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

If you have sold or transferred all your shares in Tianjin Development Holdings Limited (天津發展控股有限公司), you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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

(Incorporated in Hong Kong with limited liability)

(Stock Code: 882)

CONTINUING CONNECTED TRANSACTIONS

PROPOSED REVISION OF ANNUAL CAPS OF THE 2021 STEAM PURCHASE MASTER AGREEMENT AND NOTICE OF EXTRAORDINARY GENERAL MEETING

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



紅日資本有限公司
RED SUN CAPITAL LIMITED

A letter from the Board is set out on pages 4 to 11 of this circular and a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 12 of this circular. A letter from Red Sun Capital containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 13 to 32 of this circular. A notice convening the EGM to be held at 24th Floor, Admiralty Centre, Tower I, 18 Harcourt Road, Hong Kong on 21 December 2022 (Wednesday) at 3:00 p.m. is set out on pages 37 to 38 of this circular.

Whether or not you are able to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's share registrar, Tricor Tengis Limited at 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event no later than 3:00 p.m. on 19 December 2022 (Monday), or in case of any adjournment of the EGM, not less than 48 hours before the time appointed for holding of any adjournment meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM (or any adjournment thereof) should you so wish.

PRECAUTIONARY MEASURES FOR THE EGM

Please refer to page 39 of this circular for the precautionary measures to be implemented at the EGM to ensure the health and safety of the attendees and to prevent the spreading of the Coronavirus Disease 2019 pandemic, which include without limitation:

1. compulsory wearing of surgical mask;
2. compulsory body temperature checks;
3. scanning of "LeaveHomeSafe" venue QR code and comply with the Vaccine Pass requirements; and
4. no provision of refreshments or drinks and no distribution of corporate gifts or coupons.

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

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DEFINITIONS

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

“2021 Steam Purchase Master Agreement”	the steam purchase master agreement dated 17 November 2021 entered into between the Company (as purchaser) and TEDA Holding (as supplier), pursuant to which members of the Group may purchase Steam and Heat Power Products from members of the TEDA Holding Group for a term commencing from 1 January 2022 to 31 December 2024
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Tianjin Development Holdings Limited (天津發展控股有限公司), a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Stock Exchange (Stock Code: 882)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“continuing connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held at 24th Floor, Admiralty Centre, Tower I, 18 Harcourt Road, Hong Kong on 21 December 2022 (Wednesday) at 3:00 p.m. for the Independent Shareholders to consider and, if thought fit, approve the Supplemental Agreement and the transactions contemplated thereunder (including the Proposed Revised Annual Caps)
“Existing Annual Caps”	the existing annual caps for the three respective years ending 31 December 2022, 31 December 2023 and 31 December 2024 under the 2021 Steam Purchase Master Agreement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors, which has been established to advise the Independent Shareholders in respect of the Supplemental Agreement and the transactions contemplated thereunder (including the Proposed Revised Annual Caps)
“Independent Financial Adviser” or “Red Sun Capital”	Red Sun Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, which has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Supplemental Agreement and the transactions contemplated thereunder (including the Proposed Revised Annual Caps)
“Independent Shareholders”	the Shareholders (excluding associates of TEDA Holding) who do not have a material interest in the 2021 Steam Purchase Master Agreement, the Supplemental Agreement and the transactions contemplated thereunder
“Latest Practicable Date”	28 November 2022, 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
“percentage ratio(s)”	has the meaning ascribed to it under the Listing Rules
“PRC”	the People’s Republic of China (for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
“Proposed Revised Annual Caps”	the revised annual caps for the transactions contemplated under the 2021 Steam Purchase Master Agreement (as amended by the Supplemental Agreement) for the three respective years ending 31 December 2022, 31 December 2023 and 31 December 2024
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	holder(s) of shares in the Company

DEFINITIONS

“Steam and Heat Power Products”	steam and heat power products
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement”	the supplemental agreement dated 11 November 2022 entered into between the Company and TEDA Holding in relation to the revision of annual caps under the 2021 Steam Purchase Master Agreement
“TEDA”	Tianjin Economic and Technological Development Area (天津經濟技術開發區)
“TEDA Holding”	Tianjin TEDA Investment Holding Co., Ltd. (天津泰達投資控股有限公司), a state-owned enterprise established in the PRC which is indirectly wholly-owned by the Tianjin Municipal People’s Government of the PRC and is an intermediate controlling Shareholder
“TEDA Holding Group”	TEDA Holding and its subsidiaries (other than members of the Group)
“%”	per cent.

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

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

LETTER FROM THE BOARD



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

(Incorporated in Hong Kong with limited liability)

(Stock Code: 882)

Executive Directors:

Mr. Wang Gang (*Chairman*)
Dr. Li Xiaoguang (*General Manager*)
Mr. Zhuang Qifei

Non-executive Directors:

Mr. Cui Xiaofei
Mr. Cheung Wing Yui, Edward

Independent non-executive Directors:

Dr. Cheng Hon Kwan
Mr. Mak Kwai Wing, Alexander
Ms. Ng Yi Kum, Estella
Mr. Wong Shiu Hoi, Peter
Dr. Loke Yu

Registered office:

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

30 November 2022

To the Shareholders

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

**PROPOSED REVISION OF ANNUAL CAPS OF
THE 2021 STEAM PURCHASE MASTER AGREEMENT AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the announcement of the Company dated 11 November 2022 in respect of the Supplemental Agreement and the proposed revision of the Existing Annual Caps for the continuing connected transactions under the 2021 Steam Purchase Master Agreement.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with (i) further details of the Supplemental Agreement and the transactions contemplated thereunder (including the Proposed Revised Annual Caps); (ii) the recommendations from the Independent Board Committee to the Independent Shareholders; (iii) the letter of advice from Red Sun Capital to the Independent Board Committee and the Independent Shareholders; (iv) a notice convening the EGM; and (v) other information as required under the Listing Rules.

THE SUPPLEMENTAL AGREEMENT

Reference is made to the announcement of the Company dated 17 November 2021 and the circular of the Company dated 3 December 2021 in relation to, inter alia, the 2021 Steam Purchase Master Agreement entered into between the Company and TEDA Holding on 17 November 2021, pursuant to which members of the Group may from time to time purchase Steam and Heat Power Products from members of the TEDA Holding Group for use in their operation for a term of three years commencing from 1 January 2022 to 31 December 2024.

In view that the purchase prices of both coal-generated steam and gas-generated steam have increased considerably in the first half of 2022, and combined with the fluctuation in price index of coal and natural gas in the PRC, the Company expects that the Existing Annual Caps will not be sufficient for the transaction amounts to be incurred for the purchase of Steam and Heat Power Products under the 2021 Steam Purchase Master Agreement. Accordingly, on 11 November 2022, the Company and TEDA Holding entered into the Supplemental Agreement to amend the 2021 Steam Purchase Master Agreement by revising the Existing Annual Caps to the Proposed Revised Annual Caps.

Other than the revision of the Existing Annual Caps to the Proposed Revised Annual Caps, all other terms and conditions under the 2021 Steam Purchase Master Agreement, including the pricing policy as set out below, remain unchanged.

The principal terms of the Supplemental Agreement are as follows:

Date

11 November 2022

Parties

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

LETTER FROM THE BOARD

Subject matter

Pursuant to the 2021 Steam Purchase Master Agreement, members of the Group may from time to time purchase Steam and Heat Power Products from members of the TEDA Holding Group for use in their operation. Pursuant to the Supplemental Agreement, the parties have agreed to revise the Existing Annual Caps under the 2021 Steam Purchase Master Agreement to the Proposed Revised Annual Caps. Save as amended by the Supplemental Agreement, all other terms of the 2021 Steam Purchase Master Agreement remain unchanged.

Condition precedent

The Supplemental Agreement will only become effective upon the Supplemental Agreement and the transactions contemplated thereunder (including the Proposed Revised Annual Caps) having been approved by the Independent Shareholders in compliance with the Listing Rules.

Pricing policy

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

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

The relevant member(s) of the Group will pay the relevant member(s) of the TEDA Holding Group in accordance with the detailed payment terms as set out in the individual purchase contract(s), which will be entered into by the relevant parties pursuant to the principles and conditions set out in the 2021 Steam Purchase Master Agreement. In general, the consideration for the Steam and Heat Power Products consumed which is payable by the relevant member(s) of the Group under the individual purchase contract(s) to the relevant member(s) of the TEDA Holding Group will be invoiced every month and paid via bank transfer within the 15th day of the next calendar month. In addition, the terms of each individual transaction (including but not limited to the quality and technical requirements of the Steam and Heat Power Products, production coordination and measurement, price and payment terms) shall be fair and reasonable, in accordance with the applicable laws and regulations of the PRC and on normal commercial terms.

