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

(Incorporated in Hong Kong with limited liability)

(Stock Code: 882)

CONTINUING CONNECTED TRANSACTIONS

ENTRUSTED PROCESSING MASTER AGREEMENT

On 19 January 2021, the Company and Tianjin Pharmaceutical entered into the Entrusted Processing Master Agreement, pursuant to which members of the Tianjin Pharmaceutical Group may entrust members of the Group with the manufacturing, processing and carrying out of other related work of certain drugs under the Drug MAH System.

As at the date of this announcement, Tianjin Bohai (an intermediate controlling Shareholder indirectly holds approximately 62.81% of the total number of issued shares of the Company) directly holds 100% of the equity interest in Tianjin Pharmaceutical. Tianjin Pharmaceutical is therefore an associate of Tianjin Bohai and a connected person of the Company under the Listing Rules. Accordingly, the entering into of the Entrusted Processing Master Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As all of the applicable percentage ratios (other than the profit ratio) calculated based on the Cap Amount are more than 0.1% but less than 5%, the entering into of the Entrusted Processing Master Agreement and the transaction contemplated thereunder are subject to the reporting, announcement and annual review requirements, but are exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

On 19 January 2021, the Company and Tianjin Pharmaceutical entered into the Entrusted Processing Master Agreement, pursuant to which members of the Tianjin Pharmaceutical Group may entrust members of the Group with the manufacturing, processing and carrying out of other related work of certain drugs under the Drug Marketing Authorisation Holder System (藥品上市許可持有人制度) (“**Drug MAH System**”). The principal terms of the Entrusted Processing Master Agreement are set out below.

THE ENTRUSTED PROCESSING MASTER AGREEMENT

Date

19 January 2021

Parties

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

Nature of the transaction

Pursuant to the Entrusted Processing Master Agreement, members of the Tianjin Pharmaceutical Group may from time to time entrust members of the Group with the carrying out of manufacturing, processing, quality control, inspection, warehousing and other related work in respect of drugs other than those prohibited to be so entrusted under the Drug MAH System of the PRC (“**Drug(s)**”).

Term

The Entrusted Processing Master Agreement is for a term commencing from 19 January 2021 to 31 December 2021 unless earlier terminated by either party by giving one month’s notice in writing.

Pricing basis and payment terms

The relevant member(s) of the Group and the relevant member(s) of the Tianjin Pharmaceutical Group will enter into separate entrusted manufacturing and processing contract(s) with respect to each entrustment in accordance with the principal terms as set out in the Entrusted Processing Master Agreement.

The fees receivable by the members of the Group from the members of the Tianjin Pharmaceutical Group shall be determined in accordance with the following principles:

- (a) the members of the Group shall, in accordance with the following pricing policies which are equally applicable to both independent third-party customers and the Tianjin Pharmaceutical Group, and with reference to other factors including market conditions and fees charged by independent third parties for the manufacturing and processing of similar drugs, charge the members of the Tianjin Pharmaceutical Group manufacturing and processing fees:
 - (i) for raw materials and packaging materials: the relevant procurement costs;
 - (ii) for production inputs other than raw materials and packaging materials and for work done including entrusted manufacturing and processing: total costs plus a profit margin of approximately 20% to 45%; and
- (b) the members of the Group may, based on the production quantity and payment terms, offer to the members of the Tianjin Pharmaceutical Group the same discount which the Group would offer to its independent third party customers.

The relevant members of the Group will provide monthly payment lists to relevant members of the Tianjin Pharmaceutical Group stating the fees payable, which are calculated according to the quantity of Drugs received by relevant members of the Tianjin Pharmaceutical Group under each Individual Contract in the previous month.

After the fees in the payment lists are confirmed by the relevant parties, relevant members of the Group will provide relevant members of the Tianjin Pharmaceutical Group invoices stating the confirmed fees. The confirmed fees will then be settled by cash by the relevant member of the Tianjin Pharmaceutical Group before the end of each month.

Cap Amount

It is expected that the aggregate amount receivable by the Group from the Tianjin Pharmaceutical Group in respect of the transactions contemplated under the Entrusted Processing Master Agreement (including the fees for (a) raw materials and packaging materials and (b) other production and work done) during the term thereunder would not exceed the Cap Amount of RMB55,000,000 (equivalent to approximately HK\$65,947,242). The Cap Amount was arrived at after taking into account the following:

- (1) the relevant members of the Tianjin Pharmaceutical Group being the drug market authorised holder, which allows license holder to use a qualified contract manufacturing organisation to manufacture pharmaceutical products;
- (2) the manufacturing plans of the Tianjin Pharmaceutical Group during the term of the Entrusted Processing Master Agreement; and
- (3) the expected Drug manufacturing and processing capacity of the Group.

REASONS FOR AND BENEFITS OF ENTERING INTO THE ENTRUSTED PROCESSING MASTER AGREEMENT

The Directors are of the view that the entering into of the Entrusted Processing Master Agreement and the transactions contemplated thereunder will enable the members of the Group, being the qualified contract manufacturing organisation, to explore the business opportunities under the Drug MAH System in the pharmaceutical outsourcing industry in the PRC. In addition, it also allows the Group to fully utilise its production capacity and provide the Group with a steady source of income.

