
THIS SUPPLEMENTAL CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this supplemental circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this supplemental circular.

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

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



天津发展控股有限公司

TIANJIN DEVELOPMENT HOLDINGS LIMITED

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

**MAJOR TRANSACTION
IN RELATION TO THE TRANSFER OF THE
INCOME RECEIVING RIGHT OF THE
EASTERN OUTER RING ROAD
TO TEDA INVESTMENT COMPANY LIMITED**

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	
Introduction	5
The Proposed Transfer	6
Appendix I — General Information	13

DEFINITIONS

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

“Administrative Rules”	the “Administrative Rules on the Exclusive Management of the Eastern Outer Ring Road” 《天津市外環綫東段道路專營管理辦法》 promulgated by the Tianjin Government on 13 November 1997
“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Basic Operating Income”	the incentive determined and paid by the Tianjin Government to Tianjin Jinzheng Transportation Company pursuant to the Administrative Rules
“Board”	board of Directors of the Company
“Circular”	the circular despatched to the Tianjin Development Shareholders dated 13 December 2003 in respect of matters relating to, amongst others, the Spin-off and the Proposed Transfer
“CMB”	China Merchants Bank
“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 wholly-owned by the Company
“Coastal Rapid Shares”	ordinary shares of HK\$0.10 each in the share capital of Coastal Rapid
“Company”	Tianjin Development Holdings Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange
“Completion”	the completion of the Proposed Transfer
“Directors”	the directors of the Company
“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
“Eastern Outer Ring Road Company”	Tianjin Eastern Outer Ring Road Co., Ltd. (天津市外環東路有限公司), a State-owned limited liability company established under the laws of the PRC and a wholly-owned subsidiary of Tianjin Engineering Bureau
“Eastern Outer Ring Road Toll Collection Agreement”	the agreement dated 20 August 2003 entered into between Tianjin Jinzheng Transportation Company and the Toll Collection Office pursuant to which the former appointed the latter to implement a centralised toll collection and payment system for the Eastern Outer Ring Road
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Hong Kong GAAP”	Generally Accepted Accounting Principles in Hong Kong, the accounting principles generally accepted and adopted by the Hong Kong Society of the Accountants
“Income Receiving Right”	the right of Tianjin Jinzheng Transportation Company to receive the Basic Operating Income pursuant to the Administrative Rules from the completion of the Proposed Transfer to October 2027
“Latest Practicable Date”	23 December 2003, being the latest practicable date prior to the printing of this supplemental circular for ascertaining certain information contained herein
“Letter of Intent”	the non-legally binding letter of intent in respect of the Proposed Transfer dated 18 October 2002 between Tianjin Jinzheng Transportation Company as transferor and TEDA Investment Co. as transferee
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	a bank loan in an amount of RMB850 million (equivalent to approximately HK\$801.38 million) granted by CMB to Tianjin Jinzheng Transportation Company on 16 August 1999 and repayable to the Tianjin branch of CMB pursuant to an assignment of debt between, amongst others, CMB and the Tianjin branch of CMB dated 30 November 2000
“PRC”	the People’s Republic of China, but for the purpose of this supplemental circular and for geographical reference only, does not apply to Hong Kong, the Macau Special Administrative Region and Taiwan
“Proposed Transfer”	the proposed transfer of the Income Receiving Right from Tianjin Jinzheng Transportation Company to TEDA Investment Co. pursuant to the Letter of Intent
“RMB”	Renminbi, the lawful currency of the PRC
“Segregated Land”	the land use rights of 4.2 hectares of land situated east of Youyi Road, south of Binshui Road, Hexi district and west of Yuexiu Road granted to Tianjin Jinzheng Transportation Company pursuant to the State-owned Land Use Rights contract dated 14 January 2002 entered into between The Planning and Land Resources Bureau of Tianjin Municipality* (天津市規劃和國土資源局) and Tianjin Jinzheng Transportation Company
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Spin-off”	the proposed spin-off and separate listing of the Coastal Rapid Shares on the main board of the Stock Exchange
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning as provided in section 2 of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)

