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

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

**If you have sold or transferred** all your shares in Tianjin Binhai Teda Logistics (Group) Corporation Limited\*, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or transferee(s) or to the bank, the licensed securities dealer or registered institution in securities or other agent through whom the sale or the transfer was effected for transmission to the purchaser(s) or the transferee(s).

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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天津濱海泰達物流集團股份有限公司

**Tianjin Binhai Teda Logistics (Group) Corporation Limited\***

*(a joint stock limited company incorporated in the People's Republic of China with limited liability)*

(Stock Code: 8348)

**(1) CONTINUING CONNECTED TRANSACTION – TEDAHANG BUSINESS  
COOPERATION FRAMEWORK AGREEMENT  
AND  
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

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



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A letter from the Board is set out on pages 4 to 14 of this circular. A letter from the Independent Board Committee is set out on pages 15 to 16 of this circular. A letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders, is set out on pages 17 to 35 of this circular.

A notice convening the EGM of Tianjin Binhai Teda Logistics (Group) Corporation Limited\* to be held at No.39 Bohai Road, Tianjin Economic and Technological Development Zone, Tianjin, the PRC on Friday, 19 June 2020 at 10:30 a.m., is set out on pages EGM-1 to EGM-3 of this circular. A form of proxy for use at the EGM is enclosed with this circular and such form of proxy is also published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.tbt.cn](http://www.tbt.cn)). Whether or not you intend to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon not less than 24 hours before the time fixed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending the EGM and voting in person if you so wish.

This circular will remain on the “Latest Company Announcement” page of the GEM website at [www.hkgem.com](http://www.hkgem.com) and on the Company’s website at [www.tbt.cn](http://www.tbt.cn) for at least 7 days from the date of its publication.

3 June 2020

\* For identification purposes only

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## CHARACTERISTICS OF GEM

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GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities trade on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM 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.

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## DEFINITIONS

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

“Board”	the board of Directors
“Chia Tai Logistics”	Chia Tai Logistics Limited (正大物流有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Sino Biopharm
“Company”	Tianjin Binhai Teda Logistics (Group) Corporation Limited* (天津濱海泰達物流集團股份有限公司), a joint stock limited company incorporated in the PRC with limited liability
“connected person”	has the meaning ascribed to it under the GEM Listing Rules
“connected subsidiary”	has the meaning ascribed to it under the GEM Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	the ordinary share(s) of nominal value of RMB1.00 each in the share capital of the Company which are subscribed for or credited as fully paid in RMB
“EGM”	the extraordinary general meeting of the Company to be held at No.39 Bohai Road, Tianjin Economic and Technological Development Zone, Tianjin, the PRC, Friday, 19 June 2020 at 10:30 a.m. to consider, and if appropriate, to approve the Tedahang Continuing Connected Transaction
“GEM”	the GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM
“Group”	the Company together with its subsidiaries
“H Share(s)”	the overseas-listed foreign share(s) of the Company with a nominal value of RMB1.00 each, which are listed on the GEM
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

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## DEFINITIONS

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“Independent Board Committee”	the board committee of the Company comprising all independent non-executive Directors, namely Mr. Cheng Xinsheng, Mr. Japhet Sebastian Law, Mr. Peng Zuowen and Mr. Zhou Zisheng, established by the Board to make recommendation to the Independent Shareholders in respect of the terms of the Tedahang Business Cooperation Framework Agreement and the Tedahang Continuing Connected Transaction (including the proposed annual caps)
“Independent Financial Adviser”	TC Capital International Limited, a licensed corporation 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 Independent Shareholders in respect of the terms of the Tedahang Business Cooperation Framework Agreement and the Tedahang Continuing Connected Transaction (including the proposed annual caps)
“Independent Shareholders”	the Shareholders who are not prohibited under the GEM Listing Rules from voting on a resolution to approve the relevant transaction at a general meeting of the Company
“Latest Practicable Date”	29 May 2020, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“PRC”	the People’s Republic of China, which for the purpose of this circular, does not include, Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (as amended, supplemented or otherwise modified from time to time)
“Shareholder(s)”	holder(s) of the Shares
“Shares”	the Domestic Shares and the H Shares
“Sino Biopharm”	Sino Biopharmaceutical Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange (Stock Code: 1177)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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## DEFINITIONS

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“substantial shareholder”	has the meaning ascribed to it under the GEM Listing Rules
“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, the controlling shareholder of the Company holding approximately 42.45% of the total issued share capital of the Company
“Tedahang”	Tedahang Cold Chain Logistics Co., Ltd.* (泰達行(天津)冷鏈物流有限公司), a company established in the PRC with limited liability and owned as to 60% by the Company and 40% by Chia Tai Logistics
“Tedahang Business Cooperation Framework Agreement”	the framework agreement on business cooperation dated 27 December 2019 entered into between the Company and Tedahang in relation to the sale of frozen meat and the provision of storage, logistics and logistics supporting services by Tedahang
“Tedahang Continuing Connected Transaction”	the transactions contemplated under the Tedahang Business Cooperation Framework Agreement
“%”	per cent

*The English names of the Chinese nationals, companies, entities, departments, facilities, certificates, titles and the like are translation of their Chinese names and are included in this circular for identification purposes only and should not be regarded as their official English translation. In the event of any inconsistency, the Chinese name prevails.*

\* For identification purposes only

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## LETTER FROM THE BOARD

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天津濱海泰達物流集團股份有限公司  
**Tianjin Binhai Teda Logistics (Group) Corporation Limited\***  
*(a joint stock limited company incorporated in the People's Republic of China with limited liability)*  
(Stock Code: 8348)

*Executive Director:*

Mr. Yang Weihong (*Chairman of the Board*)

*Non-executive Directors:*

Mr. Li Jian

Ms. Peng Bo

Mr. Yang Xiaoping

Mr. Zheng Yuying

*Independent non-executive Directors:*

Mr. Cheng Xinsheng

Mr. Japhet Sebastian Law

Mr. Peng Zuowen

Mr. Zhou Zisheng

*Registered office and principal place of  
business in the PRC:*

Third Floor, No. 39, Bohai Road,  
Tianjin Economic and  
Technological Development Zone,  
Tianjin,  
PRC

*Principal place of business in Hong Kong:*

Unit B, 1<sup>st</sup> Floor, Neich Tower,  
128 Gloucester Road,  
Wanchai,  
Hong Kong

3 June 2020

*To the Shareholders*

Dear Sir or Madam,

### **CONTINUING CONNECTED TRANSACTION – TEDAHANG BUSINESS COOPERATION FRAMEWORK AGREEMENT**

#### **INTRODUCTION**

Reference is made to the announcement of the Company dated 27 December 2019 in relation to the Tedahang Business Cooperation Framework Agreement and the Tedahang Continuing Connected Transaction (including the proposed annual caps).

The purpose of this circular is to provide you with, among other things, (i) further details of the Tedahang Continuing Connected Transaction (including the proposed annual caps); (ii) a letter of recommendation from the Independent Board Committee; (iii) a letter of advice from the Independent Financial Adviser; and (iv) the notice convening the EGM.

\* *For identification purposes only*

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## LETTER FROM THE BOARD

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### THE TEDAHANG BUSINESS COOPERATION FRAMEWORK AGREEMENT

On 27 December 2019, the Company has entered into the Tedahang Business Cooperation Framework Agreement with Tedahang, pursuant to which Tedahang would sell various frozen meat and provide related storage, logistics and logistics supporting services to the Company, for a term of three years from 1 January 2020 to 31 December 2022.

The principal terms of the Tedahang Business Cooperation Framework Agreement are summarized below:

Date	:	27 December 2019
Parties	:	(1) The Company; and (2) Tedahang
Term	:	Three years from 1 January 2020 to 31 December 2022
Subject matter	:	Sale of frozen meat (including but not limited to frozen pork, beef, lamb, poultry and seafood) and provision of related storage, logistics and logistics supporting services by Tedahang to the Company.

The Company and Tedahang will enter into agreements in respect of the individual transactions contemplated under the Tedahang Business Cooperation Framework Agreement in accordance with the principal terms under the Tedahang Business Cooperation Framework Agreement.

Condition precedent	:	The Tedahang Business Cooperation Framework Agreement is conditional upon the following: <ol style="list-style-type: none"><li>1. obtaining the necessary approval by the Company and Tedahang from their respective board of directors, general meeting and/or independent shareholders in accordance with their respective memorandum and articles of association and the relevant requirements under the GEM Listing Rules; and</li><li>2. obtaining the necessary approval from the Stock Exchange by the Company.</li></ol>
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## LETTER FROM THE BOARD

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Consideration : Under normal circumstances, the Company shall pay 20% to 50% of the consideration stipulated in each agreement signed under the Tedahang Business Cooperation Framework Agreement as deposit; and the balance before Tedahang loads the products onto its cold storage trucks for delivery to the Company.

The amount of the deposit is determined by mirroring the payment terms of the invoices for the frozen meat to be sourced by Tedahang from overseas suppliers. It ranges from 20% to 50% of the consideration under each individual agreement on a case-by-case basis, taking into account factors such as the kind of frozen meat to be purchased and the grade and location of the overseas supplier's factory.

The consideration will be settled by wire transfer, bank transfer or in cash.

Basis of consideration : The fees payable by the Company will be determined based on arm's length negotiations between the Company and Tedahang. Such fees take into account (i) Tedahang's procurement cost of the food products to be sourced by Tedahang from overseas suppliers, being the aggregate of the amount of consideration stated in the invoices issued by overseas suppliers and relevant tariff and value added tax, (ii) gross profit margin being not more than 2% of the Tedahang's procurement cost, and (iii) related logistics fees (if any), which include cost, insurance and freight, tariff, value added tax, customs clearance fees and other services charges. Such related logistics fees are determined with reference to the list of logistics service fees issued by Tedahang, which made reference to the relevant customs clearance fees, storage, logistics and logistics supporting fees for the same type of food products provided by Tedahang to independent third parties in the same or nearby region in the ordinary course of business and on normal commercial terms.