LETTER FROM THE BOARD

Internal control measures

In order to ensure that the transactions contemplated under the 2021 Steam Purchase Master Agreement (as amended by the Supplemental Agreement) will be conducted in accordance with its terms and the pricing policies and within the respective amounts of the Proposed Revised Annual Caps, the Group has in place the following internal control measures to monitor the transactions:

- (a) the members of the Group will regularly keep track of the offered prices for the Steam and Heat Power Products and, where available, compare them with those offered by at least two independent third parties under the supervision of the finance department of the relevant Group members to ensure that the fees or prices for the aforementioned products are conducted on normal commercial terms and in accordance with the pricing policies in respect of the 2021 Steam Purchase Master Agreement;
- (b) the financial management department of the relevant members of the Group will be responsible for preparing the accounting records, reporting, and statistical analysis of the continuing connected transactions, and for submitting the same to the Group on a regular basis. The relevant financial management department will also collect and monitor the transaction amounts of the continuing connected transactions on a quarterly basis to ensure timely assessment on whether the annual caps are exceeded; and
- (c) the external auditors and independent non-executive Directors of the Company will review the transactions contemplated under the 2021 Steam Purchase Master Agreement (as amended by the Supplemental Agreement) to check and confirm, among other things, whether the pricing policies have been adhered to and whether the respective amounts of the Proposed Revised Annual Caps have been exceeded.

Historical figures and the Proposed Revised Annual Caps

Set out below are the Existing Annual Caps and the Proposed Revised Annual Caps for the transactions contemplated under the 2021 Steam Purchase Master Agreement for the three years ending 31 December 2024:

	For the year ending 31 December 2022	For the year ending 31 December 2023	For the year ending 31 December 2024
Existing Annual Caps	RMB1,040,000,000 (approximately HK\$1,130,434,783)	RMB1,120,000,000 (approximately HK\$1,217,391,304)	RMB1,130,000,000 (approximately HK\$1,228,260,870)
Proposed Revised Annual Caps	RMB1,350,000,000 (approximately HK\$1,467,391,304)	RMB1,500,000,000 (approximately HK\$1,630,434,783)	RMB1,633,000,000 (approximately HK\$1,775,000,000)

LETTER FROM THE BOARD

The Proposed Revised Annual Caps have been determined with reference to the following factors:

- (1) the historical transaction amounts in relation to Steam and Heat Power Products;
- (2) the expected increase in demand of and the Company's projection of the purchase volume of Steam and Heat Power Products by the Group from the TEDA Holding Group during the term of the 2021 Steam Purchase Master Agreement; and
- (3) the latest government guidance prices for the natural gas, and the current transacted prices of coal in the local coal exchange or market in the PRC, both of which are raw materials required to produce the Steam and Heat Power Products, and the recent market prices of such products in the nearby regions.

The historical transaction amount under the 2021 Steam Purchase Master Agreement for the nine months ended 30 September 2022 was RMB752,596,600. The transaction amounts under the 2021 Steam Purchase Master Agreement will be closely monitored to ensure that they do not exceed the Existing Annual Caps prior to obtaining approval from the Independent Shareholders of the Proposed Revised Annual Caps.

For the year ending 31 December 2022, the purchase volume of Steam and Heat Power Products by the Group is expected to be the same as previously estimated when determining the Existing Annual Caps, whereas for the two years ending 31 December 2023 and 31 December 2024, the Group is expecting a further increase of 1% and 3% respectively in the purchase volume of Steam and Heat Power Products compared with previous estimation, as a result of (i) a newly developed community which is expected to contribute to an increase of heat supply area by 18.3 square meters and 32.1 square meters respectively for the two years ending 31 December 2023 and 31 December 2024; and (ii) the anticipated increase in demand for Steam and Heat Power Products by the key customers of the Group in the amount of 19,400 tonnes and 86,300 tonnes respectively for the two years ending 31 December 2023 and 31 December 2024.

REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE SUPPLEMENTAL AGREEMENT

The Group has been involved in the heat supply industry in TEDA since 2006 and has continued to supply heat and thermal power to industrial, commercial and residential customers in TEDA over the years. As mentioned above, the purchase prices of both coal-generated steam and gas-generated steam have increased considerably in the first half of 2022, with an increase of 17% and 9% respectively as compared with the same in 2021. Under the backdrop of the fluctuation in the price index of coal and natural gas in the PRC since the beginning of the year, the purchase prices of both coal-generated steam and gas-generated steam are also expected to maintain at a higher level in 2023 and 2024. The entering into of the Supplemental Agreement and the Proposed Revised Annual Caps will enable the Group to maintain an uninterrupted supply of heat and thermal power to its customers and is essential for the effective, efficient and continuous operation of the Group's utilities businesses in TEDA.

LETTER FROM THE BOARD

The Company has been monitoring the transaction amounts under the 2021 Steam Purchase Master Agreement. Taking into account the above factors, it is expected that the Existing Annual Caps will not be sufficient to meet the Group's future business needs. Therefore, the Board proposed to revise the Existing Annual Caps to allow flexibility for transactions between the Group and TEDA Holding Group which will benefit the normal operation of the Group. Save for the revision of the Existing Annual Caps, all other terms of the 2021 Steam Purchase Master Agreement remain unchanged.

INFORMATION ON THE PARTIES

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

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

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, TEDA Holding is the controlling Shareholder which indirectly holds a total of 673,759,143 shares of the Company, representing approximately 62.81% of the total issued shares of the Company. Members of the TEDA Holding Group are therefore connected persons of the Company. Accordingly, the Supplemental Agreement and the transactions contemplated thereunder (including the Proposed Revised Annual Caps) constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.54 of the Listing Rules, since the Company proposes to revise the Existing Annual Caps under the 2021 Steam Purchase Master Agreement, the Company is required to re-comply with the relevant requirements of Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the Proposed Revised Annual Caps exceeds 5%, the Supplemental Agreement and the transactions contemplated thereunder (including the Proposed Revised Annual Caps) are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

None of the Directors has a material interest in the 2021 Steam Purchase Master Agreement, the Supplemental Agreement and the transactions contemplated thereunder. Notwithstanding the aforementioned, Mr. Wang Gang and Mr. Cui Xiaofei, both being Directors who also hold executive positions in TEDA Holding, have voluntarily abstained from voting on the Board resolution for approving the entering into of the Supplemental Agreement and the transactions contemplated thereunder (including the Proposed Revised Annual Caps).

EGM

The EGM will be convened at which an ordinary resolution will be proposed for the Independent Shareholders to consider, and if thought fit, to approve the Supplemental Agreement and the transactions contemplated thereunder (including the Proposed Revised Annual Caps). The associates of TEDA Holding, which hold a total of 673,759,143 shares of the Company, representing approximately 62.81% of the total issued shares of the Company as at the Latest Practicable Date, will abstain from voting on the above resolution.

A notice convening the EGM to be held at 24th Floor, Admiralty Centre, Tower I, 18 Harcourt Road, Hong Kong on 21 December 2022 (Wednesday) at 3:00 p.m. is set out on pages 37 to 38 of this circular. A form of proxy for use at the EGM is also enclosed herewith. Whether or not you are able to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's share registrar, Tricor Tengis Limited at 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event no later than 3:00 p.m. on 19 December 2022 (Monday), or in case of any adjournment of the EGM, not less than 48 hours before the time appointed for the holding of any adjournment meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM (or any adjournment thereof) should you so wish.

VOTING BY POLL

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

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

RECOMMENDATION

The Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders in respect of the Supplemental Agreement and the transactions contemplated thereunder (including the Proposed Revised Annual Caps). Red Sun Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

LETTER FROM THE BOARD

Your attention is drawn to (i) the letter from the Independent Board Committee as set out on page 12 of this circular which contains the recommendation from the Independent Board Committee to the Independent Shareholders; and (ii) the letter from Red Sun Capital as set out on pages 13 to 32 of this circular which contains the advice from Red Sun Capital to the Independent Board Committee and the Independent Shareholders in respect of the Supplemental Agreement and the transactions contemplated thereunder (including the Proposed Revised Annual Caps) and reasons considered by Red Sun Capital in arriving at its advice.

