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

(Incorporated in Hong Kong with limited liability)

(Stock Code: 882)

CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcement of the Company dated 14 March 2016 in relation to, among other things, the entering into of the Existing Master Sales Agreement between the Company and Tianjin Pharmaceutical in relation to the Sales Transactions. As the Existing Master Sales Agreement will expire on 31 December 2018, the Company had therefore entered into the Master Sales Agreement with Tianjin Pharmaceutical on 6 December 2018.

Tianjin Pharmaceutical is a connected person of the Company under the Listing Rules. Accordingly, the Sales Transactions constitute continuing connected transactions of the Company under the Chapter 14A of the Listing Rules. As all of the Sales Annual Caps exceed HK\$3,000,000 but all of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Sales Annual Caps are more than 0.1% but less than 5%, the Sales Transactions are subject to the reporting, announcement, annual review requirements, but are exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Reference is made to the announcement of the Company dated 14 March 2016 in relation to, among other things, the entering into of the Existing Master Sales Agreement between the Company and Tianjin Pharmaceutical in relation to the Sales Transactions. As the Existing Master Sales Agreement will expire on 31 December 2018 and it is anticipated that the Group will continue to enter into the Sales Transactions with the Tianjin Pharmaceutical Group in its ordinary and usual course of business after the expiration of the Existing Master Sales Agreement, the Company had therefore entered into the Master Sales Agreement with Tianjin Pharmaceutical on 6 December 2018. The principal terms of the Master Sales Agreement are set out below.

THE MASTER SALES AGREEMENT

Date

6 December 2018

Parties

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

Subject matter

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

Term

Subject to satisfaction of the condition referred to below, the Master Sales Agreement shall be for a term commencing from 1 January 2019 to 31 December 2021 unless terminated by either party by giving one month's notice in writing.

Pricing basis and other terms

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

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

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

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

The table below sets out the average profit margin in respect of the Products by category:

Category of Products	Average profit margin (approx. %)
Tablets	67%
Capsules	56%
Injection medicines	42%
Other forms of chemical drug products	13%
Pharmaceutical printing and packaging products	33%

The general managers of the relevant Group members will be responsible for determining the Products' prices at the beginning of each year and review the Products' prices to make adjustments from time to time where necessary in response to market situations, including, among others, fluctuations in raw material costs and changes in market demands. The pricing information will then be integrated with the Group's ERP System and become the fixed prices of the Products for the implementation of sales process as required by sale module of the ERP System. The Group will regularly review the market price of the Products under the supervision of the finance department of the relevant Group members and compare the selling price of the Products with similar products on the market before the approval of separate sales contract(s) between members of the Group and members of the Tianjin Pharmaceutical Group in order to ensure that the actual selling price of the Products and discount to be offered will be no more favourable than those offered to independent third party customers and that the Sales Transactions are conducted in the interests of the Group.

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

Historical figures

Set out below are the historical transaction amounts paid by the Tianjin Pharmaceutical Group to the Group in respect of the Sales Transactions for the two years ended 31 December 2017 and for the nine months ended 30 September 2018, which are all within the annual caps of RMB208,000,000, RMB234,000,000 and RMB250,000,000 respectively as set out in the Existing Master Sales Agreement for the three years ending 31 December 2018:

	For the year ended 31 December 2016	For the year ended 31 December 2017	For the nine months ended 30 September 2018
Historical amounts of the Sales Transactions	RMB84,371,000 (approximately HK\$95,012,400)	RMB87,250,000 (approximately HK\$98,254,500)	RMB63,777,000 (approximately HK\$71,820,900)

Sales Annual Caps

Set out below are the expected maximum annual transaction amounts payable by the Tianjin Pharmaceutical Group to the Group in respect of the Sales Transactions for the three years ending 31 December 2021:

	For the year ending 31 December 2019	For the year ending 31 December 2020	For the year ending 31 December 2021
Sales Annual Caps	RMB90,000,000 (approximately HK\$101,351,300)	RMB103,000,000 (approximately HK\$115,991,000)	RMB119,000,000 (approximately HK\$134,009,000)

The Sales Annual Caps were determined with reference to (i) the historical transaction amounts in respect of the Sales Transactions; (ii) the projected level of demand for the Products by members of the Tianjin Pharmaceutical Group, which has extensive distribution networks which cover most of the major retail pharmacy groups, clinics and hospitals in Tianjin; and (iii) the PRC's policy to promote the pharmaceutical industry.

