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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

On 29 February 2008, Tai Kang, a 82.74% owned subsidiary of the Company, and Benefo entered into the Capital Injection Agreement pursuant to which the registered capital of Tian Fa Equipment will be increased from RMB180,598,000 (equivalent to approximately HK\$196,302,000) to RMB635,248,000 (equivalent to approximately HK\$690,487,000) in proportion to the respective shareholding of Tai Kang and Benefo in Tian Fa Equipment. Completion of the Capital Injection Agreement is conditional upon the fulfilment of a number of conditions.

The Directors (excluding the independent non-executive Directors who will express their view after considering the advice from the independent financial adviser) 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 holds 17.26% interest in Tai Kang, a non wholly-owned subsidiary of the Company. Therefore, Machinery & Electric Group is a connected person of the Company. As Benefo is an indirect non-wholly owned subsidiary of Machinery & Electric Group, Benefo is a connected person of the Company. Accordingly, the Capital Injection Agreement and the transactions contemplated thereunder constitute a connected transaction for the Company under Chapter 14A of the Listing Rules and, together with the capital injection in Tian Fa Equipment as previously announced by the Company on 3 December 2007, is subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules as one applicable percentage ratio exceeds 2.5% on an aggregated basis.

An application has been made to the Stock Exchange for a waiver under Rule 14A.43 of the Listing Rules from the requirement to hold a shareholders' meeting to consider and approve the Capital Injection Agreement and the transactions contemplated thereunder. If the Stock Exchange grants the waiver under Rule 14A.43 of the Listing Rules to the Company, no shareholders' meeting will be held to consider and approve the Capital Injection Agreement and the transactions contemplated thereunder.

A circular containing, among others, further details of the Capital Injection Agreement and the transactions contemplated thereunder, the respective advice of the independent board committee of the Board and the independent financial adviser in relation to the Capital Injection Agreement and the transactions contemplated thereunder will be despatched to the shareholders of the Company as soon as practicable.

INTRODUCTION

Reference is made to the announcement of the Company dated 3 December 2007 relating to a capital injection in Tian Fa Equipment, which is owned by Tai Kang, a non wholly-owned subsidiary of the Company, as to approximately 34%.

The Directors were informed that Machinery & Electric Group and Hua Ze, which held approximately 60% and approximately 6% interest in Tian Fa Equipment respectively, agreed to dispose of their respective interest in Tian Fa Equipment to Benefo. Completion of the Tian Fa Equipment Disposal is conditional upon the fulfilment of a number of conditions including, among others, the obtaining of the approval of the shareholders of Benefo and the completion of the private placement of A shares in Benefo for the settlement of the consideration to be payable by Benefo to Machinery & Electric Group and Hua Ze under the Tian Fa Equipment Disposal.

As at the date of this announcement, Tian Fa Equipment was held by Tai Kang, Machinery & Electric Group and Hua Ze as to approximately 34%, approximately 60% and approximately 6% respectively. Upon completion of the Tian Fa Equipment Disposal, Tian Fa Equipment will be held by Tai Kang and Benefo as to approximately 34% and approximately 66% respectively.

The Board is pleased to announce that on 29 February 2008, Tai Kang and Benefo entered into the Capital Injection Agreement.

CAPITAL INJECTION AGREEMENT

Date

29 February 2008

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 Machinery & Electric Group, a connected person of the Company; and
- (2) Benefo, which will become a shareholder of Tian Fa Equipment upon completion of the Tian Fa Equipment Disposal, is a non wholly-owned subsidiary of Machinery & Electric Group, a connected person of the Company.

