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

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

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

(Incorporated in Hong Kong with limited liability)

(Stock Code: 882)

**CONTINUING CONNECTED TRANSACTIONS
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

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



A letter from the Board is set out on pages 4 to 10 of this circular and a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 11 of this circular. A letter from Investec containing its advice to the Independent Board Committee and the Shareholders is set out on pages 12 to 25 of this circular. A notice convening the EGM to be held at Hennessy Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on 27 April 2016 (Wednesday) at 4:00 p.m. is set out on pages 33 to 34 of this circular.

Whether or not you are able to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's share registrar, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM (or any adjournment thereof). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM (or any adjournment thereof) should you so wish.

7 April 2016

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions 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
“Bohai”	Tianjin Bohai State-owned Assets Management Co., Ltd. (天津渤海國有資產經營管理有限公司), a state-owned enterprise established in the PRC ultimately wholly-owned by the Tianjin Municipal People’s Government (天津市人民政府)
“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)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held at Hennessy Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on 27 April 2016 (Wednesday) at 4:00 p.m. to consider and, if thought fit, approve the Master Sales Agreement and the transactions contemplated thereunder and the Sales Annual Caps
“ERP System”	enterprise resource planning system, a system that integrates internal and external management information across an entire organisation, embracing finance, accounting, manufacturing, sales and services, customer relationship management, etc. and automates this activity with an integrated software application
“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

DEFINITIONS

“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
“Investec” or “Independent Financial Adviser”	Investec Capital Asia Limited, a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and the independent financial adviser appointed to advise the Independent Board Committee and the Shareholders on the Master Sales Agreement and the transactions contemplated thereunder and the Sales Annual Caps
“Latest Practicable Date”	1 April 2016, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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 headed “ <i>The Master Sales Agreement</i> ” of this circular
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
“PRC”	the People’s Republic of China (for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan)
“Products”	various chemical drug products (including but not limited to drugs for cardio and cerebral vascular systems, anti-infection drugs and hormone drugs) and pharmaceutical printing and packaging products manufactured by members of the Group
“RMB”	Renminbi, the lawful currency of the PRC

DEFINITIONS

“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 headed “ <i>The Master Sales Agreement — Sales Annual Caps</i> ” of this circular
“Sales Transactions”	the sales of the Products by members of the Group to members of the Tianjin Pharmaceutical Group
“SFO”	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Share(s)”	share(s) of the Company
“Share Option Scheme”	the share option scheme of the Company adopted at the annual general meeting of the Company held on 25 May 2007
“Shareholder(s)”	holder(s) of Shares
“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)
“Tsinlien”	Tsinlien Group Company Limited (津聯集團有限公司), the controlling shareholder of the Company
“Tsinlien Investment”	Tianjin Tsinlien Investment Holdings Co., Ltd. (天津津聯投資控股有限公司), a state-owned enterprise established in the PRC and wholly-owned by the Tianjin Municipal People’s Government (天津市人民政府)
“%”	per cent.

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

In this circular, RMB has been converted to HK\$ at the rate of RMB0.841 = 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.



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

(Incorporated in Hong Kong with limited liability)

(Stock Code: 882)

Executive Directors:

Mr. Zeng Xiaoping (*Chairman*)
Mr. Wang Zhiyong (*General Manager*)
Mr. Tuen Kong, Simon
Dr. Cui Di
Ms. Zhang Lili
Dr. Yang Chuan

Registered office:

Suites 7-13
36/F., China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

Non-executive Directors:

Mr. Cheung Wing Yui, Edward
Dr. Chan Ching Har, Eliza

Independent non-executive Directors:

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

7 April 2016

To the Shareholders

Dear Sirs,

**CONTINUING CONNECTED TRANSACTIONS
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

References are made to the announcements of the Company dated 21 December 2015 and 14 March 2016 in relation to, among other things, the Sales Transactions.

LETTER FROM THE BOARD

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. Pursuant to the requirements under the Listing Rules, the Company will seek the approval of the Independent Shareholders in relation to the Master Sales Agreement and the transactions contemplated thereunder and the Sales Annual Caps.

The purpose of this circular is to provide you with (i) details of the Sales Transactions, the Master Sales Agreement and the Sales Annual Caps; (ii) the letter of advice from Investec to the Independent Board Committee and the 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.

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.

LETTER FROM THE BOARD

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% (which profit margin range is in line with that of Products sold to the Tianjin Pharmaceutical Group from time to time in the past), and taking into account, among others, market conditions (e.g. the market demand for such category of products and the availability of similar or comparable products in the market) 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 table below sets out the average profit margin in respect of the Products by category:

Category of Products	Average profit margin (approx. %)
Tablets	62%
Capsules	50%
Injection medicines	40%
Other forms of chemical drug products	35%
Pharmaceutical printing and packaging products	25%

The general managers of the relevant Group members will be responsible for determining the Products' prices at the beginning of each year and review the Products' prices to make adjustments from time to time where necessary in response to market situations, including, among others, fluctuations in raw material costs and changes in market demands. The pricing information will then be integrated with the Group's ERP System and become the

LETTER FROM THE BOARD

fixed prices of the Products for the implementation of sales process as required by sale module of the ERP System. The Group will regularly review the market price of the Products under the supervision of the finance department of the relevant Group members 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 in order to ensure that the actual selling price of the Products and discount to be offered will be no more favourable than those offered to independent third party customers and that the Sales Transactions are conducted in the interests of the Group.

The Group will also inform all its sales agents of the fixed prices of the Products, and the sales of Products must be processed at such fixed prices until further notice from the Group. The Group will also ensure that the same sales policy is applied to both independent third parties as well as the Tianjin Pharmaceutical Group. The sales department of the relevant Group members will also monitor the transaction amounts in order to prevent the aggregated sales amount of the Sales Transactions from exceeding the relevant Sales Annual Caps.

Historical figures

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:

	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)

The amount paid by the Tianjin Pharmaceutical Group to the Group in respect of the Sales Transactions for the period from 21 December 2015 to the Latest Practicable Date was RMB36,850,000 (approximately HK\$43,817,000).

