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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 under the Hong Kong Companies Ordinance)
(Stock code: 882)

DISCLOSEABLE AND CONNECTED TRANSACTION

ACQUISITION OF APPROXIMATELY 90.9421% INTEREST IN TIANJIN TEDA TSINLIEN HEAT & POWER CO., LTD. AND RESUMPTION OF SHARE TRADING

Financial Adviser to the Company



Oriental Patron Asia Limited

On 10 January 2006, the Company entered into the Agreement with Tsinlien and Progress City pursuant to which the Company conditionally agreed to acquire, or procure its designated wholly-owned subsidiary to acquire, Progress City (a wholly-owned subsidiary of Tsinlien) conditionally agreed to sell, and Tsinlien conditionally agreed to procure Progress City to sell, the Sale Interest at a consideration of HK\$380 million, which shall be satisfied as to HK\$305.1 million by cash and HK\$74.9 million by issuance and allotment of 20 million Consideration Shares at the Issue Price credited as fully paid. The Issue Price was determined based on the average daily closing price of the Shares on the last ten trading days before the date of the Agreement as quoted on the daily quotation sheet of the Stock Exchange.

The Consideration Shares represent approximately 2.20% of the existing issued share capital of the Company and approximately 2.15% of the issued share capital of the Company as enlarged by the Consideration Shares.

Upon Completion, the Company will own approximately 90.9421% of the entire equity interest of the Heat Company. The Heat Company will therefore become a subsidiary of the Company.

As the applicable percentage ratios exceed 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under the Listing Rule 14.06(2). As at the date of this announcement, as Tsinlien is the controlling shareholder, holding approximately 64.04% of the entire issued share capital of the Company, Tsinlien is a connected person of the Company. Accordingly, the Acquisition also constitutes a connected transaction under the Listing Rule 14A.17 and therefore is subject to the approval of the Independent Shareholders at the EGM by way of poll. Tsinlien and its associates will be required to abstain from voting in respect of the ordinary resolution to be proposed at the EGM for approving, if thought fit, the Acquisition and the transactions contemplated thereunder.

An Independent Board Committee has been formed to advise the Independent Shareholders and an independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition and the transactions contemplated thereunder.

A circular containing, among other things, (i) further details of the Acquisition; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Acquisition and the transactions contemplated thereunder; (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition and the transactions contemplated thereunder; and (iv) a notice of the EGM will be despatched to the Shareholders as soon as reasonably practicable and in compliance with the Listing Rules.

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 11 January 2006 pending the publication of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 16 January 2006.

THE AGREEMENT

Date

10 January 2006

Parties

- (1) The Company, who has conditionally agreed to acquire the Sale Interest;
- (2) Tsinlien, the party which has conditionally agreed to procure Progress City to sell the Sale Interest to the Company or its designated wholly-owned subsidiary; and
- (3) Progress City, the wholly-owned subsidiary of Tsinlien and is an investment holding company and is the party which directly owns the Sale Interest, and has conditionally agreed to sell the Sale Interest to the Company or its designated wholly-owned subsidiary.

Asset to be acquired

Pursuant to the Agreement, the Company has conditionally agreed to acquire, Progress City has conditionally agreed to sell, and Tsinlien has conditionally agreed to procure Progress City to sell the Sale Interest at the Consideration. The Sale Interest represents approximately 90.9421% of the entire equity interest of the Heat Company which is currently held by Progress City.

Consideration

The consideration is HK\$380 million.

Payment terms and method of Consideration

The Consideration shall be satisfied by the Company as to:-

- (i) HK\$305.1 million by cash funded by the internal resources of the Company on Completion Dates; and
- (ii) HK\$74.9 million by issuance and allotment of 20 million Consideration Shares at the Issue Price credited as fully paid within seven Business Days from the Completion Date.

The Consideration will be fully paid within seven Business Days from the Completion Date.

The Consideration Shares will be issued under general mandate of the Company granted by the Shareholders in the annual general meeting of the Company held on 27 May 2005. As at the date of this announcement, the Company has sufficient general mandate left for the issue of the Consideration Shares. The Consideration Shares represent approximately 2.20% of the existing issued share capital of the Company and approximately 2.15% of the issued share capital of the Company as enlarged by the Consideration Shares. The market value of the Consideration Shares, based on the closing price of HK\$4.0 per Share as quoted on the daily quotation sheet of the Stock Exchange on the Last Trading Day is HK\$80 million. The Issue Price is determined by the Company based on the average closing price of HK\$3.745 per Share for the last ten trading days up to and including the day before date of the Agreement (i.e. 9 January 2006). The Issue Price per Consideration Share represents:

- a discount of approximately 6.4% to the closing price of HK\$4.0 per Share as quoted on the daily quotation sheet of the Stock Exchange for the Last Trading Day;
- a discount of approximately 0.7% to the average closing price of HK\$3.77 per Share as quoted on the daily quotation sheet of the Stock Exchange for the last ten trading days up to and including the Last Trading Day; and
- a discount of approximately 34.4% to the net tangible asset value of HK\$5.71 per Share as at 30 June 2005.