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## LETTER FROM THE BOARD

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The individual agreements to be entered into between the Company and Tedahang shall be on normal commercial terms and shall be on terms no less favourable to the Group than (i) those available to the Group for the same type of food products and related services from independent third parties, or (ii) the price and payment terms for the same type of food products and related services offered by Tedahang to independent third parties.

Proposed annual caps : As the period during which the Tedahang Continuing Connected Transaction may take place in 2020 is shortened and taking into account the potential impact of the outbreak of novel coronavirus (COVID-19) pandemic, the proposed annual cap in respect of such transaction for the year ending 31 December 2020 has been reduced. The proposed annual caps of the Tedahang Continuing Connected Transaction for the three years ending 31 December 2022 are set out as follows:

<b>For the year ending 31 December</b>		
<b>2020</b>	<b>2021</b>	<b>2022</b>
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
95,000	176,000	176,000

Basis of the proposed annual caps : The proposed annual caps of the Tedahang Continuing Connected Transaction were determined after taking into account the following:

- (1) Historical frozen meat purchase volume of the Company purchased from Tedahang for resale to customers of the Company.

Although there was no transaction amount for the year ended 31 December 2019 for the reasons stated in note 3 under the section headed "Historical transaction amounts" below, the uncompleted purchase orders for an approximately 400 tonnes of frozen meat for the year ended 31 December 2019 have resumed and are expected to be completed after all conditions precedent of the Tedahang Business Cooperation Framework Agreement are satisfied.

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## LETTER FROM THE BOARD

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- (2) Forecast of future frozen meat purchase volume of the Company at approximately 2,020, 3,600 and 3,600 tonnes for the years ending 31 December 2020, 2021 and 2022 respectively based on the historical amount of purchase orders and the estimated demand from the customers of the Company, which were supported by preliminary discussions and strategy cooperation agreements entered into between the Company and its customers.

Such estimated purchases would be met by (i) the Company's re-allocation of funds by shifting more funds to future purchase of frozen meat after seeing a recent decline in revenue in other businesses, and (ii) the credit facilities of RMB300 million granted by a bank to the Company (with its controlling shareholder as guarantor) in the second half of 2019.

- (3) Estimated average purchase unit price of frozen meat to be purchased from Tedahang based on market information at approximately RMB42,590 per tonne of frozen meat, representing 52% increase as compared to the average purchase unit price of frozen meat purchased from Tedahang for the three years ended 31 December 2019.

Such unit price was the average of (i) the average import price of frozen meat at approximately RMB40,600 per tonne calculated based on the market data collected by Tedahang in respect of the import price of frozen meat (mainly beef and lamb) traded in the Tianjin's market in February and March 2020, and (ii) the average sale price at approximately RMB44,570 per tonne calculated based on the sale prices of similar kinds of frozen meat extracted from the website of Roujiaosuo (肉交所) in the PRC.

- (4) A buffer of 10% for contingencies such as unforeseeable market fluctuations for the three years ending 31 December 2022.

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## LETTER FROM THE BOARD

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Such buffer was provided as the multiplier of each of the estimated purchases and unit price in the corresponding year. The Company has taken into account the increase in the consumer price of beef and mutton for the year ended 31 December 2019 (beef: 12.1% and mutton: 11.9%) and for the three months ended 31 March 2020 (beef: 21% and mutton: 11.2%). On a conservative basis, the Company has adopted 10% as the buffer.

The Company expects that the fees in respect of the logistics services related to the trade of frozen meat will mainly include customs clearance fees being not more than RMB500,000 per year. Since such amount is relatively small, it was not included in the proposed annual caps of the Tedahang Continuing Connected Transactions for the three years ending 31 December 2022.

Historical transaction amounts : The fees paid by the Company in respect of the trade of frozen meat for the three years ended 31 December 2019 and the period between 1 January 2020 and the Latest Practicable Date are as follows:

	For the year ended 31 December 2017 RMB'000	For the year ended 31 December 2018 RMB'000	For the year ended 31 December 2019 RMB'000	For the period between 1 January 2020 and the Latest Practicable Date RMB'000
Approximate historical transaction amount	22,140 (Notes 1 & 2)	30,720 (Notes 1 & 2)	- (Notes 1-3)	- (Note 4)
Annual caps	62,500	100,000	100,000	N/A

*Notes:*

- During the three years ended 31 December 2019, the Company had obtained credit facilities from banks. Funds provided from such facilities were allocated to the procurement of other materials, such as metal parts and material pipes, in order to maintain the stability of revenue generating from such business at the relevant time. In view of the tough financing

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## LETTER FROM THE BOARD

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environment in Tianjin, the Company was unable to obtain further credit facilities from banks for purchasing frozen meat from Tedahang until the second half of 2019. The Company was therefore unable to satisfy the demands for frozen meat from all customers, hence the frozen meat purchase volume of the Company from Tedahang for the three years ended 31 December 2019 was relatively low.

2. No fees were paid by the Company in respect of the logistics services related to the trade of frozen meat during the above periods. The Company's customers preferred handling the logistics on their own, so the Company has not received any request to provide the ancillary logistics services. Accordingly, the fees in connection with logistics and logistics supporting services were settled by the customers or consignees when they took delivery of the frozen meat in person in the warehouse of Tedahang.
3. There were demands for frozen meat from the customers of the Company in 2019. No transaction amount was however recorded for the year ended 31 December 2019 since: (i) the Company was unable to obtain sufficient credit facilities from banks for purchasing frozen meat from Tedahang and it would not be in the interests of the Company to re-allocate funds for purchasing frozen meat at the expense of reducing the funds allocated for other businesses with better prospects having regard to the corporate strategy and the amount of funds of the Company at the relevant time, as a result of which the Company had ceased purchases of frozen meat from Tedahang in the first half of 2019; and (ii) although the Company had resumed purchases of frozen meat from Tedahang after the Company's re-allocation of funds and the grant of credit facilities by a bank in the second half of 2019, all such purchases were uncompleted as at 31 December 2019 and would only be recorded in the books until completion.
4. No transaction amount was recorded for the period between 1 January 2020 and the Latest Practicable Date due to the impact of the outbreak of novel coronavirus (COVID-19) pandemic in early 2020, where the vast majority of the upstream and downstream customers suspended their production operations and the supply chain was hit hard. Such historical transaction amount does not reflect the normal daily operations of the Company and should not be taken into account in determining the proposed annual caps. The Company will ensure that the Tedahang Continuing Connected Transaction (if any) will be conducted within the de minimis threshold according to Rule 20.74(1) of the GEM Listing Rules prior to the Company obtaining the approval from the Independent Shareholders at the EGM.

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## LETTER FROM THE BOARD

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### INTERNAL CONTROL

The Company has implemented the following general internal control measures to ensure that the Tedahang Continuing Connected Transaction will be conducted in accordance with the terms of the Tedahang Business Cooperation Framework Agreement, on normal commercial terms and on terms no less favourable to the Group than terms available to the Group from independent third parties in respect of the Tedahang Continuing Connected Transaction:

1. The terms of each procurement agreement under the Tedahang Business Cooperation Framework Agreement are subject to review and approval by an approval team formed by various departments of the Company, including the finance department, risk department and general department of the Company;
2. The finance department of the Company will request Tedahang for a list of sales conducted by Tedahang on a monthly basis, which includes the types of products sold, the price and terms offered by Tedahang to the Group and independent customers of Tedahang, so as to ensure that the terms offered by Tedahang to the Group are no less favourable than those offered by it to independent third parties; and
3. The responsible personnel for conducting market research in relation to the Tedahang Continuing Connected Transaction is the sales representative of the operations department of the Company, who gathers market price information on a quarterly basis by checking the sale price of the kinds of frozen meat purchased by the Company on the website of Roujiaosuo (肉交所) in the PRC, reviews the products to be purchased, monitors the sales of the products and makes comparisons of the gross profit margin of the food product procurement business of the Company with the average gross margin benchmarks across different businesses of the Company and in the industry through reviewing the auditor's reports of listed companies in Hong Kong and the PRC which are engaged in commodity trading or import and distribution of meat products in the PRC on an annual basis.

### REASONS FOR AND BENEFITS OF THE TEDAHANG CONTINUING CONNECTED TRANSACTION

Tedahang Continuing Connected Transaction is part of the materials procurement and related logistics services business of the Group, which is one of the principal businesses of the Group, in response to the demands of the customers of the Group.

Tedahang has an imported meat consignee qualification with a customs inspection centre and a cold storage that can serve as a one-stop service platform, and is one of the few enterprises in Tianjin that possess the above strengths. It has good cooperation relationship with overseas factories and competitive advantage in terms of the facilities, information and channels for frozen food trading. Since Tedahang is a subsidiary of the Company, the Group can monitor and obtain the relevant market information more easily and hence Tedahang Continuing Connected Transaction can help the Group further open up its food cold chain market.

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## LETTER FROM THE BOARD

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None of the Directors has a material interest in the Tedahang Continuing Connected Transaction. For good corporate governance practices, Mr. Yang Weihong and Mr. Li Jian, who hold executive positions in Tedahang, have abstained from voting on the Board resolution for approving the Tedahang Business Cooperation Framework Agreement.

### **GEM LISTING RULES IMPLICATIONS**

As at the Latest Practicable Date, Tedahang is a non-wholly owned subsidiary of the Company, and its registered capital is owned as to 60% by the Company and 40% by Chia Tai Logistics. Since Chia Tai Logistics is a wholly-owned subsidiary of Sino Biopharm, which is a substantial shareholder of the Company indirectly holding approximately 21.82% of the total issued share capital of the Company, Tedahang is a connected subsidiary of the Company and hence a connected person of the Company. Therefore, Tedahang Continuing Connected Transaction constitutes a continuing connected transaction of the Company under Chapter 20 of the GEM Listing Rules.

As the applicable percentage ratios in respect of the proposed annual caps of the Tedahang Continuing Connected Transaction are more than 5%, the Tedahang Continuing Connected Transaction (including the proposed annual caps) are subject to the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

An Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders in relation to the terms of the Tedahang Business Cooperation Framework Agreement and the Tedahang Continuing Connected Transaction (including the proposed annual caps). Your attention is drawn to the advice from and the recommendation of the Independent Board Committee set out in its letter dated 3 June 2020 on pages 15 to 16 of this circular.

