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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe securities.

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天津發展控股有限公司

TIANJIN DEVELOPMENT HOLDINGS LIMITED

*(Incorporated in Hong Kong with limited liability under the Companies Ordinance)*

(Stock Code: 882)

### DISCLOSEABLE TRANSACTION AND CONNECTED TRANSACTION

Financial adviser

ANGLO CHINESE 英高  
CORPORATE FINANCE, LIMITED

Independent financial adviser to the  
Independent Board Committee and Independent Shareholders



South China Capital Limited

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A letter from the Board is set out on pages 3 to 11 of this circular. A letter from the Independent Board Committee is set out on page 12 of this circular. A letter from South China Capital containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 13 to 30 of this circular. A notice convening an Extraordinary General Meeting of Tianjin Development Holdings Limited to be held at Alexandra Room, 2nd Floor, Mandarin Oriental Hong Kong, 5 Connaught Road Central, Hong Kong on 16 January 2008 at 3:00 p.m. is set out on pages 43 to 44 of this circular. A form of proxy for use by Shareholders at the Extraordinary General Meeting (or any adjournment thereof) is also enclosed. Whether or not you are able to attend the Extraordinary General Meeting, you are requested to complete the enclosed proxy form in accordance with the instructions printed thereon and return the same to the Company's share registrar, Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the Extraordinary General Meeting or any adjournments thereof. Completion and return of the proxy form will not preclude you from attending and voting at the Extraordinary General Meeting or any adjournments thereof should you so desire.

21 December 2007

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## DEFINITIONS

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

“Acquisition”	the acquisition of 100% equity interest in Tsinlien Realty by the Purchaser
“Board”	the board of Directors
“Company”	Tianjin Development Holdings Limited
“Consideration”	consideration of the Acquisition under the Sale and Purchase Agreement
“Consideration Shares”	31,850,000 Shares to be issued by the Company to Tsinlien or its nominee(s) as part of the Consideration
“China” or “PRC”	the People’s Republic of China and for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Directors”	the directors of the Company
“Extraordinary General Meeting”	the extraordinary general meeting of the Company to be convened on 16 January 2008 at 3:00 p.m. at Alexandra Room, 2nd Floor, Mandarin Oriental Hong Kong, 5 Connaught Road Central, Hong Kong at which an ordinary resolution will be proposed to approve the Sale and Purchase Agreement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Board consisting of Mr. Kwong Che Keung, Gordon, Mr. Lau Wai Kit and Dr. Cheng Hon Kwan
“Independent Shareholder(s)”	the Shareholders other than Tsinlien and its associates
“Knight Frank”	Knight Frank Petty Limited, an independent property valuer
“Latest Practicable Date”	18 December 2007, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular

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## DEFINITIONS

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“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Purchaser”	Championwin Limited, a company incorporated in the British Virgin Islands and an indirect wholly-owned subsidiary of the Company
“Sale and Purchase Agreement”	the sale and purchase agreement dated 3 December 2007 in respect of the Acquisition
“Share(s)”	share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	the registered holder(s) of the Shares
“SFO”	the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong)
“South China Capital”	South China Capital Limited, being a deemed licensed corporation to carry out type 6 (advising on corporate finance) regulated activity as set out in Schedule 5 to the SFO, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tsinlien Realty”	Tsinlien Realty Limited, a limited company incorporated in Hong Kong
“Tsinlien”	Tsinlien Group Company Limited, a limited company incorporated in Hong Kong

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## LETTER FROM THE BOARD

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# 天津發展控股有限公司

## TIANJIN DEVELOPMENT HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability under the Companies Ordinance)

(Stock Code: 882)

*Executive Directors:*

Dr. Ren Xuefeng (*Chairman & 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 Directors:*

Mr. Wang Guanghao  
Mr. Cheung Wing Yui

*Independent Non-executive Directors:*

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

21 December 2007

*To the Shareholders*

Dear Sir or Madam,

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

#### **INTRODUCTION**

On 3 December 2007, the Board announced that, the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into a Sale and Purchase Agreement with Tsinlien to acquire the entire equity interests in, and all the shareholders' loan advanced to Tsinlien Realty at a total consideration of HK\$825 million. The Consideration will be satisfied by way of HK\$560 million in cash and the balance of HK\$265 million by issuance of 31,850,000 new Shares at an issue price of approximately HK\$8.32 per Consideration Share.

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## LETTER FROM THE BOARD

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As some of the applicable percentage ratios for the Acquisition exceeds 5% but are less than 25%, the Acquisition constitutes a discloseable transaction for the Company under the Listing Rules. Further, as Tsinlien is the controlling Shareholder of the Company together with its associates interested in approximately 51.97% of the issued share capital of the Company, the Acquisition with the allotment of Consideration Shares also constitutes a connected transaction for the Company under the Listing Rules and is subject to the reporting and announcement requirements and approval of the Independent Shareholders requirements at the Extraordinary General Meeting with the vote to be taken by way of poll.

Tsinlien and its associates will abstain from voting in respect of the resolution for approval of the Acquisition at the Extraordinary General Meeting. Save for Tsinlien and its associates, no Shareholder has any interest in the Acquisition.

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

### SALE AND PURCHASE AGREEMENT

Date : 3 December 2007

Purchaser : Championwin Limited, an indirect wholly-owned subsidiary of the Company

Vendor : Tsinlien, the controlling Shareholder of the Company interested, together with its associates in approximately 51.97% of the issued share capital of the Company as at Latest Practicable Date

Pursuant to the Sale and Purchase Agreement, the Purchaser shall acquire the entire equity interests in Tsinlien Realty, being 200,000 issued shares of HK\$1 each from Tsinlien together with the benefit of all the shareholder's loan advanced by Tsinlien to Tsinlien Realty at the completion date, for a total consideration of HK\$825 million. Based on the unaudited management account of Tsinlien Realty, the shareholder's loan amounted to approximately HK\$1,709 million as at 31 October 2007.

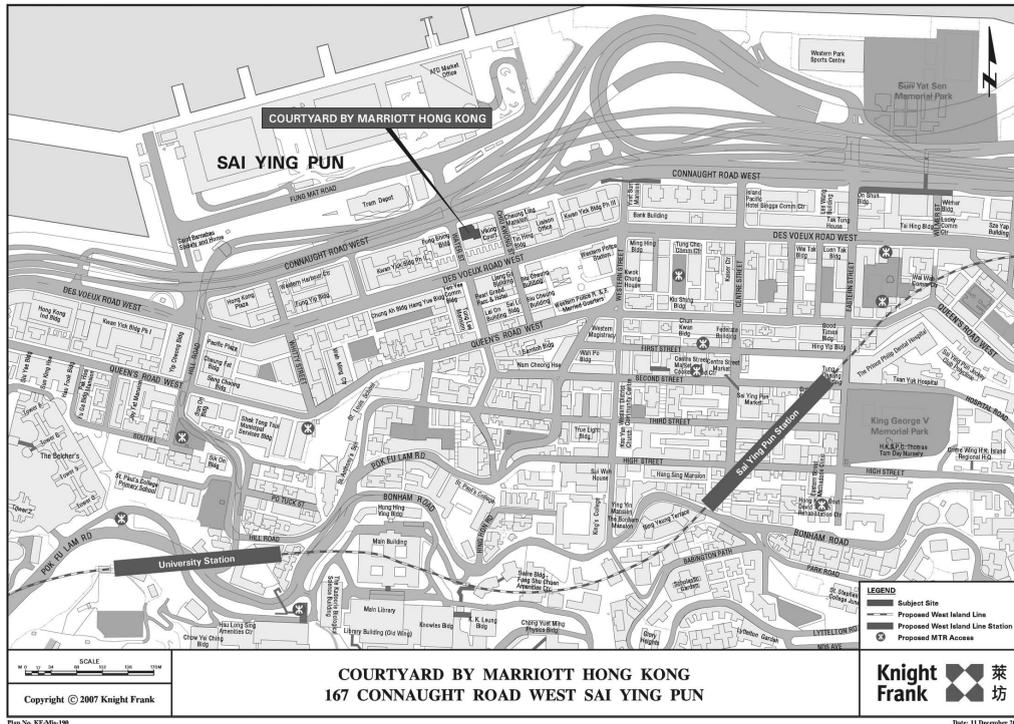
### INFORMATION OF TSINLIEN REALTY AND THE HOTEL

Tsinlien Realty is a limited company incorporated in Hong Kong and an investment holding company principally engaged in property holding and property management in Hong Kong. Its principal asset is Courtyard by Marriott Hong Kong currently under development located at No. 167 Connaught Road West, Western District, Hong Kong (the "Hotel").

As set out in the map below, the Hotel is located at prime location of Western District, Hong Kong. The Hotel is close to the Western Tunnel and the Hong Kong-Macau Ferry Terminal located in Sheung Wan, Hong Kong. With the extension of rail service by the Mass Transit Railway for Western District which is estimated to be completed in 2014, it is

## LETTER FROM THE BOARD

expected the transportation in the Western District area will be improved further. The proposed extension consists of three underground stations at Sai Ying Pun, University and Kennedy Town and the Hotel is located near the proposed stations as shown on the map below.



The Hotel is being developed to be a 4-star hotel which has a site area of approximately 769.5 square meters and gross floor area of approximately 11,472 square meters with 245 guest rooms. Facilities in the Hotel include conference rooms, business centre, executive lounge, fitness centre, bar and restaurant. Target customers of the Hotel are business travellers and corporate clients.