The Directors (including the independent non-executive Directors after considering the advice of Red Sun Capital) consider that the entering into of the Supplemental Agreement and the transactions contemplated thereunder (including the Proposed Revised Annual Caps) is 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 Company and the Shareholders as a whole. The Directors would therefore recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Supplemental Agreement and the transactions contemplated thereunder (including the Proposed Revised Annual Caps).

ADDITIONAL INFORMATION

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

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



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

(Incorporated in Hong Kong with limited liability)

(Stock Code: 882)

30 November 2022

To the Independent Shareholders

Dear Sirs,

**PROPOSED REVISION OF ANNUAL CAPS OF
THE 2021 STEAM PURCHASE MASTER AGREEMENT**

We refer to the circular of the Company to the Shareholders dated 30 November 2022 (the “**Circular**”) of which this letter forms part. Terms defined in the Circular have the same meanings in this letter unless the context requires otherwise.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders as to whether the terms of the Supplemental Agreement and the transactions contemplated thereunder (including the Proposed Revised Annual Caps) are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Red Sun Capital has been appointed as the independent financial adviser to advise us and the Independent Shareholders in this regard.

We wish to draw your attention to the letter from the Board as set out on pages 4 to 11 of the Circular and the letter from Red Sun Capital as set out on pages 13 to 32 of the Circular.

Having considered the terms of the Supplemental Agreement and the transactions contemplated thereunder (including the Proposed Revised Annual Caps) and taking into account the principal factors and reasons considered by, and the advice of Red Sun Capital, we consider that (i) the entering into of the Supplemental Agreement and the transactions contemplated thereunder (including the Proposed Revised Annual Caps) is in the ordinary and usual course of business of the Group and (ii) the terms thereof are on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Supplemental Agreement and the transactions contemplated thereunder (including the Proposed Revised Annual Caps).

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

LETTER FROM RED SUN CAPITAL

The following is the text of the letter of advice from Red Sun Capital Limited to the Independent Shareholders and the Independent Board Committee in relation to the Supplemental Agreement and the transactions contemplated thereunder (including the Proposed Revised Annual Caps) prepared for the purpose of incorporation in this circular.



紅日資本有限公司
RED SUN CAPITAL LIMITED

Room 310, 3/F.,
China Insurance Group Building,
141 Des Voeux Road Central, Hong Kong

Tel: (852) 2857 9208

Fax: (852) 2857 9100

30 November 2022

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

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS PROPOSED REVISION OF ANNUAL CAPS OF THE 2021 STEAM PURCHASE MASTER AGREEMENT

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders of the Company in respect of the Supplemental Agreement and the transactions contemplated thereunder (including the Proposed Revised Annual Caps), details of which are set out in the letter from the board (the “**Letter from the Board**”) in the circular of the Company dated 30 November 2022 (the “**Circular**”), of which this letter forms part. Unless otherwise defined, terms used in this letter shall have the same meanings as those defined in the Circular.

Reference is made to the announcement of the Company dated 17 November 2021 and the circular of the Company dated 3 December 2021 (the “**2021 Circular**”) in relation to, *inter alia*, the 2021 Steam Purchase Master Agreement entered into between the Company and TEDA Holding on 17 November 2021, pursuant to which members of the Group may from time to time purchase Steam and Heat Power Products from members of the TEDA Holding Group for use in their operation for a term of three years commencing from 1 January 2022 to 31 December 2024.

LETTER FROM RED SUN CAPITAL

In view that the purchase prices of both coal-generated steam and gas-generated steam have increased considerably in the first half of 2022, and combined with the fluctuation in price index of coal and natural gas in the PRC, the Company expects that the Existing Annual Caps will not be sufficient for the transaction amounts to be incurred for the purchase of Steam and Heat Power Products under the 2021 Steam Purchase Master Agreement. Accordingly, on 11 November 2022, the Company and TEDA Holding entered into the Supplemental Agreement to amend the 2021 Steam Purchase Master Agreement by revising the Existing Annual Caps to the Proposed Revised Annual Caps.

Listing Rules implications

As at the Latest Practicable Date, TEDA Holding is the controlling shareholder which indirectly holds a total of 673,759,143 shares of the Company, representing approximately 62.81% of the total issued shares of the Company. Members of the TEDA Holding Group are therefore connected persons of the Company. Accordingly, the Supplemental Agreement and the transactions contemplated thereunder (including the Proposed Revised Annual Caps) constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.54 of the Listing Rules, since the Company proposes to revise the Existing Annual Caps under the 2021 Steam Purchase Master Agreement, the Company is required to re-comply with the relevant requirements of Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the Proposed Revised Annual Caps exceeds 5%, the Supplemental Agreement and the transactions contemplated thereunder (including the Proposed Revised Annual Caps) are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The EGM will be convened at which an ordinary resolution will be proposed for the Independent Shareholders to consider, and if thought fit, to approve the Supplemental Agreement and the transactions contemplated thereunder (including the Proposed Revised Annual Caps). The associates of TEDA Holding, which hold a total of 673,759,143 shares of the Company, representing approximately 62.81% of the total issued shares of the Company as at the Latest Practicable Date, will abstain from voting on the relevant resolution to be proposed at the EGM.

THE INDEPENDENT BOARD COMMITTEE

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

LETTER FROM RED SUN CAPITAL

The Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders in respect of the Supplemental Agreement and the transactions contemplated thereunder (including the Proposed Revised Annual Caps) as to (i) whether the entering into of the Supplemental Agreement and the transactions contemplated thereunder (including the Proposed Revised Annual Caps) are conducted in the ordinary and usual course of business, the terms thereof are on normal commercial terms, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole; and (ii) how the Independent Shareholders should vote in respect of the ordinary resolution to be proposed at the EGM to approve the Supplemental Agreement and the transactions contemplated thereunder (including the Proposed Revised Annual Caps).

OUR INDEPENDENCE

As at the Latest Practicable Date, we were independent from and not connected with the Company, TEDA Holding and their respective shareholders, directors or chief executives, or any of their respective associates and accordingly, are qualified to give independent advice to the Independent Board Committee and the Independent Shareholders regarding the Supplemental Agreement and the transactions contemplated thereunder (including the Proposed Revised Annual Caps). Save for our appointment as the independent financial adviser in respect of the (i) the disposal of 78.45% of equity interest in Tianjin Tianduan Press Co., Ltd. by the Company, details of which are set out in the announcement of the Company dated 26 August 2021; and (ii) the continuing connected transactions contemplated under the 2021 Master Agreements (as defined in the 2021 Circular and the relevant details are set out therein), Red Sun Capital has not acted as an independent financial adviser to the Company under the Listing Rules in the past two years. Apart from the normal advisory fee payable to us in connection with our appointment as the Independent Financial Adviser, no arrangement exists whereby we shall receive any other fees or benefits from the Group that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent from the Group pursuant to Rule 13.84 of the Listing Rules.

BASIS AND ASSUMPTIONS OF THE ADVICE

In formulating our advice, we have relied on the statements, information, opinions, beliefs and representations for matters relating to the Group, TEDA Holding and their respective shareholders and management contained in the Circular and the information and representations provided to us by the Group, its senior management (the “**Management**”) and/or the Directors. We have assumed that all information, representations and opinions contained or referred to in the Circular, which have been provided by the Company, the Directors and the Management, and for which they are solely and wholly responsible, were true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have assumed that all such statements, information, opinions, beliefs and representations contained or referred to in the Circular (including this letter) or otherwise provided or made or given by the Group, the Management and/or the Directors and for which it is/they are solely responsible were true and

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accurate, and valid and complete in all material respects at the time they were made and given and continue to be true and accurate, and valid and complete in all material respects as at the Latest Practicable Date and up to the date of EGM. We have assumed that all the opinions, beliefs and representations for matters relating to the Group made or provided by the Management and/or the Directors contained in the Circular have been reasonably made after due and careful enquiry. We have also sought and obtained confirmation from the Company, the Management and/or the Directors that no material facts have been omitted from the information provided and referred to in the Circular.

