

---

**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 stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

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

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

---



**天津發展** 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.  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

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



**紅日資本有限公司**  
**RED SUN CAPITAL LIMITED**

---

A letter from the Board is set out on pages 5 to 12 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 13 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 14 to 35 of this circular. A notice convening the EGM to be held at Artyzen Club, 401A, 4/F., Shun Tak Centre, 200 Connaught Road Central, Hong Kong on 5 December 2023 (Tuesday) at 3:00 p.m. is set out on pages 52 to 53 of this circular. A form of proxy for use at the EGM is also enclosed with this circular.

Whether or not you are able to attend the EGM (or any adjournment thereof), you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's share registrar, Tricor Tengis Limited at 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event no later than 3:00 p.m. on 1 December 2023 (Friday), or in case of any adjournment of the EGM, not less than 48 hours before the time appointed for the holding of any adjournment meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM (or any adjournment thereof) should you so wish.

Hong Kong, 10 November 2023

---

## CONTENTS

---

	<i>Page</i>
<b>DEFINITIONS</b> .....	1
<b>LETTER FROM THE BOARD</b> .....	5
<b>LETTER FROM THE INDEPENDENT BOARD COMMITTEE</b> .....	13
<b>LETTER FROM THE INDEPENDENT FINANCIAL ADVISER</b> .....	14
<b>APPENDIX I – SUMMARY OF VALUATION REPORT</b> .....	36
<b>APPENDIX II – GENERAL INFORMATION</b> .....	47
<b>NOTICE OF EXTRAORDINARY GENERAL MEETING</b> .....	52

---

## DEFINITIONS

---

*In this circular, unless the context otherwise requires, the following expressions shall 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”	the extraordinary general meeting of the Company to be convened and held at Artyzen Club, 401A, 4/F., Shun Tak Centre, 200 Connaught Road Central, Hong Kong on 5 December 2023 (Tuesday) at 3:00 p.m. 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 in respect of the Equity Transfer Agreement and the transactions contemplated thereunder

---

## DEFINITIONS

---

“Independent Financial Adviser” or “Red Sun Capital”	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 SFO, 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
“Independent Valuer”	Beijing Huaya Zhengxin Assets Appraisal Co., Ltd. (北京華亞正信資產評估有限公司), an independent PRC asset valuer
“Latest Practicable Date”	7 November 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“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 Latest Practicable Date, 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
“percentage ratio(s)”	has the meaning ascribed to it under the Listing Rules
“PRC”	the People’s Republic of China (for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	holder(s) of share(s) in the Company

---

## DEFINITIONS

---

“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% by Tianjin Bohai (an intermediate controlling Shareholder) and 67% by Tianjin Shanghai Shenzhen Biomedical Technology Co., Ltd. (津滬深生物醫藥科技有限公司) as at the Latest Practicable Date
“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 Latest Practicable Date, 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 Latest Practicable Date
“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

---

## DEFINITIONS

---

“Valuation Report” the valuation report of Tianjin Pharmaceutical Finance prepared by the Independent Valuer, 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 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 RMB0.92 = 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.*



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 Director:*

Mr. Wang Gang (*Chairman*)  
Dr. Zhai Xinxiang (*General Manager*)  
Mr. Teng Fei

*Registered Office:*

Suites 7-13, 36th Floor  
China Merchants Tower  
Shun Tak Centre  
168-200 Connaught Road Central  
Hong Kong

*Non-executive Director:*

Mr. Sun Lijun

*Independent non-executive Directors:*

Ms. Ng Yi Kum, Estella  
Mr. Wong Shiu Hoi, Peter  
Mr. Lau Ka Keung  
Mr. Sin Hendrick

10 November 2023

*To the Shareholders*

Dear Sirs,

**DISCLOSEABLE AND CONNECTED TRANSACTION**  
**DISPOSAL OF 15% EQUITY INTEREST IN**  
**TIANJIN PHARMACEUTICAL GROUP FINANCE CO., LTD.**  
**HELD BY TIANJIN LISHENG PHARMACEUTICAL CO., LTD.**  
**AND**  
**NOTICE OF EXTRAORDINARY GENERAL MEETING**

**INTRODUCTION**

Reference is made to the announcements of the Company dated 25 August 2023 and 10 October 2023 in relation to the 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.

---

## LETTER FROM THE BOARD

---

The purpose of this circular is to provide you with, *inter alia*, details of (i) the terms of the Equity Transfer Agreement and the transactions contemplated thereunder; (ii) the recommendation from 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; (iv) a notice convening the EGM; and (v) other information as required under the Listing Rules.

### 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.

---

## LETTER FROM THE BOARD

---

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 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.

As at the Latest Practicable Date, the foregoing conditions precedent have not yet been fulfilled.

### **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.

---

## LETTER FROM THE BOARD

---

### 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:

	<b>For the year ended 31 December</b>	
	<b>2022</b>	<b>2021</b>
	<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).

### VALUATION OF TIANJIN PHARMACEUTICAL FINANCE

The appraised net asset value of Tianjin Pharmaceutical Finance as at 31 March 2023 in the amount of RMB585,492,400 (equivalent to approximately HK\$636,404,783) was arrived at according to the Valuation Report using the asset-based approach, which was considered the most appropriate approach for the valuation of Tianjin Pharmaceutical Finance. A summary of the Valuation Report is set out in Appendix I to this circular, which includes, *inter alia*, the reasons for the adoption of the asset-based approach adopted by the Independent Valuer, the scope of the valuation and the valuation results.

Having considered the Valuation Report, and taking into account (i) the fact that the Valuation Report has been prepared in compliance with PRC valuation procedures, standards, laws and regulations by the Independent Valuer; (ii) that the Independent Valuer had reviewed relevant financial information, operational information and other relevant data concerning Tianjin Pharmaceutical Finance to gain a thorough understanding of the subject company; and (iii) the reasons for the adoption of the asset-based approach for the valuation adopted by the Independent Valuer, the scope of the valuation and the valuation results, the Directors consider that the results of the valuation reflected the value of Tianjin Pharmaceutical Finance and are fair and reasonable.

---

## LETTER FROM THE BOARD

---

### 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.

### 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, which is RMB87,823,860 (equivalent to approximately HK\$95,460,717); (ii) the 15% of unaudited carrying value of Tianjin Pharmaceutical Finance of approximately RMB56,200,000 (equivalent to approximately HK\$61,086,957) as at 30 June 2023; and (iii) all relevant expenses of approximately RMB3,130,000 (equivalent to approximately HK\$3,402,174) 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 expected net proceeds (after deducting the relevant expenses incidental to the Disposal) of approximately RMB84,694,000 (equivalent to approximately HK\$92,058,696) to be received by Lisheng Pharmaceutical from the Disposal will be used for replenishment of 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 Latest Practicable Date, 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.

---

## LETTER FROM THE BOARD

---

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.

### INFORMATION ON THE PARTIES

The Company is listed on the Main Board of the Stock Exchange, with its principal activity being 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 Latest Practicable Date, 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 Latest Practicable Date, 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. (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 Latest Practicable Date, 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) (“**Tianjin Yaoye**”) and Tianjin Jin Yi Investment Guarantee Co., Ltd. (天津金益投資擔保有限責任公司) (“**Tianjin Jin Yi**”) respectively. Tianjin Yaoye and Tianjin Jin Yi are members of the Tianjin Pharmaceutical Group. As at the Latest Practicable Date, Tianjin Yaoye is an indirect wholly-owned subsidiary of Tianjin Pharmaceutical and Tianjin Jin Yi is a direct 85%-owned subsidiary of Tianjin Pharmaceutical.

---

## LETTER FROM THE BOARD

---

### EGM

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, which are indirectly interested in 673,759,143 shares of the Company, representing approximately 62.81% of the total issued shares of the Company as at the Latest Practicable Date, will abstain from voting on the resolution. Save as disclosed above, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, there is no other Shareholder who has a material interest in the Disposal who is required to abstain from voting on the resolution to be proposed at the EGM.

A notice convening the EGM to be held at Artyzen Club, 401A, 4/F., Shun Tak Centre, 200 Connaught Road Central, Hong Kong on 5 December 2023 (Tuesday) at 3:00 p.m. is set out on pages 52 to 53 of this circular. A form of proxy for use at the EGM is also enclosed herewith. Whether or not you are able to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's share registrar, Tricor Tengis Limited at 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event no later than 3:00 p.m. on 1 December 2023 (Friday), or in case of any adjournment of the EGM, not less than 48 hours before the time appointed for the holding of any adjournment meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM (or any adjournment thereof) should you so wish.

### VOTING BY POLL

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

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

### RECOMMENDATION

The Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders in respect of the Equity Transfer Agreement and the transactions contemplated thereunder. Red Sun Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

---

## LETTER FROM THE BOARD

---

Your attention is drawn to (i) the letter from the Independent Board Committee as set out on page 13 of this circular which contains the recommendation from the Independent Board Committee to the Independent Shareholders; and (ii) the letter from the Independent Financial Adviser as set out on pages 14 to 35 of this circular which contains the advice from Red Sun Capital to the Independent Board Committee and the Independent Shareholders in respect of the Equity Transfer Agreement and the transactions contemplated thereunder and the principal factors and reasons considered by Red Sun Capital in arriving at its advice.

The Directors (including the independent non-executive Directors having taken into account the advice from the Independent Financial Adviser) consider that, although the entering into of 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 so far as the Independent Shareholders are concerned, 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. The Directors would therefore recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Equity Transfer Agreement and the transactions contemplated thereunder.

### ADDITIONAL INFORMATION

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

Yours faithfully,  
By Order of the Board  
**Tianjin Development Holdings Limited**  
**Wang Gang**  
*Chairman and Executive Director*



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

*(Incorporated in Hong Kong with limited liability)*

(Stock Code: 882)

10 November 2023

*To the Independent Shareholders*

Dear Sirs,

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

We refer to the circular of the Company to the Shareholders dated 10 November 2023 (the “**Circular**”) of which this letter forms part. Terms defined in the Circular have the same meanings in this letter unless the context requires otherwise.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders as to whether the terms of the Equity Transfer Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Red Sun Capital has been appointed as the independent financial adviser to advise us and the Independent Shareholders in this regard.

We wish to draw your attention to the letter from the Board as set out on pages 5 to 12 of the Circular and the letter from the Independent Financial Adviser as set out on pages 14 to 35 of the Circular.

