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天津发展控股有限公司
TIANJIN DEVELOPMENT HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 882)

MAJOR AND CONNECTED TRANSACTION

DISPOSAL OF 78.45% EQUITY INTEREST IN TIANJIN TIANDUAN PRESS CO., LTD.

THE EQUITY TRANSFER AGREEMENT

Reference is made to the announcement of the Company dated 11 June 2020 in relation to the potential disposal of the entire 78.45% equity interest in Tianjin Tianduan held by Tianjin Tai Kang, a non-wholly owned subsidiary of the Company, through public listing-for-sale process on the TPREC.

On 26 August 2021, Tianjin Tai Kang entered into the Equity Transfer Agreement with Tianjin Jinzhi in relation to the disposal of 78.45% equity interest in Tianjin Tianduan at a total consideration of RMB510,019,699.60 (equivalent to approximately HK\$611,534,412).

Upon Completion, the Company will not hold any equity interest in Tianjin Tianduan and Tianjin Tianduan will cease to be a subsidiary of the Company.

LISTING RULES IMPLICATIONS

Tianjin Benefo is a substantial shareholder of Tianjin Tai Kang which holds approximately 17.26% equity interest in Tianjin Tai Kang as at the date of this announcement. As Tianjin Benefo is a direct wholly-owned subsidiary of Tianjin Jinzhi, Tianjin Jinzhi is therefore an associate of Tianjin Benefo and a connected person of the Company at the subsidiary level. Accordingly, the Disposal constitutes a connected transaction of the Company.

Given that (i) Tianjin Jinzhi is a connected person of the Company at the subsidiary level; (ii) the Board has approved the Equity Transfer Agreement and the Disposal; and (iii) all the independent non-executive Directors have confirmed that the terms of the Equity Transfer Agreement are fair and reasonable, and that the Disposal is on normal commercial terms and in the interests of the Company and the Shareholders as a whole, the Disposal is only subject to the reporting and announcement requirements, and is exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

Nonetheless, as one or more of the applicable percentage ratios calculated in accordance with Rule 14.07 of the Listing Rules in respect of the Disposal is more than 25% but all of them are less than 75%, the Disposal constitutes a major transaction of the Company and is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

So far as the Company is aware, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for approval of the Equity Transfer Agreement and the Disposal. Tsinlien, being the controlling Shareholder directly and indirectly holding 673,759,143 shares of the Company (representing approximately 62.81% of the total number of issued shares of the Company as at the date of this announcement), has given its written approval for the Equity Transfer Agreement and the Disposal. Accordingly, such written approval is accepted in lieu of holding a general meeting pursuant to Rule 14.44 of the Listing Rules.

A circular containing, among other things, (i) further details in relation to the Equity Transfer Agreement and the Disposal; and (ii) other information as required under the Listing Rules is expected to be despatched to the Shareholders on or before 24 September 2021 as additional time is required to finalise certain information to be included in the circular.

Reference is made to the announcement of the Company dated 11 June 2020 in relation to the potential disposal of the entire 78.45% equity interest in Tianjin Tianduan held by Tianjin Tai Kang, a non-wholly owned subsidiary of the Company, through public listing-for-sale process on the TPREC.

The bidding period of the public listing-for-sale process ended on 7 June 2021 and Tianjin Jinzhi has been confirmed as the qualified bidder by the TPREC.

THE EQUITY TRANSFER AGREEMENT

On 26 August 2021, Tianjin Tai Kang entered into the Equity Transfer Agreement with Tianjin Jinzhi, pursuant to which Tianjin Tai Kang agreed to sell and Tianjin Jinzhi agreed to acquire 78.45% equity interest in Tianjin Tianduan, subject to the terms and conditions of the Equity Transfer Agreement. Set out below is a summary of the principal terms of the Equity Transfer Agreement.

Date

26 August 2021

Parties

- (1) Vendor : Tianjin Tai Kang
(2) Purchaser : Tianjin Jinzhi

Assets to be disposed of

The assets to be disposed of by Tianjin Tai Kang is the entire 78.45% equity interest in Tianjin Tianduan.