Sales Annual Caps

Set out below are the Sales Annual Caps for the three years ending 31 December 2018:

	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)

LETTER FROM THE BOARD

As disclosed in the announcement of the Company dated 21 December 2015, it was expected that the aggregate amount receivable by the Group from the Tianjin Pharmaceutical Group in respect of the Sales Transactions during the term of the 2015 Master Sales Agreement (i.e. from 21 December 2015 to 30 April 2016) would not exceed RMB103,350,000 (equivalent to approximately HK\$129,200,000).

The Sales Annual Caps were determined with reference to (i) the historical transaction amounts in respect of the Sales Transactions; (ii) the projected level of demand for the Products by members of the Tianjin Pharmaceutical Group with their extensive distribution networks which cover most of the major retail pharmacy groups, clinics and hospitals in Tianjin; and (iii) the PRC's policy to promote the pharmaceutical industry as reflected by the Guiding Opinion of the State Council on Promoting the Healthy Development of the Pharmaceutical Industry (國務院辦公廳關於促進醫藥產業健康發展的指導意見) issued by the PRC State Council on 4 March 2016.

The Sales Annual Cap for the year ending 31 December 2016 was determined after also taking into account the compound annual growth rate of pharmaceutical products in the PRC of 17.6% over the period from 2009 to 2014, and such Sales Annual Cap represents a 17% increase from the average amount of the Sales Transactions for the three years ended 31 December 2015. The Sales Annual Cap for the year ending 31 December 2017 and 2018 represents a 13% increase and 7% increase of the Sales Annual Caps for the years ending 31 December 2016 and 2017 respectively, which are in line with the projected CAGR of pharmaceutical products in the PRC of 10.9% over the period from 2015 to 2017.

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.

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.

LETTER FROM THE BOARD

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.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, 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, 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.

None of the Directors has a material interest in the transactions contemplated under the Master Sales 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 and the transactions contemplated thereunder and the Sales Annual Caps.

EGM

The EGM will be convened at which an ordinary resolution will be proposed to consider and, if thought fit, 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.

A notice convening the EGM to be held at Hennessy Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on 27 April 2016 (Wednesday) at 4:00 p.m. is set out on pages 33 to 34 of this circular. A form of proxy for use at the EGM is also enclosed herewith. Whether or not you are able to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's share registrar, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM (or any adjournment thereof). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM (or any adjournment thereof) should you so wish.

LETTER FROM THE BOARD

VOTING BY POLL

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

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

RECOMMENDATIONS

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 has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Shareholders in this regard.

Your attention is drawn to (i) the letter from the Independent Board Committee as set out on page 11 of this circular which contains the recommendation from the Independent Board Committee to the Independent Shareholders; and (ii) the letter from Investec as set out on pages 12 to 25 of this circular which contains the recommendation from Investec to the Independent Board Committee and the Shareholders in respect of the Sales Transactions and the principal factors and reasons considered by Investec in arriving at its recommendation.

The Directors (including the independent non-executive Directors after considering the advice of Investec) consider that the Sales Transactions are 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 (including the independent non-executive Directors after considering the advice of Investec) 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 Directors would therefore recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Master Sales Agreement and the transactions contemplated thereunder and the Sales Annual Caps.

ADDITIONAL INFORMATION

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

Yours faithfully,
By order of the Board
Tianjin Development Holdings Limited
Zeng Xiaoping
Chairman



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

(Incorporated in Hong Kong with limited liability)

(Stock Code: 882)

7 April 2016

To the Independent Shareholders

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of the Company to the Shareholders dated 7 April 2016 (the “Circular”) of which this letter forms part. Terms defined in the Circular have the same meanings in this letter unless the context requires otherwise.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders as to whether the terms of the 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 has been appointed as the independent financial adviser to advise us and the Shareholders in this regard.

We wish to draw your attention to the letter from the Board as set out on pages 4 to 10 of the Circular and the letter from Investec as set out on pages 12 to 25 of the Circular.

Having considered the terms of the Master Sales Agreement and taking into account the principal factors and reasons considered by, and the advice of Investec, we consider that the Sales Transactions are 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. We also consider that the Sales Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Master Sales Agreement and the transactions contemplated thereunder and the Sales Annual Caps.

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

LETTER FROM INVESTEC

The following is the text of the letter of advice from Investec Capital Asia Limited to the Independent Board Committee and the Shareholders in relation to the Master Sales Agreement and the transactions contemplated thereunder and the Sales Annual Caps prepared for the purpose of incorporation in this circular.



Investec Capital Asia Limited
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Tel/電話: (852) 3187 5000
Fax/傳真: (852) 2501 0171
www.investec.com

7 April 2016

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

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

I. INTRODUCTION

We refer to our appointment as independent financial adviser to advise the Independent Board Committee and the Shareholders with regard to entering into the Master Sales Agreement between the Company and Tianjin Pharmaceutical (天津市醫藥集團有限公司). Details of which are contained in the circular of the Company to its Shareholders dated 7 April 2016 (the “**Circular**”), of which this letter forms part. Unless otherwise stated, capitalised terms used in this letter have the same meanings as those defined in the Circular.

As set out in the letter from the Board set out in the Circular (the “**Letter from the Board**”), the 2015 Master Sales Agreement will expire on 30 April 2016. Upon expiration of the 2015 Master Sales Agreement on 30 April 2016, it is anticipated 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. As at the Latest Practicable Date, Tianjin Pharmaceutical indirectly held 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, 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 for the three years ending 31 December 2018 exceed 5%, the Sales Transactions constitute non-exempt continuing connected transactions and are subject to the reporting, announcement, annual review and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM INVESTEC

The Independent Board Committee comprising all the independent non-executive Directors (the “INEDs”), namely, Dr. Cheng Hon Kwan, Mr. Mak Kwai Wing, Alexander, Ms. Ng Yi Kum, Estella, Mr. Wong Shiu Hoi, Peter and Dr. Loke Yu, has been established to advise Shareholders in relation to the Master Sales Agreement, including the Sales Transactions and the Sales Annual Caps.

