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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)

DISCLOSEABLE AND CONNECTED TRANSACTION

DISPOSAL OF 15% EQUITY INTEREST IN TIANJIN PHARMACEUTICAL GROUP FINANCE CO., LTD. HELD BY TIANJIN LISHENG PHARMACEUTICAL CO., LTD.

Reference is made to the announcement of the Company dated 25 August 2023 in relation to the potential disposal of the entire 15% equity interest in Tianjin Pharmaceutical Finance held by Lisheng Pharmaceutical, an indirect non-wholly owned subsidiary of the Company, through public listing for-sale process on the Tianjin Property Rights Exchange Centre.

On 10 October 2023, Lisheng Pharmaceutical entered into the Equity Transfer Agreement with Tianjin Pharmaceutical Da Ren Tang in relation to the Disposal at a total consideration of RMB87,823,860 (equivalent to approximately HK\$95,460,717). Upon completion of the Disposal, the Company will not hold any equity interest in Tianjin Pharmaceutical Finance.

As the highest applicable percentage ratio calculated in accordance with Rule 14.07 of the Listing Rules in respect of the consideration exceeds 5% but all applicable percentage ratios are less than 25%, the Disposal constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, Tianjin Bohai, an indirect non-wholly owned subsidiary of TEDA Holding, indirectly holds a total of 673,759,143 shares of the Company, representing approximately 62.81% of the total issued shares of the Company, TEDA Holding and its subsidiaries are therefore connected persons of the Company as defined in the Listing Rules. In addition, Tianjin Bohai directly holds 33% equity interest in Tianjin Pharmaceutical, both Tianjin Pharmaceutical and Tianjin Pharmaceutical Da Ren Tang (a subsidiary of Tianjin Pharmaceutical) are therefore associates of Tianjin Bohai and also connected persons of the Company as defined in the Listing Rules. Accordingly, the Disposal also constitutes a connected transaction of the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

An EGM will be convened at which an ordinary resolution will be proposed for the Independent Shareholders to consider, and if thought fit, to approve the Equity Transfer Agreement and the transactions contemplated thereunder. The associates of TEDA Holding will abstain from voting on the resolution to be proposed at the EGM.

A circular containing, *inter alia*, details of (i) the terms of the Equity Transfer Agreement; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice convening the EGM is expected to be despatched to the Shareholders on or before 10 November 2023 as additional time is required to finalise certain information to be included in the circular.

INTRODUCTION

Reference is made to the announcement of the Company dated 25 August 2023 in relation to the potential disposal of the entire 15% equity interest in Tianjin Pharmaceutical Finance held by Lisheng Pharmaceutical, an indirect non-wholly owned subsidiary of the Company, through a public listing-for-sale process on the Tianjin Property Rights Exchange Centre.

The bidding period of the public listing-for-sale process ended on 22 September 2023 and Tianjin Pharmaceutical Da Ren Tang has been confirmed as the qualified bidder by the Tianjin Property Rights Exchange Centre.

THE EQUITY TRANSFER AGREEMENT

On 10 October 2023, Lisheng Pharmaceutical entered into the Equity Transfer Agreement with Tianjin Pharmaceutical Da Ren Tang, pursuant to which Lisheng Pharmaceutical agreed to sell and Tianjin Pharmaceutical Da Ren Tang agreed to acquire the 15% equity interest in Tianjin Pharmaceutical Finance, subject to the terms and conditions of the Equity Transfer Agreement. Set out below is a summary of the principal terms of the Equity Transfer Agreement.

Date

10 October 2023

Parties

- (1) Vendor : Lisheng Pharmaceutical
- (2) Purchaser : Tianjin Pharmaceutical Da Ren Tang

Assets to be disposed of

The assets to be disposed of by Lisheng Pharmaceutical is the entire 15% equity interest in Tianjin Pharmaceutical Finance.

Upon completion of the Disposal, the Company will not hold any equity interest in Tianjin Pharmaceutical Finance.

Consideration and payment terms

The initial bidding price for the Disposal is RMB87,823,860 (equivalent to approximately HK\$95,460,717), determined with reference to the relevant requirements governing the transfer of state-owned assets of enterprise in the PRC and the appraised value of Tianjin Pharmaceutical Finance. The final bidding period of the public listing-for-sale process ended on 22 September 2023, and Tianjin Pharmaceutical Da Ren Tang has been confirmed as the qualified bidder by the Tianjin Property Rights Exchange Centre.