Upon Completion, the Company will not hold any equity interest in Tianjin Tianduan and Tianjin Tianduan will cease to be a subsidiary of the Company.

Consideration and payment terms

The initial bidding price for the Disposal is RMB566,059,600 (equivalent to approximately HK\$678,728,537), determined with reference to the relevant requirements governing the transfer of state-owned assets of enterprise in the PRC and the appraised asset value of Tianjin Tianduan. Since there was no bidder within the first 60 Business Days from the commencement of the public listing-for-sale process, the bidding price has been subsequently adjusted downward by approximately 9.9% in accordance with the rules of the TPREC.

The total consideration for the Disposal is RMB510,019,699.60 (equivalent to approximately HK\$611,534,412), being the final bidding price of 78.45% equity interest in Tianjin Tianduan, shall be paid by Tianjin Jinzhi in the following manners:

- (1) a security deposit of RMB51,001,969.96 (equivalent to approximately HK\$61,153,441.20), being 10% of the final bidding price, has been paid by Tianjin Jinzhi and shall form part of the first installment;
- (2) a first installment (which includes the paid security deposit) of RMB153,005,909.88 (equivalent to approximately HK\$183,460,323.60), being 30% of the final bidding price, shall be paid into the escrow account designated by the TPREC within 3 Business Days after the signing of the Equity Transfer Agreement; and
- (3) the remaining balance of RMB357,013,789.72 (equivalent to approximately HK\$428,074,088.39) shall be paid within 3 Business Days after the completion of the procedures in relation to the change of business registration for the Disposal.

Other major terms

The profit or loss of Tianjin Tianduan during the period from 30 September 2019 up to the date of Completion shall be borne by Tianjin Jinzhi.

Condition precedent

Completion is subject to the Shareholders having passed a resolution at a general meeting or by way of written approval in lieu of holding a general meeting (if applicable) to approve the Equity Transfer Agreement and the Disposal, and the satisfaction of any other requirements under the Listing Rules by the Company.

Liability for default

If Tianjin Tai Kang is in default of the Equity Transfer Agreement, it shall repay the security deposit in double to Tianjin Jinzhi. If Tianjin Jinzhi is in default of the Equity Transfer Agreement, it has no right to seek refund of the security deposit from Tianjin Tai Kang.

If Tianjin Tai Kang fails to complete the transfer of 78.45% equity interest in Tianjin Tianduan or Tianjin Jinzhi fails to pay the consideration on time in accordance with the terms of the Equity Transfer Agreement, the defaulting-party shall pay the non-defaulting party a sum representing 0.01% of the consideration amount for each day of delay as liquidated damages.

INFORMATION ON TIANJIN TIANDUAN

Tianjin Tianduan is a limited liability company established in the PRC and is principally engaged in the manufacture and sale of presses and mechanical equipment in the PRC.

Set out below is certain unaudited financial information of Tianjin Tianduan (prepared in accordance with the generally accepted accounting principles in Hong Kong) for the two financial years ended 31 December 2019 and 31 December 2020:

	For the year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Net assets	643,393	717,605
Loss before tax	(75,118)	(11,381)
Loss after tax	(74,212)	(10,949)

According to the Valuation Report, the appraised net assets of Tianjin Tianduan as at 31 May 2021 was RMB653,191,600 (equivalent to approximately HK\$783,203,357).

