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

(Incorporated in Hong Kong with limited liability)

(Stock Code: 882)

MAJOR TRANSACTION

DISPOSAL OF EQUITY INTEREST IN TIANJIN INSTITUTE OF PHARMACEUTICAL RESEARCH CO., LTD. AND

CESSATION OF CONTINUING CONNECTED TRANSACTIONS

THE COOPERATION AGREEMENT

Reference is made to the announcement of the Company dated 29 May 2018 in relation to the potential disposal of part of the equity interest in Research Institute held by Jinhao Pharmaceutical to a potential strategic investor through public listing-for-sale process to be conducted on TPREC.

On 6 August 2018, Jinhao Pharmaceutical and China Merchants Tianhe entered into the Cooperation Agreement, pursuant to which Jinhao Pharmaceutical agreed to dispose part of its equity interest in Research Institute to China Merchants Tianhe through a combination of Capital Injection and Partial Transfer.

Upon Completion, Research Institute will be held as to 35% and 65% respectively by Jinhao Pharmaceutical and China Merchants Tianhe, and the total registered capital of Research Institute will be increased from RMB38,991,486 to RMB72,881,282. Research Institute will cease to be a subsidiary and become an associate of the Company, thus its financial results will no longer be consolidated into the financial statements of the Group.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios calculated in accordance with Rule 14.07 of the Listing Rules in respect of the Disposal exceeds 25% but less than 75%, the Disposal constitutes a major transaction of the Company and is therefore subject to reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

So far as the Company is aware, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for approval of the Cooperation Agreement and the Disposal. Tsinlien, being the controlling Shareholder directly and indirectly holding 673,755,143 shares of the Company (representing approximately 62.80% of the total number of issued shares of the Company as at the date of this announcement), has given its written approval for the Cooperation Agreement and the Disposal. Accordingly, such written approval is accepted in lieu of holding a general meeting pursuant to Rule 14.44 of the Listing Rules.

A circular containing, among other things, (i) further details in relation to the Cooperation Agreement and the Disposal; and (ii) other information as required under the Listing Rules will be despatched to the Shareholders on or before 27 August 2018.

INTRODUCTION

Reference is made to the announcement of the Company dated 29 May 2018 in relation to the potential disposal of part of the equity interest in Research Institute held by Jinhao Pharmaceutical to a potential strategic investor through public listing-for-sale process to be conducted on TPREC.

The bidding period of the public listing-for-sale process ended on 25 July 2018 and China Merchants Tianhe has been confirmed as the successful bidder by TPREC.

THE COOPERATION AGREEMENT

On 6 August 2018, Jinhao Pharmaceutical and China Merchants Tianhe entered into the Cooperation Agreement, pursuant to which Jinhao Pharmaceutical agreed to dispose part of its equity interest in Research Institute to China Merchants Tianhe through a combination of Capital Injection and Partial Transfer, subject to the terms and conditions of the Cooperation Agreement.

Date

6 August 2018

Parties

- (1) Jinhao Pharmaceutical
- (2) China Merchants Tianhe

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, China Merchants Tianhe and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

The Disposal

Pursuant to the Cooperation Agreement, Jinhao Pharmaceutical agreed to dispose part of its equity interest in Research Institute to China Merchants Tianhe through a combination of the followings:

- (i) China Merchants Tianhe, as investor, agreed to inject an aggregate sum of RMB1,004,000,000 (equivalent to approximately HK\$1,167,441,860) by way of cash contribution into Research Institute, in which, RMB33,889,796 (equivalent to approximately HK\$39,406,740) will be contributed as the additional registered capital of Research Institute (amounting to approximately 46.5% of the enlarged registered capital), and the balance of RMB970,110,204 (equivalent to approximately HK\$1,128,035,120) will be contributed towards the capital reserve of Research Institute; and
- (ii) Jinhao Pharmaceutical agreed to transfer part of its shares in Research Institute (amounting to approximately 18.5% of the enlarged registered capital) to China Merchants Tianhe for a consideration of RMB399,270,000 (equivalent to approximately HK\$464,267,442).