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

This letter is issued to the Independent Board Committee and the Independent Shareholders solely in connection for their consideration of the terms of the Supplemental Agreement and the transactions contemplated thereunder (including the Proposed Revised Annual Caps). This letter is not to be quoted or referred to, in whole or in part, or shall be used for any other purposes without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation regarding the Supplemental Agreement and the transactions contemplated thereunder (including the Proposed Revised Annual Caps), we have considered the following principal factors and reasons:

1. Information on the Group and TEDA Holding

1.1 Background information of the Group

The principal activity of the Company is investment holding. The principal activities of the Group are (i) utilities including supply of electricity, water and heat and thermal power; (ii) pharmaceutical including manufacture and sale of chemical drugs, and research and development of new medicine technology and new products, as well as design, manufacture and printing for pharmaceutical packaging

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and sale of other paper-based packaging materials; (iii) hotel; (iv) electrical and mechanical including the manufacture and sale of hydroelectric equipment and large scale pump units; and (v) strategic and other investments including investments in associates which are principally engaging in the manufacture and sale of elevators and escalators and provision of port services in Tianjin.

Summary of the historical financial performance of the Group

Set out below is a summary of the Group's financial performance for the two years ended 31 December 2020 and 2021 and the six months ended 30 June 2021 and 2022, which were extracted from the Company's annual report for the year ended 31 December 2021 (the "2021 Annual Report") and the Company's interim report for the six months ended 30 June 2022 (the "2022 Interim Report"), respectively:

<i>(HK\$' million)</i>	For the six months ended		For the year ended	
	30 June		31 December	
	2022	2021	2021	2020
	<i>(unaudited)</i>	<i>(unaudited and restated)</i>	<i>(audited)</i>	<i>(audited and restated)</i>
Revenue from continuing operations, comprised of:	1,963.8	1,776.7	3,541.0	2,960.2
– Utilities	954.7	791.5	1,653.7	1,265.2
– Pharmaceutical	819.4	779.0	1,464.5	1,408.9
– Hotel	40.3	17.6	57.2	34.8
– Electrical and mechanical	149.4	188.6	365.6	251.3
Gross profit	583.6	528.4	1,015.4	898.6
Profit for the period/year attributable to the owners of the Company from continuing operations	272.5	304.2	496.9	349.4

For the six months ended 30 June 2022 ("1H2022") and 30 June 2021 ("1H2021")

As set out in the 2022 Interim Report, the Group's revenue from continuing operations amounted to approximately HK\$1,963.8 million for 1H2022, represented an increase of approximately HK\$187.1 million or 10.5% from approximately HK\$1,776.7 million for 1H2021. Gross profit of the Group from continuing operations amounted to approximately HK\$583.6 million for 1H2022, represented an increase of approximately HK\$55.2 million or 10.4% from approximately HK\$528.4 million for 1H2021. The increase in revenue and gross profit of the Group from continuing operations were primarily attributable to the combined effect of (i) the increase in revenue from the utilities segment of the Group due to the

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increase in revenue from the provision of heat and thermal power primarily driven by higher government supplemental income; (ii) the increase in revenue from the pharmaceutical segment of the Group primarily due to the increase in sale of pharmaceutical products; (iii) the increase in revenue from the hotel segment of the Group due to the enrolment in the Hong Kong Government's Designated Quarantine Hotel Scheme during 1H2022 and hence the average occupancy rate and the average room rate have been improved; and (iv) the decrease in revenue from the electrical and mechanical segment of the Group.

Profit for the period attributable to owners of the Company from continuing operations amounted to approximately HK\$272.5 million for 1H2022, represented a decrease of approximately HK\$31.7 million or 10.4% from approximately HK\$304.2 million for 1H2021. Such decrease was mainly due to the net effects of (i) the increase in revenue and gross profit as mentioned above; (ii) the increase in other income of approximately HK\$57.0 million; (iii) the increase in net other losses of approximately HK\$98.5 million; (iv) the decrease in general and administrative expenses of approximately HK\$56.5 million; (v) the decrease in share of net profit of several associates and joint ventures accounted for using the equity method of approximately HK\$56.2 million; and (vi) the increase in tax expenses of approximately HK\$14.9 million.

For the years ended 31 December 2021 (“FY2021”) and 31 December 2020 (“FY2020”)

As disclosed in the 2021 Annual Report, the revenue of the Group from continuing operations increased by approximately HK\$580.8 million or 19.6% from approximately HK\$2,960.2 million for FY2020 to approximately HK\$3,541.0 million for the FY2021. The gross profit from continuing operations increased by approximately HK\$116.8 million or 13.0% from approximately HK\$898.6 million for FY2020 to approximately HK\$1,015.4 million for FY2021. The increase in revenue and gross profit of the Group from continuing operations were primarily due to (i) the increase in revenue from utilities segment of the Group mainly due to the increase in revenue from (aa) the supply of tap water in TEDA primarily driven by higher ancillary services income; (bb) the provision of heat and thermal power primarily driven by higher government supplemental income; and (cc) the provision of electricity due to the increase in total quantity of electricity sold; (ii) the increase in revenue from electrical and mechanical segment of the Group mainly due to the increase in revenue from hydroelectric equipment business; and (iii) the increase in revenue from the pharmaceutical segment primarily due to the increase in revenue from the sale of pharmaceutical products and the packaging materials.

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Profit for the year attributable to owners of the Company from continuing operations increased by approximately HK\$147.5 million or 42.2% from approximately HK\$349.4 million for FY2020 to approximately HK\$496.9 million for FY2021. Such increase was mainly due to the net effects of (i) the increase in revenue and gross profit as mentioned above; (ii) the increase in other income of approximately HK\$35.9 million; (iii) the recognition of net other gains of approximately HK\$15.3 million for FY2021 as compared to the net other losses of approximately HK\$47.2 million for FY2020; (iv) the decrease in selling and distribution expenses of approximately HK\$47.9 million; (v) the increase in general and administrative expenses of approximately HK\$94.6 million; (vi) the increase in share of net profit of several associates and joint ventures accounted for using the equity method of approximately HK\$49.9 million; and (vii) the decrease in tax expenses of approximately HK\$34.7 million.

Summary of the historical financial position of the Group

Set out below is a summary of the financial position of the Group as at 31 December 2020, 31 December 2021 and 30 June 2022, which were extracted from the 2021 Annual Report and the 2021 Interim Report:

	As at 30 June 2022	As at 31 December	
		2021	2020
<i>(HK\$' million)</i>	<i>(unaudited)</i>	<i>(audited)</i>	<i>(audited and restated)</i>
Non-current assets	12,018.2	12,705.7	12,538.2
Current assets	10,676.7	10,752.3	11,341.2
Non-current liabilities	181.0	251.5	2,257.1
Current liabilities	5,447.6	5,330.8	4,581.5
Total equity attributable to owners of the Company	12,455.8	12,898.7	12,261.7

As disclosed in the 2022 Interim Report, total assets of the Group as at 30 June 2022 mainly comprised of (i) investments accounted for using the equity method of approximately HK\$7,136.8 million; (ii) cash and cash equivalents of approximately HK\$4,594.6 million; (iii) time deposits with maturity over three months of approximately HK\$2,713.7 million; (iv) property, plant and equipment of approximately HK\$2,522.2 million; (v) equity instruments at fair value through other comprehensive income of approximately HK\$1,395.8 million; and (vi) trade receivables of approximately HK\$1,288.9 million.

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Total liabilities of the Group as at 30 June 2022 mainly included (i) bank borrowings of approximately HK\$2,291.5 million; (ii) other payables and accruals of approximately HK\$1,318.4 million; (iii) trade payables of approximately HK\$870.2 million; and (iv) contract liabilities of approximately HK\$717.6 million.

The Group recorded total equity attributable to owners of the Company of approximately HK\$12,455.8 million as at 30 June 2022, representing a decrease of approximately 3.4% from approximately HK\$12,898.7 million as at 31 December 2021.

As disclosed in the 2021 Annual Report, total assets of the Group as at 31 December 2021 mainly comprised of (i) investments accounted for using the equity method of approximately HK\$7,238.3 million; (ii) cash and cash equivalents of approximately HK\$3,998.8 million; (iii) time deposits with maturity over three months of approximately HK\$2,844.3 million; (iv) property, plant and equipment of approximately HK\$2,654.0 million; (v) equity instruments at fair value through other comprehensive income of approximately HK\$1,859.7 million; and (vi) other receivables, deposits and prepayments of approximately HK\$742.6 million.

