THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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 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.

天津發展控股有限公司

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

Capitalised terms used on this cover page have the same meanings as defined in the section headed "Definitions" in this circular, unless the context requires otherwise.

A letter from the Board is set out on pages 4 to 17 of this circular.

The Cooperation Agreement and the Disposal have been approved by written approval obtained from Tsinlien, the controlling Shareholder, pursuant to Rule 14.44 of the Listing Rules in lieu of a general meeting of the Company. This circular is being despatched to the Shareholders for information only.

10 September 2018

CONTENTS

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

"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Benchmark Date"	31 May 2017
"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 company established under the laws of the PRC with limited liability and the holding company of Tianjin Pharmaceutical
"Capital Injection"	an aggregate sum of RMB1,004,000,000 (equivalent to approximately HK$1,167,441,860) injected by China Merchants Tianhe 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 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
"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, 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 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
"Latest Practicable Date"	5 September 2018, 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
"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 (equivalent to approximately HK$464,267,442)
"PRC"	the People's Republic of China (for the purposes of this circular, 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 Latest Practicable Date
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
"Share Option Scheme"	the share option scheme of the Company adopted at the annual general meeting of the Company held on 25 May 2007 and had expired on 24 May 2017
"Shareholder(s)"	holder(s) of the 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 Latest Practicable Date
"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
"Valuation Report"	the asset valuation report of Research Institute prepared by the Valuer, using the asset-based approach as at the Benchmark Date
"Valuer"	Tongzhixingde (Beijing) Assets Appraisal Co., Ltd. (同致信德(北京)資產評估有限公司), an independent valuer of the PRC
"%"	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 RMB0.86 = 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.

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. Wang Zhiyong *(General Manager)*
Dr. Cui Di
Dr. Yang Chuan

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

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

10 September 2018

To the Shareholders

Dear Sirs,

MAJOR TRANSACTION

DISPOSAL OF EQUITY INTEREST IN TIANJIN INSTITUTE OF PHARMACEUTICAL RESEARCH CO., LTD. AND CESSATION OF CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

References are made to the announcements of the Company dated 29 May 2018 and 6 August 2018 in relation to, among other things, the Cooperation Agreement and the Disposal.

The purpose of this circular is to provide you with among other things, further details of the Cooperation Agreement and the Disposal; together with other information as required under the Listing Rules.

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. The profits or losses generated by Research Institute from the Benchmark Date to the Completion Date will be determined according to the special audit report to be issued by an independent auditor, the results of which shall be final and binding on Jinhao Pharmaceutical and China Merchants Tianhe.

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 effective 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 shall be applied as part payment of the consideration for the Partial Transfer upon the effective date 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.

Pursuant to the Company Law of the PRC (中華人民共和國公司法), in the event that any shareholder of a limited liability company intends to dispose part or all of its shareholding to any person other than the shareholders of the company, it has to give a written offer to the other shareholders and the other shareholders have the pre-emptive right to purchase the shareholding offered to be disposed of from the offeror on the same proposed terms. According to the Cooperation Agreement, in the event that China Merchants Tianhe intends to transfer not more than 15% of equity interest held by it in Research Institute through the employee stock ownership scheme, Jinhao Pharmaceutical agrees to waive its pre-emptive rights conferred under the Company Law of the PRC (中華人民共和國公司法) to purchase such shareholding intended to be disposed of by China Merchants Tianhe and agrees to 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 specialises 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**
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
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 and net asset value of Research Institute was approximately RMB1,154,214,200 (equivalent to approximately HK$1,342,109,535) and approximately RMB132,896,500 (equivalent to approximately HK$154,503,814) respectively according to the Valuation Report adopting the asset-based approach which determines the value of Research Institute based on making reasonable valuation on its assets and liabilities.

VALUATION OF RESEARCH INSTITUTE

The Valuer has considered three generally accepted valuation approaches, namely the market approach, income approach and asset-based approach in arriving at the appraised net asset value of Research Institute.

The market approach provides an indication of value by comparing the subject asset with comparable listed companies or comparable transactions. Since only limited information about the existing market transaction of listed companies which principally engaged in pharmaceutical research business, being the same business activities engaged by Research Institute, are available, it is not practicable to adopt market approach in conducting the valuation.

The income approach provides that the expected income will be capitalised or discounted to determine the value of the valuation target. Taking into account factors including (i) the period from research and development, clinical trial to commercialisation of new drugs on average spanned over ten years or above; and (ii) no assurance that the research and development activities will result in commercially viable products from which Research Institute will be able to finally realise profit, it would be difficult to prepare a reliable long-term economic benefits for Research Institute and thus income approach is also not appropriate.

Given the unique business characteristics of Research Institute, there were limitations for the market approach and the income approach for valuing the underlying assets of Research Institute. As such, asset-based approach, which assesses the value of assets and liabilities on the financial position of Research Institute, is therefore considered to be the most appropriate approach in determining the appraised net asset value of Research Institute.

Pursuant to the Guide for the Administration and Execution of Corporate State-owned Assets Valuation (企業國有資產評估管理操作指南), the long-term equity investments in the controlling subsidiary and the non-controlling subsidiary of an appraised entity should be considered in state-owned assets valuation and appraised individually rather than appraised by the aggregate amount of their assets and liabilities on a consolidated basis. Accordingly, the Valuer adopted the asset-based approach in the valuation to individually investigates into every assets and liabilities of the long-term equity investments of Research Institute, including its nine subsidiaries and one associated company, which comprehensively reflected the market value of the subsidiaries and associated company based on their respective scope of business, operating conditions and asset mix.

As at the Benchmark Date and 31 December 2017, the major assets of Research Institute consist of inventories, patented pharmaceutical technology, long-term equity investment, buildings and land use rights. The major appreciation of the appraised net asset value as at the Benchmark Date as compared to the net asset value as at the Benchmark Date was primarily due to the appraised appreciation of the following assets of Research Institute:

(a) Available-for-sale financial assets

The available-for-sale financial assets are appraised by reference to the carrying amount of net assets of the investees based on their unaudited financial statements as at the Benchmark Date, multiplied by the shareholding percentage in the investees held by Research Institute as at the Benchmark Date.

There is an appreciation in the appraised value of available-for-sale financial assets which is mainly attributable to the increase in appraised value of investments in the investees as compared to the amount of registered capital paid when Research Institute originally invested in the investees and such increase was as a result of the business growth and development experienced by the investees since the initial investment by Research Institute up to the Benchmark Date.