Tsinlien Realty has entered into an agreement with Marriott Hotels International B.V. (“**Marriott**”), an independent third party, under which Marriott will provide hotel management service in respect of the Hotel until 2027, subject to renewal for two successive periods of five years each. Under the agreement Marriott will receive fees based on gross revenue and operating profit of the Hotel. There are four other hotels in Hong Kong that are currently under the management of Marriott. According to the information from Marriott, there were nine hotels operated under the brand “Marriott Courtyard” in Asia as at 30 September 2007. There will be four other hotels under the same brand, including the Hotel, expected to operate in Asia soon.

The Hotel was originally developed to be a 31-storey office building and Tsinlien Realty bought the office building in 1997 for HK\$847 million. Tsinlien Realty subsequently undertook the conversion of the office building into a 4-star hotel. The conversion and renovation work is substantially completed and it is expected the Hotel will start to admit paying guests in the first quarter of 2008.

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## LETTER FROM THE BOARD

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Prior to the conversion into the Hotel, the building was held by Tsinlien Realty as an investment property. Based on the audited financial statement for the year ended 31 December 2006, the net deficit of Tsinlien Realty was approximately HK\$1,160 million (2005: approximately HK\$1,034 million), including a loan due to Tsinlien of approximately HK\$1,517 million (2005: approximately HK\$1,415 million). Turnover and net losses (both before and after taxation and extraordinary items) for the year ended 31 December 2006 were approximately HK\$0.9 million and HK\$125.7 million, respectively (2005: approximately HK\$12.9 million and HK\$71.2 million, respectively).

### CONSIDERATION

Under the Sale and Purchase Agreement, Tsinlien will inject a further amount of HK\$38 million after 31 October 2007 but before the completion of the Acquisition as contribution to settle the construction costs for the Hotel and any pre-opening and operating expenses incurred before the completion of the Acquisition (the “**Remaining Capital Commitment**”).

The Consideration of HK\$825 million was determined after arm’s length negotiations between the parties with reference to the Remaining Capital Commitment and the valuation of the Hotel as at 30 September 2007 of HK\$825 million, prepared by Knight Frank, an independent third party to the Company using direct comparison approach.

Following the completion of the Acquisition, Tsinlien Realty will become an indirect wholly-owned subsidiary of the Company. Based on the unaudited management account of Tsinlien Realty for the ten months ended 31 October 2007, loss for the period was approximately HK\$46 million. The net liabilities of Tsinlien Realty as at 31 October 2007 were approximately HK\$1,206 million with shareholder’s loan of approximately HK\$1,709 million before taken into account of the revaluation surplus of approximately HK\$328 million based on the valuation of Hotel as at 30 September 2007. After excluding the shareholder’s loan of approximately HK\$1,709 million, Tsinlien Realty would have net assets of approximately HK\$503 million as at 31 October 2007.

The full amount of the Consideration will be settled at the date of completion of the Sale and Purchase Agreement. Among the cash consideration of HK\$560 million, approximately HK\$200 million will be financed through internal resources of the Company and approximately HK\$360 million will be financed through bank facilities. The balance of the Consideration of HK\$265 million shall be settled upon the completion by way of the Company issuing and allotting to Tsinlien or its nominees approximately 31,850,000 new Shares at a price of approximately HK\$8.32 per Consideration Share.

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## LETTER FROM THE BOARD

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The issue price of approximately HK\$8.32 per Consideration Share to be issued by the Company represents:

- (i) a discount of approximately 8.67% over the closing price of HK\$9.11 per Share as quoted on the Stock Exchange on the last trading day of the Shares immediately before the date of the Sale and Purchase Agreement;
- (ii) a discount of approximately 6.94% over the average closing price of HK\$8.94 per Share as quoted on the Stock Exchange for the last five trading days of the Shares immediately before the date of the Sale and Purchase Agreement;
- (iii) a discount of approximately 5.99% over the average closing price of HK\$8.85 per Share as quoted on the Stock Exchange for the last ten trading days of the Shares immediately before the date of the Sale and Purchase Agreement; and
- (iv) a premium of approximately 11.68% over the closing price of HK\$7.45 per Share as quoted on the Stock Exchange as at the Latest Practicable Date.

The Consideration Shares represent approximately 3.08% of the existing issued share capital of the Company and approximately 2.98% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares. The Company will apply to the Listing Committee of the Stock Exchange for the granting of listing of, and permission to deal in, the Consideration Shares on the Stock Exchange. The Consideration Shares will be credited as fully-paid and rank pari passu in all respects with the existing Shares in issue.

The terms of the Sale and Purchase Agreement were negotiated on an arm's length basis. The Directors consider the terms are fair and reasonable and are in the interest of the Company and its Shareholders as a whole.

### SHAREHOLDING STRUCTURE

	<b>As at the Latest Practicable Date</b>		<b>Immediate after the issue of Consideration Shares</b>	
	<i>Numbers of Shares</i>	<i>Approximate % of total issued Shares</i>	<i>Numbers of Shares</i>	<i>Approximate % of total issued Shares</i>
Tsinlien	538,189,143	51.97	570,039,143	53.40
Public Shareholders	<u>497,430,982</u>	<u>48.03</u>	<u>497,430,982</u>	<u>46.60</u>
Total	<u><u>1,035,620,125</u></u>	<u><u>100</u></u>	<u><u>1,067,470,125</u></u>	<u><u>100</u></u>

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## LETTER FROM THE BOARD

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### CONDITIONS PRECEDENT

The completion of the Sale and Purchase Agreement shall be conditional upon, inter alia, the following conditions precedent being fulfilled or waived:

- (a) the passing of a resolution at the Extraordinary General Meeting of the Company by a simple majority of the Independent Shareholders to approve the Sale and Purchase Agreement and the transactions contemplated hereunder, including the issue and allotment of the Consideration Shares to Tsinlien or its nominees pursuant to the Sale and Purchase Agreement;
- (b) the Listing Committee of the Stock Exchange granting or agreeing to grant (either unconditionally or subject to conditions) the listing of, and permission to deal in, the Consideration Shares;
- (c) Tsinlien obtaining documents evidencing the absolute discharge and release of the legal charge over the Hotel and the rental accounts of Tsinlien Realty;
- (d) Tsinlien providing evidence in writing, showing that it has injected to Tsinlien Realty or procured to be injected to Tsinlien Realty the Remaining Capital Commitment, to the satisfaction of the Purchaser;
- (e) Tsinlien providing evidence to the satisfaction of the Purchaser that all necessary consents, permits, approvals, authorisations and waivers in respect of the existing financing agreements and the operation of the Hotel has been obtained;
- (f) Tsinlien providing evidence to the satisfaction of the Purchaser that the redevelopment of the Hotel has been completed and that the Hotel has been in full operation; and
- (g) the parties to the Sale and Purchase Agreement having obtained any and all other consents, permits, approvals, authorisations and waivers necessary or appropriate for the entering into and consummation of the transactions contemplated by the Sale and Purchase Agreement.

The parties shall procure that the conditions precedent be satisfied on or before 30 June 2008 or such later date as may be agreed between the parties to the Sale and Purchase Agreement. In the event that not all the conditions have been fulfilled or waived (as the case may be) by the Purchaser by no later than 5 p.m. on 30 June 2008, the Sale and Purchase Agreement shall lapse and be of no further effect and no party to the Sale and Purchase Agreement shall have any claim against or liability or obligation to the other party save in respect of any antecedent breaches. As at the Latest Practicable Date, save for condition (d), none of above-mentioned conditions precedent has been fulfilled.

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## LETTER FROM THE BOARD

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### COMPLETION OF THE ACQUISITION

The completion of the Sale and Purchase Agreement shall take place within five business days from the fulfilment or waiver (as the case may be) of the conditions precedent set out above or such other date as the parties may agree.

### FINANCIAL EFFECTS ON THE GROUP

Upon completion, Tsinlien Realty will become an indirect wholly-owned subsidiary of the Company with its financial statements to be consolidated under the Group. The gearing of the Group may slightly increase if the Acquisition is to be financed by bank borrowings. Given the size of the transaction and the fact that the Hotel has not commenced its operation, the Acquisition is not expected to have any material financial effect on the earnings and assets and liabilities of the Group.

### REASONS FOR AND BENEFITS OF THE ACQUISITION

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries and associated companies are (i) infrastructure operations including toll road operations and port operations; (ii) utility operations including supply of water, electricity and heat and thermal power; and (iii) strategic and other investments including investments in the production, sale and distribution of winery products, gas fuel operations and elevator and escalator operations. The principal activities of Tsinlien are general trading and investment holding.

As disclosed in the latest annual report, the Group is actively exploring the opportunities in property development business with focus to be put on hotel projects. In addition to the current transaction, the Group is pursuing other opportunities in this sector in the PRC. The Acquisition will provide diversification of the Group's business into a selected area and establish a position in tourism and hospitality sector in Hong Kong which the Group considers to have favourable prospects. Based on the statistics from Hong Kong Tourism Board, the total number of visitors arrived Hong Kong during the first half of 2007 was approximately 13 million, which represented a growth of 6.8% compared with same period in 2006. Hotel occupancy rate in Hong Kong was at an average of about 87% in 2006, compared with 86% a year earlier.

