

THE CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold all your shares in **Tianjin Development Holdings Limited**, you should at once hand this circular, together with the proxy form, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer 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)

CONTINUING CONNECTED TRANSACTIONS

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



A letter from the Board is set out on pages 7 to 25 of this circular. A letter from the Independent Board Committee is set out on pages 26 to 27 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 28 to 48 of this circular.

A notice convening the EGM of the Company to be held at Victoria & Chater Rooms, 2nd Floor, Mandarin Oriental Hong Kong, 5 Connaught Road, Central, Hong Kong on Friday, 25 May 2007 at 5:00 p.m. (or so soon after the annual general meeting of the Company to be held at the same place on the same date shall have been concluded or adjourned) is set out on pages 58 to 59 of this circular. A form of proxy for use by the Shareholders at the EGM (or any adjourned meeting thereof) is also enclosed.

Whether or not you are able to attend the EGM, please complete and return the enclosed proxy form in accordance with the instructions printed thereon and return it to the Company's share registrar, Tengis Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time scheduled for holding the EGM (or any adjourned meeting thereof). Completion and delivery of the proxy form shall not preclude you from attending and voting at the EGM or any adjournment thereof should you so wish.

2 May 2007

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DEFINITIONS

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

“Access Capital”	Access Capital Limited, being a corporation licensed by the Securities and Futures Commission of Hong Kong for carrying out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporation finance) and Type 9 (asset management) regulated activities under the SFO, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Continuing Connected Transactions
“associate”	has the meaning given to it by the Listing Rules
“Board”	the board of directors of the Company
“business day”	any day on which the Stock Exchange is open for the business of dealing in securities
“Communications Services”	the provision of communications services by Tianjin Communications to the Group
“Communications Services Framework Agreement”	a framework agreement dated 12 April 2007 entered into between Tianjin Port and Tianjin Communications in relation to the Communications Services
“Company”	Tianjin Development Holdings Limited, a company incorporated in Hong Kong with limited liability under the Companies Ordinance and the shares of which are listed on the main board of the Stock Exchange
“connected person”	has the meaning given to it by the Listing Rules
“Container Reconfiguration Storage Services”	the provision of container reconfiguration storage services by Tianjin Port Container Freight, Tianjin Port Group Storage Company and Huahan to the TPD Group
“Container Reconfiguration Storage Services Framework Agreement”	a framework agreement dated 12 April 2007 entered into between Tianjin Port, Tianjin Port Container Freight, Tianjin Port Group Storage Company and Huahan in relation to the Container Reconfiguration Storage Services

DEFINITIONS

“Continuing Connected Transactions”	the Existing Continuing Connected Transactions and the New Continuing Connected Transactions
“Director(s)”	director(s) of the Company
“EDI Services”	the provision of EDI services by Tianjin Port Information to the TPD Group
“EDI Services Framework Agreement”	a framework agreement dated 12 April 2007 entered into between Tianjin Port and Tianjin Port Information in relation to the EDI Services
“EGM”	the forthcoming extraordinary general meeting of the Company to be held at Victoria & Chater Rooms, 2nd Floor, Mandarin Oriental Hong Kong, 5 Connaught Road, Central, Hong Kong on Friday, 25 May 2007 at 5:00 p.m. (or so soon after the annual general meeting of the Company to be held at the same place on the same date shall have been concluded or adjourned)
“Electricity Services Framework Agreement”	a framework agreement dated 12 April 2007 entered into between Tianjin Port and Tianjin Port Electricity in relation to the Electricity Supply Services
“Electricity Supply Services”	the provision of electricity services by Tianjin Port Electricity to the TPD Group
“Existing Agreements”	the agreements governing the Existing Continuing Connected Transactions
“Existing Continuing Connected Transactions”	the continuing connected transactions in relation to the Water Supply Services, the Communications Services and the Electricity Supply Services under the Existing Agreements and the terms of which are to be revised by the Framework Agreements
“Framework Agreements”	the Water Services Framework Agreement, the Communications Services Framework Agreement and the Electricity Services Framework Agreement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

DEFINITIONS

“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Huahan”	華韓(天津)貨箱有限公司 (Huahan (Tianjin) Container Company Limited*), a company incorporated in the PRC and an associate of Tianjin Port Group
“Independent Board Committee”	the committee of independent non-executive directors of the Company, consisting of Mr. Kwong Che Keung, Gordon, Mr. Lau Wai Kit and Dr. Cheng Hon Kwan formed to advise the Independent Shareholders in respect of the terms of the Continuing Connected Transactions and the annual caps for the three years ending 31 December 2009 on the Continuing Connected Transactions
“Independent Shareholders”	the Shareholders other than Tsinlien and its associates
“Independent Third Parties”	persons or companies which are independent of any members of the Group, the directors, the chief executives, the controlling shareholders, the substantial shareholders of the Company or its subsidiaries, and their respective associates
“Labour Services”	the provision of labour services by Tianjin Port Labour to the TPD Group
“Labour Services Framework Agreement”	a framework agreement dated 12 April 2007 entered into between Tianjin Port and Tianjin Port Labour in relation to the Labour Services
“Latest Practicable Date”	26 April 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information included in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Continuing Connected Transactions”	the continuing connected transactions in relation to the EDI Services, the Container Reconfiguration Storage Services and the Labour Services under the New Framework Agreements

DEFINITIONS

“New Framework Agreements”	the EDI Services Framework Agreement, the Container Reconfiguration Storage Services Framework Agreement and the Labour Services Framework Agreement
“PRC”	the People’s Republic of China
“Prospectus”	the prospectus of Tianjin Port dated 12 May 2006 in relation to the listing of Tianjin Port
“RMB”	Renminbi, the lawful currency of the PRC
“Service Companies”	Tianjin Port Container Freight, Tianjin Port Group Storage Company and Huahan
“SFO”	Securities and Futures Ordinance, Cap. 571 of The Laws of Hong Kong
“Shareholders”	the shareholders of the Company
“Shares”	ordinary share(s) of nominal value of HK\$0.10 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tianjin Communications”	天津港通信導航公司 (Tianjin Communications Navigation Company Limited*), a company incorporated in the PRC and a wholly-owned subsidiary of Tianjin Port Group
“Tianjin Container”	Tianjin Port Container Terminal Co., Limited (天津港集裝箱碼頭有限公司), a company incorporated in the PRC in April 1980 as a state-owned enterprise and converted to a foreign-owned enterprise on 25 October 1997 and a wholly-owned subsidiary of Tianjin Port
“Tianjin Port”	Tianjin Port Development Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the main board of the Stock Exchange and which is a subsidiary of the Company
“Tianjin Port Board”	the board of directors of Tianjin Port

DEFINITIONS

“Tianjin Port Container Freight”	天津港集裝箱貨運有限公司 (Tianjin Port Container Freight Company Limited*), a company incorporated in the PRC and a 90.5% owned subsidiary of Tianjin Port Group
“Tianjin Port Electricity”	天津港電力有限公司 (Tianjin Port Electricity Company Limited*), formerly known as 天津港電力公司 (Tianjin Port Electricity Company*), a company incorporated in the PRC and a wholly-owned subsidiary of Tianjin Port Group
“Tianjin Port Facilities”	天津港設施管理服務公司 (Tianjin Port Facilities Management Company*), formerly known as 天津港修建工程公司 (Tianjin Port Construction and Engineering Company*), a company incorporated in the PRC and a wholly-owned subsidiary of Tianjin Port Group
“Tianjin Port Group”	Tianjin Port (Group) Co., Ltd. (天津港(集團)有限公司), an entity reorganized as a wholly state-owned company in the PRC on 29 July 2004 and the holding company of the businesses owned and operated by the former Tianjin Port Authority
“Tianjin Port Group Storage Company”	天津港股份有限公司儲運分公司 (Tianjin Port Limited Storage and Transportation Branch Company*), a company incorporated in the PRC and a subsidiary of Tianjin Port Group
“Tianjin Port Information”	天津港信息中心 (Tianjin Port Information Centre*), a department under Tianjin Port Group
“Tianjin Port Labour”	天津益港勞務有限公司 (Tianjin Port Labour Services Company Limited*), a company incorporated in the PRC and a subsidiary of Tianjin Port Group
“Tianjin Port Shareholders”	the shareholders of Tianjin Port
“Tianjin Second Stevedoring”	Tianjin Harbour Second Stevedoring Co., Limited (天津港第二港埠有限公司), a state-owned company which was converted into a foreign-invested enterprise on 25 October 1997, and a wholly-owned subsidiary of Tianjin Port

DEFINITIONS

“TPD Group”	Tianjin Port and its subsidiaries
“Tsinlien”	Tsinlien Group Company Limited, a company incorporated in Hong Kong with limited liability on 19 October 1979 which is controlled by the Tianjin Government and the controlling shareholder of the Company
“Water Services Framework Agreement”	a framework agreement dated 12 April 2007 entered into between Tianjin Port and Tianjin Port Facilities in relation to the Water Supply Services
“Water Supply Services”	the provision of water services by Tianjin Port Facilities to the TPD Group

Unless otherwise stated, amounts in RMB have been translated into HK\$ at an exchange rate of HK\$1.00 to RMB0.99 for illustration purposes only.

* *For identification only*



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

2 May 2007

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

1. INTRODUCTION

The Board announced on 13 April 2007 that Tianjin Port had on 12 April 2007 entered into the Framework Agreements and the New Framework Agreements in relation to various types of continuing connected transactions for terms ending on 31 December 2009 with certain subsidiaries or associate of Tianjin Port Group.

LETTER FROM THE BOARD

As the Stock Exchange has exercised its discretion under Rule 14A.06 of the Listing Rules to deem Tianjin Port Group and its associates as connected persons of Tianjin Port and the Company, the entering into of the Framework Agreements and the New Framework Agreements constitutes continuing connected transactions for each of Tianjin Port and the Company.

Since the Continuing Connected Transactions were entered into by Tianjin Port or its subsidiaries with the same connected person or with parties associated with one another, the Company and Tianjin Port had aggregated the Continuing Connected Transactions in the calculation of the percentage ratios under Rules 14A.25 and 14A.26 of the Listing Rules.

