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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 under the Companies Ordinance)

(Stock Code: 882)

CONNECTED TRANSACTION

The Company, through its 82.74% owned subsidiary, Tai Kang, entered into the Capital Injection Agreement on 2 December 2007 with Xin Hao and Hua Ze pursuant to which:-

- i) Xin Hao will pay the consideration in land and properties valued at RMB88,670,400 (approximately HK\$92,365,000) less the consideration to be received in transfer of its shares in Tian Fa Equipment in value of RMB6,230,000 (approximately HK\$6,489,600) to Hua Ze, dividing between RMB59,739,400 (approximately HK\$62,228,500) as contribution to the registered capital of Tian Fa Equipment and RMB22,701,000 (approximately HK\$23,646,900) as contribution to the capital reserves of Tian Fa Equipment;
- ii) Tai Kang will pay the consideration of RMB41,400,000 (approximately HK\$43,125,000) in cash dividing between RMB30,000,000 (approximately HK\$31,250,000) as contribution to the registered capital of Tian Fa Equipment and RMB11,400,000 (approximately HK\$11,875,000) as contribution to the capital reserves of Tian Fa Equipment; and
- iii) Hua Ze will pay the consideration of RMB6,230,000 (approximately HK\$6,489,600) in transfer of shares in Tian Fa Equipment in such value by Xin Hao, dividing between RMB4,514,500 (approximately HK\$4,702,600) as contribution to the registered capital of Tian Fa Equipment and RMB1,715,500 (approximately HK\$1,787,000) as contribution to the capital reserves of Tian Fa Equipment.

Upon completion of the Capital Injection, each of Xin Hao, Tai Kang and Hua Ze will be interested in 59.7%, 34.0% and 6.3% of the equity interest in Tian Fa Equipment respectively.

The consideration for the Capital Injection has been arrived at after arm's length negotiations between the parties involved. The Directors, including the independent non-executive directors of the Company, considered that the Capital Injection Agreement is on normal commercial terms and was entered into in the ordinary and usual course of business and the terms thereof were fair and reasonable and were in the best interests of the Company and its shareholders as a whole.

Machinery & Electric Group is the holding company Tai Xin and Tai Xin in turns hold 17.26% interest in Tai Kang, a subsidiary of the Company. Therefore, Machinery & Electric Group is a connected person of the Company, and Xin Hao is a wholly owned subsidiary of Machinery & Electric Group. Tian Fa Equipment being an associate of Machinery & Electric Group, is also a connected person of the Company. Accordingly, the transactions contemplated under the Capital Injection Agreement constitute connected transactions for the Company and are required to comply with the reporting and announcement requirements under Rule 14A.32 of the Listing Rules. Details of the Capital Injection will be included in the next published annual report and accounts of the Company.

1. CAPITAL INJECTION AGREEMENT

Date

2 December 2007

Parties involved

- (1) Tai Kang, being a shareholder of Tian Fa Equipment, is a 82.74% owned subsidiary of the Company with the remaining 17.26% interest owned by Tai Xin which is a wholly owned subsidiary of Machinery & Electric Group, a connected person of the Company;
- (2) Xin Hao, being a shareholder of Tian Fa Equipment, is a wholly-owned subsidiary of Machinery & Electric Group; and
- (3) Hua Ze, being a shareholder of Tian Fa Equipment, and the ultimate beneficial owner of Hua Ze are Independent Third Parties.

Capital Injection

Pursuant to the Capital Injection Agreement, each of Xin Hao, Tai Kang and Hua Ze, agreed that the registered capital of Tian Fa Equipment be increased from RMB86,343,700 (approximately HK\$89,941,400) to RMB180,597,600 (approximately HK\$188,122,500) by injection of the followings:- i) Xin Hao will pay the consideration in land and properties valued at RMB88,670,400 (approximately HK\$92,365,000) less the consideration to be received in transfer of its shares in Tian Fa Equipment in value of RMB6,230,000 (approximately HK\$6,489,600) to Hua Ze, dividing between RMB59,739,400 (approximately HK\$62,228,500) as contribution to the registered capital of Tian Fa Equipment and RMB22,701,000 (approximately HK\$23,646,900) as contribution to the capital reserves of Tian Fa Equipment. The value for the land and properties are with reference to the valuation performed by an independent valuer and the Company considers that such valuation amount is fair and reasonable; ii) Tai Kang will pay the consideration of RMB41,400,000 (approximately HK\$43,125,000) in cash dividing between RMB30,000,000 (approximately HK\$31,250,000) as contribution to the registered capital of Tian Fa Equipment and RMB11,400,000 (approximately HK\$11,875,000) as contribution to the capital reserves of Tian Fa Equipment; and iii) Hua Ze will pay the consideration of RMB6,230,000 (approximately HK\$6,489,600) in transfer of shares in Tian Fa Equipment in such value by Xin Hao, dividing between RMB4,514,500

