have obtained and reviewed 3 sets of samples among the Historical Services Samples for communication services provided by the Tianjin Port Group Companies to the Group and companies other than the Group and noted that the pricing of communication services provided by the Tianjin Port Group Companies to both the Group and companies other than the Group was made reference to the content of the services such as bandwidth; and

(ii) The Tianjin Port Group Companies developed the IT system for the Group and the Management is therefore of the view that it is beneficial to the Group to retain the Tianjin Port Group Companies to provide IT support services to the Group. We have obtained and reviewed 3 sets of samples among the Historical Services Samples for IT support services provided by the Tianjin Port Group Companies to the Group and companies other than the Group and noted that the pricing of IT support services provided by the Tianjin Port Group Companies to both the Group and companies other than the Group was made reference to the content of the services such as the number of user accounts.

Given that: (i) the Historical Services Samples in relation to water and electricity supply showed that the pricing of water and electricity supply was strictly determined with reference to the relevant PRC State Prescribed Prices published from time to time by TDRC; (ii) the selected Historical Services Samples had covered all types of services under 2020 Integrated Services Framework Agreement and had covered every year of the Review Period; (iii) labour services accounted for approximately 45%, 55% and 61% of the total integrated services provided in terms of transaction amounts in each year of the Review Period respectively, and the transaction amounts of the Historical Services Samples in relation to labour services represented approximately 8%, 13% and 14% of the transaction amount of labour services in each year of the Review Period respectively; and (iv) the integrated services involve numerous service agreements due to the different nature of services as advised by the Management, we consider that the sample size is sufficient. Based on the Historical Services Samples we have reviewed, the pricing of the services adhered to the pricing policy as stated above.

Having considered the above, we concur with the Directors that the terms of the 2023 Integrated Services Framework Agreement are on normal commercial terms.

(c) Historical transaction amounts and Integrated Services Caps

The table below sets out the historical transaction amounts for utilities and supporting services provided by the Tianjin Port Group Companies to the Group for the Review Period and the historical annual caps under the 2020 Integrated Services Framework Agreement for the Review Period:

	FY2021 *(RMB in thousands)*	**FY2022** *(RMB in thousands)*	**8M2023** *(RMB in thousands)*
Historical transaction amounts	1,296,892	1,363,947	910,874
Historical annual caps for 2020 Integrated Services Framework Agreement	1,512,000	1,580,000	1,674,000 To be revised to 1,975,000
Utilisation rate	85.8%	86.3%	54.4% based on existing annual cap

The table below sets out the Integrated Services Caps:

	FY2024 *(RMB in thousands)*	FY2025 *(RMB in thousands)*	FY2026 *(RMB in thousands)*
Integrated Services Caps	2,450,000	2,700,000	2,975,000

Labour services and electricity supply services were, and are expected to continue to be, the two highest categories of services contributing to the total integrated services provided in terms of transaction amount. They represented, and are expected to represent, approximately 60% to 78% of the total integrated services provided in terms of transaction amount for the Review Period, and for the Integrated Services Caps.

(d) Basis of the Integrated Services Caps

As set out in the Letter from the Board, the Integrated Services Caps are determined with reference to, among other things, the following factors:

(i) the historical transactions and transaction amounts for the provision of public utilities and supporting services;

(ii) the expected business growth of the Group based on the historical growth rate of 5.0% and 0.2% in 2021 and 2022 respectively in the annual total throughput of the Group, with reference to a growth rate of 8.1% and 3.0% in China's GDP in 2021 and 2022 respectively, and a year-on-year increase of 21.2% and 7.7% in China's total import and export value in RMB in 2021 and 2022 respectively;

(iii) the expected increase in demand for the electricity supply after the Group implemented the automation and intelligence of the port operation;

(iv) the expected increase in demand for integrated services after the Group's new logistics project commence operation;

(v) the expected increase in demand for IT support services, project management services and repair and maintenance of port facilities and equipment as the Group continuously enhances the automation and intelligence of the port operation;

(vi) the anticipated annual inflation rate of 3.0%, with reference to the 2023 State Council Government Work Report which expected that the PRC consumer prices will increase by 3.0% in 2023;

(vii) the anticipated annual increase in the PRC State Prescribed Prices of 2.0% based on the increase in PRC consumer prices of 2.0% in 2022; and

(viii) the estimated increase in the market price of labour of 6.5% per year based on the recommended average increase in wages of 6.5% according to the "Notice on the Guideline for Wages for Corporates issued by the Municipal Human Resources and Social Security Bureau in 2022"*（《市人社局關於發佈2022年全市企業工資指導線的通知》）issued by the Tianjin Municipal Human Resources and Social Security Bureau in 2022.