(b) Long-term equity investments

The long-term equity investments covered by the scope of valuation refer to the investments in ten entities held by Research Institute, including nine subsidiaries and one associated company.

The investments in subsidiaries are appraised based on its audited financial statements as at the Benchmark Date, multiplied by the shareholding percentage in the subsidiary held by Research Institute as at the Benchmark Date. The investment in associated company is appraised based on its unaudited financial statements as at the Benchmark Date, multiplied by the shareholding percentage in the associated company held by Research Institute as at the Benchmark Date.

The appreciation in the appraised value of investments in subsidiaries and associated company is mainly attributable to the following reasons:

(i) Certain subsidiaries have undergone operational improvements and experienced increases in operational efficiency and earnings since the initial investments by Research Institute up to the Benchmark Date. Given there were promising growth opportunities in the PRC pharmaceutical research and development industry, as well as available financial resources generated at the business operations of the subsidiaries, the subsidiaries were able to create long-term shareholder value throughout the years by capturing the growth opportunities available to them. As such, there is an increase in the appraised value of investments in subsidiaries as compared to the amounts of registered capital paid when Research Institute originally invested in such subsidiaries since the date of their respective establishment.

(ii) The consideration paid for the land use rights of certain subsidiaries were booked at costs since the date of acquisition and such value amortised over yearly, resulting in a relatively low book value. The subsidiaries adopted the cost model to account for the land use rights after they had been initially recorded in the books as an asset, which were carried at its cost less subsequent accumulated depreciation and impairment loss. The value of land use rights increased over time as the conditions of the land market have undergone a relatively huge change during the period between the time when the land use rights were acquired and the Benchmark Date, and land prices have risen due to change in demand and supply of land and inflation in the PRC. As such, there is an increase in the appraised value of land use rights of certain subsidiaries as compared to the initial costs booked in their respective accounts since the date of acquisitions of the land use rights.

(iii) The valuation of patent rights of certain subsidiaries are appraised with an increase in value. As of the Benchmark Date, certain subsidiaries owned 11 registered trademarks and 122 patents, including 61 invention patents, 33 utility model patents, and 28 design patents. The pharmaceutical invention refers to any new technical solution relating to a product, a process or an improvement thereof. The utility model refers to any new technical solution relating to the pharmaceutical product's shape, structure, or a combination thereof, which is fit for practical use. The design refers to any new design of the pharmaceutical product's shape, pattern or a combination thereof, as well as the combination of the colour and the shape or pattern of pharmaceutical product, which is fit for industrial application.

The period from research and development, clinical trial to commercialisation of new drugs spans over ten years on average. Patents relating to pharmaceutical inventions are effective for 20 years from the initial date the patents application was filed, while those relating to utility model and design are effective for 10 years from the initial date the patent applications was filed. If the research and development projects show no signs of achievement over the past decade, the relevant patent is considered to be completely lacking in value.

(iv) Certain appraised subsidiaries have delivered remarkable results in their principal businesses over the years. With their developed proprietary technologies and laboratory equipment, and fully integrated pharmaceutical value chain, these subsidiaries have further improved their operational efficiencies, production scale and cost advantage. In addition, they also sharpen up the competitive edge in various aspects including technology, production equipment, production capability, pharmaceutical value chain and corporate reputation. These achievements and improvements leave them well positioned to sustain their business growth and result in an increase in appraised value.

(c) Intangible assets

The appreciation in the appraised value of intangible assets is mainly attributable to an increase in the appraised value of patents.

As at the Benchmark Date, Research Institute has 187 projects under research that has not yet reflected its carrying amount in its financial statements and were included in the valuation scope, among which there were 323 items of patented technology. Research Institute classified the expenditure for internal research and development as research costs and development costs respectively. All research costs in respect of the above 187 projects which were incurred since their initial stage of research have been reflected in the income statement of Research Institute. The development costs in respect of the above 187 projects are capitalised only upon the intangible asset being technically feasible for use or sale, as well as there being an intention to complete the asset for use or sale and when the proof of asset will be able to generate future economic benefits.

Pursuant to the Guide for Corporate State-owned Asset Valuation Reports (Zhong Ping Xie [2011] No. 230 (企業國有資產評估報告指南(中評協〔2011〕230號), the valuation report prepared by an independent qualified valuer should consider and disclose the details of intangible assets, which has been or has not been reflected its carrying amount in the account of enterprise, including their types, quantities and legal titles, etc.

As Research Institute is a medical research unit which principally engages in new drug research and development, the results of research and development are not for commercialisation purposes and the intangible assets of Research Institute, comprising of patents, technical know-how, brands, customer resources and contract interest of Research Institute, are eventually reflected in those research and development projects, the scope of valuation also included the 187 projects under research of Research Institute in addition to the patented technology held by the subsidiaries of Research Institute.

Out of the 187 projects under research, 36 of which obtained the approval for drug clinical trials granted by the China Food and Drug Administration (中華人民共和國國家食品藥品監督管理局) ("CFDA"); 13 of which received the regulatory approvals from CFDA for manufacturing and launching new drug products; 2 of which had submitted the applications of pre-clinical research or registration of manufacturing pharmaceutical products to CFDA; 3 of which the patents were being in use; 32 of which were under various stages of research and development; 24 of which were withheld due to research and development projects being temporarily put on hold and the remainder of patents were terminated for technical reasons.

The period from research and development, clinical trial to commercialisation of new drugs spans over ten years on average. Patents relating to pharmaceutical inventions are effective for 20 years from the initial date the patents application was filed, while those relating to utility model and design are effective for 10 years from the initial date the patent applications was filed. If the research and development projects show no signs of achievement over the past decade, the relevant patent is considered to be completely lacking in value.

The movement on valuation between the carrying value of Research Institute and the appraised value among various classes of assets as at the Benchmark Date are shown in the Valuation Report as set out in Appendix II of this circular.

As at the Benchmark Date, the consolidated net asset value of Research Institute was approximately RMB544,556,674 (equivalent to approximately HK$633,205,435) compared to RMB582,426,000 (equivalent to approximately HK$677,239,535) as at 31 December 2017, the difference was mainly due to Research Institute reported a consolidated loss of RMB70,805,926 for the five months ended 31 May 2018.

Pursuant to the Interim Measures for the Administration of Assessment of State-owned Assets of Enterprises (Order of the State-owned Assets Supervision and Administration Commission of the State Council (No. 12)) (企業國有資產評估管理暫行辦法(國務院國有資產監督管理委員會令(第12號)), the valuation report prepared by an independent qualified valuer will be effective within one year from the valuation benchmark date. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Directors are of the view that there is no material change in the market condition or the situations of major assets of Research Institute or material change in the assumptions used in the Valuation Report since the Benchmark Date which may affect the valuation as set out in the Valuation Report as of the Latest Practicable Date.