### EXTRAORDINARY GENERAL MEETING

A notice convening the Extraordinary General Meeting to be held at Alexandra Room, 2nd Floor, Mandarin Oriental Hong Kong, 5 Connaught Road Central, Hong Kong on 16 January 2008 at 3:00 p.m. is set out on pages 43 to 44 of this circular for the purpose of considering and, if thought fit, passing the ordinary resolution set out therein.

Tsinlien, being the controlling Shareholder of the Company, and its associates are interested in approximately 51.97% of the issued share capital of the Company as at the Latest Practicable Date, and will abstain from voting in respect of the resolution for approval of the Acquisition at the Extraordinary General Meeting. Save for Tsinlien and its associates, no Shareholder has any interest in the Acquisition.

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## **LETTER FROM THE BOARD**

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

### **PROCEDURES FOR DEMANDING A POLL BY SHAREHOLDERS**

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

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

### **RECOMMENDATIONS**

The Directors are of the view that the terms of the Acquisition are in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned, and accordingly recommend the Independent Shareholders to vote in favour of the ordinary resolution to approve the Acquisition, as set out in the notice of Extraordinary General Meeting on pages 43 to 44 of this circular. Your attention is drawn to (a) the letter from the Independent Board Committee set out on page 12 of this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders regarding the Acquisition, and (b) the letter from South China Capital containing its advice and the principal factors and reasons taken into consideration by them in arriving at its advice regarding the Acquisition which is set out on pages 13 to 30 of this circular.

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## LETTER FROM THE BOARD

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

### ADDITIONAL INFORMATION

Additional information is set out in the appendices of this circular for your information.

Yours faithfully,  
By Order of the Board  
**Tianjin Development Holdings Limited**  
**Ren Xuefeng**  
*Chairman*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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天津發展控股有限公司

TIANJIN DEVELOPMENT HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability under the Companies Ordinance)

(Stock Code: 882)

21 December 2007

*To the Independent Shareholders*

Dear Sir or Madam,

### DISCLOSEABLE TRANSACTION AND CONNECTED TRANSACTION

We have been appointed as members of the Independent Board Committee to advise you in connection with the Acquisition, details of which are set out in the “Letter from the Board” in the circular dated 21 December 2007 (the “Circular”), of which this letter forms part. Terms used in this letter shall have the same meanings as given to them in the Circular unless the context otherwise requires.

Your attention is also drawn to the “Letter from South China Capital” concerning its advice to us regarding the Acquisition as set out on pages 13 to 30 of this Circular. Having considered the advice given by South China Capital, and the principal factors and reasons taken into consideration by them in arriving at its advice, we are of the opinion that the terms of the Acquisition are on normal commercial terms, in the ordinary and usual course of business of the Group and are fair and reasonable so far as the Independent Shareholders are concerned and that the Acquisition is in the interests of the Company and the Independent Shareholders as a whole. We, therefore, recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the Extraordinary General Meeting as set out in the notice convening such meeting on pages 43 to 44 of this Circular.

Yours faithfully,

Independent Board Committee

**Kwong Che Keung, Gordon**

*Independent*

*non-executive Director*

**Lau Wai Kit**

*Independent*

*non-executive Director*

**Cheng Hon Kwan**

*Independent*

*non-executive Director*

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## LETTER FROM SOUTH CHINA CAPITAL

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*Set out below is the text of a letter received from South China Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders regarding the Acquisition for the purpose of inclusion in this circular.*



South China Capital Limited  
28/F., Bank of China Tower  
No. 1 Garden Road  
Central  
Hong Kong

21 December 2007

*To: The independent board committee and the independent shareholders  
of Tianjin Development Holdings Limited*

Dear Sirs,

### **DISCLOSEABLE AND CONNECTED TRANSACTION**

#### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the discloseable and connected transaction constituted by the Acquisition, details of which are set out in the letter from the Board (the “Board Letter”) contained in the circular dated 21 December 2007 issued by the Company to the Shareholders (the “Circular”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 3 December 2007, Championwin Limited, being an indirect wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with Tsinlien, the controlling shareholder of the Company, pursuant to which Championwin Limited conditionally agreed to acquire and Tsinlien conditionally agreed to dispose of its entire equity interest in Tsinlien Realty, together with the benefit of all shareholders’ loan advanced by Tsinlien to Tsinlien Realty at the completion date, for the Consideration of HK\$825 million. Under the Sale and Purchase Agreement, the Consideration shall be satisfied as to (i) HK\$560 million by way of cash; and (ii) HK\$265 million by the issue of 31,850,000 new Shares to Tsinlien or its nominees at a price of approximately HK\$8.32 per Consideration Share.

In addition, under the Sale and Purchase Agreement, Tsinlien will inject the Remaining Capital Commitment of HK\$38 million after 31 October 2007 but before completion of the Acquisition as contribution to settle the construction costs for the Hotel and any pre-opening and operating expenses incurred before the completion of the Acquisition.

According to Rule 14.08 of the Listing Rules, the Acquisition constitutes a discloseable transaction for the Company. In addition, since Tsinlien is the controlling shareholder of the Company which was interested in approximately 51.97% of the Company’s total issued share capital as at the date of the Sale and Purchase Agreement, the Acquisition also

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## LETTER FROM SOUTH CHINA CAPITAL

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constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. The Sale and Purchase Agreement is therefore subject to the approval of Independent Shareholders at an Extraordinary General Meeting by way of poll whereby Tsinlien and its associates shall be required to abstain from voting on the relevant resolution(s) in respect of the Sale and Purchase Agreement and the transactions contemplated therein.

An independent board committee comprising Mr. Kwong Che Keung, Gordon, Mr. Lau Wai Kit and Dr. Cheng Hon Kwan (all being independent non-executive Directors) (the "Independent Board Committee") has been established to advise the Independent Shareholders on (i) whether the terms of the Sale and Purchase Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Acquisition is in the ordinary and usual course of business of the Company and is in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the ordinary resolution(s) to approve the Sale and Purchase Agreement and the transactions contemplated therein at the Extraordinary General Meeting. We, South China Capital, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

### **BASIS OF OUR OPINION**

In formulating our advice and recommendation to the Independent Board Committee, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true, complete and accurate in all material respects at the time when they were made and continue to be so as at the date of the despatch of the Circular. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiries and careful considerations. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or Directors, which have been provided to us. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

We have not made an independent evaluation or appraisal of the assets and liabilities of neither the Group nor Tsinlien Realty and we have not been furnished with any such evaluation or appraisal, save and except for the valuation report on the Hotel prepared by Knight Frank (the "Valuation Report") as contained in Appendix I to the Circular. We are not experts in the valuation of properties in all businesses and therefore have relied solely upon the Valuation Report for the market value of the Hotel as at 30 September 2007. In early August 2007, we have also conducted a site visit to the Hotel in Hong Kong.

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The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our recommendation. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, its subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Acquisition. In addition, we have no obligation to update this opinion to take into account events occurring after the issue of this letter. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion regarding the Acquisition, we have taken into consideration the following principal factors and reasons:

#### 1. The Sale and Purchase Agreement

On 3 December 2007, Championwin Limited, being an indirect wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with Tsinlien, the controlling shareholder of the Company, pursuant to which Championwin Limited conditionally agreed to acquire and Tsinlien conditionally agreed to dispose of its entire equity interest in Tsinlien Realty, together with the benefit of all shareholders' loan advanced by Tsinlien to Tsinlien Realty at the completion date, for the Consideration of HK\$825 million.

In addition, under the Sale and Purchase Agreement, Tsinlien will inject the Remaining Capital Commitment of HK\$38 million after 31 October 2007 but before completion of the Acquisition as contribution to settle the construction costs for the Hotel and any pre-opening and operating expenses incurred before the completion of the Acquisition.

As referred to in the Board Letter, completion of the Sale and Purchase Agreement is conditional upon, inter alia, the following conditions having been fulfilled or waived on or before 30 June 2008:

- (a) the passing of a resolution at the Extraordinary General Meeting by a simple majority of the Independent Shareholders to approve the Sale and Purchase Agreement and the transactions contemplated thereunder including the issue and allotment of the Consideration Shares to Tsinlien pursuant to the Sale and Purchase Agreement;

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- (b) the Listing Committee of the Stock Exchange granting or agreeing to grant (either unconditionally or subject to conditions) the listing of, and permission to deal in, the Consideration Shares;
- (c) Tsinlien obtaining documents evidencing the absolute discharge and release of the legal charge over the Hotel and the rental accounts of Tsinlien Realty;
- (d) Tsinlien providing evidence in writing, showing that it has injected to Tsinlien Realty or procured to inject to Tsinlien Realty the Remaining Capital Commitment to the satisfaction of the Purchaser;
- (e) Tsinlien providing evidence to the satisfaction of the Purchaser that all necessary consents, permits, approvals, authorisations and waivers in respect of the existing financing agreements and the operation of the Hotel have been obtained;
- (f) Tsinlien providing evidence to the satisfaction of the Purchaser that the redevelopment of the Hotel has been completed and that the Hotel has been in full operation; and
- (g) the parties to the Sale and Purchase Agreement having been obtained any and all other consents, permits, approvals, authorisations and waivers necessary or appropriate for the entering into and consummation of the transactions contemplated under the Sale and Purchase Agreement.

