



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

24 June 2024

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

*Dear Sirs,*

**MAJOR AND CONTINUING CONNECTED TRANSACTIONS  
RENEWAL OF THE EXISTING FINANCIAL SERVICES  
FRAMEWORK AGREEMENT**

**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 Non-exempt Continuing Connected Transactions and the Proposed Annual Caps, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 24 June 2024 (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.

**NEW FINANCIAL SERVICES FRAMEWORK AGREEMENT**

As the Existing Financial Services Framework Agreement will expire on 31 December 2024, on 30 April 2024, the Company entered into the New Financial Services Framework Agreement with Tianjin Port Finance and Tianjin Port Group to continue the Transactions.

**LISTING RULES IMPLICATIONS**

As at the Latest Practicable Date, Tianjin Port Group is the controlling shareholder indirectly interested in 53.5% of the issued share capital of the Company. Tianjin Port Finance is a subsidiary of Tianjin Port Group. Hence, Tianjin Port Group and Tianjin Port Finance are both connected persons of the Company as defined in the Listing Rules. Accordingly, the Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios (as defined in the Listing Rules) in respect of the Proposed Annual Caps are 25% or more, in addition to constituting continuing connected transactions of the Company, the Non-exempt Continuing Connected Transactions also constitute major transactions of the Company under Chapter 14 of the Listing Rules. Accordingly, the Non-exempt Continuing Connected Transactions are subject to the reporting, announcement, annual review, circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules, and the relevant major transaction requirements under Chapter 14 of the Listing Rules.

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

None of the Directors had a material interest in the Transactions. 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 from voting in the relevant Board resolutions in relation to the transactions with Tianjin Port Group and/or its associates.

#### **THE INDEPENDENT BOARD COMMITTEE**

The Independent Board Committee, comprising all the independent non-executive Directors, namely Professor Japhet Sebastian Law, 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 New Financial Services Framework Agreement and the Non-exempt Continuing Connected Transactions is in the ordinary and usual course of business of the Group;
- (b) whether the terms of the New Financial Services Framework Agreement 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;
- (d) whether the Proposed Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned; and
- (e) 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 by the Company 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.

## **INDEPENDENCE OF CHINA SUNRISE**

During the past two years immediately prior to the Latest Practicable Date, we were appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of certain non-exempt continuing connected transactions in connection with (i) the revision of the annual caps for the 2020 non-exempt framework agreements (including the 2020 procurement framework agreement, the 2020 property and assets lease framework and the 2020 integrated services framework agreement) to the relevant proposed revised 2023 annual caps; and (ii) the entering into of the 2023 non-exempt framework agreements (including the 2023 procurement framework agreement, the 2023 property lease (right-of-use assets) framework agreement and the 2023 integrated services framework agreement), details of which are set out in the circular of the Company dated 13 November 2023 (the “**Past Appointment**”). The Past Appointment was completed and independent to our current appointment. We are of the view that the Past Appointment would not render our current appointment becoming not independent based on the fact that the Past Appointment and the current appointment in connection with the Non-exempt Continuing Connected Transactions are two different sets of continuing connected transactions which are different in nature and our professional fees in connection with the Past Appointment have been fully settled and we are not aware of the existence of or change in any circumstances that could affect our independence. Accordingly, we do not consider the Past Appointment gives rise to any conflict of interest for China Sunrise in respect of the New Financial Services Framework Agreement.

Save for the Past Appointment and the 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 Past Appointment and 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, amongst other things:

- (i) the New Financial Services Framework Agreement;
- (ii) the Existing Financial Services Framework Agreement;
- (iii) the Company’s annual report for the financial year ended 31 December (“**FY**”) 2023 (the “**2023 Annual Report**”);
- (iv) the Company’s interim report for the six months ended 30 June 2023 (the “**2023 Interim Report**”);
- (v) the announcement of the Company dated 30 April 2024 in relation to the entering of the New Financial Services Framework Agreement; and
- (vi) 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*

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*

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.

### *Tianjin Port Finance*

The principal business of Tianjin Port Finance is the provision of financial services to the members of Tianjin Port Group but not to other parties.

Tianjin Port Finance is a non-bank financial institution with limited liability established under PRC law on 9 December 2006 with the approval of China Banking and Insurance Regulatory Commission (subsequently renamed to NFRA). Its total registered and paid-up capital is RMB1,150 million. The business activities of Tianjin Port Finance are regulated and supervised by the PBOC and the NFRA and its approved major business scope comprises deposit taking, loan services, entrusted loans services, non-financial guarantees, notes acceptance and discounting services, provision of fund settlement as well as collection and payment services, provision of financial advisory services, credit verification and related consultancy agency services, and fixed income securities investment activities.