REASONS FOR AND BENEFITS OF THE DISPOSAL

Against the backdrop of the outbreak of Coronavirus Disease 2019 in the PRC at the beginning of 2020, demand for hydraulic press products has been further affected by the conditions and growth of the industries in which Tianjin Tianduan's customers operate, particularly the cyclical industries, which are influenced by macroeconomic factors within the PRC, such as government policy initiatives and the levels of fixed asset investment. Although the sector showed signs of fast resumption in industrial activities after the coronavirus pandemic was contained in the PRC, it is expected that the growth of hydraulic press demand will be decelerated due to lingering economic uncertainty. Furthermore, the hydraulic press industry in the PRC is still intensely competitive and price sensitive. Tianjin Tianduan reported operating losses in last two years and has faced pricing and margin pressure from the impact of higher raw material costs and the sustained keen competition among local companies and domestic-based multinationals in the markets where it currently operates. Meanwhile, the volatility of relevant industries will expose Tianjin Tianduan to uncertainty and potential instability with respect to its business performance and results of operations.

It has been one of the Company's business development strategies to make appropriate business decisions and adjustments according to the overall business environment. Considering the impact of cyclicalities and market conditions in the hydraulic press industry in the PRC, the Directors believe that the Disposal may allow the Company to realise its investment in Tianjin Tianduan and further apply its resources for maintaining the existing businesses of the Group.

As Mr. Cheung Wing Yui, Edward, non-executive Director, is a consultant of Messrs. Woo Kwan Lee & Lo which provides legal and professional services to the Company in respect of the Disposal, he has voluntarily abstained from voting on the resolutions of the Board approving the Equity Transfer Agreement and the Disposal.

The Directors consider that, although the Equity Transfer Agreement and the Disposal are not in the ordinary and usual course of business of the Group, the terms of the Equity Transfer Agreement are fair and reasonable, and that the Disposal is on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECT OF THE DISPOSAL AND USE OF PROCEEDS

Upon Completion, Tianjin Tianduan will cease to be a subsidiary of the Company and its financial results will no longer be consolidated into the financial statements of the Group.

It is estimated that an unaudited gain of approximately RMB3,800,000 (equivalent to approximately HK\$4,556,354.92) will arise from the Disposal. Such estimated unaudited gain is calculated with reference to (i) the consideration for the Disposal; (ii) the audited carrying amount of Tianjin Tianduan as at 31 December 2020; and (iii) all relevant expenses incidental to the Disposal. The actual amount of gain will depend on the carrying value of the Group's interest in Tianjin Tianduan as at Completion. The Company intends to apply the proceeds from the Disposal as general working capital of the Group.

LISTING RULES IMPLICATIONS

Tianjin Benefo is a substantial shareholder of Tianjin Tai Kang which holds approximately 17.26% equity interest in Tianjin Tai Kang as at the date of this announcement. As Tianjin Benefo is a direct wholly-owned subsidiary of Tianjin Jinzhi, Tianjin Jinzhi is therefore an associate of Tianjin Benefo and a connected person of the Company at the subsidiary level. Accordingly, the Disposal constitutes a connected transaction of the Company.

Given that (i) Tianjin Jinzhi is a connected person of the Company at the subsidiary level; (ii) the Board has approved the Equity Transfer Agreement and the Disposal; and (iii) all the independent non-executive Directors have confirmed that the terms of the Equity Transfer Agreement are fair and reasonable, and that the Disposal is on normal commercial terms and in the interests of the Company and the Shareholders as a whole, the Disposal is only subject to the reporting and announcement requirements, and is exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

Nonetheless, as one or more of the applicable percentage ratios calculated in accordance with Rule 14.07 of the Listing Rules in respect of the Disposal is more than 25% but all of them are less than 75%, the Disposal constitutes a major transaction of the Company and is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

So far as the Company is aware, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for approval of the Equity Transfer Agreement and the Disposal. Tsinlien, being the controlling Shareholder directly and indirectly holding 673,759,143 shares of the Company (representing approximately 62.81% of the total number of issued shares of the Company as at the date of this announcement), has given its written approval for the Equity Transfer Agreement and the Disposal. Accordingly, such written approval is accepted in lieu of holding a general meeting pursuant to Rule 14.44 of the Listing Rules.

A circular containing, among other things, (i) further details in relation to the Equity Transfer Agreement and the Disposal; and (ii) other information as required under the Listing Rules is expected to be despatched to the Shareholders on or before 24 September 2021 as additional time is required to finalise certain information to be included in the circular.