The parties shall procure that the conditions precedent be satisfied on or before 30 June 2008 or such later date as may be agreed between the parties to the Sale and Purchase Agreement. In the event that not all the conditions have been fulfilled or waived by the Purchaser (as the case may be) by no later than 5:00 p.m. on 30 June 2008, the Sale and Purchase Agreement shall lapse and be of no further effect and no party to the Sale and Purchase Agreement shall have any claim against or liability or obligation to the other party save in respect of any antecedent breaches.

As advised by the Directors, the Sale and Purchase Agreement was negotiated and entered into on arm's length basis between the parties thereto and the Directors are of the view that the terms and conditions of the Sale and Purchase Agreement are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

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### 2. Background of the Acquisition

#### *Business and financial information on the Group*

The Company is an investment holding company and the principal activities of the Group are (i) infrastructure operations including toll road operations and port operations; (ii) utility operations including the supply of water, electricity and heat and thermal power; and (iii) strategic and other investments including property development, investments in the production, sale and distribution of winery products, gas fuel operations and elevator and escalator operations.

Tabularised below is a summary of the audited and unaudited consolidated financial results of the Group as extracted from the annual report of the Company for the year ended 31 December 2006 (the “2006 Annual Report”) and the interim report of the Company for the six months ended 30 June 2007 (the “2007 Interim Report”) respectively:

	<b>For the year ended 31 December 2006</b>	<b>For the year ended 31 December 2005</b>	<b>Year on year change</b>	<b>For the six months ended 30 June 2007</b>
<b>Consolidated Income Statement</b>	<i>(audited)</i> <i>HK\$'000</i>	<i>(audited)</i> <i>HK\$'000</i>	%	<i>(unaudited)</i> <i>HK\$'000</i>
Revenue	2,688,457	2,239,102	20.07	1,618,433
Gross profit	850,808	760,386	11.89	498,896
Gross profit margin	31.65%	33.96%		30.83%
Net profit attributable to the equity holders of the Company	552,751	573,169	(3.56)	236,871
<b>Consolidated Balance Sheet</b>	<b>As at 31 December 2006</b>	<b>As at 31 December 2005</b>	<b>Year on year change</b>	<b>As at 30 June 2007</b>
	<i>(audited)</i> <i>HK\$'000</i>	<i>(audited)</i> <i>HK\$'000</i>	%	<i>(unaudited)</i> <i>HK\$'000</i>
Net asset value (net of minority interest) (“NAV”)	6,905,889	5,841,310	18.23	7,535,789
Cash and cash equivalents	3,304,278	2,505,315	31.89	3,090,064
Total borrowings	2,278,299	2,415,089	(5.66)	1,984,807
Gearing ratio (Total borrowings/ Shareholders’ fund)	32.99%	41.34%	(20.21)	26.34%

As depicted from the above table, the Group had achieved a growth of approximately 20.07% in its revenue for the year ended 31 December 2006. While the gross profit of the Group had also grown by approximately 11.89% during the same said year under review, there had been a slight drop in the net profit attributable to the equity holders of the Company by approximately 3.56%. As stated in the 2006 Annual Report and the 2007 Interim Report and further confirmed by the Directors, the Group is actively exploring the opportunities in the property development business with focus to be put on hotel projects.

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Regarding the assets and liabilities position of the Group, the consolidated NAV of the Group mounted by approximately 18.23% from 31 December 2005 to 31 December 2006. As at 30 June 2007, the Group's consolidated NAV was approximately HK\$7.54 billion. The gearing ratio of the Group, which is calculated as total borrowings divided by Shareholders' fund was approximately 32.99% as at 31 December 2006. We also noted from the 2007 Interim Report that the gearing level of the Group had been improved to approximately 26.34% as at 30 June 2007.

### *Business and financial information on Tsinlien Realty and the Hotel*

Tsinlien Realty is an investment holding company incorporated in Hong Kong and is principally engaged in property holding and property management in Hong Kong. The primary asset of Tsinlien Realty is the Hotel, which is located at No. 167 Connaught Road West, Western District, Hong Kong.

We understand from the Directors that the Hotel was used to be a 31-storey office building and Tsinlien Realty bought the office building in 1997 with the cost of HK\$847 million. Tsinlien Realty subsequently converted the office building into a hotel of 4-star equivalent standard with 31 storeys and a gross floor area of approximately 11,472 square meters. The conversion work and renovation which was started in March 2006 has been substantially completed and it is expected that the Hotel will start to admit paying guests in the first quarter of 2008.

The Hotel has altogether 245 guest rooms, together with facilities such as conference rooms, business centre, executive lounge, fitness centre, bar and a restaurant. During our site visit to the Hotel in early August 2007, we also noted that some of the guest rooms of the Hotel provide outstanding Victoria Harbour sea views. As further advised by the Directors, the main stream of income of the Hotel will be derived from the rental income of hotel rooms and the charges from the ancillary business and leisure facilities since the Hotel will not include any retail shops which may generate rental and/or other sources of income to the Hotel. In addition, the target customers of the Hotel are mainly business traveller and corporate client.

On 4 May 2007, Tsinlien Realty entered into an agreement (the "Management Agreement") with Marriott, an independent third party to the Company, pursuant to which Marriott agreed to provide hotel management services for the Hotel until 2027, subject to renewal for two successive periods of five years each. We have further enquired into the Directors regarding the Management Agreement and were given to understand that Marriott will be solely responsible for the daily operation and administration of the Hotel. The Company will not participate in managing the Hotel, but instead has engaged Marriott for such service under fees which are based on gross revenue and operating profits of the Hotel. As represented to the Directors by Marriott, there were nine hotels operated under the brand "Marriott Courtyard" in Asia as at September 2007, there are four other hotels under the same brand, including the Hotel, which are expected to operate in Asia soon. Having considered the extensive experience and well-known reputation of Marriott in hotel management, the Directors believe that the Hotel can be operated smoothly after commencement of business.

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Upon completion of the Acquisition, Tsinlien Realty will become an indirect wholly-owned subsidiary of the Company. As a result, the Group will be able to fully consolidate the financial results of Tsinlien Realty into the financial statements of the Company. Set out below are the audited financial information of Tsinlien Realty for the two years ended 31 December 2006 and the unaudited financial information for the ten months ended 31 October 2007 prepared in accordance with Hong Kong Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants:

	<b>For the ten months ended 31 October 2007 HK\$</b>	<b>For the year ended 31 December 2006 HK\$</b>	<b>For the year ended 31 December 2005 HK\$</b>
<b>Income Statement</b>			
Loss for the period/year	45,778,233	125,718,759	71,196,643
	<b>As at 31 October 2007 HK\$</b>	<b>As at 31 December 2006 HK\$</b>	<b>As at 31 December 2005 HK\$</b>
<b>Balance Sheet</b>			
Net liabilities (including shareholders' loans)	1,205,715,837	1,159,937,604	1,034,218,845
Shareholders' loans ( <i>Note</i> )	1,709,065,426	1,517,169,486	1,414,899,710
Net assets (excluding shareholders' loans) ( <i>Note</i> )	503,349,589	357,231,882	380,680,865

*Note:* The shareholder's loans as at 31 October 2007 of approximately 1,709 million were owed by Tsinlien Realty to Tsinlien. Upon completion of the Acquisition, Tsinlien Realty will become an indirect wholly-owned subsidiary of the Company and as confirmed by the Directors, the said shareholders' loans will become inter-company loans and thus will not appear in the consolidated financial accounts of the Company.

We noted from the above table that the net losses of Tsinlien Realty had increased from approximately HK\$71.20 million for the year ended 31 December 2005 to approximately HK\$125.72 million for the year ended 31 December 2006. As advised by the Directors, the net losses were mainly due to the substantial costs incurred for the conversion work and renovation of the Hotel. Given that the Hotel has not yet commenced business and no revenue has been generated so far, Tsinlien Realty suffered from continual losses in its business operation from the year ended 31 December 2005 to 31 October 2007. Nevertheless, the Directors are confident that Tsinlien Realty will be able to turn around its loss making position within a reasonable period of time after the Hotel start admitting paying guests in the first quarter of 2008.

Regarding the assets and liabilities position of Tsinlien Realty, Tsinlien Realty had net liabilities (including shareholders' loans) of approximately HK\$1,205.72 million as at 30 June 2007. If the shareholders' loans were excluded, Tsinlien Realty would record net assets of approximately HK\$503.35 million as at 31 October 2007.

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### 3. Reasons for the Acquisition

According to the Board Letter, the Group is actively exploring investment opportunities in the tourism industry and the hospitality sector within the greater China region. As also mentioned under the paragraph headed “Business and financial information on the Group” in this letter, we also noted from the 2006 Annual Report and the 2007 Interim Report and the Directors also confirmed that the Group intends to explore the opportunities in the property development business with focus to be put on hotel projects and the Board considers that the Acquisition will enable the Group to diversify its business and establish its presence in the hospitality sector.