According to the audited financial statements of Tianjin Port Finance prepared under the China Accounting Standards for Business Enterprises, a summary of the financial information of Tianjin Port Finance for FY2022 and FY2023 are set out below:

**Table 1: Highlights of the financial information of Tianjin Port Finance**

	<b>Audited</b>	
	<b>FY2023</b>	<b>FY2022</b>
	<i>(RMB in million)</i>	<i>(RMB in million)</i>
Profit after taxation	198	210

  

	<b>Audited</b>	
	<b>As at 31 December</b>	
	<b>2023</b>	<b>2022</b>
	<i>(RMB in million)</i>	<i>(RMB in million)</i>
Total assets	12,118	10,675
Total liabilities	9,370	7,974

*Source: Letter from the Board*

## **2. Reasons for and benefits of entering into the Transactions**

As stated in the Letter from the Board, given that the Group holds in aggregate 45.826% of the shareholding interest in Tianjin Port Finance, the reasons and benefits for the Group to use the services of Tianjin Port Finance include, but are not limited to: (i) the formulating a deposit mix between Tianjin Port Finance and other commercial banks in the PRC, while at the same time retaining sufficient working capital flexibility; (ii) enhancing cost savings by reducing the amount of finance fees and charges payable to other commercial banks in the PRC as the terms offered by Tianjin Port Finance to the Group are no less favorable than those offered by other commercial banks in the PRC; and (iii) sharing profits of Tianjin Port Finance attributable to the Group in accordance with shareholding interests in Tianjin Port Finance. It is expected that Tianjin Port Finance, being an affiliate company of the Group, will be placed in a better position to serve the financial needs of the Group as it has a better understanding of the operation and development needs of the Group. Accordingly, it is envisaged that Tianjin Port Finance will be more efficient in terms of processing transactions for the Group than other commercial banks in the PRC.

As a financial services provider of the Group, the risk profile faced by Tianjin Port Finance is no higher than that of other commercial banks in the PRC, whereas there are numerous advantages of utilising the financial services provided by Tianjin Port Finance over similar services provided by other commercial banks in the PRC (as disclosed below):

- (i) similar to other commercial banks in the PRC, Tianjin Port Finance is regulated by the PBOC and NFRA, and it is required to provide services pursuant to the relevant rules, regulations and requirements including capital risk guidelines and requisite capital adequacy ratios as stipulated or promulgated by such regulatory authorities from time to time. In particular, Tianjin Port Finance follows a more stringent capital adequacy ratio policy than that is required of finance companies by the NFRA;
- (ii) Tianjin Port Finance has implemented stringent internal control and risk management measures, the efficiency and effectiveness of which are regularly reviewed by the NFRA. Furthermore, Tianjin Port Finance will allow the Company to inspect its books and accounts upon the Company's request;
- (iii) pursuant to its articles of association, Tianjin Port Finance operates independently and is responsible for its own financial performance. When Tianjin Port Finance provides financial services to members of Tianjin Port Group, it will exercise its own judgement and prudent approval process in determining whether to provide particular financial services to these members. Due to the implementation of stringent credit control measures, Tianjin Port Finance has not had any bad debt since its establishment in 2006 and has not defaulted on any of its credit obligations;

- (iv) pursuant to the letter of commitment issued by Tianjin Port Group to NFRA, Tianjin Port Group will supplement capital to Tianjin Port Finance when necessary. If it does not have capacity to supplement, it will not prevent other investors from adopting reasonable plans to invest in Tianjin Port Finance; it will not withdraw capital when Tianjin Port Finance experiences any liquidity difficulties and will provide liquidity support as much as possible; and
- (v) the risk of the Group is minimised by each of the following: (a) Tianjin Port Group's undertakings to the Group; (b) the right to set off given to the member of the Group; and (c) in relation to the deposits placed by the Company with Tianjin Port Finance, when Tianjin Port Finance is not lending such funds to each member of the Tianjin Port Group, Tianjin Port Finance can only deposit such funds with PBOC or other commercial banks in the PRC with similar ratings.

Furthermore, as set out in the Letter from the Board, the advantages of utilising the financial services provided by Tianjin Port Finance over similar services provided by other commercial banks in the PRC are as follows:

- (i) PRC laws do not permit companies, including affiliates, to arrange intra-group loans directly without going through a financial intermediary. Tianjin Port Finance serves as the financial intermediary through which the funds of the members of the Group can be deposited with Tianjin Port Finance and channeled efficiently to other members for use;
- (ii) as an intra-group service provider, Tianjin Port Finance can generally communicate with and understand the Group better and more effectively than other commercial banks in the PRC. For example, by coordinating and arranging between members of the Group having surplus deposits and members who are borrowers, services provided can be enhanced in terms of cost and efficiency;
- (iii) Tianjin Port Finance offers interest rates that are no less favourable than those available to the Group from other major state-owned commercial banks in the PRC;
- (iv) Tianjin Port Finance can assist the Group to formulate a beneficial deposit mix comprising different types of deposits such as current deposits, call deposits and fixed deposits, thereby enabling the Group to increase its return on funds and retain sufficient working capital flexibility;
- (v) fees and charges generated from utilisation of Tianjin Port Finance's services will be credited to Tianjin Port Finance instead of other commercial banks in the PRC, which allows the Group to benefit financially. The Group holds 45.826% shareholding interest in Tianjin Port Finance and will share the profits of Tianjin Port Finance accordingly;



