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## **天津港發展控股有限公司**

**Tianjin Port Development Holdings Limited**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code : 03382)**

### **FURTHER ANNOUNCEMENT ON RENEWAL OF EXISTING CONTINUING CONNECTED TRANSACTIONS AND NEW CONTINUING CONNECTED TRANSACTIONS**

Reference is made to the announcement of Tianjin Port Development Holdings Limited (the “Company”) dated 27 September 2017 (the “Announcement”) in relation to, among other things, the transactions contemplated under the 2017 Framework Agreements, the 2017 Jutai Gongmao Coal Sales Agreement and the 2017 Jutai Gongmao Coal Purchase Agreement. Capitalised terms used herein shall have the same meanings as those defined in the Announcement unless the context requires otherwise.

#### **FURTHER INFORMATION ON THE EXEMPT CONTINUING CONNECTED TRANSACTIONS**

##### **1. Exempt Continuing Connected Transactions**

###### **1.1 2017 Sales Framework Agreement — sale of products by the Group to the Tianjin Port Group Companies**

###### *Nature of the transactions*

Sale of products including spare parts, fuel, construction materials and other products by the Group to the Tianjin Port Group Companies. Other products include labour protection products, daily sundries and such products as the needs of the Tianjin Port Group Companies may arise from time to time.

###### *Pricing determination*

Prices of products sold are determined based on (i) the relevant comparable market prices of the similar products with reference to the types and qualities (except for fuel, which refers to the international market prices for fuel); and (ii) the quantities of the products.

- (1) Fuel price will be determined through internal evaluation conducted by a group comprising personnel from marketing department and senior management of the relevant subsidiary(ies) on a daily basis, with reference to the market price information obtained through various means (such as the Singapore Platts Price and comparable prices in the domestic market) on the relevant transaction day.

- (2) For other types of products (other than fuel), the Group would obtain two to three quotations of comparable prices from suppliers, and determine the sale prices with reference to such purchase prices, the rate charged within the industry, market research, supply and demand of products, costs of transportation and storage, financing cost and other related costs.

The price determination mechanism adopted for the connected persons is the same as that for independent third parties.

#### *Basis of the proposed annual caps*

The proposed annual caps are determined with reference to, among other things, the following factors:

- (1) historical transactions and transaction amounts for the sale of similar products;
- (2) the Group's expectation on the demand for products by the Tianjin Port Group Companies due to their business needs. The Group expects an increase in demand for fuel by the Tianjin Port Group Companies for use by dredging vessels;
- (3) anticipated increase in fuel price (such as international oil price) and prices of other products; and
- (4) anticipated annual inflation rate of 3% based on the expected increase in consumer prices of approximately 3% in 2017 as set out in the Progress Report of the Government\* (政府工作報告) delivered at the 2017 National People's Congress (全國人民代表大會) of the PRC.

### ***1.2 2017 Freight Yard, Warehousing and Assets Lease Framework Agreement — leasing of freight yards, warehouses, office buildings, facilities and equipment from the Group to the Tianjin Port Group Companies***

#### *Pricing determination*

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

- (1) For the lease of freight yards and warehouses, the prices are determined through the internal evaluation conducted by a group comprising personnel from the department responsible for leasing and senior management of the relevant subsidiary(ies) after obtaining market price information through various means (including enquiring users or lessors of the neighbouring freight yards and warehouses about the recent rent, conducting research on the auction price in the sale of neighbouring land with similar usage on government websites), and with reference to the market price, the lease term, the location and the degree of use of the present freight yards and warehouses, and the demand and supply of the market.

- (2) For the lease of office buildings, the prices are determined through the internal evaluation conducted by a group comprising personnel from the department responsible for leasing and senior management of the relevant subsidiary(ies) after obtaining market price information through various means (including enquiring tenants or lessors of the neighbouring office buildings about the recent rent, enquiring agents about the rent of the neighbouring commercial properties), and with reference to the market price, the lease term, the location and the degree of use of the present office buildings, and the demand and supply of the market.
- (3) For the lease of facilities and equipment, the prices are determined through the internal evaluation conducted by a group comprising personnel from the department responsible for leasing and senior management of the relevant subsidiary(ies) after obtaining market price information through various means (including enquiring users or lessors of the neighbouring facilities and equipment about the recent rent), and with reference to the market price, the lease term, the condition and the degree of use of the present facilities and equipment, and the demand and supply of the market.