Having taking into account the principal factors and reasons considered by, and the advice of Red Sun Capital, we 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 so far as the Independent Shareholders are concerned, 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. We would therefore recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Equity Transfer Agreement and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of the Independent Board Committee

**Tianjin Development Holdings Limited**

**Ms. Ng Yi Kum, Estella**

**Mr. Wong Shiu Hoi, Peter**

**Mr. Lau Ka Keung**

**Mr. Sin Hendrick**

*Independent non-executive Directors*

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

*The following is the letter of advice from Red Sun Capital Limited prepared for the purpose of inclusion in this circular in relation to the Equity Transfer Agreement and transactions contemplated thereunder, setting out its advice to the Independent Board Committee and the Independent Shareholders.*



**紅日資本有限公司**  
**RED SUN CAPITAL LIMITED**

Room 310, Floor 3  
China Insurance Group Building  
141 Des Voeux Road Central  
Central, Hong Kong

Tel: (852) 2857 9208  
Fax: (852) 2857 9100

10 November 2023

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

Dear Sir or Madam,

### **DISCLOSEABLE AND CONNECTED TRANSACTION**

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

#### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the Equity Transfer Agreement and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company to the Shareholders dated 10 November 2023 (the “**Circular**”), of which this letter forms part. Unless otherwise defined, terms used in this letter shall have the same meanings as those defined in the Circular.

As set out in the announcements of the Company dated 25 August 2023 and 10 October 2023, the Board announced that, among others, Lisheng Pharmaceutical, an indirect non-wholly owned subsidiary of the Company, intends to dispose of all of its 15% equity interest in Tianjin Pharmaceutical Finance. In accordance with the relevant requirements governing the transfer of state-owned assets of enterprise in the PRC, the Disposal was conducted on the Tianjin Property Rights Exchange Centre by way of public listing-for-sale process. The initial bidding price for the Disposal is RMB87,823,860 (equivalent to approximately HK\$95,460,717).

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.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

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 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.

### 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 Latest Practicable Date 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, which are indirectly interested in 673,759,143 shares of the Company, representing approximately 62.81% of the total issued shares of the Company as at the Latest Practicable Date, will abstain from voting on the resolution to be proposed at the EGM.

As set out in the Letter from the Board, 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.

### THE INDEPENDENT BOARD COMMITTEE

The Board currently comprises (i) three executive Directors, namely, Mr. Wang Gang, Dr. Zhai Xinxiang and Mr. Teng Fei; (ii) one non-executive Director, namely, Mr. Sun Lijun; and (iii) four independent non-executive Directors, namely, Ms. Ng Yi Kum, Estella, Mr. Wong Shiu Hoi, Peter, Mr. Lau Ka Keung and Mr. Sin Hendrick.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

The Independent Board Committee comprising all the independent non-executive Directors, namely Ms. Ng Yi Kum, Estella, Mr. Wong Shiu Hoi, Peter, Mr. Lau Ka Keung and Mr. Sin Hendrick, has been formed to advise the Independent Shareholders on whether the Equity Transfer Agreement and the transactions contemplated thereunder are entered into in the ordinary and usual course of business of the Group, fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Red Sun Capital Limited has been appointed by the Board with the approval of the Independent Board Committee as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

### OUR INDEPENDENCE

As at the Latest Practicable Date, we are independent from and not connected with the Company, Lisheng Pharmaceutical, Tianjin Pharmaceutical Finance, Tianjin Pharmaceutical Da Ren Tang and their respective shareholders, directors or chief executives, or any of their respective associates and accordingly, are qualified to give independent advice to the Independent Board Committee and the Independent Shareholders regarding the Equity Transfer Agreement and the transactions contemplated thereunder. Save for this appointment and our appointment as the independent financial adviser in respect of the (i) the continuing connected transactions contemplated under three sets of master agreements, details of which are set out in the circular of the Company dated 3 December 2021; and (ii) the proposed revision of annual caps for the continuing connected transactions in relation to the 2021 steam purchase master agreement, details of which are set out in the circular of the Company dated 30 November 2022, Red Sun Capital has not acted as an independent financial adviser to the Company under the Listing Rules in the past two years. Apart from the normal advisory fee paid or payable to us in connection with our appointment as the Independent Financial Adviser, no arrangement exists whereby we shall receive any other fees or benefits from the Group that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent from the Group pursuant to Rule 13.84 of the Listing Rules.

### BASIS AND ASSUMPTIONS OF THE ADVICE

In formulating our advice, we have relied solely on the statements, information, opinions, beliefs and representations for matters relating to the Group, Lisheng Pharmaceutical and Tianjin Pharmaceutical Finance, and their respective shareholders and management contained in the Circular and the information and representations provided to us by the Group, its senior management (the “**Management**”) and/or the Directors. We have assumed that all information, representations and opinions contained or referred to in the Circular, which have been provided by the Company, the Directors and the Management and for which they are solely and wholly responsible, were true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have assumed that all such statements, information, opinions, beliefs and representations contained or referred to in the Circular (including this letter) or otherwise provided or made or given by the Group and/or the Management and/or the Directors and for which it is/they are solely responsible were true and accurate, and valid and complete in all material respects at the time they were made and given and continue to be true and accurate, and valid and complete in all material respects as at the Latest Practicable Date. We have

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

assumed that all the opinions, beliefs and representations for matters relating to the Group, Lisheng Pharmaceutical and Tianjin Pharmaceutical Finance, made or provided by the Management and/or the Directors contained in the Circular have been reasonably made after due and careful enquiry. We have also sought and obtained confirmation from the Company, the Management and/or the Directors that no material facts have been omitted from the information provided and referred to in the Circular.

We consider that we have been provided with sufficient information and documents to enable us to reach an informed view and the Management has assured us no material information has been withheld from us to allow us to reasonably rely on the information provided so as to provide a reasonable basis for our advice. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions, beliefs and representations provided to us by the Group, the Management and/or the Directors and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the business and affairs of the Group, Lisheng Pharmaceutical, Tianjin Pharmaceutical Finance, Tianjin Pharmaceutical Da Ren Tang and its respective shareholder(s) and subsidiaries or affiliates, and their respective histories, experience and track records, or the prospects of the markets in which they respectively operate.

This letter is issued to the Independent Board Committee and the Independent Shareholders solely in connection for their consideration of the terms of the Equity Transfer Agreement and the transactions contemplated thereunder. This letter is not to be quoted or referred to, in whole or in part, or shall be used for any other purposes without our prior written consent.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In formulating our opinion and recommendation regarding the Equity Transfer Agreement, we have considered the following principal factors and reasons:

#### **1. Information on the parties**

##### *Background information of the Group*

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.

---

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

---

Set out below is a summary of the Group’s consolidated financial performance for the six months ended 30 June 2022 and 2023, and for two years ended 31 December 2021 and 2022, which were extracted from the Company’s interim report for the six months ended 30 June 2023 (the “**2023 Interim Report**”) and annual report for the year ended 31 December 2022 (the “**2022 Annual Report**”), respectively:

	<b>For the year ended 31 December</b>		<b>For the six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>	<b>2023</b>	<b>2022</b>
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
	<i>(HK\$’million)</i>	<i>(HK\$’million)</i>	<i>(HK\$’million)</i>	<i>(HK\$’million)</i>
Revenue from continuing operations, comprised of:				
– Utilities	3,705.1	3,541.0	1,830.5	1,963.8
– Pharmaceutical	1,859.2	1,653.7	856.3	954.7
– Electrical and mechanical	1,486.8	1,464.4	833.4	819.4
– Hotel	281.4	365.6	80.4	149.4
	77.7	57.2	60.4	40.3
Gross profit from continuing operations	1,010.5	1,015.4	601.0	583.6
Loss for the year/period from presses and mechanical equipment business	–	(46.3)	–	–
Profit for the year/period attributable to the owners of the Company	358.2	470.4	371.5	272.5

***Financial performance for the six months ended 30 June 2023 and 2022***

As set out in the 2023 Interim Report, the Group recorded revenue of approximately HK\$1,830.5 million for the six months ended 30 June 2023, representing a decrease of approximately 6.8% from approximately HK\$1,963.8 million for the six months ended 30 June 2022, while the Group’s gross profit amounted to approximately HK\$601.0 million for the six months ended 30 June 2023 compared to approximately HK\$583.6 million for the six months ended 30 June 2022, representing a slight increase of approximately 3.0%.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

Profit for the year attributable to the owners of the Company amounted to approximately HK\$371.5 million for the six months ended 30 June 2023 compared to approximately HK\$272.5 million for the six months ended 30 June 2022. The period-on-period increase in profit for the period attributable to the owners of the Company was primarily due to the net effects of (i) the decrease in revenue and increase in gross profit as mentioned above; (ii) the decrease in recognition of net other losses of approximately HK\$108.4 million which was mainly attributable to (a) the net fair value change on unlisted financial assets from the loss of approximately HK\$48.9 million for the six months ended 30 June 2022 to the gain of approximately HK\$30.0 million for the six months ended 30 June 2023; and (b) the allowance for impairment losses of trade receivables decreased from approximately HK\$51.4 million for the six months ended 30 June 2022 to approximately HK\$13.4 million for the six months ended 30 June 2023; (iii) the increase in share of net profit of associates and joint venture accounted for using the equity method of approximately HK\$53.9 million; (iv) the decrease in other income of approximately HK\$55.0 million which was mainly attributable to the decrease in interest income from approximately HK\$162.6 million for the six months ended 30 June 2022 to approximately HK\$121.5 million for the six months ended 30 June 2023; and (v) the increase in finance costs of approximately HK\$18.9 million.

### *Financial performance for the year ended 31 December 2022 and 2021*

As set out in the 2022 Annual Report, the Group recorded revenue from continuing operations of approximately HK\$3,705.1 million for the year ended 31 December 2022, representing an increase of approximately 4.6% from approximately HK\$3,541.0 million for the year ended 31 December 2021, while the Group's gross profit from continuing operations remained broadly in line, which amounted to approximately HK\$1,015.4 million and approximately HK\$1,010.5 million for the year ended 31 December 2021 and 2022, respectively.