The Directors have reviewed the methodology of, and the bases and assumptions adopted for, the valuation of Research Institute as stated in the Valuation Report. It is understood by the Board from the Valuer that given the unique business characteristics of Research Institute, there were limitations for the market approach and the income approach for valuing the underlying assets of Research Institute. Based on the review of the Valuation Report and (i) having considered that the valuation is in compliance with the PRC valuation standards, laws and regulations; (ii) having considered the independence, qualification and experience of the Valuer; and (iii) having reviewed the scope of work engagement relating to the valuation and whether there are any limitations on the scope of work which might have impact on the valuation conclusion, the Board concurs with the views of the Valuer in the Valuation Report (including its assessments on the appreciation of the appraised net asset value of Research Institute) that:

(a) the Research Institute principally engages in the businesses of technological development and service, and belongs to the pharmaceutical research industry and the unique characteristics of the industry include long R&D preparation period, high risk and substantial amount of investments, which constitute a strong bargaining factor in negotiating the price. Due to factors such as the gradually higher regulatory threshold, which imposes more difficulties in the development of new medicines, inflation, the development costs of new medicines also become higher. Meanwhile, developing new medicines comes with exceptionally high risk, as most of the medicines would fail in the development process and be unable to pass all the procedures. Therefore, the development risk directly influences the enterprise's future revenue;

(b) the income approach appraisal is based on the historical operating results of an appraised entity, yet influenced by numerous factors including the restraint of macroeconomics environment, the changing trend of market demand, and the uncertainties of sales plan which would result in a certain degree of uncertainties regarding the estimation on the future profitability of an appraised entity. Therefore, the adoption of the income approach would result in greater uncertainties regarding the valuation of an entity; and

(c) the major assets of Research Institute comprise of inventories, long-term equity investments, housing buildings, land use rights, etc. The results derived from the assets-based approach through methodologies such as the replacement cost approach and the market comparison approach, by (1) adding the appraised value of inventories, long-term equity investments, housing buildings, land use rights and other net assets value; and (2) then deducting the appraised value of liabilities, better reflect the value of all owner's equity attributable to the shareholders of Research Institute.

Based on the above factors, the Directors considers that the adoption of the asset-based approach is the most appropriate in arriving at the appraised value of Research Institute and the assumptions and methodologies adopted by the Valuer (including its assessments on the appreciation of the appraised net asset value of Research Institute) are fair and reasonable.

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.

Following the Completion, China Merchants Tianhe will become the controlling shareholder of Research Institute equipped with the expertise in development of pharmaceutical value chain and investments in the PRC pharmaceutical markets. The Directors consider that the Company, as an indirect substantial shareholder of Research Institute upon Completion, will be able to enjoy the benefits brought by the Disposal as it would allow Research Institute to expand its operations and deliver sustainable growth in the future as a result of improved management and enhanced competitiveness as well as the materialisation of business strategies created through the mixed-ownership reform.

Accordingly, 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.

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 Latest Practicable Date, 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.

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, none of the Shareholders is materially interested in the Cooperation Agreement and the Disposal. As such, no Shareholder would be 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 Latest Practicable Date), has given its written approval for the Cooperation Agreement and the Disposal. Accordingly, no general meeting of the Company will be convened pursuant to Rule 14.44 of the Listing Rules.

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.

RECOMMENDATIONS

The Directors consider that the terms of the Cooperation Agreement and the transactions contemplated thereunder are fair and reasonable and that the Disposal is in the interests of the Company and the Shareholders as a whole. Although a general meeting will not be convened by the Company to approve the Cooperation Agreement and the Disposal, if such a general meeting were to be convened by the Company, the Board would have recommended the Shareholders to vote in favour of the resolutions to approve the Cooperation Agreement and the Disposal.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices of this circular.

Yours faithfully,
By Order of the Board
Tianjin Development Holdings Limited
Wang Zhiyong
Executive Director and General Manager

FINANCIAL INFORMATION

Financial information of the Group for each of the three years ended 31 December 2015, 2016 and 2017 are disclosed in the following documents which have been published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.tianjindev.com).

- annual report of the Company for the year ended 31 December 2015 (pages 55–157);
- annual report of the Company for the year ended 31 December 2016 (pages 57–163); and
- annual report of the Company for the year ended 31 December 2017 (pages 55–151).

STATEMENT OF INDEBTEDNESS

As at the close of business on 31 July 2018, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group has the following indebtedness:

	As at 31 July 2018 *HK$'000*
Bank borrowings — secured and guaranteed	58,140
Bank borrowings — secured and unguaranteed	255,551
Bank borrowings — unsecured and guaranteed	203,490
Bank borrowings — unsecured and unguaranteed	1,794,000
Amounts due to related parties — unsecured and unguaranteed	315,175
	2,626,356

In addition, the secured bank borrowings were secured by charges over certain buildings and land use rights of the Group.

Saved as aforesaid or as otherwise disclosed herein, and apart from intragroup liabilities, at the close of business on 31 July 2018, the Group did not have any debt securities, other borrowings or loan capital issued and outstanding, agreed to be issued, or authorised or otherwise created but unissued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

MATERIAL ADVERSE CHANGE

The Directors confirm that, as at the Latest Practicable Date, they were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2017, being the date to which the latest published audited consolidated financial statements of the Group were made up.

WORKING CAPITAL STATEMENT

The Directors are of the opinion that, after taking into account the existing cash and bank balances, the present internal resources and available banking facilities of the Group and the consideration expected to be received, the Group has sufficient working capital for its present requirements, that is for at least 12 months from the date of publication of this circular.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is committed to optimise its business structure and to actively take part in the restructuring of state-owned assets in Tianjin. Following the further reform of state-owned enterprises, it will provide new opportunities for growth and development.

Looking ahead to 2018, the world's leading economies are expected of a continuation of economic recovery. Nevertheless, there are uncertainties in the direction of the leading economies' policy adjustments as well as their spillover effects, and the factors such as intensifying trade protectionism and escalating geopolitical risks that could cause various instability and uncertainty. The Chinese economy is going through further restructuring and accelerating the development of both transformation and upgrading. With the steady improvement in quality and effects of economic development, it is expected that the Chinese economy will remain the momentum of stable development.