- (vi) as Tianjin Port Finance is familiar with the business and transaction mode of the Group, Tianjin Port Finance can provide a more effective and orderly settlement services platform than other commercial banks in the PRC. This also helps to reduce the transaction costs of the Group such as handling fees and other administrative expenses related to transfer of funds;
- (vii) discounting of notes by Tianjin Port Finance provides the Group's customers with flexibility in payment terms and allows the Group to accelerate the collection of sales proceeds. Upon discounting of the notes, the Group may receive the sales proceeds as if the sale were a cash sale. This arrangement helps to efficiently reduce the accounts receivable balance of the Group, thereby accelerating its fund flow; and
- (viii) when there is credit squeeze in the PRC, it is generally more difficult or costly to obtain loans from other commercial banks in the PRC, whereas Tianjin Port Finance can provide an additional financing platform to the Group which can reduce the impact of the credit squeeze to the Group.

Based on the above and after considering, in particular, the following factors:

- (i) there will be a need for financial services such as placing deposits and obtaining financing for the Group during its operations. If the Group does not obtain the financial services from Tianjin Port Finance, it has to obtain such financial services from other commercial banks in the PRC;
- (ii) Tianjin Port Finance has been providing financial services to the Group in the past. As such, Tianjin Port Finance is familiar with the business and transaction patterns of the Group and has better and more efficient communication and understanding with the Group compared with other commercial banks in the PRC;
- (iii) we obtained and reviewed sample records of the utilisation of financial services by the Company provided by Tianjin Port Finance under the Existing Financial Services Framework Agreement and noted that Tianjin Port Finance offered interest rates that were no less favourable than the relevant benchmark rates set by the PBOC and those available to the Group from other major state-owned commercial banks in the PRC. As such, the Group was not subject to less favourable terms from obtaining financial services from Tianjin Port Finance; and
- (iv) the Group holds 45.826% shareholding interest in Tianjin Port Finance and the fees and charges generated from utilisation of Tianjin Port Finance's services will be credited to Tianjin Port Finance instead of other commercial banks in the PRC which, in turn, allows the Group to benefit financially by sharing the profits of Tianjin Port Finance.

We concur with the advantages of utilising the financial services provided by Tianjin Port Finance over similar services provided by other commercial banks in the PRC.

### 3. The New Financial Services Framework Agreement

#### *Principal terms*

*Date* : 30 April 2024

*Parties* : (1) the Company (as services recipient)  
(2) Tianjin Port Finance (as services provider)  
(3) Tianjin Port Group (as guarantor to Tianjin Port Finance)

*Term* : 1 January 2025 to 31 December 2027 (both days inclusive)

#### *Condition Precedent:*

The New Financial Services Framework Agreement is conditional upon each party, pursuant to the relevant provisions of its articles of association, constitutional documents or similar documents, and the applicable listing rules respectively, having obtained the respective requisite authorisations or approvals, including but not limited to the approvals as required in accordance with the applicable listing rules, from the board of directors, shareholders and/or independent shareholders.

#### *Nature of services:*

Provision of financial services by Tianjin Port Finance to members of the Group, including:

- (1) deposit services;
- (2) provision of loans (excluding entrustment loans referred to in category (5) below);
- (3) notes acceptance and discounting services;
- (4) settlement services;
- (5) arrangement of entrustment loans between members of the Group, whereby Tianjin Port Finance serves as a financial agency through which funds of any member of the Group are channeled for use by other members of the Group; and
- (6) non-financial guarantees, financial advisory services and other advisory services (together with the services (3) to (5) above, collectively “**Other Financial Services**”).

Pursuant to the New Financial Services Framework Agreement, the Group is not under any obligation to utilise the financial services provided by Tianjin Port Finance, and has the right to decide whether to maintain its collaboration with Tianjin Port Finance with respect to financial services.