TC Capital International Limited has been appointed as the Independent Financial Adviser to the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Tedahang Business Cooperation Framework Agreement and the Tedahang Continuing Connected Transaction (including the proposed annual caps). Your attention is also drawn to the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders dated 3 June 2020 on pages 17 to 35 of this circular.

### **INFORMATION ON THE PARTIES**

#### **Information on the Group**

The principal businesses of the Group are logistics and supply chain services for finished automobiles and components, logistics and supply chain services for electronic components, materials procurement and related logistics services, cold chain logistics services and other services such as bonded warehouse, container yard, supervision, agency and transportation services.

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## LETTER FROM THE BOARD

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### **Information on Tedahang, Chia Tai Logistics and Sino Biopharm**

Tedahang is a company established in the PRC and has a registered capital of RMB200,000,000, its registered capital is owned as to 60% by the Company and 40% by Chia Tai Logistics. Tedahang's scope of business is as follows:

Cold storage and general warehousing services (except hazardous chemicals); customs inspections; domestic freight forwarding; international freight forwarding (sea, land and air); venue rental service; freight station (field) and container yard business, and logistics management services. (The services mentioned above that are regulated under the administrative permit system shall only be operated after obtaining relevant permits and within the period of permits, while those regulated by the state under special franchise systems shall be operated in compliance with applicable regulations.)

Chia Tai Logistics is an investment holding company incorporated in Hong Kong with limited liability. Chia Tai Logistics is a wholly-owned subsidiary of Sino Biopharm.

Sino Biopharm is a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange (Stock Code: 1177). Sino Biopharm is principally engaged in the research and development, production and sale of a series of modernised Chinese medicines and chemical medicines.

### **EGM AND ACTION TO BE TAKEN**

The EGM will be convened at which an ordinary resolution will be proposed to consider and, if thought fit, to approve the Tedahang Business Cooperation Framework Agreement and the Tedahang Continuing Connected Transaction (including the proposed annual caps).

Any Shareholder with a material interest in any transaction contemplated under the Tedahang Business Cooperation Framework Agreement and its associates shall not vote on the resolution to be proposed at the EGM to approve the proposed annual caps. As Sino Biopharm is materially interested in the Tedahang Business Cooperation Framework Agreement, Sino Biopharm and its associates holding approximately 21.82% of the total issued share capital of the Company as at the Latest Practicable Date shall be required to abstain from voting on the resolution to be proposed at the EGM to approve the proposed annual caps under the Tedahang Continuing Connected Transaction.

A notice convening the EGM is set out on pages EGM-1 to EGM-3 of this circular. A form of proxy for use at the EGM is enclosed with this circular and such form of proxy is also published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.tbtl.cn](http://www.tbtl.cn)). Whether or not you intend to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon not less than 24 hours before the time fixed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending the EGM and voting in person if you so wish.

In order to determine the Shareholders who are entitled to attend and vote at the EGM, the register of members in Hong Kong will be closed from 15 June 2020 to 19 June 2020, both days inclusive, during which period no transfer of H Shares will be effected. For the identification of members eligible to attend



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## LETTER FROM THE BOARD

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and vote at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 12 June 2020.

Pursuant to Rule 17.47(4) of the GEM Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates to purely a procedural or administrative matter to be voted on by a show of hands. An announcement on the poll results will be published by the Company after the EGM in the manner prescribed under Rule 17.47(5) of the GEM Listing Rules.

### RECOMMENDATION

The Board (including members of the Independent Board Committee having taken into account the advice of the Independent Financial Adviser) considers that the terms of the Tedahang Business Cooperation Framework Agreement and the Tedahang Continuing Connected Transaction (including the proposed annual caps) are fair and reasonable so far as the Independent Shareholders are concerned, on normal commercial terms and in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

Accordingly, the Board (including the Independent Board Committee) recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Tedahang Business Cooperation Framework Agreement and the Tedahang Continuing Connected Transaction (including the proposed annual caps).

### ADDITIONAL INFORMATION

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

Yours faithfully,

By Order of the Board

天津濱海泰達物流集團股份有限公司

Tianjin Binhai Teda Logistics (Group) Corporation Limited\*

Yang Weihong

Chairman

\* For identification purposes only

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is the full text of the letter from the Independent Board Committee prepared for the purpose of inclusion in this circular:*



天津濱海泰達物流集團股份有限公司  
**Tianjin Binhai Teda Logistics (Group) Corporation Limited\***  
*(a joint stock limited company incorporated in the People's Republic of China with limited liability)*  
**(Stock Code: 8348)**

3 June 2020

*To the Independent Shareholders*

Dear Sir or Madam,

### **CONTINUING CONNECTED TRANSACTION – TEDAHANG BUSINESS COOPERATION FRAMEWORK AGREEMENT**

We refer to the circular issued by the Company to the Shareholders dated 3 June 2020 (the “Circular”) of which this letter forms part. Unless the context requires otherwise, capitalized terms used in this letter shall have the same meanings as given to them in the section headed “Definitions” of the Circular.

We have been appointed by the Board to consider the terms of the Tedahang Business Cooperation Framework Agreement and the Tedahang Continuing Connected Transaction (including the proposed annual caps) and to advise the Independent Shareholders as to whether, in our opinion, their terms are fair and reasonable so far as the Independent Shareholders are concerned. TC Capital International Limited has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in this respect.

We wish to draw your attention to the letter from the Board, as set out on pages 4 to 14 of the Circular and the letter from the Independent Financial Adviser, as set out on pages 17 to 35 of the Circular. Having considered the terms of the Tedahang Business Cooperation Framework Agreement and the advice of the Independent Financial Adviser, we are of the view that the Tedahang Continuing Connected Transaction is in the ordinary and usual course of business of the Group, the terms of the Tedahang Continuing Connected Transaction are on normal commercial terms and fair and reasonable insofar as the Independent Shareholders are concerned and the entering into of the Tedahang Continuing Connected Transaction is in the interests of the Company and the Shareholders as a whole and the proposed annual caps of the Tedahang Continuing Connected Transaction are fair and reasonable.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Tedahang Business Cooperation Framework Agreement and the Tedahang Continuing Connected Transaction (including the proposed annual caps).

Yours faithfully,

For and on behalf of the Independent Board Committee

**Cheng Xinsheng    Japhet Sebastian Law    Peng Zuowen    Zhou Zisheng**  
*Independent Non-executive Directors*

\* *For identification purposes only*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the full text of the letter received from the Independent Financial Adviser setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Tedahang Business Cooperation Framework Agreement and the Tedahang Continuing Connected Transaction (including the proposed annual caps), which was prepared for the purpose of inclusion in this circular.*



3 June 2020

*The Independent Board Committee and the Independent Shareholders  
Tianjin Binhai Teda Logistics (Group) Corporation Limited\**

Dear Sirs,

### **CONTINUING CONNECTED TRANSACTION – TEDAHANG BUSINESS COOPERATION FRAMEWORK AGREEMENT**

#### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Tedahang Business Cooperation Framework Agreement and the Tedahang Continuing Connected Transaction (including the proposed annual caps) for the three years ending 31 December 2022, details of which are set out in the letter from the Board (the “**Letter from the Board**”) in the circular issued by the Company to the Shareholders dated 3 June 2020 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter have the same meanings as those defined in the Circular unless the context otherwise requires.

As stated in the Letter from the Board, on 27 December 2019, the Company has entered into the Tedahang Business Cooperation Framework Agreement with Tedahang, pursuant to which Tedahang would sell various frozen meat and provide related storage, logistics and logistics supporting services to the Company, for a term of three years from 1 January 2020 to 31 December 2022.

#### **GEM LISTING RULES IMPLICATIONS**

As stated in the Letter from the Board, as at the Latest Practicable Date, Tedahang is a non-wholly owned subsidiary of the Company, and its registered capital is owned as to 60% by the Company and 40% by Chia Tai Logistics. Since Chia Tai Logistics is a wholly-owned subsidiary of Sino Biopharm, which is a substantial shareholder of the Company indirectly holding approximately 21.82% of the total issued share capital of the Company, Tedahang is a connected subsidiary of the Company and hence a connected person of the Company. Therefore, Tedahang Continuing Connected Transaction constitutes a continuing connected transaction of the Company under Chapter 20 of the GEM Listing Rules.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As the applicable percentage ratios in respect of the proposed annual caps of the Tedahang Continuing Connected Transaction are more than 5%, the Tedahang Continuing Connected Transaction (including the proposed annual caps) is subject to the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

We have been appointed by the Company to advise (i) the Independent Board Committee and the Independent Shareholders as to whether or not the Tedahang Continuing Connected Transaction is in the ordinary and usual course of business of the Group, the terms of the Tedahang Continuing Connected Transaction are on normal commercial terms and fair and reasonable insofar as the Independent Shareholders are concerned and the entering into of the Tedahang Continuing Connected Transaction is in the interests of the Company and the Shareholders as a whole and the proposed annual caps of the Tedahang Continuing Connected Transaction are fair and reasonable; and (ii) how the Independent Shareholders should vote in respect of the resolution to approve the Tedahang Continuing Connected Transaction and the proposed annual caps.

### OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationships or interests with the Company or any other parties that could reasonably be regarded as relevant to our independence.

### BASIS OF OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on all the relevant statements, information, opinions and facts supplied and representations made to us by the Directors and the representatives of the Company. We have reviewed, among other things, (i) the Tedahang Business Cooperation Framework Agreement; (ii) the business cooperation framework agreement entered into between the Company and Tedahang on 12 May 2017 for the period of 2017-2019 (the "**2017-19 Tedahang Business Cooperation Framework Agreement**"); (iii) the annual reports of the Company for the years ended 31 December 2018 and 31 December 2019 (the "**2018 Annual Report**" and "**2019 Annual Report**", respectively); (iv) the profit warning announcement of the Company dated 29 April 2020 and the first quarterly report of the Company for the three months ended 31 March 2020 (the "**Profit Warning**" and "**2020 First Quarterly Report**" respectively); (v) the Circular; and (vi) relevant market data and information available from public sources.