Capital Injection

Pursuant to the Capital Injection Agreement, each of Tai Kang and Benefo, agreed that the registered capital of Tian Fa Equipment be increased from RMB180,598,000 (equivalent to approximately HK\$196,302,000) to RMB635,248,000 (equivalent to approximately HK\$690,487,000) by injection of the followings:–

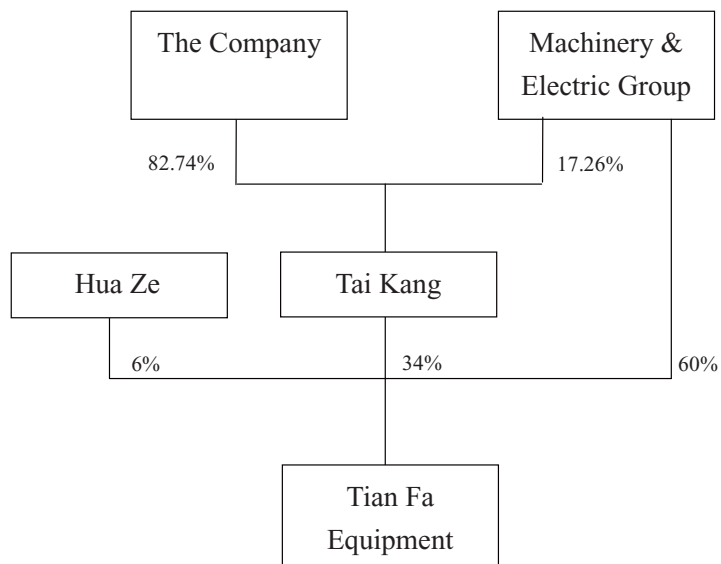
- (1) Tai Kang will pay the consideration of RMB154,650,000 (equivalent to approximately HK\$168,098,000) in cash; and
- (2) Benefo will pay the consideration of RMB300,000,000 (equivalent to approximately HK\$326,087,000) which will be raised by way of a private placement of its A shares.

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

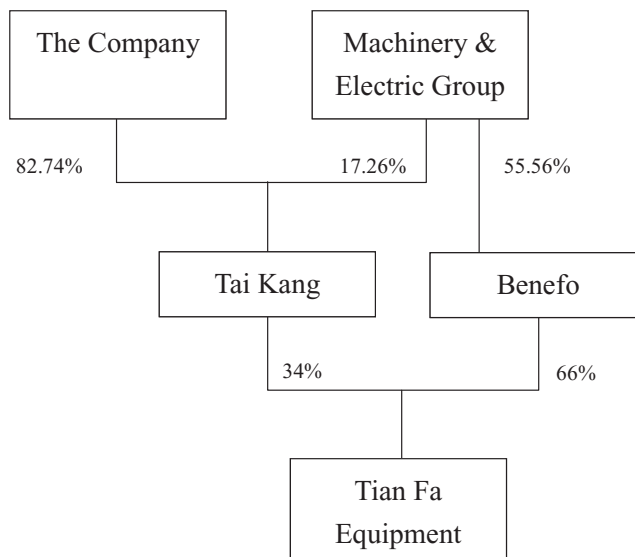
Shareholders	Existing registered capital prior to Completion		Capital Injection	Registered capital after Completion	
	<i>RMB'000</i>	<i>Approximate %</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>Approximate %</i>
Tai Kang	61,398	34	154,650	216,048	34
Benefo	119,200	66	300,000	419,200	66
Total:	180,598	100	454,650	635,248	100

The following corporate charts illustrate the respective approximate shareholdings of Tian Fa Equipment as at the date of this announcement, immediately after the completion of the Tian Fa Equipment Disposal but before Completion and immediately after Completion:–

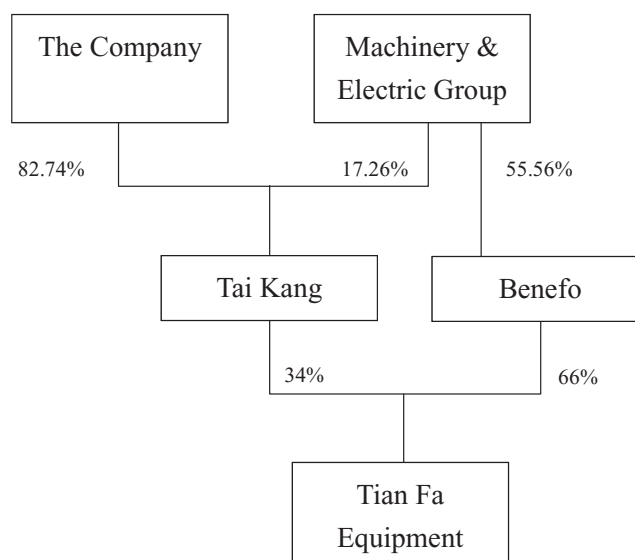
As at the date of this announcement:–



Immediately after the completion of the Tian Fa Equipment Disposal but before Completion:–



Immediately after Completion:–



There is no further capital injection obligation for Tai Kang under the Capital Injection Agreement.