Profit for the year attributable to the owners of the Company amounted to approximately HK\$358.2 million for the year ended 31 December 2022 compared to approximately HK\$470.4 million for the year ended 31 December 2021. The year-on-year decrease in profit for the year attributable to the owners of the Company was primarily due to the net effects of (i) the gross profit from continuing operations remained broadly in line as mentioned above; (ii) the recognition of net other losses of approximately HK\$158.6 million for the year ended 31 December 2022 as compared to the net other gains of approximately HK\$15.3 million for the year ended 31 December 2021; (iii) the decrease in share of net profit of associates and joint venture accounted for using the equity method of approximately HK\$98.7 million; and (iv) the decrease in general and administrative expenses of approximately HK\$116.0 million.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

Set out below is a summary of the consolidated financial position of the Group as at 30 June 2023 and 31 December 2022, which were extracted from the 2023 Interim Report and the 2022 Annual Report, respectively:

	<b>As at 30 June 2023</b>	<b>As at 31 December 2022</b>
	<i>(unaudited)</i>	<i>(audited)</i>
	<i>(HK\$'million)</i>	<i>(HK\$'million)</i>
Non-current assets	11,359.1	11,210.4
Current assets	10,175.9	10,055.8
Non-current liabilities	1,914.3	1,733.9
Current liabilities	3,021.9	3,103.1
Equity attributable to owner of the Company	12,069.9	12,016.0

### ***Financial position as at 30 June 2023 and 31 December 2022***

We noted from the 2023 Interim Report and 2022 Annual Report that the Group recorded net asset attributable to owners of the Company of approximately HK\$12,069.9 million as at 30 June 2023 compared to approximately HK\$12,016.0 million as at 31 December 2022.

Total assets of the Group amounted to approximately HK\$21,535.0 million as at 30 June 2023 and approximately HK\$21,266.2 million as at 31 December 2022, respectively. As at 30 June 2023, total assets of the Group mainly comprised of (i) investments accounted for using the equity method of approximately HK\$6,859.1 million as at 30 June 2023 compared to approximately HK\$6,743.3 million as at 31 December 2022; (ii) cash and cash equivalents of approximately HK\$2,467.0 million as at 30 June 2023 compared to approximately HK\$3,661.5 million as at 31 December 2022; (iii) time deposits with maturity over three months of approximately HK\$2,504.4 million as at 30 June 2023 compared to approximately HK\$2,498.2 million as at 31 December 2022; and (iv) property, plant and equipment approximately HK\$2,136.2 million as at 30 June 2023 compared to approximately HK\$2,264.6 million as at 31 December 2022.

Total liabilities of the Group amounted to approximately HK\$4,936.2 million as at 30 June 2023 and approximately HK\$4,837.0 million as at 31 December 2022, respectively. As at 30 June 2023, total liabilities mainly included (i) total bank borrowings of approximately HK\$1,808.2 million compared to approximately HK\$1,564.6 million as at 31 December 2022; (ii) other payables and accruals of approximately HK\$1,241.8 million compared to approximately HK\$1,221.6 million as at 31 December 2022; and (iii) trade payables of approximately HK\$799.4 million compared to approximately HK\$842.9 million as at 31 December 2022.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### *Background information of the Lisheng Pharmaceutical*

Lisheng Pharmaceutical is 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 Latest Practicable Date, the Company indirectly holds approximately 34.12% of the issued share capital of Lisheng Pharmaceutical.

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

As set out in the summary of Lisheng Pharmaceutical's interim report for the six months ended 30 June 2023<sup>1</sup> (2023年半年度報告摘要), the net asset value attributable to its owners\* (歸屬於上市公司股東的淨資產) amounted to approximately RMB4.4 billion as at 30 June 2023.

### *Background information of Tianjin Pharmaceutical Finance*

Tianjin Pharmaceutical Finance is principally engaged in the provision of financial services to business enterprise groups in the PRC. As at the Latest Practicable Date, 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) (“**Tianjin Yaoye**”) and Tianjin Jin Yi Investment Guarantee Co., Ltd.\* (天津金益投資擔保有限責任公司) (“**Tianjin Jin Yi**”) respectively. Tianjin Yaoye and Tianjin Jin Yi are members of the Tianjin Pharmaceutical Group. As at the Latest Practicable Date, Tianjin Yaoye is an indirect wholly-owned subsidiary of Tianjin Pharmaceutical and Tianjin Jin Yi is a direct 85%-owned subsidiary of Tianjin Pharmaceutical.

As set out in the Letter from the Board and the Valuation Report, 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 2022 and for the three months ended 31 March 2023 are set out below:

	<b>For three months ended/ As at 31 March 2023</b>	<b>For the year ended/ As at 31 December</b>	
	<b>RMB'000</b>	<b>2022</b>	<b>2021</b>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Net assets	585,307.8	584,911.6	570,702.9
Profit before tax	606.0	28,087.7	30,529.9
Profit after tax	396.2	21,109.3	23,039.9

<sup>1</sup> Summary of Lisheng Pharmaceutical's interim report for the six months ended 30 June 2023 (source: <http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&orgId=9900012091&stockCode=002393&announcementId=1217629289&announcementTime=2023-08-25>)

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

Based on the audited financial information of Tianjin Pharmaceutical Finance provided by the Management, as at 31 March 2023, (i) the total assets amounted to approximately RMB3,247.0 million; and (ii) total liabilities amounted to approximately RMB2,661.7 million.

According to the Valuation Report, the appraised value of the entire equity interest of Tianjin Pharmaceutical Finance was RMB585,492,400 (equivalent to approximately HK\$636,404,783) (the “**Appraised Value**”) as at 31 March 2023 (the “**Valuation Benchmark Date**”). Details of our analysis in this connection are set out under section headed “(i) Our analysis on the Appraised Value of Tianjin Pharmaceutical Finance” in this letter below.

### **2. Reasons for and benefits of the Disposal and intended use of proceeds from the Disposal**

We set out below a summary of the reasons for and benefits of the Disposal from the Letter from the Board.

The Management is of the view that the Group has been reducing its investments in non-core investment progressively, with a view to further concentrate resources on its core business.

The principal businesses of Tianjin Pharmaceutical Finance, which focus on the provision of financial services to members of Tianjin Pharmaceutical Group but not to other parties, is considered to be non-core business of the Group as such services do not complement the business segments of the Group including utilities, pharmaceutical, hotel, electrical and mechanical and strategic and other investments.

The Management believes that the Disposal has provided an excellent opportunity for it to realise its investment in the relevant non-core businesses and may enhance the operational efficiency of the assets of the Group, which is in line with the strategic deployment of resources and the actual needs for operational development of the Group.

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. We noted from the Letter from the Board that the expected net proceeds (after deducting the relevant expenses incidental to the Disposal) of approximately RMB84,694,000 (equivalent to approximately HK\$92,058,696) to be received by Lisheng Pharmaceutical from the Disposal will be used for replenishment of general working capital of the Group.

Having considered the reasons as set out above, in particular, (i) the principal businesses of Tianjin Pharmaceutical Finance are considered to be non-core businesses and do not complement the existing core businesses of the Group; and (ii) our analysis and assessment on, among others, the terms of the Disposal, including the consideration, the Appraised Value of Tianjin Pharmaceutical Finance conducted by the Independent Valuer

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

and the expected financial impact of the Disposal, further details of which are set out under the sections headed “4. Our analysis on the principal terms of the Equity Transfer Agreement” and “5. Expected financial effects of the Disposal” in this letter below, we are of the view that the Disposal is in the interests of the Company and the Shareholders as a whole.

### 3. The Equity Transfer Agreement

Based on information as set out in the Letter from the Board, we have summarised the principal terms of the Equity Transfer Agreement below:

Date: 10 October 2023

Parties: (1) Lisheng Pharmaceutical (as the vendor); and  
(2) Tianjin Pharmaceutical Da Ren Tang (as the purchaser).

Asset 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:

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

- (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 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.

As at the Latest Practicable Date, the foregoing conditions precedent have not yet been fulfilled.

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.

Please refer to the section headed “4. Our analysis on the principal terms of the Equity Transfer Agreement” in this letter below for our work performed and analysis on the principal terms of the Equity Transfer Agreement, including the consideration.

**4. Our analysis on the principal terms of the Equity Transfer Agreement**

As set out in the Letter from the Board, 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) (the “**Consideration**”), being the final bidding price of the entire 15% equity interest in Tianjin Pharmaceutical Finance, shall be paid by Tianjin Pharmaceutical Da Ren Tang.

It is also noted that the Appraised Value of the entire equity interest of Tianjin Pharmaceutical Finance as of 31 March 2023 (i.e. the Valuation Benchmark Date) prepared by Beijing Huaya Zhengxin Assets Appraisal Co., Ltd\* (北京華亞正信資產評估有限公司) (i.e. the Independent Valuer) amounted to RMB585,492,400 (equivalent to approximately HK\$636,404,783). In this connection, we have conducted the following work and analysis.

**(i) Our analysis on the Appraised Value of Tianjin Pharmaceutical Finance**

According to the Valuation Report, the Appraised Value of the entire equity interest of Tianjin Pharmaceutical Finance was RMB585,492,400 (equivalent to approximately HK\$636,404,783) which was used to determine the initial bidding price for the Disposal.

With a view to assess the fairness and reasonableness of the Consideration, we have performed the following procedures, including but not limited to, (i) reviewed the Valuation Report prepared by the Independent Valuer in respect of the appraised value of Tianjin Pharmaceutical Finance; and (ii) discussed with the Independent Valuer in relation to (a) their methodology and assumptions used in appraising the value of Tianjin Pharmaceutical Finance as set out in the Valuation Report; (b) their scope of work in connection with the Valuation Report; and (c) their relevant professional qualifications and experience.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### *Background of the Independent Valuer*

We have reviewed the information and background of the Independent Valuer and noted from its website that the Independent Valuer is engaged in the provision of enterprise valuation services and individual asset assessment services, and the Independent Valuer has a track record in the provision of valuation services to Hong Kong and PRC listed companies. We have also discussed the information as set out in the Valuation Report, including the basis and assumptions thereunder, with the engagement team of the Independent Valuer, namely Ms. Che Yu Jia\* (車羽佳) and Mr. Liu Leiping\* (劉磊萍), who are registered as asset appraiser under the China Appraisal Society with more than three years and five years of experience in valuation and financial analysis, respectively.

In addition, we have enquired and the Independent Valuer has confirmed that they do not have any current or prior relationships with and are independent from each of the Company, Lisheng Pharmaceutical or Tianjin Pharmaceutical Da Ren Tang.

We also noted that as part of their work performed, the Independent Valuer has obtained and reviewed the relevant financial information and other relevant data in relation to Tianjin Pharmaceutical Finance necessary to perform their work, and the Independent Valuer has also confirmed that they have conducted the valuation in accordance with the applicable asset appraisal standards.

Furthermore, we have reviewed the terms of engagement between the Independent Valuer and Lisheng Pharmaceutical in relation to the Valuation Report, including the scope of work and responsibilities of the Independent Valuer.

Based on the above, we are satisfied that the Independent Valuer is qualified to give their opinion as set out in the Valuation Report considering their relevant experience and expertise, their independence, their scope of work and valuation procedures performed.