Based on the above factors, the anticipated basic annual increment in the demand for the integrated services is approximately 10.0% per year. Initially, the estimated aggregate transaction amount for FY2024 should be around RMB2,170 million. However, Tianjin Port Coke Terminal Co., Ltd.*（天津港焦炭碼頭有限公司）, a subsidiary of the Company, is expecting to incur an additional integrated services fee of approximately RMB300 million for upgrading and reconstruction of its terminal at Nanjiang 6# berth*（南疆6#焦炭泊位）in 2024. Therefore, it is estimated that the Proposed Annual Cap for FY2024 should be approximately RMB2,450 million, a 24.1% increase from the Proposed Revised 2023 Annual Cap of RMB1,975 million for FY2023.

(e) Assessment of the Integrated Services Caps

It is noted that the historical transaction amounts represented approximately 85.7% and 86.3% utilisation of the annual cap for FY2021 and FY2022 respectively. For 8M2023, the utilisation of the annual caps for FY2023 is already approximately 54.4%.

It is noted that the Integrated Services Cap for FY2024 of RMB2,450 million represents an increase of approximately 24.1% from the Proposed Revised 2023 Annual Cap under the 2020 Integrated Services Framework Agreement of RMB1,975 million for FY2023. The Integrated Services Cap for FY2025 increases further by approximately 10.2% to RMB2,700 million and a further approximately 10.2% to RMB2,975 million for FY2026.

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

(i) the global economy is recovering from the negative impact on global trade adversely affected by the outbreak of COVID-19 and the Group managed to record a slight increase in the total cargo throughput handled for HY2023 which increased from approximately 222 million tonnes for HY2022 to approximately 224 million tonnes for HY2023 according to the 2023 Interim Report;

(ii) the total cargo throughput handled by the Group from approximately 421 million tonnes for FY2020 to approximately 442 million tonnes for FY2021, representing a year-on-year increase of approximately 5.0%, then to approximately 443 million tonnes for FY2022, representing a year-on-year increase of approximately 0.2% according to the 2020 Annual Report, the 2021 Annual Report and the 2022 Annual Report, respectively, which was in line with the increase in the total import and export value in the PRC which increased from approximately RMB39.1 trillion in FY2021 to approximately RMB42.1 trillion in FY2022, representing an increase of approximately 7.7% as extracted from National Bureau of Statistics;

(iii) the annual increase in the market price of labour of approximately 6.5% estimated by the Group is in line with the recommended average increase in wages of approximately 6.5% according to the "Notice on the Guideline for Wages for Corporates issued by the Municipal Human Resources and Social Security Bureau in 2022"* (《市人社局關於發佈2022年全市企業工資指導線的通知》) issued by the Tianjin Municipal Human Resources and Social Security Bureau in 2022;

(iv) given that labour services historically accounted for approximately 50% of the total integrated services provided in terms of transaction amount, the estimated annual increase in the market price of labour of 6.5% would have a relatively significant impact on the growth rate of the Integrated Services Caps;

(v) the anticipated annual increase in the PRC State Prescribed Prices of 2.0% based on the increase in PRC consumer prices of 2.0% in 2022;

(vi) the anticipated annual inflation rate of 3.0% adopted by the Management is based on the 2023 State Council Government Work Report which expected that consumer prices in the PRC will increase by 3.0% in 2023 which we have verified from the information available from National Bureau of Statistics;

(vii) based on our review of the estimations provided by the Company, we noted that, for FY2024, the estimated increase in integrated services in relation to Tianjin Port Coke Terminal Co., Ltd.* (天津港焦炭碼頭有限公司), a subsidiary of the Company, which is expecting to incur an additional integrated services fee of approximately RMB300 million for upgrading and reconstruction of its terminal at Nanjiang 6# berth* (南疆6#焦炭泊位) in 2024; and

(viii) based on our review of the estimations provided by the Company, we noted that, for FY2025 and FY2026, the estimated increase in integrated services to implement Group's plan to enhance the automation and intelligence of port operation is more than RMB500 million per year.

We concur with the Management that the Integrated Services Caps are fair and reasonable on the ground that: (i) the expected business growth of the Group; (ii) the estimated annual increase in the market price of labour of 6.5%; (iii) the anticipated annual inflation rate of approximately 3.0%; (iv) the anticipated annual increase in the PRC State Prescribed Prices of approximately 2.0%; and (v) the business development plan of the Group for FY2024 to FY2026.

