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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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**If you are in doubt** as to any aspect of this circular or as to the action you should take, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in **Tianjin Development Holdings Limited**, you should at once hand this circular and the accompanying proxy form to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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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)**

### DISCLOSEABLE TRANSACTION AND CONNECTED TRANSACTION

*Independent Financial Adviser  
to the Independent Board Committee  
and the Independent Shareholders*



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A letter from the Board is set out on pages 5 to 16 of this circular. A letter from the Independent Board Committee is set out on page 17 of this circular. A letter from Access Capital containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 18 to 34 of this circular.

A notice convening an Extraordinary General Meeting of Tianjin Development Holdings Limited to be held at Gloucester Room, 2nd Floor, Mandarin Oriental Hong Kong, 5 Connaught Road Central, Hong Kong on Thursday, 6 September 2007 at 3:00 p.m. is set out on pages 42 to 43 of this circular. A form of proxy for use by Shareholders at the Extraordinary General Meeting (or any adjournment thereof) is also enclosed.

Whether or not you are able to attend the Extraordinary General Meeting, you are requested to complete the enclosed proxy form in accordance with the instructions printed thereon and return the same to the Company's share registrar, Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the Extraordinary General Meeting or any adjournments thereof. Completion and return of the proxy form will not preclude you from attending and voting at the Extraordinary General Meeting or any adjournments thereof should you so desire.

17 August 2007

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## DEFINITIONS

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*In this circular, unless the context requires otherwise, the following expressions have the following meanings:*

“40% Golden Horse Agreement”	the sale and purchase agreement dated 27 July 2007 between Coastal Rapid as vendor, the Company as purchaser and Starwell as warrantor in respect of 40% of the issued share capital in Golden Horse
“60% Golden Horse Agreement”	the sale and purchase agreement dated 27 July 2007 between Coastal Rapid as vendor and Starwell as purchaser in respect of 60% of the issued share capital in Golden Horse
“Access Capital”	Access Capital Limited, a licensed corporation under the SFO, licenced to conduct types 1 (dealing in securities), 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) regulated activities, and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Transaction and the transactions contemplated thereunder
“Board”	the board of Directors
“Business Day(s)”	any day on which banks are open for business in Hong Kong (except Saturday)
“Coastal Rapid”	Coastal Rapid Transit Company Limited, an exempted company incorporated in the Cayman Islands on 14 January 2003 with limited liability which is currently held by the Company as to 78% and Starwell as to 22%
“Coastal Rapid Agreement”	the sale and purchase agreement dated 27 July 2007 between Starwell as vendor and the Company as purchaser in respect of 22% of the issued share capital in Coastal Rapid
“Company”	Tianjin Development Holdings Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the main board of the Stock Exchange
“Completion”	the completion of the Transaction
“connected person”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company

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## DEFINITIONS

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“Dynamic Infrastructure”	Dynamic Infrastructure Limited, a company incorporated in the British Virgin Islands on 12 June 2002 with limited liability and a wholly-owned subsidiary of Coastal Rapid
“Dynamic Infrastructure Agreement”	the sale and purchase agreement dated 27 July 2007 between Coastal Rapid as vendor and the Company as purchaser in respect of the entire issued share capital in Dynamic Infrastructure
“Eastern Outer Ring Road”	the 42.5 km long eastern section of the outer ring road of Tianjin between the junction with Yixingbu Road and the junction with Jinjing Road
“Extraordinary General Meeting”	the extraordinary general meeting of the Company to be convened at which an ordinary resolution will be proposed to approve, if thought fit, the Transaction and the transactions contemplated thereunder
“Golden Horse”	Golden Horse Resources Limited, a company incorporated in the British Virgin Islands on 12 February 2002 with limited liability and a wholly-owned subsidiary of Coastal Rapid
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Board consisting of Mr. Kwong Che Keung, Gordon, Mr. Lau Wai Kit and Dr. Cheng Hon Kwan
“Income Receiving Right”	the right of Tianjin Jinzheng Transportation Company to receive the incentive determined and paid by the Tianjin Government to Tianjin Jinzheng Transportation Company, pursuant to the “Administrative Rules on the Exclusive Management of the Eastern Outer Ring Road” (天津市外環線東段道路專營管理辦法) promulgated by the People’s Government of the Tianjin Municipality on 13 November 1997, from the completion of the proposed transfer of such right to October 2027
“Independent Shareholders”	the Shareholders other than Starwell and its associates

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## DEFINITIONS

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“Independent Third Party(ies)”	an independent third party(ies) which is not connected with the chief executive, directors and substantial shareholders of the Company or any of their respective subsidiaries and their respective associates
“Jinbin Expressway”	the Jinbin Expressway connecting the Tianjin City and the New Coastal Area in the Tianjin Municipality
“Latest Practicable Date”	13 August 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Pearl Harbour”	Pearl Harbour Investment Limited, a company incorporated in the British Virgin Islands on 30 July 2002 with limited liability which is currently held by the Company as to 50% and Starwell as to 50%
“Pearl Harbour Agreement”	the sale and purchase agreement dated 27 July 2007 between Starwell as vendor and the Company as purchaser in respect of 50% of the issued share capital in Pearl Harbour
“Phase I of the Tang Jin Expressway”	Phase I of the Tang Jin section of the Shan Guang Highway which has a total length of 3,000 km and runs from Shanhaiguan to Guangzhou
“PRC”	the People’s Republic of China
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of nominal value HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	the registered holder(s) of the Shares in the Company
“Starwell”	Starwell Holdings Limited, a company incorporated in the British Virgin Islands on 20 August 1996 with limited liability
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subject Companies”	Dynamic Infrastructure, Golden Horse, Coastal Rapid, Pearl Harbour and their respective subsidiaries (as the case may be)

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## DEFINITIONS

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“Tianjin Jinzheng Transportation Company”	Tianjin Jin Zheng Transportation Development Co., Ltd. (天津津政交通發展有限公司), a Sino-foreign co-operative joint venture established under the laws of the PRC on 25 October 1997, owned as to 83.9308% by Dynamic Infrastructure
“Transaction”	the Dynamic Infrastructure Agreement, the 40% Golden Horse Agreement, the 60% Golden Horse Agreement, the Coastal Rapid Agreement and the Pearl Harbour Agreement
“US\$”	US dollars, the lawful currency of the United States of America

*Unless otherwise stated, amounts in RMB have been translated into HK\$ at exchange rate of HK\$1.00 to RMB0.98 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 rate or any other rate at all.*

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## LETTER FROM THE BOARD

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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)

*Executive Directors:*

Mr. Wang Guanghao (*Chairman*)  
Dr. Ren Xuefeng  
(*Vice Chairman and General Manager*)  
Mr. Yu Rumin (*Vice Chairman*)  
Mr. Nie Jiansheng  
Mr. Dai Yan  
Mr. Hu Chengli  
Dr. Wang Jiandong  
Mr. Bai Zhisheng  
Mr. Zhang Wenli  
Mr. Sun Zengyin  
Dr. Zong Guoying  
Mr. Zheng Daoquan

*Registered Office:*

Suites 7-13  
36/F., China Merchants Tower  
Shun Tak Centre  
168-200 Connaught Road Central  
Hong Kong

*Non-executive Director:*

Mr. Cheung Wing Yui

*Independent Non-executive Directors:*

Mr. Kwong Che Keung, Gordon  
Mr. Lau Wai Kit  
Dr. Cheng Hon Kwan

17 August 2007

*To the Shareholders,*

Dear Sir or Madam,

### **DISCLOSEABLE TRANSACTION AND CONNECTED TRANSACTION**

#### **INTRODUCTION**

On 27 July 2007, the Company announced that the Company, Coastal Rapid and Starwell (as the case may be) entered into the Dynamic Infrastructure Agreement, the 40% Golden Horse Agreement, the 60% Golden Horse Agreement, the Coastal Rapid Agreement and the Pearl Harbour Agreement. Upon Completion, Dynamic Infrastructure, Coastal Rapid and Pearl Harbour will become direct wholly-owned subsidiaries of the Company and Golden Horse will be held by Starwell as to 60% and the Company as to 40%.

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## LETTER FROM THE BOARD

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Pursuant to Chapters 14 and 14A of the Listing Rules, the Transaction constitutes a discloseable and connected transaction of the Company. As some of the applicable percentage ratios exceed 5% but are less than 25%, the Transaction constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and circular requirements under Chapter 14 of the Listing Rules. As at the Latest Practicable Date, Starwell, a substantial shareholder of Coastal Rapid, which in turn is a non wholly-owned subsidiary of the Company, is a connected person of the Company. Accordingly, the Transaction also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting and announcement requirements and the approval of the Independent Shareholders at the Extraordinary General Meeting to be conducted by way of poll under Chapter 14A of the Listing Rules. Starwell has confirmed that none of Starwell or its associates had any shareholding interest in the Company as at the Latest Practicable Date and that if Starwell and/or its associates shall have any shareholding interest in the Company at the date of the Extraordinary General Meeting, Starwell and/or its associates (as the case may be) will be required to abstain from voting in respect of the ordinary resolution to be proposed at the Extraordinary General Meeting for approving, if thought fit, the Transaction and the transactions contemplated thereunder.

The purpose of this circular is to provide the Shareholders with, among other things, (i) further details of the Transaction; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Transaction and the transactions contemplated thereunder; (iii) a letter of advice from Access Capital to the Independent Board Committee and the Independent Shareholders in respect of the Transaction and the transactions contemplated thereunder; and (iv) a notice of the Extraordinary General Meeting.

### **THE TRANSACTION**

#### **The Dynamic Infrastructure Agreement**

##### *Date*

27 July 2007

##### *Parties*

The vendor: Coastal Rapid, a non wholly-owned subsidiary of the Company

The purchaser: the Company

##### *Asset to be transferred within the Group*

Pursuant to the Dynamic Infrastructure Agreement, Coastal Rapid has conditionally agreed to sell, and the Company has conditionally agreed to purchase, 5 ordinary shares of US\$1.00 in Dynamic Infrastructure, representing the entire issued share capital in Dynamic Infrastructure.

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## LETTER FROM THE BOARD

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Dynamic Infrastructure is an intermediate holding company for the purposes of holding 83.93% interest in Eastern Outer Ring Road and 6.62% interest in Phase I of the Tang Jin Expressway. Both Eastern Outer Ring Road and Phase I of the Tang Jin Expressway have been under commercial operations during the past 3 years.

