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

(Incorporated in Hong Kong with limited liability)

(Stock Code: 882)

MAJOR TRANSACTION

MERGER OF TSINLIEN ELECTRIC AND TEDA POWER

THE MERGER

On 6 December 2018, TEDA Power, Tsinlien Electric, TEDA Investment and Dekken entered into the Agreement, pursuant to which TEDA Power will absorb and merge with Tsinlien Electric.

Upon Completion, TEDA Power will continue as the surviving company and be owned as to approximately 47.09% and 52.91% by Dekken and TEDA Investment respectively, and Tsinlien Electric will be deregistered and cease to exist as a legal entity. Accordingly, Tsinlien Electric will cease to be a non-wholly owned subsidiary of the Company, thus the financial results of Tsinlien Electric will no longer be consolidated into the financial statements of the Group. As Dekken will own approximately 47.09% of the equity interest in TEDA Power upon Completion, the assets and liabilities and financial results of TEDA Power will not be consolidated into the financial statements of the Group.

LISTING RULES IMPLICATIONS

As the highest percentage ratio applicable to the Merger exceeds 25% but less than 75%, the Agreement and the transactions contemplated thereunder constitute a major disposal of the Company which is subject to reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

So far as the Company is aware, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for approval of the Agreement and the Merger. Tsinlien, being the controlling Shareholder, directly and indirectly holding 673,759,143 shares of the Company (representing approximately 62.81% of the total number of issued shares of the Company as at the date of this announcement), has given its written approval for the Agreement and the Merger. Accordingly, such written approval is accepted in lieu of holding a general meeting pursuant to Rule 14.44 of the Listing Rules.

A circular containing, among other things, (i) further details in relation to the Agreement and the Merger; and (ii) other information as required under the Listing Rules will be despatched to the Shareholders on or before 31 December 2018.

INTRODUCTION

On 6 December 2018, TEDA Power, Tsinlien Electric, TEDA Investment and Dekken entered into the Agreement, pursuant to which TEDA Power will absorb and merge with Tsinlien Electric subject to the terms and conditions of the Agreement and in the way stipulated under applicable PRC company law.

THE AGREEMENT

Principal terms of the Agreement are as follows:

Date

6 December 2018

Parties

- (1) TEDA Power
- (2) Tsinlien Electric
- (3) TEDA Investment
- (4) Dekken

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, TEDA Power, TEDA Investment and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

The Merger

TEDA Power will be the surviving company upon Completion and will take up and assume all the assets, liabilities and business operations of Tsinlien Electric. Tsinlien Electric will then be deregistered and cease to exist as a legal entity. Dekken will in return hold approximately 47.09% equity interest of TEDA Power with the remaining approximately 52.91% equity interest of TEDA Power being held by TEDA Investment.

Upon Completion, the registered and contributed registered capital of TEDA Power will be the sum of the registered capital of TEDA Power and Tsinlien Electric prior to Completion, i.e. RMB1,100,164,685.76, which will be held as to approximately 47.09% by Dekken and approximately 52.91% by TEDA Investment.

The proportion of the registered capital of TEDA Power to be held by TEDA Investment and Dekken upon Completion is determined with reference to their respective equity interest in TEDA Power and Tsinlien Electric before Completion (i.e. approximately 94.36% held by Dekken and approximately 5.64% held by TEDA Investment) and the appraised net asset value of TEDA Power and Tsinlien Electric as valued by the Independent Valuer with 31 October 2018 as the Benchmark Date. According to the TEDA Power Valuation Report, the appraised net asset value of TEDA Power as at the Benchmark Date was approximately RMB1,161,103,600. According to the Tsinlien Electric Valuation Report, the appraised net asset value of Tsinlien Electric as at the Benchmark Date was approximately RMB1,156,843,200.

Upon Completion, the amount and proportion of the respective capital contribution of TEDA Investment and Dekken are set out in the table below:

Name of shareholder	Amount of capital contribution RMB	Proportion of capital contribution
Dekken	518,087,744.73	47.09%
TEDA Investment	<u>582,076,941.03</u>	<u>52.91%</u>
Total	<u><u>1,100,164,685.76</u></u>	<u><u>100.00%</u></u>

Conditions Precedent to the Merger

Completion is subject to satisfaction of all of the following conditions:

- (i) the Company having complied with all necessary requirements under the Listing Rules in respect of the Merger; and
- (ii) TEDA Power having obtained the approval for the Merger by the state-owned assets supervision and administration department or its authorised unit of the PRC government.

As at the date of this announcement, none of the conditions precedent above has been satisfied.

Each party to the Agreement agreed to use its best endeavours to ensure the fulfilment of the conditions precedent, failing which Dekken and TEDA Investment will further negotiate in relation to the Merger.

Completion

Completion shall take place within 45 days after fulfillment of all the conditions precedent.

Composition of the board of TEDA Power

After the Merger, the board of directors of TEDA Power shall consist of five directors, among which, three shall be nominated by TEDA Investment and two shall be nominated by Dekken. The supervisor of TEDA Power shall be nominated by TEDA Investment. The chairman of the board, the general manager and the deputy general manager of TEDA Power shall be appointed by TEDA Investment.