We have assumed that all such information, opinions, facts and representations, which have been provided to us by the Directors and/or the representatives of the Company, for which they are fully responsible, are true, accurate and complete in all respects. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Company. The Company has also confirmed to us that no material facts have been omitted from the information supplied and we have no reason to suspect that any material information has been withheld by the Company or is misleading.

We consider that we have sufficient information currently available to reach an informed view and to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided by the Directors and/or the representatives of the Company and

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Tedahang, nor have we conducted any independent investigation into the business, affairs, operations, financial position or future prospects of each of the Group, Chia Tai Logistics and Sino Biopharm and any of their respective subsidiaries and associates.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion in respect of the Tedahang Continuing Connected Transaction and the proposed annual caps, we have taken into consideration of the following principal factors and reasons:

#### 1. Background information of the parties to the Tedahang Continuing Connected Transaction

##### *I. Information on the Group*

As stated in the Letter from the Board, the principal businesses of the Group are logistics and supply chain services for finished automobiles and components, logistics and supply chain services for electronic components, materials procurement and related logistics services, cold chain logistics services and other services such as bonded warehouse, container yard, supervision, agency and transportation services.

##### *Financial highlights of the Group*

Set forth below are certain consolidated financial information of the Group for the three years ended 31 December 2017, 31 December 2018 and 31 December 2019 (“**FY2017**”, “**FY2018**” and “**FY2019**”, respectively) as extracted from the 2018 Annual Report and 2019 Annual Report and the three months ended 31 March 2019 and 31 March 2020 (“**2019 Q1**” and “**2020 Q1**”, respectively) as extracted from the 2020 First Quarterly Report:

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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	For the year ended		For the three months ended		
	31 December		31 March		
	2017	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)
	(Restated)				
<b>Revenue</b>	<b>2,397,084</b>	<b>2,613,904</b>	<b>2,716,799</b>	<b>885,931</b>	<b>572,512</b>
- Logistics and supply chain services for finished automobiles and components	997,918	996,834	1,239,104	249,284	211,974
- Materials procurement and related logistics services	1,342,838	1,553,524	1,391,780	624,198	287,965
- All other segments	56,328	63,546	85,915	12,449	72,573
<b>Gross Profit</b>	<b><u>105,056</u></b>	<b><u>133,794</u></b>	<b><u>155,170</u></b>	<b><u>37,612</u></b>	<b><u>23,568</u></b>
<b>Profit and total comprehensive income attributable to owners of the Company</b>	<b><u><u>41,532</u></u></b>	<b><u><u>4,759</u></u></b>	<b><u><u>9,070</u></u></b>	<b><u><u>5,395</u></u></b>	<b><u><u>(5,133)</u></u></b>

The Group recorded the revenue of approximately RMB2,613.9 million for FY2018, representing an increase of approximately 9.0% or RMB216.8 million as compared with that for FY2017 which was mainly attributable to the increase in revenue of materials procurement and related logistics services for FY2018 as compared with that in the preceding year. The Group recorded the revenue of approximately RMB2,716.8 million for FY2019, representing an increase of approximately 3.9% or RMB102.9 million as compared with that for FY2018. Such increase of the revenue was mainly attributable to the increase in revenue of logistics and supply chain services for finished automobiles and components driving by the growth in imported automobiles of Tianjin Fengtian Logistics Co., Ltd.\*, a non-wholly owned subsidiary of the Company (the “**Tianjin Fengtian**”) which partially offset by the decrease in revenue of the materials procurement and related logistics services.

The gross profit and the gross profit margin of the Group were approximately RMB133.8 million and approximately 5.1% for FY2018, representing the respective increase of approximately RMB28.7 million and 0.7% as compared with the corresponding period of last year. The gross profit and the gross profit margin of the Group further increased to approximately RMB155.2 million and 5.7% for FY2019, representing an increase of approximately RMB21.4 million and approximately 0.6% as compared with that for FY2018. The stable growth of the gross profit and gross profit margin were mainly attributable to a larger degree of revenue increase than the increase of cost of sales for both FY2018 and FY2019.

The profit and total comprehensive income attributable to owners of the Company amounted to approximately RMB4.8 million for FY2018, representing a substantial decrease of approximately 88.5% or RMB36.8 million as compared with that for FY2017. As stated in the

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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2018 Annual Report, such decrease in the profit attributable to owners of the Company was mainly due to (i) the impairment provision made for certain items by the Company under the requirements of IFRS 9 during the reporting period; and (ii) the increase in finance costs as compared with last year. The profit and total comprehensive income attributable to owners of the Company amounted to approximately RMB9.1 million for FY2019, representing an increase of approximately 90.6% or RMB4.3 million as compared with that for FY2018. As stated in the 2019 Annual Report, such increase was mainly attributable to (i) the increase in operating results of Tianjin Fengtian; and (ii) the decrease in provision made for bad debts of account receivables of the Company as compared to the corresponding period of last year.

The revenue of the Group for 2020 Q1 amounted to approximately RMB572.5 million, representing a decrease of approximately 35.4% or RMB313.4 million as compared with the corresponding period last year. The gross profit and the gross profit margin of the Group for 2020 Q1 amounted to approximately RMB23.6 million and approximately 4.1%, respectively, representing the respective decrease of approximately 37.3% and 0.1% as compared with the corresponding period last year. The Group has recorded a loss attributable to owners of the Company of approximately RMB5.1 million for 2020 Q1, representing a substantial decrease of approximately 195.1% or RMB10.5 million as compared with the corresponding period last year. According to the Profit Warning, the Group was affected by the outbreak of the novel coronavirus (COVID-19) pneumonia pandemic early in 2020, where the vast majority of the upstream and downstream customers suspended their production operations and the supply chain was hit hard. Since March 2020, some customers have resumed production operations but their production operations are yet to return to pre-pandemic levels. In particular, the worsened situation of the pandemic in overseas continues to affect the Group's automobile import and export business. Therefore, both results of the Group's materials procurement business and automobile logistic business decreased significantly and led to the loss in the 2020 Q1.

Set forth below is the summary of the consolidated assets and liabilities of the Group as at 31 December 2017, 31 December 2018 and 31 December 2019, as extracted from the 2018 Annual Report and the 2019 Annual Report:

	<b>As at 31 December 2017</b>	<b>As at 31 December 2018</b>	<b>As at 31 December 2019</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)	(audited)
	(Restated)		
<b>Total assets</b>	<b>2,797,583</b>	<b>2,602,461</b>	<b>2,960,188</b>
– Cash and cash equivalents	552,990	387,273	406,614
<b>Total liabilities</b>	<b>1,735,483</b>	<b>1,536,525</b>	<b>1,875,511</b>
<b>Net assets</b>	<b>1,062,100</b>	<b>1,065,936</b>	<b>1,084,677</b>



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The total assets of the Group as at 31 December 2018 decreased by approximately 7.0% or RMB195.1 million to approximately RMB2,602.5 million as compared with the total assets of the Group as at 31 December 2017 of approximately RMB2,797.6 million, mainly due to (i) the decrease in inventories of approximately RMB23.6 million; and (ii) the decrease in the cash and cash equivalents of approximately RMB165.7 million. The total assets of the Group as at 31 December 2019 then rebounded and increased by approximately 13.7% or RMB357.7 million to approximately RMB2,960.2 million. Such rebound was mainly attributable to the increase in the non-current assets of approximately RMB45.8 million and the trade and other receivables of approximately RMB337.9 million as compared with that as at 31 December 2018, which were partially offset by the decrease in the pledged bank deposits of approximately RMB44.8 million as at 31 December 2019.

The total liabilities of the Group as at 31 December 2018 amounted to approximately RMB1,536.5 million, representing a decrease of approximately 11.5% or RMB199.0 million as compared with that of approximately RMB1,735.5 million as at 31 December 2017. The decrease was mainly attributable to (i) the decrease of the long term obligations under finance lease of approximately RMB45.0 million; and (ii) the substantial decrease in trade and other payables of approximately RMB536.5 million which were partially offset by (i) the increase in contract liabilities of approximately RMB202.0 million; and (ii) the increase in short-term bank borrowings of approximately RMB184.5 million. The total liabilities of the Group as at 31 December 2019 then reversed and increased by approximately 22.1% or approximately RMB339.0 million to approximately RMB1,875.5 million, mainly due to the overall increase in both the non-current liabilities and current liabilities of approximately RMB59.7 million and RMB279.2 million, respectively.

As a result of the aforesaid, the Group recorded a net asset position as at 31 December 2018 of approximately RMB1,065.9 million, represent a slight increase of approximately 0.4% or RMB3.8 million as compared with that of approximately RMB1062.1 million as at 31 December 2017, and further increased by approximately 1.8% or RMB18.7 million to approximately RMB1,084.7 million as at 31 December 2019.

### *Business strategies of the Group*

As stated in the 2019 Annual Report, the Group will continue to promote the development of two major industrial platforms, i.e. automobiles and cold chain food. Through resources consolidation and joint-venture cooperation, and focusing on these two business platforms, the Group will extend its business to the upstream and downstream segments of the supply chain and develop new business products, while consolidating its existing businesses at the same time. The Group will also leverage on its suppliers and customers resources and funding to foster all-around development of its businesses. Regarding the materials procurement and logistics business, the Group will continue to enhance risk control, adhere to the business development strategy of tactic operation with flexible approaches, adjust product categories of bulk commodity trade business, exercise strict selection of business partners, mitigate risks, obtain new qualification for bulk commodity trading based on existing resources, expand offerings, and step up efforts in innovation and development of the physical logistics business. In addition, as stated in the 2019 Annual Report, the Group actively pushed

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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forward the transformation and upgrading the cold chain logistic business, continued to approach potential investors and strategic investors and explored long-term development strategies for the cold chain logistic business.