### *Consideration*

The consideration is HK\$1.00.

### **The 40% Golden Horse Agreement**

### *Date*

27 July 2007

### *Parties*

The vendor: Coastal Rapid, a non wholly-owned subsidiary of the Company

The purchaser: the Company

The warrantor: Starwell

### *Asset to be transferred within the Group*

Pursuant to the 40% Golden Horse Agreement, Coastal Rapid has conditionally agreed to sell, and the Company has conditionally agreed to purchase, 4,000 ordinary shares of US\$1.00 in Golden Horse, representing 40% of the issued share capital in Golden Horse. The Vendor and Starwell have agreed to jointly and severally indemnify and hold harmless, and keep indemnified and harmless, the Purchaser against all claims, demands, proceedings, losses, damages, expenses and costs against or suffered or incurred by any of them as a result of or in connection with a breach of any of the warranties or other provisions of the 40% Golden Horse Agreement.

Golden Horse is an investment holding company for the purpose of holding its wholly-owned subsidiary, China Mass Transit Development Co., Ltd., which in turn is an investment holding company whose asset comprises a 60% interest in Jinbin Expressway through five sino-foreign equity joint venture enterprises established under the laws of the PRC. Jinbin Expressway has been under commercial operations during the past 3 years.

### *Consideration*

The consideration is HK\$1.00.

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## LETTER FROM THE BOARD

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### **The 60% Golden Horse Agreement**

#### *Date*

27 July 2007

#### *Parties*

The vendor: Coastal Rapid, a non wholly-owned subsidiary of the Company

The purchaser: Starwell

#### *Asset to be disposed of by the Group*

Pursuant to the 60% Golden Horse Agreement, Coastal Rapid has conditionally agreed to sell, and Starwell has conditionally agreed to purchase, 6,000 ordinary shares of US\$1.00 in Golden Horse, representing 60% of the issued share capital in Golden Horse.

#### *Consideration*

The consideration is HK\$1.00.

### **The Coastal Rapid Agreement**

#### *Date*

27 July 2007

#### *Parties*

The vendor: Starwell

The purchaser: the Company

#### *Asset to be acquired by the Group*

Pursuant to the Coastal Rapid Agreement, Starwell has conditionally agreed to sell, and the Company has conditionally agreed to purchase, 184,800,000 ordinary shares of HK\$0.10 in Coastal Rapid, representing 22% of the issued share capital in Coastal Rapid.

Coastal Rapid is an investment holding company for the sole purpose of holding its wholly-owned subsidiaries, Dynamic Infrastructure and Golden Horse.

#### *Consideration*

The consideration is HK\$1.00.

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## LETTER FROM THE BOARD

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### **The Pearl Harbour Agreement**

#### *Date*

27 July 2007

#### *Parties*

The vendor:                   Starwell  
The purchaser:               the Company

#### *Asset to be acquired by the Group*

Pursuant to the Pearl Harbour Agreement, Starwell has conditionally agreed to sell, and the Company has conditionally agreed to purchase, 1 ordinary share of US\$1.00 in Pearl Harbour, representing 50% of the issued share capital in Pearl Harbour.

Pearl Harbour is a dormant company.

#### *Consideration*

The consideration is HK\$1.00.

Each of Starwell, Pearl Harbour and the Company has also agreed to waive and discharge each other from any and all rights, duties, obligations, claims and liabilities arising out of or in respect of the business of Pearl Harbour or any agreement entered into in relation thereto, including but not limited to an amount of approximately HK\$2,000,000 owed by Pearl Harbour to Starwell as at the date of Completion and confirmed that each of Starwell, Pearl Harbour and the Company has no valid or subsisting claim against each other whatsoever and howsoever arising or subsisting on or prior to the date of Completion in respect of the business of Pearl Harbour or any agreement entered into in relation thereto.

#### **Conditions of the Transaction**

Completion is conditional upon the fulfilment of the following conditions:

1. the passing of an ordinary resolution approving the Transaction and all the transactions contemplated thereunder by the Independent Shareholders at the Extraordinary General Meeting; and
2. the Dynamic Infrastructure Agreement, the 40% Golden Horse Agreement, the 60% Golden Horse Agreement, the Coastal Rapid Agreement and the Pearl Harbour Agreement and the transactions contemplated thereunder shall be completed simultaneously.

Upon Completion, Dynamic Infrastructure, Coastal Rapid and Pearl Harbour will become direct wholly-owned subsidiaries of the Company and Golden Horse will be held by Starwell as to 60% and the Company as to 40%.

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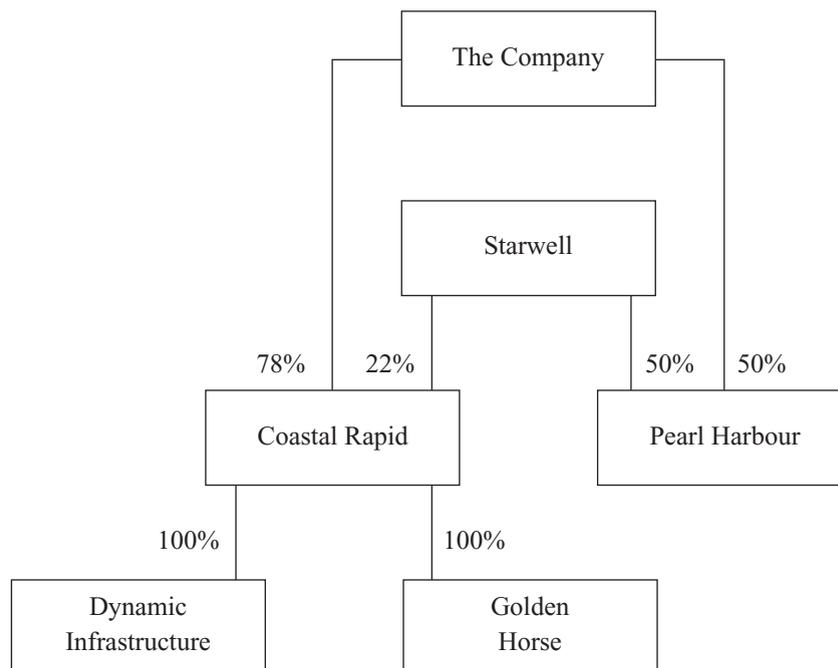
## LETTER FROM THE BOARD

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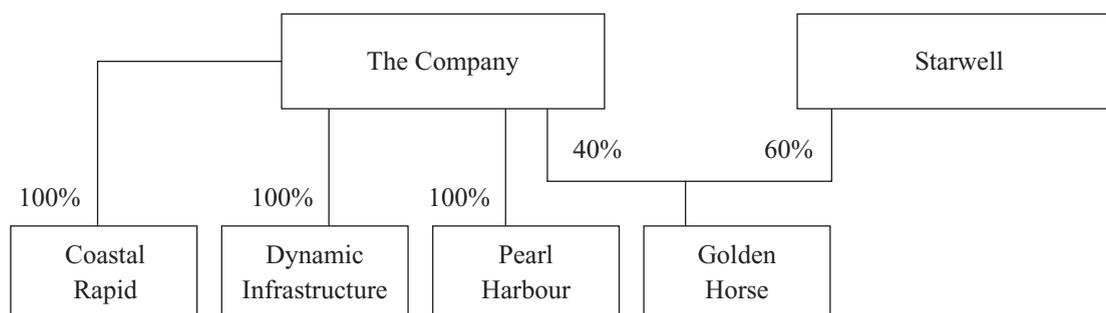
### Corporate structure

The following corporate charts illustrate the respective shareholdings of the Company before and immediately after Completion:-

#### *Before Completion:*



#### *Immediately after Completion:*



As such, the Dynamic Infrastructure Agreement, the 40% Golden Horse Agreement, the 60% Golden Horse Agreement, the Coastal Rapid Agreement and the Pearl Harbour Agreement are in fact part and parcel of the Transaction for the purpose of unwinding the previous group reorganisation (details of which are more particularly described in the section headed “Reasons for and benefits of the Transaction” below) and the net effect of which will be the increase in the Company’s shareholding in Dynamic Infrastructure from 78% to 100%, the reduction of the Company’s shareholding in Golden Horse from 78% to 40%, the increase of the Company’s shareholding in Coastal Rapid from 78% to 100% and the increase of the Company’s shareholding in Pearl Harbour from 50% to 100%.

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## LETTER FROM THE BOARD

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Before Completion, Dynamic Infrastructure, Coastal Rapid and Golden Horse are non wholly-owned subsidiaries of the Company and results of which are consolidated in the financial statements of the Company while Pearl Harbour is an associated company of the Company and its results are equity accounted for in the financial statements of the Company. After Completion, Dynamic Infrastructure, Coastal Rapid and Pearl Harbour will become wholly-owned subsidiaries of the Company and their results will be consolidated in the financial statements of the Company while Golden Horse will become an associated company of the Company and its results will be equity accounted for in the financial statements of the Company.

### Consideration

The consideration is HK\$1.00 for each of the Dynamic Infrastructure Agreement, the 40% Golden Horse Agreement, the 60% Golden Horse Agreement, the Coastal Rapid Agreement and the Pearl Harbour Agreement, which is payable on Completion. The Directors are of the view that the basis of the consideration for the Transaction is fair and reasonable and in the interests of the Company and the Shareholders as a whole having taken into account the fact that (i) the sole purpose of which is to facilitate the reversal of the previous corporate reorganisation (details of which are more particularly described in the section headed “Reasons for and benefits of the Transaction” below); (ii) the previous corporate reorganisation was carried out by means of a share swap with no cash involved and the steps to be taken to reverse the previous corporate reorganisation would be done by nominal cash consideration; (iii) the Group will no longer be required to consolidate the results of Jinbin Expressway (which is owned as to 60% by Golden Horse) which suffered consecutive losses for the past three years ended 31 December 2006; and (iv) the potential financial impact to the Group as a result of the implementation of the Transaction.