The amount of Capital Injection and the total consideration for the Partial Transfer were arrived at after arm's length negotiations between Jinhao Pharmaceutical and China Merchants Tianhe and are determined with reference to the appraised net asset value of Research Institute as set out in the Valuation Report as at the Benchmark Date.

The profits generated by Research Institute during the period from the Benchmark Date to the Completion Date belongs to Jinhao Pharmaceutical and the losses and risks incurred by Research Institute during the period from the Benchmark Date to the Completion Date will be borne by Jinhao Pharmaceutical.

Payment terms

China Merchants Tianhe shall pay the amount of Capital Injection and the total consideration for the Partial Transfer to the designated bank account of Research Institute and TPREC respectively in cash within 5 business days from the date following the date of the Cooperation Agreement.

Prior to signing of the Cooperation Agreement, China Merchants Tianhe has paid a security deposit of RMB350,000,000 (equivalent to approximately HK\$406,976,744) and such amount has been applied as part payment of the consideration for the Partial Transfer upon signing of the Cooperation Agreement.

As of the date of the Cooperation Agreement, there are outstanding current accounts in the sum of RMB176,664,556 (equivalent to approximately HK\$205,423,902) owed by Research Institute to Jinhao Pharmaceutical and Tianjin Pharmaceutical. China Merchants Tianhe agrees that Research Institute shall settle these outstanding current accounts within 20 business days after the Completion Date.

Completion

Jinhao Pharmaceutical shall assist Research Institute in completing the registration procedure with respect to the Disposal with the relevant industrial and commercial administration authority of the PRC as soon as practicable.

Upon Completion, Research Institute will be held as to 35% and 65% respectively by Jinhao Pharmaceutical and China Merchants Tianhe, and the total registered capital of Research Institute will be increased from RMB38,991,486 to RMB72,881,282. Research Institute will cease to be a subsidiary and become an associate of the Company, thus its financial results will no longer be consolidated into the financial statements of the Group.

Other major terms

China Merchants Tianhe guarantees that, after the implementation of the mixed-ownership reform, the company name of Research Institute will remain unchanged and the location of the registered address of Research Institute will remain in Tianjin to ensure the operation continuity and asset integrity of Research Institute.

China Merchants Tianhe also guarantees that it will hold equity interest in Research Institute for not less than 8 years.

Furthermore, China Merchants Tianhe guarantees to launch an employee stock ownership scheme no later than 3 months after the Completion and to transfer not more than 15% of equity interest held by it in Research Institute through the employee stock ownership scheme in stages. Jinhao Pharmaceutical agrees to waive its pre-emptive rights and continue to hold 35% equity interest in Research Institute.

INFORMATION ON RESEARCH INSTITUTE

Research Institute is a limited liability company established under the laws of the PRC and is principally engaged in researches on areas such as pharmaceutical knowledge, pharmaceutical chemistry, pharmaceutical preparations, modern Chinese medicine, safety evaluation of new drugs and drug metabolism, and specializes in the research and development of innovation medicines and technology improvements of Chinese medicine, chemical medicine and biotechnological medicine.

Set out below was the unaudited consolidated financial information of Research Institute (prepared in accordance with the generally accepted accounting principles in Hong Kong) for the two financial years ended 31 December 2016 and 31 December 2017 respectively:

	For the year ended 31 December	
	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Net assets	566,838	582,426
Profit before tax	19,211	19,916
Profit after tax	17,039	15,772

As of the Benchmark Date, the appraised net asset value of Research Institute was approximately RMB1,154,214,200 (equivalent to approximately HK\$1,342,109,535) according to the Valuation Report.

REASONS FOR AND BENEFITS OF ENTERING INTO THE COOPERATION AGREEMENT

With the increasingly fierce market competition and the introduction of policies and measures of the PRC pharmaceutical industry, the pharmaceutical sector will inevitably go through structural transformations and upgrade from its existing strength of a manufacturing base to a promising strategic market and efficient research and development center.