Reasons for and benefits of entering into the Sales Transactions

Members of the Group had in their ordinary course of business been selling the Products to members of the Tianjin Pharmaceutical Group in the past. The Directors are of the view that continuation of the Sales Transactions will enable the Company to maintain its long-term cooperative relationship with the Tianjin Pharmaceutical Group while taking advantage of the wide customer base of the Tianjin Pharmaceutical Group with its extensive distribution network, thus providing a stable source of income for the Group.

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

LISTING RULES IMPLICATIONS

As at the date of this announcement, Tianjin Pharmaceutical, through its wholly-owned subsidiary Tsinlien, indirectly holds a total of 673,759,143 shares of the Company (representing approximately 62.81% of the total number of issued shares of the Company) and hence is a connected person of the Company under the Listing Rules. Accordingly, the Sales Transactions, which are to be carried out on a continuing or recurring basis and are expected to continue and extend over a period of time, constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As all of the Sales Annual Caps exceed HK\$3,000,000 but all of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Sales Annual Caps are more than 0.1% but less than 5%, the Sales Transactions are subject to the reporting, announcement, annual review requirements, but are exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, none of the Director has a material interest in the Master Sales Agreement and the transactions contemplated thereunder which will require them to abstain from voting on the relevant resolution to approve the Master Sales Agreement and the transactions contemplated thereunder and the Sales Annual Caps at the Board meeting.

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.

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

DEFINITIONS

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

“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Tianjin Development Holdings Limited (天津發展控股有限公司), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange (Stock Code: 882)
“Directors”	the directors of the Company
“ERP System”	enterprise resource planning system, a system that integrates internal and external management information across an entire organisation, embracing finance, accounting, manufacturing, sales and services, customer relationship management, etc. and automates this activity with an integrated software application

“Existing Master Sales Agreement”	the agreement dated 14 March 2016 entered into between the Company and Tianjin Pharmaceutical in relation to the Sales Transactions for a term commencing from 1 May 2016 to 31 December 2018, particulars of which are set out in the announcement of the Company dated 14 March 2016 and the circular of the Company dated 7 April 2016
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Master Sales Agreement”	the agreement dated 6 December 2018 entered into between the Company and Tianjin Pharmaceutical in relation to the Sales Transactions, particulars of which are set out in the section titled “ <i>The Master Sales Agreement</i> ” of this announcement
“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan)
“Products”	various chemical drug products (including but not limited to drugs for cardio and cerebral vascular systems, anti- infection drugs and hormone drugs) and pharmaceutical printing and packaging products manufactured by members of the Group
“RMB”	Renminbi, the lawful currency of the PRC
“Sales Annual Caps”	the maximum annual transaction amounts payable by the Tianjin Pharmaceutical Group to the Group in respect of the Sales Transactions for the three years ending 31 December 2021, particulars of which are set out in the section titled “ <i>The Master Sales Agreement - Sales Annual Caps</i> ” of this announcement
“Sales Transactions”	the sales of the Products by members of the Group to members of the Tianjin Pharmaceutical Group
“Shareholder(s)”	holder(s) of shares in the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Tianjin Pharmaceutical”	Tianjin Pharmaceutical Group Co., Ltd. (天津市醫藥集團有限公司), a state-owned enterprise established in the PRC wholly-owned by the Tianjin Municipal People’s Government (天津市人民政府)
“Tianjin Pharmaceutical Group”	Tianjin Pharmaceutical and its subsidiaries (other than members of the Group)
“Tsinlien”	Tsinlien Group Company Limited (津聯集團有限公司), the controlling shareholder of the Company
“%”	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 RMB0.888 = 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 December 2018

As at the date of this announcement, the Board 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*