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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 Hong Kong Companies Ordinance)

(Stock code: 882)

DISCLOSEABLE TRANSACTION AND CONNECTED TRANSACTION

On 27 July 2007, the Company, Coastal Rapid and Starwell (as the case may be) entered into the Dynamic Infrastructure Agreement, the 40% Golden Horse Agreement, the 60% Golden Horse Agreement, the Coastal Rapid Agreement and the Pearl Harbour Agreement.

Pursuant to Chapters 14 and 14A of the Listing Rules, the Transaction constitutes a discloseable and connected transaction of the Company. As some of the applicable percentage ratios exceed 5% but are less than 25%, the Transaction constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and circular requirements under Chapter 14 of the Listing Rules. As at the date of this announcement, Starwell, a substantial shareholder of Coastal Rapid, which in turn is a non wholly-owned subsidiary of the Company, is a connected person of the Company. Accordingly, the Transaction also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting and announcement requirements and the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. Starwell and its associates will be required to abstain from voting in respect of the ordinary resolution to be proposed at the EGM for approving, if thought fit, the Transaction and the transactions contemplated thereunder.

An independent board committee comprising independent non-executive Directors will be formed to advise the Independent Shareholders and an independent financial adviser will be appointed to advise the independent board committee and the Independent Shareholders in respect of the Transaction and the transactions contemplated thereunder.

A circular containing, among other things, (i) further details of the Transaction; (ii) a letter of recommendation from the independent board committee to the Independent Shareholders in respect of the Transaction and the transactions contemplated thereunder; (iii) a letter of advice from the independent financial adviser to the independent board committee and the Independent Shareholders in respect of the Transaction and the transactions contemplated thereunder; and (iv) a notice of the EGM will be despatched to the Shareholders as soon as reasonably practicable and in compliance with the Listing Rules.

THE TRANSACTION

On 27 July 2007, the Company, Coastal Rapid and Starwell (as the case may be) entered into the Dynamic Infrastructure Agreement, the 40% Golden Horse Agreement, the 60% Golden Horse Agreement, the Coastal Rapid Agreement and the Pearl Harbour Agreement.

The Dynamic Infrastructure Agreement

Date

27 July 2007

Parties

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

Asset to be transferred within the Group

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

Dynamic Infrastructure is an intermediate holding company for the purposes of holding 83.93% interest in Eastern Outer Ring Road and 6.62% interest in Phase I of the Tang Jin Expressway.

Consideration

The consideration is HK\$1.00.

The 40% Golden Horse Agreement

Date

27 July 2007

Parties

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

Asset to be transferred within the Group

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

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

Consideration

The consideration is HK\$1.00.

The 60% Golden Horse Agreement

Date

27 July 2007

Parties

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

The purchaser: Starwell

Asset to be disposed of by the Group

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

Consideration

The consideration is HK\$1.00.

The Coastal Rapid Agreement

Date

27 July 2007

Parties

The vendor: Starwell

The purchaser: the Company

Asset to be acquired by the Group

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

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

Consideration

The consideration is HK\$1.00.

The Pearl Harbour Agreement

Date

27 July 2007

Parties

The vendor: Starwell

The purchaser: the Company

Asset to be acquired by the Group

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

Pearl Harbour is a dormant company.

Consideration

The consideration is HK\$1.00.