Business scope of TEDA Power

The scope of business of TEDA Power will remain unchanged after Completion, being the construction of electricity supply network, sales of electricity, application of technology related to new energy and renewable energy, electricity construction and related technical services.

Profits distribution

After the Merger, 50% of the annual net profits of TEDA Power (after deduction of any statutory or discretionary surplus reserve or other reserves, business development fund and staff compensation fund) will be distributed to TEDA Investment and Dekken based on the proportion of their respective equity interest in TEDA Power.

INFORMATION ON TSINLIEN ELECTRIC

Tsinlien Electric is a company established under the laws of the PRC with limited liability and a non-wholly owned subsidiary of the Company. It is principally engaged in the supply of electricity, electrical installation and maintenance and related consultancy services.

As at the date of this announcement, the shareholding structure of Tsinlien Electric is as follows:

Name of shareholders	Approximate percentage of equity interest
Dekken	94.36%
TEDA Investment	<u>5.64%</u>
Total	<u>100.00%</u>

Set out below is the unaudited financial information of Tsinlien Electric (prepared in accordance with the generally accepted accounting principles in Hong Kong) for the two financial years ended 31 December 2016 and 2017:

	For the year ended 31 December	
	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Net profit before tax	34,882	104,790
Net profit after tax	22,609	67,064

The net asset value of Tsinlien Electric as at 31 December 2017 was approximately RMB972,389,000.

According to the Tsinlien Electric Valuation Report prepared based on the asset-based approach, the appraised net asset value of Tsinlien Electric was approximately RMB1,156,843,200 as at the Benchmark Date.

INFORMATION ON TEDA POWER

TEDA Power is a company established under the laws of the PRC with limited liability and a wholly owned subsidiary of TEDA Investment. It is principally engaged in construction of electricity supply network, sales of electricity, application of technology related to new energy and renewable energy, electricity construction and related technical services.

Set out below is the audited consolidated financial information of TEDA Power (prepared in accordance with the generally accepted accounting principles in the PRC) for the two financial years ended 31 December 2016 and 2017:

	For the year ended 31 December	
	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(audited)</i>	<i>(audited)</i>
Net profit before tax	20,253	149,869
Net profit after tax	15,610	108,355

The audited consolidated net asset value of TEDA Power as at 31 December 2017 was approximately RMB328,712,000.

According to the TEDA Power Valuation Report prepared based on the asset-based approach, the appraised net asset value of TEDA Power was approximately RMB1,161,103,600 as at the Benchmark Date.

REASONS FOR AND BENEFITS OF THE MERGER

With the continuous advancement of the electric power system reform, a new round of reform has introduced a market mechanism to the wholesale of electric power and a competitive mechanism to the retailing of electric power; and further regulating the fees of the grid segment and lowering the price of electricity for general industrial and commercial use, thereby reducing the cost of electricity for enterprises and promoting the development of the real economy; At the same time, qualified power generation enterprises and social capital are allowed to invest in the electric power distribution network and engage in the electricity sales business, advancing effective competition in the electricity sales market. These reforms will change the business model of transmission, distribution and sales of electric power.

In order to actively respond to the opportunities and challenges arising from the electric power system reform, according to the notice of the Administrative Measures for Entry and Exit of Tianjin Electricity Sales Companies (Provisional) issued by the Tianjin Development and Reform Commission and the Tianjin Industrial and Information Technology Commission on 5 September 2018, Tsinlien Electric entered into the Agreement with TEDA Power. Upon completion of the Merger, the Company will hold approximately 47.09% of the equity interest in TEDA Power, the surviving entity, which will become an electricity sales company with the right to operate electric power distribution network, the electric power business license (power supply) and the qualification to undertake electric power testing. The surviving entity will satisfy the conditions and requirements imposed by the electric power system reform to participate in the operation of electric power distribution network, the market-oriented electric power transactions and the operation of electricity retail business.

Upon Completion, it is expected that the absorption and merger will fully integrate the business of Tsinlien Electric and TEDA Power, which will help optimize the management structure, improve the operational efficiency and leverage the advantages of the integration to achieve the following business strategies:

- Closely following the direction of electric power reform policies, expanding the electricity sales market, opening up the incremental electric power distribution grid, accelerating the development of the electricity distribution and retail business, and fully participating in market competition;
- Making full use of the right to operate distribution network in the region to directly participate in the market-oriented electric power transactions, thereby reducing the cost of purchasing electricity and improving the efficiency of electricity transmission and distribution business;
- Grasping the release of user demand driven by electric power reform and electric power trading mechanism, strengthening the segment of electricity retail and the extension of the user-value chain, and gradually innovating the electricity sales business model to provide customers with diversified value-added services;
- Accelerating the construction of smart grid infrastructure and developing the analysis and application of information technology and big data to meet the diverse needs brought about by the innovation of business model.