As some of the applicable percentage ratios for the Continuing Connected Transactions on an aggregated and annual basis exceed 2.5% and the aggregated annual consideration is more than HK\$10 million, the entering into of the Continuing Connected Transactions constitutes non-exempt continuing connected transactions for the Company under Rule 14A.35 of the Listing Rules, and is subject to the reporting and disclosure requirements under Rules 14A.45 to 14A.47 of the Listing Rules, the approval of the Independent Shareholders by way of poll under Rule 14A.48 of the Listing Rules at the EGM and the annual review requirements by the independent non-executive directors and the auditors of the Company under Rules 14A.37 and 14A.38 of the Listing Rules.

The Independent Board Committee has been established to advise the Independent Shareholders as to the terms of the Continuing Connected Transactions and the annual caps on the Continuing Connected Transactions for the three years ending 31 December 2009.

The Company has appointed Access Capital as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transactions. The recommendation of the Independent Board Committee and the advice of Access Capital are also included in this circular.

The purpose of this circular is (i) to provide you with details of the terms of the Continuing Connected Transactions; (ii) to set out the opinions and recommendations of the Independent Board Committee and Access Capital; and (iii) to give you notice of the EGM at which the resolutions set out therein will be proposed. The EGM will be held on 25 May 2007 for the purpose of, inter alia, obtaining the approval from the Independent Shareholders for the Continuing Connected Transactions together with the respective annual caps by way of poll.

2. THE EXISTING CONTINUING CONNECTED TRANSACTIONS

Reference is made to the Prospectus in relation to certain continuing connected transactions between the TPD Group and Tianjin Port Group.

Tianjin Port now seeks to revise the annual caps of and modify the parties to the Existing Agreements.

2.1 REVISION OF ANNUAL CAPS AND CHANGE OF PARTIES TO THE EXISTING AGREEMENTS BY ENTERING INTO THE FRAMEWORK AGREEMENTS

Revision of Annual Caps

On 8 May 2006, each of Tianjin Container and Tianjin Second Stevedoring entered into the Existing Agreements with certain wholly-owned subsidiaries of Tianjin Port Group in relation to the following Existing Continuing Connected Transactions:

1. *Water Supply Services*

Pursuant to the respective agreements dated 8 May 2006 entered into between Tianjin Port Facilities and Tianjin Container and Tianjin Second Stevedoring respectively, Tianjin Port Facilities provided water supply services to each of Tianjin Container and Tianjin Second Stevedoring for terms ending on 31 December 2008.

2. *Communications Services*

Pursuant to the respective agreements dated 8 May 2006 entered into between Tianjin Communications and Tianjin Container and Tianjin Second Stevedoring respectively, Tianjin Communications provided communications services to each of Tianjin Container and Tianjin Second Stevedoring for terms ending on 31 December 2008.

3. *Electricity Supply Services*

Pursuant to the respective agreements dated 8 May 2006 entered into between Tianjin Port Electricity and Tianjin Container and Tianjin Second Stevedoring respectively, Tianjin Port Electricity provided electricity supply services to each of Tianjin Container and Tianjin Second Stevedoring for terms ending on 31 December 2008.

Details of the Existing Continuing Connected Transactions are more particularly set out in the Prospectus.

The Tianjin Port Board has been monitoring the Existing Continuing Connected Transactions and with the continuous development and expansion of the businesses and operation of the TPD Group and based on the internal forecasts of the demand and the operating conditions in respect of the Existing Continuing Connected Transactions, the Tianjin Port Board noted that the existing caps of the Existing Continuing Connected Transactions for the financial years ending 31 December 2007 and 2008 will not be sufficient for the TPD Group's current operational requirements, and therefore proposed that the existing caps for the Existing Continuing Connected Transactions be revised by entering into the Framework Agreements on exactly the same terms as the Existing Agreements. Details of the Framework Agreements are set out below.

Change of Parties to the Existing Agreements

The Existing Agreements were entered into between the wholly-owned subsidiaries of Tianjin Port and the wholly-owned subsidiaries of Tianjin Port Group. In order to enable Tianjin Port to monitor and manage the status of the Existing Continuing Connected Transactions more effectively, the Tianjin Port Board also proposed that the Framework Agreements be entered into between Tianjin Port and the relevant subsidiaries of Tianjin Port Group as more particularly set out below.

2.2 THE FRAMEWORK AGREEMENTS

Tianjin Port entered into the Framework Agreements on 12 April 2007 as described below:

1. *The Water Services Framework Agreement*

Date	:	12 April 2007
Parties	:	(i) Tianjin Port (ii) 天津港設施管理服務公司 (Tianjin Port Facilities Management Company*), formerly known as 天津港修建工程公司 (Tianjin Port Construction and Engineering Company*)
Term	:	12 April 2007 - 31 December 2009 (extension on similar terms subject to mutual agreements)
Transactions involved	:	Provision of water supply services by Tianjin Port Facilities to the TPD Group.
Price determination	:	The price is determined with reference to applicable PRC State prescribed prices and the actual usage by the TPD Group. Adjustment shall be made to the price if there are any changes in the PRC State prescribed prices.
Condition	:	Each of the parties involved has obtained the respective necessary authorization and approval required for the Water Services Framework Agreement, including but not limited to, having obtained the approval as required under the Listing Rules.

LETTER FROM THE BOARD

2. *The Communications Services Framework Agreement*

Date	:	12 April 2007
Parties	:	(i) Tianjin Port (ii) 天津港通信導航公司 (Tianjin Communications Navigation Company Limited*)
Term	:	12 April 2007 - 31 December 2009 (extension on similar terms subject to mutual agreements)
Transactions involved	:	Provision of various communications services by Tianjin Communications to the TPD Group.
Price determination	:	The price is determined with reference to applicable PRC State prescribed prices and the actual usage by the TPD Group. Adjustment shall be made to the price if there are any changes in the PRC State prescribed prices.
Condition	:	Each of the parties involved has obtained the respective necessary authorization and approval required for the Communications Services Framework Agreement, including but not limited to, having obtained the approval as required under the Listing Rules.

3. *The Electricity Services Framework Agreement*

Date	:	12 April 2007
Parties	:	(i) Tianjin Port (ii) 天津港電力有限公司 (Tianjin Port Electricity Company Limited*), formerly known as 天津港電力公司 (Tianjin Port Electricity Company*)
Term	:	12 April 2007 - 31 December 2009 (extension on similar terms subject to mutual agreements)
Transactions involved	:	Provision of electricity services by Tianjin Port Electricity to the TPD Group.

LETTER FROM THE BOARD

- Price determination : The price is determined with reference to applicable PRC State prescribed prices and the actual usage by the TPD Group. Adjustment shall be made to the price if there are any changes in the PRC State prescribed prices.
- Condition : Each of the parties involved has obtained the respective necessary authorization and approval required for the Electricity Services Framework Agreement, including but not limited to, having obtained the approval as required under the Listing Rules.

Historical Figures

The table below sets forth a summary of the historical transaction amounts for each of the Existing Continuing Connected Transactions for the three financial years ended 31 December 2006:

Existing Continuing Connected Transactions	Historical figures (in approximate thousand) for the years ended 31 December		
	2004	2005	2006
(1) Water Supply Services	RMB3,300 (equivalent to approximately HK\$3,330)	RMB3,800 (equivalent to approximately HK\$3,840)	RMB4,800 (equivalent to approximately HK\$4,850)
(2) Communications Services	RMB800 (equivalent to approximately HK\$810)	RMB1,000 (equivalent to approximately HK\$1,010)	RMB880 (equivalent to approximately HK\$890)
(3) Electricity Supply Services	RMB22,600 (equivalent to approximately HK\$22,830)	RMB23,800 (equivalent to approximately HK\$24,040)	RMB26,200 (equivalent to approximately HK\$26,460)

LETTER FROM THE BOARD

Existing Annual Caps

The table below sets forth a summary of the existing annual caps for each of the Existing Continuing Connected Transactions for the three financial years ending 31 December 2008:

Existing Continuing Connected Transactions	Existing caps (in thousand) for the years ending 31 December		
	2006	2007	2008
(1) Water Supply Services	RMB5,000 (equivalent to approximately HK\$5,050)	RMB5,700 (equivalent to approximately HK\$5,760)	RMB6,500 (equivalent to approximately HK\$6,570)
(2) Communications Services	RMB1,300 (equivalent to approximately HK\$1,310)	RMB1,500 (equivalent to approximately HK\$1,520)	RMB1,800 (equivalent to approximately HK\$1,820)
(3) Electricity Supply Services	RMB28,600 (equivalent to approximately HK\$28,890)	RMB36,000 (equivalent to approximately HK\$36,360)	RMB43,900 (equivalent to approximately HK\$44,340)

LETTER FROM THE BOARD

Proposed Revised Annual Caps

The table below sets forth the proposed revised annual caps under each of the Existing Continuing Connected Transactions for the three financial years ending 31 December 2009 under the Framework Agreements:

Existing Continuing Connected Transactions under the Framework Agreements	Proposed revised annual caps (in thousand) for the years ending 31 December		
	2007	2008	2009
	(1) Water Supply Services	RMB6,900 (equivalent to approximately HK\$6,970)	RMB7,860 (equivalent to approximately HK\$7,940)
(2) Communications Services	RMB2,090 (equivalent to approximately HK\$2,110)	RMB2,390 (equivalent to approximately HK\$2,410)	RMB2,710 (equivalent to approximately HK\$2,740)
(3) Electricity Supply Services	RMB37,850 (equivalent to approximately HK\$38,230)	RMB46,100 (equivalent to approximately HK\$46,570)	RMB52,900 (equivalent to approximately HK\$53,430)

Bases of the Proposed Revised Annual Caps

The bases of the proposed revised annual caps for each of the Existing Continuing Connected Transactions under the Framework Agreements are as follows:

1. Water Supply Services

- (a) Tianjin Port's estimate of its continuous increase in usage of water by the TPD Group;
- (b) Tianjin Port's historical record of an increase of water charge in the second half of 2006;
- (c) Tianjin Port's expectation on the increase of water charge; and
- (d) The previous transactions conducted and the historical transaction amounts.

LETTER FROM THE BOARD

2. *Communications Services*

- (a) Tianjin Port's estimate of the accelerated growth in business, especially in the container handling volume; and
- (b) The previous transactions conducted and the historical transaction amounts.

3. *Electricity Supply Services*

- (a) Tianjin Port's estimate of its continuous increase in usage of electricity by the TPD Group;
- (b) Tianjin Port's growth of business especially the container business which leads to the increase in demand of electricity;
- (c) Tianjin Port's expectation on the increase of electricity charge; and
- (d) The previous transactions conducted and the historical transaction amounts.