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. Following the completion of the mixed-ownership reform, Research Institute will focus on enhancing and accelerating the development of its research and development product pipeline, and also establishing a fully integrated platform covering the entire value chain from pharmaceutical research and development to manufacturing and commercialisation. It is expected that Research Institute will expand its operations and deliver sustainable growth by leveraging these strengths in the future.

ASSET VALUATION REPORT

Project in relation to the Proposed Capital Increase in Tianjin Institute of Pharmaceutical Research Co., Ltd. involving the entire equity value of shareholders

As entrusted by Tianjin Pharmaceutical Group Co., Ltd. (天津市醫藥集團有限公司) (hereinafter referred to as Pharmaceutical Company), Tongzhi Xinde (Beijing) Asset Valuation Co., Ltd. (同致信德(北京)資產評估有限公司) (hereinafter referred to as the Company) completed necessary valuation procedures of entire shareholders' equity value on the proposed capital increase of Tianjin Institute of Pharmaceutical Research Co., Ltd. (天津藥物研究院有限公司) (hereinafter referred to as "Research Institute"), and issued the asset valuation report pursuant to the Asset Valuation Entrustment Contract and hereby reported as follows:

I. Entrusting party and other users of valuation report: The entrusting party is Tianjin Pharmaceutical Group Co., Ltd. (天津市醫藥集團有限公司). The other users of valuation report other than the entrusting party as agreed in the Asset Valuation Entrustment Contract shall be the users who are required to use such report to achieve the economic behavior for the objective of valuation as required by the PRC laws or regulations.

II. Appraised entity: Research Institute.

III. Objective of valuation: To provide a basis for reference regarding the valuation of the proposed capital increase of Research Institute.

IV. Target and scope of valuation: The target of this asset valuation is the value of the entire shareholders' equity value of Research Institute and the scope of which includes all audited assets, liabilities and intangible assets that has not yet reflected its carrying amount as at 31 May 2017.

V. Type of value: Market value.

VI. Valuation base date and validity period of valuation report: The valuation base date is 31 May 2017 and the valuation report is valid for one year commencing from 31 May 2017 to 30 May 2018.

VII. Valuation approaches considered: Assets-based approach, income approach and market approach.

VIII. Valuation conclusion: The valuation report adopted the assets-based approach.

We have considered three generally accepted valuation approaches, namely the market approach, income approach and asset-based approach in arriving at the appraised net asset value of Research Institute.

The market approach provides an indication of value by comparing the subject asset with comparable listed companies or comparable transactions. Since only limited information about the existing market transaction of listed companies which principally engaged in pharmaceutical research business, being the same business activities engaged by Research Institute, are available, it is not practicable to adopt market approach in conducting the valuation.

The income approach provides that the expected income will be capitalised or discounted to determine the value of the valuation target. Taking into account factors including (i) the period from research and development, clinical trial to commercialisation of new drugs on average spanned over ten years or above; and (ii) no assurance that the research and development activities will result in commercially viable products from which Research Institute will be able to finally realise profit, it would be difficult to prepare a reliable long-term economic benefits for Research Institute and thus income approach is also not appropriate.

Given the unique business characteristics of Research Institute, there were limitations for the market approach and the income approach for valuing the underlying assets of Research Institute. As such, asset-based approach, which assesses the value of assets and liabilities on the financial position of Research Institute, is therefore considered to be the most appropriate approach in determining the appraised net asset value of Research Institute.

Pursuant to the Guide for the Administration and Execution of Corporate State-owned Assets Valuation (企業國有資產評估管理操作指南), the long-term equity investments in the controlling subsidiary and the non-controlling subsidiary of an appraised entity should be considered in state-owned assets valuation and appraised individually rather than appraised by the aggregate amount of their assets and liabilities on a consolidated basis. Accordingly, we adopted the asset-based approach in the valuation to individually investigates into every assets and liabilities of the long-term equity investments of Research Institute, including its nine subsidiaries and one associated company, which comprehensively reflected the market value of the subsidiaries and associated company based on their respective scope of business, operating conditions and asset mix.

Using the assets-based approach, as at the valuation base date, the book value of the assets of Research Institute was RMB432,816,500, and the appraised value was RMB1,402,346,800, representing an appreciation of RMB969,530,300 with an appreciation rate of 224.00%. The book value of liabilities was RMB299,920,000 and the appraised value was RMB248,132,600, representing a depreciation of RMB-51,787,400 with a depreciation rate of -17.27%. The book value of the entire shareholders' equity interest was RMB132,896,500 and the appraised value was RMB1,154,214,200, representing an appreciation of RMB1,021,317,700 with an appreciation rate of 768.51%.

The specific valuation results are set out in the following table:

Item		Book value (RMB0'000)	Appraised value (RMB0'000)	Increase or decrease on valuation (RMB0'000)	Appreciation rate
		A	B	C = B-A	D = C/A × 100%
1	**Current assets**	**19,072.81**	**19,097.81**	**25.00**	**0.13**
2	**Non-current assets**	**24,208.84**	**121,136.87**	**96,928.03**	**400.38**
3	Of which: Available-for-sale financial assets	404.00	4,558.59	4,154.59	1,028.36
4	Held-to-maturity investment	—	—	—	
5	Long-term receivables	—	—	—	
6	Long-term equity investments	4,976.28	68,748.13	63,771.85	1,281.52
7	Investment real estate	—	—	—	
8	Fixed assets	8,173.58	10,751.77	2,578.19	31.54
9	Construction in progress	6,566.92	3,577.98	–2,988.94	–45.52
10	Engineering materials	—	—	—	
11	Disposal of fixed assets	—	—	—	
12	Productive biological asset	—	—	—	
13	Oil and gas assets	—	—	—	
14	Intangible assets	3,966.55	33,378.89	29,412.34	741.51
15	Development expenditure	—	—	—	
16	Goodwill	—	—	—	
17	Long-term deferred expenses	—	—	—	
18	Deferred tax assets	—	—	—	
19	Other non-current assets	121.51	121.51	—	0.00
20	**Total assets**	**43,281.65**	**140,234.68**	**96,953.03**	**224.00**
21	Current liabilities	18,642.26	18,229.96	–412.30	–2.21
22	Non-current liabilities	11,349.74	6,583.30	–4,766.44	–42.00
23	**Total liabilities**	**29,992.00**	**24,813.26**	**–5,178.74**	**–17.27**
24	**Net assets (owners' equity)**	**13,289.65**	**115,421.42**	**102,131.77**	**768.51**

The target of enterprise value valuation is the entire shareholders' equity interest value of Research Institute and the valuation does not take into account of the effect of any premium or discount which may be incurred from the factor of controlling right or non-controlling interests.