#### *Overview of the tourism industry in Hong Kong*

	Visitor's arrivals to Hong Kong from 2002 to 2006				
	2002	2003	2004	2005	2006
Number of visitor	16,566,382	15,536,839	21,810,630	23,359,417	25,251,124

*Source: Hong Kong Tourism Board*

As referred to the statistics released by the Hong Kong Tourism Board, the annual number of visitors arriving in Hong Kong had increased from approximately 16.57 million in 2002 to 25.25 million in 2006, representing a compound annual growth of approximately 11.11% from 2002 to 2006. The number of visitors arriving in Hong Kong had shown an increasing trend and according to Hong Kong Tourism Board, the major contributing factors are the rapid growth of Mainland China visitors and the successful implementation of the individual visit scheme. In addition, a number of major attractions were also opened in 2006 to cater for visitors of all kinds, including family and leisure visitors.

We noted from the website of the Hong Kong Tourism Board that the hotel occupancy rate was at an average of 87% in 2006, being up slightly from 86% as in 2005. Moreover, the average number of room nights has also risen. Even though the number of hotel rooms in Hong Kong is expected to expand in the near future, the Hong Kong Tourism Board expected that the hotel occupancy rate will stay at a high level due to the growing number of visitors travelling to Hong Kong.

In view of (i) the Group's intention to tap into hotel projects in order to improve its future profitability; (ii) the entering into of the Management Agreement between Tsinlien Realty and Marriott pursuant to which Marriott agreed to provide hotel management services for the Hotel; and (iii) the aforementioned favourable statistics regarding the tourism industry in Hong Kong, we are of the view that the Acquisition, which would enable the Group to penetrate into the tourism and hospitality sector in Hong Kong, is in the ordinary and usual course of business of the Company and is in the interests of the Company and the Shareholders as a whole.

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### 4. Basis of the Consideration

Pursuant to the Sale and Purchase Agreement, the Consideration shall be satisfied at the date of its completion as to (i) HK\$560 million by way of cash (the “Cash Consideration”); and (ii) HK\$265 million by the issue of 31,850,000 new Shares to Tsinlien or its nominees at a price of approximately HK\$8.32 per Consideration Share (the “Issue Price”). As confirmed by the Directors, the Company intends to settle approximately HK\$200 million of the Cash Consideration through internal resources of the Company and approximately HK\$360 million financed by bank loan.

As referred to in the Board Letter, the Consideration was determined after arm’s length negotiation between the parties to the Sale and Purchase Agreement with reference to the Remaining Capital Commitment and the valuation of the Hotel as at 30 September 2007 of HK\$825 million prepared by Knight Frank, an independent third party to the Company using the direct comparison method under the market approach.

#### *Valuation Methodology*

We have reviewed the Valuation Report and enquired into Knight Frank on the methodology adopted and the assumptions used in arriving at the valuation of the Hotel. We understand that Knight Frank carried out site visits to the Hotel in early August 2007 and December 2007 respectively to research for necessary information to determine the market value of the Hotel.

#### *Valuation of the Hotel*

In estimating the market value of the Hotel, Knight Frank had adopted the market approach. Under the market approach, Knight Frank had applied the direct comparison method for the valuation of the Hotel. According to Knight Frank, the market approach is the most common approach for valuation of hotels and this approach should be adopted whenever comparable transactions are available. Further details of the assumptions and bases of the valuation of the Hotel are included in Appendix I to the Circular. During our discussions with Knight Frank, we have not identified any major factors which cause us to doubt the fairness and reasonableness of the principal bases and assumptions used in arriving at the valuation of the Hotel. Accordingly, we are of the view that the valuation of the Hotel of approximately HK\$825 million as at 30 September 2007 can form a valid basis for the calculation of the NAV of Tsinlien Realty for the purpose of evaluation of the fairness and reasonableness of the Consideration.

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The NAV of Tsinlien Realty for the purpose of evaluation of the fairness and reasonableness of the Consideration was calculated as follows:

	<i>HK\$'000</i>
Unaudited net assets of Tsinlien Realty as at 31 October 2007 (excluding the shareholders' loans as detailed under the paragraph headed "Business and financial information on Tsinlien Realty and the Hotel" in this letter)	503,349 (a)
<i>Add back:</i>	
Revaluation surplus in relation to the Hotel as at 30 September 2007 ( <i>Note</i> )	328,167 (b)
<b>Sum of (a) and (b)</b>	<b>831,516 (c)</b>
<b>The Consideration</b>	<b>825,000</b>
<b>Discount of the Consideration to item (c)</b>	<b>0.78%</b>

*Note:* The revaluation surplus = Market value of the Hotel as at 30 September 2007 as estimated by Knight Frank less non-current assets of Tsinlien Realty (all of which were belonged to the Hotel) as at 31 October 2007.

We noted from the above table that the Consideration represents a discount of approximately 0.78% to the NAV of Tsinlien Realty based on the above calculations; thus, we consider that the Consideration is in the interests of the Company and Shareholders as a whole.

As part of our analysis, we have also considered other commonly adopted valuation methodologies, namely (i) the price to earning analysis; and (ii) the price to book analysis, to assess the fairness and reasonableness of the Consideration:

**(i) Price to earning ratio analysis**

Due to the fact that the principal asset of Tsinlien Realty, being the Hotel, has not yet commenced business and Tsinlien Realty recorded losses for the year ended 31 December 2006 and the ten months ended 31 October 2007, the price to earning ratio analysis is not applicable in this case.

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### (ii) Price to book ratio (the “PBR”) analysis

We are of the view that the NAV of Tsinlien Realty based on the calculations under the previous paragraph is suitable for performing the PBR analysis to assess the fairness and reasonableness of the Consideration. We have therefore searched for companies listed on the Stock Exchange which are principally engaged in the hotel businesses with market capitalization of more than HK\$825 million, being the Consideration (the “Market Comparables”) for illustrative purpose. To the best of our knowledge and as far as we are aware of, there are 8 companies which met these criteria. Set out below are the PBRs of the Market Comparables based on their closing prices on 30 November 2007, being the last trading day prior to the date of the Sale and Purchase Agreement (the “Last Trading Day”), and their respective latest published financial information:

Company name	Stock code	Principal business	PBR
The Hongkong and Shanghai Hotels Limited	45	Hotel investment, management services, property investment and development, restaurant operation, club management, peak tramway operation and laundry, dry cleaning services.	1.03
Harbour Centre Development Limited	51	Operation of hotels and restaurants, property investment and investment holdings.	1.04
Shangri-La Asia Limited	69	Ownership and operation of hotels and the provision of hotel management and related services, the leasing of office, commercial, residential and exhibition hall space.	2.54 <i>(Note)</i>
Miramar Hotel and Investment Company, Limited	71	Property rental, property sale, hotel and related operation, food and beverage operation, and travel operation.	1.15
Regal Hotels International Holdings Limited	78	Hotel ownership and management, property development and investments, other investments including investment and trading in financial instruments and marketable securities.	1.08
Magnificent Estates Limited	201	Hotel and related operations, lease of properties, property trading, securities dealing, treasury operations and investment holding.	0.77
Asia Standard Hotel Group Limited.	292	Hotel and catering travel agency and management services.	0.40
Sino Hotels (Holdings) Limited	1221	Hotel, restaurant and club operation; share investment and investment holdings.	1.40
<b>Maximum</b>			<b>2.54</b>

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Company name	Stock code	Principal business	PBR
<b>Minimum</b>			<b>0.40</b>
<b>Average</b>			<b>1.17</b>
<b>The Acquisition</b>			<b>0.99</b>

*Note: assuming exchange rate = US\$1: HK\$7.8*

*Source: the Stock Exchange web-site (www.hkex.com.hk)*

From the above table, we noted that the average PBR as represented by the Market Comparables was approximately 1.17 times with a range of approximately 0.40 times to 2.54 times. Since the PBR of the Acquisition is approximately 0.99 times to the NAV of Tsinlien Realty as at 31 October 2007 as detailed under the paragraph headed "Valuation of the Hotel" in this letter, it falls within and is below the average of the PBR range of the Market Comparables.

It should be noted that the businesses, operations and prospects of the Company are not exactly the same as the Market Comparables as set out in the above table. Accordingly, the Market Comparables are only being used to provide a general reference for the common market practice of companies listed on the Stock Exchange which are principally engaged in the hotel business.

Taking into account that (i) the Consideration represents a discount to the NAV of Tsinlien Realty as detailed under the paragraph headed "Valuation of the Hotel" in this letter; and (ii) the PBR as represented by the Consideration falls within the range of the PBR of the Market Comparables, we concur with the Directors that the Consideration is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and Shareholders as a whole.

### *The Consideration Shares*

Pursuant to the Sale and Purchase Agreement, part of the Consideration shall be satisfied by the issue of 31,850,000 new Shares to Tsinlien and its nominees at the Issue Price of approximately HK\$8.32 per Consideration Share. Upon our further enquiry, the Directors confirmed that the Issue Price was determined with reference to a discount of approximately 6% to the closing price of the Shares on the last ten trading days up to and including the Last Trading Day.