The Consideration Shares shall rank *pari passu* in all respects with the existing issued fully paid Shares, including the rights to receive in full all dividends and other distributions declared after the date of allotment of the Consideration Shares. An application will be made to the Stock Exchange for the listing of and permission to deal in the Consideration Shares.

The Consideration was determined after arm's length negotiation between the Company and Tsinlien with reference to, amongst other things, (i) the unaudited net profit after taxation of approximately RMB31.49 million (equivalent to approximately HK\$30.28 million) of the Heat Company for the year ended 31 December 2004, being adjusted for the one-off provision against deposits of RMB20 million with two financial institutions in year 2004; (ii) the unaudited net asset value of approximately RMB261.48 million (equivalent to approximately HK\$251.42 million) of the Heat Company as at 31 December 2004; (iii) the development of utility industry in the Development Zone; and (iv) the revenue prospects of Heat Company.

The Company has analysed nine companies listed in Hong Kong, Shenzhen and Shanghai, which are principally engaged in the operation of heat and electricity, selected based on the criteria that (i) their operations are based in mainland China; (ii) they have similar business nature as the Heat Company; and (iii) the availability of their financial information to the public. Based on the above selection criteria, the Company has calculated their relevant multiples, being the P/E and the P/BV of the Comparables based on their closing share prices quoted on the respective stock exchanges on 9 January 2006 (the date before the board meeting which approved the Acquisition) and the financial information contained in their latest published annual and interim reports.

The P/E of the Comparables ranged from approximately 7.69 times to 25.90 times, with an overall average of 16.73 times. In respect of the P/BV, it ranges from approximately 1.04 times to 2.48 times, with an overall average of 1.74 times.

The attributable unaudited consolidated net asset value of the Heat Company as at 31 December 2004 is approximately RMB237.80 million (equivalent to HK\$228.65 million). The Consideration for the Acquisition represents approximately 1.66 times of the Attributable NAV. Such figure is within the range and lower than the average P/BV of the Comparables.

Based on the unaudited consolidated profit and loss account of the Heat Company, the unaudited attributable net profit after taxation of the Heat Company for the year ended 31 December 2004 is approximately RMB28.64 million (equivalent to HK\$27.54 million). The Consideration for the Acquisition represents approximately 13.80 times of the Attributable Profit. Such figure is within the range and lower than the average P/E of the Comparables.

Further details of the above market comparables will be disclosed in the circular in relation to the Acquisition.

The details in relation to the development of utility industry in the Development Zone and the revenue prospect of the Heat Company are disclosed in the section headed "Information of the Heat Company" of this announcement.

Taking into account of the above, the Directors are of the opinion that the Consideration is fair and reasonable. Further details in relation to the basis of the Consideration will be disclosed in the circular in relation to the Acquisition.

The due diligence work was being performed by the Company since mid 2005, focusing on the full year financial results of 2004 and the financial position as at the end of year 2004 of the Heat Company. The negotiation was made between the Company and Tsinlien based on the said due diligence work in the second half of year 2005. At that time, the 2005 full year financial information, including in particular the net profit figure, was not available. The Directors considered that actual profit for the financial year 2004 is a more reliable reference. In addition, the Directors considered that utility business is relatively stable during the years, also with the economic growth in the Development Zone, it is expected that the performance would not fluctuate, hence the Directors considered that the determination with reference to, amongst others, the financial information of 2004 of the Heat Company is acceptable.

Non-disposal undertaking

In connection with the convertible bonds due 2008 issued by a wholly-owned subsidiary of the Company on 19 December 2005 and convertible into the Shares, Tsinlien has undertaken that Tsinlien and its subsidiaries (which includes the designated wholly-owned subsidiary) shall not (inter alia) sell or otherwise dispose of the Consideration Shares for a period up to 90 days from 19 December 2005.