(approximately HK\$4,702,600) as contribution to the registered capital of Tian Fa Equipment and RMB1,715,500 (approximately HK\$1,787,000) as contribution to the capital reserves of Tian Fa Equipment. There is no further capital injection obligation for Tai Kang under the Capital Injection Agreement and is expected that the capital injection by Tai Kang will complete within 3 months of entering into the Capital Injection Agreement.

The following table shows the percentage interest in the registered capital of Tian Fa Equipment before and after completion of the Capital Injection:–

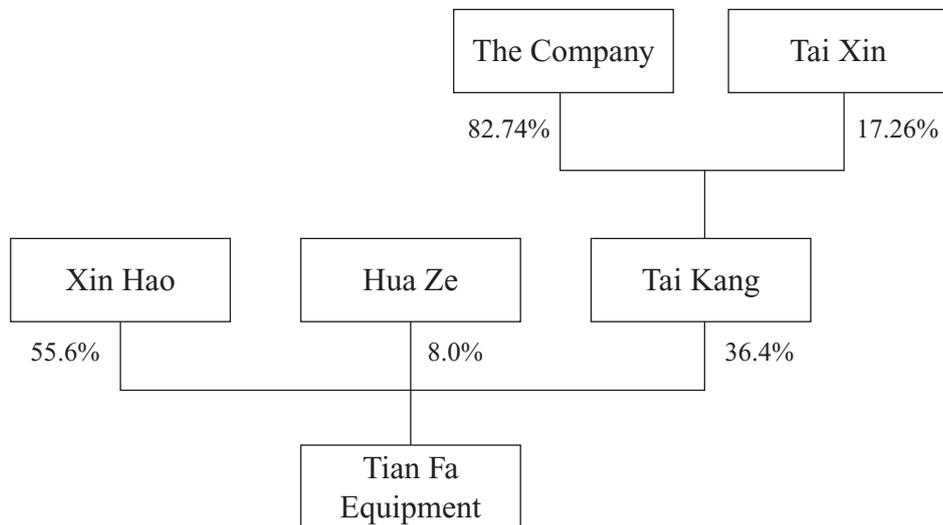
Shareholders	Existing registered capital prior to the completion of the Capital Injection		Capital Injection	Registered capital after completion of the Capital Injection	
	RMB	(%)		RMB	RMB
Xin Hao	48,016,000	(55.6%)	82,440,400 <i>(Note 1)</i>	107,755,400	(59.7%)
Tai Kang	31,397,714	(36.4%)	41,400,000 <i>(Note 2)</i>	61,397,714	(34.0%)
Hua Ze	6,930,000	(8%)	6,230,000 <i>(Note 3)</i>	11,444,500	(6.3%)
Total:	<u>86,343,714</u>	<u>(100%)</u>	<u>130,070,400</u>	<u>180,597,614</u>	<u>(100%)</u>

Notes:

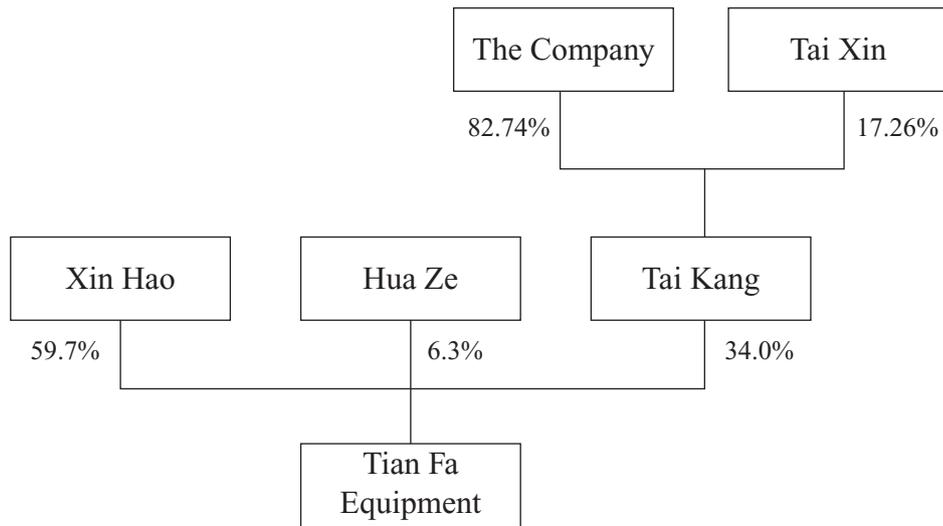
- (1) Out of RMB82,440,400, RMB59,739,400 will be contributed to the registered capital and RMB22,701,000 will be contributed to the capital reserves of Tian Fa Equipment.
- (2) Out of RMB41,400,000, RMB30,000,000 will be contributed to the registered capital and RMB11,400,000 will be contributed to the capital reserves of Tian Fa Equipment.
- (3) Out of RMB6,230,000, RMB4,514,500 will be contributed to the registered capital and RMB1,715,500 will be contributed to the capital reserves of Tian Fa Equipment

The following corporate charts illustrate the respective shareholdings of Tian Fa Equipment before and immediately after completion of the Capital Injection:-

Before completion of the Capital Injection:-



Immediately after completion of the Capital Injection:-



Consideration for the Capital Injection

The consideration for the Capital Injection has been arrived at after arm's length negotiations between the parties involved with reference to the valuation of the land and properties which are performed by an independent valuer and the Company considers that such valuation amount is fair and reasonable. The Directors, including the independent non-executive directors of the Company, considered that the Capital Injection Agreement is on normal commercial terms and was entered into in the ordinary and usual course of business and the terms thereof were fair and reasonable and were in the best interests of the Company and its shareholders as a whole. The consideration will be settled in cash by Tai Kang upon completion of the Capital Injection and shall be satisfied by the internal resources of Tai Kang.

2. REASONS FOR ENTERING INTO THE CAPITAL INJECTION AGREEMENT

It is expected that there will be continued strong growth of the demand for equipment used to generate electricity by water in the PRC, and in view that Tian Fa Equipment did not operate on own factory and land, the Directors believe that the transactions contemplated under the Capital Injection Agreement will effectively capture such potential market by injecting more funds together with factory and land for enhancing the competitiveness and development of Tian Fa Equipment in future.

3. BUSINESS OF TIAN FA EQUIPMENT

Tian Fa Equipment was incorporated in Tianjin, the PRC on 2 February 2001 and has commenced its operation since April 2001. It is principally engaged in the design, manufacture, sale and provision of advisory services for equipment used to generate electricity by water in the PRC.

Based on the financial statements of Tian Fa Equipment, which were prepared in accordance with accounting principles generally accepted in the PRC, the net asset value and the unaudited profit before and after taxation for the years ended 31 December 2005 and 2006 are set out in the following table:

	Year ended 31 December 2005 <i>RMB</i>	Year ended 31 December 2006 <i>RMB</i>
Net Asset Value	91,096,970	102,181,289
Profit before taxation	8,080,097	12,050,729
Profit after taxation	5,413,632	8,060,647

4. CONNECTED TRANSACTION

Machinery & Electric Group is the holding company Tai Xin and Tai Xin in turns hold 17.26% interest in Tai Kang, a subsidiary of the Company. Therefore, Machinery & Electric Group is a connected person of the Company, and Xin Hao is a wholly owned subsidiary of Machinery & Electric Group. Tian Fa Equipment, being an associate of Machinery & Electric Group, is also a connected person of the Company. Accordingly, the transactions contemplated under the Capital Injection Agreement constitute connected transactions for the Company and are required to comply with the reporting and announcement requirements under Rule 14A.32 of the Listing Rules. As none of the applicable percentage ratios exceed 2.5%, no independent shareholders' approval is required under the Listing Rules. Details of the Capital Injection will be included in the next published annual report and accounts of the Company.