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The Issue Price represents a premium/(discount) over/to the closing price of the Shares in the following manner:

	Share price <i>HK\$</i>	Premium/ (Discount) of the Issue Price over/to the closing price of the Shares <i>%</i>
As at the Latest Practicable Date	7.45	11.68
As at the Last Trading Day	9.11	(8.67)
The average of the last five trading days up to and including the Last Trading Day	8.94	(6.94)
The average of the last ten trading days up to and including the Last Trading Day	8.85	(5.99)

Furthermore, the highest and lowest closing prices and the average daily closing prices of the Shares as quoted on the Stock Exchange in each of the 12 months during the period commencing from 1 December 2006 up to and including the Last Trading Day (the “Review Period”) are shown as follows:

Month	Highest closing price <i>HK\$</i>	Lowest closing price <i>HK\$</i>	Average daily closing price <i>HK\$</i>
<b>2006</b>			
December	5.76	5.00	5.35
<b>2007</b>			
January	6.36	5.33	5.74
February	6.69	6.02	6.44
March	6.05	5.19	5.71
April	6.54	5.73	6.15
May	9.20	6.85	7.82
June	8.82	8.32	8.57
July	9.75	8.30	8.81
August	9.27	7.74	8.73
September	11.38	8.84	10.27
October	13.16	11.00	12.15
November (up to and including the Last Trading Day)	12.48	8.10	9.99

Source: the Stock Exchange web-site ([www.hkex.com.hk](http://www.hkex.com.hk))

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The above table illustrates that the average daily closing prices of the Shares during the Review Period ranged from HK\$5.35 to HK\$12.15 per Share. We noted that the Issue Price of approximately HK\$8.32 per Consideration Share was at premium over the average daily closing prices of the Shares during the entire Review Period save as and except for the period from June 2007 to December 2007. During the Review Period, the Share price demonstrated a general increasing trend and the Share price had risen relatively more significantly from September 2007 onwards. We have enquired into the Directors for the reasons of the recent significant upsurge in the Share price and the Directors confirmed that they are not aware of any particular occurrence which would lead to such upsurge in the Share price and they consider that the recent active sentiment of the investors in the stock market might have contributed to the said upsurge.

To further evaluate the fairness and reasonableness of the Issue Price, we have identified, to the best of our knowledge and as far as we are aware of, 13 connected transactions by companies listed on the Stock Exchange which involved the issue of shares from 1 September 2007 to the date of the Sale and Purchase Agreement (the “Issue Price Comparables”). The table below summarises our relevant findings:

Company name	Stock code	Date of announcement	Premium/ (Discount) of the issue price over/to the closing price of the shares as at the last trading day prior to the release of the announcement %	Premium/ (Discount) of the issue price over/to the average of the closing price of last ten trading days prior to the release of the announcement %
Kiu Hung International Holdings Limited	381	4 September 2007	(44.88)	(50.77)
Shougang Concord Technology Holdings Limited	521	5 September 2007	(23.60)	(5.21)
Sino Union Petroleum & Chemical International Limited	346	12 September 2007	6.67	4.58
Henry Group Holdings Limited	859	14 September 2007	0.00	1.30
Ko Yo Ecological Agrotech (Group) Limited	8042	21 September 2007	(4.42)	10.84
I.T Limited	999	17 October 2007	0.00	(4.35)
Zhong Hua International Holdings Limited	1064	26 October 2007	(10.71)	(10.87)
Yunnan Enterprises Holdings Limited	455	30 October 2007	(61.00)	(60.12)
Sino Union Petroleum & Chemical International Limited	346	9 November 2007	7.46	8.76

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Company name	Stock code	Date of announcement	Premium/ (Discount) of the issue price over/to the closing price of the shares as at the last trading day prior to the release of the announcement %	Premium/ (Discount) of the issue price over/to the average of the closing price of last ten trading days prior to the release of the announcement %
Palmpay China (Holdings) Limited	8047	12 November 2007	2.27	2.27
Wealthmark International (Holdings) Limited	39	12 November 2007	4.17	3.65
Sino Haijing Holdings Limited	8065	21 November 2007	5.71	0.73
Hualing Holdings Limited	382	23 November 2007	(41.69)	(42.74)
<b>Maximum</b>			<b>(61.00)</b>	<b>(60.12)</b>
<b>Minimum</b>			<b>7.46</b>	<b>10.84</b>
<b>Average</b>			<b>(12.31)</b>	<b>(10.92)</b>
<b>The Company</b>	<b>882</b>	<b>3 December 2007</b>	<b>(8.67)</b>	<b>(5.99)</b>

*Source:* the Stock Exchange web-site ([www.hkex.com.hk](http://www.hkex.com.hk))

We noted from the above table that the issue prices of the shares of the 13 Issue Price Comparables ranged from a discount of approximately 61.00% to a premium of approximately 7.46% to/over the respective closing prices of their shares as at the last trading days prior to the release of the relevant announcements. Out of the 13 Issue Price Comparables, the issue prices of 6 of them represented discounts to the closing prices of their shares as at the last trading days prior to the release of the announcements. The Issue Price, which represents a discount of approximately 8.67% to the closing price of the Shares as at the Last Trading Day, hence falls within the said market range and is of a smaller discount than the average of the Issue Price Comparables.

We also noted that the issue prices of the consideration shares of the 13 Issue Price Comparables ranged from a discount of approximately 60.12% to a premium of approximately 10.84% to/over the respective average 10-day closing prices of their shares prior to the release of the relevant announcements. Out of the 13 Issue Price Comparables, the issue prices of 6 of them represented discounts to the average 10-day closing prices of their shares prior to the release of the announcements. The Issue Price, which represents a discount of approximately 5.99% to the average closing price of the Shares on the last ten trading days up to and including the Last Trading Day, hence also falls within the said market range and is of a smaller discount than the average of the Issue Price Comparables.

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## LETTER FROM SOUTH CHINA CAPITAL

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It should be noted that the businesses, operations and prospects of the Company are not the same as the Issue Price Comparables as set out in the above table. Accordingly, the Issue Price Comparables are only being used to provide a general reference for the common market practice of companies listed on the Stock Exchange in connected transactions which involved the issue of shares.

### *Conclusion*

Having taken into account that (i) the Issue Price is at premium over the average closing prices of the Shares in most of the months during the Review Period; and (ii) the discounts of the Issue Price fall within the respective market ranges and are of smaller discounts than the respective averages of the Issue Price Comparables, we concur with the Directors that the Issue Price is fair and reasonable so far as the Independent Shareholders are concerned.

In addition, we have also reviewed the other terms of the Sale and Purchase Agreement and are not aware of any terms which are uncommon to normal market practice. Accordingly, we are of the view that the terms of the Sale and Purchase Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

### **5. Dilution of the shareholding interests of the public Shareholders**

As at the Latest Practicable Date, there were 1,035,620,125 Shares in issue. Upon completion of the Sale and Purchase Agreement, a total of 31,850,000 Consideration Shares will be issued, representing (i) approximately 3.08% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 2.98% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares.

The table below demonstrates the shareholding structure of the Company (i) as at Latest Practicable Date; and (ii) immediately after the issue of the Consideration Shares:

Shareholder	As at the Latest Practicable Date		Immediately after the issue of the Consideration Shares	
	<i>Number of Shares</i>	<i>% of total issued Shares</i>	<i>Number of Shares</i>	<i>% of total issued Shares</i>
Tsinlien	538,189,143	51.97	570,039,143	53.40
Public Shareholders	<u>497,430,982</u>	<u>48.03</u>	<u>497,430,982</u>	<u>46.60</u>
<b>Total</b>	<b><u><u>1,035,620,125</u></u></b>	<b><u><u>100.00</u></u></b>	<b><u><u>1,067,470,125</u></u></b>	<b><u><u>100.00</u></u></b>

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## LETTER FROM SOUTH CHINA CAPITAL

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As shown by the above table, the shareholding interests of the public Shareholders will be reduced from approximately 48.03% to 46.60% immediately after the issue of the Consideration Shares, representing a minimal dilution of approximately 1.43 percent point.

Although the shareholding interests of the public Shareholders will be diluted in the above listed extent as a result of the issue of the Consideration Shares, after taking also into account that (i) the terms of the Sale and Purchase Agreement (including the Issue Price) were fairly and reasonably set; and (ii) the shareholding interests of the public Shareholders will be diluted in proportion to their respective shareholdings in the Company, we are of the view that the aforementioned minimal dilution to the shareholding interests of the public Shareholders is acceptable.

### **6. Possible financial effects of the Acquisition**

#### *Effect on NAV*

As extracted from the 2007 Interim Report, the unaudited consolidated net assets of Group were approximately HK\$7,535.79 million as at 30 June 2007. As confirmed by the Directors, the Acquisition would lead to an overall increase in the NAV of the Group resulting from the issue of the Consideration Shares.

#### *Effect on earnings*

Upon completion of the Acquisition, Tsinlien Realty will become an indirect wholly-owned subsidiary of the Company and the Group will fully consolidate the financial results of Tsinlien Realty into the Company's financial statements. As mentioned under the section headed "Business and financial information on Tsinlien Realty and the Hotel" in this letter, the unaudited loss of Tsinlien Realty for the ten months ended 31 October 2007 was approximately HK\$45.78 million. The Acquisition would therefore result in an initial reduction in the Group's earnings. Nevertheless, the Directors are confident that Tsinlien Realty would be able to turn around its loss making position within a reasonable period of time after the Hotel start admitting paying guests in the first quarter of 2008 and thereby improving the future earnings of the Group.

#### *Effect on gearing and working capital*

In accordance with the 2007 Interim Report, the Group's gearing position (as calculated as total borrowings divided by Shareholders' fund) was approximately 26.34% as at 30 June 2007. As aforementioned, the Directors confirmed that the Group intends to satisfy approximately HK\$360 million of the Cash Consideration by bank loan. The Group's total borrowings would be increased by the same amount consequently; whereas the Shareholders' fund would also be increased by the principal amount of the Consideration Shares, being HK\$265 million. Accordingly, the Directors confirmed that the gearing position of the Group would be slightly increased due to the Acquisition.

