



THE STOCK EXCHANGE OF HONG KONG LIMITED

(A wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited)

23 May 2007

The Stock Exchange of Hong Kong Limited (the “Exchange”) criticises the following parties for breaching the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Exchange Listing Rules”):

- 1. Mr Wang Jun Ting (“Mr Wang JT”), a former executive director of Tianjin Development Holdings Limited (the “Company”) (Stock Code: 882), who resigned effective 25 September 2000; and**
- 2. Ms Chen Cui Wan (“Ms Chen”), a former executive director of the Company, who resigned effective 15 July 2003.**

On 20 March 2007, the Exchange published a press release criticising the conduct of two directors of the Company in relation to two advances of money made by the Company in 2000.

The subject matter of this Press Release is again those advances, and it relates to the Declaration and Undertaking with regard to Directors (the “Director's Undertaking”) given by each of Mr Wang JT and Ms Chen to the Exchange in the form set out in Appendix 5B to the Exchange Listing Rules.

Pursuant to the then Rules 14.26(6) and 14.29 of the Exchange Listing Rules, the Company was required to obtain prior shareholders’ approval before the funds were advanced to a connected party of the Company and to notify the Exchange as soon as possible after the terms of the transactions had been agreed and to dispatch a circular to its shareholders and the Exchange within 21 days of such notification.

In this case, it was alleged that Mr Wang JT and Ms Chen’s breach of the Director’s Undertaking stemmed from advances made by the Company (which was not made on normal commercial terms or in the usual course of the Company’s business) (collectively, the “Advances”) the purpose and effect of which was to give financial assistance to a connected party in order to facilitate trading by that connected party in the shares of the Company.

Facts:

First Advance

On 23 February 2000, the Company paid the sum of \$2.5 million to Koffman Finance (HK) Limited (“KFHK”). Following that payment, KFHK provided an undertaking dated 23 February 2000 to the Company stating that, in consideration of the Company’s deposit of \$2.5 million for financing of a loan to Tianjin Investment Holdings Limited (“TIH”) (a substantial shareholder of the Company) for a period of six months, KFHK undertook to repay to the Company the amount of \$2.5 million plus interest at the rate of 9.75 per cent (P+1 per cent) per annum on or before the last day of the said six months’ period.

On the same day, 23 February 2000, KFHK sent a letter of confirmation to TIH confirming that it was prepared to advance a sum of \$2.5 million to TIH subject to an interest charge of 10 per cent (P+1.25 per cent) per annum and the sum would be repaid on 22 August 2000.

A memorandum under the Money Lenders Ordinance dated 23 February 2000 was signed by KFHK and acknowledged by TIH confirming the terms of the loan of \$2.5 million.

On 23 February 2000, TIH signed a payment instruction instructing KFHK to transfer \$2,499,000 in favour of Koffman Securities Limited (“KSL”) at KSL’s HSBC account (for the cash account of TIH), net of \$1,000 arrangement fee charged by KFHK.

Second Advance

On 1 March 2000, KFHK provided an undertaking to the Company stating that, in consideration of the Company’s deposit of \$7 million for financing of a loan to TIH for a period of six months, KFHK undertook to repay to the Company the amount of \$7 million plus interest at the rate of 9.75 per cent (P+1 per cent) per annum on or before the last day of the said six months’ period.

On 1 March 2000, KFHK sent a letter of confirmation to TIH confirming that it was prepared to advance a sum of \$7 million to TIH subject to an interest rate 10 per cent (P+1.25 per cent) per annum and the sum would be repaid on 31 August 2000.

A memorandum under the Money Lenders Ordinance dated 1 March 2000 was signed by KFHK and acknowledged by TIH confirming the terms of the loan of \$7 million.

On 1 March 2000, TIH signed a payment instruction instructing KFHK to transfer \$5 million and \$1,998,000 in favour of KSL at KSL’s HSBC account (for the cash account of TIH), net of \$2,000 arrangement fee charged by KFHK.

The purpose and effect of the Advances made by the Company were to provide financial assistance to a connected party, TIH.

Trading in the shares of the Company and Repayment of advances

During the period from 14 to 29 February 2000, TIH engaged in significant trading in the shares of the Company which amounted to between 14.03 per cent to 44.20 per cent of the market turnover in the shares of the Company during this period.

KFHK repaid \$7 million and \$2.5 million to the Company on 22 March 2000 and 12 May 2000 respectively.

The Decision

The Listing Committee has in earlier and separate proceedings concluded that there were breaches of the then Rules 14.26(6) and 14.29 of the Exchange Listing Rules arising from the Advances. Mr Wang JT and Ms Chen were parties to such earlier proceedings but they could not be located for service of the documents relating to the disciplinary hearing at the material time.

As a result of a settlement, each of Mr Wang JT and Ms Chen admitted that:

- (i) there were breaches of the then Rule 14.26(6) and 14.29 of the Exchange Listing Rules; and
- (ii) each of Mr Wang JT and Ms Chen had acted in breach of the Director's Undertaking in that he/she had failed to establish and/or maintain an adequate internal system by which he/she could procure the Company's compliance with the Exchange Listing Rules.

Accordingly, the Listing Committee **publicly criticises** Mr Wang JT and Ms Chen for breaching their Undertakings to the Exchange as mentioned above.

For the avoidance of doubt, the Exchange confirms that this public statement which involves criticism does not apply to the Company or any other past or present members of the Board of Directors of the Company.

Richard Williams, Head of Listing, commented: "The decision in this case echoes the earlier decision arising on the same facts in respect of two other senior members of the management of the Company published on 20 March 2007. The sanction serves to re-enforce the importance attached by the Listing Committee to the creation and maintenance of adequate internal controls and systems by which a listed company's compliance with its listing obligations can be procured. Primary responsibility in this direction lies with the executive directors of the listed issuer.

The conduct of the directors giving rise to a breach of their respective undertakings to the Exchange will be part of their compliance record with the Exchange."