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

(f) Reasons for and benefits of entering into the 2023 Integrated Services Framework Agreement

The Tianjin Port Group Companies have been providing the above utilities and supporting services to the Group in the past. The Tianjin Port Group Companies are familiar with the operation pattern of the Group and are able to provide services in an efficient and effective manner to the Group. The Tianjin Port Group Companies are reliable and co-operative service providers and have consistently been able to meet the Group's stringent demand and deliver services in a timely manner. The provision of services to the Group by reliable and co-operative service providers (such as the Tianjin Port Group Companies) is very important and beneficial to the ordinary daily business operation of the Group. Entering into the 2023 Integrated Services Framework Agreement can ensure that the provision of services by the Tianjin Port Group Companies to the Group will be conducted at market price, on normal commercial terms and terms that are no less favourable to the Group than those offered by independent third parties. The transactions contemplated under the 2023 Integrated Services Framework Agreement are therefore in the interests of the Group and the Shareholders as a whole.

5. Measures of internal control

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

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

The relevant departments of subsidiaries have to conduct comparison procedures by obtaining quotations from at least three suppliers in general, for products or services provided and/or by price enquiry under certain circumstances according to the requirements of the Group, and to determine the actual prices for products or services with reference to the market prices and the historical prices, and the demand and supply conditions of products or services. As for those services with sole supplier, the relevant subsidiaries have to justify the price by either making reference with the most comparable market prices, or making reference with terms offered to other users, which are not a subsidiary of the Group, by Tianjin Port Group Companies; or comparing with the cost of developing or setting up the required services on their own. For example, for the communication services, the relevant subsidiaries are required to provide the justification by making reference from the internet services fee offered by the independent services providers in Tianjin city excluding the Tianjin port area; and for the IT services, the comparison will be conducted by making reference from the system services fee offered to other users, which are not a subsidiary of the Group, by Tianjin Port Group Companies. Such comparison procedures are conducted by the department responsible for the relevant services, which may include information management department (for communication services and IT support services), general services department (for repair and maintenance of port facilities and general administrative services), equipment management department (for repair and maintenance of port equipment), engineering management department (for project management services), human resources department and business department (for labour services), or such other departments or personnels depending on the corporate structure of the relevant subsidiaries, the type of services and the amount of the transactions. Before entering into any contract, the relevant subsidiaries shall perform review procedures, contracts have to be reviewed by various departments (such as finance department and/or audit department) and obtain proper approval. For connected transactions, the subsidiaries have to further compare the terms offered to/by the connected persons with those offered to/by the independent third parties to ensure that the terms offered to/by the connected persons are no less favourable than those offered to/by independent third parties. Proper approvals also have to be obtained in accordance with the relevant internal management policies before entering into any contract.

(2) The Group would conduct financial monitoring (including the execution of continuing connected transactions) on a semi-annual basis and internal control and review on an annual basis for inspecting the effectiveness of internal control measures on connected transactions, as well as financial audit on an annual basis and spot checks and supervision from time to time on related matters, so as to ensure that the transactions are conducted according to the terms of the relevant agreements.

(3) The audit committee of the Company, which comprises all the independent non-executive Directors, shall review the continuing connected transactions of the Group every year according to the requirements of the Listing Rules to ensure that the transactions are conducted on normal commercial terms and according to the relevant agreements, and are on terms that are fair and reasonable and are in the interests of the Shareholders as a whole.

(4) The auditors of the Company shall issue a letter containing their findings and conclusions in respect of the continuing connected transactions of the Group to the Board every year pursuant to the requirements under the Listing Rules.

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

In addition, we noted from the 2020 Annual Report, the 2021 Annual Report and the 2022 Annual Report that in accordance with the Listing Rules, the independent auditor of the Company was engaged to report on the continuing connected transactions of the Group and issued unqualified letter in respect of continuing connected transactions for each of FY2020, FY2021 and FY2022.

Accordingly, we concur with the Management's view that the internal policies of the Group as mentioned above form an adequate system of internal control to monitor the Non-exempt Continuing Connected Transactions.

RECOMMENDATION

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

(a) the entering into of the Non-exempt Continuing Connected Transactions with Tianjin Port Group falls within the ordinary and usual course of business of the Group and is in the interest of the Company and the Shareholders as a whole;

(b) the terms of the Non-exempt Continuing Connected Transactions are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole; and

(c) the Group has adequate internal control system in place to monitor the Non-exempt Continuing Connected Transactions.