DEFINITIONS

“substantial shareholder”	has the same meaning ascribed to it in the Listing Rules
“TEDA Administrative Commission”	the Tianjin Economic-Technological Development Area Administrative Commission (天津經濟技術開發區管理委員會), which is an agency of the Tianjin Government responsible for the overall administration of the Tianjin Economic and Technological Development Area on behalf of the Tianjin Government
“TEDA Investment Co.”	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 under the supervision of the TEDA Administrative Commission which is independent of and not connected with any of the Directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or their respective associates
“Tianjin City”	the city of Tianjin, PRC
“Tianjin Development Group”	the Company and its subsidiaries (excluding the Coastal Rapid Group)
“Tianjin Development Shareholders”	shareholders of the Company
“Tianjin Development Shares”	shares of HK\$0.10 each in the share capital of the Company
“Tianjin Engineering Bureau”	the Engineering Bureau of the Tianjin Municipality (天津市市政工程局)
“Tianjin Finance Bureau”	the Finance Bureau of the Tianjin Municipality (天津市財務局)
“Tianjin Government”	the People’s Government of the Tianjin Municipality (天津市人民政府)
“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 the Company and as to 16.0692% by Eastern Outer Ring Road Company
“Tianjin Municipality”	the municipality of Tianjin, PRC
“Toll Collection Office”	Tianjin City Indebted Road Construction Vehicle Toll Collection Office (天津市貸款道路建設車輛通行費徵收辦公室)
“Toll Reimbursement”	the payment received by Tianjin Jinzheng Transportation Company from the Toll Collection Office pursuant to the Eastern Outer Ring Road Toll Collection Agreement

DEFINITIONS

“Tsinlien”

Tsinlien Group Company Limited, a company incorporated in Hong Kong on 19 October 1979 with limited liability and controlled by the Tianjin Government, the ultimate holding company of the Company

Unless otherwise specified in this supplemental circular, amounts denominated in RMB have been translated (for information only) into HK\$ at an exchange rate of RMB1 to HK\$0.9428. No representation is made that any amounts in RMB or HK\$ could have been or could be converted at such a rate or at any other rates or at all.

** For identification only*

LETTER FROM THE BOARD



天津發展控股有限公司

TIANJIN DEVELOPMENT HOLDINGS LIMITED

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

Directors:

Mr. Wang Guanghao (*Chairman*)
Mr. Zhou Sichun (*Vice Chairman*)
Mr. Yu Rumin (*Vice Chairman*)
Mr. Chen Zihe
Dr. Zhang Hongru
Dr. Wang Jiandong
Mr. He Xiuheng
Mr. Yang Liheng
Mr. Sun Zengyin
Mr. Pang Jinhua
Mr. Ye Disheng*
Mr. Kwong Che Keung, Gordon**
Mr. Cheung Wing Yui**
Mr. Lau Wai Kit**
Dr. Cheng Hon Kwan**

Registered Office:

26th–38th Floor
Tianjin Building
167 Connaught Road West
Hong Kong

* *Non-executive Directors*

** *Independent non-executive Directors*

27 December 2003

To the Tianjin Development Shareholders

Dear Sir or Madam,

**MAJOR TRANSACTION
IN RELATION TO THE TRANSFER OF THE
INCOME RECEIVING RIGHT OF THE
EASTERN OUTER RING ROAD
TO TEDA INVESTMENT COMPANY LIMITED**

INTRODUCTION

This supplemental circular should be read together with the Circular which contained information on, amongst others, the Spin-off and the Proposed Transfer.

On 12 December 2003, the Directors announced that Tianjin Jinzheng Transportation Company has entered into a non-legally binding Letter of Intent with TEDA Investment Co. on 18 October 2002, pursuant to which Tianjin Jinzheng Transportation Company agreed to transfer the Income Receiving Right to TEDA Investment Co. for a consideration of RMB750 million (equivalent to approximately HK\$707 million) upon Completion.

LETTER FROM THE BOARD

TEDA Investment Co. is a State-owned enterprise incorporated in the PRC under the supervision of the TEDA Administrative Commission. TEDA Investment Co. is independent of and not connected with any of the Directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or their respective associates.

The consideration in the amount of RMB750 million (equivalent to approximately HK\$707 million) will be satisfied by TEDA Investment Co. assuming the obligation to repay RMB750 million (equivalent to approximately HK\$707 million) in respect of an existing bank loan of RMB800 million (equivalent to approximately HK\$755 million) owed by Tianjin Jinzheng Transportation Company to the Tianjin branch of CMB. The purpose of the Loan was to raise funds for the redevelopment works of the Eastern Outer Ring Road. RMB30 million and RMB20 million (equivalent to approximately HK\$28 million and HK\$19 million) have already been settled by Tianjin Jinzheng Transportation Company itself in February 2003 and November 2003 respectively. For the avoidance of doubt, after the repayment of RMB750 million (equivalent to approximately HK\$707 million) by TEDA Investment Co., the outstanding amount of RMB50 million (equivalent to approximately HK\$47 million) together with all the obligations under the Loan will continue to be borne by Tianjin Jinzheng Transportation Company.