Conditions

Completion is conditional upon the fulfillment of, inter alia, the following Conditions:

- (1) the passing of an ordinary resolution approving the Agreement and all the transactions contemplated thereunder by the Independent Shareholders at the EGM;
- (2) the Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, the Consideration Shares;
- (3) the obtaining of all necessary consents, authorizations or other approvals from Tsinlien, Progress City, the Company and Tianjin TEDA in connection with the Agreement and all transactions contemplated thereunder (including but not limited to the Agreement, the new joint venture agreement and the new articles of association of the Heat Company);
- (4) Tianjin TEDA has agreed to waive its pre-emptive right to purchase the Sale Interest;
- (5) the transfer of the Sale Interest has been duly approved in the board meeting of the Heat Company;
- (6) the obtaining of approval of the Acquisition from the relevant regulatory authorities or as required by the relevant laws and regulations of the PRC which are required to be obtained prior to Completion Date;
- (7) the Company being satisfied with the results of a due diligence review, including but not limited to the business, financial, legal and accounting aspects, of the Heat Company; and
- (8) the receipt of a legal opinion issued by a firm of the PRC qualified legal advisers covering, amongst other things, the legality and the validity of the Acquisition and all the transactions contemplated thereunder (including but not limited to the legal status, the businesses operated by the Heat Company and the interest in the land held by the Heat Company).

The Company may in its absolute discretion waive the Conditions as mentioned in (7) and (8) above, at any time before the Longstop Date by notice in writing to Tsinlien. As at the date of this announcement, the Directors do not intend to waive Conditions (7) and (8).

However, if any of the Conditions cannot be fulfilled due to changes of laws, rules or regulations, the Longstop Date will be extended to 9 months from the date of the Agreement (or such other date as the parties to the Agreement may agree in writing). If any of the Conditions have not been fulfilled or waived by the Company on or before the Longstop Date (or the date which may be extended under the aforesaid circumstance), the Agreement shall lapse and no party shall have any claim against the other save for claim (if any) in respect of any of the antecedent breaches of the Agreement. Tsinlien has undertaken to use its best endeavours to procure fulfillment of the Conditions on or before the Longstop Date (or the date which may be extended under the aforesaid circumstance).

If the Agreement is terminated pursuant to the above, the Company shall transfer the Sale Interest to Progress City, Tsinlien shall indemnify the Company against all the loss and damages suffered as a consequence.

Completion

Completion shall take place on the fifth Business Day immediately following the date of fulfillment (or waiver, as appropriate) of all the Conditions.

Other principal terms of the Agreement

Guarantee of net assets value

Tsinlien and Progress City guarantee to the Company in respect of the No Material Adverse Change Undertaking and the NAV Guarantee. Within 30 days from the Completion Date, the Company shall provide Tsinlien and Progress City with the Completion Accounts. If the Completion Date NAV as shown in the Completion Accounts is less than the NAV 2004, Tsinlien has to compensate the Company for the difference between these two figures in cash within 30 days from the date of provision of the Completion Accounts by the Company. However, if the Completion Date NAV is greater than the NAV 2004, no compensation is required from the Company to Tsinlien. The Company would publish an announcement in compliance with the requirements under Rule 14A.57 of the Listing Rules when the NAV Guarantee cannot be met.

An independent reporting accountant appointed by the Company is already in the progress of preparing the audited accounts of the Heat Company for the year ended 31 December 2004. Thus, the audited figure for NAV 2004 is currently not available.

Company's right to sell the Sale Interest

If (i) after the Completion Date, Tsinlien and Progress City have material breach in respect of the No Material Adverse Change Undertaking, or any representations, warranties and undertakings given under the Agreement, or such representations, warranties and undertakings shall be untrue, inaccurate or misleading in any material respect; or (ii) all necessary consents, authorizations or other approvals in connection with the change of shareholders of the Heat Company after the Completion cannot be obtained within 6 months after the Completion Date, subject to compliance with the applicable laws and regulations in the PRC and Hong Kong (including but not limited to the Listing Rules), the Company has the right to request Tsinlien or Progress City in writing to purchase wholly in cash the Sale Interest at the price equals to 110% of the Consideration. Tsinlien and Progress City shall (i) bear all the expenses and liabilities incurred by the Company in the normal operation of the Heat Company after Completion; and (ii) pay the Company in cash all the interest payments of the loan and all relevant expenses payable by the Company in connection with the Acquisition.

INFORMATION OF THE HEAT COMPANY

The Utility Industry in the Development Zone

As stated under the section headed "Reasons For and Benefits of the Acquisition" in this announcement, the Development Zone, where the Heat Company is located at and operating in, has been growing rapidly in the past several years. It is expected that more production plants and residential apartments will be constructed, leading to an increasing demand for utility.

According to the interim report of the Company for the six months ended 30 June 2005, Tianjin TEDA Tsinlien Electric Power Company Limited and Tianjin TEDA Tsinlien Water Supply Company Limited, which was acquired by the Company in November 2004 and are also located in the Development Zone, have contributed a net profit of approximately HK\$26.6 million and HK\$19.9 million respectively to the Group. In addition, the quantity of electricity and water sold increased by approximately 20% and 10% respectively over same period. This shows the growth potential of the utility industries in the Development Zone.