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

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

Yours faithfully,
for and on behalf of
CHINA SUNRISE CAPITAL LIMITED

Larry Chan	**Lenny Li**
Managing Director	*Executive Director*

Mr. Larry Chan and Mr. Lenny Li are licensed persons registered with the SFC and are responsible officers of China Sunrise Capital Limited to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO who have over 30 years and over 17 years of experience in corporate finance industry respectively.

* *For identification purposes only*

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

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

Long position in the Shares

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

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

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

Name of Director	Name of company	Position
Chu Bin	Tianjin Port Group	Director and chairman
Luo Xunjie	Tianjin Port Group	Director and vice president as well as the officer of strategic investment committee
Teng Fei	Tianjin Development Holdings Limited	Director and deputy general manager
	Tianjin TEDA Industrial Group Co., Ltd.*（天津泰達實業集團有限公司）	Deputy general manager
	Tsinlien Group Company Limited*（津聯集團有限公司）	Deputy general manager
	Tianjin Bohai State–owned Assets Management Co., Ltd.*（天津渤海國有資產經營管理有限公司）	General manager
Sun Bin	Tianjin Port Group	General manager of the investment and development management department

3. DIRECTORS' SERVICE CONTRACTS

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

4. COMPETING INTEREST

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

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

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

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been, since 31 December 2022, being the date to which the latest published audited consolidated financial statements of the Company were made up, acquired or disposed of by or leased to, or are proposed to be acquired or disposed of by or leased to any member of the Group.

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

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2022, being the date to which the latest published audited consolidated financial statements of the Company were made up.

7. EXPERT

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

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

As at the Latest Practicable Date, China Sunrise Capital did not have any shareholding, direct or indirect, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, China Sunrise Capital did not have any direct or indirect interest in any assets which had been, since 31 December 2022, being the date to which the latest published audited consolidated financial statements of the Company were made up, acquired or disposed of by or leased to, or are proposed to be acquired or disposed of by or leased to any member of the Group.

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

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

8. DOCUMENTS ON DISPLAY

Copies of the following documents will be available on the HKEXnews website (www.hkexnews.hk) and the Company's website (www.tianjinportdev.com) during the period of 14 days from the date of this circular:

(a) 2020 Procurement Framework Agreement;

(b) 2020 Property and Assets Lease Framework Agreement;

(c) 2020 Integrated Services Framework Agreement;

(d) 2023 Procurement Framework Agreement;

(e) 2023 Property Lease (Right-of-use Assets) Framework Agreement; and

(f) 2023 Integrated Services Framework Agreement.

9. MISCELLANEOUS

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

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

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

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of Tianjin Port Development Holdings Limited (the "**Company**") will be held on the Victoria Room I, 3/F, Regal Hongkong Hotel, No. 88 Yee Wo Street, Causeway Bay, Hong Kong on Friday, 1 December 2023 at 3:00 p.m. for the purposes of considering and, if thought fit, passing, with or without modification, the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. "**THAT**

   the existing annual cap for the financial year ending 31 December 2023 under the 2020 Procurement Framework Agreement be and is hereby revised to its corresponding Proposed Revised 2023 Annual Cap, all as defined and described in the circular of the Company dated 13 November 2023 ("**Circular**"), and all transactions in connection therewith and any other ancillary documents, be and are hereby approved, confirmed and ratified; and THAT the directors of the Company be and are hereby authorised for and on behalf of the Company to sign, seal, execute, perfect, perform, deliver all such agreements, instruments, documents and deeds, and do all such acts, matters and things and take all such steps as they may in their discretion consider necessary, desirable or expedient to implement and/or to give effect to the revision of annual cap to the Proposed Revised 2023 Annual Cap for the 2020 Procurement Framework Agreement, and transactions contemplated thereunder as they may in their discretion consider to be desirable and in the interests of the Company."

2. "**THAT**

   the existing annual caps for the financial year ending 31 December 2023 under the 2020 Property and Assets Lease Framework Agreement be and are hereby revised to its corresponding Proposed Revised 2023 Annual Caps, all as defined and described in the Circular, and all transactions in connection therewith and any other ancillary documents, be and are hereby approved, confirmed and ratified; and THAT the directors of the Company be and are hereby authorised for and on behalf of the Company to sign, seal, execute, perfect, perform, deliver all such agreements, instruments, documents and deeds, and do all such acts, matters and things and take all such steps as they may in their discretion consider necessary, desirable or expedient to implement and/or to give effect to the revision of annual caps to the Proposed Revised 2023 Annual Caps for the 2020 Property and Assets Lease Framework Agreement, and transactions contemplated thereunder as they may in their discretion consider to be desirable and in the interests of the Company."