*Fees and charges:*

The terms and conditions on which Tianjin Port Finance provides services to the members of the Group shall be no less favourable than those as provided to the Group by other major state-owned commercial banks in the PRC for the services of similar nature during the same period, and pursuant to the New Financial Services Framework Agreement, fees and charges by Tianjin Port Finance shall be determined in accordance with the following bases:

*(1) deposit services:*

Interest rates for deposits placed by members of the Group must not be lower than (i) the relevant benchmark interest rates for deposits (存款基準利率) set by PBOC; and (ii) the interest rates provided by other major state-owned commercial banks in the PRC for deposits of similar nature during the same period;

*(2) provision of loans:*

Interest rates of loan provided by Tianjin Port Finance to the members of the Group must not be higher than the interest rates charged by other major state-owned commercial banks in the PRC for borrowings of similar nature during the same period;

*(3) notes acceptance and discounting services:*

Both fees charged for notes acceptance and discounting services and the interest rates for discounting services must not be higher than the fees for notes acceptance and discounting services and interest rates for discounting services charged by other major state-owned commercial banks in the PRC for providing services of similar nature during the same period;

*(4) settlement services:*

Fees charged for settlement services must not be higher than (i) the relevant benchmark charging fee set by PBOC (if applicable); and (ii) the fees charged by other major state-owned commercial banks in the PRC for providing services of similar nature during the same period;

*(5) arrangement of entrustment loans:*

Fees charged for the services for entrustment loans must not be higher than the fees charged by other major state-owned commercial banks in the PRC for providing services of similar nature during the same period; and

*(6) non-financial guarantees, financial advisory services and other advisory services:*

Fees charged for these services must not be higher than (i) the relevant benchmark charging fees set by PBOC (if applicable); and (ii) the fees charged by other major state-owned commercial banks in the PRC for providing services of similar nature during the same period.

*Other provisions:*

In relation to the funds deposited by the Group with Tianjin Port Finance, when Tianjin Port Finance is not lending such funds to members of Tianjin Port Group, Tianjin Port Finance can only deposit such funds with PBOC or other commercial banks in the PRC with similar ratings.

In the event that Tianjin Port Finance misuses or defaults on the deposits placed by the Group with Tianjin Port Finance, which renders the Group unable to withdraw such deposits (including accrued interest), such member of the Group will then have the right to set-off such deposits (including accrued interest) against the outstanding loans (including accrued interest) advanced by Tianjin Port Finance to the such member of the Group. If Tianjin Port Finance is subject to penalties from the regulatory authorities in accordance with relevant laws and regulations resulting in losses to the Group, the Group has the right to take legal measures for recourse and Tianjin Port Finance shall compensate the Group in full in accordance with the judicial adjudication. However, for the loans advanced by Tianjin Port Finance to any member of the Group, if such member of the Group defaults and thus fails to punctually repay the loans extended by Tianjin Port Finance, Tianjin Port Finance has no right to offset such outstanding loans against the deposits placed by other non-defaulting members of the Group, notwithstanding that Tianjin Port Finance may pursue the liability for breaching of contracts by the relevant defaulting member(s) of the Group in accordance with the provisions of the relevant loan agreement(s) and applicable laws.

*Termination:*

The Company may unilaterally terminate the New Financial Services Framework Agreement if:

- (1) any of the following events, which expose or may potentially expose the Group to substantial risks or losses, occurs:
  - breach or potential breach of any PRC laws and regulations by Tianjin Port Finance;
  - Tianjin Port Finance experiences or foresees to experience any major operational problems or liquidity difficulties;
  - non-performance of any terms or default of the New Financial Services Framework Agreement by Tianjin Port Finance; or

- (2) the performance of its obligations by the Company and/or the Group under the New Financial Services Framework Agreement will result in a breach or possible breach of laws and regulations (including the Listing Rules).

*Undertakings by Tianjin Port Group:*

As part of the New Financial Services Framework Agreement, Tianjin Port Group undertakes to the Company, among other things, that:

- (1) Tianjin Port Group has issued a letter of commitment to NFRA that it will inject capital to Tianjin Port Finance when necessary. If it is unable to provide capital support, it will not prevent other investors from implementing reasonable plans to invest in Tianjin Port Finance. It will not withdraw capital investment when Tianjin Port Finance experiences liquidity difficulties and will provide liquidity support as far as possible; and
- (2) Tianjin Port Group undertakes and warrants that for all the substantial risks or losses (including but not limited to the Group's deposits, interests and related expenses incurred) caused or potentially caused by (i) Tianjin Port Finance's breaches or potential breaches of PRC laws and regulations, or by (ii) the occurrence or potential occurrence of any major operational problems or liquidity difficulty experienced by Tianjin Port Finance, or by (iii) non-performance of any terms or default of the New Financial Services Framework Agreement by Tianjin Port Finance, Tianjin Port Finance will immediately make full compensation to the Group in accordance with the judicial adjudication, and that Tianjin Port Group undertakes and guarantees that it will be jointly liable for such compensation.

Further details of the principal terms of the New Financial Services Framework Agreement, please refer to the section headed "NEW FINANCIAL SERVICES FRAMEWORK AGREEMENT — (b) Principal terms" in the Letter from the Board.

*Review of the principal terms*

In connection with our independent due diligence work, we have conducted independent review working of the Group's internal control procedures carried out under the term of the Existing Financial Services Framework Agreement, details of which please refer to the section headed "4. Internal control and risk management measures" below.