The terms and conditions of the Proposed Transfer have been negotiated on an arm's length basis and are on normal commercial terms. The Directors consider that the terms of the Proposed Transfer are fair and reasonable and are in the interests of the Company and the Tianjin Development Shareholders taken as a whole. The Proposed Transfer constitutes a major transaction for the Company under Chapter 14 of the Listing Rules. The Proposed Transfer has, in accordance with Rule 14.10 of the Listing Rules, been approved by Tsinlien, who is the controlling shareholder of the Company and has no special interest in the Proposed Transfer and holds more than 50% of the Tianjin Development Shares giving the right to attend and vote at such general meeting. As such, no extraordinary general meeting will be necessary to approve the Proposed Transfer.

The purpose of this supplemental circular is to provide Tianjin Development Shareholders with additional information on the Proposed Transfer, in particular, the indebtedness and contingent liabilities of the Tianjin Development Group as set out in Appendix I herein.

THE PROPOSED TRANSFER

(1) The Letter of Intent

Date : 18 October 2002

Parties

Transferor : Tianjin Jinzheng Transportation Company

Transferee : TEDA Investment Co.

Tianjin Jinzheng Transportation Company, a 83.9308% owned subsidiary of the Company, entered into a non-legally binding Letter of Intent with TEDA Investment Co. on 18 October 2002. Upon completion of the Spin-off, Tianjin Jinzheng Transportation Company will be owned as to 83.9308% by Dynamic Infrastructure which in turn will become a wholly-owned subsidiary of Coastal Rapid.

Pursuant to the Letter of Intent, Tianjin Jinzheng Transportation Company agreed to transfer the Income Receiving Right to TEDA Investment Co. at a consideration of RMB750 million (equivalent to approximately HK\$707 million) upon Completion. TEDA Investment Co. was chosen to be the transferee of

LETTER FROM THE BOARD

the Proposed Transfer as it is one of the largest investment companies in Tianjin with strong financial background. Furthermore, Tianjin Jinzheng Transportation Company believes that it is difficult to identify other companies in Tianjin that could afford to pay such a huge consideration for the Proposed Transfer. For details of the conditions of the Proposed Transfer, please refer to the paragraph headed “(5) Conditions” below.

The contents of the Letter of Intent are subject to the final approval by the respective boards of directors of Tianjin Jinzheng Transportation Company and TEDA Investment Co. and the terms and conditions under the Letter of Intent shall become legally binding when the respective boards of directors of both Tianjin Jinzheng Transportation Company and TEDA Investment Co. have passed resolutions thereto. Resolution to approve the Letter of Intent and transfer of the Income Receiving Right was passed by the board of TEDA Investment Co. on 25 March 2003 and will be passed by the board of Tianjin Jinzheng Transportation Company on a date to be decided and before the Spin-off of the Coastal Rapid Shares.

TEDA Investment Co. is a State-owned enterprise incorporated in the PRC which is under the supervision of the TEDA Administrative Commission. TEDA Investment Co. is independent of and not connected with any of the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or their respective associates. TEDA Administrative Commission, which is an agency of the Tianjin Government responsible for the overall administration of the Tianjin Economic and Technological Development Area on behalf of the Tianjin Government, does not involve in the management and daily operation of TEDA Investment Co.

(2) Information on Tianjin Jinzheng Transportation Company

Tianjin Jinzheng Transportation Company is a Sino-foreign co-operative joint venture enterprise established under the laws of the PRC on 25 October 1997 with registered capital of RMB1,104,596,200 (equivalent to approximately HK\$1,041,413,297), and is owned as to 83.9308% by Dynamic Infrastructure and as to 16.0692% by Eastern Outer Ring Road Company.