### *Historical transactions with Tedahang*

According to the circular issued by the Company on 6 July 2017, the historical annual caps of RMB62.5 million, RMB100.0 million and RMB100.0 million for the three years ended 31 December 2019 were derived by the expected amount in tonnes of frozen food to be purchased from Tedahang for the three years ended 31 December 2019 of 2,500, 4,000 and 4,000 tonnes, respectively, and then multiplied by the forecasted average purchase price for the period of 2017-2019 of RMB25,000 per tonne. However, as stated in the Letter from the Board, in view of the tough financing environment in Tianjin, the Company was unable to obtain further credit facilities from banks for purchasing frozen meat from Tedahang until the second half of 2019. The Company was therefore unable to satisfy the demands for frozen meat from all customers, hence the frozen meat purchase volume of the Company from Tedahang for the three years ended 31 December 2019 was relatively low. We have discussed such issue with the representative of the Company and reviewed the breakdown of the allocation of funds obtained from the short term borrowings for each of the three years ended 31 December 2019 as stated in the 2018 Annual Report and the 2019 Annual Report. We noted that the funding obtained from the short term borrowings was principally reserved for the materials procurement projects in order to complete the purchase orders from certain customers, mainly related to the procurement of metal parts and material pipes. As advised by the representative of the Company, since the Company has to strengthen the business relationship with its major customers in order to maintain the stability of revenue generated from its principal businesses, the Company was unable to arrange further financial resource to support the transaction between the Company and Tedahang for the past three years.

As stated in the Letter from the Board, there were demands for frozen meat from the customers of the Company in the year ended 31 December 2019, however, no transaction amount was recorded for the year ended 31 December 2019 since: (i) the Company was unable to obtain sufficient credit facilities from banks for purchasing frozen meat from Tedahang and it would not be in the interests of the Company to re-allocate funds for purchasing frozen meat at the expense of reducing the funds allocated for other businesses with better prospects having regard to the corporate strategy and the amount of funds of the Company at the relevant time, as a result of which the Company had ceased purchases of frozen meat from Tedahang in the first half of 2019; and (ii) although the Company had resumed purchases of frozen meat from Tedahang after the Company's re-allocation of funds and the grant of credit facilities by a bank in the second half of 2019, all such purchases were uncompleted as at 31 December 2019 and would only be recorded in the books until completion.

### **II. Information on Tedahang**

As stated in the Letter from the Board, Tedahang is a company established in the PRC and has a registered capital of RMB200,000,000, its registered capital is owned as to 60% by the Company and 40% by Chia Tai Logistics. Tedahang's scope of business is as follows:

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Cold storage and general warehousing services (except hazardous chemicals); customs inspections; domestic freight forwarding; international freight forwarding (sea, land and air); venue rental service; freight station (field) and container yard business, and logistics management services. (The services mentioned above that are regulated under the administrative permit system shall only be operated after obtaining relevant permits and within the period of permits, while those regulated by the state under special franchise systems shall be operated in compliance with applicable regulations.)

### **2. Reasons for and benefits of entering into the Tedahang Continuing Connected Transaction**

As stated in the Letter from the Board, the Tedahang Continuing Connected Transaction is part of the materials procurement and related logistics services business of the Group, which is one of the principal businesses of the Group, in response to the demands of the customers of the Group. According to the 2018 Annual Report and 2019 Annual Report, the principal activities of the reportable segments of the Group are (i) logistics and supply chain service for finished automobiles and components; and (ii) materials procurement and related logistics services. The Group recorded the revenue of approximately RMB2,613.9 million and RMB2,716.8 million for FY2018 and FY2019, respectively, of which approximately 59.4% and 51.2% of the Group's total revenue was contributed by the materials procurement and related logistics services.

As stated in the Letter from the Board, Tedahang has an imported meat consignee qualification with a customs inspection centre and a cold storage that can serve as a one-stop service platform, and is one of the few enterprises in Tianjin that possess the above strengths. It has good cooperation relationship with overseas factories and competitive advantage in terms of the facilities, information and channels for frozen food trading. Since Tedahang is a subsidiary of the Company, the Group can monitor and obtain the relevant market information more easily and hence the Tedahang Continuing Connected Transaction can help the Group further open up its food cold chain market. As further advised by the representative of the Company, the Company has commenced the purchase from Tedahang since April 2016, and it is satisfied with its stability and quality of the frozen food. Therefore, in view of (i) that Tedahang is a subsidiary of the Company; (ii) the competitiveness of Tedahang as abovementioned; and (iii) the satisfaction of the stability and quality of frozen meat from the customers of the Company, the Company intends to continue the purchase of frozen meat from Tedahang for the period of 2020-2022.

Having considered that:

- (i) Tedahang Continuing Connected Transaction is part of the materials procurement and related logistics services business of the Group, which is one of the principal businesses of the Group; and
- (ii) the entering into of the Tedahang Continuing Connected Transaction can further open up its food cold chain market which is mainly attributable to (1) the positioning of Tedahang as a one-stop service platform as abovementioned; and (2) the good cooperation relationship of Tedahang with overseas factories and competitive advantage in terms of the facilities, information and channels for frozen food trading,

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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we concur with the Directors' view that the Tedahang Continuing Connected Transaction is in the ordinary and usual course of the business of the Group and is in the interests of the Company and the Shareholders as a whole.

### 3. Principal terms of the Tedahang Business Cooperation Framework Agreement

Please refer to the paragraph headed "The Tedahang Business Cooperation Framework Agreement" in the Letter from the Board for details of the terms of the Tedahang Business Cooperation Framework Agreement.

#### *Pricing of the fees payable by the Company to Tedahang*

To assess the pricing basis of the fees payable by the Company to Tedahang, we have obtained (i) the Tedahang Business Cooperation Framework Agreement; (ii) the 2017-19 Tedahang Business Cooperation Framework Agreement; (iii) the audited reports of Tedahang for each of the three years ended 31 December 2019; (iv) the historical purchase records between the Company and Tedahang and the top 2 invoices in respect of the purchase of imported frozen meat (mainly, beef and lamb) by the Company from Tedahang in 2017 and 2018, which both covered over 70% of the Company's purchase from Tedahang in the respective year (the "**Top Two Invoices**"); (v) sample sales invoices of the frozen meat issued by the Company to its customer in 2017 and 2018; and (vi) the information in relation to the import prices of similar frozen meat in Tianjin in 2017 and 2018 from other independent third party importers, obtained from the statistics released by the Tianjin Entry-Exit Inspection and Quarantine Bureau\* (天津出入境檢驗檢疫局) (the "**Bureau**") which undertakes the inspection of import and export commodity, entry-exit animals and plants quarantine and entry-exit health quarantine at Tianjin Port.

We noted from the Tedahang Business Cooperation Framework Agreement that (i) the fees payable by the Company will be determined based on arm's length negotiations between the Company and Tedahang; (ii) the transactions between the Company and Tedahang will be conducted on normal commercial terms and on terms no less favourable to the Company than terms available from independent third parties; and (iii) the Company will not be obliged to purchase any products or services from Tedahang if the Company does not agree with the price or payment terms actually offered by Tedahang when order is placed.

Regarding the fees payable by the Company to Tedahang, we have reviewed the Top Two Invoices and noted that the price charged by Tedahang to the Company was mainly determined based on (i) the import price of the frozen meats and relevant tariff and value added tax charged by the overseas suppliers to Tedahang (the "**Tedahang Procurement Costs**"), and (ii) the gross profit Tedahang earned from the sales of frozen meat to the Company. According to the Tedahang's audited reports for each of the three years ended 31 December 2019, the average gross profit margin of Tedahang's frozen food trading business for the period of 2017-2018 was approximately 1.0% which was higher than the average gross profit charged by Tedahang to the Company as shown in the Top Two Invoices. The average gross profit margin of Tedahang's frozen food trading business for the period of 2017-2019 was approximately 1.9%, therefore, the Company considers that the gross profit

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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margin charged by Tedahang to the Company for the period of 2020-2022 would not be higher than 2% of the Tedahang Procurement Costs by taking reference from the average gross profit margin of Tedahang's frozen food trading business for the period of 2017-2019.

In addition, as stated in the Letter from the Board, no fees were paid by the Company in respect of the logistics services related to the trade of frozen meat during the three years ended 31 December 2019. The Company's customers preferred handling the logistics on their own, so the Company has not received any request to provide the ancillary logistics services. Accordingly, the fees in connection with the logistics and logistics supporting services were settled by the customers or consignees when they took delivery of the frozen meat in person in the warehouse of Tedahang. As advised by the representative of the Company, the related logistics fees, which include cost, insurance and freight, tariff, value added tax, custom clearance fees and other services charges. (the "**Logistics Fees**") would generally not be charged by Tedahang to the Company since it would be based on the actual discussion between the Company and its customers on a case-by-case basis. Meanwhile, we have also examined the sample invoices issued by the Company to its customers and noted that the fees charged by the Company was also simply the after-tax selling price, no fees were charged in connection with Logistics Fees. As further advised by the representative of the Company, we noted that the Company is open for providing the logistics support to the customers but the customers usually prefer to handle the logistics on their own. In such cases, if any, no Logistics Fees will be charged by the Company to the customers and the Company would also request Tedahang not to charge the Company such Logistics Fees. The Logistics Fees will then be settled when the customer or consignee takes delivery of the frozen meat in person in the warehouse of Tedahang.

In light of the historical practices as abovementioned, the fees payable by the Company to Tedahang for the purchase of frozen meats will be determined based on arm's length negotiations between the Company and Tedahang and taken into account the factors including (i) the Tedahang Procurement Costs; (ii) the gross profit margin being not more than 2% of the Tedahang Procurement Costs; and (iii) the Logistics Fees, if any. As such, we are of the view that the Company's consideration of abovementioned factors for the determination of the basis of consideration are fair and reasonable.