The Heat Company was benefited by the growth of the Development Zone. According to an article reported by Tianjin Economic-Technological Development Area Administrative Commission, from 1992 to 2004, the GDP of the Development Zone increased from RMB1.3 billion (equivalent to approximately HK\$1.25 billion) to RMB53 billion (equivalent to approximately HK\$50.96 billion), representing an increase of approximately 41 times; export increased from USD 160 million (equivalent to approximately HK\$1,248 million) to USD 11 billion (equivalent to approximately HK\$85.8 billion), representing an increase of approximately 69 times; and the total industrial output increased from RMB3.2

billion (equivalent to approximately HK\$3.08 billion) to RMB182 billion (equivalent to approximately HK\$175 billion), representing an increase of approximately 57 times. In 2004, the Development Zone achieved the fastest growth rate of industry in 8 years, with a total production output of over RMB50 billion (equivalent to approximately HK\$48.08 billion), a fiscal revenue and export of RMB10 billion (equivalent to approximately HK\$9.62 billion) and USD 10 billion (equivalent to approximately HK\$78 billion) respectively. The local total GDP, industrial output and export value grew at rates of 25%, 45% and 60% respectively. In addition, the Eleventh Five-Year Plan formulated by the Development Zone will help reinforce its competitive edge and innovation capabilities, promote the construction of modern manufacturing bases. On the firm-wide basis, the number of customers of the Heat Company has increased from 5,435 in year 2000 to 29,200 in year 2005, the turnover of the Heat Company has increased by annual compound growth rate of approximately 11.84% from approximately RMB132.16 million (equivalent to approximately HK\$127.08 million) for year 2001 to approximately RMB184.88 million (equivalent to approximately HK\$177.77 million) for the year 2004. Moreover, the amount of steam sold by the Heat Company has increased by an annual compound growth rate of approximately 10.79% from approximately 1.25 million tonnes in year 2001 to approximately 1.70 million tonnes in year 2004.

Further information in relation to the outlook and development of the utility industry in the Development Zone and the revenue prospect of the Heat Company will be included in the circular in relation to the Acquisition.

Background of the Heat Company

Heat Company is a Sino-foreign equity joint venture enterprise incorporated in the PRC on 5 July 2000. The total registered capital of the Heat Company was approximately RMB128.06 million (equivalent to approximately HK\$123.13 million) since its incorporation, which was then subsequently increased to approximately RMB262.95 million (equivalent to approximately HK\$252.84 million) on 28 July 2000, through the contribution of the increased capital by the then existing joint venture partners in proportion to their then respective percentage of registered equity interest.

Since the Heat Company was benefited by the growth of the Development Zone over the past years and supported by supplemental income from the Finance Bureau (details of which are stated under the section headed "Government Supplemental Income from the Finance Bureau" of this announcement), the financial results of the Heat Company have substantially improved, as evidenced by the change from a net loss of approximately RMB4.76 million (equivalent to approximately HK\$4.58 million) in year 2003 to a net profit of approximately RMB13.0 million (equivalent to approximately HK\$12.5 million) (including an one-off provision of RMB20 million) in year 2004.

At inception, the principal activities of the Heat Company were to engage in production and distribution of steam for industrial uses and heating for commercial and resident purpose within the Development Zone.

On 3 October 2003, after entering into the Leasing Agreement, the principal business activities of the Heat Company have changed from a producer and distributor of steam to a sole distributor of steam within the Development Zone. Since then, the Heat Company ceased to be a producer of steam and is only engaged in the distribution of steam within the Development Zone and the provision of its related technical consultancy service.

Before entering into the Leasing Agreement, the steam production activity and the production plant was a material operation and asset of the Heat Company. However, after having entered into the Leasing Agreement, the Heat Company became a distributor of steam in the Development Zone. Hence, the production plant has become immaterial to the operations of the Heat Company.

On 12 October 2005, the Heat Company, which intended to specialise in and focus more on its core business as a distributor of steam within the Development Zone, entered into the Assets Swap Agreement with TEDA Heat which is an Independent Third Party, pursuant to which the Heat Company agreed to swap the Factory for an equal value of approximately RMB130 million (equivalent to approximately HK\$125 million) for the Steam Transmission Facilities owned by TEDA Heat (i.e., the Assets Swap). The Heat Company has therefore secured the Steam Transmission Facilities and reduced reliance on other third parties' facilities for steam distribution. The Heat Company became a distributor of steam after entering into the Leasing Agreement. The Assets Swap itself would not have any effect to the business operation of the Heat Company as a steam distributor and the Heat Company can be more focused on its core business.