Upon Completion, TEDA Power will take advantage of the market trend and commit to becoming one of the leading regional electric power retailers in Tianjin and continue to further innovate and optimise its management and business model. The Directors believe that the Company, as an indirect substantial shareholder of TEDA Power upon Completion, will be able to enjoy the benefits brought by the Merger as it would allow TEDA Power effectively to respond to national policy guidance and seize the opportunities arising from development of electricity retailing industry and also deliver sustainable business growth with its core competitiveness in the future. Accordingly, the Directors are of the view that the terms of the Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECTS OF THE MERGER

Tsinlien Electric will cease to be a non-wholly owned subsidiary of the Company upon Completion, thus the financial results of Tsinlien Electric will no longer be consolidated into the financial statements of the Group.

As Dekken will own approximately 47.09% of the equity interest in TEDA Power upon Completion, the assets and liabilities and financial results of TEDA Power will not be consolidated into the financial statements of the Group.

Subject to the review by the auditors, it is estimated that an unaudited gain before taxation and expenses incidental to the Merger of approximately RMB173.7 million will arise from the Merger, which is calculated based on the difference between (i) the fair value of approximately 47.09% equity interest in TEDA Power upon Completion being approximately RMB1,091.5 million (i.e. 47.09% of the sum of the appraised net asset value of Tsinlien Electric and TEDA Power as at the Benchmark Date according to their respective valuation reports); and (ii) approximately 94.36% of the carrying amount of the net asset value of Tsinlien Electric attributable to the Shareholders being approximately RMB917.8 million, which was included in the unaudited consolidated financial statements of the Group as at 30 June 2018.

The actual gain to be recognised in the consolidated financial statements of the Group will be calculated based on the net asset value of TEDA Power as at the date of Completion and therefore may vary from the amount mentioned above.

LISTING RULES IMPLICATIONS

As the highest percentage ratio applicable to the Merger exceeds 25% but less than 75%, the Agreement and the transactions contemplated thereunder constitute a major disposal of the Company which is subject to reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

So far as the Company is aware, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for approval of the Agreement and the Merger. Tsinlien, being the controlling Shareholder, directly and indirectly holding 673,759,143 shares of the Company (representing approximately 62.81% of the total number of issued shares of the Company as at the date of this announcement), has given its written approval for the Agreement and the Merger. Accordingly, such written approval is accepted in lieu of holding a general meeting pursuant to Rule 14.44 of the Listing Rules.

A circular containing, among other things, (i) further details in relation to the Agreement and the Merger; and (ii) other information as required under the Listing Rules will be despatched to the Shareholders on or before 31 December 2018.

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.

Dekken is an investment holding company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company.

TEDA Investment is a state-owned enterprise established in the PRC. The principal business areas of TEDA Investment are regional development, public utilities, finance and modern services.

DEFINITIONS

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

“Agreement”	the absorption and merger agreement dated 6 December 2018 entered into between Tsinlien Electric, TEDA Power, TEDA Investment and Dekken in connection with the Merger
“Benchmark Date”	31 October 2018
“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)
“Completion”	the completion of the Merger
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Dekken”	Dekken Investments Limited (君諾投資有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Valuer”	Beijing China Enterprise Appraisals Co., Ltd. (北京中企華資產評估有限責任公司)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Merger”	the merger by absorption under which TEDA Power will absorb and merge with Tsinlien Electric in accordance with the Agreement
“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 share(s) in the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“TEDA Investment”	Tianjin TEDA Investment Holding Co., Ltd. (天津泰達投資控股有限公司), a state-owned enterprise established under the laws of the PRC
“TEDA Power”	Tianjin TEDA Electric Power Co., Ltd. (天津泰達電力有限公司), a company established under the laws of the PRC with limited liability and a wholly-owned subsidiary of TEDA Investment as at the date of this announcement
“TEDA Power Valuation Report”	the asset valuation report of TEDA Power prepared by the Independent Valuer, using the asset-based approach as of the Benchmark Date
“Tsinlien”	Tsinlien Group Company Limited (津聯集團有限公司), a company incorporated in Hong Kong with limited liability and a controlling Shareholder directly and indirectly holding approximately 62.81% of the total number of issued shares of the Company as at the date of this announcement
“Tsinlien Electric”	Tianjin TEDA Tsinlien Electric Power Co., Ltd. (天津泰達津聯電力有限公司), a company established under the laws of the PRC with limited liability and is owned as to approximately 94.36% and 5.64% by Dekken and TEDA Investment respectively, which in turn an indirect non-wholly owned subsidiary of the Company as at the date of this announcement
“Tsinlien Electric Valuation Report”	the asset valuation report of Tsinlien Electric prepared by the Independent Valuer, using the asset-based approach as of the Benchmark Date
“%”	per cent

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

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

Hong Kong, 6 December 2018

As at the date of this announcement, the Board of the Company consists of Mr. Wang Zhiyong, Dr. Cui Di, Dr. Yang Chuan, Mr. Cheung Wing Yui, Edward, Dr. Chan Ching Har, Eliza*, Dr. Cheng Hon Kwan**, Mr. Mak Kwai Wing, Alexander**, Ms. Ng Yi Kum, Estella**, Mr. Wong Shiu Hoi, Peter** and Dr. Loke Yu**.*

* *non-executive director*

** *independent non-executive director*