In order to assess the fairness and reasonableness of the purchase price of the frozen meat offered by Tedahang to the Company, we have selected all items or items in the 10 largest amount of both frozen beef and lamb (if more than 10 products in the invoice) from the Top Two Invoices in 2017 and 2018 for the purpose of price comparison (the "**Selected Items**"). Base on each of the Selected Items, we have chosen two independent third party importers from the Bureau's statistics who also imported similar frozen meat products to the Tianjin market (the "**Comparable Importers**") and we are of the view that the selection criteria of the Comparable Importers based on the categories of frozen meat products (i.e. the parts of beef or lamb) is fair and reasonable. We then compared the import price and selling price of each of the Selected Items with the import price of similar frozen meats from the corresponding Comparable Importers and noted that both the import prices and the selling prices of each of the Selected Items were not higher than the import prices of similar frozen meat from the corresponding Comparable Importers.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We have further discussed with the representative of the Company, and were given to understand that Tedahang was the major supplier of the Company for the supply of imported frozen meat in 2017 and 2018, mainly due to Tedahang being a subsidiary of the Company and the overall strength of Tedahang as mentioned in the paragraph headed “Reasons for and benefits of entering into the Tedahang Continuing Connected Transaction” above which was not easily found by other independent third party suppliers in Tianjin. To ensure that the price offered by Tedahang is no less favourable to the Company than that obtained from the market, the operating department of the Company has compared the price quoted from Tedahang with the market data released by the Bureau to understand the import prices of frozen meat from other importers in Tianjin market. Since the Bureau would record the information of the imported frozen meat, including but not limited to, the country of origin, quantity, importer and imported price, when the frozen meat were arrived at the Tianjin port and prepared for the customs declaration and customs clearance, the Company received such statistics quarterly and would have a comprehensive understanding to the pricing of different types of frozen meat in an efficient manner. As further advised by the representative of the Company, in case the price quote from Tedahang is less favourable than that obtained from the market, the Company would then look for other independent third party suppliers in the market to ensure the fairness and reasonableness of the purchase price of the frozen meat to the Company.

Given that (i) the Selected Items follow the pricing basis of the 2017-19 Tedahang Business Cooperation Framework Agreement; (ii) the pricing basis of Tedahang Continuing Connected Transaction follows the Tedahang Business Cooperation Framework Agreement; and (iii) various internal control measures will be put in place within the Group to ensure that the Tedahang Continuing Connected Transaction will comply with the terms under the Tedahang Business Cooperation Framework Agreement (as further discussed in the section headed “Internal Control Measures” below), we are of the view that the terms of the Tedahang Business Cooperation Framework Agreement are on normal commercial terms, fair and reasonable insofar as the Independent Shareholders are concerned and in the interests of the Company and its Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 4. Proposed annual caps and basis of determination

Set out below are (i) the historical transaction amount of the fees paid by the Company in respect of the trade of frozen meat to Tedahang for the three years ended 31 December 2019 and the period between 1 January 2020 and the Latest Practicable Date; and (ii) the proposed annual caps of the Tedahang Continuing Connected Transaction for the three years ending 31 December 2022.

	Approximate historical transaction amounts			for the period between 1 January and the Latest Practicable Date			Proposed annual caps for the year ending 31 December		
	for the year ended 31 December 2017	2018	2019	2020	2020	2021	2022		
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>		
Tedahang Business Cooperation Framework Agreement	22,140	30,720	0	0	95,000	176,000	176,000		

As stated in the Letter from the Board, as the period during which the Tedahang Continuing Connected Transactions may take place in 2020 is shortened and taking into account the potential impact of the outbreak of COVID-19 pandemic, the proposed annual cap in respect of such transactions for the year ending 31 December 2020 has been reduced from RMB160 million (as stated in the announcement of the Company dated 27 December 2019) to RMB95 million while the proposed annual caps for the two years ending 31 December 2022 would remain unchanged as RMB176 million and RMB176 million, respectively.

As stated in the Letter from the Board, the Company will ensure that the Tedahang Continuing Connected Transaction (if any) will be conducted within the de minimis threshold according to Rule 20.74(1) of the GEM Listing Rules prior to the Company obtaining the approval from the Independent Shareholders at the EGM.

In order to assess the fairness and reasonableness of the revised proposed annual caps, we have discussed with the representative of the Company on the bases and assumptions underlying the determination of the revised proposed annual caps and noted that the revised proposed annual caps for the Tedahang Continuing Connected Transaction are mainly determined with reference to:

- (i) the forecasted purchase volume of frozen meat from Tedahang for the three years ending 31 December 2022 (the “**Forecasted Volume**”);
- (ii) the forecasted average purchase price of frozen meat from Tedahang for the three years ending 31 December 2022 (the “**Forecasted APP**”); and

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (iii) a buffer of 10% principally based on the multiplier of the Forecasted Volume and the Forecasted APP (the “**10% Buffer**”) to cater for the unforeseeable changes in market conditions for the three years ending 31 December 2022, including any unexpected increase in consumer demands and/or unexpected increase in the cost of supply.

Set out below is the summary of principal assumptions, among others, the Forecasted Volume, the Forecasted APP and the 10% Buffer applied on each of the three years ending 31 December 2022 for the determination of the proposed annual caps:

	for the year ending 31 December		
	2020	2021	2022
Forecasted Volume (Approximate value)	2,020 tonne	3,600 tonnes	3,600 tonnes
Forecasted APP (Approximate value)	RMB42,590/tonne	RMB42,590/tonne	RMB42,590/tonne
10% Buffer (Approximate value)	RMB8.6 million	RMB15.3 million	RMB15.3 million

### *I. Forecasted purchase volume from Tedahang for the period of 2020-2022*

As advised by the representative of the Company, the Forecasted Volume is mainly determined with reference to (i) the uncompleted purchase orders issued by the Company’s customer in the fourth quarter of 2019 (the “**Uncompleted Purchase Orders**”); (ii) the indication of potential purchase from a major customer of the Company; (iii) the consideration of the potential effect of COVID-19 to the operation of the Group (including Tedahang) in 2020; and (iv) the availability of financing by the Company to meet the Forecasted Volume. As such, we have obtained and reviewed (i) the purchase orders issued by a major customer (contributed over 80% of the revenue in the procurement business of frozen meat in 2017 and 2018) to the Company in the fourth quarter of 2019; (ii) the letter of intent issued by the major customer to the Company for the period of 2020-2022 (the “**Letter of Intent**”); (iii) the breakdown of estimated purchase from Tedahang prepared by the Company; and (iv) the 12-month revolving credit facilities of RMB300 million granted by a bank with the controlling shareholder of the Company as guarantor in the second half of 2019 (the “**Credit Facilities**”) and the proposed plan for the usage of the Credit Facilities.

As stated in the Letter from the Board, although the Company had resumed purchases of frozen meat from Tedahang after the Company’s re-allocation of funds and the grant of credit facilities from banks in the second half of 2019, all such purchases were uncompleted as at 31 December 2019 and would only be recorded in the books until completion. We have reviewed the Uncompleted Purchase Orders and noted that the uncompleted volume of frozen meat is approximately 400 tonnes. We have discussed with the representative of the Company and noted that the Uncompleted Purchase Orders are targeted to be completed at the end of July 2020, assuming that all conditions precedent of the Tedahang Business Cooperation Framework Agreement are satisfied (the “**Approval**”).



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We have reviewed the Letter of Intent for the estimated volume of purchase issued by the customer to the Company in December 2019 and noted that the estimated purchase from the Company for the period of 2020-2022 is approximately 3,600 tonnes per year. However, because of the outbreak of the COVID-19 early this year, we have discussed with the representative of the Company and were given to understand that the Company and Tedahang remain to have limited operation and implemented the social distancing measures in January 2020 for the prevention of the spread of COVID-19. The Company has then gradually resumed normal operations after receiving the notice of business resumption from the TEDA Headquarter of COVID-19 Epidemic Prevention and Control\* (天津經開區新冠肺炎疫情防控指揮部) since 22 February 2020 and Tedahang also has fully resumed its operations in March 2020. As further advised by the representative of the Company, the Company has still put in place various precautionary measures to address the risks from COVID-19 and ensure the health of employees and the safety of workplace. As such, the Directors believe that the recent outbreak of the COVID-19 in the PRC would have only strain the business between the Company and Tedahang in 2020 and not have a prolonged impact on the operations of the Group in 2021 and 2022. To further ensure the demand for 2020 from the Company's major customer after the outbreak of COVID-19, the Company has reconfirmed with its major customer at the end of April 2020 and noted that the purchase quantity of frozen meat in 2020 would not be lower than approximately 1,620 tonnes. By considering (i) the expected number of months remaining in 2020 after the Approval and the completion of Uncompleted Purchase Orders; (ii) the potential impact from the COVID-19 to the sales order of the frozen meat in 2020, the Company considered that the maximum sales orders can be completed in the second half of 2020 would also be approximately 1,620 tonnes, which is approximately 45% of the annual purchase stated in the Letter of Intent; and (iii) the assumption of COVID-19 not having a prolonged impact on the operations of the Group in 2021 and 2022, the Company adopts approximately 2,020 tonnes (including the quantity of the Uncompleted Purchase Orders) as the forecasted purchase volume for 2020 and approximately 3,600 tonnes for both the years of 2021 and 2022.

In order to provide adequate financial support to meet the Forecast Volume and purchase from Tedahang, the Company has obtained the Credit Facilities in the second half of 2019. As advised by the representative of the Company, the finance department of the Company has planned to assign approximately RMB40 million of revolving credit from the Credit Facility for the Tedahang Continuing Connected Transaction. Since the purchase and sales cycle between Tedahang, the Company and its customer normally would not be longer than three months, the Company considered that such level of revolving credit would be enough to support the cash flow requirement of the transactions between the Company and Tedahang in 2020. In addition, the representative of the Company also indicated that the finance department intends to renew the Credit Facility when it expires at the end of August 2020 and adopts the same practice in 2021 in order to ensure adequate financial support for the Tedahang Continuing Connected Transaction in 2021 and 2022.

In light of the reasons as abovementioned, including (i) the Uncompleted Purchase Orders in 2019; (ii) the intended purchase from its major customer from 2020 to 2022; (iii) the potential effect of COVID-19 to the operation of the Group (including Tedahang) and the expected number of months remaining in 2020 after the Approval and the completion of Uncompleted Purchase Orders; and (iv) the Credit Facilities for the support of purchase of frozen meat from Tedahang from 2020 to 2022, we are of the view that such assumptions used in the projection of the Forecasted Volume are fair and reasonable.