As the independent financial adviser to the Independent Board Committee and the Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Shareholders as to (i) whether the terms of the Master Sales Agreement (including the Sales Annual Caps) are fair and reasonable in so far as the Company and the Shareholders are concerned; (ii) whether the Sales Transactions are on normal commercial terms or better and in the ordinary and usual course of business of the Group; and (iii) whether the Master Sales Agreement (including the Sales Annual Caps) are in the interests of the Company and the Shareholders as a whole; and (iv) how the Independent Shareholders should vote on the Master Sales Agreement (including the Sales Annual Caps) in the EGM.

As at the Latest Practicable Date, we were independent from and not connected with the Group in accordance with Rule 13.84 of the Listing Rules, and accordingly, qualified to give independent advice to the Independent Board Committee and the Shareholders regarding the Master Sales Agreement and the transactions contemplated thereunder and the Sales Annual Caps. In addition to our appointment as the Independent Financial Adviser, we in the past two years has also acted as an independent financial adviser to the then independent board committee and then Shareholders in respect of (i) the acquisition of 67% of the then issued share capital of Thrive Leap Limited by the Group in August 2015; and (ii) the disposal of a then wholly-owned subsidiary of the Company in May 2014, whose sole asset of significance was a controlling stake in a company, the shares of which were listed on the main board of the Stock Exchange but were suspended at the time of the disposal. Apart from the normal advisory fee payable to us in connection with our appointment as the independent financial adviser, no arrangement exists whereby we shall receive any other fees or benefits from the Company.

II. BASIS AND ASSUMPTIONS OF THE ADVICE

In formulating our advice, we have relied solely on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Group and/or the Directors. We have assumed that all such statements, information, opinions and representations contained or referred to in the Circular or otherwise provided or made or given by the Group and/or the Directors and/or its senior management staff (the “**Management**”) and for which it is/they are solely responsible were true and accurate and valid at the time they were made and given and continue to be true and valid as at the date of the Circular. We have assumed that all the opinions and representations made or provided by the Directors and/or the Management contained in the Circular have been reasonably made after due and careful enquiry. We have also sought and obtained confirmation from the Company and/or the Directors and/or the Management that no material facts have been omitted from the information provided and referred to in the Circular.

LETTER FROM INVESTEC

We consider that we have reviewed sufficiently currently available information and documents which have been made available to us to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our advice. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions and representations provided to us by the Group and/or the Directors and/or its Management and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the business and affairs of the Group, Tianjin Pharmaceutical Group or any of their respective associated companies.

III. PRINCIPAL FACTORS CONSIDERED

In formulating our recommendation, we have taken into consideration the following principal factors and reasons:

1. Background information

1.1 Information on the Group

Prior to the completion of Thrive Leap Acquisition (defined hereafter), the Group was principally engaged in (i) utilities including supply of electricity, water and heat and thermal power; (ii) hotel; (iii) electrical and mechanical including the manufacture and sale of presses, mechanical and hydroelectric equipment and large scale pump units; and (iv) 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, the PRC.

On 21 December 2015, the Group completed the acquisition of 67% of the issued share capital of Thrive Leap (the “**Thrive Leap Acquisition**”) and expanded its business into (i) manufacturing and sale of chemical drugs; (ii) manufacture and printing for pharmaceutical packaging and sale of other paper-based packaging materials; and (iii) research and development of new medicine technology and new products, among other things. Principal assets of Thrive Leap Group and further information are referred to the section below headed “1.2 Information on Thrive Leap and the Thrive Leap Group” for further information. Since the completion of the Thrive Leap Acquisition, the financial results and financial position of the Thrive Leap Group have been consolidated into the financial statements of the Group.

LETTER FROM INVESTEC

Set out below is a summary of the Group's (i) consolidated statement of profit or loss; and (ii) consolidated statement of financial position for the two years ended 31 December 2014 and 2015 as extracted from the announcement of final results for the year ended 31 December 2015 of the Company dated 30 March 2016:

Consolidated statement of profit or loss of the Group

	For the year ended 31 December	
	2014	2015
	<i>Approximately HK\$ million (Restated)</i>	<i>Approximately HK\$ million (Audited)</i>
Revenue	6,814	6,369
— Utilities	3,931	3,700
— Pharmaceutical	1,491	1,527
— Electrical and mechanical	1,273	1,033
— Hotel	119	109
Gross profit	1,272	1,184
Profit before tax	1,000	775
Profit for the year	904	703
— attributable to owners of the Company	737	562
— attributable to non-controlling interests	167	141

For the year ended 31 December 2015, the Group recorded revenue of approximately HK\$6,369 million as compared to a revenue of approximately HK\$6,814 million for the year ended 31 December 2014, representing a decrease of approximately 6.5%. The share of revenue for the Group's four revenue segments, namely (i) utilities, (ii) pharmaceutical, (iii) electrical and mechanical, and (iv) hotel, respectively represented approximately 58.1%, 24.0%, 16.2%, and 1.7% of the Group's revenue for the year ended 31 December 2015. The Group recorded a profit of approximately HK\$703 million for the year ended 31 December 2015, representing a decrease of approximately 22.2% from approximately HK\$904 million for the year ended 31 December 2014 as gross profit declined in 2015 and there was a one-off gain on disposal of an associate in 2014. Approximately HK\$562 million of profit for the year was attributable to owners of the Company for the year ended 31 December 2015.

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Consolidated statement of financial position of the Group

	As at 31 December	
	2014	2015
	<i>Approximately HK\$ million (Restated)</i>	<i>Approximately HK\$ million (Audited)</i>
Non-current assets	11,506	11,549
Current assets	13,475	11,464
Total assets	24,981	23,013
Non-current liabilities	2,873	293
Current liabilities	8,005	8,938
Total liabilities	10,878	9,231
Total equity	14,102	13,782
— attributable to owners of the Company	10,424	10,179
— attributable to non-controlling interests	3,678	3,603

As at 31 December 2015, the Group had total assets and total liabilities of approximately HK\$23,013 million and HK\$9,231 million, respectively, while the total equity of the Group stood at approximately HK\$13,782 million. Total equity attributable to owners of the Company decreased to approximately HK\$10,179 million as at 31 December 2015 from approximately HK\$10,424 million as at 31 December 2014, which was mainly attributable to the decrease in total assets.