In computing the proposed revised annual caps for the Water Supply Services, the Communications Services and the Electricity Supply Services, the Tianjin Port Board has also taken into account the usage of services by certain subsidiaries of Tianjin Port which had not been included in the calculation of the existing annual caps.

3. THE NEW CONTINUING CONNECTED TRANSACTIONS

Tianjin Port entered into the New Framework Agreements with certain subsidiaries or associate of Tianjin Port Group respectively on 12 April 2007 for terms ending on 31 December 2009.

3.1 THE NEW FRAMEWORK AGREEMENTS

Tianjin Port entered into the New Framework Agreements on 12 April 2007 as described below:

1. *The EDI Services Framework Agreement*

Date : 12 April 2007

Parties : (i) Tianjin Port

(ii) 天津港信息中心 (Tianjin Port Information Centre*)

LETTER FROM THE BOARD

- Term : 12 April 2007 - 31 December 2009 (extension on similar terms subject to mutual agreements)
- Transactions involved : Provision of services relating to electronic data information, software utility, computer maintenance and repair, electronic transmission and similar services by Tianjin Port Information to the TPD Group.
- Price determination : The price is determined with reference to applicable PRC State prescribed prices or at a level not higher than the market price. Adjustment shall be made to the price if there are any changes in the PRC State prescribed prices.
- Condition : Each of the parties involved has obtained the respective necessary authorization and approval required for the EDI Services Framework Agreement, including but not limited to, having obtained the approval as required under the Listing Rules.

2. The Container Reconfiguration Storage Services Framework Agreement

- Date : 12 April 2007
- Parties : (i) Tianjin Port
(ii) 天津港集裝箱貨運有限公司 (Tianjin Port Container Freight Company Limited*)
(iii) 天津港股份有限公司儲運分公司 (Tianjin Port Limited Storage and Transportation Branch Company*)
(iv) 華韓(天津)貨箱有限公司 (Huahan (Tianjin) Container Company Limited*)
(ii), (iii) and (iv) collectively, the “Service Companies”)
- Term : 12 April 2007 - 31 December 2009 (extension on similar terms subject to mutual agreements)

LETTER FROM THE BOARD

- Transactions involved : Provision of stacking yards and warehouses located at Tianjin Port Area for temporary storage of containers by the Service Companies to the TPD Group.
- Price determination : The price is determined with reference to the actual number of containers stored for a period of seven days and shall not be higher than the applicable PRC State prescribed prices. Adjustment shall be made to the price if there are any changes in the PRC State prescribed prices.
- Condition : Each of the parties involved has obtained the respective necessary authorization and approval required for the Container Reconfiguration Storage Services Framework Agreement, including but not limited to, having obtained the approval as required under the Listing Rules.

3. *The Labour Services Framework Agreement*

- Date : 12 April 2007
- Parties : (i) Tianjin Port
(ii) 天津益港勞務有限公司 (Tianjin Port Labour Services Company Limited*)
- Term : 12 April 2007 - 31 December 2009 (extension on similar terms subject to mutual agreements)
- Transactions involved : Provision of labour of various positions to perform various services by Tianjin Port Labour to the TPD Group.
- Price determination : The service fee is determined with reference to factors such as applicable PRC State prescribed price, positions and types of labour provided, market prices and standard wages rate (if any). Adjustment shall be made to the price if there are any changes in the PRC State prescribed prices.

LETTER FROM THE BOARD

Condition : Each of the parties involved has obtained the respective necessary authorization and approval required for the Labour Services Framework Agreement, including but not limited to, having obtained the approval as required under the Listing Rules.

Historical Figures

Tianjin Port had entered into similar container reconfiguration storage services agreement with the subsidiaries of Tianjin Port Group in 2004 which was subsequently terminated on 31 March 2006. Tianjin Port then engaged independent third parties to provide similar container reconfiguration storage services. The table below sets forth the historical transaction amounts for such services for the three financial years ended 31 December 2006:

Transaction	Historical figures (in approximate thousand)			
	for the year ended 31 December 2004	for the year ended 31 December 2005	for the 3 months ended 31 March 2006	for the 9 months from 1 April to 31 December 2006
Container Reconfiguration Storage Services	RMB20,400 (equivalent to approximately HK\$20,610)	RMB18,010 (equivalent to approximately HK\$18,190)	RMB5,360 (equivalent to approximately HK\$5,410)	RMB13,520 (equivalent to approximately HK\$13,660)

As the EDI Services and the Labour Services are entirely new transactions of Tianjin Port, no historical transaction amounts are available.

LETTER FROM THE BOARD

Proposed Annual Caps

The table below sets forth the proposed annual caps under each of the New Continuing Connected Transactions for the three financial years ending 31 December 2009 under the New Framework Agreements:

New Continuing Connected Transactions under the New Framework Agreements	Proposed annual caps (in thousand) for the years ending 31 December		
	2007	2008	2009
(1) EDI Services	RMB2,810 (equivalent to approximately HK\$2,840)	RMB3,200 (equivalent to approximately HK\$3,230)	RMB3,630 (equivalent to approximately HK\$3,670)
(2) Container Reconfiguration Storage Services	RMB18,590 (equivalent to approximately HK\$18,780)	RMB30,060 (equivalent to approximately HK\$30,360)	RMB35,480 (equivalent to approximately HK\$35,840)
(3) Labour Services	RMB4,900 (equivalent to approximately HK\$4,950)	RMB7,850 (equivalent to approximately HK\$7,930)	RMB9,030 (equivalent to approximately HK\$9,120)

Bases of the Proposed Annual Caps

The bases of the proposed annual caps for each of the New Continuing Connected Transactions under the New Framework Agreements are as follows:

1. EDI Services

- (a) Tianjin Port's estimate of its continuous increase in data transfer by the TPD Group;
- (b) Tianjin Port's estimate of the growth in its container business which leads to the increase in demand of EDI Services; and
- (c) Tianjin Port's estimate of the increase in the number of containers being handled.

2. *Container Reconfiguration Storage Services*

- (a) Tianjin Port's estimate of its continuous increase in the number of containers handled; and
- (b) The previous transactions conducted and the historical transaction amounts.

3. *Labour Services*

- (a) Tianjin Port's expectation of the increased number of labour required by the TPD Group; and
- (b) Tianjin Port's estimate on the increase of labour wages.

3.2 REASONS FOR ENTERING INTO THE NEW CONTINUING CONNECTED TRANSACTIONS

1. *EDI Services*

The provision of EDI Services serves the purpose of improving the efficiency and competitiveness of the TPD Group in the container handling business. The main function of the EDI Services is to speed up the monitoring of the shipping vessels location and to utilize electronic data transfer to confirm information in relation to the arrival and departure schedules of shipping vessels and cargoes. The system provided in the EDI Services also allows the sharing of the above information with the customs, port enterprises, agents and cargo owners which will improve the efficiency of port operations substantially.

2. *Container Reconfiguration Storage Services*

Due to the shift from coal-related business to steel-related cargo business since 2006, the TPD Group's demand for storage spaces increases accordingly. Since the storage capacity and distance will directly affect the TPD Group's cargo handling capacity and efficiency which in turn affects the cargo throughput, the TPD Group requires the storage services provided by the Service Companies. Being subsidiaries or associate of Tianjin Port Group, which is a long established and experienced port operator, the Service Companies are able to provide stacking yards and warehouses which are located in close proximity to the terminal of the TPD Group and high-quality auxiliary services at a price no more than other service providers.

3. *Labour Services*

The TPD Group is experiencing an increase in demand of labour due to various factors which include:

- (1) the shift from handling coke and coal related cargoes to handling iron and steel related cargoes leads to a greater demand of labour for stevedoring; and
- (2) vacancies of retired labour not being filled up due to the TPD Group's strategy to reduce head count and tighten cost control.

The Tianjin Port Board is of the view that given Tianjin Port Group's extensive experience in port operation business, Tianjin Port Labour can provide skilled and high-quality labour with necessary and extensive technical, operational and cargo handling skills to meet the TPD Group's growth in business as well as to accommodate the TPD Group's strategy on cost reduction.

4. **LISTING RULES IMPLICATIONS**

As the Stock Exchange has exercised its discretion under Rule 14A.06 of the Listing Rules to deem Tianjin Port Group and its associates as connected persons of Tianjin Port and the Company, the entering into of the Framework Agreements and the New Framework Agreements constitutes continuing connected transactions for each of Tianjin Port and the Company.

Since the Continuing Connected Transactions were entered into by Tianjin Port or its subsidiaries with the same connected person or with parties associated with one another, the Company and Tianjin Port had aggregated the Continuing Connected Transactions in the calculation of the percentage ratios under Rules 14A.25 and 14A.26 of the Listing Rules.

As some of the applicable percentage ratios for the Continuing Connected Transactions on an aggregated and annual basis exceed 2.5% and the aggregated annual consideration is more than HK\$10 million, the entering into of the Continuing Connected Transactions constitutes non-exempt continuing connected transactions for both the Company and Tianjin Port under Rule 14A.35 of the Listing Rules, and is subject to the reporting and disclosure requirements under Rules 14A.45 to 14A.47 of the Listing Rules, the approval of the Independent Shareholders by way of poll under Rule 14A.48 of the Listing Rules at the EGM and the annual review requirements by the independent non-executive directors and the auditors of the Company under Rules 14A.37 and 14A.38 of the Listing Rules.

5. REQUIREMENTS UNDER THE LISTING RULES

The Board (including the independent non-executive directors of the Company) considers that the revised annual caps of the Existing Continuing Connected Transactions, the Framework Agreements, the New Continuing Connected Transactions, the annual caps of the New Continuing Connected Transactions and the New Framework Agreements are fair and reasonable, on normal commercial terms and are entered into in the usual and ordinary course of business of the Group and that the entering into of the Existing Continuing Connected Transactions, the Framework Agreements, the New Continuing Connected Transactions and the New Framework Agreements are in the interests of the Company and the Shareholders as a whole.

The Company will seek the Independent Shareholders' approval of the Continuing Connected Transactions under the terms of the Framework Agreements and the New Framework Agreements, as well as the annual caps for the three years ending 31 December 2009 on the Continuing Connected Transactions.