### *Historical amounts and the Proposed Annual Caps*

As set out in the Letter from the Board, the table below sets out the historical maximum daily outstanding balance of the deposits (including accrued interest) placed by the Group with Tianjin Port Finance (deposit services: category (1) of the financial services referred to above as set out under the terms of the New Financial Services Framework Agreement) for FY2021, FY2022, FY2023 and three months (“3M”) ended 31 March 2024:

**Table 2: The annual caps and the historical amounts for FY2021, FY2022, FY2023 and FY2024**

	<b>FY2021</b>	<b>FY2022</b>	<b>FY2023</b>	<b>FY2024</b>
				<i>(RMB in million)</i>
Historical transaction amounts	3,472	3,631	3,259	3,282 (up to 3M2024)
Approved annual caps	8,000	8,000	8,000	8,000
Percentage ratio of utilisation rate	43.4%	45.4%	40.7%	41.0% (up to 3M2024)

In terms of the respective percentage ratio of utilisation rate to the annual caps for FY2021, FY2022, FY2023 and FY2024, all of which are RMB8,000 million and the historical transaction amounts represented approximately 43.4%, 45.4%, 40.7% and 41.0% respectively. As stated in the Letter from the Board, during the period between 1 January 2024 and 17 June 2024 (the day before the Latest Practicable Date), the maximum daily outstanding balance of deposits (including accrued interest) placed by the Group with Tianjin Port Finance was approximately RMB3,415 million.

As stated in the Letter from the Board, the table below sets out the Proposed Annual Caps in respect the maximum daily outstanding balance of the deposits (including accrued interest) placed by the Group with Tianjin Port Finance (deposit services: category (1) of the financial services referred to above as set out under the terms of the New Financial Services Framework Agreement) for FY2025, FY2026 and FY2027:

**Table 3: The Proposed Annual Caps for FY2025, FY2026 and FY2027**

	<b>FY2025</b>	<b>FY2026</b>	<b>FY2027</b>
			<i>(RMB in million)</i>
Proposed Annual Caps	8,000	8,000	8,000

### *Basis of the Proposed Annual Caps*

As set out in the Letter from the Board, the Proposed Annual Caps are determined after considering the following factors:

- (1) cash and deposits of the Group (excluding restricted bank deposits) as at 31 December 2021, 31 December 2022 and 31 December 2023 of approximately HK\$9.00 billion, HK\$7.95 billion and HK\$6.41 billion respectively. We understand from the Management that such decreasing trend was mainly attributable to the repayment of bank borrowings during the years. The total borrowing amount of the Group dropped from approximately HK\$10.33 billion as at 31 December 2021 to approximately HK\$8.29 billion as at 31 December 2022 and was further reduced to approximately HK\$5.71 billion as at 31 December 2023;
- (2) the Proposed Annual Caps represent approximately 108.8%, 112.6% and 137.7% of the cash and deposits (excluding restricted bank deposits) of the Group as at 31 December 2021, 31 December 2022 and 31 December 2023 respectively;
- (3) the anticipated growth of business of the Group, with reference to the growth rate of 8.1%, 3.0% and 5.2% in China's gross domestic product (GDP) in 2021, 2022 and 2023 respectively;
- (4) the scale of operation of the Group is expected to remain stable for the next three years with a steady operating cash inflow. Net cash inflow generated from operating activities of the Group for the three years ended 31 December 2021, 2022 and 2023 amounted to approximately HK\$3.53 billion, HK\$3.09 billion and HK\$2.85 billion respectively;
- (5) the utilisation of settlement platform provided by Tianjin Port Finance is expected to increase. The Group uses the settlement platform provided by Tianjin Port Finance for the settlement of income and expenditure (including drawdown and repayment of borrowings from Tianjin Port Finance) during the ordinary and usual course of business among the members of Tianjin Port Group, which can shorten the time for transit and turnaround, reduce fund transfer frequency and increase fund management efficiency. The maximum daily outstanding balances of deposits remaining the same can meet the daily needs for receipts and payments, enhance flexibility and ensure smooth settlement. When a smaller amount of funds is required for settlement, the outstanding balances of deposits will also change accordingly;
- (6) the treasury requirements of the Group as a whole (including management of surplus cash, funding requirements for capital expenditures and repayment of borrowings) taking into account the settlement trend of the Group's business partners to ensure the financial stability and maintain stable gearing ratios, with reference to the Group's gearing ratio (ratio of total borrowings to total equity) of approximately 18.8% as at 31 December 2023; and

- (7) Tianjin Port Finance is under the supervision of the NFRA with stringent internal control and risk management measures.