Total liabilities of the Group as at 31 December 2021 mainly included (i) bank borrowings of approximately HK\$2,302.3 million; (ii) other payables and accruals of approximately HK\$1,303.0 million; (iii) contract liabilities of approximately HK\$897.2 million; and (iv) trade payables of approximately HK\$569.8 million.

The Group recorded total equity attributable to owners of the Company of approximately HK\$12,898.7 million as at 31 December 2021, representing an increase of approximately 5.2% from approximately HK\$12,261.7 million as at 31 December 2020.

1.2 Background information of TEDA Holding

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

2. Overview of the PRC economy and the heat energy industry

2.1 Overview of the PRC economy

According to information published on the website of the National Bureau of Statistics of the PRC (<http://data.stats.gov.cn>) and the PRC Third Quarter 2022 Gross Domestic Product Preliminary Results* (2022年三季度國內生產總值初步核算結果)¹, the PRC recorded year-on-year growth in gross domestic product (“GDP”) in 2021 of approximately 8.1% and based on preliminary published figures for the nine months ended 30 September 2022, the PRC recorded a period-on-period GDP growth of approximately 3.0% compared to the nine months ended 30 September 2021. This relatively moderate growth in GDP for the nine months ended 30 September 2022 was partly attributable to pockets of re-emergence of Coronavirus cases in parts of the PRC from time to time. In this connection, the PRC government has introduced various regulations and measures to manage and contain the re-emergence of Coronavirus cases, some of which may have temporarily affected the level of business activities in the subject area.

Pursuant to the PRC Fourteenth Five Year Plan for the National Economic and Social Development* (中華人民共和國國民經濟和社會發展第十四個五年規劃和2035年遠景目標綱要) (the “**Fourteenth Five Year Plan**”) announced by the PRC government in March 2021², the PRC government sets forth various measures to promote internet as a national strategy* (強化國家戰略科技力量) and deepen the integration of internet with different sectors, and will focus on enhancing the quality and efficacy of the overall economy with a view to attain sustainable and healthy development through, among others, (i) the improvement of supply chain modernisation* (提升產業鏈供應鏈現代化水平); (ii) the development and expansion of strategical new industries* (發展壯大戰略性新興產業); (iii) the promotion of development in productive service industries* (推動生產性服務業融合化發展); and (iv) the creation of new advantages in the digital economy* (打造數字經濟新優勢).

¹ 2022年三季度國內生產總值初步核算結果 (source: http://www.stats.gov.cn/tjsj/zxfb/202210/t20221024_1889502.html)

² Publication of the State Council of the PRC titled “中華人民共和國國民經濟和社會發展第十四個五年規劃和2035年遠景目標綱要” (source: http://www.gov.cn/xinwen/2021-03/13/content_5592681.htm)

Although there might be short-term uncertainties attributable to, among others, the introduction of various government policies, the development of the COVID outbreak such as pockets of re-emergence of COVID variants and the corresponding measures and policies implemented/to be implemented by the central and local governments, which in turn may cause increased short-term market volatility and impact to the PRC economy. Nonetheless, in the long term, we understand from the Management that the Group should benefit from opportunities arising from (i) the economic development of the Tianjin City over time; and (ii) the continued coordinated development of the Beijing-Tianjin-Hebei* (京津冀協同發展). As such, the Management are of the view that the continuous development in Tianjin may have positive impacts to the Group's core businesses.

2.2 Overview of the natural gas and coal industry in the PRC

As set out in the Letter from the Board, the price of the Steam and Heat Power Products will be determined with reference to, among others, the guidance prices of natural gas for industrial use as announced by the Tianjin Municipal Development and Reform Commission of the PRC from time to time and the current transacted prices of coal in the local coal exchange or market in the PRC, which may fluctuate during the term of the 2021 Steam Purchase Master Agreement. In this connection, we have performed the following market research.

For natural gas, pursuant to the China Natural Gas Development Report (2022)* 中國天然氣發展報告(2022)³ as extracted from the website of the National Energy Administration of the PRC, the PRC government intends to increase the reserve of natural gas mainly by exploration of natural gas in the PRC over time. National natural gas production in the PRC amounted to approximately 207.6 billion cubic meters in 2021, representing an annual increase of approximately 7.8%. The national consumption of natural gas amounted to approximately 369.0 billion cubic meters in 2021, representing an increase of approximately 41.0 billion cubic meters or 12.5% compared to the consumption of natural gas in 2020. It is also noted that the industrial use of natural gas, which accounted for approximately 40.0% of national consumption of natural gas, increased by approximately 14.4% in 2021. Furthermore, it is expected that natural gas will continue to be an important source of heat and power supply going forward.

The report also referred to the Fourteenth Five Year Plan in relation to the targets of peak carbon emissions and carbon neutrality. In this connection, efforts will be made to promote the low-carbon transition of the oil and gas industry, and the continued development of integrating natural gas and new energy. It is also the direction of the PRC to take up a positive role in promoting the steady development of global natural gas trade and investment, building a mutually beneficial international cooperation, and integrating into the global natural gas industry chain.

³ 中國天然氣發展報告(2022) jointly published by 國家能源局石油天然氣司, 國務院發展研究中心資源與環境政策研究所, 自然資源部油氣資源戰略研究中心
(source: www.nea.gov.cn/2022-08/19/c_1310654101.htm)

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In terms of coal, pursuant to the National Bureau of Statistics, the total energy consumption of the PRC (units in 10,000 tons of standard coal) increased from approximately 455,827 units in 2017 to approximately 524,000 units in 2021, representing a compound annual growth rate of approximately 3.5%. However, the percentage of coal used in the total energy consumption decreased from approximately 60.6% in 2017 to approximately 56.0% in 2021.

In March 2022, the State Council of the PRC (the “**State Council**”) has published guidance opinion titled Guiding Opinions on Energy Work in 2022* (2022年能源工作指導意見)⁴, it is the target of the State Council to increase the percentage of non-fossil fuel consumption in the total energy consumption to 17.3% in 2022 and to increase the proportion of wind power and photovoltaic power generation in the total electricity consumption to approximately 12.2% in 2022. It is also the objective of the State Council to, among others, accelerate the green and low-carbon transformation of energy and implement the policy of carbon peaking and carbon neutrality thoroughly in the future.

3. Reasons for and the benefits of the entering into of the Supplemental Agreement

As disclosed in the Letter from the Board, the Group has been involved in the heat supply industry in TEDA since 2006 and has continued to supply heat and thermal power to industrial, commercial and residential customers in TEDA over the years. The entering into of the Supplemental Agreement and the Proposed Revised Annual Caps will enable the Group to maintain an uninterrupted supply of heat and thermal power to its customers and is essential for the effective, efficient and continuous operation of the Group’s utilities businesses in TEDA.

The Company has been monitoring the transaction amounts under the 2021 Steam Purchase Master Agreement. Taking into account the above factors, it is expected that the Existing Annual Caps will not be sufficient to meet the Group’s future business needs. Therefore, the Board proposed to revise the Existing Annual Caps to allow flexibility for transactions between the Group and TEDA Holding Group which will benefit the normal operation of the Group. Save for the revision of the Existing Annual Caps, all other terms of the 2021 Steam Purchase Master Agreement remain unchanged.

⁴ *Announcement of the State Council of the PRC titled “2022年能源工作指導意見” (source: http://big5.www.gov.cn/gate/big5/www.gov.cn/zhengce/zhengceku/2022-03/29/content_5682278.htm)*

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Having considered (i) the principal business activities of the Group, in particular, the utilities segment, which contributed more than 40% of the revenue from continuing operations of the Group during FY2021, FY2022 and 1H2022; (ii) the Group has been involving in the heat supply in TEDA since 2006, and that the Supplemental Agreement with TEDA Holding was entered into to ensure the Group shall maintain an uninterrupted supply of heat and thermal power to its customers under the 2021 Steam Purchase Master Agreement and to facilitate continuous operation of the Group's utilities businesses in TEDA; and (iii) the reasons for the revision of annual caps under the 2021 Steam Purchase Master Agreement as set out above, we concur with the Directors' view that the Supplemental Agreement and the transactions contemplated thereunder (including the Proposed Revised Annual Caps) are in the interests of the Company and the Shareholders as a whole.