### *Valuation methodologies*

For the purpose of our assessment of the Valuation Report and the Appraised Value, we have reviewed and enquired into the valuation methodology used and the principal bases and assumptions adopted in the Valuation Report. We noted that the Valuation Report was prepared in accordance with various laws and standards, including but not limited to, Asset Appraisal Law of the People's Republic of China\* (《中華人民共和國資產評估法》) adopted at the 21st Session of the Standing Committee of the 12th National People's Congress of the PRC on 2 July 2016 and effective on 1 December 2016 and Basic Rules for Asset Appraisal\* (《資產評估基本準則》) (Cai Zi [2017] No. 43) (財資[2017]43號). For further details, please refer to the information as set out in Appendix I to the Circular.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

Based on our review of the Valuation Report and our discussion with the Independent Valuer on, among others, the valuation methodologies, basis and assumptions adopted by the Independent Valuer, we understood that the Independent Valuer has considered three generally accepted approaches, namely the income approach, the market approach, and the asset-based approach in the Valuation Report. According to the requirements of the Practice Standards for Asset Appraisal – Enterprise Value\* (《資產評估執業準則 — 企業價值》), when carrying out the appraisal of value for enterprise business, the appraisal method should be selected appropriately by analysing the applicability of the three basic approaches, namely the income approach, market approach and asset-based approach, after considering the appraisal purpose, valuation subject, type of valuation, data collection, etc.

The asset-based approach in the appraisal of enterprise value refers to the appraisal method that reasonably determines the value of valuation subject by appraising the value of various assets and liabilities on and off the balance sheets, based on the balance sheet of the appraised entity as of the valuation benchmark date.

The income approach in the appraisal of enterprise value refers to the appraisal method that determines the value of valuation subject by capitalising or discounting the expected income of the appraised entity. The specific methods commonly used in the income approach include the dividend discount method and the discounted cash flow method.

The market approach in the appraisal of enterprise value refers to the appraisal method that determines the value of valuation subject by comparing the valuation subject with comparable listed companies or comparable transaction cases. Two specific methods commonly used in the market approach are listed company comparison method and transaction case comparison method.

Based on our discussion with the Independent Valuer, Tianjin Pharmaceutical Finance, being a non-bank financial institution, was established mainly to serve the Tianjin Pharmaceutical Group by providing financial services and support to the Tianjin Pharmaceutical Group. Subject to the allocation of financial resources within the Tianjin Pharmaceutical Group, the principal business of Tianjin Pharmaceutical Finance is to provide deposits taking and loan services to the members of Tianjin Pharmaceutical Group. Given factors and uncertainties, such as the aforesaid non-open business operating environment under which Tianjin Pharmaceutical Finance operates in, the unpredictability of the interest rate policies, which might in turn affect the profitability of Tianjin Pharmaceutical Finance going forward, the Independent Valuer considered that adopting income approach to assess the enterprise valuation of a finance company affiliated to Tianjin Pharmaceutical Group will have its limitations and therefore is not the most appropriate method out of the three valuation methodologies.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

As per our discussion with the Independent Valuer, based on their research, there were difficulties in identifying market precedent transactions that are identical or similar to Tianjin Pharmaceutical Finance, in terms of operational scale and type of business, which operated under an enclosed business environment, for comparison purposes. In addition, for similar reasons as identified above, the Independent Valuer was not able to identify comparable listed companies with limited differences from Tianjin Pharmaceutical Finance in terms of product mix, business scale as well as principal business for the purpose of market comparable analysis. Therefore, the market approach is not considered to be appropriate by the Independent Valuer.

The Independent Valuer has primarily adopted the asset-based approach given (i) the business nature of Tianjin Pharmaceutical Finance; (ii) the assets of the Tianjin Pharmaceutical Finance are on the basis of or assumed to be in continuing operation; and (iii) the assets' historical data are properly recorded and there are no assets and liabilities which may have a significant impact on the value of the valuation subject and are difficult to identify and evaluate. Hence, the Independent Valuer considered the asset-based approach to be the most appropriate valuation methodology in appraising the value of Tianjin Pharmaceutical Finance.

### *Our review of the Valuation Report*

We have reviewed the work performed by the Independent Valuer, a summary of which is set out below.

It is noted from the Valuation Report that under the premise of going concern, the book value of total assets of Tianjin Pharmaceutical Finance as of the Valuation Benchmark Date was RMB3,246,978,500 compared to the Appraised Value of RMB3,247,163,100, representing an appreciation in the amount of RMB184,600. The increase in the appraised value of total assets as compared to its book value was primarily due to the increase in appraised value of intangible assets, which was partially offset by the decrease in appraised value of the fixed assets. The book value of total liabilities of Tianjin Pharmaceutical Finance as of the Valuation Benchmark Date was RMB2,661,670,700 compared to the appraised value of was RMB2,661,670,700, thus are largely consistent.

In relation to the intangible assets, we noted from the Valuation Report that the Independent Valuer has checked and verified the intangible assets by checking the relevant books and records, original vouchers and business contracts.

In relation to the fixed assets, we noted from the Valuation Report that the Independent Valuer has checked and verified the fixed assets by, among others, verifying the relevant books and records and checking the properties against with the books and records. For buildings and structures, investigations on their actual usage have been performed by the Independent Valuer and the number of items, structure type, gross floor area or quantities of physical engineering projects with

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

the relevant completion timeline were checked against the declared schedule together with the books and records, as well as building purchase contracts. The Independent Valuer also checked the property rights of the assets against the relevant ownership documents. For equipment, the details of the equipment, such as the name, quantity, specifications and models, time of purchase and commencement of usage were individually checked against the declared schedule, ledgers and purchase invoices. The operation status of equipment has been checked as at the Valuation Benchmark Date.

For other intangible assets, the name, quantity, purchase date, purchase invoice and actual usage were verified individually. For the debtor balance, the Independent Valuer reviewed confirmations to the settlement unit or the debtor and made enquiries on the situation of the relevant debtors.

For the liabilities, historical information such as the background, method and time of formation, settlement object and business content of each debt was checked specifically by reviewing the relevant account books, original vouchers and together with the audit situation of the accountants. The Independent Valuer also confirmed whether sizeable liabilities were the actual amount of liabilities assumed by the subject company as well as identity of the creditors through confirmations.

The assets and liabilities and other items involved in the Valuation Report were checked and verified by the Independent Valuer in accordance with normal procedures, and no matters affecting the asset verification work were found by the Independent Valuer.

We noted from the Valuation Report that the fixed assets mainly include buildings and structures, transportation equipment and office equipment, for which no impairment provision has been made. The aforesaid fixed assets mainly comprised (i) three office buildings and four supporting decoration and renovation projects, with the total original book value of RMB24,219,731.25 and the total net book value as at the Valuation Benchmark Date of RMB19,407,232.10; (ii) one vehicle, with the original book value of RMB185,598.75 and the net book value of RMB9,279.94; and (iii) a total of 437 (sets) electronic equipment with the original book value of RMB3,657,438.74 and the net book value of RMB343,824.94.

We noted from the Valuation Report that there was (i) a decrease in value of fixed assets of approximately RMB1.2 million, being the net movement of (a) the decrease in the value of buildings and structure from its net book value of approximately RMB19.4 million to its appraised value of approximately RMB17.9 million; (b) the value of vehicles increased from its net book value of RMB9,280 to an appraised value of RMB68,739; and (c) the value of electronic equipment increased from its net book value of RMB343,825 to its appraised value of RMB604,065; and (ii) the value of intangible assets increased from its book value of approximately RMB1.4 million to its appraised value of approximately RMB2.8 million.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

The aforesaid adjustments made by the Independent Valuer to the fixed asset balances was on the basis that, where applicable, (i) the impairment of buildings and structures was due to the decrease in the trading prices of office buildings in the surrounding real estate market in recent years; (ii) the appreciation in the value of the vehicles was due to the fact that the enterprise has depreciated the vehicles to its residual value; and (iii) the appreciation of office equipment was due to the fact that the depreciation life of electronic equipment provided by the enterprise was less than the economic life of electronic equipment in the valuation, furthermore, the enterprise has depreciated some of its electronic equipment to the residual value and the appraised value of electronic equipment used the second-hand market price resulted in a higher value than the net book value of electronic equipment as at the Valuation Benchmark Date.

In addition, we noted from the Valuation Report that there was increase in the value of intangible assets from its book value of approximately RMB1.4 million to an appraised value of approximately RMB2.8 million. The intangible assets mainly comprised software, operating systems, digital certificates, etc. As of the Valuation Benchmark Date, except for two expired software licenses, the other intangible assets were in use, updated and maintained by specialised third parties. The aforesaid adjustment in value by the Independent Valuer was on the basis that the book value of certain intangible assets has been amortised to nil despite that they are still in use and having considered the level of salary and development costs of software operating system developers.

We have discussed and understand from the Independent Valuer that the above valuation methodology applied in valuing the equity interest of Tianjin Pharmaceutical Finance under the asset-based approach are commonly used in valuations. Based on the work performed by the Independent Valuer and the methodology adopted in determining the appraised value of the assets and liabilities, we considered that the Appraisal Value to be an appropriate benchmark for our assessment of the fairness and reasonableness of the Consideration.

### *Comparison of the Appraised Value against the Consideration*

According to the Valuation Report, the Appraised Value of the entire equity interest of Tianjin Pharmaceutical Finance was RMB585,492,400 (equivalent to approximately HK\$636,404,783) as at the Valuation Benchmark Date, 15% of which is calculated to be RMB87,823,860 (equivalent to approximately HK\$95,460,717), such is the equivalent to the Consideration.

(ii) *Our analysis on market comparables*

In assessing the fairness and reasonableness of the Consideration, we have also considered the implied price-to-earnings ratio (the “**P/E Ratio**”) and implied price-to-book ratio (the “**P/B Ratio**”) of Tianjin Pharmaceutical Finance under the Disposal, calculated based on (a) the implied value of the entire equity interest of Tianjin Pharmaceutical Finance of approximately RMB585,492,400, based on the Consideration of RMB87,823,860 for 15% equity interest in Tianjin Pharmaceutical Finance; and divided by (b) the audited profit after taxation for the year ended 31 December 2022 and the audited net asset value as at 31 March 2023 of approximately RMB21.1 million and RMB585,307,800, respectively. On this basis, the implied P/E ratio under the Disposal is approximately 27.7 times and the implied P/B ratio under the Disposal is approximately 1.0 times.

In this connection, we have conducted further analysis by comparing the implied P/E ratio and the implied P/B ratio under the Disposal, both of which being commonly used valuation metrics, against the P/E ratio and P/B ratio of comparable companies listed on the Stock Exchange.