Reference is also made to the circular of the Company dated 27 December 2003. Prior to the corporate reorganisation in December 2003, Tianjin Jinzheng Transportation Company, a 83.93% owned subsidiary of Dynamic Infrastructure and thus a subsidiary of the Company and the operator of Easter Outer Ring Road, agreed to dispose of its Income Receiving Right for a consideration of RMB750 million to TEDA Investment Holding Co., Ltd (天津泰達投資控股有限公司), a State-owned enterprise incorporated in the PRC and an Independent Third Party to the Company and Starwell. The consideration of RMB750 million was satisfied by TEDA Investment Holding Co., Ltd assuming the obligation to repay RMB750 million in one lump sum in respect of an existing bank loan owned by Tianjin Jinzheng Transportation Company. The settlement of RMB750 million was finally concluded in February 2004.

Given that the corporate reorganisation took place prior to the effective date of this one-off lump sum proceeds, Starwell was able to benefit from such incident and shared 22% of this one-off gain. As Coastal Rapid has not declared any dividend since the completion of the corporate reorganisation and the Company is no longer planning to spin-off the toll road operation, such one-off gain should have been enjoyed by the Company in full (if the relevant settlement could be made prior to the completion of the corporate reorganisation). Upon Completion, the Group would recognise a deemed gain on disposal of approximately HK\$171 million (the actual deemed gain arising from the Transaction to be recorded by the Company will, however, depend on the net asset values of the Subject Companies

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## LETTER FROM THE BOARD

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attributable to the Company as at the date of Completion) which in essence was substantially comprised of the recognition of the 22% one-off gain net of income tax. Therefore, both the Company and Starwell agreed to settle the Transaction by means of a nominal consideration of HK\$1.00 for each of the Dynamic Infrastructure Agreement, the 40% Golden Horse Agreement, the 60% Golden Horse Agreement, the Coastal Rapid Agreement and the Pearl Harbour Agreement. The Directors are therefore of the view that the basis of the consideration for the Transaction is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The respective unaudited consolidated net profit/(loss) before and after taxation and extraordinary items of the Subject Companies for the two financial years ended 31 December 2006 and their unaudited net asset values as at 31 December 2006 were as follows:

<b>2005</b>	<b>Profit/(loss) before taxation and extraordinary items</b>		<b>Profit/(loss) after taxation and extraordinary items</b>	
	<i>approximately</i>		<i>approximately</i>	
	<i>RMB'000</i>	<i>HK\$'000</i>	<i>RMB'000</i>	<i>HK\$'000</i>
Dynamic Infrastructure	94,341	96,266	80,647	82,293
Golden Horse	(13,708)	(13,988)	(13,318)	(13,590)
Coastal Rapid	68,170	69,561	54,865	55,985
Pearl Harbour		(208)		(208)
<b>2006</b>	<b>Profit/(loss) before taxation and extraordinary items</b>		<b>Profit/(loss) after taxation and extraordinary items</b>	
	<i>approximately</i>		<i>approximately</i>	
	<i>RMB'000</i>	<i>HK\$'000</i>	<i>RMB'000</i>	<i>HK\$'000</i>
Dynamic Infrastructure	70,643	72,085	62,336	63,608
Golden Horse	(10,074)	(10,280)	(9,633)	(9,830)
Coastal Rapid	56,512	57,665	48,647	49,640
Pearl Harbour		(191)		(191)
<b>2006</b>	<b>Net assets/(liabilities)</b>			
	<i>approximately</i>			
	<i>RMB'000</i>	<i>HK\$'000</i>		
Dynamic Infrastructure	2,017,098	2,058,263		
Golden Horse	461,574	470,994		
Coastal Rapid	2,459,134	2,509,320		
Pearl Harbour		(8,990)		

Upon Completion, the Company expects to record a deemed gain arising from the Transaction calculated with reference to the share of the net asset values of the Subject Companies as at the date of Completion. Based on the unaudited share of the net asset values of the Subject Companies as at 31 December 2006 before and after the Transaction, the Company expects to record a deemed gain arising from the Transaction of approximately

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## LETTER FROM THE BOARD

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HK\$171 million. The actual deemed gain arising from the Transaction to be recorded by the Company will depend on the net asset values of the Subject Companies attributable to the Company at the date of Completion.

### **Financial effects of the Transaction**

As a result of the Transaction, the Group will no longer need to consolidate the results of the Jinbin Expressway (which is owned as to 60% by Golden Horse), a non profitable toll road. Accordingly, the Directors expect that there will be a positive impact to the earnings of the Group. However, the actual earnings impact will depend on the future performance of the respective toll roads.

Upon Completion, Golden Horse will be an associated company of the Group and the assets and liabilities of it and its subsidiaries will no longer be consolidated into the financial statements of the Group but will be accounted for as interest in associated companies. At the same time, Dynamic Infrastructure, Coastal Rapid and Pearl Harbour will be wholly-owned subsidiaries of the Group upon Completion and there will be no minority interests. The Directors expects that the net asset value of the Group will be increased upon Completion.

### **Completion**

Completion shall take place on the day on which the last of the conditions has been satisfied.

### **INFORMATION OF 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 OF STARWELL**

Starwell is an investment and holding company and its subsidiaries are primarily engaged in infrastructure and property development in the PRC.

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## LETTER FROM THE BOARD

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### REASONS FOR AND BENEFITS OF THE TRANSACTION

In preparation for a proposed application to the Stock Exchange for the separate listing of the shares of Coastal Rapid on the Main Board in 2003 which was lapsed in September 2004, a group reorganisation was completed in late 2003 involving, among other things, (i) the transfer by the Company of its entire interests in the Eastern Outer Ring Road and Phase I of the Tang Jin Expressway to Dynamic Infrastructure, whereby Dynamic Infrastructure became the holder of approximately 83.93% interest in the Eastern Outer Ring Road and approximately 6.62% interest in Phase I of the Tang Jin Expressway; (ii) the acquisition by Coastal Rapid from the Company of the entire equity interest in Dynamic Infrastructure; and (iii) the acquisition by Coastal Rapid from the Company and Starwell of 4,000 shares and 6,000 shares in Golden Horse respectively, representing the entire equity interest in Golden Horse, an intermediate holding company for the 60% interest in Jinbin Expressway. Immediately after the completion of the group reorganisation in late 2003, both Dynamic Infrastructure and Golden Horse became wholly-owned subsidiaries of Coastal Rapid and the Company and Starwell held 78% and 22% of the issued share capital of Coastal Rapid respectively. The objective of the previous reorganisation was to enable the Company to consolidate all of its toll road operations under Coastal Rapid.

Given that the Company has no current intention to continue to pursue the separate listing of the shares of Coastal Rapid on the Main Board and the financial performance of the underlying toll roads was mixed, the Directors are of the view that it is justified to enter into the Transaction to unwind the previous group reorganisation so as to enable the Company to continue to own and operate the better performed toll road.

In view of the magnitude of the ongoing capital expenditure requirements for upgrading of the existing profitable facilities of the Jinbin Expressway and the investment in new facilities in order to maintain and capture the anticipated ongoing growth and demand in toll road related services and to better deploy limited resources of the Group, the Directors believe that it is reasonable and justifiable to implement the Transaction and focus its resources on better performed and profitable toll roads.

In addition, by implementing the Transaction, the Company repossesses the 22% indirect interest of Dynamic Infrastructure currently held by Starwell and becomes the sole owner of the entire interest in Dynamic Infrastructure. As a result of regaining full/absolute control of Dynamic Infrastructure by the Company, the management of the Company will have more flexibility to apply the cash resources and retained earnings of Dynamic Infrastructure (such as to distribute profits by means of dividend and/or to reinvest in the Eastern Outer Ring Road and/or to invest in other toll road operations or property/hotel development projects) to capture future potential growth which may be given rise by the rising economy of Tianjin.

The Directors consider that the terms and conditions of the Transaction are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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### EXTRAORDINARY GENERAL MEETING

A notice convening the Extraordinary General Meeting to be held at Gloucester Room, 2nd Floor, Mandarin Oriental Hong Kong, 5 Connaught Road Central, Hong Kong on Thursday, 6 September 2007 at 3:00 p.m. is set out on pages 42 to 43 of this circular for the purpose of considering and, if thought fit, passing the ordinary resolution set out therein.

Whether or not you are able to attend the meeting, you are requested to complete the enclosed proxy form in accordance with the instructions printed thereon and return the same to the Company's share registrar, Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the Extraordinary General Meeting or any adjournments thereof. Completion and return of the proxy form will not preclude you from attending and voting at the Extraordinary General Meeting or any adjournments thereof should you so desire.

As at the Latest Practicable Date, Starwell, a substantial shareholder of Coastal Rapid, which in turn is a non wholly-owned subsidiary of the Company, is a connected person of the Company. Accordingly, the Transaction and the transactions contemplated thereunder are subject to the approval of the Independent Shareholders at the Extraordinary General Meeting to be conducted by way of poll. Starwell has confirmed that none of Starwell or its associates had any shareholding interest in the Company as at the Latest Practicable Date and that if Starwell and/or its associates shall have any shareholding interest in the Company at the date of the Extraordinary General Meeting, Starwell and/or its associates (as the case may be) will abstain from voting in respect of the ordinary resolution to be proposed at the Extraordinary General Meeting for approving, if thought fit, the Transaction and the transactions contemplated thereunder.

### PROCEDURES FOR DEMANDING A POLL BY SHAREHOLDERS

Pursuant to Article 73 of the articles of association of the Company, at any general meeting a resolution put to the vote of a meeting shall be decided on a show of hands unless a poll is taken as may from time to time be required under the Listing Rules or unless a poll is (before or on the declaration of the results of the show of hands) demanded:

- (a) by the Chairman; or
- (b) by at least three Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or
- (c) by any Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the meeting; or

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## LETTER FROM THE BOARD

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- (d) by any Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy and holding Shares in the Company conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right.

### RECOMMENDATIONS

The Directors (including the independent non-executive Directors) are of the view that the terms of the Transaction are in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned, and accordingly recommend the Independent Shareholders to vote in favour of the ordinary resolution to approve the Transaction and the transactions contemplated thereunder, as set out in the notice of Extraordinary General Meeting on pages 42 to 43 of this circular. Your attention is drawn to (a) the letter from the Independent Board Committee set out on page 17 of this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders regarding the Transaction, and (b) the letter from Access Capital containing its advice and the principal factors and reasons taken into consideration by them in arriving at its advice regarding the Transaction which is set out on pages 18 to 34 of this circular.