***Assessment on the Proposed Annual Caps***

In assessing the fairness and reasonableness of the Proposed Annual Caps, we have considered the following:

*PRC economy and the imports and exports of the PRC*

Set out below is the gross domestic product (“GDP”) of the PRC since 2021 as extracted from the information published by the National Bureau of Statistics of the PRC:

**Table 4: Historical change of GDP and total value of imports and exports of the PRC**

	2021	2022	2023
Year-on-year (“YoY”)/period-to-period change of GDP (%)	8.4	3.0	5.2

*Source: The National Bureau of Statistics of the PRC*

YoY/period-to-period change of total RMB value of imports and exports (%)	20.2	7.6	0.2
---	------	-----	-----

*Source: The General Administration of Customs of the PRC*

As noted from the above table, the GDP of the PRC recorded a YoY increase consistently of approximately 8.4%, 3.0% and 5.2% for 2021, 2022 and 2023, respectively. The total value of imports and exports of the PRC recorded a significant YoY hike of approximately 20.2% in 2021 after the intensive actions and effectively control of COVID-19 and a YoY increase of approximately 7.6% in 2022. In 2023, the total value of imports and exports of the PRC recorded a slight increase of approximately 0.2% as compared with the corresponding period in 2022.

In addition, with reference to the data from the Ministry of Transport of the PRC, cargo throughput handled by ports in PRC in 2023 was approximately 16.973 billion tonnes, representing a YoY increase of approximately 8.2%, whereas container throughput handled increased by approximately 4.9% YoY to 310.34 million twenty-foot equivalent units (“TEU(s)”).



*Stable growth of the Group's operations*

(i) Non-containerised Cargo Handling Business

As stated in the 2023 Annual Report, the Group achieved total non-containerised cargo throughput of 237.8 million tonnes, representing a decrease of approximately 1.3% over FY2022, of which throughput of the subsidiary terminals decreased by approximately 2.2% and throughput of the jointly controlled and affiliated terminals increased by approximately 1.2%. During FY2023 on a consolidated basis, the blended unit price of the non-containerised cargo handling business was approximately HK\$30.1 per tonne as compared to HK\$29.9 per tonne, representing an increase of approximately 0.7% in HK\$ and 5.0% in RMB over the previous year respectively.

Based on the above, revenue from non-containerised cargo handling business was approximately HK\$5,302 million, representing a decrease of approximately 1.5% in HK\$ but an increase of 2.8% in RMB over the previous year, the increase of revenue in RMB was mainly due to the increase in the blended average unit price, but the depreciation of RMB resulted in a decrease of revenue in HK\$.

(ii) Container Handling Business

As stated in the 2023 Annual Report, during FY2023, there was a stable growth in the container handling business. The Group achieved a total container throughput of approximately 20.02 million TEUs, representing an increase of approximately 1.0% over last year, of which throughput of the subsidiary terminals increased by approximately 11.7% and throughput of the jointly controlled and affiliated terminals decreased by approximately 11.3%. On a consolidated basis, the blended average unit price of container handling business was approximately HK\$179.4 per TEU for FY2023 as compared to approximately HK\$189.3 per TEU for FY2022, representing a decrease of approximately 5.2% in HK\$ and a decrease of 1.0% in RMB over last year respectively.

Based on the above, the Revenue from container handling business was approximately HK\$2,116 million, representing an increase of approximately 5.9% in HK\$ and an increase of approximately 10.6% in RMB over the previous year respectively, which was mainly attributable to the increase in the throughput of container handling business.

(iii) Sales Business

The Group's sales business is mainly engaged in the supply of fuel and sales of materials. As stated in the 2023 Annual Report during FY2023, revenue from sales business was approximately HK\$3,471 million, representing an increase of approximately 16.5% in HK\$ and an increase of 21.7% in RMB over last year respectively, which was mainly due to the increase in the business volume of sales business.

### *Supportive government policies for Tianjin*

As stated in the 2023 Annual Report, the Group will proactively capture the opportunities brought by the policies such as coordinated development of Beijing-Tianjin-Hebei and integrated development of ports, industries and cities. It will look to involve deeply in the country's strategy to build the "Belt and Road". In addition, National Development and Reform Commission of the PRC and Ministry of Transport of the PRC released "Opinions on Accelerating the development of Tianjin Northern International Shipping Hub" which indicates that the government supports Tianjin to develop as an international shipping hub in Northern China and will support its high-quality development on a national basis.

### *Flexibility to the Group*

It is noted from the historical figures that the historical maximum daily outstanding balance of the deposits (including accrued interest) placed by the Group with Tianjin Port Finance did not exceed RMB4 billion during FY2021, FY2022, FY2023 and 3M2024. As the annual caps under the Existing Financial Services Framework Agreement were not fully utilised, we have made enquiry to the Management and understand that it was mainly due to the fact that the average daily amount of outstandings loans extended by Tianjin Port Finance to the Group must exceed the average daily amount of deposits place by the Group with Tianjin Port Finance (calculated on a monthly basis) as stipulated under the Existing Financial Services Framework Agreement ("**Average Daily Amount Requirement**"). While the maximum daily amount of outstanding loans extended by Tianjin Port Finance to the Group during FY2021, FY2022, FY2023 and 3M2024 did not exceed RMB4 billion, the annual caps under the Existing Financial Services Framework Agreement were therefore not fully utilised, in particular, the maximum utilisation rate of the historical transaction amount has decreased from approximately 45.4% for FY2022 to approximately 40.7% for FY2023.