After the Assets Swap, there were some remaining steam transmission facilities still owned by TEDA Heat. Therefore, the Heat Company has entered into the Rental Agreement with TEDA Heat also on 12 October 2005 to lease from TEDA Heat all the remaining established steam transmission facilities still owned by TEDA Heat. The Rental Agreement is effective until 31 December 2010. After expiry of the Rental Agreement, the Heat Company has a pre-emptive right to further extend the Rental Agreement every 3 years.

Principal activities of the Heat Company

The Heat Company, as a sole distributor of the steam, purchases steam from the steam production company and distributes through its transmission pipelines and processing stations to the end users in the Development Zone. It has currently made a connection to a total of approximately 300 kilometers steam transmission pipelines and more than 60 processing stations in the Development Zone, with a distribution capacity reaches 680 tonnes of steam per hour. The Heat Company derives its revenues principally from steam usage charges and related technical consultancy service related to steam distribution for the end users of industrial uses, and heating for commercial and residential purposes in the Development Zone.

The Directors are of the view that with the growth of the Development Zone, the demand for utility would lead to a healthy growth of the Heat Company.

Financial information of the Heat Company

The unaudited net asset value of Heat Company as at 31 December 2004 according to the Hong Kong generally accepted accounting principles was approximately RMB261.48 million (equivalent to approximately HK\$251.42 million) and that as at 30 September 2005 according to the PRC generally accepted accounting principles was approximately RMB291.19 million (equivalent to approximately HK\$280 million). The table below sets out the unaudited profit/(loss) before and after taxation of Heat Company (denominated in RMB and their respective HK\$ equivalent amount) for each of the two years ended 31 December 2004 and for the nine months ended 30 September 2005 respectively:

	For the year ended 31 December				For the nine months ended	
	2003	2004	2003	2004	30 September 2005	
	(RMB '000)	(HK\$ '000)	(RMB '000)	(HK\$ '000)	(RMB '000)	(HK\$ '000)
Profit/(loss) before taxation	(4,725)	(4,543)	14,014	13,475	32,431	31,184
Profit/(loss) after taxation	(4,758)	(4,575)	12,992	12,492	29,717	28,574

The above results of the Heat Company are the financial results before the Assets Swap, i.e. when the Heat Company is still a producer and distributor of steam in the Development Zone. As the Assets Swap was carried out on 12 October 2005, the financial information of the Heat Company for the two years ended 31 December 2004 above need not be adjusted. The Directors confirmed that there are no major changes to the financial results of the Heat Company after the Assets Swap which took place on 12 October 2005.

Financial effects of the Assets Swap

Following the Assets Swap, the ownership of the Factory has been transferred from the Heat Company to TEDA Heat and the Leasing Agreement had been terminated. Accordingly, the Heat Company no longer received a rental income of approximately RMB66.0 million (equivalent to approximately HK\$6.34 million) pursuant to the Leasing Agreement. Notwithstanding the fact that the Heat Company surrendered the rental income from leasing the Factory, the Heat Company still has to incur a rental expense of approximately RMB11.5 million (equivalent to approximately HK\$11.05 million) for the remaining steam transmission facilities after the Assets Swap. The rental income forgone and the rental expenses incurred by the Heat Company, which totalled approximately RMB18.10 million (equivalent to approximately HK\$17.4 million), can be offset by the savings in running cost of the Factory including staff cost and welfare, repair and maintenance and other fixed production overhead of approximately RMB20.6 million (equivalent to approximately HK\$19.83 million) and depreciation expenses of approximately RMB1.7 million (equivalent to approximately HK\$1.63 million) since the difference in the values of the assets swapped under the Assets Swap prepared by 天津市吉威有限責任會計師事務所 (Tianjin City Jiwei Certified Public Accountants Limited Liability Company), an independent valuer, as at 30 June 2005 is insignificant, their respective depreciation rates and thus their depreciation expenses are almost the same. Thus, the overall net effect of the Assets Swap to the Heat Company is a net gain of approximately RMB4.20 million (equivalent to approximately HK\$4.04 million). Therefore, there is no negative effect on the profitability of the Heat Company immediately after the Assets Swap.

Effects on the operation of the Heat Company

The Heat Company has become the sole steam supplier in Development Zone since the Leasing Agreement was entered into on 3 October 2003 (ie before the completion of the Assets Swap dated 12 October 2005), therefore there was no change in the operation of the Heat Company as a result of the Assets Swap.