The Independent Board Committee, having taken into account the advice of Access Capital, considers that the terms of the Transaction are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the Extraordinary General Meeting to approve, if thought fit, the Transaction and the transactions contemplated thereunder.

### ADDITIONAL INFORMATION

Your attention is drawn to the letters from the Independent Board Committee and Access Capital which are respectively set out on page 17 and pages 18 to 34 of this circular. Additional information is set out in the appendix of this circular for your information.

Yours faithfully,  
By Order of the Board  
**Tianjin Development Holdings Limited**  
**Wang Guanghao**  
*Chairman*

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**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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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)**

17 August 2007

*To the Independent Shareholders*

Dear Sir or Madam,

**DISCLOSEABLE TRANSACTION AND CONNECTED TRANSACTION**

We have been appointed as members of the Independent Board Committee to advise you in connection with the Transaction, details of which are set out in the “Letter from the Board” in the circular dated 17 August 2007 (the “Circular”), of which this letter forms part. Terms used in this letter shall have the same meanings as given to them in the Circular unless the context otherwise requires.

Your attention is also drawn to the “Letter from Access Capital” concerning its advice to us regarding the Transaction as set out on pages 18 to 34 of this Circular. Having considered the advice given by Access Capital, and the principal factors and reasons taken into consideration by them in arriving at its advice, we are of the opinion that the terms of the Transaction are on normal commercial terms, in the ordinary and usual course of business of the Group and are fair and reasonable so far as the Independent Shareholders are concerned and that the Transaction is in the interests of the Company and the Independent Shareholders as a whole. We, therefore, recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the Extraordinary General Meeting as set out in the notice convening such meeting on pages 42 to 43 of this Circular.

Yours faithfully,  
Independent Board Committee

**Kwong Che Keung, Gordon**  
*Independent*  
*non-executive Director*

**Lau Wai Kit**  
*Independent*  
*non-executive Director*

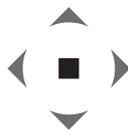
**Cheng Hon Kwan**  
*Independent*  
*non-executive Director*

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## LETTER FROM ACCESS CAPITAL

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*The following is the text of the letter of advice from Access Capital to the Independent Board Committee and the Independent Shareholders in relation to the discloseable transaction and connected transaction prepared for incorporation in this circular.*



ACCESS  
CAPITAL

Suite 606  
6th Floor  
Bank of America Tower  
12 Harcourt Road  
Central  
Hong Kong

17 August 2007

*To: The Independent Board Committee and the Independent Shareholders*

Dear Sir or Madam,

### **DISCLOSEABLE TRANSACTION AND CONNECTED TRANSACTION**

#### **1. INTRODUCTION**

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders with regard to the terms of the Transaction. Details of the Transaction are contained in the “Letter from the Board” of the circular to the Shareholders dated 17 August 2007 (the “Circular”) of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular, unless the context otherwise specifies.

Pursuant to Chapters 14 and 14A of the Listing Rules, the Transaction constitutes a discloseable and connected transaction of the Company. As some of the applicable percentage ratios exceed 5% but are less than 25%, the Transaction constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and circular requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, Starwell, a substantial shareholder of Coastal Rapid, which in turn is a non wholly-owned subsidiary of the Company, is a connected person of the Company. Accordingly, the Transaction also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting and announcement requirements and the independent shareholders’ approval requirement under Chapter 14A of the Listing Rules. Starwell has confirmed that none of Starwell or its associates had any shareholding interest in the Company as at the Latest Practicable Date and that if Starwell and/or its associates shall have any shareholding interest in the Company at the date of the Extraordinary General Meeting, Starwell and/or its associates (as the case

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## LETTER FROM ACCESS CAPITAL

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may be) will be required to abstain from voting in respect of the ordinary resolution to be proposed at the Extraordinary General Meeting for approving, if thought fit, the Transaction and the transactions contemplated thereunder.

### **2. THE INDEPENDENT BOARD COMMITTEE**

An independent board committee, comprising Mr. Kwong Che Keung, Gordon, Mr. Lau Wai Kit and Dr. Cheng Hon Kwan (all of whom are independent non-executive Directors), has been established to consider the terms of the Transaction and to advise the Independent Shareholders thereon.

We have been appointed by the Independent Board Committee to advise them as to whether the terms of the Transaction are normal commercial terms, fair and reasonable so far as the Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole, and to give our opinion in relation to the terms of the Transaction for their consideration when making their recommendation to the Independent Shareholders.

### **3. BASIS OF THE OPINION**

In formulating our advice, we have relied solely on the statements, information, opinions and representations contained in the Circular and the information and representations provided and/or made to us by the Company and/or the Directors and/or the senior management of the Company. We have assumed that all such statements, information, opinions and representations contained or referred to in the Circular or otherwise provided or made or given by the Company and/or the Directors and/or the senior management of the Company and for which it is/they are solely responsible were true, accurate and valid at the time they were made and given and continue to be true, accurate and valid as at the date of the Circular. We have assumed that all the statements, information, opinions and representations made or provided by the Company and/or the Directors and/or the senior management of the Company contained in the Circular have been reasonably made after due and careful enquiry. We have also sought and obtained confirmation from the Company and/or the Directors and/or the senior management of the Company that no material facts have been omitted from the information provided and referred to in the Circular.

We consider that we have reviewed all currently available information and documents to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions and representations provided to us by the Company, the Directors, the senior management of the Company and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. We have not, however, carried out an independent verification of the information provided, nor have we conducted an independent investigation into the business and affairs of the Company or any of its subsidiaries.

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## LETTER FROM ACCESS CAPITAL

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### 4. PRINCIPAL FACTORS AND REASONS CONSIDERED

In forming our opinion, we have taken into consideration the following principal factors and reasons:

#### 4.1 Background to and reasons for the Transaction

##### *4.1.1 Principal activities of the Company*

The principal activity of the Company is investment holding. The principal operations of the Group and its associated companies can be categorised into three sectors, namely, (i) infrastructure operations, (ii) utilities operations, and (iii) strategic and other investments. Infrastructure operations consist of container and non-containerised cargo handling operations and toll road operations; utilities operations consist of supply of electricity, water, heat and thermal power; and strategic and other investments include the production, sale and distribution of winery products, elevator and escalator operations and gas fuel operation.

##### *4.1.2 Overall financial performance and prospects of the Group*

###### *Historical financial results*

###### Overall results

For the past two years ended 31 December 2006, the Group recorded audited turnover of approximately HK\$2,239.1 million (2005) and HK\$2,688.5 million (2006) respectively, and recorded an audited profit attributable to equity holders of the Company of approximately HK\$573.2 million (2005) and HK\$552.8 million (2006).

As at 31 December 2005 and 2006, the audited consolidated net assets (net of minority interests) of the Group amounted to approximately HK\$5,841.3 million and HK\$6,905.9 million respectively.

The increase in turnover was mainly attributable to the contribution made by the robust growth in the provision of port services and supply of utilities in Tianjin. For the year ended 31 December 2006, the turnover of port operations in Tianjin increased by 15% as compared to 2005 when the container throughput in 2006 has recorded an increase of over 21% as compared to 2005. In addition, due to the increasing demand for electricity/water and completion of acquisition of heat and thermal power operation within the Tianjin Economic-Technological Development Area (“TEDA”) where the Group provides its utilities services, the turnover of such utilities operations for the year ended 31 December 2006 increased by 48.4% as compared to 2005.

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## LETTER FROM ACCESS CAPITAL

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The increase in profit attributable to equity holders of the Group was mainly attributable to the contribution made by the robust growth in various business units as well as the diligent control on fixed and variable costs.

### Port operation and toll road operation

For the year ended 31 December 2006, the turnover of port operations in Tianjin increased by 15% from approximately HK\$870.9 million in 2005 to approximately HK\$1,005.0 million in 2006. The growth in turnover was driven by a 21% increase in the TEU throughput from 2,050,052 TEUs in 2005 to 2,490,000 TEUs in 2006. For the same year, the total throughput of bulk cargo decreased by 9% from 18.3 million tonnes to 16.6 million tonnes.

On 24 May 2006, the shares of Tianjin Port Development Holdings Limited (“Tianjin Port Development”) were listed on the Main Board of the Stock Exchange and the Group’s interest in such company was diluted from 100% to 62.8%.

The segment profit was increased by 35% from approximately HK\$171.4 million for 2005 to approximately HK\$230.8 million for 2006. Such kind of performance was the result of enhanced handling efficiency, improved cargo mix and effective cost controls.

As to the toll road operation, the performance of the individual roads in Tianjin was mixed in 2006. The Jinbin Expressway recorded an average daily traffic flow of 21,252 vehicles in 2006 and generated toll road revenue of approximately HK\$78.7 million, representing an increase of 33% and 25% respectively over 2005.

Due to the entrance control stipulated in middle and inner ring road in early 2006, the Eastern Outer Ring Road’s average daily traffic flow of small vehicles such as motorcycles and motor tricycles increased by 10% as compared to 2005. However, the large vehicles, which were charged at higher toll fees than small vehicles, continued to divert from the Eastern Outer Ring Road since the opening of the city expressway. As a result, the average daily traffic flow decreased by 3% to 29,605 vehicles in 2006 and the toll revenue dropped by 13% to HK\$128.4 million as a result of the change in traffic flow mix.

### *Prospects*

As the State Council has approved the “11th Five-Year Plan (2006-2010)”, which positions Tianjin as the economic centre in northern China, there are immense opportunities for investment and development. The PRC Government has devoted full support to transform the Tianjin Binhai New Area into a modern manufacturing and research and development base, international shipping hub and international logistics centre in northern China.

