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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)

CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcement of the Company dated 21 December 2015 in relation to, among other things, the entering into of the 2015 Master Sales Agreement between the Company and Tianjin Pharmaceutical in relation to the Sales Transactions.

The 2015 Master Sales Agreement will expire on 30 April 2016. As it is anticipated that the Group will continue to enter into the Sales Transactions with the Tianjin Pharmaceutical Group, the Company had therefore entered into the Master Sales Agreement with Tianjin Pharmaceutical on 14 March 2016. The Company also entered into the Master R&D Services Agreement with Tianjin Pharmaceutical on the same day in respect of the R&D Services Transactions.

Tianjin Pharmaceutical is a connected person of the Company under the Listing Rules. Accordingly, the Sales Transactions and the R&D Services Transactions constitute continuing connected transactions of the Company under the Chapter 14A of the Listing Rules. As some of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Sales Annual Caps exceed 5%, the Sales Transactions are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the R&D Services Annual Caps are more than 0.1% but less than 5%, the R&D Services Transactions are subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

An EGM will be convened at which an ordinary resolution will be proposed to approve the Master Sales Agreement and the transactions contemplated thereunder and the Sales Annual Caps. Tianjin Pharmaceutical and its associates will abstain from voting in respect of such resolution.

The Independent Board Committee has been established to advise the Independent Shareholders on the terms of the Master Sales Agreement and the transactions contemplated thereunder and the Sales Annual Caps. Investec Capital Asia Limited has been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (i) details of the Sales Transactions, the Master Sales Agreement and the Sales Annual Caps; (ii) the letter of advice from Investec Capital Asia Limited to the Independent Board Committee and the Independent Shareholders; (iii) the recommendation of the Independent Board Committee to the Independent Shareholders; (iv) a notice convening the EGM; and (v) other information as required under the Listing Rules is expected to be despatched to the Shareholders on or before 7 April 2016.

Reference is made to the announcement of the Company dated 21 December 2015 in relation to, among other things, the entering into of the 2015 Master Sales Agreement between the Company and Tianjin Pharmaceutical in relation to the Sales Transactions.

The 2015 Master Sales Agreement will expire on 30 April 2016. As it is anticipated that the Group will continue to enter into the Sales Transactions with the Tianjin Pharmaceutical Group in its ordinary and usual course of business, the Company had therefore entered into the Master Sales Agreement with Tianjin Pharmaceutical on 14 March 2016. The Company also entered into the Master R&D Services Agreement with Tianjin Pharmaceutical on the same day in respect of the R&D Services Transactions. The principal terms of the Master Sales Agreement and the Master R&D Services Agreement are set out below.

THE MASTER SALES AGREEMENT

Date

14 March 2016

Parties

- (i) the Company; and
- (ii) Tianjin Pharmaceutical

Subject matter

Pursuant to the Master Sales Agreement, members of the Group shall from time to time sell Products to members of the Tianjin Pharmaceutical Group according to their needs, and shall charge the Tianjin Pharmaceutical Group relevant fees for such Products.

Term

Subject to satisfaction of the condition referred to below, the Master Sales Agreement shall be for a term commencing from 1 May 2016 to 31 December 2018 unless terminated by either party by giving one month's notice in writing.

Condition precedent

The Master Sales Agreement is conditional upon the passing of an ordinary resolution by the Independent Shareholders to approve the Master Sales Agreement and the transactions contemplated thereunder and the Sales Annual Caps at the EGM. If such condition is not fulfilled by 29 April 2016 or such later date as may be agreed by the Company and Tianjin Pharmaceutical in writing, the Master Sales Agreement shall immediately be of no effect and none of the parties thereto shall have any claims against the other party.

Pricing basis and other terms

The relevant member(s) of the Group and the relevant member(s) of the Tianjin Pharmaceutical Group will enter into separate sales contract(s) with respect to each of the Sales Transactions in accordance with the principal terms as set out in the Master Sales Agreement.