The implementation of a mixed-ownership reform is an important strategic priority for Research Institute and will introduce a strategic investor with extensive experiences in the pharmaceutical value chain and investments in the PRC pharmaceutical markets. The capital injection of RMB1,004,000,000 (equivalent of approximately HK\$1,167,441,860) from China Merchants Tianhe will assist Research Institute in enhancing and accelerating the development of its research and development product pipeline, and also establish a fully integrated platform covering the entire value chain from pharmaceutical research and development to manufacturing and commercialisation.

Following the completion of the mixed-ownership reform, Research Institute is committed to taking the leading role in PRC pharmaceutical industry and intends to capitalise on its strengths to pursue the following business strategies:

- materialise the commercialisation of research and development and establish a value-added research industry chain so as to become an innovation-driven pharmaceutical enterprise;
- strengthen product mix enrichment with focusing on innovative pharmaceutical products including new small-molecule anticoagulant drugs, new endocrine-related drugs, new oncology drugs and specialty preparations;
- integrate research and development technical service in the areas of consistency assessment for generics drugs, further development of traditional Chinese medicine, non-clinical evaluation and clinical research services for innovative pharmaceutical products so as to establish the market presence in the PRC pharmaceutical research and development industry;
- promote international collaboration for innovative pharmaceutical achievement and development of the great healthcare business.

The Directors consider that the Disposal would allow Research Institute to expand its operations and deliver sustainable growth in the future. The Directors are of the view that the Disposal is on normal commercial terms and the terms of the Cooperation Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECTS OF THE DISPOSAL AND USE OF PROCEEDS

Upon Completion, Research Institute will be held as to 35% and 65% respectively by Jinhao Pharmaceutical and China Merchants Tianhe, and the total registered capital of Research Institute will be increased from RMB38,991,486 to RMB72,881,282. Research Institute will cease to be a subsidiary and become an associate of the Company, thus its financial results will no longer be consolidated into the financial statements of the Group.

The Completion will result in a 65% reduction in Jinhao Pharmaceutical's equity interest in Research Institute. Subject to the review by the auditors, it is estimated that an unaudited gain of approximately RMB531,063,000 (equivalent to approximately HK\$617,515,116) (with total expenses incidental to the Disposal to be assessed for deduction) will arise from the Disposal. Such unaudited estimated gain was determined by difference between (i) the sum of cash consideration from Partial Transfer and the fair value of Jinhao Pharmaceutical's remaining equity interest in Research Institute; and (ii) the audited carrying amount of Research Institute as at 31 December 2017.

The actual gain to be recognised in the consolidated financial statements of the Group will be calculated based on the net asset value of Research Institute as at the date of Completion and therefore may vary from the amount mentioned above.

Upon Completion, the gross and net proceeds that arise from the consideration for Partial Transfer will be RMB399,270,000 and RMB299,452,500 (equivalent to approximately HK\$464,267,442 and HK\$348,200,581), respectively. The Company intends to apply the net proceeds from Partial Transfer as general working capital of the Group.

LISTING RULES IMPLICATIONS

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So far as the Company is aware, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for approval of the Cooperation Agreement and the Disposal. Tsinlien, being the controlling Shareholder directly and indirectly holding 673,755,143 shares of the Company (representing approximately 62.80% of the total number of issued shares of the Company as at the date of this announcement), has given its written approval for the Cooperation Agreement and the Disposal. Accordingly, such written approval is accepted in lieu of holding a general meeting pursuant to Rule 14.44 of the Listing Rules.

A circular containing, among other things, (i) further details in relation to the Cooperation Agreement and the Disposal; and (ii) other information as required under the Listing Rules will be despatched to the Shareholders on or before 27 August 2018.

CESSATION OF CONTINUING CONNECTED TRANSACTIONS

As stated in the Company's announcement dated 14 March 2016 and the circular dated 7 April 2016, the Company entered into a master R&D services agreement with Tianjin Pharmaceutical in relation to the provision of research and development of biomedical products, technology and related services by members of the Group to members of the Tianjin Pharmaceutical Group for a term from 14 March 2016 to 31 December 2018. Upon Completion, Research Institute will cease to be a subsidiary of the Company and accordingly, the R&D services to be provided (if any) by Research Institute to members of Tianjin Pharmaceutical Group will cease to constitute continuing connected transactions of the Company upon Completion.