Pursuant to Rule 14A.54 of the Listing Rules, any connected person and any shareholder and their associates with a material interest in the Continuing Connected Transactions are required to abstain from voting on the resolution at the extraordinary general meetings to be held to approve the same. Tsinlien and its subsidiaries or associates are required to abstain from voting on the resolutions approving the Continuing Connected Transactions at the EGM.

The Independent Board Committee had been established to advise the Independent Shareholders as to the terms of the Continuing Connected Transactions and the annual caps on the Continuing Connected Transactions for the three years ending 31 December 2009.

The Company has appointed Access Capital as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transactions.

The Continuing Connected Transactions will be required to be approved by the Independent Shareholders and will also be subject to the following conditions:

- (1) The Continuing Connected Transactions will be entered into:
 - (i) in the ordinary and usual course of business of the Group;
 - (ii) on normal commercial terms, or where there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable than those available to or from Independent Third Parties; and
 - (iii) in accordance with the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

LETTER FROM THE BOARD

- (2) The relevant amount on the Continuing Connected Transactions for each of the three financial years ending 31 December 2009 shall not exceed the relevant annual caps (as described above);
- (3) The independent non-executive directors shall review annually the Continuing Connected Transactions and confirm in the Company's corresponding annual report that the Continuing Connected Transactions have been conducted in the manner as stipulated in paragraph (1) above;
- (4) The auditors of the Company shall review annually the Continuing Connected Transactions and confirm in a letter to the Directors (a copy of which shall be provided to the Stock Exchange) whether such Transactions:
 - (i) have received the approval of the Board;
 - (ii) are in accordance with the pricing policies of the Group;
 - (iii) have been entered into in accordance with the agreements governing the Continuing Connected Transactions; and
 - (iv) have not exceeded the relevant annual caps;
- (5) The Company shall promptly notify the Stock Exchange and publish an announcement if it knows or has reason to believe that the independent non-executive directors of the Company and/or auditors of the Company will not be able to confirm the matters set out in paragraphs (1), (3) and/or (4) respectively;
- (6) Each of member companies of the Group shall allow and shall procure that the relevant counterparties to the Continuing Connected Transactions that, for so long that the Shares are listed on the Stock Exchange, it will provide the Company's auditors with sufficient access to the relevant records for the purpose of the auditors' review of the Continuing Connected Transactions referred to in paragraph (4) above.

6. GENERAL

The TPD Group is principally engaged in the provision of ports services including the loading and unloading of containerised and non-containerised cargoes from shipping vessels, the stacking and warehousing of containers and cargoes, as well as various ancillary services in Tianjin, the PRC.

The principal operations of the Company and its subsidiaries (excluding TPD 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 toll road operations; utilities operations consist of supply of water, electricity and heat and thermal power; and strategic and other investments include investments in the production, sale and distribution of winery products, gas fuel operations and elevator and escalator operations.

Tianjin Port Group is the holding company of the businesses owned and operated by the former Tianjin Port Authority.

LETTER FROM THE BOARD

7. THE EXTRAORDINARY GENERAL MEETING

There is set out on pages 58 to 59 of this circular a notice convening the EGM to be held at Victoria & Chater Rooms, 2nd Floor, Mandarin Oriental Hong Kong, 5 Connaught Road, Central, Hong Kong on Friday, 25 May 2007 at 5:00 p.m. (or so soon after the annual general meeting of the Company to be held at the same place on the same date shall have been concluded or adjourned) at which ordinary resolutions will be proposed for the approval by the Independent Shareholders of the terms of the Continuing Connected Transactions and the annual caps for the three years ending 31 December 2009 on the Continuing Connected Transactions. In compliance with the Listing Rules, the votes to be taken at the EGM in respect of the terms of the Continuing Connected Transactions and the annual caps for the three years ending 31 December 2009 on the Continuing Connected Transactions will be taken by poll, the results of which will be published in the newspapers on the business date following the EGM.

In view of its interests in the Framework Agreements and the New Framework Agreements, Tsinlien and its subsidiaries or associates will abstain from voting on the resolutions to be proposed at the EGM in respect of the Continuing Connected Transactions.

As at the Latest Practicable Date, Tsinlien controlled or were entitled to exercise control of approximately 53.40% voting rights at general meeting of the Company.

Whether or not you are able to attend the EGM in person, you are requested to complete and return the enclosed proxy form in accordance with the instructions printed thereon to the Company's share registrar, Tengis Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. The completion of the enclosed proxy form will not preclude you from attending and voting at the EGM or any adjournment thereof should you so wish.

8. PROCEDURES BY WHICH A POLL MAY BE DEMANDED

Pursuant to Article 73 of the Articles of Association of the Company, at any general meeting a resolution put to the vote of the meeting shall be decided by a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded or otherwise required under the Listing Rules. A poll may be demanded by:

- (a) the chairman of the meeting; or
- (b) at least 3 Shareholders present in person (or in the case of a Shareholder being a corporation, by its duly authorized representative) or by proxy for the time being entitled to vote at the meeting; or
- (c) any Shareholder or Shareholders present in person (or in the case of a Shareholder being a corporation, by its duly authorized representative) or by proxy and representing not less than one-tenth of the total voting rights of all the Shareholders having the right to vote at the meeting; or

LETTER FROM THE BOARD

- (d) any Shareholder or Shareholders present in person (or in the case of a Shareholder being a corporation, by its duly authorized representative) or by proxy and holding Shares 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 Shares conferring that right.

9. RECOMMENDATION

The Independent Board Committee, having taken into account the advice of Access Capital, considers that the annual caps in respect of the Continuing Connected Transactions, the Framework Agreements and the New Framework Agreements and the transactions contemplated thereunder 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. The Independent Board Committee therefore recommends the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the annual caps for the financial years ending 31 December 2009 in respect of the Continuing Connected Transactions, the Framework Agreements, the New Framework Agreements and the transactions contemplated thereunder.

10. RECOMMENDATION OF THE BOARD

Taking into account the letter from the Independent Board Committee and all other factors as stated above as a whole, the Board recommends that the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Framework Agreement, the New Framework Agreements, the Continuing Connected Transactions and the annual caps.

11. FURTHER INFORMATION

Your attention is drawn to the letters from the Independent Board Committee and Access Capital which are respectively set out on pages 26 and 27 and pages 28 to 48 of this circular. Additional information is set out in the appendices of this circular for your information.

Yours faithfully,
For and on behalf of
Tianjin Development Holdings Limited
WANG Guanghao
Chairman



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)

2 May 2007

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular dated 2 May 2007 issued by the Company (the “Circular”) of which this letter forms part. Terms defined in the Circular shall have the same meanings herein unless the context otherwise requires.

We have been appointed as the members of the Independent Board Committee to consider the Framework Agreements and the New Framework Agreements, the transactions contemplated thereunder and the annual caps of the Continuing Connected Transactions for the financial years ending 31 December 2009 and to advise the Independent Shareholders as to the fairness and reasonableness of the same. Access Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to the letter from the Board, as set out on pages 7 to 25 of the Circular, and the letter from Access Capital which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the Framework Agreements and the New Framework Agreements, the transactions contemplated thereunder and the annual caps of the Continuing Connected Transactions for the financial years ending 31 December 2009 as set out on pages 28 to 48 of the Circular.

After taking into consideration the advice from Access Capital, we concur with the views of Access Capital and consider that the terms of the Framework Agreements, the New Framework Agreements and the transactions contemplated thereunder (together with the respective cap amounts) are on normal commercial terms, in the ordinary and usual course of

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

the business of the Group and are fair and reasonable so far as the Shareholders are concerned and are in the interests of the Group and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Framework Agreements, the New Framework Agreements and the transactions contemplated thereunder and the proposed respective annual caps.

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

LETTER FROM ACCESS CAPITAL

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 Continuing Connected Transactions prepared for the purpose of incorporation in this circular.



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

2 May 2007

To: The Independent Board Committee and the Independent Shareholders of Tianjin Development Holdings Limited

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

I. INTRODUCTION

We refer to our appointment as independent financial adviser to advise the Independent Board Committee and the Independent Shareholders with regard to (i) the terms of the Continuing Connected Transactions under the Framework Agreements and the New Framework Agreements; and (ii) the annual caps for the three years ending 31 December 2009 on the Continuing Connected Transactions. Details of the Framework Agreements, the New Framework Agreements and the transactions contemplated thereunder and the proposed respective annual cap amount are contained in the “Letter from the Board” of the circular to the Shareholders dated 2 May 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.

Reference is also made to the Prospectus and the joint announcement of the Company and Tianjin Port dated 12 April 2007 in relation to the Continuing Connected Transactions.

LETTER FROM ACCESS CAPITAL

The Tianjin Port Board has been monitoring the Existing Continuing Connected Transactions and with the continuous development and expansion of the businesses and operation of the TPD Group and based on the internal forecasts of the demand (in particular, the growth of business in the container business which leads to the increase in demand of the Existing Continuing Connected Transactions coupled with the usage of services by certain subsidiaries of Tianjin Port which had not been included in the calculation of the existing annual caps, details of which are set out under the heading “1.3.4 Bases of proposed revised annual caps” below) and operating conditions in respect of the Existing Continuing Connected Transactions, the Tianjin Port Board noted that the existing caps of the Existing Continuing Connected Transactions for the financial years ending 31 December 2007 and 2008 respectively will not be sufficient for the TPD Group’s current operational requirements, and therefore proposed that the existing caps for the Existing Continuing Connected Transactions be revised by entering into the Framework Agreements on exactly the same terms as the Existing Agreements.

In addition, on 12 April 2007, Tianjin Port has entered into the New Framework Agreements with certain subsidiaries or associates of the Tianjin Port Group respectively for terms ending on 31 December 2009.

As the Stock Exchange has exercised its discretion under Rule 14A.06 of the Listing Rules to deem Tianjin Port Group and its associates as connected persons of Tianjin Port and the Company, the entering into of the Framework Agreements and the New Framework Agreements constitutes continuing connected transactions for each of Tianjin Port and the Company.

Since the Continuing Connected Transactions were entered into by Tianjin Port or its subsidiaries with the same connected person or with parties associated with one another, the Company and Tianjin Port had aggregated the Continuing Connected Transactions in the calculation of the percentage ratios under Rules 14A.25 and 14A.26 of the Listing Rules.