### *Removal of Average Daily Amount Requirement clause*

We noted that the Average Daily Amount Requirement clause does not exist in the New Financial Services Framework Agreement. As stated in the Letter from the Board, the cash and deposits of the Group (excluding restricted bank deposits) amounted to approximately HK\$9.00 billion, HK\$7.95 billion and HK\$6.41 billion as at 31 December 2021, 31 December 2022 and 31 December 2023 respectively. At the same time, the historical maximum daily outstanding balance of the deposits (including accrued interest) placed by the Group with Tianjin Port Finance merely stood at approximately RMB3,472 million, RMB3,631 million and RMB3,259 million for FY2021, FY2022, FY2023 respectively, which as abovementioned, are mainly attributable to the compliance of the Average Daily Amount Requirement. The removal of the Average Daily Amount Requirement would therefore offer greater flexibility to the Group under the scenario where the Group is required to place more deposits with Tianjin Port Finance to a level exceeding the average daily amount of outstandings loans extended by Tianjin Port Finance to the Group.

As noted in the 2023 Annual Report, 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. As further noted in the 2023 Interim Report, the port of Tianjin was the eighth largest port in terms of total cargo throughput and ranked the sixth in terms of total container throughput in the PRC. Moreover, the Group has the right but not the obligation to utilise the deposit services under the New Financial Services Framework Agreement. Given the future development of the Group and the size of its operations, we considered that the Proposed Annual Caps remain at RMB8,000 million would provide flexibility to the Group.

As the operations of the Group continue to grow as mentioned above, the Group may have increasing need for deposit services. After considering the above factors, in particular, the PRC economy and the imports and exports of the PRC continue to grow going forward, the stable growth of the operations of the Group and the Proposed Annual Caps remain unchanged at RMB8,000 million compared with the annual caps under the Existing Financial Services Framework Agreement, we are of the view that the Proposed Annual Caps are fair and reasonable.

#### **4. Internal control and risk management measures**

As set out in the Letter from the Board, in order to safeguard the interests of the Company and the Shareholders, the New Financial Services Framework Agreement has stipulated the following internal control and risk management measures:

- (i) Tianjin Port Finance shall ensure the secure operation of its fund management information system, which has passed all the security tests for the bank-enterprise direct connection interface with other commercial banks, and adopts the digital certificates authentication mode to ensure the security of the Group’s funds;
- (ii) Tianjin Port Finance guarantees that it will strictly comply with and operate in accordance with the requirements of the “Finance Company Management Measures for Group Enterprise”\* (《企業集團財務公司管理辦法》) issued by the NFRA, and its gearing, liquidity and other ratios should comply with the requirements specified by NFRA and other PRC laws and regulations as amended from time to time;

- (iii) Tianjin Port Finance shall at all times monitor its credit risks. If (a) any specific situation that may affect the security of the deposits placed by the Group with Tianjin Port Finance arises, or (b) any other circumstances that may cause serious concern to such deposits occur, Tianjin Port Finance shall give written notice to the Company and the Group within two business days after the occurrence of such situations or circumstances, and to take measures to avoid or contain any losses. Upon receiving the notification, the Group has the right to withdraw its deposits (including the accrued interest) forthwith, or if it is unable to do so, each of the members of the Group may lawfully set off the deposits (including accrued interest) placed by such member of the Group with Tianjin Port Finance against the outstanding loans (including accrued interest) extended by Tianjin Port Finance to such member of the Group;
- (iv) during the term of the New Financial Services Framework Agreement, Tianjin Port Finance shall provide the Company with a report before 10:00 a.m. on every business day on the amount of deposits placed and loans owing by the Group (the “**Report**”). The Report will be reviewed, on a daily basis, by the Company to monitor the average daily amount of deposits (including accrued interest) placed by the Group and the average daily amount of outstanding loans extended by Tianjin Port Finance to the Group;
- (v) during the term of the New Financial Services Framework Agreement, Tianjin Port Finance shall provide the Company on the fifth business day of every month with its financial statements and other returns submitted by Tianjin Port Finance to the NFRA in the immediately preceding month;
- (vi) during the term of the New Financial Services Framework Agreement, Tianjin Port Finance shall provide the Company with a copy of every regulatory report within three business days after its submission of the same to the NFRA; and
- (vii) during the term of the New Financial Services Framework Agreement, Tianjin Port Finance shall implement all measures in relation to risk control.