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## LETTER FROM SOUTH CHINA CAPITAL

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In addition, the working capital of the Group would also be reduced by approximately HK\$200 million at the date of completion of the Sale and Purchase Agreement, being the portion of the Cash Consideration which will be financed by internal resources of the Group.

It should be noted that the aforementioned analyses are for illustrative purpose only and does not purport to represent how the financial position of the Company will be upon completion of the Acquisition.

### RECOMMENDATION

Having taken into consideration the above factors and reasons, we are of the opinion that (i) the terms of the Sale and Purchase Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Acquisition is in the ordinary and usual course of business of the Company and is in the interests of the Company and Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolution(s) to be proposed at the Extraordinary General Meeting to approve the Sale and Purchase Agreement and the transactions as contemplated therein and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,  
For and on behalf of  
**South China Capital Limited**  
**Graham Lam**  
*Director*

*The following is the text of the letter and the valuation report received from Knight Frank Petty Limited, an independent property valuer, prepared for the purpose for incorporation in this circular, in connection with their valuation of the property held by the Group as at 30 September 2007.*



Knight Frank Petty Ltd  
4/F Shui On Centre  
6-8 Harbour Road  
Wanchai  
Hong Kong  
Tel: 2840 1177  
Fax: 2840 0600

21 December 2007

The Directors  
Tianjin Development Holdings Limited  
Suites 07-13, 36/F  
China Merchants Tower  
Shun Tak Centre  
168-200 Connaught Road Central  
Hong Kong

Dear Sirs

### **167 Connaught Road West, Sai Ying Pun, Hong Kong**

In accordance with your instructions for us to value the property held by Tsinlien Realty Limited (“Tsinlien Realty”) 津聯置業有限公司 in the Hong Kong Special Administrative Region (the “HKSAR”), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property as at 30 September 2007.

#### **Basis of Valuation**

Our valuation is our opinion of the market value of the property which we would define as intended to mean “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.”

The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special

considerations or concessions granted by anyone associated with the sale, or any element of special value. The market value of a property is also estimated without regard to costs of sale and purchase, and without offset for any associated taxes.

### **Valuation Methodology**

We have valued the property by reference to sale evidence as available in the market.

### **Valuation Assumptions**

We have prepared our valuation in its existing state based on the following assumptions:

- (i) The property will be developed in accordance with the development proposal and development programme provided to us.
- (ii) Modification of the non-offensive trade clause under government lease will be approved by the government by the end of 2007.
- (iii) The design and construction of the development are in compliance with all relevant ordinances and regulations and have been approved by the relevant authorities.

We have prepared our valuation on completion basis based on the following assumptions:

- (i) We have valued the market value of the property on completion basis and subject to a Management Agreement and Memorandum of Understanding in favour of Marriott Hotel International B.V. and Marriott International Management Company B.V. respectively as well as the License and Royalty Agreement in favour of International Hotel Licensing Company and assuming that it is fully completed as at the date of valuation in accordance with the development proposal provided to us. A major portion of our valuation attributable to the business goodwill of the hotel operator. Our valuation is also based on the assumption that the property is ready for immediate occupation and available for sale in the market with the benefit of an Occupation Permit and all approvals, permits and consents from all relevant Government authorities issued without onerous conditions.
- (ii) Modification of the non-offensive trade clause under the government lease has been approved and the associated land premium and administrative costs have been fully paid.
- (iii) The property is readily available for the operation as a 4-star hotel under the brand name of "Courtyard", namely Courtyard by Marriott Hong Kong with relevant documents, such as Occupation Permit, hotel operation License, duly issued by the relevant departments as at the date of valuation.

**Limiting Conditions**

In the course of our valuation, we have relied on a very considerable extent on the information given by the Group. We have accepted advice given to us on such matters as Memorandum of Understanding, Management Agreement, License and Royalty Agreement, particulars of occupancy, development schemes, building plans, numbers of hotel rooms, average room size, completion date and scheduled operation date of the hotel. Property details, such as property description and proposed use included in the valuation report attached are based on information provided to us and are therefore only approximations. We have no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuation. We were also advised by the Group that no material facts have been omitted from the information provided.

We have inspected the exterior and, where possible, the interior of the property. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report that the property is free from rot, infestation or any other structural defects. No tests has been carried out on any of the services. Moreover, we have not carried out investigations on site to determine the suitability of the ground conditions and services etc for any future development. Our valuation is prepared on the assumption that these aspects are satisfactory. We have not been able to carry out on-site measurements to verify the site and floor areas of the property and we have assumed that the areas shown on the documents handed to us are correct.

No allowance has been made in our report for any charges, mortgages or amounts owing on any property interest nor for any expenses or taxation which may be incurred in affecting a sale. Unless otherwise stated, it is assumed that the property interest is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

In preparing our valuation report, we have complied with the “First Edition of The HKIS Valuation Standards on Properties” published by the Hong Kong Institute of Surveyors and all the requirements contained in the provision of Chapter 5 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited.

Our valuation report is attached.

Yours faithfully  
For and on behalf of  
**Knight Frank Petty Limited**  
**Alex S L Ng**  
MRICS MHKIS RPS(GP)  
*Executive Director*

Enc

*Note:* Alex S L Ng, M.R.I.C.S., M.H.K.I.S., R.P.S. (G.P.), has been a qualified valuer with Knight Frank Petty Limited since November 1995 and has 22 years’ experience in the valuation of properties in Hong Kong.

## VALUATION REPORT

Property	Description and Tenure	Particulars of Occupancy	Market value in its existing state as at 30 September 2007	Market value on completion basis as at 30 September 2007												
167 Connaught Road West, Sai Ying Pun, Hong Kong	The property comprises a leveled site with a total site area of approximately 769.51 sq m (8,283 sq ft).	The property was under conversion works as at the date of valuation. The scheduled date of commencement of hotel operation is in the 1st quarter of 2008.	HK\$772,000,000	HK\$825,000,000												
The Remaining Portion of Marine Lot Nos 344 and 364	<p>Currently standing on the property is a 31-storey hotel converted from an office building which was originally built in 1993. The conversion work has been completed by November 2007.</p> <p>The hotel is planned to provide a total of 245 rooms (including 5 suites, 170 king rooms and 70 twin rooms) with gymnasium room, food &amp; beverage services and car parking spaces. The total gross floor area of the building is approximately 11,472.34 sq m (123,488 sq ft.).</p> <p>The proposed uses of the hotel is as follows:-</p> <table border="1"> <thead> <tr> <th>Floor</th> <th>Proposed Use</th> </tr> </thead> <tbody> <tr> <td>Ground</td> <td>: Reception, drop-off area</td> </tr> <tr> <td>1st, 3rd &amp; 5th (4th omitted from floor numbering)</td> <td>: Carpark facilities &amp; back of house</td> </tr> <tr> <td>2nd</td> <td>: Restaurant</td> </tr> <tr> <td>6th</td> <td>: Executive lounge &amp; gymnasium room</td> </tr> <tr> <td>7th to 32nd (13th omitted from floor numbering)</td> <td>: Guest rooms</td> </tr> </tbody> </table> <p>Marine Lot Nos 344 and 364 are held under their respective Government Leases each for a term of 999 years commencing from 29 September 1897 at a total annual Government rent of HK\$152.</p>	Floor	Proposed Use	Ground	: Reception, drop-off area	1st, 3rd & 5th (4th omitted from floor numbering)	: Carpark facilities & back of house	2nd	: Restaurant	6th	: Executive lounge & gymnasium room	7th to 32nd (13th omitted from floor numbering)	: Guest rooms	<p>The property is subject to a Memorandum of Understanding, Management Agreement and License and Royalty Agreement and is to be operated under the brand name of "Courtyard", namely Courtyard by Marriott Hong Kong.</p> <p>The initial term of the Management Agreement and related agreement is 20 years, subject to an agreed management fee based on percentage on gross receipt or operating profit, and shall be renewed on the same terms and conditions for 2 renewal periods of 5 years each upon mutual agreement of the parties.</p>		
Floor	Proposed Use															
Ground	: Reception, drop-off area															
1st, 3rd & 5th (4th omitted from floor numbering)	: Carpark facilities & back of house															
2nd	: Restaurant															
6th	: Executive lounge & gymnasium room															
7th to 32nd (13th omitted from floor numbering)	: Guest rooms															