The price determination mechanism adopted for the connected persons is the same as that for independent third parties.

#### *Basis of the proposed annual caps*

The proposed annual caps are determined with reference to, among other things, the following factors:

- (1) the historical transactions and transaction amounts for the leased freight yards, warehouses, office buildings, facilities and equipment;
- (2) the Group's expectation on the demand for lease by the Tianjin Port Group Companies in light of the expected business growth of the Tianjin Port Group Companies; and
- (3) the anticipated annual inflation rate of 3%.

### ***1.3 2017 Cargo Reconfiguration, Storage and Logistics Services Framework Agreement — provision of cargo reconfiguration, storage, logistics and other related services by the Group to the Tianjin Port Group Companies***

#### *Nature of the transactions*

Provision of cargo reconfiguration (transportation using vehicles and other transportation means), storage (custody and storage for cargos), logistics (including but not limited to tugboat related services) and other related services by the Group to the Tianjin Port Group Companies. Other related services include tallying services and such services as the needs of the Tianjin Port Group Companies arise from time to time.

#### *Pricing determination*

Prices of the services provided are determined with reference to (i) actual content of the services, volume of cargo handled, volume of cargo stored and duration of storage, quantities of services; and (ii) market price of similar services.

- (1) For cargo reconfiguration services, the prices are determined with reference to price quotations obtained from reconfiguration fleet providing same or similar services, the cost of providing such services, the fee charged within the industry, as well as the distance of reconfiguration and complexity of transport.
- (2) For storage services, the prices are determined with reference to the storage prices obtained by enquiring clients or storage services providers in the Tianjin Port area, the cost of providing such services, the fee charged within the industry, as well as prices comparison of commercial or logistic storage in the Tianjin Port area.
- (3) For logistics services, the prices are determined with reference to the type, content and complexity of the services and the cost of providing the personnel involved, as well as a cost plus reasonable profit margin of 5%-20%.

The price determination mechanism adopted for the connected persons is the same as that for independent third parties.

#### *Basis of the proposed annual caps*

The proposed annual caps are determined with reference to, among other things, the following factors:

- (1) the historical transactions and transaction amounts for the provision of cargo reconfiguration, storage, logistics and other related services;
- (2) the Group's expectation on the demand for such services by the Tianjin Port Group Companies in light of the expected business growth of the Tianjin Port Group Companies; and
- (3) the anticipated annual inflation rate of 3%.

### ***1.4 2017 Labour Framework Agreement — provision of labour services by the Group to the Tianjin Port Group Companies***

#### *Nature of the transactions*

Provision of labour of various positions to perform various services by the Group to the Tianjin Port Group Companies. Positions of labour mainly include routine and mid-level management staff for provision of management expertise for equipment, safety management and integrated management services; technical operation staff for provision of maintenance services and delivery services; and such other labour services as the needs of the Tianjin Port Group Companies may arise from time to time.

#### *Pricing determination*

Prices of the labour services are determined with reference to (1) the type, content and complexity of the services provided; (2) the cost of labour according to the type of positions, the level of techniques required, years of experience and their experience; and (3) the labour market price in the Tianjin Port area.

The price determination mechanism adopted for the connected persons is the same as that for independent third parties.

*Basis of the proposed annual caps*

The proposed annual caps are determined with reference to, among other things, the following factors:

- (1) the historical transactions and transaction amounts for the provision of labour services;
- (2) the Group's expectation on the demand for labour by the Tianjin Port Group Companies in light of the expected business growth of the Tianjin Port Group Companies; and
- (3) the estimated increase in the market price of labour of 9% based on the upward trend of the market price of labour and the recommended average increase in general wages of 9% as per the No. 95 (2017) notice on the guideline for general wages for corporates issued by the Tianjin Municipal Government in 2017\* (津政辦發(2017) 95號《天津市人民政府辦公廳關於頒佈2017年全市企業工資指導線的通知》).