1.2 Information on Thrive Leap and the Thrive Leap Group

The Thrive Leap Group was a 67% owned subsidiary of the Company as at the Latest Practicable Date. The principal operating subsidiaries of the Thrive Leap Group include (i) Tianjin Lisheng Pharmaceutical Co., Ltd. (天津力生製藥股份有限公司) (“**Lisheng**”); (ii) Tianjin Yiyao Printing Co., Ltd. (天津宜藥印務有限公司) (“**Yiyao Printing**”); and (iii) Tianjin Institute of Pharmaceutical Research Co., Ltd. (天津藥物研究院有限公司) (“**Research Institute**”), which are indirectly owned as to approximately 51.36%, 65.0% and 100.0% by Thrive Leap, respectively.

1.3 Information on Lisheng and the Lisheng Group

Lisheng is a joint stock limited company established under the laws of the PRC on 17 June 1981, the A Shares of which have been listed on the Shenzhen Stock Exchange (Stock code: 002393.SZ) since 2010. Lisheng and its subsidiaries (the “**Lisheng Group**”) are principally engaged in the manufacturing and sale of chemical drugs in the PRC. Its main products include drugs for cardio and cerebral vascular systems, anti-infection drugs and hormone drugs. Lisheng was granted with the title of “Top 100 Industrial Enterprises in terms of comprehensive strength in the PRC pharmaceutical industry in 2014”* (二零一四中國化學製藥行業工業企業綜合實力百強), its exclusive product, namely the Shoubishan indapamide tablets (壽比山牌吲達帕胺片) was granted with the title of “Outstanding Enterprise Brands in anti-hypertensive category of the PRC chemical pharmaceutical industry in 2014”* (二零一四中國化學製藥行業降血壓類優秀產品品牌).

1.4 Information on Yiyao Printing

Yiyao Printing, established in March 1993 and became a limited liability company under the laws of the PRC since March 2004, and its subsidiary are principally engaged in the design, manufacturing and printing for pharmaceutical packaging and sale of other paper-based packaging materials. As set out in the website of Yiyao Printing, it holds a valid British Royal Standards Association BSI Certification, ISO9001 International Quality System and ISO14001 Environment System Authentication.

1.5 Information on Research Institute

The business scope of Research Institute includes researches on areas such as pharmaceutical knowledge, pharmaceutical chemistry, pharmaceutical preparations, modern Chinese medicine, safety evaluation of new drugs and drug metabolism. Research Institute specialises in the research and development of innovative medicines and technology improvements of Chinese medicine, chemical medicine and biotechnological medicine. As set out in the circular of the Company dated 21 August 2015, Research Institute has established a postdoctoral research station and doctorate or master training centres at colleges and universities such as Tianjin University, Tianjin Medical University and Tianjin University of Traditional Chinese Medicine, and has a number of leading scientists and research staff, including endowed experts of the Tianjin Government* (天津市授銜專家).

1.6 Information on Tianjin Pharmaceutical

As set out in the Letter from the Board, 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.

Tianjin Pharmaceutical was the holding company of the Company and indirectly held approximately 62.80% of the total number of issued shares of the Company as at the Latest Practicable Date.

1.7 Background information of the pharmaceutical industry in the PRC

The PRC pharmaceutical industry has experienced a rapid growth during the past few years. According to data from Southern Medicine Economic Institute (“SMEI”) of the PRC (published in an article from Progress in Pharmaceutical Sciences in June 2014) and from www.pharmnet.com.cn (醫藥網) (published in a news article dated 15 April 2015), the total production value of national medical and pharmaceutical industry in the PRC increased from approximately RMB994.7 billion in 2009 to approximately RMB2,579.6 billion in 2014, representing a compound annual growth rate (“CAGR”) of approximately 21.0%, which active pharmaceutical ingredients industry and chemical dosage industry form comprised of the two largest segments. This rapid increase was primarily attributable to a few favourable factors, including increasing disposable income, aging population, prolonging average life expectancy, continuing urbanisation and supportive government healthcare policy reforms in the PRC.

The National Development and Reform Commission set out in a statement released in May 2015 that government set prices on most drugs would be cancelled to improve purchasing mechanisms for drugs, control medical insurance costs and allow the price of medicines to be set by the market with effect from 1 June 2015. According to the recently published Guiding Opinion of the State Council on Promoting the Healthy Development of the Pharmaceutical Industry* (國務院辦公廳關於促進醫藥產業健康發展的指導意見) by the PRC State Council, it is targeted that the revenue generated by the key operations of the pharmaceutical industry will grow by over 10% on average per annum by 2020 and the PRC government will provide favourable supports through such as financial support, market promotion, and government purchase. On this basis, pharmaceutical market in the PRC is expected to continue to grow in the near future.

2. Reasons for the Non-exempt Continuing Connected Transactions

As set out in the Letter from the Board, members of the Thrive Leap Group had been selling the Products to members of the Tianjin Pharmaceutical Group in their ordinary course of business prior to the completion of the Thrive Leap Acquisition by the Group in December 2015. Details of the principal activities of the Thrive Leap Group has been set out under paragraph headed “1.3 Information on Lisheng and the Lisheng Group” above.

On this basis, the Directors are of the view that continuation of the Sales Transactions will enable the Thrive Leap Group 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 and thus providing a stable source of income for the Group.

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The Master Sales Agreement will facilitate the continuation of the Sales Transactions between Thrive Leap Group and the Tianjin Pharmaceutical Group, including the sales of various chemical drug products and pharmaceutical printing and packaging products manufactured by members of the Group.

Having considered (i) the principal business activities of the Group and its recent acquisition of the Thrive Leap Group; (ii) the principal business activities of the Thrive Leap Group; (iii) the fact that the Master Sales Agreement is a renewal of the 2015 Master Sales Agreement and the Master Sales Agreement will facilitate the continuation of the Sales Transactions; and (iv) the reasons for entering into the Master Sales Agreement as set out above, we concur with the Directors' view that the Sales Transactions are in the interests of the Company and the Shareholders as a whole.

3. Principal terms of the Master Sales Agreement and our analysis on the terms and conditions of the Master Sales Agreement

The principal terms of the Master Sales Agreement are set out in the Letter from the Board under the section headed "The Master Sales Agreement". The Master Sales Agreement, which is conditional upon the passing of an ordinary resolution by the Independent Shareholders to approve the Master Sales Agreement and the Sales Annual Caps at the EGM, 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.