In addition, the fund management information system of Tianjin Port Finance allows real-time monitoring of the actual balance of the deposits (including accrued interest) placed by the Group with Tianjin Port Finance, therefore Tianjin Port Finance can assist the Company to ensure that the actual daily balance of such deposits does not exceed the Proposed Annual Caps. If the deposits placed by the Group with Tianjin Port Finance are close to exceeding the Proposed Annual Caps, Tianjin Port Finance will inform the Company in a timely manner.

Further to the internal control and risk management measures that have been stipulated in the New Financial Services Framework Agreement, the Group has implemented below measures as internal control and risk management procedures:

- (a) in order to ensure the terms and conditions on which Tianjin Port Finance provides services to members of the Group shall be no less favourable than those as provided to the Group by other major state-owned commercial banks in the PRC for the services of similar nature during the same period, members of the Group have to conduct a price comparison before entering into any transactions stipulated under the New Financial Services Framework Agreement. For fixed deposit services, members of the Group will conduct the price comparison by obtaining (i) the relevant benchmark interest rates for deposits (存款基準利率) set by PBOC; and (ii) at least two interest rates offered by other major state-owned commercial banks in the PRC for deposits of similar nature during the same period;
- (b) the management of the Company will be responsible for reviewing the relevant reports provided by Tianjin Port Finance and reporting to the Board the compliance by Tianjin Port Finance of the terms of the New Financial Services Framework Agreement;
- (c) the audit committee of the Company, which comprises all the independent non-executive Directors, will monitor and review the continuing connected transactions under the relevant agreements of the Group every year to ensure that such transactions are entered into on normal commercial terms, are fair and reasonable, and are carried out pursuant to the terms of such agreements; and
- (d) the auditors of the Company will conduct annual review on the continuing connected transactions under such agreements pursuant to the requirements under the Listing Rules.

#### *Assessment*

To assess the effectiveness of the internal control and risk management measures, we have conducted the following:

- (i) we confirmed with the Management that during the period covered by the Existing Financial Services Framework Agreement and up to and including the Latest Practicable Date, no material breach to the aforesaid internal control and risk management measures by Tianjin Port Finance was noted;
- (ii) we obtained and reviewed the record of the average daily amount of deposits (including accrued interest) placed by the Group (calculated on a monthly basis) and the average daily amount of outstanding loans (including accrued interest) extended by Tianjin Port Finance to the Group (calculated on a monthly basis) for each month during FY2021, FY2022, FY2023 and 3M2024 and we noted that the Average Daily Amount Requirement was strictly followed during FY2021, FY2022, FY2023 and 3M2024;

- (iii) we obtained and reviewed the record of the actual daily amount of deposits (including accrued interest) placed by the Group for each day during FY2021, FY2022, FY2023 and 3M2024 and we noted that such balances did not exceed the historical annual caps;
- (iv) we obtained and reviewed the record of the relevant benchmark interest rates for deposits (存款基準利率) set by PBOC as well as the interest rate offered by two major state-owned commercial banks in the PRC and compared against the interest rates provided by Tianjin Port Finance during the same period and we noted that the interest rates offered by Tianjin Port Finance are no less favourable than the relevant benchmark interest rates for deposits (存款基準利率) set by PBOC and those available to the Group from other major state-owned commercial banks in the PRC;
- (v) we confirmed with the Management that there was no written notice given by Tianjin Port Finance to the Company in relation to the occurrence of any situations or circumstances of Tianjin Port Finance's credit risks during FY2021, FY2022, FY2023 and 3M2024;
- (vi) we confirmed with the Management that Tianjin Port Finance conducted security tests on fund management information system in before launching the bank-enterprise direct connection function for each commercial bank and the latest security tests for the bank-enterprise direct connection with a newly added commercial bank were performed in March 2024; and
- (vii) we obtained and reviewed the unqualified letters issued by the independent auditor of the Company to report on the continuing connected transactions of the Group (including those under the Existing Financial Services Framework Agreement) for FY2022 and FY2023. Further details were set out in the 2022 Annual Report and the 2023 Annual Report.

In view of the above, we are of the view that there are effective internal control and risk management measures in place. In addition, we are of the view that the entering into of the Non-exempt Continuing Connected Transactions falls within the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

## **RECOMMENDATION**

In relation to the 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 New Financial Services Framework Agreement and 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 New Financial Services Framework Agreement and 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;
- (c) the Proposed Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned; and
- (d) the Group has adequate internal control system in place to monitor the Non-exempt Continuing Connected Transactions.

Having considered the above, we are of the view that the New Financial Services Framework Agreement and 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 and the Proposed Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned. 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 and the adoption of the Proposed Annual Caps at the EGM.

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



**Lenny Li**  
*Executive Director*

*Mr. Lenny Li is a licensed person registered with the SFC and a responsible officer 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 has over 17 years of experience in corporate finance industry in Hong Kong.*

*\* For identification purposes only*