As some of the applicable percentage ratios for the Continuing Connected Transactions on an aggregated and annual basis exceed 2.5% and the aggregated annual consideration is more than HK\$10 million, the entering into of the Continuing Connected Transactions constitutes non-exempt continuing connected transactions for the Company under Rule 14A.35 of the Listing Rules, and is subject to the reporting and disclosure requirements under Rules 14A.45 to 14A.47 of the Listing Rules, the approval of the Independent Shareholders by way of poll under Rule 14A.48 of the Listing Rules at the EGM, and the annual review requirements by the independent non-executive directors and the auditors of the Company under Rules 14A.37 and 14A.38 of the Listing Rules.

As at the Latest Practicable Date, Tsinlien controlled or were entitled to exercise control of approximately 53.40% voting rights at the general meeting of the Company. In view of its interest in the Framework Agreements and the New Framework Agreements, Tsinlien and its subsidiaries or associates will abstain from voting on the resolutions to be proposed at the EGM in respect of the Continuing Connected Transactions.

II. THE INDEPENDENT BOARD COMMITTEE

The Board currently consists of twelve executive 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, one non-executive director, Mr. Cheung Wing Yui and three independent non-executive directors, namely Mr. Kwong Che Keung, Gordon, Mr. Lau Wai Kit and Dr. Cheng Hon Kwan.

The Independent Board Committee comprising the independent non-executive directors, namely Mr. Kwong Che Keung, Gordon, Mr. Lau Wai Kit and Dr. Cheng Hon Kwan has been established to consider (i) the terms of the Continuing Connected Transactions under the Framework Agreements and the New Framework Agreements; and (ii) the annual caps on the Continuing Connected Transactions for the three years ending 31 December 2009.

We have been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Continuing Connected Transactions (together with the respective cap amounts) and the transactions contemplated therein were agreed on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole and to give our opinion in relation to the terms of the Continuing Connected Transactions (together with the respective cap amounts) for their consideration when making their recommendation to the Independent Shareholders.

III. BASIS AND ASSUMPTIONS OF THE ADVICE

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

IV. PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our recommendation, we have taken into consideration the following principal factors and reasons:

1. Revision of annual caps and change of parties to the existing agreements by entering into the Framework Agreements

1.1 Background to the Existing Continuing Transactions

On 8 May 2006, each of Tianjin Container and Tianjin Second Stevedoring entered into the Existing Agreements with certain wholly-owned subsidiaries of the Tianjin Port Group in relation to the following Existing Continuing Connected Transactions:

Water Supply Services

Pursuant to the respective agreements dated 8 May 2006 entered into between Tianjin Port Facilities and Tianjin Container and Tianjin Second Stevedoring respectively, Tianjin Port Facilities provided water supply services to each of Tianjin Container and Tianjin Second Stevedoring for terms ending on 31 December 2008.

Communications Services

Pursuant to the respective agreements dated 8 May 2006 entered into between Tianjin Communications and Tianjin Container and Tianjin Second Stevedoring respectively, Tianjin Communications provided communications services to each of Tianjin Container and Tianjin Second Stevedoring for terms ending on 31 December 2008.

Electricity Supply Services

Pursuant to the respective agreements dated 8 May 2006 entered into between Tianjin Port Electricity and Tianjin Container and Tianjin Second Stevedoring respectively, Tianjin Port Electricity provided electricity supply services to each of Tianjin Container and Tianjin Second Stevedoring for terms ending on 31 December 2008.

The Tianjin Port Board has been monitoring the Existing Continuing Connected Transactions and with the continuous development and expansion of the businesses and operation of the TPD Group and based on the internal forecasts of the demand (in particular, the growth of business in the container business which leads to the increase in demand of the Existing Continuing Connected Transactions coupled with the usage of services by certain subsidiaries of Tianjin Port which had not been included in the calculation of the existing annual caps, details of which are set out under the heading “1.3.4 Bases of proposed revised annual caps” below.) and the operating conditions in respect of the Existing Continuing Connected Transactions, the Tianjin Port Board noted that the existing caps of the Existing Continuing Connected Transactions for the financial years ending 31 December 2007 and 2008 respectively will not be sufficient for the TPD Group’s current operational requirements, and therefore proposed that the existing caps for the Existing Continuing Connected Transactions be revised by entering into the Framework Agreements on exactly the same terms as the Existing Agreements. Details of the Framework Agreements are set out in the “Letter from the Board” in the Circular.

The Existing Agreements were entered into between the wholly-owned subsidiaries of Tianjin Port and the wholly-owned subsidiaries of the Tianjin Port Group. In order to enable Tianjin Port to monitor and manage the status of the Existing Continuing Connected Transactions more effectively, the Tianjin Port Board also proposed that the Framework Agreements be entered into between Tianjin Port and the relevant wholly-owned subsidiaries of the Tianjin Port Group.

1.2 Key terms of the Framework Agreements are as follows:

1.2.1 The Water Services Framework Agreement

- the Water Services Framework Agreement was entered into between Tianjin Port and Tianjin Port Facilities;
- the Water Services Framework Agreement has a fixed term from the date of the agreement (i.e. 12 April 2007) to 31 December 2009; and
- the basis of the prices for the Water Supply Services is determined with reference to applicable PRC State prescribed prices and the actual usage by the TPD Group.

1.2.2 The Communications Services Framework Agreement

- the Communications Services Framework Agreement was entered into between Tianjin Port and Tianjin Communications;
- the Communications Services Framework Agreement has a fixed term from the date of the agreement (i.e. 12 April 2007) to 31 December 2009; and
- the basis of the prices for the Communications Services is determined with reference to applicable PRC State prescribed prices and the actual usage by the TPD Group.

1.2.3 The Electricity Services Framework Agreement

- the Electricity Services Framework Agreement was entered into between Tianjin Port and Tianjin Port Electricity;
- the Electricity Services Framework Agreement has a fixed term from the date of the agreement (i.e. 12 April 2007) to 31 December 2009; and
- the basis of the prices for the Electricity Supply Services is determined with reference to applicable PRC State prescribed prices and the actual usage by the TPD Group.

1.2.4 Reasons for entering into the Framework Agreement

The TPD Group is principally engaged in the provision of ports services including the loading and unloading of containerised and non-containerised cargoes from shipping vessels, the stacking and warehousing of containers and cargoes, as well as various ancillary services in Tianjin, the PRC.

The Tianjin Port Board considers that the transactions contemplated under the Framework Agreements are in the interests of the TPD Group, as it would be able to provide reliable services to the TPD Group at prices prescribed by the PRC State.

Furthermore, the TPD Group will not set up its own power plant, water supply system and communications system which are the normal and basic infrastructural support to operate a port, accordingly, it is essential for the TPD Group to secure for water supply, electricity and communications services. Since the principal business of the TPD Group is engaged in the operation of terminals at the port of Tianjin, which requires extensive usage of the Water Supply Services, the Communications Services and the Electricity Supply Services, the Framework Agreements fall within the ordinary and usual course of business of the TPD Group. As Tianjin Port is part of the Group, the Framework Agreements also fall within the ordinary and usual course of business of the Group.

Basis of the pricing for the Framework Agreements

We have discussed with the management of Tianjin Port and understand that the prices to be charged under the Framework Agreements are determined according to the usage by the TPD Group and the prices prescribed by the PRC State.

Water Supply Services

We have reviewed the indicative prices as set out in 關於調整我區非居民自來水價格通知 issued by 天津市塘沽區物價局 dated 21 April 2006 and noted from the historical samples of invoices for the Water Supply Services were lower than the indicative prices and based on the actual usage of the TPD Group.

Communications Services

We noted that the price quotations for the Communication Services are in line with the indicative prices issued by 中國網通(集團)有限公司天津市分公司, an independent party (which is supervised by 天津市物價局 (The Price Bureau of Tianjin)).

Electricity Supply Services

We have reviewed (i) the indicative prices as set out in 關於調整我市電力銷售價格的通知 issued by 天津市物價局 dated 30 June 2006 and (ii) the set of indicative prices for the Electricity Supply Services which varies depending on the time and the different type of usage and noted the prices from the historical samples of invoices for the Electricity Supply Services were in line with the indicative prices and based on the actual usage of the TPD Group.

Our view

Given (i) the transactions contemplated under the Framework Agreements are entered into in the ordinary and usual course of business of the TPD Group and, in turn, the Group and on a frequent and regular basis; (ii) by entering into the Framework Agreements, the TPD Group can formalise its business arrangements (in terms of the length of the services and the pricing) with the Tianjin Port Group and secure regular auxiliary services; and (iii) the prices under the Framework Agreements are determined with reference to prices prescribed by the PRC State, accordingly, we concur with the view of the Board that the entering into of the Framework Agreements is in the ordinary and usual course of business of the Group and on normal commercial terms and is in the interests of the Company and the Shareholders as a whole.

LETTER FROM ACCESS CAPITAL

1.3 The proposed revision of the annual caps under the Framework Agreements

As stated in the “Letter from the Board”, the following tables set out (i) the historical transaction amounts for each of the Existing Continuing Connected Transactions for the three financial years ended 31 December 2006; (ii) a summary of the existing caps for each of the Existing Continuing Connected Transactions for the three financial years ending 31 December 2008; and (iii) the proposed revised annual caps under each of the Existing Continuing Connected Transactions for the three financial years ending 31 December 2009 under the Framework Agreements:

1.3.1 Historical figures

The table below sets forth a summary of the historical transaction amounts for each of the Existing Continuing Connected Transactions for the three financial years ended 31 December 2006:

Existing Continuing Connected Transactions ¹	Historical figures for the year ended 31 December		
	2004	2005	2006
(1) Water Supply Services	RMB3,300,000 (equivalent to approximately HK\$3,330,000)	RMB3,800,000 (equivalent to approximately HK\$3,840,000)	RMB4,800,000 (equivalent to approximately HK\$4,850,000)
Year-on-year growth rate	N/A	15.15%	26.32%
(2) Communications Services	RMB800,000 (equivalent to approximately HK\$810,000)	RMB1,000,000 (equivalent to approximately HK\$1,010,000)	RMB880,000 ² (equivalent to approximately HK\$890,000)
Year-on-year growth rate	N/A	25.00%	(12.00)%
(3) Electricity Supply Services	RMB22,600,000 (equivalent to approximately HK\$22,830,000)	RMB23,800,000 (equivalent to approximately HK\$24,040,000)	RMB26,200,000 (equivalent to approximately HK\$26,460,000)
Year-on-year growth rate	N/A	5.31%	10.08%