Consideration for the Capital Injection

The Capital Injection is in proportion to the shareholdings of Tian Fa Equipment and the consideration for the Capital Injection has been arrived at after arm's length negotiations between the parties involved. The Directors (excluding the independent non-executive Directors who will express their view after considering the advice from the independent financial adviser) 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 and shall be satisfied by the internal resources of Tai Kang.

Conditions to Completion

Completion of the Capital Injection Agreement is conditional upon the completion of the Tian Fa Equipment Disposal and the fulfilment of the following conditions:–

- (1) the obtaining of the approval of the board of directors of Benefo and shareholders of Benefo in respect of the Capital Injection Agreement and the transactions contemplated thereunder in accordance with the articles of association of Benefo and the applicable PRC laws and regulations;
- (2) the completion of all necessary internal procedures relating to the Capital Injection contemplated under the Capital Injection Agreement by Tai Kang;
- (3) the obtaining of the approval of the China Securities Regulatory Commission in relation to the Capital Injection Agreement and the private placement(s) of A shares in Benefo by Benefo;

- (4) the completion of the private placement(s) of A shares in Benefo by Benefo contemplated under the Capital Injection Agreement and the successful raising of the requisite amount of funds for the Capital Injection contemplated under the Capital Injection Agreement by Benefo; and
- (5) (if applicable) the obtaining of the approval of the shareholders of the Company, being the holding company of Tai Kang, in respect of the Capital Injection Agreement and the transactions contemplated thereunder at a general meeting.

REASONS FOR AND BENEFITS OF ENTERING INTO THE CAPITAL INJECTION AGREEMENT

In view of the governmental policy on encouraging the use of reproducible energy and thus accelerating the introduction of electricity generated by water, wind, solar, etc. and the increasing demand for electricity brought by the robust economic development in the PRC, it is expected that the growth of the demand for equipment used to generate electricity by water in the PRC will continue to be strong. The Directors believe that the transactions contemplated under the Capital Injection Agreement will effectively capture such potential market by injecting more funds for enhancing the production capacity and efficiency of Tian Fa Equipment in the future. In addition, with the existing technological know-how and experience, the additional capital would enable Tian Fa Equipment to diversify its product lines and to enter into new markets.

INFORMATION ON THE RELEVANT PARTIES

Information on the Company

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.

Information on Tai Kang

Tai Kang is an investment holding company principally engaged in the business of manufacture, sale, installation, maintenance, transformation, technological development and after sale service of machinery and equipments through its subsidiaries. As at the date of this announcement, the Company and Machinery & Electric Group hold approximately 82.74% and 17.26% equity interests in Tai Kang respectively.

Information on Benefo

Benefo was incorporated in the PRC on 23 September 1999 and has been listed on the Shanghai Stock Exchange since 15 June 2001. Benefo is principally engaged in the development and manufacture of low pressure electrical appliances components, electric transmission and power distribution facilities sets.

Information on 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 unaudited net asset value and the unaudited profit before and after taxation for the years ended 31 December 2006 and 2007 are set out in the following table:–

	For the year ended 31 December	
	2006	2007
	<i>RMB'000</i>	<i>RMB'000</i>
Net asset value	102,181	246,487
Profit before taxation	12,051	15,794
Profit after taxation	8,061	14,235

LISTING RULES IMPLICATION

Machinery & Electric Group holds 17.26% interest in Tai Kang, a non wholly-owned subsidiary of the Company. Therefore, Machinery & Electric Group is a connected person of the Company. As Benefo is an indirect non-wholly owned subsidiary of Machinery & Electric Group, Benefo is a connected person of the Company. Accordingly, the Capital Injection Agreement and the transactions contemplated thereunder constitute a connected transaction for the Company under Chapter 14A of the Listing Rules and, together with the capital injection in Tian Fa Equipment as announced by the Company on 3 December 2007, is subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules as one applicable percentage ratio exceeds 2.5% on an aggregated basis.