3. "**THAT**

the existing annual cap for the financial year ending 31 December 2023 under the 2020 Integrated Services Framework Agreement be and is hereby revised to its corresponding Proposed Revised 2023 Annual Cap, all as defined and described in the Circular, and all transactions in connection therewith and any other ancillary documents, be and are hereby approved, confirmed and ratified; and THAT the directors of the Company be and are hereby authorised for and on behalf of the Company to sign, seal, execute, perfect, perform, deliver all such agreements, instruments, documents and deeds, and do all such acts, matters and things and take all such steps as they may in their discretion consider necessary, desirable or expedient to implement and/or to give effect to the revision of annual cap to the Proposed Revised 2023 Annual Cap for the 2020 Integrated Services Framework Agreement, and transactions contemplated thereunder as they may in their discretion consider to be desirable and in the interests of the Company."

4. "**THAT**

the 2023 Procurement Framework Agreement, the transactions contemplated thereunder and the relevant Proposed Annual Caps for each of the financial years ended 31 December 2024, 31 December 2025 and 31 December 2026, all as defined and described in the Circular, and all other transactions in connection therewith and any other ancillary documents, be and are hereby approved, confirmed and ratified; and THAT the directors of the Company be and are hereby authorised for and on behalf of the Company to sign, seal, execute, perfect, perform, deliver all such agreements, instruments, documents and deeds, and do all such acts, matters and things and take all such steps as they may in their discretion consider necessary, desirable or expedient to implement and/or to give effect to the 2023 Procurement Framework Agreement, and transactions thereby contemplated as they may in their discretion consider to be desirable and in the interests of the Company."

5. "**THAT**

the 2023 Property Lease (Right-of-use Assets) Framework Agreement, the transactions contemplated thereunder and the relevant Proposed Annual Caps for each of the financial years ended 31 December 2024, 31 December 2025 and 31 December 2026, all as defined and described in the Circular, and all other transactions in connection therewith and any other ancillary documents, be and are hereby approved, confirmed and ratified; and THAT the directors of the Company be and are hereby authorised for and on behalf of the Company to sign, seal, execute, perfect, perform, deliver all such agreements, instruments, documents and deeds, and do all such acts, matters and things and take all such steps as they may in their discretion consider necessary, desirable or expedient to implement and/or to give effect to the 2023 Property Lease (Right-of-use Assets) Framework Agreement, and transactions thereby contemplated as they may in their discretion consider to be desirable and in the interests of the Company."

6. "**THAT**

the 2023 Integrated Services Framework Agreement, the transactions contemplated thereunder and the relevant Proposed Annual Caps for each of the financial years ended 31 December 2024, 31 December 2025 and 31 December 2026, all as defined and described in the Circular, and all other transactions in connection therewith and any other ancillary documents, be and are hereby approved, confirmed and ratified; and THAT the directors of the Company be and are hereby authorised for and on behalf of the Company to sign, seal, execute, perfect, perform, deliver all such agreements, instruments, documents and deeds, and do all such acts, matters and things and take all such steps as they may in their discretion consider necessary, desirable or expedient to implement and/or to give effect to the 2023 Integrated Services Framework Agreement, and transactions thereby contemplated as they may in their discretion consider to be desirable and in the interests of the Company."

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

Hong Kong, 13 November 2023

Notes:

1. An eligible shareholder of the Company is entitled to appoint one or more proxies to attend and vote in his/her stead. A proxy does not need to be a shareholder of the Company.

2. In the case of joint registered holders of any share of the Company, any one of such persons may vote at the EGM (or any adjournment thereof), either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but the vote of the senior holder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.

3. In order to be valid, the form of proxy, together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited at the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 48 hours before the time scheduled for holding the EGM (or any adjournment thereof).

4. Completion and return of the form of proxy will not preclude a shareholder of the Company from attending and voting in person at the EGM (or any adjournment thereof) should he/she so wish, and in such event, the form of proxy shall be deemed to be revoked.

5. The register of members of the Company will be closed from Tuesday, 28 November 2023 to Friday, 1 December 2023 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the EGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Monday, 27 November 2023.

6. The resolutions set out in this notice will be decided by poll at the EGM.

As at the date of this notice, the board of directors of the Company comprises Mr. Chu Bin, Mr. Luo Xunjie, Mr. Teng Fei, Mr. Sun Bin, Mr. Lou Zhanshan and Mr. Yang Zhengliang as executive directors; and Professor Japhet Sebastian Law, Mr. Cheng Chi Pang, Leslie, Mr. Zhang Weidong and Ms. Luo Laura Ying as independent non-executive directors.