LETTER FROM ACCESS CAPITAL

Notes:

1. *We understand from the management of Tianjin Port that the historical figures for the three years ended 31 December 2006 of the Existing Continuing Connected Transactions included the usage of services by certain subsidiaries of the Tianjin Port.*
2. *We understand from the management of Tianjin Port that the decrease relating to the Communications Services as compared to previous year was mainly attributable to the cost control measurement imposed by the TPD Group.*

1.3.2 Existing annual caps

The table below sets forth a summary of the existing annual caps for each of the Existing Continuing Connected Transactions for the three financial years ending 31 December 2008:

Existing Continuing Connected Transactions	Existing caps for the year ending 31 December		
	2006	2007	2008
(1) Water Supply Services	RMB5,000,000 (equivalent to approximately HK\$5,050,000)	RMB5,700,000 (equivalent to approximately HK\$5,760,000)	RMB6,500,000 (equivalent to approximately HK\$6,570,000)
Year-on-year growth rate	N/A	14.00%	14.04%
(2) Communications Services	RMB1,300,000 (equivalent to approximately HK\$1,310,000)	RMB1,500,000 (equivalent to approximately HK\$1,520,000)	RMB1,800,000 (equivalent to approximately HK\$1,820,000)
Year-on-year growth rate	N/A	15.38%	20.00%
(3) Electricity Supply Services	RMB28,600,000 (equivalent to approximately HK\$28,890,000)	RMB36,000,000 (equivalent to approximately HK\$36,360,000)	RMB43,900,000 (equivalent to approximately HK\$44,340,000)
Year-on-year growth rate	N/A	25.87%	21.94%

LETTER FROM ACCESS CAPITAL

1.3.3 Proposed revised annual caps

The table below sets forth the proposed revised annual caps under each of the Existing Continuing Connected Transactions for the three financial years ending 31 December 2009 under the Framework Agreements:

Existing Continuing Connected Transactions under the Framework Agreements	Proposed revised annual caps for the year ending 31 December		
	2007	2008	2009
(1) Water Supply Services	RMB6,900,000 (equivalent to approximately HK\$6,970,000)	RMB7,860,000 (equivalent to approximately HK\$7,940,000)	RMB8,920,000 (equivalent to approximately HK\$9,010,000)
Year-on-year growth rate	N/A	13.91%	13.49%
(2) Communications Services	RMB2,090,000 (equivalent to approximately HK\$2,110,000)	RMB2,390,000 (equivalent to approximately HK\$2,410,000)	RMB2,710,000 (equivalent to approximately HK\$2,740,000)
Year-on-year growth rate	N/A	14.35%	13.39%
(3) Electricity Supply Services	RMB37,850,000 (equivalent to approximately HK\$38,230,000)	RMB46,100,000 (equivalent to approximately HK\$46,570,000)	RMB52,900,000 (equivalent to approximately HK\$53,430,000)
Year-on-year growth rate	N/A	21.80%	14.75%

1.3.4 Bases of proposed revised annual caps

As stated in the “Letter from the Board”, the bases of the proposed revised annual caps for each of the Existing Continuing Connected Transactions under the Framework Agreements are as follows:

Water Supply Services

- (a) Tianjin Port’s estimate of its continuous increase in usage of water by the TPD Group;
- (b) Tianjin Port’s historical record of an increase of water charge in the second half of 2006;
- (c) Tianjin Port’s expectation on the increase of water charge; and
- (d) the previous transactions conducted and the historical transaction amounts.

Communications Services

- (a) Tianjin Port’s estimate of the accelerated growth in business, especially in the container handling volume; and
- (b) the previous transactions conducted and the historical transaction amounts.

Electricity Supply Services

- (a) Tianjin Port’s estimate of its continuous increase in usage of electricity by the TPD Group;
- (b) Tianjin Port’s growth of business especially the container business which leads to the increase in demand of electricity;
- (c) Tianjin Port’s expectation on the increase of electricity charge; and
- (d) the previous transactions conducted and the historical transaction amounts.

In computing the proposed revised annual caps for the Water Supply Services, the Communications Services and the Electricity Supply Services, the Tianjin Port Board has also taken into account the usage of services by certain subsidiaries of Tianjin Port which had not been included in the calculation of the existing annual caps.

LETTER FROM ACCESS CAPITAL

We have compared the historical transaction amounts and existing annual caps for the Existing Continuing Connected Transactions for the financial year ended 31 December 2006 and noted that actual historical usage of the Existing Continuing Connected Transactions as a percentage of existing annual caps representing approximately 96.0% (Water Supply Services), 67.7% (Communications Services) and 91.6% (Electricity Supply Services). As explained under the heading “1.3.1 Historical figures” above, the decrease relating to the Communications Services for the year 2006 as compared to previous year was mainly attributable to the cost control measure imposed by the TPD Group. We understand from the management of Tianjin Port that the usage of the Communications Services will likely to be increased which is in line with the increase in the container handling volume. We noted that the existing annual caps utilisation rate for Water Supply Services and Electricity Supply Services representing 96.0% and 91.6% respectively, leaving only approximately 4% and 8.4% buffer.

We also noted from the result announcement of Tianjin Port dated 18 April 2007, during 2006, the TPD Group purchased four transtainers and two new Super-Panama portainers. The new Super-Panama portainers have become fully operational in December 2006. The new equipments have played instrumental roles in enhancing the overall container handling efficiency of the TPD Group, which in turn, will lead to the increase in usage of the Existing Continuing Connected Transactions.

1.3.5 Historical container throughput for the port of Tianjin

We have reviewed the historical container throughput volume growth for the port of Tianjin. In 2006, the total throughput for the port of Tianjin recorded a year-on-year growth of 8.0%, reaching 258 million tonnes, and ranked the largest port in the Bohai Rim. In terms of container handling, in 2006, the total throughput was 5.95 million TEUs, an increase of 24% as compared to 2005 and continues to be the fastest growing port in the Bohai Rim.

Historical container throughput volume of Tianjin Port is shown in the following table:

Year	2003	2004	2005	2006
Container (<i>thousand TEUs</i>)	1,491	1,808	2,050	2,490
Non-container (<i>million tonnes</i>)	15.2	18.7	18.3	16.6

Reference is also made to the economic development plan for the PRC economy for the period from 2006 to 2010 which was passed by the PRC National People’s Congress on 14 March 2006 (the “11th Five Year Plan”), under which the Binhai New District was being included in the PRC’s development strategies and was designated as the third pillar of the PRC’s economic growth alongside Shenzhen and Shanghai, and the port of Tianjin to be developed into an international shipping hub and a logistics centre for northern China. The 11th Five Year Plan indicates that over the next five years, a total investment of RMB36.6 billion will be spent on enhancing the infrastructure of the port of Tianjin. It is anticipated that by 2010, the port of Tianjin will have a navigation channel for 250,000 tonnes vessels. The

container and non-containerised throughput are targeted to reach 10 million TEUs and 300 million tonnes respectively. At the same time, the 11th Five Year Plan will also accelerate the enhancement of the transportation networks connecting Tianjin to its hinterland, which includes plans for the construction of new railroads and highways. The 11th Five Year Plan is expected to enhance GDP and trade values growth in the region and subsequently spur further throughput growth in the port area.

1.3.6 Our view

Taking into account (i) the bases for the revised annual caps as mentioned under “1.3.4 Bases of proposed revised annual caps” above, in particular, the usage of services by certain subsidiaries of Tianjin Port which had not been included in the calculation of the existing annual caps; (ii) the favorable prospective market environment and increasing throughput volume for the port of Tianjin, (iii) the existing annual caps utilisation rate for the year ended 31 December 2006 for Water Services and Electricity Supply Services (with a contingency of only 4% to 8.4% buffer); and (iv) the TPD Group’s commitment to enhance its competitiveness as evidenced by the purchases of new Super-Panama portainers, we are of the view that the revised annual caps under the Framework Agreements are justifiable and fair and reasonable.

2. The New Continuing Connected Transactions

2.1 Background to the New Continuing Connected Transactions

On 12 April 2007, Tianjin Port has entered into the New Framework Agreements with certain subsidiaries or associate of Tianjin Port Group respectively for terms ending on 31 December 2009. Details of the New Framework Agreements are set out in the “Letter from the Board”.

The EDI Services Framework Agreement

Tianjin Port has entered into the EDI Services Framework Agreement in relation to the provision of EDI Services by Tianjin Port Information.

The Container Reconfiguration Storage Services Framework Agreement

Tianjin Port has entered into the Container Reconfiguration Storage Services Framework Agreement in relation to the provision of Container Reconfiguration Storage Services by Tianjin Port Container Freight, Tianjin Port Group Storage Company and Huahan.

The Labour Services Framework Agreement

Tianjin Port has entered into the Labour Services Framework Agreement in relation to the provision of Labour Services by Tianjin Port Labour.

2.2 Key terms of the New Framework Agreements are as follows:

2.2.1 The EDI Services Framework Agreement

- the EDI Services Framework Agreement was entered into between Tianjin Port and Tianjin Port Information;
- the EDI Services Framework Agreement has a fixed term from the date of the agreement (i.e. 12 April 2007) to 31 December 2009; and
- the basis of the prices for the EDI Services is determined with reference to applicable PRC State prescribed prices or at a level not higher than the market price.

2.2.2 The Container Reconfiguration Storage Services Framework Agreement

- the Container Reconfiguration Storage Services Framework Agreement was entered into between Tianjin Port and (i) Tianjin Port Container Freight; (ii) Tianjin Port Group Storage Company; (iii) Huahan;
- the Container Reconfiguration Storage Services Framework Agreement has a fixed term from the date of the agreement (i.e. 12 April 2007) to 31 December 2009; and
- the basis of the prices for the Container Reconfiguration Storage Services is determined with reference to the actual number of containers stored for a period of seven days and shall not be higher than the applicable PRC State prescribed prices.

2.2.3 The Labour Services Framework Agreement

- the Labour Services Framework Agreement was entered into between Tianjin Port and Tianjin Port Labour;
- the Labour Services Framework Agreement has a fixed term from the date of the agreement (i.e. 12 April 2007) to 31 December 2009; and
- the basis of the prices for the Labour Services is determined with reference to factors such as applicable PRC State prescribed price, positions and types of labour provided, market prices and standard wages rate (if any).