***1.5 2017 Property and Assets Lease Framework Agreement — leasing of freight yards, warehouses, office buildings, facilities and equipment from the Tianjin Port Group Companies to the Group***

*Pricing determination*

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

- (1) For the lease of freight yards and warehouses, the prices are determined by obtaining market price information through various means (including enquiring users or lessors of the neighbouring freight yards and warehouses about the recent rent, conducting research on the auction price in the sale of the neighbouring land with similar usage on the government websites), and with reference to the market price, the lease term, the historical price, the location and the degree of use of the present freight yards and warehouses, as well as the demand and supply of the market.
- (2) For the lease of office buildings, the prices are determined by obtaining market price information through various means (including enquiring tenants or lessors of the neighbouring office buildings about the recent rent, enquiring agents about the rent of the neighbouring commercial properties), and with reference to the market price, the lease term, the historical price, the location and the degree of use of the present office buildings, as well as the demand and supply of the market.
- (3) For the lease of facilities and equipment, the prices are determined by obtaining market price information through various means (including enquiring users or lessors of the neighbouring facilities and equipment about the recent rent), and with reference to the market price, the lease term, the historical price, the condition and the degree of use of the present facilities and equipment, as well as the demand and supply of the market.

The price determination mechanism adopted for the connected persons is the same as that for independent third parties.

*Basis of the proposed annual caps*

The proposed annual caps are determined with reference to, among other things, the following factors:

- (1) the historical transactions and transaction amounts for the leasing of freight yards, warehouses, office buildings, facilities and equipment;
- (2) the Group's expectation on the demand for lease in light of the expected business growth of the Group; and
- (3) the anticipated annual inflation rate of 3%.

***1.6 2017 Jutai Gongmao Coal Sales Agreement — sale of coal by Tianjin Zhongtie to Jutai Gongmao***

*Pricing determination*

Prices of coal sold are determined with reference to the market price of the products with similar types and qualities and the pricing policy adopted is the same as that for the independent third party customers of Tianjin Zhongtie.

The prices of the coal sold will be determined with reference to the price as published on coal exchange website for coals of the same category and comparable quality at the time of the relevant sale.

*Basis of the proposed annual caps*

The actual transaction amounts for the year ended 31 December 2016 and the eight months ended 31 August 2017 for the sale of coals by Tianjin Zhongtie to Jutai Gongmao were relatively low as the supply of coal of Tianjin Zhongtie was self-sufficient. While proposing the annual caps for the coming three years, Tianjin Zhongtie has considered various possibilities and has taken into account the coal market environment.

The proposed annual cap for the year ending 31 December 2018 is determined with reference to (i) the difference in the annual purchase amount of coals for 2017 by Tianjin Zhongtie, and the expected annual sale amount of coals by Tianjin Zhongtie, and (ii) the expected average published price of coals for 2017. The proposed annual caps for the year ending 31 December 2019 and 2020 are arrived at on the assumption of an annual increase of 3% in the market price of coals.

## ***1.7 2017 Jutai Gongmao Coal Purchase Agreement — purchase of coal by Tianjin Zhongtie from Jutai Gongmao***

### *Pricing determination*

The prices of the coal purchased will be determined with reference to the price as published on coal exchange website for coals of the same category and comparable quality at the time of the relevant purchase.

The price determination mechanism adopted for the connected persons is the same as that for independent third parties.

### *Basis of the proposed annual caps*

The proposed annual cap for the year ending 31 December 2018 is determined with reference to (i) the Group's expectation on the annual supply amount of coals by Jutai Gongmao, and (ii) the expected average published price of coals for 2017. The proposed annual caps for the years ending 31 December 2019 and 2020 are arrived at on the assumption of an annual increase of 3% in the market price of coals.