Cost of investment in the Heat Company by the connected person of the Company

At inception of the Heat Company, investment in its approximately 90.9421% interest was initially made by Tsinlien in June 2000 through the contribution of operating assets of production plants, equipments and machineries valued at approximately RMB116.46 million (equivalent to approximately HK\$111.98 million) and then subsequently increased by the contribution of additional operating assets valued at approximately RMB122.67 million (equivalent to approximately HK\$117.95 million) on 28 July 2000 through to a total of approximately RMB239.13 million (equivalent to approximately HK\$229.93 million), which were transferred from the Development Zone at one time in November 1999 at zero consideration. Tsinlien's entire equity interest in the Heat Company was subsequently transferred to Progress City at a nominal value of HK\$1.00 on 30 December 2003.

Based on the growth of the Development Zone and the increase in turnover of the Heat Company, as stated under the sub-section headed "The Utility Industry in the Development Zone" is this announcement, the value of the Heat Company has increased over the past years.

Government Supplemental Income from the Finance Bureau

According to Clause 10 of the 天津經濟技術開發區鼓勵社會投資主體經營基礎設施項目的暫行規定 (Temporary Rules of Encouraging the Investment in Operating Infrastructures by the Development Zone) promulgated by the Development Zone, the Development Zone will subsidise the investors or operators operating infrastructural products and services whose prices are regulated by the PRC government in order for reasonable operating benefits to be accrued to them. The selling price and the cost of the steam sold and purchased by the Heat Company respectively are both regulated by the PRC government.

In addition, the price of coal, the major product for the production of steam, has been increasing since the past two years. In order for reasonable operating benefits to be accrued to the steam producer, the PRC government allowed the selling price of steam quoted by the producer to increase accordingly. On the other hand, the PRC government has to ensure an attractive operating environment and the affordability of the steam end users for their consumption of steam, one of the major sources of energy. The selling price quoted to the end users by the Heat Company has been regulated such that it is lower than the purchase cost of steam of the Heat Company. Given the above, the Heat Company would be running at a loss from the operation of its steam supply business without any supplemental income provided by the PRC government.

Due to the facts stated above, the Finance Bureau agreed to provide to the Heat Company (i) the Quantity-based Supplemental Income; and (ii) the Cost-based Supplemental Income.

For the year ended 31 December 2004, the amount of Quantity-based Supplemental Income and Cost-based Supplemental Income received by Heat Company was approximately RMB80.24 million (equivalent to approximately HK\$77.16 million) and RMB66.16 million (equivalent to approximately HK\$63.62 million) respectively.

Before Completion, the Heat Company is directly owned as to approximately 90.9421% by Progress City and approximately 9.0579% by Tianjin TEDA. After the Completion Date, Heat Company will be indirectly owned as to approximately 90.9421% by the Company and approximately 9.0579% by Tianjin TEDA. The Heat Company will then become a subsidiary of the Company and its accounts will be consolidated into the Group's accounts.

INFORMATION OF THE GROUP

The principal activity of the Company is investment holding. The principal activities of its subsidiaries and associated companies are (i) infrastructure operations including toll road operations and port operations; (ii) utility operations including water supply and electricity supply; (iii) production, distribution and sale of consumer products including winery and dairy products; (iv) property development; (v) production, distribution and sale of industrial machinery; and (vi) other strategic investments.

Tsinlien and its subsidiaries are principally engaged in import and export trading, investment in domestic and overseas textiles, garments and general merchandising operations as well as technology transfer and provision of consultancy services relating to foreign investments in Tianjin.

REASONS FOR AND BENEFITS OF THE ACQUISITION

Leveraging on the established facilities, management expertise and customer base of Heat Company, the Directors are of the view that the Acquisition can provide the Group with an excellent opportunity to enter into the steam supply business in a faster pace. The Acquisition will also broaden the revenue base of the Group by integrating the relatively stable revenue source from the Heat Company.

Locating at the Development Zone with a planned site area of 33 square kilometers, Heat Company has been enjoying the benefits of rapid economic growth in the Development Zone. According to the TEDA Administrative Commission, the GDP of the Development Zone reached approximately RMB53 billion for the year 2004, representing approximately 42 times growth over the year 1992. The Development Zone also recorded an industrial output level of approximately RMB182 billion for the year 2004, representing approximately 57 times growth over the year 1992. Expansion potential for the Development Zone is huge and substantial progress has been made in land expansion. In 2003, the development proposal of the west zone of the Development Zone was submitted to the relevant government officials for approval and was subsequently approved and the west zone will provide abundant land resource for the Development Zone. The development of the Development Zone will accommodate more production plants and residential apartments which will further boost the demand for electricity and water supply.

With reference to the continuing growth of the Development Zone and the increasing industrial output level, the expected future consumption of steam is surging. The Acquisition will provide a growth prospect for the Group's overall businesses and strengthen the Group's utility arm which represents one of the core businesses of the Group. The Directors consider that the Acquisition is in line with the corporate strategy of the Group.