4. The Supplemental Agreement and the Proposed Revised Annual Caps

As set out in the Letter from the Board, in view that the purchase prices of both coal-generated steam and gas-generated steam have increased considerably in the first half of 2022, and combined with the fluctuation in price index of coal and natural gas in the PRC, the Company expects that the Existing Annual Caps will not be sufficient for the transaction amounts to be incurred for the purchase of Steam and Heat Power Products under the 2021 Steam Purchase Master Agreement. Accordingly, on 11 November 2022, the Company entered into the Supplemental Agreement with TEDA Holding to amend the 2021 Steam Purchase Master Agreement by revising the Existing Annual Caps to the Proposed Revised Annual Caps.

The principal terms of the Supplemental Agreement are as follows:

Date

11 November 2022

Parties

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

Subject matter

Pursuant to the 2021 Steam Purchase Master Agreement, members of the Group may from time to time purchase Steam and Heat Power Products from members of the TEDA Holding Group for use in their operation. Pursuant to the Supplemental Agreement, the parties have agreed to revise the Existing Annual Caps under the 2021 Steam Purchase Master Agreement to the Proposed Revised Annual Caps. Save as amended by the Supplemental Agreement, all other terms of the 2021 Steam Purchase Master Agreement remain unchanged.

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Condition precedent

The Supplemental Agreement will only become effective upon the Supplemental Agreement and the transactions contemplated thereunder (including the Proposed Revised Annual Caps) having been approved by the Independent Shareholders in compliance with the Listing Rules.

For further details, including the relevant pricing policy, please refer to information as set out under the section headed “THE SUPPLEMENTAL AGREEMENT” in the Letter from the Board.

Historical figures and the Proposed Revised Annual Caps

The Existing Annual Caps and the Proposed Revised Annual Caps for the transactions contemplated under the 2021 Steam Purchase Master Agreement for the three years ending 31 December 2024 are as follows:

	For the year ending 31 December 2022	For the year ending 31 December 2023	For the year ending 31 December 2024
Existing Annual Caps	RMB1,040,000,000 (approximately HK\$1,130,434,783)	RMB1,120,000,000 (approximately HK\$1,217,391,304)	RMB1,130,000,000 (approximately HK\$1,228,260,870)
Proposed Revised Annual Caps	RMB1,350,000,000 (approximately HK\$1,467,391,304)	RMB1,500,000,000 (approximately HK\$1,630,434,783)	RMB1,633,000,000 (approximately HK\$1,775,000,000)

The Proposed Revised Annual Caps have been determined with reference to the following factors:

- (1) the historical transaction amount in relation to Steam and Heat Power Products;
- (2) the expected increase in demand of and the Company’s projection of the purchase volume of Steam and Heat Power Products by the Group from the TEDA Holding Group during the term of the 2021 Steam Purchase Master Agreement; and
- (3) the latest government guidance prices for the natural gas, and the current transacted prices of coal in the local coal exchange or market in the PRC, both of which are raw materials required to produce the Steam and Heat Power Products and the recent market price of such products in the nearby regions.

The historical transaction amount under the 2021 Steam Purchase Master Agreement for the nine months ended 30 September 2022 was approximately RMB752,596,600. The transaction amount under the 2021 Steam Purchase Master Agreement will be closely monitored to ensure that they do not exceed the Existing Annual Caps prior to obtaining approval from the Independent Shareholders of the Proposed Revised Annual Caps.

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5. Our analysis on the Proposed Revised Annual Caps

Set out below are the Existing Annual Caps and the Proposed Revised Annual Caps for the transactions contemplated under the 2021 Steam Purchase Master Agreement for the three years ending 31 December 2024:

	For the year ending 31 December 2022	For the year ending 31 December 2023	For the year ending 31 December 2024
Existing Annual Caps	RMB1,040,000,000 (approximately HK\$1,130 million) (the “ 2022 Existing Annual Cap ”)	RMB1,120,000,000 (approximately HK\$1,217 million)	RMB1,130,000,000 (approximately HK\$1,228 million)
Proposed Revised Annual Caps	RMB1,350,000,000 (approximately HK\$1,467 million) (the “ 2022 Revised Annual Cap ”)	RMB1,500,000,000 (approximately HK\$1,630 million) (the “ 2023 Revised Annual Cap ”)	RMB1,633,000,000 (approximately HK\$1,775 million) (the “ 2024 Revised Annual Cap ”)
Rate of increase in the Proposed Revised Annual Caps	n/a	11.1%	8.9%

We noted from the Letter from the Board that the Proposed Revised Annual Caps were determined with reference to:

- (i) the historical transaction amount in relation to Steam and Heat Power Products;
- (ii) the expected increase in demand of and the Company’s projection of the purchase volume of Steam and Heat Power Products by the Group from the TEDA Holding Group during the term of the 2021 Steam Purchase Master Agreement; and
- (iii) the latest government guidance prices for the natural gas, and the current transacted prices of coal in the local coal exchange or market in the PRC, both of which are raw materials required to produce the Steam and Heat Power Products and the recent market prices of such products in the nearby regions.

As disclosed in the Letter from the Board, other than the revision of the Existing Annual Caps to the Proposed Revised Annual Caps, all other terms and conditions under the 2021 Steam Purchase Master Agreement, including the pricing policy as set out in the Letter from the Board, remain unchanged.

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With a view to assess the fairness and reasonableness of the Proposed Revised Annual Caps, we have obtained and reviewed the breakdown of each of the 2022 Revised Annual Cap, the 2023 Revised Annual Cap and the 2024 Revised Annual Cap from the Management (the “**Revised Annual Caps Breakdown**”).

The Revised Annual Caps Breakdown sets out:

- (i) the Management’s estimation on the average purchase price of steam produced by natural gas and coal for the year ending 31 December 2022 with reference to the relevant prevailing prices and recent increasing price trends, of which the purchase prices of both coal-generated steam and gas-generated steam have increased notably in the first half of 2022, with an increment of approximately 17% and 9%, respectively. The Management also expects the purchase prices of both coal-generated steam and gas-generated steam to maintain at a higher level in 2023 and 2024.

For each of the years ending 31 December 2023 and 2024, after considering the notable fluctuation in market prices of natural gas and coal in recent periods, which is beyond the control of the Company and to manage the potential corresponding increase in costs of transactions under the 2021 Steam Purchase Master Agreement, the Management has factored in the possible future increase in price of natural gas and coal;

- (ii) the estimated total volume of steam to be purchased by the Group is assumed to be broadly stable with a moderate increase year-on-year for the years ending 31 December 2023 and 31 December 2024 compared with the Management’s previous estimation, being in the range of approximately 1% to 3%; and
- (iii) in terms of steam to be purchased, the Management estimated that there will be an increase in volume of steam to be produced by natural gas from the region of around 20% for the year ending 31 December 2022 to the region of around 30% for each of the years ending 31 December 2023 and 2024, respectively. On the other hand, it is estimated that there will be a reduction in volume of steam to be produced by coal from the region of around 80% for the year ending 31 December 2022 to the region of around 70% for each of the years ending 31 December 2023 and 2024, respectively. This is based on the prevailing objectives of the PRC government environmental policies to reduce carbon emission over time.

It is also noted that the estimated unit price for the steam to be produced by natural gas is approximately 30% to 38% more expensive than the steam to be produced by coal. On this basis, based on the Management’s estimates, it is expected that the steam to be produced by coals will make up in the region of 75% of the 2022 Revised Annual Cap, such would be reduced to less than 65% of the 2023 Revised Annual Cap and the 2024 Revised Annual Cap, respectively.

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In this connection, we have also considered the historical transaction amounts for the purchase of Steam and Heat Power Products from members of the TEDA Holding Group for three years ended 31 December 2019, 2020 and 2021, and the nine months ended 30 September 2022 as provided by the Management:

	For the year ended 31 December 2019	For the year ended 31 December 2020	For the year ended 31 December 2021	For the nine months ended 30 September 2022
Historical amount <i>(note)</i>	RMB783,394,136 (approximately HK\$851,515,400)	RMB738,980,073 (approximately HK\$803,239,200)	RMB940,008,626 (approximately HK\$1,021,748,500)	RMB752,596,600 (approximately HK\$818,039,800)

Note: Given the continuing connected transactions are as a result of the completion of change of shareholding structure of intermediate controlling shareholder of the Company as detailed in the announcement of the Company dated 30 April 2021, the Management advised that prior to the aforesaid completion of change in shareholding structure, the relevant transactions did not constitute continuing connected transactions under Chapter 14A of the Listing Rules, hence there were no historical annual caps in this connection.