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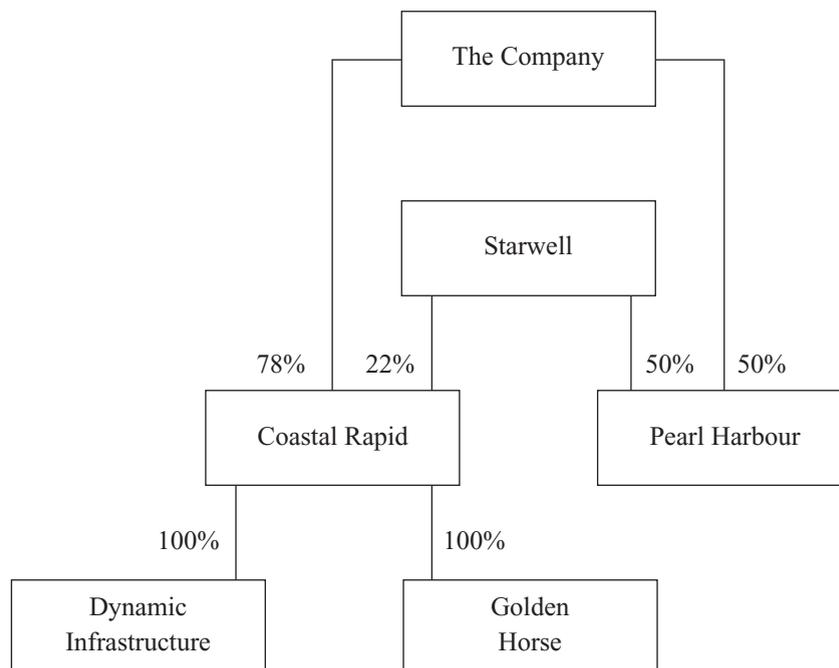
## LETTER FROM ACCESS CAPITAL

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Having considered the future potential of Tianjin Binhai New Area, the Group expects to continue to expand its port operation through Tianjin Port Development and to increase investment in its other core operations (such as toll road and utilities) to capture the robust economic growth of TEDA.

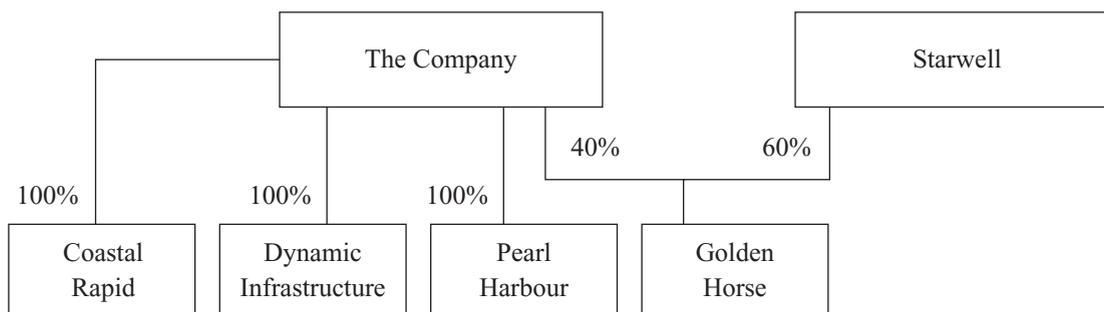
### 4.1.3 Corporate/shareholding structure of the toll road operations

Set out below is the corporate/shareholdings structure of the toll road operations before Completion.



Such corporate structure was put in place back in the end of 2003 when the Company was planning for a separate listing of the toll road operations in 2004 on the Main Board of the Stock Exchange.

Set out below is the corporate/shareholdings structure of the toll road operations immediately after Completion:



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## LETTER FROM ACCESS CAPITAL

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Coastal Rapid is a non wholly-owned subsidiary of the Company and an investment holding company for the sole purpose of holding its wholly-owned subsidiaries, Dynamic Infrastructure and Golden Horse.

Dynamic Infrastructure was incorporated in the British Virgin Islands with limited liability on 12 June 2002 by the Company. It is an intermediate holding company for the purpose of holding 83.93% interest in the Eastern Outer Ring Road and 6.62% interest in Phase I of Tang Jin Expressway.

Golden Horse was incorporated in the British Virgin Islands with limited liability on 12 February 2002. It is an investment holding company for the purpose of holding its wholly-owned subsidiary, China Mass Transit Development Co., Ltd., which in turn is the investment holding company whose asset comprises a 60% interest in Jinbin Expressway through five sino-foreign equity joint venture enterprises established under the laws of the PRC.

Pearl Harbour is a dormant company.

Starwell is an investment and holding company and its subsidiaries are primarily engaged in infrastructure and property development in the PRC.

The respective unaudited consolidated net profit/(loss) before and after taxation and extraordinary items of the Subject Companies for the two financial years ended 31 December 2006 prepared in accordance with the Hong Kong Financial Reporting Standards (the “HKFRS”) were as follows:

<b>2005</b>	<b>Profit/(loss) before taxation and extraordinary items</b>		<b>Profit/(loss) after taxation and extraordinary items</b>	
	<i>approximately</i>		<i>approximately</i>	
	<i>RMB'000</i>	<i>HK\$'000</i>	<i>RMB'000</i>	<i>HK\$'000</i>
Dynamic Infrastructure	94,341	96,266	80,647	82,293
Golden Horse	(13,708)	(13,988)	(13,318)	(13,590)
Coastal Rapid	68,170	69,561	54,865	55,985
Pearl Harbour		(208)		(208)
<b>2006</b>	<b>Profit/(loss) before taxation and extraordinary items</b>		<b>Profit/(loss) after taxation and extraordinary items</b>	
	<i>approximately</i>		<i>approximately</i>	
	<i>RMB'000</i>	<i>HK\$'000</i>	<i>RMB'000</i>	<i>HK\$'000</i>
Dynamic Infrastructure	70,643	72,085	62,336	63,608
Golden Horse	(10,074)	(10,280)	(9,633)	(9,830)
Coastal Rapid	56,512	57,665	48,647	49,640
Pearl Harbour		(191)		(191)

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## LETTER FROM ACCESS CAPITAL

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### ***4.1.4 Historical financial results of the toll road operations and a brief description of each toll road***

#### *Coastal Rapid and its subsidiaries (the “Coastal Rapid Group”)*

As explained above, Coastal Rapid is the holding company of the Group’s interests in the Eastern Outer Ring Road, Phase I of Tang Jin Expressway and the Jinbin Expressway.

Set out below are the unaudited financial results of the Coastal Rapid Group for the three years ended 31 December 2006 prepared in accordance with the HKFRS.

	<b>For the year ended 31 December 2004 RMB’000</b>	<b>For the year ended 31 December 2005 RMB’000</b>	<b>For the year ended 31 December 2006 RMB’000</b>
<i>The Coastal Rapid Group</i>			
Toll revenue	220,362	220,849	212,278
Other revenue	750,000	0	0
Profit before taxation	815,211	68,170	56,512
Profit after taxation	751,041	54,865	48,647
Minority interest	97,490	3,118	1,240
Profit attributable to the shareholders of Coastal Rapid	653,551	51,747	47,407
	<b>As at 31 December 2004 RMB’000</b>	<b>As at 31 December 2005 RMB’000</b>	<b>As at 31 December 2006 RMB’000</b>
Total assets	3,919,467	3,959,100	3,943,980
Total liabilities	1,097,497	1,082,494	1,018,496
Net assets (excluding minority interests)	2,359,978	2,411,496	2,459,134

Although the toll revenue for the two years ended 31 December 2004 and 2005 were about the same at approximately RMB220 million, profit before and after taxation for the year ended 31 December 2004 was substantially higher than the amount recorded for the year ended 31 December 2005 due to a one-off gain on disposal of the Income Receiving Right of RMB750 million recorded in the year ended 31 December 2004 (as approved by the Shareholders in December 2003 per the circulars issued by the Company on 13 and 29 December 2003).

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## LETTER FROM ACCESS CAPITAL

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Toll revenue recorded for the year ended 31 December 2006 was slightly reduced by approximately 4% as compared to the amount recorded for the year ended 31 December 2005. Net profit margin for the year ended 31 December 2005 was approximately 24.8% and has been slightly reduced to approximately 22.9% for the year ended 31 December 2006.

Total assets, total liabilities and net assets (excluding minority interests) as at 31 December 2004, 2005 and 2006 respectively remained at the same level of approximately RMB3.9 billion, RMB1.0 billion and RMB2.4 billion.

### *Dynamic Infrastructure and its subsidiaries (the “Dynamic Group”)*

The Dynamic Group mainly comprised the 83.93% interest in the Eastern Outer Ring Road and the 6.62% interest in Phase I of Tang Jin Expressway.

### *The Tang Jin Expressway*

The Tang Jin Expressway forms part of the Shan Guang Highway, a 3,000 km long expressway which connects Shanhaiguan to Guangzhou and passes through the coastal areas of Tianjin. Phase I of the Tang Jin Expressway is a 60.4 km section which links Tangshan and Tianjin and became operational in December 2000. Phase I of the Tang Jin Expressway was built and is operated by 14 sino-foreign co-operative joint ventures established under the laws of the PRC on 31 December 1997 (collectively known as “Tang Jin Group”).

The Group holds a 6.62% interest in the Tang Jin Group, and the remaining interest is owned as to 33.38% by Tianjin Highway Construction Development Corporation, a state-owned enterprise established under the laws of the PRC and under the direct supervision of Tianjin Engineering Bureau, and as to 60% by a wholly-owned subsidiary of NWS Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange.

The Group’s 6.62% interest in the Tang Jin Group is a passive investment and is classified as available-for-sale financial asset for long-term investment purpose. For the two years ended 31 December 2006, the Group recognised dividend income from Tang Jin Expressway of approximately RMB9.97 million and RMB18.48 million respectively.

### *The Eastern Outer Ring Road*

The Eastern Outer Ring Road is located at the eastern section of the Outer Ring Road of Tianjin between the junction with Yixingbu Road and the junction with Jinjing Road. The total length of the ring road is approximately 42.5 kilometres. This toll road is designed as a dual three-lane Class I Highway. This is an open toll road with a designed speed of 80 km

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## LETTER FROM ACCESS CAPITAL

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per hour and designed daily capacity of 190,000 vehicles. The table below sets out the current toll rates for Class 1 to Class 5 vehicles at each toll station of the ring road:

<b>Toll rates</b>			
Class 1	Motorcycles, motortricycles, tractors		RMB5
Class 2	Passenger vehicles: Goods vehicles:	Less than 20 seats (including 20 seats) Less than 2 tonnes (including 2 tons)	RMB10
Class 3	Passenger vehicles: Goods vehicles:	21 - 50 seats More than 2 tonnes up to 5 tonnes (including 5 tonnes)	RMB20
Class 4	Passenger vehicles: Goods vehicles:	More than 51 seats More than 5 tonnes up to 15 tonnes (including 15 tonnes)	RMB30
Class 5	Goods vehicles: Container vehicles:	More than 15 tonnes	RMB45

Set out below are the unaudited financial results of the Dynamic Group for the three years ended 31 December 2006 prepared in accordance with the HKFRS.