The major appreciation of the appraised net asset value as at the valuation base date as compared to the net asset value as at the valuation base date was primarily due to the appraised appreciation of the following assets of Research Institute:

(a) Available-for-sale financial assets

Details of the available-for-sale financial assets are set out below:

	Name of investee	Principal activities	% of interest held by Research Institute	Carrying amount *(RMB)*	Provision for impairment *(RMB)*	Appraised value *(RMB)*	Increase or decrease on valuation *(RMB)*
1	Shandong Phoenix Pharmaceutical Co., Ltd. (山東鳳凰製藥股份有限公司)	Manufacture and sale of chemical drugs	4.00%	1,040,000.00	—	1,040,000.00	—
2	Tianjin Shiji Tianlong Pharmacy Co., Ltd. (天津世紀天龍藥業有限公司)	Manufacture and sale of chemical drugs	18.75%	21,741,085.58	–21,741,085.58	17,569,256.00	17,569,256.00
3	Jiangsu Deyuan Pharmaceutical Co., Ltd. (江蘇德源藥業有限公司)	Manufacture and sale of chemical drugs	15.00%	3,000,000.00	—	26,976,637.00	23,976,637.00
Total				25,781,085.58	–21,741,085.58	45,585,893.00	41,545,893.00

The available-for-sale financial assets are appraised by reference to the carrying amount of net assets of the investees based on their unaudited financial statements as at the valuation base date, multiplied by the shareholding percentage in the investees held by Research Institute as at the valuation base date.

There is an appreciation in the appraised value of available-for-sale financial assets which is mainly attributable to the increase in appraised value of investments in the investees as compared to the amount of registered capital paid when Research Institute originally invested in the investees and such increase was as a result of the business growth and development experienced by the investees since the initial investment by Research Institute up to the valuation base date.

(b) Long-term equity investments

The long-term equity investments covered by the scope of valuation refer to the investments in ten entities held by Research Institute, including nine subsidiaries and one associated company.

Details of the investments in subsidiaries and associated company are set out below:

	Name of investee	Principal activities	% of interest held by Research Institute	Carrying amount of investment costs (Note) *(RMB)*	Appraised value *(RMB)*	Increase or decrease on valuation *(RMB)*
1	TIPR Pharmaceutical Co., Ltd. (天津藥物研究院藥業有限責任公司)	Research and development of new medicine technology and new products	100.00%	9,833,666.00	353,896,849.82	344,063,183.82
2	Tianjin Institute of Pharmaceutical Research New Drug Evaluation Co., Ltd. (天津藥物研究院新藥評價有限公司)	Research and development of new medicine technology and new products	100.00%	20,000,000.00	85,681,412.06	65,681,412.06
3	Tianjin Press of Chinese Herbal Medicines Co., Ltd. (天津中草藥雜誌社有限公司)	Provision of press issuing and advertising services	100.00%	400,000.00	1,772,575.50	1,372,575.50
4	Tianjin Taipu Pharmaceutical Technology Development Co., Ltd. (天津泰普藥品科技發展有限公司)	Research and development of new medicine technology and new products	41.80%	510,000.00	98,988,135.10	98,478,135.10
5	Tianjin Kanghong Medical Technology Development Co., Ltd. (天津康鴻醫藥科技發展有限公司)	Research and development of new medicine technology and new products	83.33%	8,402,755.16	111,230,209.50	102,827,454.34
6	Hainan Li'ou Pharmaceutical Co., Ltd. (海南立歐藥業有限公司)	Sale of chemical drugs	50.00%	5,000,000.00	28,833,705.48	23,833,705.48
7	Tianjin Taipu Medical Industry Productivity Promotion Centre Co., Ltd. (天津泰普醫藥行業生產力促進中心有限公司)	Research and development of new medicine technology and new products	100.00%	1,000,000.00	1,309,100.29	309,100.29

	Name of investee	Principal activities	% of interest held by Research Institute	Carrying amount of investment costs (Note) *(RMB)*	Appraised value *(RMB)*	Increase or decrease on valuation *(RMB)*
8	Tianjin Taipu Huya Medical Knowledge Circulation and Reserve Centre Co., Ltd. (天津泰普滬亞醫藥知識產權流轉儲備中心有限公司)	Research and development of new medicine technology and new products	51.00%	2,550,000.00	2,613,487.96	63,487.96
9	Tianjin Tailian Global Bio-tech Co., Ltd. (天津泰聯環球生物技術有限公司)	Research and development of new medicine technology and new products	51.00%	255,000.00	161,702.66	–93,297.34
10	Tianjin Pharmaceutical Technology Development Co., Ltd. (天津市醫藥集團技術發展有限公司)	Distribution of chemical drugs	33.00%	1,811,357.24	2,994,090.00	1,182,732.76
Total				49,762,778.40	687,481,268.37	637,718,489.97

Note: The carrying amount of investment costs represents the initial investment costs of Research Institute.

We investigated the above investee enterprises with their relevant personnel by referring to the asset valuation schedule provided by those investee enterprises with details as follows:

(1) Understanding the basic situation of the investee enterprise. Verify the basic situation of the investee enterprise such as the organisation, principal business operation, financial status, main operating assets and liabilities and other basic situations according to the long-term equity investments valuation schedule provided by the appraised entity.

(2) Collecting the investee enterprise's capital verification report, articles of association, audited report for three consecutive years or since its establishment, in order to confirm its ownership and capital contribution ratio.

(3) On-site inspection of the investee enterprise's operation premises in order to understand the process of its principal operating services, etc., and to have a discussion with the management of the enterprise or to obtain information of the appraised enterprise's operating business.

(4) Sending out asset valuation schedule and investigation schedule to the investee enterprise, in order to investigate the major assets and relevant liabilities of the investee enterprise.

(5) Being specific to the type and nature of the investee enterprise, confirm the results of the appraisal by selecting a reasonable method of appraisal to make evaluation through combining the collectable data.

We have checked the investment agreement, shareholder resolution, articles of association and relevant accounting records, etc., in order to confirm the truthfulness and completeness of the long-term equity investments. Based on the different conditions of the investee enterprise, we have adopted different valuation methods:

(1) In respect of the three companies which were included in the scope of the consolidated statements, namely Tianjin Taipu Medical Industry Productivity Promotion Centre Co., Ltd. (天津泰普醫藥行業生產力促進中心有限公司), Tianjin Taipu Huya Medical Knowledge Circulation and Reserve Centre Co., Ltd. (天津泰普滬亞醫藥知識產權流轉儲備中心有限公司) and Tianjin Tailian Global Bio-tech Co., Ltd. (天津泰聯環球生物技術有限公司), as they have no operation recently, only the asset-based approach was adopted in conducting the overall asset valuation to each of the above companies respectively.