2.2.4 Reasons for entering into the New Framework Agreements

EDI Services

As stated in the “Letter from the Board”, the provision of EDI Services serves the purpose of improving the efficiency and competitiveness of the TPD Group in the container handling business. The system provided in the EDI Services also allows the sharing of information with the customs, port enterprises, agents and cargo owners which will improve the efficiency of port operations substantially.

We have discussed with the management of Tianjin Port the possibility for the TPD Group to install its own system for the EDI Services. Given the substantial investment and the extensive time for installation and the potential liability of significant future maintenance cost, it is concluded that it would be impractical and not cost effective for TPD Group to install its own system.

Container Reconfiguration Storage Services

As stated in the “Letter from the Board”, due to the shift from coal-related business to steel-related cargo business since 2006, the TPD Group’s demand for storage spaces increases accordingly. Since the storage capacity and distance will directly affect the TPD Group’s cargo handling capacity and efficiency which in turn affects the cargo throughput, the TPD Group requires the storage services provided by the Service Companies. Being subsidiaries or associate of Tianjin Port Group, which is a long established and experienced port operator, the Service Companies are able to provide stacking yards and warehouses which are located in close proximity to the terminal of the TPD Group and high-quality ancillary services at a price no more than other services providers.

We have discussed with the management of Tianjin Port and noted that Tianjin Port had entered into similar container reconfiguration storage services agreement with the subsidiaries of the Tianjin Port Group in 2004. Prior to the listing of the shares of Tianjin Port on the Stock Exchange in May 2006, with the intention to enhance shareholder’s value, Tianjin Port decided to terminate such container reconfiguration storage services agreement in order to minimise continuing connected transactions between Tianjin Port and Tianjin Port Group. Tianjin Port subsequently engaged an independent third party for the provision of the container reconfiguration storage services. However, given the competitive advantages of the Services Companies, i.e. close proximity to the terminal of the TPD Group, high quality ancillary services at competitive prices, Tianjin Port decided to enter into the Container Reconfiguration Storage Services Framework Agreement with the subsidiaries of Tianjin Port Group which had an established business relationships with Tianjin Port.

Labour Services

As stated in the “Letter from the Board”, the TPD Group is experiencing an increase in demand of labour due to various factors which include:

- (1) the shift from handling coke and coal related cargoes to handling iron and steel related cargoes leads to a greater demand of labour for stevedoring; and
- (2) vacancies of retired labour not being filled up due to the TPD Group’s strategy to reduce head count and tighten cost control.

The Tianjin Port Board is of the view that given the Tianjin Port Group’s extensive experience in port operation business, Tianjin Port Labour can provide skilled and high-quality labour with necessary and extensive technical, operational and cargo handling skills to meet the TPD Group’s growth in business as well as to accommodate the TPD Group’s strategy on cost reduction.

We have discussed with the management of Tianjin Port and noted that the provision of Labour Services will help to meet the TPD Group’s growing demand in business and the usage of the Labour Services fall within the TPD Group’s stated strategy on cost reduction.

Our view

The Board considers that the transactions contemplated under the New Framework Agreements are fair and reasonable, on normal commercial terms, are entered into in the usual and ordinary course of business of the Group and in the interests of the Company and the Shareholders as a whole.

As stated in the Prospectus, one of the TPD Group’s strategies to maximise shareholder value is to increase its container handling capacity and efficiency. Accordingly, we are of the view that the usage of the services under the New Framework Agreements will improve the efficiency of the TPD Group’s container handling business which is in line with the stated strategy of the TPD Group, and in turn, is beneficial to the Group.

Since the principal business of the TPD Group is operation of terminals at the port of Tianjin, which requires usage of the EDI Services, the Container Reconfiguration Storage Services and the Labour Services, we concur with the Board that the entering into the New Framework Agreements is in the interests of the Company and the Shareholders as a whole.

Basis of the pricing for the New Framework Agreements

We have discussed with the management of Tianjin Port and understand that the prices to be charged under the New Framework Agreements are determined according to the prices prescribed by the PRC State or at a level not higher than the market price (as the case maybe).

EDI Services

As the EDI Services are entirely new transactions of Tianjin Port, there were no historical transaction amounts available.

We have reviewed the indicative prices as set out in 關於天津港EDI中心收費的函 issued by 天津市物價局 dated 2 September 1998 and noted that under the EDI Services Framework Agreement, the basis of the prices for the EDI Services is determined with reference to applicable PRC State prescribed prices or at a level not higher than the market price.

Container Reconfiguration Storage Services

We noted that (i) the indicative prices set out in 港口收費規則 issued by 中華人民共和國交通部 and 關於制定天津市國際集裝箱汽車運輸收費規則的通知 issued by 天津市物價局; and (ii) the similar container reconfiguration storage services agreement with an independent third party and noted from the historical samples of invoices from (i) the subsidiaries of the Tianjin Port Group and (ii) the independent third party for the Container Reconfiguration Storage Services were lower than the indicative prices.

We understand from the management of the basis for the Container Reconfiguration Storage Services is determined with reference to applicable PRC State prescribed prices or at a level not higher than the market price.

Labour Services

As the Labour Services are entirely new transactions of Tianjin Port, there were no historical transaction amounts available.

We have reviewed (i) the indicative prices as set out in 天津市勞動市場工資指導價位企業人工成本情況2006 issued by 天津市勞動和社會保障局 for the year 2006; and (ii) the price quotation from Tianjin Port Labour and noted that prices quoted are within the indicative prices. In addition, we have discussed with the management of the Tianjin Port and noted that the price quotation from Tianjin Port Labour is lower than Tianjin Port used to pay for those retired workers.

Our view

Given (i) the transactions contemplated under the New Framework Agreements are entered into in the ordinary and usual course of business of the TPD Group and on a frequent and regular basis; (ii) by entering into the New Framework Agreements, the TPD Group can formalise its business arrangements (in terms of the length of the services and the pricing) with the Tianjin Port Group and secure regular auxiliary services; and (iii) the prices under the New Framework Agreements are determined with reference to prices prescribed by the PRC State or the market price (as the case may be), accordingly, we concur with the view of the Board that the entering of the New Framework Agreements is in the ordinary and usual course of business of the Group and on normal commercial terms and is in the interests of the Company and the Shareholders as a whole.

2.3 Historical figures

Tianjin Port had entered into similar container reconfiguration storage services agreement with the subsidiaries of Tianjin Port Group in 2004 which was subsequently terminated on 31 March 2006. Tianjin Port then engaged independent third parties to provide similar container reconfiguration storage services. The table below sets forth the historical transaction amounts for such services for the three financial years ended 31 December 2006:

Transaction	Historical figures			
	for the year ended 31 December 2004	for the year ended 31 December 2005	for the 3 months ended 31 March 2006	for the 9 months from 1 April to 31 December 2006
Container Reconfiguration Storage Services	RMB20,400,000 (equivalent to approximately HK\$20,610,000)	RMB18,010,000 (equivalent to approximately HK\$18,190,000)	RMB5,360,000 (equivalent to approximately HK\$5,410,000)	RMB13,520,000 (equivalent to approximately HK\$13,660,000)
Year-on-year growth rate	N/A	(11.72)%	N/A	N/A

As the EDI Services and the Labour Services are entirely new transactions of Tianjin Port, no historical transaction amounts are available.

LETTER FROM ACCESS CAPITAL

2.3.1 Proposed annual caps

The table below sets forth the proposed annual caps under each of the New Continuing Connected Transactions for the three financial years ending 31 December 2009 under the New Framework Agreements:

New Continuing Connected Transactions under the New Framework Agreements	Proposed annual caps for the year ending 31 December		
	2007	2008	2009
(1) EDI Services	RMB2,810,000 (equivalent to approximately HK\$2,840,000)	RMB3,200,000 (equivalent to approximately HK\$3,230,000)	RMB3,630,000 (equivalent to approximately HK\$3,670,000)
Year-on-year growth rate	N/A	13.88% ¹	13.43%
(2) Container Reconfiguration Storage Services	RMB18,590,000 (equivalent to approximately HK\$18,780,000)	RMB30,060,000 (equivalent to approximately HK\$30,360,000)	RMB35,480,000 (equivalent to approximately HK\$35,840,000)
Year-on-year growth rate	N/A	61.70% ¹	18.03%
(3) Labour Services	RMB4,900,000 (equivalent to approximately HK\$4,950,000)	RMB7,850,000 (equivalent to approximately HK\$7,930,000)	RMB9,030,000 (equivalent to approximately HK\$9,120,000)
Year-on-year growth rate	N/A	60.20% ¹	15.03%

Note:

1. *Since the New Continuing Connected Transactions will commence upon the approval from the Independent Shareholders at the EGM, accordingly, the proposed annual caps for 2007 were not calculated on an annualised basis.*

2.3.2 Bases of the proposed annual caps

The bases of the proposed annual caps for each of the New Continuing Connected Transactions under the New Framework Agreements are as follows:

1. EDI Services

- (a) Tianjin Port's estimate of its continuous increase in data transfer by the TPD Group;
- (b) Tianjin Port's estimate of the growth in its container business which leads to the increase in demand of EDI Services; and
- (c) Tianjin Port's estimate of the increase in the number of containers being handled.

2. Container Reconfiguration Storage Services

- (a) Tianjin Port's estimate of its continuous increase in the number of containers handled; and
- (b) the previous transactions conducted and the historical transaction amounts.

3. Labour Services

- (a) Tianjin Port's expectation of the increased number of labour required by the TPD Group; and
- (b) Tianjin Port's estimate on the increase of labour wages.

2.3.3 Our view

Taking into account the bases for the proposed annual caps as mentioned under the heading "2.3.2 Bases of the proposed annual caps" above; and the favorable market environment and throughput volume for the TPD Group as mentioned under the heading "1.3.5 Historical container throughput for the port of Tianjin" above, we are of the view that the proposed annual caps under the New Framework Agreements are justifiable and fair and reasonable.