GENERAL

The Company is listed on the Main Board of the Stock Exchange, with Tsinlien being its controlling Shareholder. Tsinlien is ultimately wholly-owned by the Tianjin Municipal People's Government of the PRC. The principal activity of the Company is investment holding. The principal activities of the Group are (i) utilities including supply of electricity, water and heat and thermal power; (ii) pharmaceutical including manufacture and sale of chemical drugs, and research and development of new medicine technology and new products, as well as design, manufacture and printing for pharmaceutical packaging and sale of other paper-based packaging materials; (iii) hotel; (iv) electrical and mechanical including the manufacture and sale of presses, mechanical and hydroelectric equipment and large scale pump units; and (v) strategic and other investments including investments in associates which are principally engaged in the manufacture and sale of elevators and escalators and provision of port services in Tianjin.

Tianjin Jinzhi is engaged in various capital operation businesses, including investment in industries permitted by laws and regulations with its own funds, investment management, investment consulting, enterprise management and business information consulting, financial information consulting, and house leasing. Tianjin Jinzhi is ultimately wholly-owned by the Tianjin Municipal People's Government of the PRC.

DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Business Days”	a day on which licensed banks in the PRC are open for business throughout their normal business hours
“Company”	Tianjin Development Holdings Limited (天津發展控股有限公司), a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Stock Exchange (Stock Code: 882)
“Completion”	completion of the sale and purchase of 78.45% equity interest in Tianjin Tianduan pursuant to the Equity Transfer Agreement
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Directors”	the directors of the Company
“Disposal”	the disposal of the entire 78.45% equity interest in Tianjin Tianduan by Tianjin Tai Kang pursuant to the Equity Transfer Agreement

“Equity Transfer Agreement”	the equity transfer agreement dated 26 August 2021 entered into between Tianjin Tai Kang and Tianjin Jinzhi in respect of the Disposal
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of share(s) in the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it in the Listing Rules
“Tianjin Benefo”	Tianjin BENEFO Machinery Equipment Group Co., Ltd. (天津百利機械裝備集團有限公司), a company established in the PRC with limited liability and is wholly-owned by Tianjin Jinzhi
“Tianjin Jinzhi”	Tianjin Jinzhi State-owned Assets Capital Investment Operation Co., Ltd. (天津津智國有資本投資運營有限公司), a company established in the PRC with limited liability
“Tianjin Tai Kang”	Tianjin Tai Kang Investment Co., Ltd. (天津泰康投資有限公司), a company established in the PRC with limited liability and is owned as to 82.74% and 17.26% by the Company and Tianjin Benefo respectively as at the date of this announcement
“Tianjin Tianduan”	Tianjin Tianduan Press Co., Ltd. (天津市天鍛壓力機有限公司), a company established in the PRC with limited liability which is owned as to 78.45% by Tianjin Tai Kang as at the date of this announcement
“TPREC”	Tianjin Property Rights Exchange Centre (天津產權交易中心)

“Tsinlien”	Tsinlien Group Company Limited (津聯集團有限公司), a company incorporated in Hong Kong with limited liability and a controlling Shareholder directly and indirectly holding approximately 62.81% of the total number of issued shares of the Company as at the date of this announcement
“Valuation Report”	the valuation report of Tianjin Tianduan prepared by Tianjin Huaxia Jinxin Assets Valuation Co., Ltd. (天津華夏金信資產評估有限公司), using the asset-based approach with 31 May 2021 as the appraisal reference date
“%”	per cent.

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

In this announcement, RMB has been converted to HK\$ at the rate of RMB0.834 = HK\$1.00 for illustration purpose only. No representation is made that any amounts in RMB or HK\$ have been, could have been or could be converted at the above rate or at any other rates or at all.

By Order of the Board
Tianjin Development Holdings Limited
Chen Yanhua
Executive Director and General Manager

Hong Kong, 26 August 2021

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

* *non-executive director*

** *independent non-executive director*