Our analysis

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 (the "**Pricing Principles**") as per the Letter from the Board:

- (i) 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;
- (ii) where there is no reference price available as stated in (i) 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% (which profit margin range is in line with that of Products sold to the Tianjin Pharmaceutical Group from time to time in the past), and taking into account, among others, market conditions (e.g. the market demand for such category of products and the availability of similar or comparable products in the market) and the price of similar products offered by independent third party suppliers in the same region; and

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- (iii) 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.

In connection with our analysis and work performed, we have obtained from the Company and compared sample historical transactions of various Products (including (i) chemical drug products; and (ii) pharmaceutical printing and packaging products) supplied by the Group to the Tianjin Pharmaceutical Group under the 2015 Master Sales Agreement as well as to independent third party customers. We have reviewed the corresponding transaction records, including the sales orders, which set out the unit prices and the order quantity and discussed with the Company in this relation. We note from our review of the documents provided and our discussion with the Company that (i) none of the sampled historical transactions with the Tianjin Pharmaceutical Group involved a discount to the unit price on the sales orders; (ii) the sample comparable historical transactions related to the chemical drug products and the pharmaceutical printing and packaging products entered into between the Group and the Tianjin Pharmaceutical Group were under the terms no less favourable to those entered into between the Group and the independent third party customers, including the unit prices for similar products and order quantity. We understand from the Management that the unit price of the sampled transactions were determined with reference to the unit price of similar products quoted on the ERP System, the details of which are further elaborated below.

We have reviewed and discussed with the Management in respect of the internal control measures (the “**Internal Control Measures**”), which include the pricing principles and the execution procedures, and note that such measures are applied to sales transactions entered into with both independent third party customers and connected party customers by the Group. As set out in the Letter from the Board, the general managers of the relevant Group members will be responsible for determining the Products’ price at the beginning of each year and review the Products’ price to make adjustments from time to time where necessary in response to market situations, including, among others, fluctuations in raw material costs and changes in market demands. Such pricing information will then be integrated in the Group’s ERP System and become the fixed prices of the Products for the implementation of sales process as required by sale module of the ERP System. Based on our discussion with the Management, we understand that (i) the sales of Products must be processed at the fixed prices (adjusted from time to time where necessary) (which is communicated to the relevant sales agents) in the ERP System; (ii) the Group will ensure the same sales policy is applied to both independent third parties and the Tianjin Pharmaceutical Group; and (iii) the

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Group will regularly review the market price of the Products under the supervision of the finance department of relevant Group members 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 in order to ensure that the actual selling price of the Products and discount to be offered (where applicable) will be no more favourable than those offered to independent third party customers. Furthermore, the sales department of the relevant Group members will also monitor the transaction amounts in order to prevent the aggregated sales amount of the Sales Transactions from exceeding the relevant Sales Annual Caps.

In connection with the Internal Control Measures, we have obtained and reviewed supporting materials to including (i) sample approval by the general managers of the relevant Group members for the adjustment of the Products price, including factors taken into account for the determination of the abovementioned adjustment, such as raw material price and cost of packaging; and (ii) sample sales order in the ERP System setting out information such as description, quantity, unit price of various Products and the relevant approval for such sales order. In addition, the Management has also confirmed that there has not been any material non-compliance to the Pricing Principles and Internal Control Measures in relation to the Sales Transactions under the 2015 Master Sales Agreement. Furthermore, the Management has also confirmed that the Sales Transactions under the Master Sales Agreement shall continue to comply with the Internal Control Measures which applies to transactions entered into with both independent third parties and the Tianjin Pharmaceutical Group by the Group.

Based on the above, we concur with the Directors' view that the terms of the Master Sales Agreement are (i) entered into on normal commercial terms; (ii) fair and reasonable in so far as the Company and the Shareholders are concerned; and (iii) in the interests of the Company and the Shareholders as a whole.

4. Rationale for determining 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 as extracted from the Letter from the Board:

	For the year ended 31 December		
	2013	2014	2015
Historical amounts of the Sales Transactions	RMB189.0 million	RMB179.1 million	RMB162.3 million
<i>(HK\$ equivalent, approximately)</i>	<i>(HK\$239.2 million)</i>	<i>(HK\$227.2 million)</i>	<i>(HK\$207.7 million)</i>

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The table below sets out the respective Sales Annual Caps under the Master Sales Agreements for the three years ending 31 December 2016, 2017 and 2018:

	For the year ending 31 December		
	2016	2017	2018
Sales Annual Caps (<i>HK\$ equivalent, approximately</i>)	RMB208.0 million (HK\$247.0 million)	RMB234.0 million (HK\$278.0 million)	RMB250.0 million (HK\$297.0 million)
Year-on-year growth rate (<i>approximately</i>)	28.2% ¹	12.5%	6.8%

Note 1: As compared to the historical amounts of the Sales Transactions for the year ended 31 December 2015.

We understand from the Company that the Sales Annual Caps were determined with reference to (i) the historical transaction amounts in respect of the Sales Transactions; (ii) the projected level of demand for the Products by members of the Tianjin Pharmaceutical Group with their extensive distribution networks which cover most of the major retail pharmacy groups, clinics and hospitals in Tianjin; and (iii) the PRC's policy to promote the pharmaceutical industry as reflected by the Guiding Opinion of the State Council on Promoting the Healthy Development of the Pharmaceutical Industry* (國務院辦公廳關於促進醫藥產業健康發展的指導意見) issued by the PRC State Council on 4 March 2016.

In considering the fairness and reasonableness of the Sales Annual Caps, we have performed the following work and analysis. The historical transaction amounts for the three years ended 31 December 2015 declined by approximately 7.3% on average per year. The Management considered that such moderate decline was attributable to normal demand fluctuation of the Tianjin Pharmaceutical Group and the difference in product mix transacted with the Tianjin Pharmaceutical Group for each of the three years ended 31 December 2015.