An application has been made to the Stock Exchange for a waiver under Rule 14A.43 of the Listing Rules from the requirement to hold a shareholders' meeting to consider and approve the Capital Injection Agreement and the transactions contemplated thereunder. The waiver is sought on the basis that (i) no shareholder of the Company is required to abstain from voting if the Company were to convene a general meeting to approve the Capital Injection Agreement and the transactions contemplated thereunder because no shareholder has an interest which is different from that of other shareholders in relation to the Capital Injection Agreement; and (ii) written approval has been obtained from two wholly-owned subsidiaries of Tsinlien, Tianjin Investment Holdings Limited and Tsinlien Venture Capital Company Limited, which as at the date of this announcement held 536,167,143 shares and 2,022,000 shares

respectively in the Company, representing an aggregate of approximately 51.97% of the total issued share capital of the Company, giving Tianjin Investment Holdings Limited and Tsinlien Venture Capital Company Limited the right to attend and vote at the general meeting of the Company to approve the Capital Injection Agreement and the transactions contemplated thereunder.

If the Stock Exchange grants the waiver under Rule 14A.43 of the Listing Rules to the Company, no shareholders' meeting will be held to consider and approve the Capital Injection Agreement and the transactions contemplated thereunder.

The independent board committee of the Board has been established regarding the fairness and reasonableness of the terms of the Capital Injection Agreement and the transactions contemplated thereunder. An independent financial adviser will be appointed to advise the independent board committee of the Board in respect of the Capital Injection Agreement and the transactions contemplated thereunder.

A circular containing, among others, further details of the Capital Injection Agreement and the transactions contemplated thereunder, the respective advice of the independent board committee of the Board and the independent financial adviser in relation to the Capital Injection Agreement and the transactions contemplated thereunder will be despatched to the shareholders of the Company as soon as practicable.

DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Benefo”	天津百利特精電氣股份有限公司 (Tianjin Benefo Tejing Electric Co., Ltd.*), a company incorporated in the PRC, the A shares of which are listed on the Shanghai Stock Exchange (Stock Code: 600468)
“Board”	the board of Directors
“Capital Injection”	the aggregate capital injection in the sum of RMB454,650,000 (equivalent to approximately HK\$494,185,000) made by Tai Kang and Benefo in cash
“Capital Injection Agreement”	the capital injection agreement dated 29 February 2008 relating to the Capital Injection entered into between Tai Kang and Benefo
“Company”	Tianjin Development Holdings Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange
“Completion”	completion of the Capital Injection in accordance with the terms of the Capital Injection Agreement
“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 as at the date of this announcement
“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 Machinery & Electric Group respectively
“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
“Tian Fa Equipment Disposal”	the conditional disposal of approximately 60% and approximately 6% interest in Tian Fa Equipment by Machinery & Electric Group and Hua Ze respectively to Benefo
“Tsinlien”	Tsinlien Group Company Limited, a company incorporated in Hong Kong with limited liability which is controlled by the Tianjin Government and the controlling shareholder of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

By Order of the Board
Tianjin Development Holdings Limited
Yu Rumin
Acting Chairman

Hong Kong, 29 February 2008

As at the date of this announcement, the Board consists of Mr. Yu Rumin, Mr. Wu Xuemin, 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. Cheung Wing Yui as non-executive director; and Mr. Kwong Che Keung, Gordon, Mr. Lau Wai Kit and Dr. Cheng Hon Kwan as independent non-executive directors.

Unless otherwise stated, amount in RMB has been translated into HK\$ at exchange rate of HK\$1.00 to RMB0.92 for illustration purposes only. No representation is made that any amounts in RMB or HK\$ can be or could have been converted at the relevant dates at the above rates or any other rates at all.

If there is any inconsistency between the Chinese names of the PRC entities mentioned in this announcement and their English translations, the Chinese names shall prevail.

** For identification purpose only*