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

Conditions of the Transaction

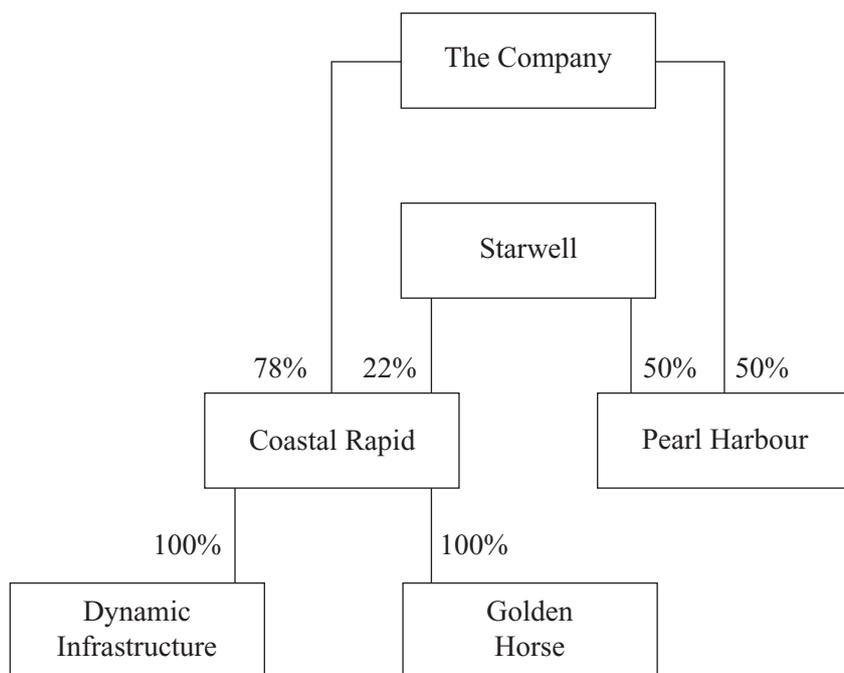
Completion is conditional upon the fulfilment of the following conditions:–

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

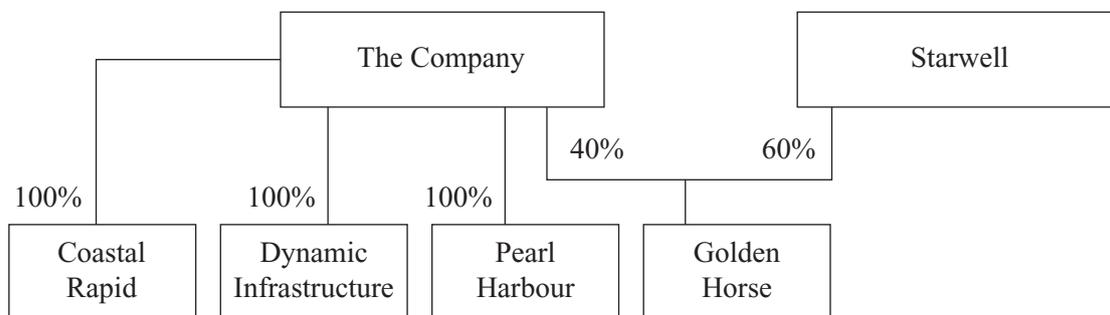
Upon Completion, Dynamic Infrastructure, Coastal Rapid and Pearl Harbour will become direct wholly-owned subsidiaries of the Company and Golden Horse will be held by Starwell as to 60% and the Company as to 40%.

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

Before Completion:



Immediately after Completion:



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

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

Consideration

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

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

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

the Company will, however, depend on the net assets value of the Subject Companies attributable to the Company at the date of completion) which in essence was substantially comprised of the recognition of the 22% one-off gain net of income tax. Therefore, both the Company and Starwell agreed to settle this transaction by means of a nominal consideration of HK\$1.00. The Directors are therefore of the view that the basis of the consideration for the Transaction was fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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

2005	Profit/(loss) before taxation and extraordinary items		Profit/(loss) after taxation and extraordinary items	
	<i>approximately</i>		<i>approximately</i>	
	<i>RMB'000</i>	<i>HK\$'000</i>	<i>RMB'000</i>	<i>HK\$'000</i>
Dynamic Infrastructure	94,341	96,266	80,647	82,293
Golden Horse	(13,708)	(13,988)	(13,318)	(13,590)
Coastal Rapid	68,170	69,561	54,865	55,985
Pearl Harbour		(208)		(208)

2006	Profit/(loss) before taxation and extraordinary items		Profit/(loss) after taxation and extraordinary items	
	<i>approximately</i>		<i>approximately</i>	
	<i>RMB'000</i>	<i>HK\$'000</i>	<i>RMB'000</i>	<i>HK\$'000</i>
Dynamic Infrastructure	70,643	72,085	62,336	63,608
Golden Horse	(10,074)	(10,280)	(9,633)	(9,830)
Coastal Rapid	56,512	57,665	48,647	49,640
Pearl Harbour		(191)		(191)