Having considered the principal businesses of the Tianjin Pharmaceutical Finance, we have set the following criteria to select comparable companies for the purpose of our analysis, namely (a) shares of the companies being listed and traded on the Stock Exchange as at the date of the Equity Transfer Agreement; (b) the comparable listed companies are principally engaged in similar services to that of Tianjin Pharmaceutical Finance, namely money lending services, and in turn such money lending services have contributed over 70% of its total revenue for its latest completed financial year. For the avoidance of doubt, revenue from other form of financing services such as factoring and/or financial leasing services are not included given their differences in nature; (c) over 50% of its revenue were generated from the PRC for the latest completed financial year; and (d) based on the closing share price on the date of the Equity Transfer Agreement, their market capitalisation between HK\$300 million to HK\$800 million (together the “**Initial Comparable Companies Criteria**”).

Based on the Initial Comparable Companies Criteria, we have identified one comparable company. Given the limited number of comparable company identified, we have expanded the Initial Comparable Companies Criteria with a view to identify a larger and more representative sample size. To this end, we enlarged the range of the market capitalisation criterion, i.e. criterion (d), to be not less than HK\$50 million and not more than HK\$1,000 million based on the closing share price on the date of the Equity Transfer Agreement, while keeping the other criteria the same (together the “**Final Comparable Companies Criteria**”). We have

---

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

---

identified a list of six comparable companies (the “**Market Comparables**”) on an exhaustive basis, all of which fulfilled the Final Comparable Companies Criteria, the relevant details of which are set out in the table below:

Company name (stock code)	Principal business	Market Capitalisation <i>(Note 1)</i> <i>(HK\$'million)</i>	P/E ratio <i>(Note 2,3)</i> <i>(times)</i>	P/B ratio <i>(Note 2,4)</i> <i>(times)</i>
China Financial Services Holdings Limited (605)	Principally engaged in providing financing services, in particular, pawn loan, loan receivables from micro-lending and money-lending.	94.2	N/A <i>(Note 5)</i>	0.14
Yangzhou Guangling District Taihe Rural Micro-finance Company Limited (1915)	Principal activities mainly include granting of loans to “Agriculture, Rural Areas and Farmers”, small and medium-sized and micro enterprises.	117.0	N/A <i>(Note 5)</i>	0.13
Zuoli Kechuang Micro-finance Company Limited (6866)	Principal activity is the provision of loans to customers in Zhejiang Province, the PRC.	97.5	0.92	0.05
Quanzhou Huixin Micro-credit Co., Ltd. (1577)	Principal activities were the provision of loans to small and medium enterprises, micro-enterprises and entrepreneurial individuals, treasury operation and investment consulting services.	90.0	1.31	0.07
Shanghai Dongzheng Automotive Finance Co., Ltd (2718)	Principal business mainly comprises automotive loan business to automotive end customers and loan to automobile dealers.	620.6	4.06	0.17
Wealthy Way Group Limited (3848)	Principal activities of the Group are (i) provision of financial leasing, factoring and financial advisory services in the PRC; (ii) provision of small loans and related loan facilitation services in the PRC; and (iii) provision of investment management and advisory services, securities dealing and broking services and other financial services in Hong Kong.	964.6	35.32	1.48
	<b>Maximum</b>		35.32	1.48
	<b>Minimum</b>		0.92	0.05
	<b>Average</b>		10.40	0.34
	<b>Median</b>		2.68	0.13
	<b>Tianjin Pharmaceutical Finance under the Disposal</b>	Implied value of 100% equity interest: 585,492,400 <i>(Note 6, 7)</i>	27.74 <sup><i>(Note 6)</i></sup>	1.00 <sup><i>(Note 7)</i></sup>

*Source: the website of the Stock Exchange*

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

*Notes:*

- (1) In respect of the Market Comparables, market capitalisation is calculated based on the respective closing price as quoted on the Stock Exchange as at the date of the Equity Transfer Agreement (the “**Market Capitalisation**”) and the number of issued shares based on published information as at 30 September 2023, for the purpose of our analysis on the Market Comparables.
- (2) For the illustrative purpose of this table, conversion of RMB into HK\$ in relation to the respective financial figures of the Market Comparables denominated in RMB (where applicable) is calculated at the approximate exchange rate of (i) RMB1.0 to HK\$1.1327 as at 31 December 2022; (ii) RMB1.0 to HK\$1.1429 as at 31 March 2023; and (iii) RMB1.0 to HK\$1.0804 as at 30 June 2023. This exchange rate is for illustration purposes only and does not constitute a representation that any amounts have been, could have been, or may be exchanged at this or any other rate at all.
- (3) P/E ratio is calculated by dividing the Market Capitalisation of the subject Market Comparables by its consolidated profit attributable to the owners, as extracted from the published consolidated financial statements for the latest completed financial year.
- (4) P/B ratio is calculated by dividing the Market Capitalisation of the subject Market Comparables by its consolidated equity attributable to the owners of the Market Comparables, as extracted from the latest published interim/annual consolidated financial statements.
- (5) Given each of China Financial Services Holdings Limited, Yangzhou Guangling District Taihe Rural Micro-finance Company Limited, Doyen International Holdings Limited and Zhong Ji Longevity Science Group Limited under the Market Comparables, recorded a loss after taxation for its latest completed financial year, respectively. On this basis, these Market Comparables have no applicable P/E ratio for the purpose of our analysis.
- (6) The implied P/E ratio of Tianjin Pharmaceutical Finance was calculated by dividing (a) the implied value of the entire equity interest of Tianjin Pharmaceutical Finance of approximately RMB585,492,400, which is calculated based on the Consideration of RMB87,823,860 for 15% equity interest in Tianjin Pharmaceutical Finance; by (b) its profit after tax for the year ended 31 December 2022 of approximately RMB21,109,300.
- (7) The implied P/B ratio of Tianjin Pharmaceutical Finance was calculated by dividing (a) the implied value of the entire equity interest of Tianjin Pharmaceutical Finance of approximately RMB585,492,400, which is calculated based on the Consideration of RMB87,823,860 for 15% equity interest in Tianjin Pharmaceutical Finance; by (b) its net assets as at 31 March 2023 of approximately RMB585,307,800.

As set out in the table above, the P/E ratios of the Market Comparables ranged from approximately 0.92 times to 35.32 times, with an average and median of approximately 10.40 times and 2.68 times. The implied P/E ratio of Tianjin Pharmaceutical Finance under the Disposal was approximately 27.74 times which is within range, towards the high end and above the average and median of the P/E ratios of the Market Comparables.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

The P/B ratios of the Market Comparables ranged from approximately 0.05 times to 1.48 times, with an average and median of approximately 0.34 times and 0.13 times. The implied P/B ratio of Tianjin Pharmaceutical Finance under the Disposal was approximately 1.00 times which is within range, towards the high end and above the average and median of the P/B ratios of the Market Comparables.

*(iii) Evaluation of the Consideration*

As set out in the Letter from the Board, 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.

In assessing the fairness of the Consideration, we have considered (a) the Disposal was subject to a public listing-for-sale process and that Tianjin Pharmaceutical Da Ren Tang has been confirmed as the qualified bidder by the Tianjin Property Rights Exchange Centre; (b) the Consideration of RMB87,823,860 (equivalent to approximately HK\$95,460,717) is equivalent to 15% of the Appraised Value of the entire equity interest of Tianjin Pharmaceutical Finance as at the Valuation Benchmark Date, our analysis of which was set out under the section headed “(i) Our analysis on the Appraised Value of Tianjin Pharmaceutical Finance” in this letter above; and (c) our analysis and work done on the market comparables as set out under section headed “(ii) Our analysis on market comparables”, including that each of the implied P/E ratio and the implied P/B ratio of Tianjin Pharmaceutical Finance based on the Consideration was within the range and above average of the P/E ratio and P/B ratio of Market Comparables, respectively. On this basis, we are of the view that the Consideration is fair and reasonable.

### **5. Expected financial effects of the Disposal**

Based on the Letter from the Board, 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, which is RMB87,823,860 (equivalent to approximately HK\$95,460,717); (ii) the 15% of unaudited carrying value of Tianjin Pharmaceutical Finance of approximately RMB56,200,000 (equivalent to approximately HK\$61,086,957) as at 30 June 2023; and (iii) all relevant expenses of approximately RMB3,130,000 (equivalent to approximately HK\$3,402,174) 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 the completion of the Disposal.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

After the completion of the Disposal and the completion of the business registration of the ownership of the 15% equity interest in Tianjin Pharmaceutical Finance, and only taken into account the effects of the Disposal, the cash and cash equivalent balance of Lisheng Pharmaceutical is expected to be increased by the net proceeds arising from the Disposal.

### RECOMMENDATION

Having considered of the above principal factors and reasons, we consider that although the entering into of the Equity Transfer Agreement and the transactions contemplated thereunder are not in the ordinary and usual course of the business of the Group, the terms of the Equity Transfer Agreement are fair and reasonable so far as the Independent Shareholders are concerned, 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.

Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the relevant ordinary resolution to approve the Equity Transfer Agreement and the transactions contemplated thereunder at the EGM.

Yours faithfully,  
For and on behalf of  
**Red Sun Capital Limited**  
**Lewis Lai**  
*Managing Director*

*Mr. Lewis Lai is a licensed person registered with the SFC and a responsible officer of Red Sun Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 16 years of experience in the corporate finance industry.*

\* *for identification purpose only*

*The following is a summary of the valuation report dated 15 June 2023 prepared by the Independent Valuer in connection with its valuation of Tianjin Pharmaceutical Finance as at 31 March 2023 for the purpose of, among others, inclusion in this circular.*

## **Summary of Asset Appraisal Report**

### **The Entire Shareholders' Interests in Tianjin Pharmaceutical Group Finance Co., Ltd. relating to the Proposed Equity Transfer by Tianjin Lisheng Pharmaceutical Co., Ltd. Huaya Zhengxin Ping Bao Zi [2023] No. A05-0007 (華亞正信評報字[2023]第A05-0007號)**

**Tianjin Lisheng Pharmaceutical Co., Ltd. (天津力生製藥股份有限公司) :**

Beijing Huaya Zhengxin Assets Appraisal Co., Ltd. (北京華亞正信資產評估有限公司) was engaged by Tianjin Lisheng Pharmaceutical Co., Ltd. (天津力生製藥股份有限公司) to carry out an appraisal on the market value of the entire shareholders' interests of Tianjin Pharmaceutical Group Finance Co., Ltd. (天津醫藥集團財務有限公司), which is proposed to be transferred by Tianjin Lisheng Pharmaceutical Co., Ltd. (天津力生製藥股份有限公司) as at the valuation benchmark date by carrying out necessary valuation procedures adopting the asset-based approach on the premise of going concern of the enterprise and open market pursuant to the relevant laws, administrative regulations and asset appraisal standards. Beijing Huaya Zhengxin Assets Appraisal Co., Ltd. (北京華亞正信資產評估有限公司) is a professional valuer independent of and has no foreseeable conflict of interest as regards the relevant parties to the proposed transaction, namely Tianjin Pharmaceutical Da Ren Tang Group Corporation Limited (津藥達仁堂集團股份有限公司) as purchaser, Tianjin Lisheng Pharmaceutical Co., Ltd. (天津力生製藥股份有限公司) as vendor and Tianjin Pharmaceutical Group Finance Co., Ltd. (天津醫藥集團財務有限公司) as target company, together with their respective connected persons, and has no foreseeable personal interest in the success of the proposed transaction. Beijing Huaya Zhengxin Assets Appraisal Co., Ltd. (北京華亞正信資產評估有限公司) is a qualified PRC appraiser with sufficient reputation and has undertaken to have the relevant expertise and adequate resources to perform its role to carry out the abovementioned appraisal work reasonably and properly without interference.