	<b>For the year ended 31 December 2004 RMB'000</b>	<b>For the year ended 31 December 2005 RMB'000</b>	<b>For the year ended 31 December 2006 RMB'000</b>
<i>The Dynamic Group</i>			
Toll revenue	164,870	154,870	131,611
Other revenue	750,000	0	0
Profit before taxation	823,184	94,341	70,643
Profit after taxation	758,624	80,647	62,336
Minority interests	101,163	9,486	6,270
Profit attributable to its shareholders	657,461	71,161	56,066
Average daily traffic flow (The number of vehicles)	31,557	30,411	29,605
	<b>As at 31 December 2004 RMB'000</b>	<b>As at 31 December 2005 RMB'000</b>	<b>As at 31 December 2006 RMB'000</b>
Total assets	2,326,100	2,411,898	2,379,948
Total liabilities	208,787	214,261	119,652
Net assets (excluding minority interests)	1,889,871	1,960,709	2,017,098

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## LETTER FROM ACCESS CAPITAL

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As explained above, although the toll revenue for the two years ended 31 December 2004 and 2005 were about RMB160 million, profit before and after taxation for the year ended 31 December 2004 was substantially higher than the amount recorded for the year ended 31 December 2005 due to a one-off gain on disposal of the Income Receiving Right of RMB750 million recorded in the year ended 31 December 2004.

Toll revenue recorded for the year ended 31 December 2006 was reduced by approximately 15% as compared to the amount recorded for the year ended 31 December 2005. Given the consecutive reduction in the traffic flow as described below, net profit margin for the year ended 31 December 2005 was approximately 52.1% and has been reduced to approximately 47.4% for the year ended 31 December 2006.

Although as shown in the table above, the average daily traffic flow reduced steadily from about 31,000 vehicles per day in 2004, to about 30,000 vehicles per day in 2005 and to about 29,000 vehicles per day in 2006, it is noted that (i) the economy of Tianjin has grown since the implementation of reforms and the “open door policy” of the PRC in the late 1970s; (ii) during the period from 1999 to 2004, the annual compound growth rate of nominal GDP of Tianjin was approximately 15.0% as compared to that of the PRC as a whole of approximately 10.8%; (iii) the annual GDP growth of Tianjin for the period 2006 to 2010 is expected to be 12%; and (iv) as mentioned in the section headed “Overall financial performance and prospects of the Group” above, the State Council has approved the “11th Five-Year Plan (2006-2010)” and positioned Tianjin as the economic centre in northern China, whereby the PRC Government has devoted full support to transform the Tianjin Binhai New Area into a modern manufacturing and research and development base, international shipping hub and international logistics centre in northern China, which in turn would accelerate the development pace of Tianjin and enhance traffic flow of vehicles (in particular, the number of vehicles traveling in and out of Tianjin City to/from Tianjin Port, Tianjin Binhai New Area and elsewhere in the PRC). Hence, the traffic patterns are expected to return to their normal growth trend over time.

Total assets, total liabilities and net assets (excluding minority interests) as at 31 December 2004, 2005 and 2006 respectively remained at the level about RMB2.3 billion, RMB0.2 billion and RMB2.0 billion.

### *Golden Horse and its subsidiaries (the “Golden Horse Group”)*

The Golden Horse Group mainly comprised the 60% interest in the Jinbin Expressway.

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## LETTER FROM ACCESS CAPITAL

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### *The Jinbin Expressway*

This expressway connects Tianjin City and the Binhai New Area in Tianjin. It begins from the Tianjin Middle Ring Road of Tianjin and ends at the Tianjin Port. The total length of the expressway is approximately 33.6 kilometres and has 4 toll stations. The expressway is designed as a six-lane facility of which four lanes are in operation and the remaining two lanes are expected to be completed and operational by 2009. This expressway is currently a dual two-lane closed-end system expressway with a designed speed of 120 km per hour and designed daily capacity of 110,000 vehicles assuming six lanes are in operation. The operation of this expressway commenced in April 2001. There has been no major repair works since the commencement of operation in 2001. The management of the company expects that repair works normally carried out every five years and major repair works tends to carry out every ten years. There has been no toll rate adjustment since the operation of the expressway commenced.

The table below sets out the current toll rates for Class A to Class D vehicles at each toll station of the expressway:

<b>Toll rates</b>		
Class A	RMB0.36 per km	Passenger vehicle 1 - 7 seats Goods vehicles < 1 tonne
Class B	RMB0.54 per km	Passenger vehicle 8 - 19 seats Goods vehicles 1 - 7 tonnes
Class C	RMB0.71 per km	Passenger vehicle 20 - 40 seats Goods vehicles 8 - 15 tonnes
Class D	RMB1.07 per km	Passenger vehicle > 40 seats Goods vehicles > 15 tonnes
I-C Card		10% discount of normal toll rate

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## LETTER FROM ACCESS CAPITAL

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Set out below are the unaudited financial results of the Golden Horse Group for the three years ended 31 December 2006 prepared in accordance with the HKFRS.

	For the year ended 31 December 2004 <i>RMB'000</i>	For the year ended 31 December 2005 <i>RMB'000</i>	For the year ended 31 December 2006 <i>RMB'000</i>
<i>The Golden Horse Group</i>			
Toll revenue	55,492	65,979	80,667
Loss before taxation	6,970	13,708	10,074
Loss after taxation	6,580	13,318	9,633
Minority interests	(3,672)	(6,367)	(5,031)
Loss attributable to its shareholders	2,908	6,951	4,602
Average daily traffic flow (The number of vehicles)	12,974	15,974	21,252
	<b>As at 31 December 2004 <i>RMB'000</i></b>	<b>As at 31 December 2005 <i>RMB'000</i></b>	<b>As at 31 December 2006 <i>RMB'000</i></b>
Total assets	1,594,074	1,560,963	1,580,514
Total liabilities	886,398	866,605	895,788
Net assets (excluding minority interests)	473,126	466,176	461,574

Although the toll revenue recorded for the year ended 31 December 2006 increased by approximately 22.3% as compared to the amount recorded for the year ended 31 December 2005 and the toll revenue recorded for the year ended 31 December 2005 increased by approximately 18.9% as compared to the amount recorded for the year ended 31 December 2004 (due to the increasing average daily traffic flow), the Jinbin Expressway recorded net loss of approximately RMB6.6 million, RMB13.3 million and RMB9.6 million for the year ended 31 December 2004, 2005 and 2006 respectively. Given the subject toll road did not achieve its economy of scale, it has suffered consecutive losses for the past three years ended 31 December 2006.

Total assets, total liabilities and net assets (excluding minority interests) as at 31 December 2004, 2005 and 2006 respectively gradually reduced due to the consecutive losses incurred by the underlying toll road.

#### 4.2 Basis of the consideration

The consideration is HK\$1.00 for each of the Dynamic Infrastructure Agreement, the 40% Golden Horse Agreement, the 60% Golden Horse Agreement, the Coastal Rapid Agreement and the Pearl Harbour Agreement, which is payable on Completion. Given the sole purpose of the Transaction was to facilitate the reversal of the previous

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## LETTER FROM ACCESS CAPITAL

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corporate reorganisation (as mentioned in the section headed “Corporate/shareholding structure of the toll road operations” above), the Company and Starwell consider that it was fair to enter into the Transaction at a nominal consideration.

Reference is made to the circular issued by the Company dated 13 December 2003, whereby a corporate reorganisation was proposed in preparation for the listing of the Coastal Rapid. As part of the corporate reorganisation, Coastal Rapid, as purchaser, and Starwell, as vendor, acquired 60% in Golden Horse in consideration of the issuance of new shares of Coastal Rapid to Starwell, representing 22% of the issued share capital of Coastal Rapid. The corporate reorganisation took place in December 2003.

Prior to the corporate reorganisation in December 2003, Tianjin Jinzheng Transportation Company, a 83.93% owned subsidiary of Dynamic Infrastructure and thus a subsidiary of the Company and the operator of Easter Outer Ring Road, agreed to dispose of its Income Receiving Right for a consideration of RMB750 million to TEDA Investment Holding Co., Ltd. (天津泰達投資控股有限公司), a State-owned enterprise incorporated in the PRC and an Independent Third Party to the Company and Starwell. The consideration of RMB750 million was satisfied by TEDA Investment Holding Co., Ltd assuming the obligation to repay RMB750 million in one lump sum in respect of an existing bank loan owned by Tianjin Jinzheng Transportation Company. However, the settlement of RMB750 million was finally concluded in February 2004.

Given the corporate reorganisation took place prior to the effective date of this one-off lump sum proceeds, Starwell was able to benefit from such incident and shared 22% of this one-off gain. As Coastal Rapid has not declared any dividend since the completion of the corporate reorganisation and the Company is no longer planning to spin-off the toll road operation, such one-off gain should have been enjoyed by the Company in full (if the relevant settlement could be made prior to the completion of the corporate reorganisation). Upon Completion, the Group would recognise a deemed gain on disposal of approximately HK\$171 million (the actual deemed gain arising from the Transaction to be recorded by the Company will, however, depend on the net asset values of the Subject Companies attributable to the Company as at the date of Completion) which in essence was substantially comprised of the recognition of the 22% one-off gain net of income tax. Therefore, both the Company and Starwell agreed to settle this transaction by means of a nominal consideration of HK\$1.00, which we concur to be fair and reasonable.

Given that (i) the previous corporate reorganisation was carried out by means of a share swap with no cash involved and the steps to be taken to reverse the previous corporate reorganisation would be done at nominal cash consideration; (ii) the Group will no longer be required to consolidate the results of Jinbin Expressway which suffered consecutive losses for the past three years ended 31 December 2006 and (iii) the potential impact to the Group as a result of the implementation of the Transaction, we are of the view that the basis of the consideration for the Transaction to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **4.3 Reasons for and benefits of the Transaction**

#### ***4.3.1 The Company has no current intention to continue to pursue the spin-off of the toll road operations***

On 17 January 2003, Coastal Rapid had made an application to the Stock Exchange for the separate listing of the shares of Coastal Rapid thereon. The last advance booking form submitted to the Stock Exchange on 1 April 2004 for an application for the listing of the shares of Coastal Rapid on the Main Board of the Stock Exchange was lapsed on 30 September 2004, and for commercial reasons, the Company has no current intention to continue to pursue the spin-off of the toll road operations.