(2) In respect of the six companies which were included in the scope of the consolidated statements, namely TIPR Pharmaceutical Research Co., Ltd. (天津藥物研究院藥業有限責任公司), Tianjin Institute of Pharmaceutical Research New Drug Evaluation Co., Ltd. (天津藥物研究院新藥評價有限公司), Tianjin Press of Chinese Herbal Medicines Co., Ltd. (天津中草藥雜志社有限公司), Tianjin Taipu Pharmaceutical Technology Development Co., Ltd. (天津泰普藥品科技發展有限公司), Tianjin Kanghong Medical Technology Development Co., Ltd. (天津康鴻醫藥科技發展有限公司) and Hainan Li'ou Pharmaceutical Co., Ltd. (海南立歐藥業有限公司), as they are operating normally and have relatively satisfactory profits, only the asset-based approach was adopted in conducting the valuation to each of the above companies respectively.

(3) In respect of the associated company which was not included in the scope of the consolidated statements, namely Tianjin Pharmaceutical Technology Development Co., Ltd. (天津市醫藥集團技術發展有限公司), as it is operating normally and have relatively satisfactory profits, only the asset-based approach was adopted in conducting the valuation.

(4) Pursuant to the Equity Transfer Agreement (2017) No. (205) entered into by Research Institute on 6 November 2017, Research Institute transferred its 100% equity interest in Tianjin Taipu Drugstore Co., Ltd. (天津市泰普大藥房有限公司) at a consideration of RMB300,000 (transaction base date being 31 October 2016). As the issue date of this valuation report was 10 May 2018, the appraised value of 100% stock rights of Tianjin Taipu Drugstore Co., Ltd. (天津市泰普大藥房有限公司) is RMB300,000 accordingly.

The investments in subsidiaries are appraised based on its audited financial statements as at the Benchmark Date, multiplied by the shareholding percentage in the subsidiary held by Research Institute as at the Benchmark Date. The investment in associated company is appraised based on its unaudited financial statements as at the valuation base date, multiplied by the shareholding percentage in the associated company held by Research Institute as at the valuation base date.

The appreciation in the appraised value of investments in subsidiaries and associated company is mainly attributable to the following reasons:

(i) Certain subsidiaries have undergone operational improvements and experienced increases in operational efficiency and earnings since the initial investments by Research Institute up to the valuation base date. There were promising growth opportunities in the PRC pharmaceutical research and development industry, as well as available financial resources generated at the business operations of the subsidiaries, which enabled the subsidiaries to create long-term shareholder value throughout the years by capturing the growth opportunities available to them. As such, there is an increase in the appraised value of investments in subsidiaries as compared to the amounts of registered capital paid when Research Institute originally invested in such subsidiaries since the date of their respective establishment.

(ii) The consideration paid for the land use rights of certain subsidiaries were booked at costs since the date of acquisition and such value amortised over yearly, resulting in a relatively low book value. The subsidiaries adopted the cost model to account for the land use rights after they had been initially recorded in the books as an asset, which were carried at its cost less subsequent accumulated depreciation and impairment loss. The value of land use rights increased over time as the conditions of the land market have undergone a relatively huge change during the period between the time when the land use rights were acquired and the valuation base date, and land prices have risen due to change in demand and supply of land and inflation in the PRC. As such, there is an increase in the appraised value of land use rights of certain subsidiaries as compared to the initial costs booked in their respective accounts since the date of acquisitions of the land use rights.

(iii) The valuation of patent rights of certain subsidiaries are appraised with an increase in value. The valuation scope of patented technology held by the subsidiaries of appraised entity includes: Tianjin Kanghong Medical Technology Development Co., Ltd. (天津康鴻醫藥科技發展有限公司) has 24 patent rights, including 22 invention patents for and 2 utility model patents. Tianjin Taipu Pharmaceutical Technology Development Co., Ltd. (天津泰普藥品科技發展有限公司) has 45 patent rights and trademarks, including 24 invention patents, 10 appearance design patents and 11 trademarks. Tianjin Institute of Pharmaceutical Research New Drug Evaluation Co., Ltd. (天津藥物研究院新藥評價有限公司) has 4 patent rights, including 2 invention patents and 2 utility model patents. Tianjin Hengbida Chemical Compounds Co., Ltd. (天津市亨必達化學合成物有限公司) has 27 patent rights, including 3 invention patents and 24 utility model patents; TIPR Pharmaceutical Co., Ltd. (天津藥物研究院藥業有限責任公司) has 33 patent rights, including 10 invention patents, 5 utility model patents and 18 appearance design patents. The pharmaceutical invention refers to any new technical solution relating to a product, a process or an improvement thereof. The utility model refers to any new technical solution relating to the pharmaceutical product's shape, structure, or a combination thereof, which is fit for practical use. The design refers to any new design of the pharmaceutical product's shape, pattern or a combination thereof, as well as the combination of the colour and the shape or pattern of pharmaceutical product, which is fit for industrial application.

The period from research and development, clinical trial to commercialisation of new drugs spans over ten years on average. Patents relating to pharmaceutical inventions are effective for 20 years from the initial date the patent applications were filed, while those relating to utility model and design are effective for 10 years from the initial date the patent applications were filed. If the research and development projects show no signs of achievement over the past decade, the relevant patent is considered to be completely lacking in value.

(iv) Certain appraised subsidiaries have delivered remarkable results in their principal businesses over the years. With their developed proprietary technologies and laboratory equipment, and fully integrated pharmaceutical value chain, these subsidiaries have further improved their operational efficiencies, production scale and cost advantage. In addition, they also sharpen up the competitive edge in various aspects including technology, production equipment, production capability, pharmaceutical value chain and corporate reputation. These achievements and improvements leave them well positioned to sustain their business growth and result in an increase in appraised value.

(c) Intangible assets

The appreciation in the appraised value of intangible assets is mainly attributable to an increase in the appraised value of patents.