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 and sale of other paper-based packaging materials; (iii) hotel; (iv) electrical and mechanical including the manufacture and sale of presses, mechanical and hydroelectric equipment and large scale pump units; and (v) strategic and other investments including investments in associates which are principally engaged in the manufacture and sale of elevators and escalators and provision of port services in Tianjin.

Jinhao Pharmaceutical is a company established under the laws of the PRC with limited liability and its principal business is investment holding. As at the date of this announcement, the Company indirectly holds approximately 67% of the issued share capital of Jinhao Pharmaceutical.

China Merchants Tianhe is a limited partnership established under the laws of the PRC and is principally engaged in biomedical technology development and related management consultancy services.

DEFINITIONS

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

“Benchmark Date”	31 May 2017
“Board”	the board of Directors
“Capital Injection”	an aggregate sum of RMB1,004,000,000 injected by China Merchants Tianhe by way of cash contribution into Research Institute, in which, RMB33,889,796 will be contributed as the additional registered capital of Research Institute and the balance of RMB970,110,204 will be contributed towards the capital reserve of Research Institute
“China Merchants Tianhe”	Tianjin China Merchants Tianhe Pharmaceutical Technology Development Partnership (limited partnership) (天津招商天合醫藥科技發展合夥企業(有限合夥)), a limited partnership established under the laws of the PRC
“Company”	Tianjin Development Holdings Limited (天津發展控股有限公司), a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Stock Exchange (Stock Code: 882)
“Completion”	the completion of the Disposal

“Completion Date”	the date on which the registration procedure with respect to the Disposal with the relevant industrial and commercial administration authority of the PRC is completed and a new new business licence of Research Institute has been obtained
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Cooperation Agreement”	the joint cooperation agreement dated 6 August 2018 entered into by Jinhao Pharmaceutical and China Merchants Tianhe in connection with the Disposal
“Directors”	directors of the Company
“Disposal”	the partial disposal of equity interests in Research Institute by Jinhao Pharmaceutical to China Merchants Tianhe through a combination of Capital Injection and Partial Transfer
“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 PRC
“Jinhao Pharmaceutical”	TianJin Jinhao Pharmaceutical Co., Ltd. (天津金浩醫藥有限公司), a company established under the laws of the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Partial Transfer”	the transfer of part of its shares in Research Institute by Jinhao Pharmaceutical to China Merchants Tianhe at a consideration of RMB399,270,000
“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
“Research Institute”	Tianjin Institute of Pharmaceutical Research Co., Ltd. (天津藥物研究院有限公司), a limited liability company established under the laws of the PRC and a wholly-owned subsidiary of Jinhao Pharmaceutical as at the date of this announcement
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of share(s) in the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Tianjin Pharmaceutical”	Tianjin Pharmaceutical Group Co., Ltd. (天津市醫藥集團有限公司), a company established under the laws of the PRC with limited liability and the holding company of Tsinlien
“Tianjin Pharmaceutical Group”	Tianjin Pharmaceutical and its subsidiaries (other than members of the Group)
“TPREC”	Tianjin Property Rights Exchange Centre (天津產權交易中心)
“Tsinlien”	Tsinlien Group Company Limited (津聯集團有限公司), a company incorporated in Hong Kong with limited liability and a controlling Shareholder directly and indirectly holding approximately 62.80% of the total number of issued shares of the Company as at the date of this announcement
“Valuation Report”	the valuation report of Research Institute prepared by Tongzhixingde (Beijing) Assets Appraisal Co. Ltd (同致信德(北京)資產評估有限公司), using the asset-based approach as at the Benchmark Date
“%”	per cent

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

In this announcement, RMB has been converted to HK\$ at the rate of RMB0.86= 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
Wang Zhiyong
Executive Director and General Manager

Hong Kong, 6 August 2018

As at the date of this announcement, the Board of the Company consists of Mr. Wang Zhiyong, Dr. Cui Di, 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*