The total consideration for the Disposal is RMB87,823,860 (equivalent to approximately HK\$95,460,717), being the final bidding price of the entire 15% equity interest in Tianjin Pharmaceutical Finance, shall be paid by Tianjin Pharmaceutical Da Ren Tang in the following manners:

- (1) a security deposit of RMB26,000,000 (equivalent to approximately HK\$28,260,869) has been paid to the designated account of the Tianjin Property Rights Exchange Centre, which will be directly credited as part of the full consideration for the Disposal upon the signing of the Equity Transfer Agreement;
- (2) the remaining balance of RMB61,823,860 (equivalent to approximately HK\$67,199,848) shall be paid to the designated account of the Tianjin Property Rights Exchange Centre within 10 working days after all the conditions described in “Condition precedent” below being fulfilled; and
- (3) having completed the business registration of the ownership transfer of the 15% equity interest in Tianjin Pharmaceutical Finance, Tianjin Property Rights Exchange Centre will transfer the entire amount of the consideration to Lisheng Pharmaceutical.

Condition precedent

Completion of the Disposal is subject to (i) the approval of Tianjin Pharmaceutical Da Ren Tang’s qualification as the transferee by the Tianjin Regulatory Bureau of the National Financial Regulatory Administration of the PRC; and (ii) the Shareholders having passed a resolution at a general meeting to approve the Equity Transfer Agreement and the transactions contemplated thereunder, and the satisfaction of any other requirements under the Listing Rules by the Company.

Liability for default

If Lisheng Pharmaceutical is in default of the Equity Transfer Agreement, it shall repay the security deposit in double to Tianjin Pharmaceutical Da Ren Tang. If Tianjin Pharmaceutical Da Ren Tang is in default of the Equity Transfer Agreement, it has no right to seek refund of the security deposit from Lisheng Pharmaceutical.

If Lisheng Pharmaceutical fails to complete the transfer of 15% equity interest in Tianjin Pharmaceutical Finance or Tianjin Pharmaceutical Da Ren Tang fails to pay the consideration on time in accordance with the terms of the Equity Transfer Agreement, the defaulting-party shall pay the non-defaulting party a penalty representing 10% of the consideration amount for every 20 days of delay as liquidated damages.

INFORMATION ON TIANJIN PHARMACEUTICAL FINANCE

Tianjin Pharmaceutical Finance is a limited liability company established in the PRC and is principally engaged in the provision of financial services to members of Tianjin Pharmaceutical Group but not to other parties.

Set out below is the audited financial information of Tianjin Pharmaceutical Finance (prepared in accordance with China Accounting Standards for Business Enterprises) for the two financial years ended 31 December 2021 and 31 December 2022:

	For the year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Net Assets	584,911.6	570,702.9
Profit before tax	28,087.7	30,529.9
Profit after tax	21,109.3	23,039.9

According to the Valuation Report, the appraised net assets of Tianjin Pharmaceutical Finance was RMB585,492,400 (equivalent to approximately HK\$636,404,783).

REASONS FOR AND BENEFITS OF THE DISPOSAL

With a view to further concentrate resources on its core business, the Group has been reducing its investments in non-core investment progressively. Since the change of shareholding structure of intermediate controlling shareholder of the Company in 2020, Lisheng Pharmaceutical became an affiliated company of Tianjin Pharmaceutical Group and rarely had close business relationship to Tianjin Pharmaceutical Finance, which primarily provides financial services to members of Tianjin Pharmaceutical Group but not to other parties. The Board considers that the Disposal will enhance the operational efficiency of the assets of the Group, reduce operational costs, and optimise the Group's assets structure. The Board believes that the proceeds from the Disposal can further strengthen the cash flow of the Group and will allow the Group to reallocate its resources for future development and investment.

The Directors (other than the independent non-executive Directors whose views will be given after taking into account the advice from the Independent Financial Adviser) consider that, although the Equity Transfer Agreement and the transactions contemplated thereunder are not in the ordinary and usual course of business of the Group, the terms of the Equity Transfer Agreement are fair and reasonable and the transactions contemplated under the Equity Transfer Agreement are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

None of the Directors has a material interest in the Equity Transfer Agreement and the transactions contemplated thereunder. For good corporate governance practices, Mr. Teng Fei (being a director of Lisheng Pharmaceutical and a director of Tianjin Pharmaceutical) and Mr. Sun Lijun (being a supervisor of Lisheng Pharmaceutical and a director of Tianjin Pharmaceutical) have voluntarily abstained from voting on the Board resolution(s) for approving the entering into of the Equity Transfer Agreement and the transactions contemplated thereunder.