We note from the Letter from the Board that the Sales Annual Caps for the three years ending 31 December 2018 have been determined with reference to the projected level of demand for the Products by members of the Tianjin Pharmaceutical Group in the PRC. We have obtained and reviewed the breakdown of the historical amounts of the Sales Transactions, projected level of demand of the Products for the three years ending 31 December 2018 and relevant supporting materials (the "**Sales Annual Caps Materials**") provided by the Company and discussed with the Management in this connection. We understand from the Management that projected level of demand of the Products for the three years ending 31 December 2018 is prepared based on information and assumptions including historical transacted amounts with the Tianjin Pharmaceutical Group, potential demand for the Products from the Tianjin Pharmaceutical Group and prospects of the pharmaceutical industry in the PRC, having taken into account of prevailing market conditions and PRC government's relevant support policies to the pharmaceutical industry.

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We were advised by the Management that the historical sales transactions amount during the period from 21 December 2015 to 31 December 2015 was approximately RMB14.9 million, which represents approximately 14.4% of the sales annual cap of RMB103,350,000 under the 2015 Master Sales Agreement. As set out in the Letter from the Board, the amount paid by the Tianjin Pharmaceutical Group to the Group in respect of the Sales Transactions for the period from 21 December 2015 to the Latest Practicable Date was RMB36,850,000, representing approximately 35.7% of the sales annual cap of RMB103,350,000 under the 2015 Master Sales Agreement. The Management advised that the Sales Annual Cap for the year ending 31 December 2016 of approximately RMB208.0 million is determined after taking into account (i) the CAGR of the sales value of pharmaceutical products in the PRC of over the period from 2009 to 2014; and (ii) the average historical sales amount for the three years ended 31 December 2015 of approximately RMB176.8 million. The Sales Annual Cap for the year ending 31 December 2016 represents an increase of approximately 17.4% from the average historical sales amount for the three years ended 31 December 2015 of approximately RMB176.8 million, and such growth rate is lower than the CAGR of the total production value of national medical and pharmaceutical industry in the PRC from 2009 to 2014 of approximately 21.0% based on the data from SMEI of the PRC as set out in the section headed “1.7 Background information of the pharmaceutical industry in the PRC” in our letter. Moreover, we understand from our discussion with the Management that having taken into account the business growth of Tianjin Pharmaceutical Group, the Group intends to take advantage of the wide customer base of the Tianjin Pharmaceutical Group from its extensive distribution network to further enhance the existing business cooperation and increase Product sales to Tianjin Pharmaceutical Group. Based on the financial information of Tianjin Pharmaceutical Group published on www.chinabond.com.cn, we note that the revenue of Tianjin Pharmaceutical Group increased from RMB18.6 billion in 2012 to RMB21.4 billion in 2014, representing an increase of approximately 15.1%.

Furthermore, we also understand from the Management that the Sales Annual Caps for the year ending 31 December 2017 and 2018 are primarily determined with reference to the Sales Annual Cap of the previous year and projected CAGR of pharmaceutical products in the PRC of 10.9% over the period from 2015 to 2017. We note that the year-on-year growth rate for the Sales Annual Caps for the year ending 31 December 2017 and 31 December 2018 compared to the previous year is approximately 12.5% and 6.8%, respectively, while the CAGR of the Sales Annual Caps for the three years ending 31 December 2018 is approximately 9.6%, which is lower than the CAGR of the total production value of national medical and pharmaceutical industry in the PRC from 2009 to 2014 of approximately 21.0% based on the data from SMEI of the PRC as set out in the section headed “1.7 Background information of the pharmaceutical industry in the PRC” in our letter.

We also note from the Letter from the Board that the Sales Annual Caps were determined after taking into account various factors including historical transaction amounts, historic as well as projected CAGR derived from statistic of independent third party research institutions under the China Food and Drug Administration* (國家食品藥品監督管理總局).

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Having taken into account the basis in determining the Sales Annual Caps for the Sales Transactions for the three years ending 31 December 2018 and our relevant work and analysis performed as set out above, we concur with the Directors' view that the Sales Annual Caps have been arrived at on a fair and reasonable basis.

5. Conditions of the Sales Annual Caps

There are certain conditions of the new annual caps to the Listing Rules, in particular, the restriction of the value of the Sales Transactions by way of the Sales Annual Caps for each of the three financial years ending 31 December 2018 and the annual review by the INEDs of the terms of the Sales Transactions and the Sales Annual Caps not being exceeded, details of which must be included in the Company's subsequent published annual reports and accounts. In addition, pursuant to the Listing Rules, each year the auditors of the Company must provide a letter to the Board confirming, among other things, that the Sales Transactions are conducted in accordance with the Master Sales Agreements and that the Sales Annual Caps have not been exceeded. Furthermore, pursuant to the Listing Rules, the Company shall publish an announcement if it knows or has reason to believe that the INEDs and/or its auditors will not be able to confirm the terms of the Sales Transactions or Sales Annual Caps not being exceeded.

The Company has confirmed that the Directors (including the INEDs) will review and confirm the same and the auditors of the Company will perform the same review and confirmation in respect of the Sales Transactions for each of the three years ending 31 December 2018.

IV. RECOMMENDATION

Having considered the above principal factors and reasons, in particular,

- (i) the Sales Transactions provides a stable source of income to the Group;
- (ii) the Pricing Principles governing the price of the Products to be sold by members of the Group to members of the Tianjin Pharmaceutical Group as set out in the Letter from the Board and our letter;
- (iii) the Master Sales Agreement is a renewal of the 2015 Master Sales Agreement which is due to expire on 30 April 2016;
- (iv) the Group has the right but not the obligation to conduct the Sales Transactions with the Tianjin Pharmaceutical Group; and
- (v) the basis for determining the Sales Annual Caps as set out under the section headed "4. Rationale for determining the Sales Annual Caps" in our letter,

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we are of the opinion that (i) the terms of the Master Sales Agreement (including the Sales Annual Caps) are fair and reasonable in so far as the Company and the Shareholders are concerned; and (ii) the Sales Transactions are on normal commercial terms, 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, we would advise the Independent Board Committee and the Shareholders that the Independent Shareholders should vote in favour of the relevant ordinary resolution to approve the Master Sales Agreement (including the Sales Annual Cap) in the EGM.

Yours faithfully
For and on behalf of
Investec Capital Asia Limited
Lewis Lai
Director
Corporate Finance

Mr. Lewis Lai is a licensed person registered with the SFC and a responsible officer of Investec Capital Asia Limited. He has over nine years of experience in the corporate finance industry.