As at the valuation base date, Research Institute has 187 projects under research that has not yet reflected its carrying amount in its financial statements and were included in the valuation scope, among which there were 323 items of patented technology ("Extra Patents"). Research Institute classified the expenditure for internal research and development as research costs and development costs respectively. All research costs in respect of the above 187 projects which were incurred since their initial stage of research have been reflected in the income statement of Research Institute. The development costs in respect of the above 187 projects are capitalised only upon the intangible asset being technically feasible for use or sale, as well as there is an intention to complete the asset for use or sale and when the proof of asset will be able to generate future economic benefits.

Status of the Extra Patents is set out below:

Status of Extra Patents	No. of Extra Patents
Obtained clinical approval	36
Launched	13
Application details submitted	2
In use	3
In research	32
Withheld	24
Terminated	213
Total	**323**

Pursuant to the Guide for Corporate State-owned Asset Valuation Reports (Zhong Ping Xie [2011] No. 230 (企業國有資產評估報告指南(中評協〔2011〕230號), the valuation report prepared by an independent qualified valuer should consider and disclose the details of intangible assets, which has been or has not been reflected its carrying amount in the account of enterprise, including their types, quantities and legal titles, etc.

As Research Institute is a medical research unit which principally engages in new drug research and development, the results of research and development are not for commercialisation purposes and the intangible assets of Research Institute, comprising of patents, technical know-how, brands, customer resources and contract interest of Research Institute, are eventually reflected in those research and development projects, the scope of valuation also included the 187 projects under research in addition to the patented technology held by the subsidiaries of Research Institute.

Out of the 187 projects under research, 36 of which obtained the approval for drug clinical trials granted by the China Food and Drug Administration (中華人民共和國國家食品藥品監督管理局) ("CFDA"); 13 of which received the regulatory approvals from CFDA for manufacturing and launching new drug products; 2 of which had submitted the applications of pre-clinical research or registration of manufacturing pharmaceutical products to CFDA; 3 of which the patents were being in use; 32 of which were under various stages of research and development; 24 of which were withheld due to research and development projects being temporarily put on hold and the remainder of patents were terminated for technical reasons.

The period from research and development, clinical trial to commercialisation of new drugs spans over ten years on average. Patents relating to pharmaceutical inventions are effective for 20 years from the initial date the patent applications were filed, while those relating to utility model and design are effective for 10 years from the initial date the patent applications were filed. If the research and development projects show no signs of achievement over the past decade, the relevant patent is considered to be completely lacking in value.

The binominal method was adopted in conducting the valuation of the Extra Patents, mainly determined with reference to the existing market for products produced from the intangible asset and based on the assumption that there are sufficient technical, financial and other resources to complete the development of the intangible asset which the appraised entities are able to use and sell it. As new drug research and development shall go through three stages of clinical trials, each stage will achieve different research and development milestones or approvals, the adoption of the binominal method is appropriate for determining the valuation of the values associated with the Extra Patents as it considered the probability of likelihood of research and development being successful.

IX. Valuation assumptions

(a) Premise of valuation

This valuation is made on an on-going premise, based on the existing status of the assets to be evaluated and the current market prices, and under the preconditions that the assets are to be used continuously and there exists on open market.

(b) General assumptions

1. All the documents and materials provided by the entrusting party and the appraised entity are true, valid and accurate.

2. There are no significant changes in China's macroeconomic policies and the social and economic environment of the region where the appraised entity is located.

3. The tax policy, loan interest rate and currency exchange rate which the business operation and valuation comply with have no significant change that will affect the conclusion of valuation.

4. The effect of natural forces and other force majeure and the impact that a particular trading method may have on the valuation results are not taken into consideration.

5. Apart from known and disclosed matters, there is no existence of any uninformed off-balance assets and liabilities, securities or guarantees, material litigation or subsequent matters, and the owner of the assets included in the scope of valuation has legal ownership of the assets.

(c) Specific assumptions of using the asset-based approach

1. The valuation conclusions are reflected by the market value as at the valuation base date 31 May 2017, based on the assumption that the current scale and usage of the assets included in the scope of valuation are unchanged.

2. The certified assets appraisers of this appraisal project are aware that the liquidity of assets may have significant impacts on the value regarding the target of valuation.

3. As for the subsidiaries controlled by the appraised entity, the entire shareholders' equity value of the subsidiaries are appraised based on their audited financial statements. The valuation does not take into account of the effect of any premium or discount which may be incurred from the factor of controlling right and non-controlling interests of those controlled subsidiaries.

X. Date of valuation report

The date of valuation report is 10 May 2018.

Tongzhixinde (Beijing) Asset Valuation Co., Ltd.
(同致信德(北京)資產評估有限公司)

Legal representative: Yang Ming

Asset appraiser: Deng Houxiang

Asset appraiser: Yuan Xiangqun

10 May 2018

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 DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executive of the Company 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 were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which 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 for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange were as follows:

(i) Directors' 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%
Dr. Cui Di	2,900,000	0.27%
Mr. Cheung Wing Yui, Edward	600,000	0.06%
Dr. Chan Ching Har, Eliza	600,000	0.06%
Dr. Cheng Hon Kwan	600,000	0.06%
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:

1. All interests are personal interests held in the capacity as a beneficial owner.

2. All interests stated above represent long positions.

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

Name of Director	Date of grant	Exercise price per share HK$	Number of outstanding share options: Held as at the Latest Practicable Date	Exercise Period	*Notes*
Mr. Wang Zhiyong	16/12/2009	5.750	900,000	16/12/2009 — 24/05/2019	*(1)&(2)*
	07/11/2011	3.560	2,800,000	11/11/2011 — 24/05/2019	*(1)&(4)*
	19/12/2012	4.060	2,800,000	19/12/2012 — 24/05/2019	*(1)&(5)*
	20/12/2013	5.532	2,100,000	20/12/2013 — 24/05/2019	*(1)&(6)*
Dr. Cui Di	07/11/2011	3.560	300,000	11/11/2011 — 24/05/2019	*(1)&(4)*
	19/12/2012	4.060	800,000	19/12/2012 — 24/05/2019	*(1)&(5)*
	20/12/2013	5.532	1,800,000	20/12/2013 — 24/05/2019	*(1)&(6)*
Mr. Cheung Wing Yui, Edward	16/12/2009	5.750	300,000	16/12/2009 — 24/05/2019	*(1)&(2)*
	07/11/2011	3.560	100,000	11/11/2011 — 24/05/2019	*(1)&(4)*
	19/12/2012	4.060	100,000	19/12/2012 — 24/05/2019	*(1)&(5)*
	20/12/2013	5.532	100,000	20/12/2013 — 24/05/2019	*(1)&(6)*
Dr. Chan Ching Har, Eliza	16/12/2009	5.750	300,000	16/12/2009 — 24/05/2019	*(1)&(2)*
	07/11/2011	3.560	100,000	11/11/2011 — 24/05/2019	*(1)&(4)*
	19/12/2012	4.060	100,000	19/12/2012 — 24/05/2019	*(1)&(5)*
	20/12/2013	5.532	100,000	20/12/2013 — 24/05/2019	*(1)&(6)*
Dr. Cheng Hon Kwan	16/12/2009	5.750	300,000	16/12/2009 — 24/05/2019	*(1)&(2)*
	07/11/2011	3.560	100,000	11/11/2011 — 24/05/2019	*(1)&(4)*
	19/12/2012	4.060	100,000	19/12/2012 — 24/05/2019	*(1)&(5)*
	20/12/2013	5.532	100,000	20/12/2013 — 24/05/2019	*(1)&(6)*
Mr. Mak Kwai Wing, Alexander	16/12/2009	5.750	300,000	16/12/2009 — 24/05/2019	*(1)&(2)*
	07/11/2011	3.560	100,000	11/11/2011 — 24/05/2019	*(1)&(4)*
	19/12/2012	4.060	100,000	19/12/2012 — 24/05/2019	*(1)&(5)*
	20/12/2013	5.532	100,000	20/12/2013 — 24/05/2019	*(1)&(6)*
Ms. Ng Yi Kum, Estella	03/12/2010	6.070	300,000	03/12/2010 — 24/05/2019	*(1)&(3)*
	07/11/2011	3.560	100,000	11/11/2011 — 24/05/2019	*(1)&(4)*
	19/12/2012	4.060	100,000	19/12/2012 — 24/05/2019	*(1)&(5)*
	20/12/2013	5.532	100,000	20/12/2013 — 24/05/2019	*(1)&(6)*
Mr. Wong Shiu Hoi, Peter	20/12/2013	5.532	100,000	20/12/2013 — 24/05/2019	*(1)&(6)*

Notes:

1. The Share Option Scheme had expired on 24 May 2017. At the extraordinary general meeting of the Company held on 19 May 2017, Shareholders passed an ordinary resolution to extend the exercise periods of all the outstanding options granted on 16 December 2009, 3 December 2010, 7 November 2011, 19 December 2012 and 20 December 2013 by the Company under the Share Option Scheme for two years from 24 May 2017 to 24 May 2019.

2. 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 2019.

3. 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 2019.

4. 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 2019.

5. 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 2019.

6. 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 2019.

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 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 for Securities Transactions by Directors of Listed Issuers.

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. 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	673,755,143	62.80%
Bohai	*1&2*	Interest of controlled corporation	673,755,143	62.80%
Tianjin Pharmaceutical	*1&2*	Interest of controlled corporation	673,755,143	62.80%
Tsinlien	*1&3*	Directly beneficially interest and interest of controlled corporation	673,755,143	62.80%
Central Huijin Investment Ltd. (中央匯金投資有限責任公司)	*1&4*	Interest of controlled corporation	54,746,000	5.10%
China Reinsurance (Group) Corporation (中國再保險(集團)有限公司)	*1&4*	Directly beneficially interest	54,746,000	5.10%

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 22,956,000 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.

4. Based on a corporate substantial shareholder notice, Central Huijin Investment Ltd. holds 71.56% equity interest in China Reinsurance (Group) Corporation. By virtue of the SFO, Central Huijin Investment Ltd. is deemed to have an interest in the shares of the Company in which China Reinsurance (Group) Corporation is 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 2017, being the date to which the latest published audited financial statements of the Group 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 subsisting as at the Latest Practicable Date 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. LITIGATIONS

As at the Latest Practicable Date, no member of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

8. DIRECTORS' INTERESTS IN COMPETING BUSINESS

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.

9. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by members of the Group within the two years immediately preceding the date of this circular and which are or may be material:

(a) the facility agreement dated 23 November 2016 entered into between the Company and a syndicate of banks in relation to a HK$1,800,000,000 term loan facility for a period of 36 months commencing from the date of utilisation;

(b) the equity transfer agreement dated 1 December 2017 entered into between Tianjin Lisheng Pharmaceutical Co., Ltd. (天津力生製藥股份有限公司) and Tianjin Jinxi Pharmaceutical Technology Co., Ltd. (天津津熙醫藥科技有限公司) in relation to the disposal of the entire equity interest in Tianjin Sega Pharmaceutical Co., Ltd. (天津市新冠製藥有限公司);

(c) the wealth management agreement dated 1 March 2018 entered into between Tianjin Lisheng Pharmaceutical Co., Ltd. (天津力生製藥股份有限公司) and China Merchants Bank Co., Ltd. (招商銀行股份有限公司) in relation to the subscription of wealth management products in the amount of RMB350,000,000;

(d) the wealth management agreement dated 1 March 2018 entered into between Tianjin Lisheng Pharmaceutical Co., Ltd. (天津力生製藥股份有限公司) and Industrial Bank Co., Ltd. (興業銀行股份有限公司) in relation to the subscription of wealth management products in the amount of RMB180,000,000;

(e) the wealth management agreement dated 1 March 2018 entered into between Tianjin Lisheng Pharmaceutical Co., Ltd. (天津力生製藥股份有限公司) and Industrial Bank Co., Ltd. (興業銀行股份有限公司) in relation to the subscription of wealth management products in the amount of RMB80,000,000;

(f) the wealth management agreement dated 1 March 2018 entered into between Tianjin Central Pharmaceutical Co., Ltd. (天津市中央藥業有限公司) and Industrial Bank Co., Ltd. (興業銀行股份有限公司) in relation to the subscription of wealth management products in the amount of RMB90,000,000; and

(g) the Cooperation Agreement.

Save as disclosed above, there are no other material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by any member of the Group within the two years immediately preceding the date of this circular.

10. GENERAL

(a) The registered office of the Company is at Suites 7–13, 36/F., China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong.

(b) The share registrar and transfer office of the Company is Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(c) The secretary of the Company is Ms. Lee Su Yee, Bonnia, who is an associate member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators of the United Kingdom.

(d) 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 will be made available for inspection during normal business hours at the registered office of the Company at Suites 7–13, 36/F., China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong from the date of this circular up to 14 days thereafter:

(a) the articles of association of the Company;

(b) the annual reports of the Company for the years ended 31 December 2016 and 2017;

(c) the material contracts referred to in the section headed "Material Contracts" of this appendix;

(d) the Valuation Report; and

(e) this circular.