The price of the Products to be sold by members of the Group to members of the Tianjin Pharmaceutical Group shall be determined in accordance with the following principles:

- (a) the price shall be that which members of the Group charge their independent third party customers in respect of the same Products under the same conditions;
- (b) where there is no reference price available as stated in (a) above (e.g. in the case of the launch of new Products), the price shall be determined with reference to the costs incurred by members of the Group in producing the new Products plus a profit margin ranging from 5% to 90%, and taking into account, among others, market conditions and the price of similar products offered by independent third party suppliers in the same region; and
- (c) the Group may, based on the transaction quantity and payment terms, offer to the Tianjin Pharmaceutical Group the same discount which the Group offers to its independent third party customers.

The terms of each Sales Transaction (including but not limited to delivery, return, consideration and the payment terms) shall be fair and reasonable and in accordance with the applicable laws and regulations of the PRC and on normal commercial terms and shall be on terms which are no more favourable than those which the Group would offer to other independent third party customers.

The Group will regularly review the market price of the Products and compare the selling price of the Products with similar products on the market before the approval of separate sales contract(s) between members of the Group and members of the Tianjin Pharmaceutical Group to ensure that the Sales Transactions will be conducted in the interests of the Group.

Historical figures and the Sales Annual Caps

Set out below are the historical transaction amounts paid by the Tianjin Pharmaceutical Group to the Group in respect of the Sales Transactions for the three years ended 31 December 2015 and the Sales Annual Caps for the three years ending 31 December 2018:

		For the year ended 31 December		
		2013	2014	2015
Historical amounts of the Sales Transactions	RMB188,987,000 (approximately HK\$239,200,000)	RMB179,060,000 (approximately HK\$227,200,000)	RMB162,300,000 (approximately HK\$207,700,000)	
		For the year ending 31 December		
		2016	2017	2018
Sales Annual Caps	RMB208,000,000 (approximately HK\$247,000,000)	RMB234,000,000 (approximately HK\$278,000,000)	RMB250,000,000 (approximately HK\$297,000,000)	

The Sales Annual Caps were determined with reference to (i) the historical transaction amounts in respect of the Sales Transactions; and (ii) the projected level of demand for the Products by members of the Tianjin Pharmaceutical Group, which have extensive distribution network in Tianjin.

Reasons for and benefits of entering into the Sales Transactions

Members of the Thrive Leap Group had in their ordinary course of business been selling the Products to members of the Tianjin Pharmaceutical Group prior to Thrive Leap becoming a 67%-owned subsidiary of the Company and since then, such Sales Transactions had continued. The Directors are of the view that continuation of the Sales Transactions will enable the Company to maintain its long-term cooperative relationship with the Tianjin Pharmaceutical Group while taking advantage of the wide customer base of the Tianjin Pharmaceutical Group with its extensive distribution network, thus providing a stable source of income for the Group.

The Directors (excluding the independent non-executive Directors who will express their views after considering the advice from the independent financial adviser) consider that the Sales Transactions are conducted in the ordinary and usual course of business of the Group, the terms of the Master Sales Agreement are on normal commercial terms after arm's length negotiation and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Directors (excluding the independent non-executive Directors who will express their views after considering the advice from the independent financial adviser) also consider that the Sales Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

THE MASTER R&D SERVICES AGREEMENT

Date

14 March 2016

Parties

- (i) the Company; and
- (ii) Tianjin Pharmaceutical

Subject matter

Pursuant to the Master R&D Services Agreement, members of the Group shall from time to time provide R&D Services to members of the Tianjin Pharmaceutical Group according to their needs, and shall charge the Tianjin Pharmaceutical Group relevant fees for such R&D Services.

Term

The Master R&D Services Agreement is for a term commencing from 14 March 2016 to 31 December 2018 unless terminated by either party by giving one month's notice in writing.

Pricing basis and other terms

The relevant member(s) of the Group and the relevant member(s) of the Tianjin Pharmaceutical Group will enter into separate service contract(s) with respect to each of the R&D Services Transactions in accordance with the principal terms as set out in the Master R&D Services Agreement.

The service fee in respect of the R&D Services to be provided by members of the Group to members of the Tianjin Pharmaceutical Group shall be determined in accordance with the following principles:

- (a) the costs incurred by members of the Group in the process of providing the R&D Services (including but not limited to material costs, test processing costs, staff costs, cost for use of equipment and relevant management fees); and
- (b) adding a profit margin of not less than 30% after taking into account the complexity and difficulty of the R&D Services to be provided, the estimated time required and the possible risks to be borne at different stages.