We noted that the historical transaction amounts for the purchase of Steam and Heat Power Products from members of the TEDA Holding Group for the nine months ended 30 September 2022 amounted to approximately RMB752.6 million, representing approximately 72.4% of the 2022 Existing Annual Cap. Such historical transaction amounts, if annualised, would represent approximately 96.5% of the 2022 Existing Annual Cap⁵. On this basis, the Management considered that the 2022 Existing Annual Cap may not be sufficient as the purchase amount of Steam and Heat Power Products has been relatively higher in the last quarter of a calendar year historically.

Based on information provided by the Management, we noted that during the year ended 31 December 2021, the purchase of Steam and Heat Power Products from members of the TEDA Holding Group for the nine months ended 30 September 2021 and three months period between 1 October 2021 to 31 December 2021 accounted for approximately 67% and 33% (the “**Historical Purchase Ratio**”) of the total purchase amount in RMB, respectively. In this connection, to assess the reasonableness of the 2022 Revised Annual Cap of RMB1,350 million, we extrapolated the total purchase of Steam and Heat Power Products from members of the TEDA Holding Group by making reference to (i) the actual purchase amount by the Group of approximately RMB752.6 million for the nine months ended 30 September 2022; and (ii) applied the Historical Purchase Ratio and assumed the purchase for the three months period from 1 October 2022 to 31 December 2022 will account for approximately 33% of the total purchase for 2022, which is calculated to be approximately RMB370.7 million. Based on the above, the aggregated purchase amount in 2022, for illustrative purposes only, would represent approximately RMB1,123.3 million or 83.2% of the 2022 Revised Annual Cap.

⁵ *This is the calculated annualised amount based on the transaction amount for the nine months ended 30 September 2022 of approximately RMB752.6 million, which is used for illustration purposes only and does not purport the actual or planned transaction amount for the year ending 31 December 2022.*

LETTER FROM RED SUN CAPITAL

In addition, it should also be noted that the market price for natural gas and coal has fluctuated notably since the beginning of 2022 given, among others, the ongoing conflict between Russia and Ukraine. Furthermore, there has been an increase in the unit price of the Steam and Heat Power Products in July 2022 (the “**2022 July Prices Increase**”), the rate of increase in the unit price of the relevant Steam and Heat Power Products ranged from approximately 5.2% to 9.3%. As evidenced by the 2022 July Prices Increase, prices for the Steam and Heat Power Products can be adjusted and the rate of increase in the relevant unit price is beyond the control of the Company. On this basis, the Management considered, and we concur, that when determining the 2022 Revised Annual Cap, such uncertainty will have to be taken into consideration with a view to avoid undue delay and/or material disruption in purchasing steam to enable the Company to provide steam to its domestic users in the relevant PRC regions on a continuous basis. Having considered the aforementioned factors, we are of the view that the 2022 Revised Annual Cap are reasonable.

We also noted that the 2023 Revised Annual Cap of approximately RMB1,500 million and the 2024 Revised Annual Cap of approximately RMB1,633 million, which represent a year-on-year increase of approximately 11.1% and 8.9%, respectively. The abovementioned increase is within range of the historical year-on-year fluctuation in transaction amount in absolute percentage terms during the years ended 31 December 2019, 2020 and 2021, which ranged from approximately 5.7% to 27.2% (the “**Steam Purchase Historical Fluctuation**”). Given the need to cater for the external factors and uncertainties as set out in the preceding paragraph which led to the Steam Purchase Historical Fluctuation from year-to-year, we considered the basis of the 2023 Revised Annual Cap and 2024 Revised Annual Cap to be reasonable.

In addition, we have also conducted further market research on the price index of natural gas and coal in the PRC during the nine months ended 30 September 2022. Based on the PRC Liquefied Natural Gas Ex-factory Price Index* (中國LNG出廠價格全國指數) issued by Shanghai Petroleum and Gas Exchange* (上海石油天然氣交易中心), the price index of natural gas was approximately RMB5,115 per tonne on 4 January 2022, decreased to approximately RMB4,545 per tonne on 28 January 2022 before increasing notably to approximately RMB7,564 per tonne on 30 September 2022, representing an increase of approximately 47.9%, with the peak of approximately RMB8,568 per tonne recorded on 2 March 2022, representing an increase of approximately 67.5%, as compared to the price index of natural gas at the beginning of 2022.

For coal, based on information published by Ministry of Commerce of the PRC government (www.mofcom.gov.cn), the price per tonne of PRC thermal coal (全國動力煤價格) fluctuated from approximately RMB891 per tonne to approximately RMB1,016 per tonne during the nine months ended 30 September 2022, representing a fluctuation of approximately 14.0%.

Based on the above factors, our work done and analysis, we considered the basis for determining the Proposed Revised Annual Caps to be fair and reasonable so far as the Company and the Independent Shareholders are concerned.

6. Internal control measures

As disclosed in the Letter from the Board, with a view to ensure that the transactions contemplated under the 2021 Steam Purchase Master Agreement (as amended by the Supplemental Agreement) will be conducted in accordance with its terms and the pricing policies and within the respective amounts of the Proposed Revised Annual Caps, the Group has the following internal control measures in place to monitor the relevant transactions:

- (i) the members of the Group will regularly keep track of the offered prices for the Steam and Heat Power Products and, where available, compare them with those offered by at least two independent third parties under the supervision of the finance department of the relevant Group members to ensure that the fees or prices for the aforementioned products are conducted on normal commercial terms and is in accordance with the pricing policies in respect of the 2021 Steam Purchase Master Agreement.
- (ii) the financial management department of the relevant members of the Group will be responsible for preparing the accounting records, reporting, and statistical analysis of the continuing connected transactions, and for submitting the same to the Group on a regular basis. The relevant financial management department will also collect and monitor the transaction amounts of the continuing connected transactions on a quarterly basis to ensure timely assessment on whether the annual caps are exceeded; and
- (iii) the external auditors and independent non-executive Directors of the Company will review the transactions contemplated under the 2021 Steam Purchase Master Agreement (as amended by the Supplemental Agreement) to check and confirm, among other things, whether the pricing policies have been adhered to and whether the respective amounts of the Proposed Revised Annual Caps have been exceeded.

7. Our work performed and analysis on the internal control and pricing policies in respect of the Supplemental Agreement

We have reviewed the relevant pricing policy as stated in the individual agreement under the 2021 Steam Purchase Master Agreement and noted that the price of the Steam and Heat Power Products will be determined based on (i) the prices of natural gas with reference to the then applicable guidance prices of the same for industrial use as announced by the Tianjin Municipal Development and Reform Commission of the PRC and the current transacted coal prices of local coal exchange or market in the PRC; and (ii) the rate of return of capital as stipulated in the Energy Products Subsidy Plan in TEDA* (天津開發區能源產品補貼方案) issued by the TEDA Finance Bureau.

As advised by the Management, the financial management department will monitor the factors affecting the price of the Steam and Heat Power Products as mentioned above from time to time and adjust the price of the Steam and Heat Power Products according to such changes.

LETTER FROM RED SUN CAPITAL

In this connection, we have obtained the internal annual approval document of the Group for approving the supplemental contract for the supply of Steam and Heat Power Products in 2022 prepared by the financial management department. The aforesaid internal annual approval document was signed and approved by various relevant departments and senior personnel.

The Management advised that the supply price of Steam and Heat Power Products may be adjusted subject to the prevailing market conditions during a given year. Under such circumstances, the supply price of Steam and Heat Power Products will be notified by the suppliers, being members of TEDA Holding Group and the relevant Tianjin government-owned bodies, and the relevant calculations of the supply price is in accordance with the subject pricing policy, including, (i) the then applicable prices of natural gas with reference to the guidance prices of the same for industrial use as announced by the Tianjin Municipal Development and Reform Commission of the PRC and the current transacted coal prices of local coal exchange or market in the PRC; (ii) the rate of return of capital as stipulated in the Energy Products Subsidy Plan in TEDA* (天津開發區能源產品補貼方案) issued by the TEDA Finance Bureau, which will be checked by the Management; and (iii) the quality standard of the Steam and Heat Power Products as specified in the individual purchase contract(s).