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### *II. Forecasted average purchase price for the period of 2020-2022*

The Company estimated the Forecasted APP by principally taking the average value of (i) the average import price calculated from the import price list from the Tedahang's statistics in relation to the import price of frozen meat (mainly, beef and lamb) in Tianjin market in February and March 2020 (the "**Average Import Price**"); and (ii) the average selling price calculated from the selling prices of similar frozen meat (as compared with the Tedahang's statistics) obtained from Roujiaosuo\* (肉交所, www.roujiaosuo.com), one of the e-commerce platforms focusing on small scale wholesale business of meat products in the PRC since October 2016. (the "**Average Selling Price**").

In order to estimate the import cost of the frozen meat from Tedahang, the Company reviewed the market information in relation to the import prices of frozen meat (mainly, beef and lamb) from other importers in Tianjin market. As advised by the representative of the Company, since Tedahang is one of the few enterprises designated by the Bureau to involve in the on-site inspection and quarantine of frozen products at its warehouse in Tianjin as well as providing agency service to its customers for the application of freight forwarding and customs declaration and inspection, Tedahang would be able to review the import prices of frozen meat from importers in Tianjin and provide the Company with the market information in relation to the import prices of frozen meat in Tianjin. On the other hand, to estimate the selling price of the frozen meat that will be offered by Tedahang to the Company, the Company reviewed the market information obtained in Roujiaosuo in relation to the selling price of similar frozen meat (compared with the Tedahang's statistics). As advised by the representative of the Company, there are only a few public platforms in the PRC market that can provide updated prices for a variety of imported frozen meat and Roujiaosuo is one of the common online platforms in the market to provide such information publicly. Thus, the Company would be able to review the market prices of a variety of frozen meat from time to time. As such, the Company considered that it is reasonable to review the import price and selling price of frozen meat in the Tianjin market as abovementioned and then derive the Forecasted APP for the period of 2020-2022.

We have obtained and reviewed the calculation of Forecasted APP from the Company and noted that the Average Import Price is approximately RMB40,600 per tonne and the Average Selling Price is approximately RMB44,570 per tonne which in turn the Forecasted APP is approximately RMB42,590 per tonne. As further advised by the representative of the Company, since the merchants in Roujiaosuo are generally focusing on small scale wholesale business of meat products and the trading quantities are generally smaller than 50 tonnes per order, which is far below the proposed purchase volume the Company to be requested from Tedahang, it is reasonable to believe that the Forecasted APP should be relatively lower than the Average Selling Price due to the reason of bulk purchase and the Company considers to take the average of Average Import Price and Average Selling Price to derive the Forecasted APP for the period of 2020-2022. Given the above, the calculation of Forecasted APP is taken into account the market import cost and selling price of the frozen meat, we are of the view that such assumptions used in the projection of the Forecasted APP are fair and reasonable.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *III. 10% Buffer for contingencies*

With reference to the calculation prepared by the Company, we noted that the 10% Buffer for each of the three years ending 31 December 2022 are the multiplier of the Forecasted Volume and the Forecasted APP for the corresponding years. Regarding the decision of 10% as the buffer level, as advised by the representative of the Company, the Company has taken reference to the movement of consumer price index (the “CPI”) for the year of 2019 and the first quarter of 2020 in relation to beef and mutton released by the National Bureau of Statistics of China. We noted that the year-on-year increase of the average CPI for beef and mutton for the 12 months ended 31 December 2019 were approximately 12.1% and 11.9%, respectively, and the period-on-period increase of the average CPI for beef and mutton for the three months ended 31 March 2020 were approximately 21.0% and 11.2%, respectively. For conservative purpose, the Company considers to adopt 10% as the buffer level for the determination of the proposed annual caps for the three years ending 31 December 2022. Having considered that (i) the additional buffer is used to cater the unforeseeable circumstance such as the unpredictable increase in the price level of frozen meat; and (ii) the buffer level is reference to the recent movement of CPI in relation to beef and mutton in China, we are of the view that the 10% Buffer is acceptable.

Therefore, the proposed annual caps of RMB95 million, RMB176 million and RMB176 million for each of the three years ending 31 December 2022 are mainly derived from the Forecasted Volume, and then multiplied by the Forecasted APP and the 10% Buffer for the consideration of unforeseeable changes in market conditions as abovementioned.

Having considered the above, in particular,

- (i) the Forecasted Volume is mainly determined with reference to (1) the Uncompleted Purchase Orders in 2019; (2) the intended purchase from its major customer from 2020 to 2022; (3) the expected number of months remaining in 2020 after the Approval and the completion of Uncompleted Purchase Orders; and (4) the Credit Facilities for the support of purchase of frozen meat from Tedahang from 2020 to 2022;
- (ii) the calculation of Forecasted APP is taken into account of the assessment of the market import cost and selling price of the frozen meat for the purpose of deducing a reasonable selling price to be offered by Tedahang to the Company; and
- (iii) the consideration of 10% Buffer is to cater the unforeseeable changes in market conditions, including any unexpected increase in consumer demands and/or unexpected increase in the cost of supply for the period of 2020-2022 and is determined with reference to the movement of CPI of beef and mutton for 2019 and the first quarter of 2020 in the PRC,

the Company considers that above assumptions made to determine the proposed annual cap of Tedahang Continuing Connected Transaction for the period of 2020-2022 are fair and reasonable and we are of the view that the proposed annual caps of Tedahang Continuing Connected Transaction for the three years ending 31 December 2022 are determined based on reasonable estimation after due

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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and careful consideration and are fair and reasonable so far as the Company and the Independent Shareholders are concerned and the proposed annual caps for the three years ending 31 December 2022 are justifiable.

Shareholders should note that the proposed annual caps of Tedahang Continuing Connected Transaction are relating to future events and were estimated based on the assumptions as discussed above which may or may not remain valid for the entire period up to 31 December 2022, and they do not represent the forecasts of the Company's procurement from Tedahang, we express no opinion as to how closely the Company's procurement from Tedahang will correspond with the proposed annual caps of Tedahang Continuing Connected Transaction.

### 5. Internal Control Measures

As stated in the Letter from Board, the Company has implemented the following general internal control measures to ensure that the Tedahang Continuing Connected Transaction will be conducted in accordance with the terms of the respective framework agreements, on normal commercial terms and on terms no less favourable to the Group than terms available to the Group from independent third parties in respect of the Tedahang Continuing Connected Transaction;

- (i) The terms of each procurement agreement under the Tedahang Business Cooperation Framework Agreement are subject to review and approval by an approval team formed by various departments of the Company, including the finance department, risk department and general department of the Company;
- (ii) The finance department of the Company will request Tedahang for a list of sales conducted by Tedahang on a monthly basis, which includes the types of products sold, the price and terms offered by Tedahang to the Group and independent customers of Tedahang, so as to ensure that the terms offered by Tedahang to the Group are no less favourable than those offered by it to independent third parties; and
- (iii) The responsible personnel for conducting market research in relation to the Tedahang Continuing Connected Transaction is the sales representative of the operations department of the Company, who gathers market price information on a quarterly basis by checking the sale price of the kinds of frozen meat purchased by the Company on the website of Roujiaosuo in the PRC, reviews the products to be purchased, monitors the sales of the products and makes comparisons of the gross profit margin of the food product procurement business of the Company with the average gross profit margin benchmarks across different businesses of the Company and in the industry through reviewing the auditor's reports of listed companies in Hong Kong and the PRC which are engaged in commodity trading or import and distribution of meat products in the PRC on an annual basis

For our due diligence purpose, we have obtained and reviewed the documents provided by the Company, including, among others, (i) the management system for connected transactions\* (關連交易管理制度) (the "System") which stipulated the internal control procedures to be complied with for conducting connected transactions; (ii) four sets of the approval form in relation to the contract signing and settlement of invoice between the Company and Tedahang which covered over 70% of the purchase of frozen meat in

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2017 and 2018; (iii) the historical sales documents of frozen meat from Tedahang for the three years ended 31 December 2019; and (iv) the market research that the Company prepared with reference to the audited reports of listed companies in Hong Kong and PRC who engaged in commodity trading or import and distribution of meat products in PRC (the “**Market Research**”) for the assessment of gross profit margin in its business development and materials procurement.

We noted that the System indicates that the Company should ensure the terms and pricing of the connected transactions that should be (i) on normal commercial terms or better; (ii) no less favourable than terms available to or from independent third parties; and (iii) fair and reasonable and in the interests of the Shareholders as a whole. In addition, after our review of the samples of approval form and discussion with the representative of the Company, we noted that the representative of the business department is required to submit an approval form with relevant documents through the Company’s office automation (OA) system to the approval team formed by various departments of the Company, including the finance department, risk department and general department of the Company, for the review and approval of contract signing and or settlement of invoice. As stated in the 2019 Annual Report, the Group continued to enhance system construction and adopted the OA system to establish and consolidate the logic relationship of the internal authorization system, so as to control and mitigate the risks.

As further advised by the representative of the Company, regarding the submission for the approval of purchase contract signing or settlement of payment in relation to the Tedahang Continuing Connected Transaction, we noted that (i) the sales representative from operation department of the Company is responsible for the price negotiation with Tedahang with reference to the terms of Tedahang Business Cooperation Framework Agreement, the historical sales records of frozen meat between Tedahang and the Company as well as the Market Research for the purpose of business development and price negotiation; (ii) the finance department of the Company is responsible for (1) checking the pricing terms under the procurement agreement in relation to the Tedahang Continuing Connected Transaction are complied with the terms under the Tedahang Business Cooperation Framework Agreement; and (2) monitoring the actual aggregate transaction amount between the Company and Tedahang to ensure not to exceed the permitted annual caps as stated in the Tedahang Business Cooperation Framework Agreement. Should the actual transaction amounts almost reach the permitted annual caps, the finance department should inform all relevant departments and, if necessary, report to the Board for its consideration of revising the annual caps in order to comply with the relevant provisions of the GEM Listing Rules and the Group’s internal policies; and (iii) the legal and risk control department of the Company is responsible for (1) identifying any connected persons when a new customer or supplier is engaged and updating the connected persons list accordingly; and (2) verifying the terms stipulated on each procurement agreement under the Tedahang Business Cooperation Framework Agreement which should be on normal commercial terms and on terms no less favourable to the Company than terms available from independent third parties.