V. RECOMMENDATION

After having considered the above principal factors, namely (i) the background to and reasons for the Continuing Connected Transactions; (ii) the terms of the Framework Agreements, the New Framework Agreements and the transactions contemplated thereunder; and (iii) the proposed cap amounts for the Continuing Connected Transactions, we are of the view that terms of the Framework Agreements, the New Framework Agreements and the transactions contemplated thereunder (together with the respective caps amount) 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 Shareholders are concerned and are in the interests of the Group and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend to the Independent Shareholders to vote in favor of the ordinary resolutions to be proposed at the EGM to approve the Framework Agreements, the New Framework Agreements and the transactions contemplated thereunder and the proposed annual cap amounts.

Yours faithfully,
For and on behalf of
ACCESS CAPITAL LIMITED
Jeanny Leung
Managing Director

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 DIRECTORS' INTERESTS

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 its associated corporations (within the meaning of Part XV of the SFO) which were required (a) 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 (b) pursuant to Section 352 of the SFO to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as contained in the Listing Rules, were as follows:

(i) Long position in the Shares

Name of Director	Capacity	Nature of Interest	Number of Shares held	Approximate percentage of total issued share capital
Hu Chengli	Beneficial owner	Personal interest	120,000	0.01%
Wang Jiandong	Beneficial owner	Personal interest	450,000	0.04%

(ii) 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 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 Director	Number of Shares over which options are exercisable	Exercise price	Grant date	Exercisable from	Exercisable until
Wang Guanghao	1,000,000	HK\$3.10	23 December 2004	28 December 2004	21 November 2007
Ren Xuefeng	900,000	HK\$3.10	23 December 2004	28 December 2004	21 November 2007
Yu Rumin	900,000	HK\$3.10	23 December 2004	28 December 2004	21 November 2007
Nie Jiansheng	700,000	HK\$3.10	23 December 2004	28 December 2004	21 November 2007
Wang Jiandong	600,000	HK\$3.10	23 December 2004	28 December 2004	21 November 2007
Sun Zengyin	300,000	HK\$3.10	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.

(iii) Long positions in shares of associated corporations of the Company

(a) Tianjin Port

Name of Director	Capacity	Nature of Interest	Number of shares held	Approximate percentage of total issued share capital
Hu Chengli	Beneficial owner	Personal interest	57,574	0.003%
Wang Jiandong	Beneficial owner	Personal interest	28,402	0.002%

(b) Dynasty Fine Wines Group Limited

Name of Director	Capacity	Nature of Interest	Number of shares held	Approximate percentage of total issued share capital
Hu Chengli	Beneficial owner	Personal interest	4,615	0.0004%
Wang Jiandong	Beneficial owner	Personal interest	17,307	0.001%

*(iv) Share options in associated corporations of the Company**(a) Tianjin Port*

Name of Director	Number 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 Director	Number 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 1,200,000	HK\$3.00 HK\$3.00	27 January 2005 1 November 2006	17 August 2005 22 May 2007	26 January 2015 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, so far as was known to the Directors, none of the Directors and chief executive of the Company or their respective associates had any interest or short position in any shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which are 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 are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

3. SUBSTANTIAL SHAREHOLDERS

So far as was known to the Directors or chief executive of the Company, as at the Latest Practicable Date, the following persons (other than a Director or chief executive of the Company) or corporations had an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or 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 meeting of any member of the Group or in any options in respect of such capital:

(i) *Interest in the Company*

Names of Shareholder	Capacity and nature of interest	Number of Shares/ underlying Shares held	Approximate percentage of shareholding in the Company's total issued share capital (%)
Tsinlien (<i>Note</i>)	Interest of controlled corporations	541,855,143 (Long Position)	53.40%

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 539,833,143 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.

(ii) *Interests in other members of the Group:*

Name of members 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 5 Co., Ltd.	Tianjin Economic and Technological Development Investment Co., Ltd.	40.00%
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%
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%

Name of members of the Company	Name of the other shareholders	Approximate percentage of shareholding
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 (1) (Tianjin Gangshi Container Services Co., Ltd.)	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, there was no person known to the Directors who had an interest or short position in the Shares and underlying Shares of the Company 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, was directly or indirectly, interested in 10% or more of the nominal value of the issued share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group, or any options in respect of such capital.

4. DIRECTORS' SERVICE CONTRACTS

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).

5. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or claim of material importance and, so far as the Directors are aware, no litigation or claim of material importance is pending or threatened against the Company or any of its subsidiaries.

6. COMPETING INTEREST

Mr. Yu Rumin is the vice chairman and chief executive director of Tianjin Port Group, as well as the chairman and a director of Tianjin Port Limited, which is a subsidiary of Tianjin Port Group. Tianjin Port Group operates the businesses of handling containerised and non-containerised cargo through its various subsidiaries and associated companies, the businesses of which is competing with the businesses of Tianjin Port.

As the Board and the Tianjin Port Board are independent of the board of Tianjin Port Group (save for Mr. Yu, who is the vice chairman and chief executive director of Tianjin Port Group, is the only common director in both of these companies) and Mr. Yu has no control over the Board and the Tianjin Port Board, the Group is capable of carrying on its businesses independently of the businesses of Tianjin Port Group.

As at the Latest Practicable Date, save as disclosed above and in so far as the Directors are aware, none of the Directors or their respective associates (as defined in the Listing Rules) have any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

7. INTERESTS IN ASSETS AND/OR CONTRACTS AND OTHER INTERESTS

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

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 Continuing Connected Transactions. Woo, Kwan, Lee & Lo will receive normal fees for professional services rendered in connection with such transactions.

As at the Latest Practicable Date, save as disclosed above, none of the Directors is materially interested in any contract or arrangement which is significant in relation to the business of the Company.

8. MATERIAL CHANGE

As at the Latest Practicable Date, the Directors are 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.

9. EXPERT

- (a) The following is the qualification of Access Capital which has given its opinion or advice which is contained in this circular:

Name	Qualification
Access Capital Limited	a corporation licensed to carry Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporation finance) and Type 9 (asset management) regulated activities under the SFO

- (b) Access Capital does not have any shareholding, direct or indirect, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- (c) Access Capital does not have any interest, direct or indirect, in any assets which have 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 since 31 December 2006, being the date to which the latest published audited financial statements of the Company were made up.
- (d) Access Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and reference to its name in the form and context in which they appear.
- (e) The letter given by Access Capital is given as at of the date of this circular for incorporation herein.

10. 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 share registrar of the Company is Tengis Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (c) The company secretary and qualified accountant of the Company is Mr. Tsang Wai Yip, Patrick, who holds a bachelor's 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.
- (d) In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the registered office of the Company during normal business hours up to and including 16 May 2007:

- (a) the Framework Agreements;
- (b) the New Framework Agreements;
- (c) the Existing Agreements;
- (d) the letter from Access Capital, the text of which is set out in this circular; and
- (e) the consent letter of Access Capital referred to in the paragraph headed “Expert” in this Appendix.



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 IS HEREBY GIVEN that an extraordinary general meeting of Tianjin Development Holdings Limited (the “Company”) will be held at Victoria & Chater Rooms, 2nd Floor, Mandarin Oriental Hong Kong, 5 Connaught Road, Central, Hong Kong on Friday, 25 May 2007 at 5:00 p.m. (or so soon after the annual general meeting of the Company to be held at the same place on the same date shall have been concluded or adjourned) for the purposes of considering and, if thought fit, passing, with or without modification, the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. **“THAT**

- (a) the Water Services Framework Agreement, the Communications Services Framework Agreement and the Electricity Services Framework Agreement (collectively the “Framework Agreements”) and the Existing Continuing Connected Transactions each as defined and described in the circular of the Company dated 2 May 2007 (the “Circular”, a copy of which has been produced to the meeting and marked “A” and initialled by the chairman of the meeting for the purpose of identification), and all transactions contemplated thereunder and in connection therewith, be and are hereby approved, ratified and confirmed; and
- (b) the proposed revised annual caps as set out in the Circular in relation to the Existing Continuing Connected Transactions for the three years ending on 31 December 2009 be and are hereby approved;

and any one director of the Company or any other person authorised by the board of directors of the Company from time to time be and is hereby authorised for and on behalf of the Company to execute all such other documents and agreements and do such acts or things as he or she may in his or her absolute discretion consider to be necessary, desirable, appropriate or expedient to implement or give effect to the Framework Agreements, the Existing Continuing Connected Transactions and the annual caps in relation to the Existing Continuing Connected Transactions and the transactions contemplated thereunder or to be incidental to, ancillary to or in connection with the matters contemplated under the Framework Agreements, the Existing Continuing Connected Transactions and the annual caps in relation to the Existing Continuing Connected Transactions, including agreeing and making any modifications, amendments, waivers, variations or extensions of the Framework Agreements, the Existing Continuing Connected Transactions and the annual caps in relation to the Existing Continuing Connected Transactions and the transactions contemplated thereunder.”

2. “THAT

- (a) the EDI Services Framework Agreement, the Container Reconfiguration Storage Services Framework Agreement and the Labour Services Framework Agreement (collectively the “New Framework Agreements”) and the New Continuing Connected Transactions each as defined and described in the Circular, and all transactions contemplated thereunder and in connection therewith, be and are hereby approved, ratified and confirmed; and
- (b) the proposed annual caps as set out in the Circular in relation to the New Continuing Connected Transactions for the three years ending on 31 December 2009 be and are hereby approved;

and any one director of the Company or any other person authorised by the board of directors of the Company from time to time be and is hereby authorised for and on behalf of the Company to execute all such other documents and agreements and do such acts or things as he or she may in his or her absolute discretion consider to be necessary, desirable, appropriate or expedient to implement or give effect to the New Framework Agreements, the New Continuing Connected Transactions and the annual caps in relation to the New Continuing Connected Transactions and the transactions contemplated thereunder or to be incidental to, ancillary to or in connection with the matters contemplated under the New Framework Agreements, the New Continuing Connected Transactions and the annual caps in relation to the New Continuing Connected Transactions, including agreeing and making any modifications, amendments, waivers, variations or extensions of the New Framework Agreements, the New Continuing Connected Transactions and the annual caps in relation to the New Continuing Connected Transactions and the transactions contemplated thereunder.”

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

Hong Kong, 2 May 2007

Notes:

1. A 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. In order to be valid, the form of proxy, together with any power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney or other authority, must be deposited at the Company’s share registrar, 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 holding the meeting or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude a member from attending and voting in person at the Extraordinary General Meeting and, in such event, the instrument appointing a proxy shall be deemed to have been revoked.
3. The Ordinary Resolutions as set out above will be determined by way of a poll.
4. 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.