I. Valuation purpose: Tianjin Lisheng Pharmaceutical Co., Ltd. (天津力生製藥股份有限公司) proposed to transfer its equity interest in Tianjin Pharmaceutical Group Finance Co., Ltd. (天津醫藥集團財務有限公司) and was required to carry out an asset appraisal to ascertain the market value of the entire shareholders' equity of Tianjin Pharmaceutical Group Finance Co., Ltd. (天津醫藥集團財務有限公司) involved in such economic behavior, so as to provide a reference value for the proposed equity transfer.

II. Valuation subject: The entire shareholders' equity of Tianjin Pharmaceutical Group Finance Co., Ltd. (天津醫藥集團財務有限公司) as at the valuation benchmark date.

III. Scope of valuation: All assets and liabilities which have been audited and reported by Tianjin Pharmaceutical Group Finance Co., Ltd. (天津醫藥集團財務有限公司) as at the valuation benchmark date, including cash and deposits with central bank, deposits with banks, transactional financial assets, loans and advances granted, fixed assets, intangible assets, deferred income tax assets, other assets and liabilities.

IV. Valuation benchmark date: 31 March 2023.

V. Type of value: Market value.

VI. Valuation conclusion: The result of the asset-based approach of the market value of the entire shareholders' equity in Tianjin Pharmaceutical Group Finance Co., Ltd. (天津醫藥集團財務有限公司) as at the valuation benchmark date is adopted as the final appraisal conclusion of this appraisal.

Tianjin Pharmaceutical Group Finance Co., Ltd. (天津醫藥集團財務有限公司) is a non-bank financial institution established with the approval of the China Banking Regulatory Commission in accordance with "Yin Jian Fu [2016] No. 27" (《銀監覆[2016]27號》) for the purpose of provision of financial services to the members of Tianjin Pharmaceutical Group Co., Ltd. (天津市醫藥集團有限公司). Tianjin Pharmaceutical Group Finance Co., Ltd. (天津醫藥集團財務有限公司) was registered with the Market Supervision Administration of China (Tianjin) Pilot Free Trade Zone on 14 September 2016, and was jointly invested by five corporate shareholders, namely Tianjin Pharmaceutical Group Co., Ltd. (天津市醫藥集團有限公司), Tianjin Pharmaceutical Da Ren Tang Group Corporation Limited (津藥達仁堂集團股份有限公司), Tianjin Lisheng Pharmaceutical Co., Ltd. (天津力生製藥股份有限公司), 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), of which Tianjin Pharmaceutical Group Co., Ltd. (天津市醫藥集團有限公司) made a capital contribution of RMB250,000,000, representing a 50% shareholding; Tianjin Pharmaceutical Da Ren Tang Group Corporation Limited (津藥達仁堂集團股份有限公司) made a capital contribution of RMB75,000,000, representing a 15% shareholding; Tianjin Lisheng Pharmaceutical Co., Ltd. (天津力生製藥股份有限公司) made a capital contribution of RMB75,000,000, representing a 15% shareholding; Tianjin Yaoye Group Co., Ltd. (天津藥業集團有限公司) made a capital contribution of RMB75,000,000, representing a 15% shareholding; and Tianjin Jin Yi Investment Guarantee Co., Ltd. (天津金益投資擔保有限責任公司) made a capital contribution of RMB25,000,000, representing a 5% shareholding.

As of the valuation benchmark date, the names of shareholders, capital contribution amounts and proportions of capital contribution of Tianjin Pharmaceutical Group Finance Co., Ltd. (天津醫藥集團財務有限公司) are as follows:

**Names of shareholders, capital contribution amounts  
and proportions of capital contribution**

*Amount unit: RMB0'000*

No.	Name of shareholder	Subscribed capital contribution amount	Subscribed capital contribution ratio (%)	Actual capital contribution amount	Actual capital contribution ratio (%)
1	Tianjin Pharmaceutical Group Co., Ltd. (天津市醫藥集團有限公司)	25,000.00	50.00	25,000.00	50.00
2	Tianjin Pharmaceutical Da Ren Tang Group Corporation Limited (津藥達仁堂集團股份有限公司)	7,500.00	15.00	7,500.00	15.00
3	Tianjin Lisheng Pharmaceutical Co., Ltd. (天津力生製藥股份有限公司)	7,500.00	15.00	7,500.00	15.00
4	Tianjin Yaoye Group Co., Ltd. (天津藥業集團有限公司)	7,500.00	15.00	7,500.00	15.00
5	Tianjin Jin Yi Investment Guarantee Co., Ltd. (天津金益投資擔保有限責任公司)	2,500.00	5.00	2,500.00	5.00
<b>Total</b>		<b>50,000.00</b>	<b>100.00</b>	<b>50,000.00</b>	<b>100.00</b>

The appraisal methods of enterprise valuation mainly include asset-based approach, income approach and market approach.

The asset-based approach in the appraisal of enterprise value refers to the appraisal method that reasonably determines the value of valuation subject by appraising the value of various assets and liabilities on and off the balance sheets, based on the balance sheet of the appraised entity as of the valuation benchmark date.

The income approach in the appraisal of enterprise value refers to the appraisal method that determines the value of valuation subject by capitalising or discounting the expected income of the appraised entity. The specific methods commonly used in the income approach include the dividend discount method and the discounted cash flow method.

The market approach in the appraisal of enterprise value refers to the appraisal method that determines the value of valuation subject by comparing the valuation subject with comparable listed companies or comparable transaction cases. Two specific methods commonly used in the market approach are listed company comparison method and transaction case comparison method.

According to the requirements of the Practice Standards for Asset Appraisal – Enterprise Valuation (《資產評估執業準則-企業價值》), when carrying out the appraisal of enterprise valuation business, the appraisal method should be selected appropriately by analysing the applicability of the three basic approaches, namely the income approach, market approach and asset-based approach, after considering the appraisal purpose, valuation subject, type of valuation, data collection etc.

As a non-bank financial institution, the appraised entity was initially established mainly to serve the Tianjin Pharmaceutical Group and facilitate its development by providing financial services and supports to the group. Subject to the allocation of financial resources within Tianjin Pharmaceutical Group, the principal business of the appraised entity is to provide deposits taking and loan servicing to the members of Tianjin Pharmaceutical Group. Under this non-open market environment, there are limitations of the business scope of appraised entity on the source of funds and usage of funds raised. In addition, the revenue of appraised entity had been affected by the downward trend of bank interest rates in recent years. As it is rather difficult to reasonably predict the changes of interest rates policies, the forecast of net interest income will also be affected by the change of interest rates policies accordingly. In light of the above, there are uncertainties in the valuation conclusion in applying income approach and its valuation conclusion cannot accurately reflect the enterprise valuation of a finance company affiliated to Tianjin Pharmaceutical Group.

According to the investigation, it is hard to obtain the equity transaction cases that are identical with or similar to the appraised entity in terms of operation scale, type of business as reference and for comparison from the market. In addition, the information of comparable listed companies with smaller differences from the appraised entity in terms of product mix, business scale as well as principal business is not available. Therefore, the market approach is not adopted due to the lack of relevant appraisal data in the market.

Accordingly, the appraisal result of the asset-based approach is adopted as the final valuation conclusion. The assets of the appraised entity are on the basis of or are assumed to be in continuing operation. As the assets' historical data are properly recorded and that there are no assets and liabilities which may have a significant impact on the value of the valuation subject and are difficult to identify and evaluate, the asset-based approach is selected as the appraisal method.

Under the premise of going concern, as of the valuation benchmark date, the book value of total assets of Tianjin Pharmaceutical Group Finance Co., Ltd. (天津醫藥集團財務有限公司) was RMB3,246,978,500, the appraised value was RMB3,247,163,100 and the appreciation amount was RMB184,600 with the appreciation rate at 0.0057%; the book value of total liabilities was RMB2,661,670,700, the appraised value was RMB2,661,670,700, without any increase or decrease in the appraised value; the book value of net assets was RMB585,307,800, the appraised value of the entire shareholders' equity was RMB585,492,400 and the appreciation amount was RMB184,600 with the appreciation rate at 0.0300%. For the details of the appraisal results, please refer to the following summary table of appraisal results:

**Summary Table of Asset Appraisal Results**  
**Valuation benchmark date: 31 March 2023**

*Amount unit: RMB0'000*

Items		Book value	Appraised value	Appreciation or depreciation	Appreciation rate %
		A	B	C=B-A	D=C/A×100%
1	Cash and deposits with central bank	11,992.51	11,992.51	–	–
2	Deposits with banks	137,439.14	137,439.14	–	–
3	Trading financial assets	10,671.26	10,671.26	–	–
4	Loans and advances granted	161,427.88	161,427.88	–	–
5	Fixed assets	1,976.03	1,858.10	-117.93	-5.9680
6	Intangible assets	139.11	275.50	136.39	98.0447
7	Deferred income tax assets	1,038.73	1,038.73	–	–
8	Other assets	13.20	13.20	–	–
9	<b>Total assets</b>	<b>324,697.85</b>	<b>324,716.31</b>	<b>18.46</b>	<b>0.0057</b>
10	<b>Total liabilities</b>	<b>266,167.07</b>	<b>266,167.07</b>	<b>–</b>	<b>–</b>
11	<b>Net assets (owners' equities)</b>	<b>58,530.78</b>	<b>58,549.24</b>	<b>18.46</b>	<b>0.0300</b>

According to the audited financial information of Tianjin Pharmaceutical Group Finance Co., Ltd. (天津醫藥集團財務有限公司), as of the valuation benchmark date, the book value of its total assets was RMB3,246,978,495.99, the book value of its total liabilities was RMB2,661,670,725.91, and the book value of its net assets was RMB585,307,770.08.