The Directors, excluding the independent non-executive Directors, who had been appointed as members of the Independent Board Committee and the views of the Independent Board Committee would be included in the circular in relation to the Acquisition, consider that the terms and conditions of the Acquisition are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

GENERAL

Pursuant to Chapters 14 and 14A the Listing Rules, the Acquisition constitutes a discloseable and connected transaction of the Company. As the applicable percentage ratios exceed 5% but is less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Listing Rule 14.06(2). As at the date of this announcement, as Tsinlien, is the controlling shareholder, holding approximately 64.04% of the entire issued share capital of the Company, Tsinlien is a connected person of the Company. Accordingly, the Acquisition also constitutes a connected transaction under the Listing Rule 14A.17 and therefore is subject to the approval of the Independent Shareholders at the EGM by way of poll. Tsinlien and its associates will be required to abstain from voting in respect of the ordinary resolution to be proposed at the EGM for approving, if though fit, the Acquisition and the transactions contemplated thereunder.

An Independent Board Committee has been formed to advise the Independent Shareholders and an independent financial adviser will be appointed to advise the Independent Board Committee and Independent Shareholders in respect of the Acquisition and the transactions contemplated thereunder.

A circular containing, among other things, (i) further details of the Acquisition; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Acquisition and the transactions contemplated thereunder; (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition and the transactions contemplated thereunder; and (iv) a notice of the EGM will be despatched to the Shareholders as soon as reasonably practicable and in compliance with the Listing Rules.

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DEFINITIONS

"Acquisition"	the conditional acquisition of the Sale Interest by the Company or its wholly-owned subsidiary pursuant to the Agreement
"Agreement"	the conditional sale and purchase agreement dated 10 January 2006 entered into among the Company, Tsinlien and Progress City in respect of the Acquisition
"Assets Swap"	the swap of the Factory by the Heat Company with the Steam Transmission Facilities by TEDA Heat pursuant to the Assets Swap Agreement
"Assets Swap Agreement"	an assets swap agreement dated 12 October 2005 entered into between the Heat Company and TEDA Heat
"associates"	has the meaning ascribed to it under the Listing Rules
"Attributable NAV"	the attributable unaudited consolidated net asset value of the Heat Company as at 31 December 2004
"Attributable Profit"	the unaudited attributable net profit after taxation of the Heat Company for the year ended 31 December 2004
"Business Day"	a day on which banks are normally open for business in Hong Kong (excluding Saturdays, Sundays and public holidays)
"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 main board of the Stock Exchange
"Comparables"	the nine companies listed in Hong Kong, Shenzhen and Shanghai, which are principally engaged in the operation of heat and electricity, being analysed by the Company
"Completion"	completion of the Acquisition in accordance with the terms and conditions of the Agreement
"Completion Accounts"	the accounts of the Heat Company as at the Completion Date prepared in accordance with the applicable accounting principles in Hong Kong
"Completion Date"	the fifth Business Day immediately following the date of fulfillment or waiver (if applicable) of all the Conditions, or such other date as the parties to the Agreement shall agree in writing
"Completion Date NAV"	the net assets value of the Heat Company as at the Completion Date as shown in the accounts of the Heat Company as of the Completion Date prepared in accordance with the applicable accounting principles in Hong Kong
"Condition(s)"	the condition(s) precedent to Completion, as more particularly set out under the section headed "Conditions" of this announcement
"connected person"	a director, chief executive and substantial shareholder of the Company or any of its subsidiaries or any associate (within the meaning ascribed thereto in the Listing Rules) of any of them
"Consideration"	HK\$380 million, the consideration payable by the Company to Tsinlien for the Acquisition, to be satisfied in the manner set out under the section headed "Consideration" in this announcement
"Consideration Shares"	a total of 20 million new Shares to be issued and allotted at the Issue Price per share by the Company to Tsinlien or its designated wholly-owned subsidiary and credited as fully paid
"Cost-based Supplemental Income"	the full amount of any positive difference between the purchase costs and the selling price of the steam sold by the Heat Company
"Development Zone"	天津經濟技術開發區 (Tianjin Economic-Technological Development Zone in Municipality of Tianjin of the PRC)
"Director(s)"	director(s) of the Company
"EGM"	an extraordinary general meeting of the Company to be convened at which an ordinary resolution will be proposed to approve, if thought fit, the Agreement and all the transactions contemplated thereunder
"Factory"	all of its steam production factory and related production facilities owned by the Heat Company prior to the Assets Swap