FINANCIAL EFFECT OF THE DISPOSAL AND USE OF PROCEEDS

Lisheng Pharmaceutical is expected to record an unaudited gain of approximately RMB28,494,000 (equivalent to approximately HK\$30,972,000) as a result of the Disposal. Such estimated gain is calculated with reference to (i) the consideration of the Disposal; (ii) the unaudited carrying value of Tianjin Pharmaceutical Finance as at 30 June 2023; and (iii) all relevant expenses incidental to the Disposal. The actual amount of gain will depend on the carrying value of the Group's interest in Tianjin Pharmaceutical Finance as at completion of the Disposal. The Company intends to apply the proceeds from the Disposal as general working capital of the Group.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio calculated in accordance with Rule 14.07 of the Listing Rules in respect of the consideration exceeds 5% but all applicable percentage ratios are less than 25%, the Disposal constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, Tianjin Bohai, an indirect non-wholly owned subsidiary of TEDA Holding, indirectly holds a total of 673,759,143 shares of the Company, representing approximately 62.81% of the total issued shares of the Company, TEDA Holding and its subsidiaries are therefore connected persons of the Company as defined in the Listing Rules. In addition, Tianjin Bohai directly holds 33% equity interest in Tianjin Pharmaceutical, both Tianjin Pharmaceutical and Tianjin Pharmaceutical Da Ren Tang (a subsidiary of Tianjin Pharmaceutical) are therefore associates of Tianjin Bohai and also connected persons of the Company as defined in the Listing Rules. Accordingly, the Disposal also constitutes a connected transaction of the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

An EGM will be convened at which an ordinary resolution will be proposed for the Independent Shareholders to consider, and if thought fit, to approve the Equity Transfer Agreement and the transactions contemplated thereunder. The associates of TEDA Holding will abstain from voting on the resolution to be proposed at the EGM.

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on whether the Equity Transfer Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Shareholders as a whole. Red Sun Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

A circular containing, *inter alia*, details of (i) the terms of the Equity Transfer Agreement; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice convening the EGM is expected to be despatched to the Shareholders on or before 10 November 2023 as additional time is required to finalise certain information to be included in the circular.

INFORMATION ON THE PARTIES

The principal activity of the Company is investment holding. The principal activities of the Group are (i) utilities including supply of electricity, water and 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 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.

Lisheng Pharmaceutical and its subsidiaries are principally engaged in the manufacturing and sale of chemical drugs in the PRC. As at the date of this announcement, the Company has an effective interest of approximately 34.12% of the issued share capital of Lisheng Pharmaceutical.

Tianjin Pharmaceutical Da Ren Tang is a company established under the laws of the PRC with limited liability. Tianjin Pharmaceutical Da Ren Tang is principally engaged in the manufacture, operation and scientific research of green traditional Chinese medicine. Tianjin Pharmaceutical Da Ren Tang is listed on the A Shares Market of the Shanghai Stock Exchange (Stock Code: 600329) and on the Singapore Exchange (Stock Code: T14). As at the date of this announcement, Tianjin Pharmaceutical Da Ren Tang is directly held as to 42.989% by Tianjin Pharmaceutical, a state-owned enterprise established in the PRC which is directly held as to 33% and 67% by Tianjin Bohai (an intermediate controlling Shareholder) and Tianjin Shanghai Shenzhen Biomedical Technology Co., Ltd. (天津滬深生物醫藥科技有限公司) respectively.

Tianjin Pharmaceutical Finance is principally engaged in the provision of financial services to business enterprise groups in the PRC. As at the date of this announcement, Tianjin Pharmaceutical Finance is owned as to 50%, 15%, 15%, 15% and 5% by Tianjin Pharmaceutical, Tianjin Pharmaceutical Da Ren Tang, Lisheng Pharmaceutical, Tianjin Yaoye Group Co., Ltd. (天津藥業集團有限公司) and Tianjin Jin Yi Investment Guarantee Co., Ltd. (天津金益投資擔保有限責任公司) respectively.

DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Business Days”	a day on which licensed banks in the PRC are open for business throughout their normal business hours
“Company”	Tianjin Development Holdings Limited (天津發展控股有限公司), a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Stock Exchange (Stock Code: 882)

“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Directors”	the directors of the Company
“Disposal”	the disposal of the entire 15% equity interest in Tianjin Pharmaceutical Finance held by Lisheng Pharmaceutical pursuant to the Equity Transfer Agreement
“EGM”	an extraordinary general meeting of the Company to be held to consider and, if thought fit, approve the Equity Transfer Agreement and the transactions contemplated thereunder
“Equity Transfer Agreement”	the equity transfer agreement dated 10 October 2023 entered into between Lisheng Pharmaceutical and Tianjin Pharmaceutical Da Ren Tang in respect of the Disposal
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors, which has been established to advise the Independent Shareholders on the Equity Transfer Agreement and the transactions contemplated thereunder
“Independent Financial Adviser”	Red Sun Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), which has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the Equity Transfer Agreement and the transactions contemplated thereunder
“Independent Shareholders”	the Shareholders (excluding associates of TEDA Holding) who do not have a material interest in the Equity Transfer Agreement and the transactions contemplated thereunder
“Lisheng Pharmaceutical”	Tianjin Lisheng Pharmaceutical Co., Ltd. (天津力生製藥股份有限公司), a joint stock limited company established under the laws of the PRC and an indirect non-wholly owned subsidiary of the Company, which is listed on the A Shares Market of the Shenzhen Stock Exchange (Stock Code: 002393). As at the date of this announcement, the Company indirectly holds approximately 34.12% of the issued share capital of Lisheng Pharmaceutical

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of share(s) in the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it in the Listing Rules
“TEDA Holding”	Tianjin TEDA Investment Holding Co., Ltd. (天津泰達投資控股有限公司), a state-owned enterprise established in the PRC which is indirectly wholly-owned by the Tianjin Municipal People’s Government of the PRC and is an intermediate controlling shareholder of the Company
“Tianjin Bohai”	Tianjin Bohai State-owned Assets Management Co., Ltd. (天津渤海國有資產經營管理有限公司), a state-owned enterprise established in the PRC which is indirectly non-wholly owned by TEDA Holding and is an intermediate controlling shareholder of the Company
“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 which is directly held as to 33% and 67% by Tianjin Bohai (an intermediate controlling Shareholder) and Tianjin Shanghai Shenzhen Biomedical Technology Co., Ltd. (津滬深生物醫藥科技有限公司) respectively as at the date of this announcement
“Tianjin Pharmaceutical Da Ren Tang”	Tianjin Pharmaceutical Da Ren Tang Group Corporation Limited (津藥達仁堂集團股份有限公司), a company established under the laws of the PRC with limited liability which is listed on the A Shares Market of the Shanghai Stock Exchange (Stock Code: 600329) and on the Singapore Exchange (Stock Code: T14). As at the date of this announcement, Tianjin Pharmaceutical Da Ren Tang is owned as to 42.989% by Tianjin Pharmaceutical
“Tianjin Pharmaceutical Finance”	Tianjin Pharmaceutical Group Finance Co., Ltd. (天津醫藥集團財務有限公司), a company established under the laws of the PRC with limited liability which is owned as to 15% by Lisheng Pharmaceutical as at the date of this announcement
“Tianjin Pharmaceutical Group”	Tianjin Pharmaceutical and its subsidiaries

“Tianjin Property Rights Exchange Centre”	Tianjin Property Rights Exchange Centre Co., Ltd. (天津產權交易中心有限公司), a company established in the PRC with limited liability
“Valuation Report”	the valuation report of Tianjin Pharmaceutical Finance prepared by Beijing Huaya Zhengxin Assets Appraisal Co., Ltd. (北京華亞正信資產評估有限公司), using the asset-based approach with 31 March 2023 as the appraisal reference date
“%”	per cent

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

In this announcement, RMB has been converted to HK\$ at the rate of RMB0.92 = 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 Gang
Chairman and Executive Director

Hong Kong, 10 October 2023

As at the date of this announcement, the Board of the Company consists of Mr. Wang Gang, Dr. Zhai Xinxiang, Mr. Teng Fei, Mr. Sun Lijun, Ms. Ng Yi Kum, Estella**, Mr. Wong Shiu Hoi, Peter**, Mr. Lau Ka Keung** and Mr. Sin Hendrick**.*

* *non-executive director*

** *independent non-executive director*