## **2. Reasons for and Benefits of the Transactions contemplated under the 2017 Jutai Gongmao Coal Sales Agreement and the 2017 Jutai Gongmao Coal Purchase Agreement**

Tianjin Zhongtie and Jutai Gongmao have entered into the 2017 Jutai Gongmao Coal Sales Agreement and the 2017 Jutai Gongmao Coal Purchase Agreement at the same time, with a view for both parties to secure a reliable supply of coals of high quality, reduce their respective operational risks and costs, and to benefit each other with the party's respective advantages.

The sale and purchase of coals will be conducted in accordance with the actual demand of coal, at market prices, and each such transaction will only be conducted if it would be beneficial to the Group. Accordingly, such sale and purchase are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

With the 2017 Jutai Gongmao Coal Sales Agreement, Tianjin Zhongtie may sell its excessive supply of coals to Jutai Gongmao to secure an additional channel to sell its coals, bring stable income to the Group and broaden the revenue base.

With the 2017 Jutai Gongmao Coal Purchase Agreement, as Tianjin Zhongtie has insufficient supply of coals to meet its customers' demand, in which case it faces the risk of losing existing customers, Tianjin Zhongtie may obtain additional supply of coals from Jutai Gongmao to meet the needs of its customers, to alleviate the problem of insufficient stock and to safeguard its reputation in the industry.



### **3. Measures of Internal Control**

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

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

The subsidiaries have to conduct comparison procedures by obtaining quotations from suppliers for products or services provided according to the requirements of the Group. Before entering into any contract, the relevant subsidiaries shall perform review procedures, contracts have to be reviewed by various departments (such as finance department and audit department) and obtain proper approval. For connected transactions, the subsidiaries additionally have to compare the terms offered to/by the connected parties with those offered to/by the independent third parties to ensure that the terms offered to/by the connected parties are no less favourable to the Group than those offered to/by independent third parties.

- (2) The Group would conduct internal control review and financial audit on an annual basis, financial monitoring and decision analysis on a monthly basis, and conduct spot checks and supervision from time to time, so as to ensure that the terms of the relevant agreements are complied with.
- (3) The audit committee of the Company, which comprises all the independent non-executive Directors, will monitor and review the continuing connected transactions under the relevant agreements of the Group every year to ensure that such transactions are entered into on normal commercial terms, are fair and reasonable, and are carried out pursuant to the terms of such agreements.
- (4) The auditors of the Company will conduct annual review on the continuing connected transactions under such agreements pursuant to the requirements under the Listing Rules.

### **4. Opinion of the Directors**

#### *Continuing connected transactions with Tianjin Port Group Companies*

As the assumptions to determine the proposed annual caps referred to in sections 1.1 to 1.5 above are supported by historical growth trend in annual throughput of the port of Tianjin and/or anticipated inflation rates published by governmental authorities and/or the recommended increment in wages from the guidelines published by governmental authorities, the Directors consider that the assumptions referred to in sections 1.1 to 1.5 above are fair and reasonable.



*Continuing connected transactions with Jutai Gongmao*

As the assumptions to determine the proposed annual caps referred to in sections 1.6 and 1.7 above are arrived at based on historical transaction amounts and expected market price, the Directors consider that the assumptions referred to in sections 1.6 and 1.7 above are fair and reasonable.

**CLARIFICATION OF CERTAIN INFORMATION ON THE 2017 INTEGRATED SERVICES FRAMEWORK AGREEMENT**

The Company would like to clarify that, the historical transaction amount of the continuing connected transactions for utilities and supporting services provided by the Tianjin Port Group Companies to the Group for the eight months ended 31 August 2017 was RMB769 million instead of RMB641 million as disclosed in the Announcement. Save as disclosed above, all information in the Announcement remains unchanged.

By Order of the Board  
**Tianjin Port Development Holdings Limited**  
**Zhang Ruigang**  
*Chairman*

Hong Kong, 23 October 2017

*As at the date of this announcement, the Board consists of Mr. Zhang Ruigang, Mr. Li Quanyong, Mr. Wang Rui, Mr. Yu Houxin and Ms. Shi Jing as executive Directors; Professor Japhet Sebastian Law, Dr. Cheng Chi Pang, Leslie and Mr. Zhang Weidong as independent non-executive Directors.*

*\* For identification purposes only*