2006	Net assets/(liabilities)	
	<i>approximately</i>	
	<i>RMB'000</i>	<i>HK\$'000</i>
Dynamic Infrastructure	2,017,098	2,058,263
Golden Horse	461,574	470,994
Coastal Rapid	2,459,134	2,509,320
Pearl Harbour		(8,990)

Upon Completion, the Company expects to record a deemed gain arising from the Transaction calculated with reference to the share of net asset value of the Subject companies as at the date of Completion. Based on the unaudited share of net asset value of the Subject Companies as at 31 December 2006 before and after the Transaction, the Company expects to record a deemed gain arising from the Transaction of approximately HK\$171 million. The actual deemed gain arising from the Transaction to be recorded by the Company will depend on the net assets value of the Subject Companies attributable to the Company at the date of Completion.

Completion

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

INFORMATION OF THE COMPANY

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

INFORMATION OF STARWELL

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

REASONS FOR AND BENEFITS OF THE TRANSACTION

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

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

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

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

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

GENERAL

Pursuant to Chapters 14 and 14A of the Listing Rules, the Transaction constitutes a discloseable and connected transaction of the Company. As some of the applicable percentage ratios exceed 5% but are less than 25%, the Transaction constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and circular requirements under Chapter 14 of the Listing Rules. As at the date of this announcement, Starwell, a substantial shareholder of Coastal Rapid, which in turn is a non wholly-owned subsidiary of the Company, is a connected person of the Company. Accordingly, the Transaction also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting and announcement requirements and the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. Starwell and its associates will be required to abstain from voting in respect of the ordinary resolution to be proposed at the EGM for approving, if thought fit, the Transaction and the transactions contemplated thereunder.

An independent board committee comprising independent non-executive Directors will be formed to advise the Independent Shareholders and an independent financial adviser will be appointed to advise the independent board committee and the Independent Shareholders in respect of the Transaction and the transactions contemplated thereunder.

A circular containing, among other things, (i) further details of the Transaction; (ii) a letter of recommendation from the independent board committee to the Independent Shareholders in respect of the Transaction and the transactions contemplated thereunder; (iii) a letter of advice from the independent financial adviser to the independent board committee and the Independent Shareholders in respect of the Transaction and the transactions contemplated thereunder; and (iv) a notice of the EGM will be despatched to the Shareholders as soon as reasonably practicable and in compliance with the Listing Rules.

DEFINITIONS

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

“40% Golden Horse Agreement”	the sale and purchase agreement dated 27 July 2007 between Coastal Rapid as vendor, the Company as purchaser and Starwell as warrantor in respect of 40% of the issued share capital in Golden Horse
“60% Golden Horse Agreement”	the sale and purchase agreement dated 27 July 2007 between Coastal Rapid as vendor and Starwell as purchaser in respect of 60% of the issued share capital in Golden Horse
“Board”	the board of Directors
“Business Day(s)”	a day on which banks are open for business in Hong Kong (except Saturday)
“Coastal Rapid”	Coastal Rapid Transit Company Limited (濱海交通發展有限公司), an exempted company incorporated in the Cayman Islands on 14 January 2003 with limited liability which is currently held by the Company as to 78% and Starwell as to 22%
“Coastal Rapid Agreement”	the sale and purchase agreement dated 27 July 2007 between Starwell as vendor and the Company as purchaser in respect of 22% of the issued share capital in Coastal Rapid
“Company”	Tianjin Development Holdings Limited (天津發展控股有限公司), a company incorporated in Hong Kong with limited liability and the shares of which are listed on the main board of the Stock Exchange
“Completion”	the completion of the Transaction
“connected person”	has the meaning ascribed to it under the Listing Rules

