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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 Companies Ordinance)

(Stock Code: 882)

ANNOUNCEMENT

Amendments to the Trust Deed and terms and conditions of convertible bonds due 2008 issued by Risenation Limited convertible into ordinary shares of Tianjin Development Holdings Limited

The Board is pleased to announce that with a view to addressing the technical issue on accounting for the Convertible Bonds, the Company, the Issuer and the Trustee entered into the Supplemental Deed on 28 December 2006, whereby the parties have agreed to amend the terms of the Trust Deed and the Terms and Conditions to, among other things, change the currency of the principal amount of the Convertible Bonds from HK\$ to RMB.

The Directors consider that the terms of the Supplemental Deed are fair and reasonable so far as its shareholders are concerned and it is in the best interest of the Company (and its shareholders as a whole) to enter into the Supplemental Deed, as it would enable future income statements to better reflect the operating results of the Company.

INTRODUCTION

Reference is made to (i) the announcement of the Company issued on 13 December 2005 (the “**Prior Announcement**”) regarding the issue of the Convertible Bonds; and (ii) the announcement of the Company regarding the interim results for the six months ended 30 June 2006 of the Company (the “**Results Announcement**”). Unless otherwise defined, terms used in this announcement shall have the same meanings as those defined in the Prior Announcement.

Pursuant to the terms of the Subscription Agreement, the Issuer, the Company and the Trustee executed the Trust Deed on the Closing Date (i.e., 19 December 2005) and on the same date, the Issuer issued the Convertible Bonds, which are subject to, and have the benefits of the Trust Deed and the Terms and Conditions. As at the date of this announcement, HK\$200,000,000 in principal amount of the Convertible Bonds are outstanding.

As stated in the Results Announcement, the Company recorded fair value loss on derivative liability of the Convertible Bonds. The Company also expressed its view on accounting treatment for the Convertible Bonds in that the accounting treatment as prescribed under HKAS39 may not fairly present the operating results of the Group for the period reported in the Results Announcement – please refer to the sections headed “Company’s View on Accounting Treatment for Convertible Bonds” and “Analysis of Profit Excluding Exceptional Items” in the Results Announcement.

As explained in the Results Announcement, if the convertible bond is denominated in a currency other than the functional currency, the conversion option is required to be stated at fair value and the resulting change in the fair value would have an

impact on the income statement. The change in value of the conversion option is principally affected by the price and the volatility of the stock. As the functional currency of the Group is RMB, the conversion option of the Convertible Bonds, which is denominated in HK\$, will not result in settlement by the exchange of a fixed amount of cash for a fixed number of equity instrument. Following the prevailing accounting standard, the embedded conversion option is therefore separated from the host contract and accounted for as a derivative liability carried at fair value through profit or loss.

To address the technical issue on accounting for the Convertible Bonds, which are denominated in a currency other than the functional currency of the Group and results in recognition of the change in value of the conversion right that does not affect the cashflow or adversely impact the overall financial position of the Company, the Company has proposed to the Trustee that, among other things, the currency of the principal amount of the Convertible Bonds be changed from HK\$ into RMB by way of the Supplemental Deed.

SUPPLEMENTAL DEED

On 28 December 2006, the Company, the Issuer and the Trustee entered into the Supplemental Deed to amend the terms of the Trust Deed and the Terms and Conditions following which, in essence:

- (a) the currency and denomination of the principal amount of the Convertible Bonds will be changed from HK\$ to RMB and the outstanding principal amount of the Convertible Bonds will be converted into a corresponding amount in RMB (translated at the exchange rate between HK\$ and RMB (“**Exchange Rate**”) at HK\$1 = RMB1, being the spot

rate on the second business day preceding the execution of the Supplemental Deed);

- (b) the number of Conversion Shares to be issued upon the conversion of the Convertible Bonds will be calculated on the basis of the aggregate principal amount of the Convertible Bonds (translated into Hong Kong dollars at the Exchange Rate) to be converted; and
- (c) any payments to be made by the Issuer (failing whom the Company) shall be translated into HK\$ at the applicable rate applied to convert RMB to HK\$, quoted by the Bank of China (Hong Kong) Limited in Hong Kong on the second business day immediately prior to the date on which such payments are to be made.

Save for the proposed change of the currency and denomination of the principal amount of the Convertible Bonds and consequential changes required to be made to the Trust Deed and the Terms and Conditions, all the other provisions of the Trust Deed and the Terms and Conditions remain unchanged and in full force and effect.

The Board confirms that the amendments to the Trust Deed and the Terms and Conditions will not result in any change in the number of the Conversion Shares as contemplated in the Trust Deed at the time the Bonds were issued. As such, the Conversion Shares will remain to be issued pursuant to the general mandate granted to the Directors at the annual general meeting of the Company held on 27 May 2005. The Stock Exchange granted the approval of the listing of and permission to deal in the Conversion Shares on 19 December 2005, subject to the condition, among other matters, that there will be no amendment to the Terms and Conditions unless prior approval

has been obtained from the Stock Exchange. In this connection, the Company had applied to the Stock Exchange for, and was granted by the Stock Exchange, approval of the amendments to the Trust Deed and the Terms and Conditions contemplated under the Supplemental Deed. In addition, the Issuer has obtained approval, by way of a written resolution signed by or on behalf of the holders of 100 per cent. of the aggregate principal amount of Convertible Bonds outstanding, of the amendments contemplated under the Supplemental Deed from the Bondholders.

GENERAL

The Directors consider that the terms of the Supplemental Deed are fair and reasonable so far as its shareholders are concerned and it is in the best interest of the Company (and its shareholders as a whole) to enter into the Supplemental Deed, as it would enable future income statements to better reflect the operating results of the Company.

DEFINITIONS

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

“Company”	Tianjin Development Holdings Limited, a company incorporated in Hong Kong with limited liability and the issued Shares of which are listed on the Stock Exchange
“HKAS”	Hong Kong Accounting Standard
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“RMB”	Renminbi, the lawful currency of the People’s Republic of China
“Supplemental Deed”	the supplemental deed dated 28 December 2006 executed by the Issuer, the Company and the Trustee
“Trust Deed”	the trust deed dated 19 December 2005 and executed by the Issuer, the Company and the Trustee which constitutes the Convertible Bonds

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

Hong Kong, 29 December 2006

As at the date of this announcement, the Board consists of Mr. Wang Guanghao, 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. 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.

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