* *for identification purposes only*

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange were as follows:

(i) Director's interests in the shares of the Company

Name of Director	Number of underlying shares held	Approximate percentage of total issued shares
Mr. Wang Zhiyong	8,600,000	0.80%
Mr. Tuen Kong, Simon	2,900,000	0.27%
Dr. Cui Di	2,900,000	0.27%
Mr. Cheung Wing Yui, Edward	1,100,000	0.10%
Dr. Chan Ching Har, Eliza	600,000	0.06%
Dr. Cheng Hon Kwan	1,100,000	0.10%
Mr. Mak Kwai Wing, Alexander	600,000	0.06%
Ms. Ng Yi Kum, Estella	600,000	0.06%
Mr. Wong Shiu Hoi, Peter	100,000	0.01%

Notes:

- All interests are personal interests held in the capacity as a beneficial owner.
- All interests stated above represent long positions.

(ii) Directors' interests in the shares of associated corporations of the Company

Name of Director	Name of associated corporation	Nature of interests	Capacity	Number of underlying shares held	Approximate percentage of total issued shares
Ms. Zhang Lili	Tianjin Port Development Holdings Limited	Personal interest	Beneficial owner	3,450,000	0.06%

(iii) Directors' interests in the share options granted by the Company

Name of Director	Date of grant	Number of share options		Exercise period	Notes
		Exercise price per share HK\$	Held as at the Latest Practicable Date		
Mr. Wang Zhiyong	16/12/2009	5.750	900,000	16/12/2009 – 24/05/2017	(2)
	07/11/2011	3.560	2,800,000	11/11/2011 – 24/05/2017	(4)
	19/12/2012	4.060	2,800,000	19/12/2012 – 24/05/2017	(5)
	20/12/2013	5.532	2,100,000	20/12/2013 – 24/05/2017	(6)
Mr. Tuen Kong, Simon	16/12/2009	5.750	900,000	16/12/2009 – 24/05/2017	(2)
	20/12/2013	5.532	2,000,000	20/12/2013 – 24/05/2017	(6)
Dr. Cui Di	07/11/2011	3.560	300,000	11/11/2011 – 24/05/2017	(4)
	19/12/2012	4.060	800,000	19/12/2012 – 24/05/2017	(5)
	20/12/2013	5.532	1,800,000	20/12/2013 – 24/05/2014	(6)
Mr. Cheung Wing Yui, Edward	19/12/2007	8.040	500,000	17/01/2008 – 24/05/2017	(1)
	16/12/2009	5.750	300,000	16/12/2009 – 24/05/2017	(2)
	07/11/2011	3.560	100,000	11/11/2011 – 24/05/2017	(4)
	19/12/2012	4.060	100,000	19/12/2012 – 24/05/2017	(5)
	20/12/2013	5.532	100,000	20/12/2013 – 24/05/2017	(6)
Dr. Chan Ching Har, Eliza	16/12/2009	5.750	300,000	16/12/2009 – 24/05/2017	(2)
	07/11/2011	3.560	100,000	11/11/2011 – 24/05/2017	(4)
	19/12/2012	4.060	100,000	19/12/2012 – 24/05/2017	(5)
	20/12/2013	5.532	100,000	20/12/2013 – 24/05/2017	(6)
Dr. Cheng Hon Kwan	19/12/2007	8.040	500,000	17/01/2008 – 24/05/2017	(1)
	16/12/2009	5.750	300,000	16/12/2009 – 24/05/2017	(2)
	07/11/2011	3.560	100,000	11/11/2011 – 24/05/2017	(4)
	19/12/2012	4.060	100,000	19/12/2012 – 24/05/2017	(5)
	20/12/2013	5.532	100,000	20/12/2013 – 24/05/2017	(6)
Mr. Mak Kwai Wing, Alexander	16/12/2009	5.750	300,000	16/12/2009 – 24/05/2017	(2)
	07/11/2011	3.560	100,000	11/11/2011 – 24/05/2017	(4)
	19/12/2012	4.060	100,000	19/12/2012 – 24/05/2017	(5)
	20/12/2013	5.532	100,000	20/12/2013 – 24/05/2017	(6)

Name of Director	Date of grant	Number of share options		Exercise period	Notes
		Exercise price per share HK\$	Held as at the Latest Practicable Date		
Ms. Ng Yi Kum, Estella	03/12/2010	6.070	300,000	03/12/2010 – 24/05/2017	(3)
	07/11/2011	3.560	100,000	11/11/2011 – 24/05/2017	(4)
	19/12/2012	4.060	100,000	19/12/2012 – 24/05/2017	(5)
	20/12/2013	5.532	100,000	20/12/2013 – 24/05/2017	(6)
Mr. Wong Shiu Hoi, Peter	20/12/2013	5.532	100,000	20/12/2013 – 24/05/2017	(6)

Notes:

- Pursuant to the Share Option Scheme, a total of 11,900,000 share options were granted on 19 December 2007 and accepted by the grantees on 17 January 2008, with an exercise price of HK\$8.040 and are exercisable from 17 January 2008 to 24 May 2017.
- Pursuant to the Share Option Scheme, a total of 14,200,000 share options were granted on 16 December 2009 and accepted by the grantees on the same day, with an exercise price of HK\$5.750 and are exercisable from 16 December 2009 to 24 May 2017.
- Pursuant to the Share Option Scheme, a total of 300,000 share options were granted on 3 December 2010 and accepted by the grantee on the same day, with an exercise price of HK\$6.070 and are exercisable from 3 December 2010 to 24 May 2017.
- Pursuant to the Share Option Scheme, a total of 16,800,000 share options were granted on 7 November 2011 and accepted by the grantees on 11 November 2011, with an exercise price of HK\$3.560 and are exercisable from 11 November 2011 to 24 May 2017.
- Pursuant to the Share Option Scheme, a total of 18,800,000 share options were granted on 19 December 2012 and accepted by the grantees on the same day, with an exercise price of HK\$4.060 and are exercisable from 19 December 2012 to 24 May 2017.
- Pursuant to the Share Option Scheme, a total of 13,750,000 share options were granted on 20 December 2013 and accepted by the grantees on the same day, with an exercise price of HK\$5.532 and are exercisable from 20 December 2013 to 24 May 2017.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) 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 and short positions which they were taken or deemed to have under such provision of the SFO); (ii) were required to be entered in the register required to be kept by the Company under section 352 of the SFO; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