As stated in the 2019 Annual Report, we noted that (i) the independent non-executive Directors have reviewed the continuing connected transactions between the Company and Tedahang and confirmed that they have been entered into: (1) in the ordinary and usual course of business of the Group; (2) on normal commercial terms or on terms no less favourable to the Company than those available from the independent third parties; and (3) in accordance with the relevant agreements with terms which are fair and reasonable and in the interests of the shareholders as a whole; and (ii) the auditor has also issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions in accordance with Rule 20.54 of the GEM Listing Rules.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Having considered the internal control measures as stated above, we consider that there are appropriate measures in place to govern the Tedahang Continuing Connected Transaction which will be conducted on normal commercial terms, fair and reasonable and in the interest of the Company and the Shareholders as a whole.

### RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that the Tedahang Continuing Connected Transaction is in the ordinary and usual course of business of the Group, the terms of the Tedahang Continuing Connected Transaction are on normal commercial terms and fair and reasonable insofar as the Independent Shareholders are concerned and the entering into of the Tedahang Continuing Connected Transaction is in the interests of the Company and the Shareholders as a whole and the proposed annual caps of Tedahang Continuing Connected Transaction are fair and reasonable. Accordingly, we would recommend (i) the Independent Board Committee to advise the Independent Shareholders; and (ii) the Independent Shareholders, to vote in favour of the resolution in this regard.

Yours faithfully,  
For and on behalf of  
**TC Capital International Limited**  
**Edward Wu**  
*Chairman*

*Notes:*

1. Mr. Edward Wu has been a responsible officer of Type 6 (advising on corporate finance) regulated activities under the SFO since 2005. He has participated in and completed various advisory transactions in respect of connected transactions of listed companies in Hong Kong.
2. The English translation of the Chinese name(s) in this letter, where indicated with \* is included for information purposes only and should not be regarded as the official English name(s) of such Chinese name(s). In the event of any inconsistency, the Chinese name prevails.

## 1. RESPONSIBILITY STATEMENT

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

## 2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, none of the Directors, supervisors or chief executives of the Company had interests or short positions in the Shares, underlying Shares and/or debentures (as the case may be) 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 any such Director, supervisor or chief executive of the Company is taken or deemed to have under such provisions of the SFO) or which were required to be entered into the register required to be kept by the Company under section 352 of the SFO or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

As at the Latest Practicable Date, so far as was known to the Directors, the following Directors and supervisors of the Company 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 SFO:

<b>Name of Director/ supervisor</b>	<b>Name of company</b>	<b>Position</b>
Yang Weihong	Teda Holding	Director
Peng Bo	Teda Holding	Manager in the asset management department
Zheng Yuying	Teda Holding	Deputy manager in the investment management department
Li Jian	Chia Tai Pharmaceutical Investment (Beijing) Co., Ltd.	General manager of New Business Cluster
Japhet Sebastian Law	Tianjin Port Development Holdings Limited	Independent non-executive director
Han Wanjin	Tianjin Port Development Holdings Limited	Chief representative at the Tianjin Representative Office

### 3. INTERESTS IN ASSETS AND CONTRACTS

As at the Latest Practicable Date, none of the Directors and supervisors of the Company has any direct or indirect interests in any assets which had been acquired or disposed of by or leased to any member of the Group or which were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2019, the date to which the latest published audited consolidated financial statements of the Company were made up.

None of the Directors and supervisors of the Company was materially interested in any contract or arrangement entered into by any member of the Group that was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

### 4. SERVICE CONTRACTS

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

### 5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, save as disclosed in the 2020 first quarterly report of the Company in respect of the impact of the outbreak of novel coronavirus (COVID-19) pandemic on the operations of the Group, the Directors confirm that there was no other material adverse change in the financial or trading position of the Company since 31 December 2019, being the date to which the latest published audited financial statements of the Company were made up.

### 6. COMPETING BUSINESS

As at the Latest Practicable Date, none of the controlling shareholder, Directors nor his/her close associates (as defined in the GEM Listing Rules) was interested in any business, apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with that of the Group.

### 7. EXPERT AND CONSENT

- (a) The following sets out the qualifications of the expert which has given its opinion, letter or advice contained in this circular:

<b>Name</b>	<b>Qualifications</b>
TC Capital International Limited	a licensed corporation to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO



- (b) As at the Latest Practicable Date, the Independent Financial Adviser did not have any shareholding, direct or indirect, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- (c) As at the Latest Practicable Date, the Independent Financial Adviser did not have any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2019, the date to which the latest published audited financial statements of the Company were made up.
- (d) 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 and references to its name in the form and context in which they are included.
- (e) The letter, recommendation and opinion given by the Independent Financial Adviser is given as of the date of this circular for incorporation herein.

## **8. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the principal place of business of the Company in Hong Kong at Unit B, 1st Floor, Neich Tower, 128 Gloucester Road, Wanchai, Hong Kong during normal business hours from 9:30 a.m. to 1:00 p.m. and from 2:00 p.m. to 6:00 p.m. (other than Saturdays, Sundays and public holidays) from the date of this circular up to and including the date of the EGM:

- (a) the Tedahang Business Cooperation Framework Agreement;
- (b) the letter from the Independent Board Committee as set out in this circular;
- (c) the letter from the Independent Financial Adviser as set out in this circular;
- (d) the written consent of the Independent Financial Adviser as referred to in the section headed “7. Expert and consent” in this appendix; and
- (e) this circular.

## **9. GENERAL**

The English text of this circular shall prevail over the Chinese text in the case of inconsistency.

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## NOTICE OF EGM

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*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this notice, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this notice.*



天津濱海泰達物流集團股份有限公司

**Tianjin Binhai Teda Logistics (Group) Corporation Limited\***

*(a joint stock limited company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 8348)**

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “**EGM**”) of Tianjin Binhai Teda Logistics (Group) Corporation Limited\* (the “**Company**”) will be held on Friday, 19 June 2020 at 10:30 a.m. at No. 39, Bohai Road, Tianjin Economic and Technological Development Zone, Tianjin, the People's Republic of China (the “**PRC**”) for the purpose of considering, and if thought fit, passing the following resolution:

#### ORDINARY RESOLUTION

“**THAT**

- (a) the framework agreement on business cooperation entered into between the Company and Tedahang Cold Chain Logistics Co., Ltd.\* (泰達行(天津)冷鏈物流有限公司) on 27 December 2019 (the “**Tedahang Business Cooperation Framework Agreement**”, a copy of which marked “A” has been tabled before the meeting and initialed by the chairman of the meeting for the purpose of identification) and the proposed annual caps for the continuing connected transactions contemplated under the Tedahang Business Cooperation Framework Agreement for the period from 1 January 2020 to 31 December 2022 and all other transactions contemplated thereunder and in connection therewith and any other ancillary documents be and are hereby approved, confirmed and ratified; and
- (b) any one director of the Company (the “**Director**”) be and is hereby authorised for and on behalf of the Company to do all such acts and things, and execute, sign all such other documents and take all such steps as he/she may in his/her discretion consider necessary, desirable, expedient or appropriate for the implementation of the Tedahang Business Cooperation Framework Agreement and the proposed annual caps for the continuing connected transactions contemplated thereunder and any transactions contemplated

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## NOTICE OF EGM

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thereunder, including consent to or make modifications, amendments or waivers thereunder, and all such acts and things any one Director has done are hereby approved, confirmed and ratified.”

By Order of the Board  
天津濱海泰達物流集團股份有限公司  
Tianjin Binhai Teda Logistics (Group) Corporation Limited\*  
Yang Weihong  
Chairman

Tianjin, the PRC  
3 June 2020

*Notes:*

1. A member of the Company (“**Member**”) entitled to attend and vote at the EGM is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy need not be a Member. A form of proxy for use at the EGM is enclosed herewith. In the case of joint holders of any domestic share(s) (“**Domestic Share(s)**”) or H share(s) (“**H Share(s)**”) of the Company (collectively, “**Share(s)**”), only the person whose name appears first in the register of Members shall be entitled to receive this notice, to attend and exercise all the voting powers attached to such Share at the EGM, and this notice shall be deemed to be given to all joint holders of such Share.
2. To be valid, the form of proxy together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority must be deposited with the Company’s H Share registrar, Computershare Hong Kong Investor Services Limited, at 17M, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, and in case of holders of Domestic Shares, to the Company’s mailing address at No. 39, Bohai Road, Tianjin Economic and Technological Development Zone, Tianjin, the PRC, not later than 24 hours before the time appointed for holding the EGM or any adjournment thereof or the time appointed for passing the resolution. Delivery of the form of proxy shall not preclude a Member from attending and voting in person at the EGM and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
3. The register of Members in Hong Kong will be closed from 15 June 2020 to 19 June 2020, both days inclusive, during which period no transfer of H Shares will be effected. For the identification of Members eligible to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s H Share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 12 June 2020.
4. Whether or not holders of H Shares intend to attend the EGM, they are requested to complete the enclosed proxy form for the EGM and return it, by hand or by post, to the Company’s H Share registrar, Computershare Hong Kong Investor Services Limited, at 17M, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong at or before 10:30 a.m. on 18 June 2020.
5. Whether or not holders of Domestic Shares intend to attend the EGM, they are requested to complete the enclosed proxy form for the EGM and return it, by hand or by post, to the Company’s mailing address at No. 39, Bohai Road, Tianjin Economic and Technological Development Zone, Tianjin, the PRC at or before 10:30 a.m. on 18 June 2020.

*As at the date of this notice, the Board comprises of Mr. Yang Weihong as executive Director; Mr. Li Jian, Ms. Peng Bo, Mr. Yang Xiaoping and Mr. Zheng Yuying as non-executive Directors; and Mr. Cheng Xinsheng, Mr. Japhet Sebastian Law, Mr. Peng Zuowen and Mr. Zhou Zisheng as independent non-executive Directors.*

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## NOTICE OF EGM

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*This notice, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited 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 notice 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 notice misleading.*

*This notice will remain on the “Latest Company Announcements” page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for 7 days from the date of its posting. This notice will also be posted on the Company’s website at [www.tbt.cn](http://www.tbt.cn).*

\* For identification purposes only