The terms of each R&D Services Transaction (including but not limited to the scope of research, consideration and the payment terms) shall be fair and reasonable and in accordance with the applicable laws and regulations of the PRC and on normal commercial terms and shall be on terms which are no more favourable than those which the Group would offer to other independent third party customers.

The Group will regularly review the market service fee of the R&D Services and compare the service fee of the R&D Services with similar services on the market before the approval of separate service contract(s) between members of the Group and members of the Tianjin Pharmaceutical Group to ensure that the R&D Services Transactions will be conducted in the interests of the Group.

Historical figures and the R&D Services Annual Caps

Set out below are the historical transaction amounts paid by the Tianjin Pharmaceutical Group to the Group in respect of the R&D Services Transactions for the three years ended 31 December 2015 and the R&D Services Annual Caps for the three years ending 31 December 2018:

		For the year ended 31 December		
		2013	2014	2015
Historical amounts of the R&D Services Transactions	RMB4,402,000 (approximately HK\$5,234,000)	RMB5,767,000 (approximately HK\$6,857,000)	RMB3,181,000 (approximately HK\$3,782,000)	
		For the year ending 31 December		
		2016	2017	2018
R&D Services Annual Caps	RMB80,000,000 (approximately HK\$95,000,000)	RMB80,000,000 (approximately HK\$95,000,000)	RMB80,000,000 (approximately HK\$95,000,000)	RMB80,000,000 (approximately HK\$95,000,000)

The R&D Services Annual Caps were determined by reference to (i) the historical transaction amounts in respect of the R&D Services Transactions; (ii) the projected level of demand for such services by members of the Tianjin Pharmaceutical Group; and (iii) the anticipated level of fees which the Group may charge in respect of such service.

Reasons for and benefits of entering into the R&D Services Transactions

Members of the Thrive Leap Group had in their ordinary course of business been providing the R&D Services to members of the Tianjin Pharmaceutical Group prior to Thrive Leap becoming a 67%-owned subsidiary of the Company and it is expected that the R&D Services Transactions will also be entered into from time to time in the future. With a vast demand for innovative and proprietary medical products in the PRC, the Directors are of the view that the entering into of the R&D Services Transactions will capitalise on its resources and development capabilities to enhance its revenue base and contribute to the profits of the Group.

The Directors (including the independent non-executive Directors) consider that the R&D Services Transactions are conducted in the ordinary and usual course of business of the Group, the terms of the Master R&D Services Agreement are on normal commercial terms after arm's length negotiation and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Directors (including the independent non-executive Directors) also consider that the R&D Services Annual Caps are fair and reasonable and in the interests of the Company and the Shareholder as a whole.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Tianjin Pharmaceutical indirectly holds a total of 673,753,143 shares of the Company (representing approximately 62.80% of the total number of issued shares of the Company) and hence a connected person of the Company under the Listing Rules. Accordingly, the Sales Transactions and the R&D Services Transactions, which are to be carried out on a continuing or recurring basis and are expected to continue and extend over a period of time, constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As some of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Sales Annual Caps exceed 5%, the Sales Transactions are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the R&D Services Annual Caps are more than 0.1% but less than 5%, the R&D Services Transactions are subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

None of the Directors has a material interest in the transactions contemplated under the Master Sales Agreement or the Master R&D Services Agreement. Notwithstanding, as Dr. Chan Ching Har, Eliza, a non-executive Director, is acquainted with the ex-chairman of Tianjin Pharmaceutical, in view of good corporate governance practices, she has voluntarily abstained from voting on the resolutions of the Directors approving the Master Sales Agreement, the Master R&D Services Agreement and the respective transactions contemplated thereunder and the Sales Annual Caps and the R&D Services Annual Caps.

An EGM will be convened at which an ordinary resolution will be proposed to approve the Master Sales Agreement and the transactions contemplated thereunder and the Sales Annual Caps. Tianjin Pharmaceutical and its associates will abstain from voting in respect of such resolution.

The Independent Board Committee has been established to advise the Independent Shareholders as to whether the terms of the Master Sales Agreement and the transactions contemplated thereunder and the Sales Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Investec Capital Asia Limited has been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (i) details of the Sales Transactions, the Master Sales Agreement and the Sales Annual Caps; (ii) the letter of advice from Investec Capital Asia Limited to the Independent Board Committee and the Independent Shareholders; (iii) the recommendation of the Independent Board Committee to the Independent Shareholders; (iv) a notice convening the EGM; and (v) other information as required under the Listing Rules is expected to be despatched to the Shareholders on or before 7 April 2016.