#### ***4.3.2 Unwind the previous group reorganisation***

Prior to the listing of Coastal Rapid, a group reorganisation was completed in late 2003 involving, among other things, (i) the Company transferred its entire interests in Eastern Outer Ring Road and Phase I of the Tang Jin Expressway to Dynamic Infrastructure, whereby Dynamic Infrastructure becomes the holder of approximately 83.93% interest in the Eastern Outer Ring Road and approximately 6.62% interest in Phase I of the Tang Jin Expressway; (ii) Coastal Rapid acquired from the Company the entire equity interest in Dynamic Infrastructure; and (iii) Coastal Rapid acquired from the Company and Starwell 4,000 shares and 6,000 shares in Golden Horse respectively, representing the entire equity interest in Golden Horse, an intermediate holding company for the 60% interest in Jinbin Expressway. Immediately after the completion of the group reorganisation in late 2003, both Dynamic Infrastructure and Golden Horse became wholly-owned subsidiaries of Coastal Rapid and the Company and Starwell held 78% and 22% of the issued share capital of Coastal Rapid respectively. The objective of the previous reorganisation was to enable the Company to consolidate all of its toll road operation under Coastal Rapid.

Given that the Company has no current intention to continue to pursue the spin-off of the toll road operations and the financial performance of the underlying toll roads was mixed, the Directors are of the view that it is justified to unwind the previous group reorganisation so as to enable the Company to continue to own and operate the better performed toll road.

#### ***4.3.3 Consolidate its resources on the toll roads***

We understand from the Directors that the Group has invested over HK\$2.3 million (2004), HK\$1.9 million (2005) and HK\$36.1 million (2006, in particular, for the construction of the Jinbin Expressway) as capital expenditure in the past three financial years in the toll road operations. The Directors confirm that it is important to continue to upgrade the existing profitable facilities (in particular, the Easter Outer Ring Road) as well as to invest in new facilities in order to maintain and capture the anticipated ongoing growth and demand in toll road related services in Tianjin.

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## LETTER FROM ACCESS CAPITAL

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In view of the magnitude of the ongoing capital expenditure requirements for the Jinbin Expressway and to better deploy limited resources of the Group, the Directors believe that it is reasonable and justifiable to implement the Transaction and focus its resources on better performed and profitable toll roads.

#### ***4.3.4 Enable the Group to secure its interest in the better performed toll road and position itself to capture future potential growth from other toll road operation opportunities***

According to the Administrative Committee of Dongli Economic Development Area, the port of Tianjin is located approximately 150 kilometres south-east of Beijing near the mouth of Hai River and the western edge of the Bohai Bay. In addition, according to the National Communications Statistical Material Compilation, as measured by total throughput for the year 2004, the port of Tianjin was the largest port in northern China and the fourth largest container port in the PRC and the eighteenth largest container port in the world.

In light of the strong growth of container throughput over the years and the strategic role of the port of Tianjin to become the core container port and the centre of non-containerised cargo logistics and international logistics for north China so as to serve major cities and inland provinces in the northern part of China, the Directors consider that the Company is well positioned to take advantage of the favourable market condition and to capture the opportunity anticipated in the growth trend in cargo throughput. As a result, toll road network within Tianjin Region is expected to expand and the Group (as a leading conglomerate to invest in Tianjin) is prepared to position itself (one of its stated business strategy) to continue to investment in toll roads, in particular, within Tianjin vicinity.

In addition, by implementing the Transaction, the Company repossesses the 22% indirect interest of Dynamic Infrastructure currently held by Starwell and becomes the sole owner of the entire interest in Dynamic Infrastructure. As a result of regaining full/absolute control of Dynamic Infrastructure by the Company, the management of the Company will have more flexibility to apply the cash resources and retained earnings of Dynamic Infrastructure (such as to distribute profits by means of dividend and/or to reinvest in the Eastern Outer Ring Road and/or to invest in other toll road operations or property/hotel development projects) to capture future potential growth which may be given rise by the rising economy of Tianjin (as mentioned in the section headed “Overall financial performance and prospects of the Group” above).

#### ***4.3.5 Conclusion for this section***

Taking into account the reasons and benefits mentioned above, we are of the view that the terms of the Transaction are fair and reasonable and the implementation of the Transaction is in the interests of the Company and the Shareholders as a whole.

#### **4.4 Possible financial effects on the Group and the Shareholders**

##### ***4.4.1 Deemed gain arising on the Transaction***

Upon Completion, the Company expects to record a deemed gain arising from the Transaction calculated with reference to the share of net asset values of the Subject Companies as at the date of Completion. Based on the unaudited share of net asset values of the Subject Companies as at 31 December 2006 before and after the Transaction (i.e. approximately HK\$1,928 million and HK\$2,099 million respectively), the Company expects to record a deemed gain arising from the Transaction of approximately HK\$171 million. The actual deemed gain arising from the Transaction to be recorded by the Company will depend on the net asset values of the Subject Companies attributable to the Company at the date of Completion.

Upon Completion, Golden Horse will be an associated company of the Group and the assets and liabilities of it and its subsidiaries will no longer be consolidated into the financial statements of the Group but will be accounted for as interest in associated companies. At the same time, Dynamic Infrastructure, Coastal Rapid and Pearl Harbour will be wholly-owned subsidiaries of the Group and there will be no minority interests. Accordingly, the Directors expect that there will be a positive impact to the net assets of the Group. However, the magnitude of the actual increase in net assets will depend on the net asset values of the Dynamic Group and the Golden Horse Group upon Completion.

##### ***4.4.2 Effects on the earnings of the Group***

As a result of the Transaction, the Group will no longer need to consolidate the result of Jinbin Expressway (which is owned as to 60% by Golden Horse), a non-profitable toll road. Accordingly, the Directors expect that there will be a positive impact to the earnings of the Group. However, the actual earnings impact will depend on the future performance of the respective toll roads.

##### ***4.4.3 Effects on the cash position/gearing of the Group***

Since the Transaction does not involve any material cash consideration and the Directors do not expect the change in the cash position as at the date of Completion of the Dynamic Group and the Golden Horse Group respectively to be significant, there will not be any effect to the cash position of the Group upon completion of the Transaction.

Given that the liabilities of Golden Horse mainly relate to borrowings for the construction of the Jinbin Expressway, the implementation of the Transaction would reduce the total borrowings of the Group, which in turn, would lower the gearing (i.e. total borrowings to total equity) of the Group.

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## LETTER FROM ACCESS CAPITAL

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Taking into account the overall impact of the Transaction to the Group are positive, we are of the view that the terms of the Transaction are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### 5. RECOMMENDATION

After taking into account the factors and reasons mentioned in this letter, in particular, the background to the Transaction, the basis of the consideration, the reasons for and benefits of the Transaction and the possible financial effects on the Group and the Shareholders with regard to the Transaction, the analysis made by us in this letter, and based on the information provided and the representations made to us, we consider the terms of the Transaction to be on normal commercial terms, in the ordinary and usual course of business and fair and reasonable so far as the Shareholders are concerned; and that the Transaction is in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the relevant resolution which will be proposed at the Extraordinary General Meeting to approve the Transaction.

Yours faithfully,

For and on behalf of

**ACCESS CAPITAL LIMITED**

**Jeanny Leung**

*Managing Director*

**Jimmy Chung**

*Director, Corporate Finance*

## 1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts not contained in this circular, the omission of which would make any statement herein misleading.

## 2. DISCLOSURE OF INTERESTS

- (a) As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required pursuant to Section 352 of the SFO to be entered in the register referred to therein (the “Register”); or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

### (i) Long position in underlying Shares of equity derivatives of the Company

The Company adopted a share option scheme as approved in an extraordinary general meeting on 22 November 1997 (which was terminated at the annual general meeting held on 25 May 2007) under which the Directors may, at their discretion, invite any employees or executive Directors of the Group to take up options to subscribe for Shares subject to the terms and conditions stipulated in the share option scheme. The details of share options granted to the Directors which are outstanding as at the Latest Practicable Date are as follows:

Name of Directors	No. of Shares over which options are exercisable	Exercise price	Grant date	Exercisable from	Exercisable until
Yu Rumin	900,000	HK\$3.1	23 December 2004	28 December 2004	21 November 2007
Nie Jiansheng	700,000	HK\$3.1	23 December 2004	28 December 2004	21 November 2007
Wang Jiandong	600,000	HK\$3.1	23 December 2004	28 December 2004	21 November 2007
Sun Zengyin	300,000	HK\$3.1	23 December 2004	28 December 2004	21 November 2007

As at the Latest Practicable Date, none of the Directors had exercised any share options in the Company.

## (ii) Long position in shares of associated corporation of the Company

*Tianjin Port Development Holdings Limited*

Name of Director	Capacity	Nature of interest	No. of shares held	Approximate percentage of shares in issued as at the Latest Practicable Date
Hu Chengli	Beneficial owner	Personal interest	100,000	0.006

## (iii) Share options in associated corporations of the Company

*(a) Tianjin Port Development Holdings Limited*

Name of Directors	No. of shares over which options are exercisable	Exercise price	Grant date	Exercisable from	Exercisable until
Wang Guanghao	2,300,000	HK\$2.28	1 August 2006	1 February 2007	1 August 2016
Yu Rumin	1,900,000	HK\$2.74	3 February 2007	3 August 2007	3 February 2017
Nie Jiansheng	2,100,000	HK\$2.28	1 August 2006	1 February 2007	1 August 2016

*(b) Dynasty Fine Wines Group Limited*

Name of Directors	No. of shares over which options are exercisable	Exercise price	Grant date	Exercisable from	Exercisable until
Wang Guanghao	900,000	HK\$3.00	27 January 2005	17 August 2005	26 January 2015
Nie Jiansheng	1,950,000	HK\$3.00	27 January 2005	17 August 2005	26 January 2015
Bai Zhisheng	1,100,000	HK\$3.00	27 January 2005	17 August 2005	26 January 2015
	1,200,000	HK\$3.00	1 November 2006	22 May 2007	31 October 2016

As at the Latest Practicable Date, none of the Directors had exercised any share options in the above associated corporations of the Company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor chief executive of the Company were interested, or were deemed to have interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were

taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the Register referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

(b) Interests in competing businesses

So far as the Directors are aware, as at the Latest Practicable Date, none of the Directors nor their respective associates had any business which competes or is likely to compete, either directly or indirectly, with any business of the Group.