Name of Director	Name of company	Position
Mr. Zeng Xiaoping	Tsinlien Investment	Director
	Tsinlien	Director
Mr. Wang Zhiyong	Tsinlien Investment	Director
	Tsinlien	Director
Dr. Cui Di	Tsinlien Investment	Director
	Tsinlien	Director

3. DISCLOSURE OF SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at the Latest Practicable Date, so far as was known to the Directors, the following persons or corporations (other than the Directors or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly interested in 10% or more of the issued voting shares of any other member of the Group or in any options in respect of such capital, or, who were, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the Group or in any options in respect of such capital:

Name of Shareholder	Notes	Capacity	Number of shares held	Approximate percentage of total issued shares
Tsinlien Investment	1&2	Interest of controlled corporation	673,753,143	62.80%
Bohai	1&2	Interest of controlled corporation	673,753,143	62.80%
Tianjin Pharmaceutical	1&2	Interest of controlled corporation	673,753,143	62.80%
Tsinlien	1&3	Directly beneficially owned and interest of controlled corporation	673,753,143	62.80%

Notes:

1. All interests stated above represent long positions.
2. Tsinlien is a direct wholly-owned subsidiary of Tianjin Pharmaceutical, which in turn is a direct wholly-owned subsidiary of Bohai and an indirect wholly-owned subsidiary of Tsinlien Investment. By virtue of the SFO, Tsinlien Investment, Bohai and Tianjin Pharmaceutical are deemed to be interested in the same parcel of shares of the Company in which Tsinlien is interested.
3. As at the Latest Practicable Date, Tsinlien directly held 22,954,000 shares of the Company and its wholly-owned subsidiaries, namely Tianjin Investment Holdings Limited, Tsinlien Venture Capital Company Limited and Tsinlien Investment Limited held 568,017,143 shares, 2,022,000 shares and 80,760,000 shares of the Company respectively. By virtue of the SFO, Tsinlien is deemed to have an interest in the shares of the Company in which Tianjin Investment Holdings Limited, Tsinlien Venture Capital Company Limited and Tsinlien Investment Limited are interested.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors, there were no other persons (other than the Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who were, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the Group or in any options in respect of such capital.

4. DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which have been, since 31 December 2014, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

5. DIRECTORS' INTERESTS IN CONTRACTS AND ARRANGEMENTS

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

6. DIRECTORS' SERVICE CONTRACTS

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

7. DIRECTORS' INTERESTS IN COMPETING BUSINESS

Mr. Zeng Xiaoping, Mr. Wang Zhiyong and Dr. Cui Di are directors of Tsinlien Investment which, through certain of its subsidiaries, is partly engaged in the businesses of pharmaceutical including manufacture and sale of medicinal raw materials, food additive and medical disinfecting products. As these businesses are of different types and/or different sales regions, the Group is capable of carrying on its businesses independently of, and at arm's length from, the businesses of Tsinlien Investment.

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

8. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2014, being the date to which the latest published audited financial statements of the Company were made up.

9. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the expert who have given opinion or advice which is contained or referred to in this circular:

Name	Qualification
Investec	a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO

Investec has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and/or references to its name in the form and context in which they respectively appear.

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

As at the Latest Practicable Date, Investec did not have any direct or indirect interest in any assets which have been, since 31 December 2014, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

10. GENERAL

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

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the office of Woo Kwan Lee & Lo at 26th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong during normal business hours from the date of this circular up to and including the date of the EGM:

- (a) the Master Sales Agreement;
- (b) the letter from the Independent Board Committee, the text of which is set out on page 11 of this circular;
- (c) the letter from Investec, the text of which is set out on pages 12 to 25 of this circular; and
- (d) the consent letter of Investec referred to in the section headed “*Qualification and consent of expert*” of this appendix.



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

(Incorporated in Hong Kong with limited liability)

(Stock Code: 882)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Tianjin Development Holdings Limited (天津發展控股有限公司) (the “**Company**”) will be held at Hennessy Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on 27 April 2016 (Wednesday) at 4:00 p.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

“**THAT:**

- (a) the Master Sales Agreement (as defined and described in the circular of the Company dated 7 April 2016 (the “**Circular**”), a copy of the Master Sales Agreement marked “A” together with a copy of the Circular marked “B” are produced to the meeting and initialled by the chairman of the meeting for the purpose of identification) and all transactions contemplated thereunder and in connection therewith be and are hereby approved, confirmed and ratified;
- (b) the Sales Annual Caps (as defined and described in the Circular) be and are hereby approved; and
- (c) any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorised for and on behalf of the Company to sign, execute, perform and deliver all such other instruments, deeds, documents and agreements and do such acts or things and take all such steps as he or they may in his or their absolute discretion consider to be necessary, desirable, appropriate or expedient to implement and/or give effect to the Master Sales Agreement and the transactions contemplated thereunder and the Sales Annual Caps and all matters incidental to, ancillary to or in connection with the matters contemplated therein.”

By order of the Board
Tianjin Development Holdings Limited
Zeng Xiaoping
Chairman

Hong Kong, 7 April 2016

NOTICE OF EGM

Notes:

- (1) Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend, speak and vote in his/her stead. A proxy may not be a member of the Company.
- (2) In order to be valid, the completed form of proxy together with any power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney or other authority, must be deposited at the Company's share registrar, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the meeting (or any adjournment thereof). Completion and return of the form of proxy will not preclude a member from attending and voting in person at the meeting.
- (3) Where there are joint registered holders of any shares, any one of such persons may vote at the meeting (or at any adjournment thereof), either personally or by proxy in respect of such shares as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the meeting personally or by proxy, that one of such joint holders so present whose name stands first on the register of members of the Company shall alone be entitled to vote in respect of such shares.
- (4) The resolution set out in this notice will be decided by poll.
- (5) The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.

As at the date of this notice, the board of directors of the Company 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*