We have carried out detailed planning during this verification, which was directly led by the main responsible person of the appraised entity and relied mainly on the financial department with close cooperation of relevant departments, including the asset management department.

Intangible current assets were checked and verified by checking the books and records, original vouchers, business contracts, and confirmations to the settlement unit or the debtor. At the same time, a preliminary judgment was made on the possible bad debts after the valuation benchmark date by inquiring about the current situation of the relevant debtors.

Fixed assets were checked and verified by means of verifying the books and records against the properties, and checking the properties against with the books and records. As to buildings and structures, investigations on their actual usage have been performed and the number of items, structure type, gross floor area or quantities of physical engineering projects with the relevant completion timeline were individually checked against the declared schedule together with the books and records, as well as building purchase contracts. As to equipment, the details of the equipment, such as the name, quantity, specifications and models, time of purchase and commencement of usage were individually checked against the declared schedule, ledgers and purchase invoices. The operation status of equipment has been investigated as at the valuation benchmark date.

For other intangible assets, the name, quantity, purchase date, purchase invoice and actual usage were verified individually.

For liabilities, historical information such as the background, method and time of formation, settlement object and business content of each debt was checked specifically by reviewing the relevant account books, original vouchers and together with the audit situation of the accountants. We also confirmed whether the large amount of liabilities was the actual amount of liabilities assumed by the company after the valuation benchmark date, whether there were identified creditors and etc. through audit confirmations. At the same time, account adjustments have been made in a timely manner for the account items that are inconsistent with the reconciliation statement and are miscalculated to ensure the authenticity and completeness of the indebtedness items and the accuracy of the corresponding indebtedness amounts as at the valuation benchmark date.

The assets and liabilities and other items involved in this appraisal were checked and verified in accordance with normal procedures, and no matters affecting the asset verification work were found. After checking and verification, the asset verification results were consistent with the book records of the appraised entity, and the property rights of the assets included in the scope of appraisal were clear and the ownership documents were complete.

As at the valuation benchmark date, the appraised value of the entire shareholders' equity of Tianjin Pharmaceutical Group Finance Co., Ltd. (天津醫藥集團財務有限公司) using the asset-based approach was RMB585,492,400. There were changes in the appraisal results of some assets as compared with the book values. The details and reasons for the changes are mainly as follows:

(a) Fixed assets

Fixed assets mainly include buildings and structures, transportation equipment and office equipment, for which no impairment provision has been made. There are a total of 7 buildings within the scope of valuation, including 3 office buildings and 4 supporting decoration and renovation projects, with the original book value being RMB24,219,731.25 and the net book value as at the valuation benchmark date being RMB19,407,232.10; one vehicle in total, with the original book value being RMB185,598.75 and the net book value being RMB9,279.94; a total of 437 (sets) electronic equipment with the original book value being RMB3,657,438.74 and the net book value being RMB343,824.94.

Unit: RMB

Item name	Book value		Appraised value		Appreciation amount		Appreciation rate %	
	Original value	Net value	Original value	Net value	Original value	Net value	Original value	Net value
Fixed assets – buildings and structures	24,219,731	19,407,232	17,908,216	17,908,216	(6,311,515)	(1,499,016)	-26.06	-7.72
Fixed assets – vehicles	185,599	9,280	68,739	68,739	(116,860)	59,459	-62.96	640.73
Fixed assets – electronic equipment	3,657,439	343,825	675,530	604,065	(2,981,909)	260,240	-81.53	75.69
<b>Total original/net value of fixed assets</b>	<b>28,062,769</b>	<b>19,760,337</b>	<b>18,652,485</b>	<b>18,581,020</b>	<b>(9,410,284)</b>	<b>(1,179,317)</b>	<b>-33.53</b>	<b>-5.97</b>

As at the valuation benchmark date, the appraised impairment of buildings and structures was due to the decrease in the trading prices of office buildings in the surrounding real estate market in recent years; the appreciation of transportation equipment was due to the fact that the enterprise has depreciated the vehicles to the residual value; on the one hand, the appreciation of office equipment was due to the fact that the depreciation life of electronic equipment provided by the enterprise was less than the economic life of electronic equipment in the valuation; on the other hand, the enterprise has depreciated some electronic equipment to the residual value and the appraised value of electronic equipment using the second-hand market price was higher than the net book value of electronic equipment as at the valuation benchmark date.

## (b) Intangible assets

There were 32 intangible assets, with the original recorded value being RMB5,105,719.00 and the net value as at the valuation benchmark date being RMB1,391,143.94, which were mainly software, operating systems, digital certificates, etc.

Amount unit: RMB

Name and content of intangible assets	Type	Date of acquisition	Authorized/expected useful life	Original recorded value	Book value	Appraised value	Appreciation or depreciation	Appreciation rate %
Intangible assets – electronic document signature and seal verification system	software	2016/11/25	5	8,547	–	3,020	3,020	–
Intangible assets – Inspur Software (浪潮軟體)	software	2016/11/28	5	68,376	–	18,870	18,870	–
Intangible assets – server-side certificate upgrade	software	2016/11/30	5	1,026	–	–	–	–
Intangible assets – server-side certificate upgrade	software	2016/11/30	5	1,026	–	–	–	–
Database – Oracle11g	software	2016/11/30	5	141,026	–	66,749	66,749	–
Middleware – Tongweb	software	2016/11/30	5	248,291	–	117,520	117,520	–
Middleware – Tongweb	software	2016/11/30	5	248,291	–	117,520	117,520	–
Operating system – Windows Server 2012 R2, simplified Chinese version, 64-bit	software	2016/11/30	5	5,880	–	1,890	1,890	–
Operating system – Windows Server 2012 R2, simplified Chinese version, 64-bit	software	2016/11/30	5	5,880	–	1,890	1,890	–

## APPENDIX I

## SUMMARY OF VALUATION REPORT

Name and content of intangible assets	Type	Date of acquisition	Authorized/expected useful life	Original recorded value	Book value	Appraised value	Appreciation or depreciation	Appreciation rate %
Operating system – Windows Server 2012 R2, simplified Chinese version, 64-bit	software	2016/11/30	5	5,880	–	1,890	1,890	–
Operating system – Windows Server 2012 R2, simplified Chinese version, 64-bit	software	2016/11/30	5	5,880	–	1,890	1,890	–
Operating system – Windows Server 2012 R2, simplified Chinese version, 64-bit	software	2016/11/30	5	5,880	–	1,890	1,890	–
Operating system – Windows Server 2012 R2, simplified Chinese version, 64-bit	software	2016/11/30	5	5,880	–	1,890	1,890	–
Operating system – Redhat Linux 6.4 63-bit cluster	software	2016/11/30	5	7,274	–	2,360	2,360	–
Operating system – Redhat Linux 6.4 63-bit cluster	software	2016/11/30	5	7,274	–	2,360	2,360	–
Operating system – Redhat Linux 6.4 63-bit cluster	software	2016/11/30	5	7,274	–	2,360	2,360	–
Operating system – Redhat Linux 6.4 63-bit cluster	software	2016/11/30	5	7,274	–	2,360	2,360	–
CA electronic signature system – iTrusChina (天威誠信)	software	2016/11/30	5	51,282	–	16,980	16,980	–
CA electronic signature system – iTrusChina (天威誠信)	software	2016/11/30	5	51,282	–	16,980	16,980	–
CA server certificate – iTrusChina (天威誠信)	software	2016/11/30	5	1,026	–	280	280	–
CA server certificate – iTrusChina (天威誠信)	software	2016/11/30	5	1,026	–	280	280	–
Backup software – AnyBackup	software	2016/11/30	5	141,026	–	42,450	42,450	–
Anti-virus software – McAfee	software	2016/11/30	5	11,111	–	3,960	3,960	–
HA software – Rose HA 9.0 for Linux	software	2016/11/30	5	14,957	–	5,380	5,380	–
HA software – Rose MirrorHA 5.0 for Linux	software	2016/11/30	5	14,957	–	5,380	5,380	–
Electronic signature – KINGGRID (金格)	software	2016/11/30	5	12,821	–	4,530	4,530	–
iSoftStone Software (軟通軟件)	software	2016/12/29	8	3,039,811	600,129	1,358,490	758,361	126.37
Centralized reporting system of financial statistics	software	2017/04/11	5	8,547	–	3,210	3,210	–
WPS-office	software	2018/03/19	2	20,513	–	–	–	–
WPS-office	software	2021/01/25	5	15,929	8,761	11,130	2,369	27.04
CFCA certificate (CFCA common certificate application toolkit V1.1)	software	2022/04/20	5	44,248	35,398	45,280	9,882	27.92
Reporting system (financial basic data, EAST, interest rate reporting)	software	2022/06/16	5	896,226	746,855	896,230	149,375	20
<b>Total net value</b>				<b>5,105,719</b>	<b>1,391,144</b>	<b>2,755,019</b>	<b>1,363,875</b>	<b>98.04</b>
<b>Less: provision for impairment of intangible assets</b>				<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total net amount</b>				<b>5,105,719</b>	<b>1,391,144</b>	<b>2,755,019</b>	<b>1,363,875</b>	<b>98.04</b>

As of the valuation benchmark date, except for an expired software licence of WPS office, the remaining other intangible assets were in normal use and were updated and maintained by specialized third parties. The book value of other intangible assets was RMB1,391,143.94, while the appraised value was RMB2,755,019.00, representing an appreciation of RMB1,363,875.06 with the appreciation rate at 98.04%. The appreciation was due to the fact that the book value of most other intangible assets has been amortised to zero and the salary level and development costs of software operating system developers have increased in recent years.