(c) Interests in assets of the Group

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which have been acquired or disposed of by, or leased to, or which are proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2006, being the date to which the latest published audited accounts of the Group were made up.

(d) Interests in contracts of the Company

As at the Latest Practicable Date, no Director has entered into any service contract with any member of the Group which is not terminable within one year without payment of compensation (other than statutory compensation).

Mr. Cheung Wing Yui, a non-executive Director, is a consultant of Woo, Kwan, Lee & Lo, the Company's legal advisers on Hong Kong law in relation to the Transaction. Woo, Kwan, Lee & Lo will receive normal fees for professional services rendered in connection with such transaction.

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors is materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which is significant in relation to the business of the Group.

### 3. DISCLOSURE OF INTERESTS BY SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to the Directors and chief executive of the Company, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital were as follows:

#### (a) Interests in the Company

Name of Shareholder	Capacity	No. of Shares/ underlying Shares held	Approximate percentage of total issued Shares
Tsinlien Group Company Limited (“Tsinlien”) (Note)	Interest of controlled corporations	538,189,143 (Long Position)	51.97%

*Note: As at the Latest Practicable Date, Tianjin Investment Holdings Limited (“Tianjin Investment”) and Tsinlien Venture Capital Company Limited (“Tsinlien Venture”), both being wholly-owned subsidiaries of Tsinlien, held 536,167,143 Shares and 2,022,000 Shares respectively. Mr. Wang Guanghao acted as trustee of Tianjin Investment held 10 Shares. By virtue of the SFO, Tsinlien is taken to have interest in all the Shares held by Tianjin Investment and Tsinlien Venture.*

As at the Latest Practicable Date, Mr. Wang Guanghao, Dr. Ren Xuefeng, Mr. Nie Jiansheng, Mr. Dai Yan, Mr. Hu Chengli and Mr. Zheng Daoquan are directors of Tsinlien.

#### (b) Interests in other members of the Group

Name of subsidiary of the Company	Name of the other shareholders	Approximate percentage of shareholding
Coastal Rapid Transit Company Limited	Starwell Holdings Limited	22.00%
Tianjin Jin Zheng Transportation Development Co., Ltd.	Tianjin Eastern Outer Ring Road Co., Ltd.	16.07%
Tianjin Mass Transit Development 2 Co., Ltd.	Tianjin Economic and Technological Development Investment Co., Ltd.	40.00%
Tianjin Mass Transit Development 3 Co., Ltd.	Tianjin Economic and Technological Development Investment Co., Ltd.	40.00%
Tianjin Mass Transit Development 4 Co., Ltd.	Tianjin Economic and Technological Development Investment Co., Ltd.	40.00%

Name of subsidiary of the Company	Name of the other shareholders	Approximate percentage of shareholding
Tianjin Mass Transit Development 5 Co., Ltd.	Tianjin Economic and Technological Development Investment Co., Ltd.	40.00%
Tianjin Mass Transit (Group) Development Co., Ltd.	Tianjin Economic and Technological Development Investment Co., Ltd.	40.00%
天津港保稅區長吳國際貿易有限公司 (Tianjin Port Tax Concession Zone Chang Hao International Trade Co., Ltd.)	天津開發區陸海貿易貨運有限公司	10.00%
Tianjin Gangkai Container Service Co., Ltd.	香港新凱企業有限公司 (Hong Kong Sun Hoi Enterprise Company Limited)	25.00%
Tianjin Tai Kang Industrial Co., Ltd.	Tianjin Tai Xin Industrial Co., Ltd.	17.26%
Tianjin Airfreight Port Equipment Manufacturing Company Limited	Civil Aviation University of China	10.47%
Tianjin Gangjin Real Estate Development Co., Ltd.	Tianjin Eastern Outer Ring Road Co., Ltd.	16.07%
天津港鑫集裝箱物流有限公司 (Tianjin Gangxin Container Logistics Co., Ltd.)	Gold Prime Holdings Limited (金得集團有限公司)	25.00%
天津港獅集裝箱服務有限公司 (Tianjin Gangshi Container Services Co., Ltd.)	(1) Singapore Pacific Shipping Company Limited (新加坡太平船務有限公司)	25.00%
	(2) Sinotrans Container Shipping Company Limited (中外運集裝箱運輸有限公司)	25.00%

\* English names of the PRC incorporated companies in this circular are only direct translations of their respective official Chinese names. In case of inconsistency, the Chinese names shall prevail.

Save as disclosed above, as at the Latest Practicable Date, the Directors and chief executive of the Company were not aware of any other person (other than Directors and chief executive of the Company) who had, or were deemed to have, interests or short positions in the shares and underlying shares (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital.

**4. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2006 (being the date to which the latest published audited financial statements of the Company were made up).

**5. LITIGATION**

So far as the Directors are aware, neither the Company nor any members of the Group was engaged in any litigation or arbitration of material importance and no litigation or arbitration of material importance was pending or threatened against the Company or any members of the Group as at the Latest Practicable Date.

**6. QUALIFICATION OF EXPERT**

The following is the qualification of the expert who has given opinion or advice which is contained or referred to in this circular:

<b>Name</b>	<b>Qualification</b>
Access Capital	a licensed corporation under the SFO, licenced to conduct type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities

**7. EXPERT'S INTERESTS IN ASSETS**

As at the Latest Practicable Date, Access Capital had no shareholding interest in any member of the Group nor the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of any member of the Group. As at the Latest Practicable Date, Access Capital had no direct or indirect interests in any assets which had since 31 December 2006 (being the date to which the latest published audited accounts of the Group were made up) been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group.

**8. CONSENT OF EXPERT**

Access Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and/or reference to its name included in this circular in the form and context in which it appears. The letter from Access Capital is given as at the date of this circular for incorporation herein.

**9. GENERAL**

- (a) The registered office of the Company is at Suites 7-13, 36/F., China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.
- (b) The company secretary and qualified accountant of the Company is Mr. Tsang Wai Yip, who holds a bachelor degree in accountancy and is a fellow member of both the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.
- (c) The share registrar of the Company is Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong whose address is the address of the transfer office of the Company.
- (d) The English text of this circular shall prevail over the Chinese text.

**10. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the office of Messrs. Woo, Kwan, Lee & Lo at 26th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong during normal business hours on any weekday, except public holidays, from the date of this circular up to and including 3 September 2007:

- (a) the 40% Golden Horse Agreement;
- (b) the 60% Golden Horse Agreement;
- (c) the Coastal Rapid Agreement;
- (d) the Dynamic Infrastructure Agreement; and
- (e) the Pearl Harbour Agreement.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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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)**

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting of Tianjin Development Holdings Limited (the “Company”) will be held at Gloucester Room, 2nd Floor, Mandarin Oriental Hong Kong, 5 Connaught Road Central, Hong Kong on Thursday, 6 September 2007 at 3:00 p.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution as ordinary resolution:

#### ORDINARY RESOLUTION

“THAT

- (a) the sale and purchase agreement dated 27 July 2007 between Coastal Rapid Transit Company Limited (“Coastal Rapid”) as vendor, Tianjin Development Holdings Limited (“the Company”) as purchaser and Starwell Holdings Limited (“Starwell”) as warrantor in respect of 40% of the issued share capital in Golden Horse Resources Limited (“Golden Horse”) (the “40% Golden Horse Agreement”);
- (b) the sale and purchase agreement dated 27 July 2007 between Coastal Rapid as vendor and Starwell as purchaser in respect of 60% of the issued share capital in Golden Horse (the “60% Golden Horse Agreement”);
- (c) the sale and purchase agreement dated 27 July 2007 between Starwell as vendor and the Company as purchaser in respect of 22% of the issued share capital in Coastal Rapid (the “Coastal Rapid Agreement”);
- (d) the sale and purchase agreement dated 27 July 2007 between Coastal Rapid as vendor and the Company as purchaser in respect of the entire issued share capital in Dynamic Infrastructure Limited (the “Dynamic Infrastructure Agreement”); and
- (e) the sale and purchase agreement dated 27 July 2007 between Starwell as vendor and the Company as purchaser in respect of 50% of the issued share capital in Pearl Harbour Investment Limited (the “Pearl Harbour Agreement”),

and all transactions contemplated under each of the 40% Golden Horse Agreement, the 60% Golden Horse Agreement, the Coastal Rapid Agreement, the Dynamic Infrastructure Agreement and the Pearl Harbour Agreement and any further agreement(s) or document(s) in connection therewith be and are hereby approved, confirmed and ratified and any one director of the Company, or any two directors of the Company if the affixing of the common seal is necessary, be and is/are hereby authorised to do all such acts and things, to confirm

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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and ratify, to sign and execute the 40% Golden Horse Agreement, the 60% Golden Horse Agreement, the Coastal Rapid Agreement, the Dynamic Infrastructure Agreement and the Pearl Harbour Agreement and any further agreement(s) or document(s) in connection therewith, to enter into all such other documents, deeds, instruments and agreements and to take such steps as he/they may consider necessary, appropriate, desirable or expedient to give effect to or in connection with any of the 40% Golden Horse Agreement, the 60% Golden Horse Agreement, the Coastal Rapid Agreement, the Dynamic Infrastructure Agreement and the Pearl Harbour Agreement and any further agreement(s) or document(s) as mentioned in paragraphs (a), (b), (c), (d) and (e) above or any of the transactions contemplated therein and all other matters incidental thereto.”

By Order of the Board  
**Tianjin Development Holdings Limited**  
**Wang Guanghao**  
*Chairman*

Hong Kong, 17 August 2007

*Notes:*

- (1) Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote instead of him. A proxy need not be a member of the Company.
- (2) To be valid, the form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power of attorney or authority, must be deposited at the Company's share registrar, Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting (or any adjournment thereof, as the case may be).
- (3) The Ordinary Resolution as set out above will be determined by way of a poll.
- (4) The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.
- (5) As at the date of this notice, the Board consists of sixteen Directors, namely 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; and 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.