*Notes:*

1. The registered owner of the property is Tsinlien Realty Limited, previously known as Total Union Limited vide memorial no UB7594768 dated 8 May 1998.
2. The property is subject to a Legal Charge over Hong Kong Real Property in favour of Citic Capital Markets Limited as security trustee for the benefit of the finance parties in consideration of all money vide memorial no 05081600460059 dated 1 August 2005.
3. The property is subject to a Supplemental Legal Charge in favour of Citic Securities Corporate Finance (HK) Ltd, formerly known as Citic Capital Markets Ltd in consideration of all money vide memorial no 07101502950017 dated 28 September 2007.
4. As per the Government Leases for Marine Lot Nos 344 and 364, users of the lots are generally unrestricted, except the usual non-offensive trade clause.
5. The property lies within an area zoned "Commercial/Residential" under Sai Ying Pun & Sheung Wan Outline Zoning Plan No S/H3/21 dated 17 March 2006.
6. The property is subject to the Memorandum of Understanding and Management Agreement ("MA") between Tsinlien Realty Limited ("Owner") and Marriott International Management Company B.V. and its Affiliates Marriott Hotels International B.V. (collectively known as "Marriott") dated 27 February 2006 and 4 May 2007 respectively and the License and Royalty Agreement ("LRA") between the Owner and International Hotel Licensing Company ("IHLC"), all parties agreed to manage the hotel as a Courtyard System hotel. Pursuant to the Management Agreement and the License and Royalty Agreement, the property shall be sold subject to the said Agreements.
7. As advised, the Management Agreement in favour of Tsinlien Realty Limited and Marriott Hotels International B.V. ("Assignor") dated 4 May 2007 has been assigned by the Assignor to its Affiliates Marriott Asia Pacific Management Company Limited ("Assignee") with effective from 1 August 2007.
8. As per our inspection on 1 August 2007, the property was under conversion works.
9. As advised, modification of the non-offensive trade clause under Government Lease has principally been approved but subject to administrative fee payment and formal consent letter.
10. As advised, the Occupation Permit of the hotel has been issued in November 2007 and the proposed date of the commencement of hotel operation will be in about 1st quarter 2008.
11. As advised, the total estimated conversion cost of the property is approximately HK\$202,000,000 and the cost incurred as at 30 September 2007 was approximately HK\$162,000,000.

## 1. RESPONSIBILITY STATEMENT

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

## 2. DISCLOSURE OF INTERESTS

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

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

#### *Dynasty Fine Wines Group Limited*

Name of Director	Capacity	Nature of interest	No. of shares held	Approximate percentage of shares in issued as at the Latest Practicable Date
Wang Jiandong	Beneficial owner	Personal interest	36,000	0.003

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

#### *(a) Tianjin Port Development Holdings Limited*

Name of Directors	No. of shares over which options are exercisable	Exercise price	Grant date	Exercisable from	Exercisable until
Wang Guanghao	2,300,000	HK\$2.28	1 August 2006	1 February 2007	1 August 2016

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

(b) *Dynasty Fine Wines Group Limited*

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

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

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor chief executive of the Company were interested, or were deemed to have interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the Register referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

### 3. DISCLOSURE OF INTERESTS BY SUBSTANTIAL SHAREHOLDER

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

#### (a) Interests in the Company

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

*Note:* As at the Latest Practicable Date, Tianjin Investment Holdings Limited (“Tianjin Investment”) and Tsinlien Venture Capital Company Limited (“Tsinlien Venture”), both being wholly-owned subsidiaries of Tsinlien, held 536,167,143 Shares and 2,022,000 Shares respectively. 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, Dr. Ren Xuefeng, Mr. Nie Jiansheng, Mr. Dai Yan, Mr. Hu Chengli and Mr. Zheng Daoquan are directors of Tsinlien.

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

Name of subsidiaries of the Company	Name of the other shareholders	Approximate percentage of shareholding
Tianjin Jin Zheng Transportation Development Co., Ltd.	Tianjin Eastern Outer Ring Road Co., Ltd.	16.07
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
天津港凱集裝箱服務有限公司 Tianjin Gangkai Container Service Co., Ltd.	Sun Victory Enterprise Company Limited 香港新凱企業有限公司	25.00

<b>Name of subsidiaries of the Company</b>	<b>Name of the other shareholders</b>	<b>Approximate percentage of shareholding</b>
Tianjin Tai Kang Industrial Co., Ltd.	Tianjin Tai Xin Industrial Co., Ltd.	17.26
Tianjin Airfreight Port Equipment Manufacturing Company Limited	Civil Aviation University of China	10.47
Tianjin Gangjin Real Estate Development Co., Ltd.	Tianjin Eastern Outer Ring Road Co., Ltd.	16.07
天津港鑫集裝箱物流有限公司 (Tianjin Gangxin Container Logistics Co., Ltd.)*	Gold Prime Holdings Limited (金得集團有限公司)	25.00
天津港獅集裝箱服務有限公司 (Tianjin Gangshi Container Services Co., Ltd.)*	(1) Singapore Pacific Shipping Company Limited (新加坡太平船務有限公司)	25.00
	(2) Sinotrans Container Shipping Company Limited (中外運集裝箱運輸有限公司)	20.00
天津港海豐保稅物流有限公司 (Tianjin Port Haifeng Bonded Logistics Co., Ltd.)*	Mapletree Tianjin Free Port Development (HKSAR) Limited	49.00

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

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

**4. DIRECTORS' SERVICE AGREEMENTS**

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. COMPETING INTEREST**

As at the Latest Practicable Date, 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.

**6. INTEREST 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 Acquisition. Woo, Kwan, Lee & Lo will receive normal fees for professional services rendered in connection with such transaction.

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.

**7. MATERIAL ADVERSE CHANGE**

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

**8. LITIGATION**

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

**9. QUALIFICATION OF EXPERTS**

The followings are the qualifications of the experts who have given opinion or advice contained in this circular:

<b>Name</b>	<b>Qualification</b>
South China Capital	a deemed licensed corporation to carry out type 6 (advising on corporate finance) regulated activity as set out in Schedule 5 to the SFO
Knight Frank	An independent qualified property valuer

**10. EXPERTS' INTERESTS IN ASSETS**

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

**11. CONSENT OF EXPERTS**

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

**12. GENERAL**

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

(d) The English text of this circular shall prevail over the Chinese text.

### **13. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the Sale and Purchase Agreement will be available for inspection at the office of Messrs. Woo, Kwan, Lee & Lo at 26th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong during normal business hours on any weekday, except public holidays, from the date of this circular up to and including 4 January 2008.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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天津發展控股有限公司

TIANJIN DEVELOPMENT HOLDINGS LIMITED

*(Incorporated in Hong Kong with limited liability under the Companies Ordinance)*

**(Stock Code: 882)**

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting of Tianjin Development Holdings Limited (the “Company”) will be held at Alexandra Room, 2nd Floor, Mandarin Oriental Hong Kong, 5 Connaught Road Central, Hong Kong on 16 January 2008 at 3:00 p.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution as ordinary resolution:

#### ORDINARY RESOLUTION

“**THAT:**

- (i) the conditional sale and purchase agreement (the “**Sale and Purchase Agreement**”) dated 3 December 2007 entered into among (i) the Company, (ii) Championwin Limited (“**Championwin**”), an indirect wholly-owned subsidiary of the Company, and (iii) Tsinlien Group Company Limited (“**Tsinlien**”) (a copy of which is tabled at the meeting and marked “A” and initialed by the chairman of the meeting for identification purposes), whereby Championwin agreed to purchase and Tsinlien agreed to sell (i) the entire issued share capital of Tsinlien Realty Limited (“**Tsinlien Realty**”) and (ii) all the shareholder’s loan advanced by Tsinlien to Tsinlien Realty at the completion of the Sale and Purchase Agreement, for a total consideration of HK\$825,000,000 which will be satisfied as to HK\$560,000,000 paid in cash and as to the balance thereof, being HK\$265,000,000, by the allotment and issue of 31,850,000 new shares of HK\$0.10 each in the share capital of the Company (collectively the “**Consideration Shares**”) at an issue price of approximately HK\$8.32 per share to Tsinlien or its nominee(s) be and are hereby approved, confirmed and ratified and the directors (the “**Directors**”) of the Company be and are hereby authorized to do all such acts and things and execute all such documents which they consider necessary, desirable or expedient for the implementation of and giving effect to the Sale and Purchase Agreement and the transactions contemplated thereunder; and
- (ii) conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and the permission to deal in, the Consideration Shares, the allotment and issue of the Consideration Shares of HK\$0.10 each of the Company credited as fully paid at an issue price of approximately HK\$8.32 per Consideration Share to the Tsinlien or its nominee(s) pursuant to the Sale and Purchase Agreement be and is hereby approved and any Director be and is hereby authorised to allot and issue the Consideration Shares in accordance with the

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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terms of the Sale and Purchase Agreement and to take all steps necessary, desirable or expedient in his opinion to implement or give effect to the allotment and issue of the Consideration Shares.”

By Order of the Board  
**Tianjin Development Holdings Limited**  
**Ren Xuefeng**  
*Chairman*

Hong Kong, 21 December 2007

*Notes:*

- (1) Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote instead of him. A proxy need not be a member of the Company.
- (2) To be valid, the form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power of attorney or authority, must be deposited at the Company's share registrar, Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting (or any adjournment thereof, as the case may be).
- (3) The ordinary resolution as set out above will be determined by way of poll.
- (4) The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.
- (5) As at the date of this notice, the Board consists of sixteen Directors, namely Dr. Ren Xuefeng, Mr. Yu Rumin, Mr. Nie Jiansheng, Mr. Dai Yan, Mr. Hu Chengli, Dr. Wang Jiandong, Mr. Bai Zhisheng, Mr. Zhang Wenli, Mr. Sun Zengyin, Dr. Zong Guoying and Mr. Zheng Daoquan as executive Directors; Mr. Wang Guanghao and Mr. Cheung Wing Yui as non-executive Directors; and Mr. Kwong Che Keung, Gordon, Mr. Lau Wai Kit and Dr. Cheng Hon Kwan as independent non-executive Directors.