GENERAL

The principal activity of the Company is investment holding. The principal activities of the Group are (i) utilities including supply of electricity, water, 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; (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 of elevators and escalators and provision of port services in Tianjin.

Tianjin Pharmaceutical is a state-owned enterprise established in the PRC. It principally engages in the manufacture and sale of a broad range of pharmaceutical products, research and development, and provision of related consultancy services.

DEFINITIONS

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

“2015 Master Sales Agreement”	the agreement dated 21 December 2015 entered into between the Company and Tianjin Pharmaceutical in relation to the Sales Transactions, particulars of which are set out in the announcement of the Company dated 21 December 2015
“Board”	the board of Directors
“Company”	Tianjin Development Holdings Limited (天津發展控股有限公司), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange (Stock Code: 882)
“Directors”	the directors of the Company
“EGM”	an extraordinary general meeting of the Company to be held to consider and, if thought fit, approve the Master Sales Agreement and the transactions contemplated thereunder and the Sales Annual Caps
“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

“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors, namely, Dr. Cheng Hon Kwan, Mr. Mak Kwai Wing, Alexander, Ms. Ng Yi Kum, Estella, Mr. Wong Shiu Hoi, Peter and Dr. Loke Yu
“Independent Shareholders”	the Shareholders who are not prohibited under the Listing Rules from voting at the EGM to approve the Master Sales Agreement and the transactions contemplated thereunder and the Sales Annual Caps
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master R&D Services Agreement”	the agreement dated 14 March 2016 entered into between the Company and Tianjin Pharmaceutical in relation to the R&D Services Transactions, particulars of which are set out in the section titled “ <i>The Master R&D Services Agreement</i> ” of this announcement
“Master Sales Agreement”	the agreement dated 14 March 2016 entered into between the Company and Tianjin Pharmaceutical in relation to the Sales Transactions, particulars of which are set out in the section titled “ <i>The Master Sales Agreement</i> ” of this announcement
“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan)
“Products”	various chemical drug products and pharmaceutical printing and packaging products manufactured by members of the Group
“R&D Services”	research and development, transfer and consultation services relating to biomedical products and technology and their related services
“R&D Services Annual Caps”	the annual caps of the R&D Services Transactions for the three years ending 31 December 2018, particulars of which are set out in the section titled “ <i>The Master R&D Services Agreement - Historical figures and the R&D Services Annual Caps</i> ” of this announcement
“R&D Services Transactions”	the provision of the R&D Services by members of the Group to members of the Tianjin Pharmaceutical Group
“RMB”	Renminbi, the lawful currency of the PRC

“Sales Annual Caps”	the annual caps of the Sales Transactions for the three years ending 31 December 2018, particulars of which are set out in the section titled “ <i>The Master Sales Agreement - Historical figures and the Sales Annual Caps</i> ” of this announcement
“Sales Transactions”	the sales of the Products by members of the Group to members of the Tianjin Pharmaceutical Group
“Shareholder(s)”	holder(s) of shares in the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Thrive Leap”	Thrive Leap Limited (隆騰有限公司), a company incorporated in the Cayman Islands with limited liability and a 67%-owned subsidiary of the Company
“Thrive Leap Group”	Thrive Leap and its subsidiaries
“Tianjin Pharmaceutical”	Tianjin Pharmaceutical Group Co., Ltd. (天津市醫藥集團有限公司), a state-owned enterprise established in the PRC wholly-owned by the Tianjin Municipal People’s Government (天津市人民政府)
“Tianjin Pharmaceutical Group”	Tianjin Pharmaceutical and its subsidiaries (other than members of the Group)
“%”	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 RMB0.841 = 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
Zeng Xiaoping
Chairman

Hong Kong, 14 March 2016

As at the date of this announcement, the Board consists of Mr. Zeng Xiaoping, Mr. Wang Zhiyong, Mr. Tuen Kong, Simon, Dr. Cui Di, Ms. Zhang Lili, Dr. Yang Chuan, Mr. Cheung Wing Yui, Edward, Dr. Chan Ching Har, Eliza*, 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*