“Directors”	the directors of the Company
“Dynamic Infrastructure”	Dynamic Infrastructure Limited, a company incorporated in the British Virgin Islands on 12 June 2002 with limited liability and a wholly-owned subsidiary of Coastal Rapid
“Dynamic Infrastructure Agreement”	the sale and purchase agreement dated 27 July 2007 between Coastal Rapid as vendor and the Company as purchaser in respect of the entire issued share capital in Dynamic Infrastructure
“Eastern Outer Ring Road”	the 42.5 km long eastern section of the outer ring road of Tianjin between the junction with Yixingbu Road and the junction with Jinjing Road
“EGM”	the extraordinary general meeting of the Company to be convened at which an ordinary resolution will be proposed to approve, if thought fit, the Transaction and the transactions contemplated thereunder
“Golden Horse”	Golden Horse Resources Limited, a company incorporated in the British Virgin Islands on 12 February 2002 with limited liability and a wholly-owned subsidiary of Coastal Rapid
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Income Receiving Right”	The right of Tianjin Jinzheng Transportation Company to receive the incentive determined and paid by the Tianjin Government to Tianjin Jinzheng Transportation Company, pursuant to the “Administrative Rules on the Exclusive Management of the Eastern Outer Ring Road” (天津市外環線東段道路專營管理辦法) promulgated by the People’s Government of the Tianjin Municipality on 13 November 1997, from the completion of the proposed transfer of such right to October 2027
“Independent Shareholders”	the Shareholders other than Starwell and its associates
“Independent Third Party(ies)”	an independent third party(ies) which is not connected with the chief executive, directors and substantial shareholders of the Company or any of their respective subsidiaries and their respective associates

“Jinbin Expressway”	the Jinbin Expressway connecting the Tianjin City and the New Coastal Area in the Tianjin Municipality
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Pearl Harbour”	Pearl Harbour Investment Limited, a company incorporated in the British Virgin Islands on 30 July 2002 with limited liability which is currently held by the Company as to 50% and Starwell as to 50%
“Pearl Harbour Agreement”	the sale and purchase agreement dated 27 July 2007 between Starwell as vendor and the Company as purchaser in respect of 50% of the issued share capital in Pearl Harbour
“Phase I of the Tang Jin Expressway”	Phase I of the Tang Jin section of the Shan Guang Highway which has a total length of 3,000 km and runs from Shanhaiguan to Guangzhou
“PRC”	the People’s Republic of China
“Shareholder(s)”	the registered holder(s) of the shares in the Company
“Starwell”	Starwell Holdings Limited, a company incorporated in the British Virgin Islands on 20 August 1996 with limited liability
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subject Companies”	Dynamic Infrastructure, Golden Horse, Coastal Rapid, Pearl Harbour and their respective subsidiaries (as the case may be)
“Tianjin Jinzheng Transportation Company”	Tianjin Jin Zheng Transportation Development Co., Ltd. (天津津政交通發展有限公司), a Sino-foreign co-operative joint venture established under the laws of the PRC on 25 October 1997, owned as to 83.9308% by Dynamic Infrastructure
“Transaction”	the Dynamic Infrastructure Agreement, the 40% Golden Horse Agreement, the 60% Golden Horse Agreement, the Coastal Rapid Agreement and the Pearl Harbour Agreement

“US\$”

US dollars, the lawful currency of the United States of America

By Order of the Board

Wang Guanghao

Chairman

Hong Kong, 27 July 2007

As at the date of this announcement, the Board consists of Mr. Wang Guanghao, Dr. Ren Xuefeng, Mr. Yu Rumin, Mr. Nie Jiansheng, Mr. Dai Yan, Mr. Hu Chengli, Dr. Wang Jiandong, Mr. Bai Zhisheng, Mr. Zhang Wenli, Mr. Sun Zengyin, Dr. Zong Guoying and Mr. Zheng Daoquan as executive directors; Mr. Cheung Wing Yui as non-executive director; and Mr. Kwong Che Keung, Gordon, Mr. Lau Wai Kit and Dr. Cheng Hon Kwan as independent non-executive directors.

Unless otherwise stated, amounts in RMB have been translated into HK\$ at exchange rate of HK\$1.00 to RMB0.98 for illustration purposes only. No representation is made that any amounts in RMB or HK\$ can be or could have been converted at the relevant dates at the above rate or any other rate at all.