The Directors (including the independent non-executive Directors) consider that the Entrusted Processing Master Agreement and the transactions contemplated thereunder are conducted in the ordinary and usual course of business of the Group, the terms of the Entrusted Processing Master Agreement (including the Cap Amount) are on normal commercial terms after arm's length negotiation and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INTERNAL CONTROLS

In order to ensure that the transactions contemplated under the Entrusted Processing Master Agreement will be conducted in accordance with its terms and the pricing policy and within the Cap Amount, the Group has in place the following internal control measures to monitor the transactions:

- (i) if a comparable market price is available, the Group will compare the proposed fees against market price to ensure that the proposed fees will not be lower than the fees for similar nature of service provided by independent third-party manufacturers;
- (ii) if no comparable market price is available, the Group will conduct arm's length negotiation with the relevant connected person to determine the terms in line with the relevant pricing policies based on the value of the relevant service and the actual costs and expenses incurred;

- (iii) after arm's length negotiation with the relevant connected person, the relevant members of the Group will report to their management who will approve individual transactions as appropriate;
- (iv) the financial management department of the relevant members of the Group is responsible for preparing the accounting records, reporting, and statistical analysis of the continuing connected transactions, and for submitting the same to the Group on a regular basis. The relevant financial management department will also regularly collect and monitor the transaction amount of continuing connected transactions to ensure timely assessment on whether the annual caps are exceeded; and
- (v) the external auditors and independent non-executive Directors of the Company will review the transactions contemplated under the Entrusted Processing Master Agreement to check and confirm, among other things, whether the pricing policy have been adhered to and whether the Cap Amount has been exceeded.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Tianjin Bohai (an intermediate controlling Shareholder indirectly holds a total of 673,759,143 shares of the Company, representing approximately 62.81% of the total number of issued shares of the Company) directly holds 100% of the equity interest in Tianjin Pharmaceutical. Tianjin Pharmaceutical is therefore an associate of Tianjin Bohai and a connected person of the Company under the Listing Rules. Accordingly, the entering into of the Entrusted Processing Master Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As all of the applicable percentage ratios (other than the profit ratio) calculated based on the Cap Amount are more than 0.1% but less than 5%, the entering into of the Entrusted Processing Master Agreement and the transaction contemplated thereunder are subject to the reporting, announcement and annual review requirements, but are exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, none of the Director has a material interest in the Entrusted Processing Master Agreement and the transactions contemplated thereunder which will require them to abstain from voting on the Board resolution for approving the Entrusted Processing Master Agreement and the transactions contemplated thereunder and the Cap Amount.

GENERAL

The principal activity of the Company is investment holding. The principal activities of the Group are (i) utilities including supply of electricity, water, heat and thermal power; (ii) pharmaceutical including manufacture and sale of chemical drugs, and research and development of new medicine technology and new products, as well as design, manufacture and printing for pharmaceutical packaging and sale of other paper-based packaging materials; (iii) hotel; (iv) electrical and mechanical including the manufacture and sale of presses, mechanical and hydroelectric equipment and large scale pump units; and (v) strategic and other investments including investments in associates which are principally engaged in the manufacture and sale of elevators and escalators and provision of port services in Tianjin.

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

DEFINITIONS

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

“Cap Amount”	the fees receivable by the Group from the Tianjin Pharmaceutical Group under the Entrusted Processing Master Agreement for the period from 19 January 2021 to 31 December 2021
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Tianjin Development Holdings Limited (天津發展控股有限公司), a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Stock Exchange (Stock Code: 882)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Entrusted Processing Master Agreement”	the entrusted manufacturing and processing master agreement dated 19 January 2021 entered into between the Company and Tianjin Pharmaceutical, pursuant to which members of the Tianjin Pharmaceutical Group may entrust members of the Group with the manufacturing, processing and the carrying out of other related work of certain drugs for a term commencing from 19 January 2021 to 31 December 2021
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“percentage ratios”	has the meaning ascribed to it under the Listing Rules

“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of shares in the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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 wholly-owned by the Tianjin Government and is an intermediate controlling Shareholder
“Tianjin Government”	the Tianjin Municipal People’s Government of the PRC
“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 100% by Tianjin Bohai
“Tianjin Pharmaceutical Group”	Tianjin Pharmaceutical and its subsidiaries
“%”	per cent

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

In this announcement, RMB has been converted to HK\$ at the rate of RMB0.834 = HK\$1.00 for illustration purpose only. No representation is made that any amounts in RMB or HK\$ have been, could have been or could be converted at the above rate or at any other rates or at all.

By Order of the Board
Tianjin Development Holdings Limited
Chen Yanhua
Executive Director and General Manager

Hong Kong, 19 January 2021

As at the date of this announcement, the Board of the Company consists of Mr. Zhang Bingjun, Mr. Chen Yanhua, Dr. Li Xiaoguang, Mr. Zhuang Qifei, Mr. Cui Xiaofei, Mr. Cheung Wing Yui, Edward, Dr. Cheng Hon Kwan**, Mr. Mak Kwai Wing, Alexander**, Ms. Ng Yi Kum, Estella**, Mr. Wong Shiu Hoi, Peter** and Dr. Loke Yu**.*

* *non-executive Director*

** *independent non-executive Director*