VII. Appraisal assumptions:

(I) General assumptions

1. Transaction assumption: it is assumed that all assets to be appraised are in the process of transaction and the appraiser carries out the appraisal based on the simulated market such as the transaction conditions of the assets to be appraised;

2. Open market assumption: it means that the assets can be freely traded in a fully competitive market, and the prices of which depend on the judgment of independent buyers and sellers on the value of the assets under certain supply conditions of the market. Open market refers to a fully competitive market with numerous buyers and sellers. In this market, buyers and sellers are treated equally, and they have the opportunity and time to obtain sufficient market information. The trading behaviours of both the buyers and sellers are conducted on a voluntary, rational, and non-compulsory or unrestricted basis;

3. It is assumed that there are no material changes in the current applicable laws, regulations and policies of the state as well as the macro-economic conditions of the state; there are no material changes in the political, economic and social environment of the regions where the parties to the transaction are located;

4. It is assumed that the enterprise will continue to operate based on the actual situation of the assets as at the valuation benchmark date;

5. It is assumed that there are no material changes in the tax basis, tax rates and policy-based levies related to the appraised entity after the valuation benchmark date;

6. It is assumed that the management of the appraised entity is accountable, stable and competent to perform their duties after the valuation benchmark date;

7. It is assumed that the appraised entity fully complies with all relevant laws and regulations;

8. It is assumed that there are no force majeure and unpredictable factors which may materially and adversely affect the appraised entity after the valuation benchmark date.

(II) Special assumptions

1. It is assumed that the accounting policies adopted by the appraised entity after the valuation benchmark date are consistent with the accounting policies adopted when preparing this appraisal report in all material aspects;

2. It is assumed that the scope and the mode of operation of the appraised entity after the valuation benchmark date are consistent with the current ones based on the existing management mode and management level;

3. It is assumed that the cash inflows and outflows of the appraised entity after the valuation benchmark date occur in the middle of the year;

4. It is assumed that all information provided by the principal and the appraised entity relating to this appraisal is true, complete, legal and valid;

5. It is assumed that the future interest rate policy remains consistent with the level as at the valuation benchmark date;

6. It is assumed that the capital adequacy ratio is satisfied, the appraised entity will forecast the profitability and distribution capacity based on the maximum distributable dividends in the future.

## VIII. Special notes:

Tianjin Pharmaceutical Group Finance Co., Ltd. (天津醫藥集團財務有限公司) held the 2022 annual general meeting on 18 May 2023, at which the Final Financial Report and Profit Distribution Proposal for 2022 of Tianjin Pharmaceutical Group Finance Co., Ltd. (《天津醫藥集團財務有限公司2022年度財務決算報告及利潤分配方案》) was approved. The appraised entity proposed to distribute dividends of RMB3,500,000, of which RMB1,750,000 will be distributed to Tianjin Pharmaceutical Group Co., Ltd. (天津市醫藥集團有限公司), RMB525,000 will be distributed to each of Tianjin Pharmaceutical Da Ren Tang Group Corporation Limited (津藥達仁堂集團股份有限公司), Tianjin Lisheng Pharmaceutical Co., Ltd. (天津力生製藥股份有限公司) and Tianjin Yaoye Group Co., Ltd. (天津藥業集團有限公司), and RMB175,000 will be distributed to Tianjin Jin Yi Investment Guarantee Co., Ltd. (天津金益投資擔保有限責任公司). This appraisal has not taken into account the impact of subsequent profit distribution on the appraisal conclusion.

## IX. Date of asset appraisal report:

The date of this asset appraisal report is 15 June 2023. This appraisal report only provides a value reference for the economic behaviour described therein, and the appraisal conclusion is valid for one year from the valuation benchmark date.

**Beijing Huaya Zhengxin Assets Appraisal Co., Ltd.**  
(北京華亞正信資產評估有限公司)

**Asset appraiser: Liu Leiping**

**Asset appraiser: Che Yujia**

**15 June 2023**

## 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, none of the Directors and 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 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.

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:

<b>Name of Director</b>	<b>Name of company</b>	<b>Position</b>
Mr. Wang Gang	TEDA Holding	Assistant to General Manager
	Tianjin TEDA Industrial Group Co., Ltd. (天津泰達實業集團有限公司) (“ <b>TEDA Industrial</b> ”)	Chairman and General Manager
	Tianjin Bohai	Chairman
	Tsinlien Group Company Limited (津聯集團有限公司) (“ <b>Tsinlien</b> ”)	Director and General Manager
Dr. Zhai Xinxiang	TEDA Industrial	Deputy General Manager
	Tsinlien	Deputy General Manager
Mr. Teng Fei	TEDA Industrial	Deputy General Manager
	Tianjin Bohai	Director and General Manager
	Tsinlien	Deputy General Manager
Mr. Sun Lijun	Tianjin Bohai	Supervisor

### 3. DISCLOSURE OF SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at the Latest Practicable Date, the following persons or corporations, other than the Directors or chief executive of the Company, had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

<b>Name of Shareholder</b>	<i>Notes</i>	<b>Capacity</b>	<b>Number of shares held</b>	<b>Approximate percentage of total issued shares</b>
TEDA Holding	<i>1&amp;2</i>	Interest of controlled corporation	673,759,143	62.81%
TEDA Industrial	<i>1&amp;2</i>	Interest of controlled corporation	673,759,143	62.81%
Tianjin Bohai	<i>1&amp;2</i>	Interest of controlled corporation	673,759,143	62.81%
Tsinlien	<i>1&amp;3</i>	Direct beneficial interest and interest of controlled corporation	673,759,143	62.81%

*Notes:*

- All interests stated above represent long positions.
- Tsinlien is a direct wholly-owned subsidiary of Tianjin Bohai, which in turn is a direct wholly-owned subsidiary of TEDA Industrial. TEDA Industrial is a 79.2%-owned subsidiary of TEDA Holding. By virtue of the SFO, TEDA Holding, TEDA Industrial and Tianjin Bohai are deemed to be interested in the same parcel of shares of the Company in which Tsinlien is interested.
- As at the Latest Practicable Date, Tsinlien directly held 22,960,000 shares of the Company and its wholly-owned subsidiaries, namely Tianjin Investment Holdings Limited, Tsinlien Venture Capital Company Limited and Tsinlien Investment Limited held 568,017,143 shares, 2,022,000 shares and 80,760,000 shares of the Company respectively. By virtue of the SFO, Tsinlien is deemed to have an interest in the shares of the Company in which Tianjin Investment Holdings Limited, Tsinlien Venture Capital Company Limited and Tsinlien Investment Limited are interested.

Save as disclosed above, as at the Latest Practicable Date, the Company had not been notified by any person or corporation, other than the Directors or chief executive of the Company, who had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

**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 2022, 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. DIRECTORS' INTERESTS IN COMPETING BUSINESS**

Mr. Wang Gang is a director of TEDA Industrial and the chairman of Tianjin Bohai, and Mr. Teng Fei is also a director and general manager of Tianjin Bohai which, through certain of their 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 TEDA Industrial.

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

**8. MATERIAL ADVERSE CHANGE**

The Directors 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 2022, being the date to which the latest published audited consolidated financial statement of the Group were made up.

## 9. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the expert who has given opinion or advice, which is included in this circular:

<b>Name</b>	<b>Qualification</b>
Beijing Huaya Zhengxin Assets Appraisal Co., Ltd. (北京華亞正信資產評估有限公司) (“ <b>Beijing Huaya</b> ”)	independent valuer
Red Sun Capital	a corporation licensed by the SFC for carrying out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

Each of Beijing Huaya and Red Sun Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter, report and/or references to its name in the form and context in which they appear.

As at the Latest Practicable Date, each of Beijing Huaya and Red Sun Capital did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, each of Beijing Huaya and Red Sun Capital did not have any direct or indirect interest in any assets which have been, since 31 December 2022, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

**10. DOCUMENTS ON DISPLAY**

Copies of the following documents will be published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.tianjindev.com](http://www.tianjindev.com)) during the period of 14 days from the date of this circular:

- (a) the Equity Transfer Agreement;
- (b) the letter from the Independent Board Committee, the full text of which is set out on page 13 of this circular;
- (c) the letter from the Independent Financial Adviser, the full text of which is set out on pages 14 to 35 of this circular;
- (d) the written consent referred to in the section headed “Qualification and Consent of Expert” of this appendix; and
- (e) this circular.

---

## NOTICE OF EXTRAORDINARY GENERAL MEETING

---



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

*(Incorporated in Hong Kong with limited liability)*

(Stock Code: 882)

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting of Tianjin Development Holdings Limited (天津發展控股有限公司) (the “**Company**”) will be held at Artyzen Club, 401A, 4/F., Shun Tak Centre, 200 Connaught Road Central, Hong Kong on 5 December 2023 (Tuesday) at 3:00 p.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution as an ordinary resolution of the Company:

#### ORDINARY RESOLUTION

**“THAT**

- (a) the Equity Transfer Agreement (as defined and described in the circular of the Company dated 10 November 2023 (the “**Circular**”), a copy of the Equity Transfer Agreement marked “**A**” together with a copy of the Circular marked “**B**” are produced to the meeting and initialled by the chairman of the meeting for the purpose of identification) and the transactions contemplated thereunder and in connection therewith be and are hereby approved, confirmed and ratified; and
- (b) any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorised for and on behalf of the Company to sign, execute, perform and deliver all such other instruments, deeds, documents and agreements and do such acts or things and take all such steps as he or they may in his or their absolute discretion consider to be necessary, desirable, appropriate or expedient to implement and/or give effect to the Equity Transfer Agreement and the transactions contemplated thereunder and all matters incidental to, ancillary to or in connection with the matters contemplated therein.”

By Order of the Board  
**Tianjin Development Holding Limited**  
**Wang Gang**  
*Chairman and Executive Director*

Hong Kong, 10 November 2023

---

## NOTICE OF EXTRAORDINARY GENERAL MEETING

---

*Notes:*

- (1) Any member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend, speak and vote in his/her stead. A proxy may not be a member of the Company.
- (2) In order to be valid, the completed form of proxy together with any power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney or other authority, must be deposited at the Company's share registrar, Tricor Tengis Limited at 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 3:00 p.m. on 1 December 2023 (Friday), or in case of any adjournment of the meeting, not less than 48 hours before the time appointed for the holding of any adjournment meeting. Completion and return of the form of proxy will not preclude a member from attending and voting in person at the meeting.
- (3) Where there are joint registered holders of any shares, any one of such persons may vote at the meeting (or at any adjournment thereof), either personally or by proxy in respect of such shares as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the meeting personally or by proxy, that one of such joint holders so present whose name stands first on the register of members of the Company shall alone be entitled to vote in respect of such shares.
- (4) The register of members of the Company will be closed from 30 November 2023 (Thursday) to 5 December 2023 (Tuesday), both days inclusive, during which period no transfer of shares will be registered. In order to determine the entitlement to attend and vote at the meeting, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Tengis Limited at 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on 29 November 2023 (Wednesday).
- (5) The resolution set out in this notice will be decided by poll.

*As at the date of this notice, 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*