In this connection, we have obtained historical price adjustment approval records from the Company. Based on the price adjustment approval documents obtained, we noted that the finance department of Tianjin TEDA Tsinlien Heat & Power Co., Ltd.* (天津泰達津聯熱電有限公司) (“**Tsinlien Heat & Power**”), a non-wholly owned subsidiary of the Company, reported the basis of the price adjustments for the purchase of Steam and Heat Power Products (the “**Proposed Steam and Heat Adjusted Price**”) to the senior management team, which was in accordance with the pricing policy under the subject steam purchase agreement. The Proposed Steam and Heat Adjusted Price was approved by members of the senior management team of Tsinlien Heat & Power, which comprised of chairman of the board of directors* (董事長), general manager* (總經理), executive deputy general manager* (常務副總經理) and deputy general manager* (副總經理). After obtaining the approval of the Proposed Steam and Heat Adjusted Price, Tsinlien Heat & Power entered into the supplemental agreement based on the Proposed Steam and Heat Adjusted Price.

Furthermore, the Management advised that the finance department of the relevant members of the Group shall be responsible for monitoring the utilisation of the annual caps under the 2021 Steam Purchase Master Agreement on a quarterly basis. In this connection, we have obtained the report issued by the finance department in relation to the monitoring of the utilisation of the annual cap during 2022.

LETTER FROM RED SUN CAPITAL

Based on our work and analysis performed as set out above, we considered that effective implementation of these internal control policies would ensure the transactions under the 2021 Steam Purchase Master Agreement (as amended by the Supplemental Agreement) (including the Proposed Revised Annual Caps) to be conducted on terms that are fair and reasonable.

RECOMMENDATION

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

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

Mr. Lewis Lai is a licensed person registered with the SFC and a responsible officer of Red Sun Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 15 years of experience in the corporate finance industry.

* *For identification purpose only*

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF DIRECTORS' INTERESTS

As at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.

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

Name of Director	Name of company	Position
Mr. Wang Gang	TEDA Holding	Assistant to General Manager
	Tianjin TEDA Industrial Group Co., Ltd. (天津泰達實業集團有限公司) (“ TEDA Industrial ”)	Chairman
	Tianjin Bohai State-owned Assets Management Co., Ltd. (天津渤海國有資產經營管理有限公司) (“ Tianjin Bohai ”)	Chairman
	Tsinlien Group Company Limited (津聯集團有限公司) (“ Tsinlien ”)	Chairman

Name of Director	Name of company	Position
Dr. Li Xiaoguang	TEDA Industrial	Deputy General Manager
	Tsinlien	Deputy General Manager
Mr. Cui Xiaofei	TEDA Holding	Deputy General Manager

3. DISCLOSURE OF SUBSTANTIAL SHAREHOLDERS' INTERESTS

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

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

Notes:

- All interests stated above represent long positions.
- Tsinlien is a direct wholly-owned subsidiary of Tianjin Bohai which in turn is a direct wholly-owned subsidiary of TEDA Industrial and an indirect wholly-owned subsidiary of TEDA Holding. By virtue of the SFO, TEDA Holding, TEDA Industrial and Tianjin Bohai are deemed to be interested in the same parcel of shares of the Company in which Tsinlien is interested.
- As at the Latest Practicable Date, Tsinlien directly held 22,960,000 shares of the Company and its wholly-owned subsidiaries, namely Tianjin Investment Holdings Limited, Tsinlien Venture Capital Company Limited and Tsinlien Investment Limited held 568,017,143 shares, 2,022,000 shares and 80,760,000 shares of the Company respectively. By virtue of the SFO, Tsinlien is deemed to have an interest in the shares of the Company in which Tianjin Investment Holdings Limited, Tsinlien Venture Capital Company Limited and Tsinlien Investment Limited are interested.

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

4. DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which have been, since 31 December 2021, being the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

5. DIRECTORS' INTERESTS IN CONTRACTS AND ARRANGEMENTS

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

6. DIRECTORS' SERVICE CONTRACTS

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

7. DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

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

8. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2021, being the date to which the latest published audited financial statements of the Company were made up.

9. QUALIFICATION AND CONSENT OF EXPERT

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

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

The Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter, report and/or references to its name in the form and context as set out in this circular.

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

As at the Latest Practicable Date, the Independent Financial Adviser did not have any direct or indirect interest in any assets which have been, since 31 December 2021, being the balance sheet date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to any member(s) of the Group, or were proposed to be acquired or disposed of by or leased to any member(s) of the Group.

10. DOCUMENTS ON DISPLAY

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

- (a) the 2021 Steam Purchase Master Agreement;
- (b) the Supplemental Agreement;
- (c) the letter from the Independent Board Committee, the full text of which is set out on page 12 of this circular;
- (d) the letter from Red Sun Capital, the full text of which is set out on pages 13 to 32 of this circular; and
- (e) the written consent from Red Sun Capital referred to in the section headed “Qualification and Consent of Expert” of this appendix.

NOTICE OF EGM



天津發展控股有限公司

TIANJIN DEVELOPMENT HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 882)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Tianjin Development Holdings Limited (天津發展控股有限公司) (the “**Company**”) will be held at 24th Floor, Admiralty Centre, Tower I, 18 Harcourt Road, Hong Kong on 21 December 2022 (Wednesday) at 3:00 p.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT:**

- (a) the Supplemental Agreement (as defined and described in the circular of the Company dated 30 November 2022 (the “**Circular**”), a copy of the Supplemental Agreement marked “**A**” together with a copy of the Circular marked “**B**” are produced to the meeting and initialed by the chairman of the meeting for the purpose of identification) and the transactions contemplated thereunder (including the Proposed Revised Annual Caps) be and are hereby approved, confirmed and ratified; and
- (b) any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorised for and on behalf of the Company to sign, execute, perform and deliver all such other instruments, deeds, documents and agreements and do such acts or things and take all such steps as he or they may in his or their absolute discretion consider to be necessary, desirable, appropriate or expedient to implement and/or give effect to the Supplemental Agreement and the transactions contemplated thereunder (including the Proposed Revised Annual Caps) and all matters incidental to, ancillary to or in connection with the matters contemplated therein.”

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

Hong Kong, 30 November 2022

NOTICE OF EGM

Notes:

- (1) Any member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend, speak and vote in his/her stead. A proxy may not be a member of the Company.
- (2) In order to be valid, the completed form of proxy together with any power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney or other authority, must be deposited at the Company's share registrar, Tricor Tengis Limited at 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 3:00 p.m. on 19 December 2022 (Monday), or in case of any adjournment of the EGM, not less than 48 hours before the time appointed for the holding of any adjournment meeting. Completion and return of the form of proxy will not preclude a member from attending and voting in person at the meeting.
- (3) Where there are joint registered holders of any shares, any one of such persons may vote at the meeting (or at any adjournment thereof), either personally or by proxy in respect of such shares as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the meeting personally or by proxy, that one of such joint holders so present whose name stands first on the register of members of the Company shall alone be entitled to vote in respect of such shares.
- (4) The register of members of the Company will be closed from 16 December 2022 (Friday) to 21 December 2022 (Wednesday), both days inclusive, during which period no transfer of shares will be registered. In order to determine the entitlement to attend and vote at the meeting, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Tengis Limited at 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on 15 December 2022 (Thursday).
- (5) The resolution set out in this notice will be decided by poll.
- (6) **In order to facilitate the prevention and control of the spreading of Coronavirus Disease 2019 pandemic and to safeguard the health and safety of the shareholders of the Company, the Company encourages its shareholders to consider appointing the chairman of the meeting as his/her proxy to vote on the resolution at the meeting as an alternative to attending in person.**

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

* *non-executive director*

** *independent non-executive director*

PRECAUTIONARY MEASURES FOR THE EGM

To ensure the health and safety of the attendees and to prevent the spreading of the Coronavirus Disease 2019 (“**COVID-19**”) pandemic, the Company will implement the following precautionary measures at the EGM:

- (i) compulsory wearing of surgical face masks by all attendees prior to admission to the meeting venue and throughout the EGM;
- (ii) compulsory temperature check will be conducted on every attendee, any person with a body temperature of over 37.2 degrees Celsius, or has flu-like symptoms or is otherwise unwell will not be admitted to the meeting venue;
- (iii) all attendees must scan the “LeaveHomeSafe” venue QR code and comply with the Vaccine Pass requirements prior to entry into the meeting venue;
- (iv) maintenance of a safe distance between seats and the Company may limit the number of attendees at the EGM as may be necessary to avoid overcrowding; and
- (v) no provision of refreshments or drinks and no distribution of corporate gifts and coupons.

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

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

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

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

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