“Finance Bureau”	天津經濟技術開發區財政局 (Finance Bureau of the Development Zone in the Municipality of Tianjin of the PRC)
“GDP”	gross domestic product
“Group”	the Company and its subsidiaries
“Heat Company”	天津泰達津聯熱電有限公司 (Tianjin TEDA Tsinlien Heat & Power Co., Ltd), a company incorporated in the PRC with limited liability and owned as to approximately 90.9421% and approximately 9.0579% by Progress City and Tianjin TEDA respectively prior to the Completion
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company comprising all the independent non-executive Directors, namely Mr. Kwong Che Keung, Gordon, Mr. Lau Wai Kit and Dr. Cheng Hon Kwan, to advise the Independent Shareholders on the Agreement and all the transactions contemplated thereunder
“Independent Shareholders”	the Shareholders other than Tsinlien and its associates
“Independent Third Party”	to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, a party who is independent of and not connected with the directors, chief executive or substantial shareholder of the Company and any of its subsidiaries or any associate of any of them
“Issue Price”	HK\$3.745 per Consideration Share
“Last Trading Day”	10 January 2006, being the last trading day pending the issue of this announcement
“Leasing Agreement”	a leasing agreement dated 3 October 2003 entered into between the Heat Company and an Independent Third Party pursuant to which the Heat Company leased to an Independent Third Party the steam production plant
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Longstop Date”	9 July 2006, being six months from the date of the Agreement, or such other date as the parties to the Agreement shall agree in writing
“NAV Guarantee”	the guarantee that the Completion Date NAV will not be less than the NAV 2004
“NAV 2004”	the audited net assets value of the Heat Company as at 31 December 2004 determined in accordance with the applicable accounting principles in Hong Kong
“No Material Adverse Change Undertaking”	the undertaking that there will be no material adverse change with respect to the business operation, assets and financial positions of the Heat Company since 31 December 2004 up to and including the Completion Date
“P/BV”	price-to-book ratio
“P/E”	price-to-earning ratio
“percentage ratios”	has the meaning ascribed to it under the Listing Rules
“PRC”	the People’s Republic of China
“Progress City”	Progress City Group Limited, a company incorporated in the British Virgin Islands, and a wholly-owned subsidiary of Tsinlien
“Quantity-based Supplemental Income”	a quantity-based supplemental income to the Heat Company at a rate of RMB50 for every tonne of steam sold
“Rental Agreement”	a rental agreement dated 12 October 2005 entered into between the Heat Company and TEDA Heat pursuant to which the Heat Company leased all the remaining established steam transmission facilities still owned by TEDA Heat after the Assets Swap.
“Sale Interest”	the equity interest in Heat Company representing approximately 90.9421% of its entire equity interest, which shall be acquired by the Company or its wholly-owned subsidiary pursuant to the Agreement
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	registered holder(s) of the Shares
“Steam Transmission Facilities”	certain steam transmission pipelines and related facilities including processing stations and equipments owned by TEDA Heat prior to the Assets Swap
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TEDA Heat”	天津泰達熱電公司 (Tianjin TEDA Heat & Power Company Limited), a state-owned company incorporated in the PRC with limited liability
“Tianjin TEDA”	天津泰達投資控股有限公司 (Tianjin TEDA Investment Holdings Limited), a state-owned company incorporated in the PRC with limited liability, which will become a joint venture partner of the Company after Completion
“Tsinlien”	Tsinlien Group Company Limited (津聯集團有限公司), a company incorporated in Hong Kong with limited liability and is the controlling shareholder, holding approximately 64.04% of the entire issued share capital of the Company as at the date of this announcement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“USD”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

By order of the Board
Tianjin Development Holdings Limited
Wang Guanghao
Chairman

Hong Kong, 13 January 2006

As at the date of this announcement, the Board comprises ten executive Directors, namely Mr. Wang Guanghao, Dr. Ren Xuefeng, Mr. Yu Rumin, Dr. Zhang Hongru, Mr. Nie Jiansheng, Dr. Wang Jiandong, Mr. Bai Zhisheng, Mr. Yang Liheng, Mr. Sun Zengyin and Dr. Pang Jinhua,; two non-executive Directors, namely Mr. Ye Disheng and Mr. Cheung Wing Yui; and three independent non-executive Directors, namely Mr. Kwong Che Keung, Gordon, Mr. Lau Wai Kit and Dr. Cheng Hon Kwan.

The English name of the PRC established companies in this announcement is for identification purposes only. In case of inconsistency, the Chinese names prevail.

In this announcement, RMB and USD have been converted into HK\$ at the rate of RMB1.04 = HK\$1 and USD1 = HK\$7.8 respectively 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.

Please also refer to the published version of this announcement in The Standard.