5. PRINCIPAL ACTIVITY OF THE COMPANY, XIN HAO AND HUA ZE

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries and associated companies are (i) infrastructure operations including toll road operations and port operations; (ii) utility operations including supply of water, electricity and heat and thermal power; and (iii) strategic and other investments including investments in the production, sale and distribution of winery products, gas fuel operations and elevator and escalator operations.

Xin Hao was incorporated in 1998 and is principally engaged in asset management. The scope of its asset management includes (i) acquisition and dealings of bankrupt enterprises including the arrangement with their employees; (ii) supervision, management and operation of state-owned assets, assuming responsibilities to ensure capital preservation and capital growth; and (iii) integration and reorganization of high-quality assets through financing and investing in projects with high technology and good market prospects.

Hua Ze was incorporated in 1995 and is principally engaged in investment holding, international and domestic trading, real estate development, leasing of equipment, mediation services and managing the operation of the Tianjin industrial enterprises development fund.

6. DEFINITIONS

In this announcement, the following terms have the following meanings:

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Capital Injection”	the aggregate capital injection in the sum of RMB130,070,400 (approximately HK\$135,490,000) (RMB94,253,900 being contributed to the registered capital and RMB35,816,500 being contributed to the capital reserves of Tian Fa Equipment) made by Xin Hao, Tai Kang and Hua Ze in land, properties and cash
“Capital Injection Agreement”	the capital injection agreement dated 2 December 2007 relating to the Capital Injection entered into between Xin Hao, Tai Kang and Hua Ze
“Company”	Tianjin Development Holdings Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange
“Directors”	the directors of the Company

“Hong Kong”	the Hong Kong Special Administrative Region of PRC
“Hua Ze”	天津華澤(集團)有限公司(Tianjin Hua Ze Group Limited*), a company incorporated in the PRC and a shareholder of Tian Fa Equipment, it is an Independent Third Party
“Independent Third Party”	person or company which is independent of any of the Company and its subsidiaries, the Directors, the chief executives and the substantial shareholders of the Company, its subsidiaries and any of their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Machinery & Electric Group”	天津市機電工業控股集團公司(Tianjin Machinery & Electric Industry Holding Group Company*), a company incorporated in the PRC, which is a connected person of the Company
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excludes Taiwan, Hong Kong and the Macao Special Administrative Region of PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tai Kang”	天津泰康實業有限公司 (Tianjin Tai Kang Industrial Co., Ltd.*), a sino-foreign joint venture incorporated in the PRC, which is 82.74% and 17.26% held by the Company and Tai Xin respectively
“Tai Xin”	天津泰鑫實業開發有限公司 (Tianjin Tai Xin Industrial Co., Ltd.*), a company incorporated in the PRC and a wholly-owned subsidiary of Machinery & Electric Group
“Tian Fa Equipment”	天津市天發重型水電設備製造有限公司 (Tianjin Tian Fa Heavy Electric Equipment Manufacturing Limited*), an associate of the Company established in the PRC in which the Company indirectly holds 28.14% equity interest after completion of the Capital Injection
“Xin Hao”	天津市鑫皓投資發展有限公司(Tianjin Xin Hao Investment Development Limited*), a company incorporated in the PRC and a wholly-owned subsidiary of Machinery & Electric Group
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“RMB” Renminbi, the lawful currency of the PRC

“%” per cent.

Unless otherwise stated, amounts in RMB have been translated into HK\$ at an exchange rate of HK\$1.00 to RMB0.96 for illustration purposes only.

By Order of the Board
Tianjin Development Holdings Limited
Ren Xuefeng
Chairman

Hong Kong, 3 December 2007

As at the date of this announcement, the Board consists of Dr. Ren Xuefeng, Mr. Yu Rumin, Mr. Nie Jiansheng, Mr. Dai Yan, Mr. Hu Chengli, Dr. Wang Jiandong, Mr. Bai Zhisheng, Mr. Zhang Wenli, Mr. Sun Zengyin, Dr. Zong Guoying and Mr. Zheng Daoquan as executive Directors; Mr. Wang Guanghao and Mr. Cheung Wing Yui as non-executive Directors; and Mr. Kwong Che Keung, Gordon, Mr. Lau Wai Kit and Dr. Cheng Hon Kwan as independent non-executive Directors.

* *For identification purpose only*