Tianjin Jinzheng Transportation Company is principally engaged in the construction, operations, management and collection of tolls on the Eastern Outer Ring Road. Tianjin Jinzheng Transportation Company has been granted by the Tianjin Government the exclusive right to operate, manage and maintain the Eastern Outer Ring Road in Tianjin for a 30-year term commencing from 25 October 1997 pursuant to the Administrative Rules. The Directors confirmed that, after consultation with the PRC legal advisers to Coastal Rapid, all obligations of Tianjin Jinzheng Transportation Company relating to the Income Receiving Right will be discharged upon completion of the Proposed Transfer. No consideration was required for the grant by the Tianjin Government of the exclusive operating rights.

The Administrative Rules were promulgated by the Tianjin Government on 13 November 1997 to give effect to and to regulate the management of the Eastern Outer Ring Road by Tianjin Jinzheng Transportation Company. Under the Administrative Rules:

- (i) Tianjin Jinzheng Transportation Company is granted by the Tianjin Government the exclusive right to operate, manage and maintain the Eastern Outer Ring Road in Tianjin and entitled to receive from the Tianjin Government the Basic Operating Income as per the Income Receiving Right for the period from fourth quarter of 1997 to October 2027; and
- (ii) Tianjin Jinzheng Transportation Company shall be responsible for the road maintenance, road safety and road equipment of the Eastern Outer Ring Road.

LETTER FROM THE BOARD

Pursuant to the Administrative Rules, for the year ended 31 December 1997, the Basic Operating Income received by Tianjin Jinzheng Transportation Company pursuant to the Administrative Rules amounted to RMB110 million (equivalent to approximately HK\$103 million) which was calculated in accordance with a formula set before the Administrative Rules were introduced. The Administrative Rules provide that the Basic Operating Income will be increased by not less than 20% every five years and will increase annually at: (i) the same rate as the total city road construction supplement charges or (ii) 2%, whichever is higher. For the year ended 31 December 2002, the Basic Operating Income received by Tianjin Jinzheng Transportation Company was RMB145 million (equivalent to approximately HK\$137 million).

In 1999, Tianjin Jinzheng Transportation Company was also granted by the Tianjin Government the right to construct toll stations and to collect tolls on the Eastern Outer Ring Road from vehicle users for a period of 28 years commencing from November 1999 to October 2027.

On 30 May 2003, the Tianjin Government announced the implementation of new toll collection arrangements in Tianjin aimed at improving traffic efficiency in the municipality. The new arrangements came into effect on 1 June 2003 and the Toll Collection Office was established to centralise the collection of toll.

Under the Eastern Outer Ring Road Toll Collection Agreement, Tianjin Jinzheng Transportation Company and the Toll Collection Office agreed to implement a centralised toll collection and payment system for the Eastern Outer Ring Road in return for a Toll Reimbursement payable by the Toll Collection Office. Tianjin Jinzheng Transportation Company would record the traffic flow through the two existing toll stations on the Eastern Outer Ring Road and submit a traffic flow report setting out the traffic volume and types of vehicles travelling on the Eastern Outer Ring Road to the Toll Collection Office every Tuesday and Friday. Upon receipt of such traffic flow reports, the Toll Collection Office would pay the Toll Reimbursement by cheque to Tianjin Jinzheng Transportation Company on the same day. The Toll Reimbursement is calculated in accordance with the following formula:

Number of various types of vehicles travelling on the Eastern Outer Ring Road recorded by the two toll stations on the Eastern Outer Ring Road multiplied by the relevant toll rates multiplied by 40%

The toll rates applicable to the Eastern Outer Ring Road prior to the implementation of the new toll collection arrangement are the same as the rates used to calculate the Toll Reimbursement received from the Toll Collection Office.

The new toll collection arrangements did not affect Tianjin Jinzheng Transportation Company's exclusive operating right in respect of the Eastern Outer Ring Road pursuant to the Administrative Rules nor its toll collection right and the toll collection permit. There has been no material impact on the cashflow of the Tianjin Development Group as a result of the implementation of the new toll arrangements.

LETTER FROM THE BOARD

The table below lists out the audited revenue of Tianjin Jinzheng Transportation Company under Hong Kong GAAP for the six years ended 31 December 2002:

	Year ended 31 December					
	1997	1998	1999	2000	2001	2002
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
	million	million	million	million	million	million
Basic Operating Income	103	105	108	110	112	137
Toll revenue	<u>Nil</u>	<u>Nil</u>	<u>13</u>	<u>91</u>	<u>104</u>	<u>124</u>
Total	<u>103</u>	<u>105</u>	<u>121</u>	<u>201</u>	<u>216</u>	<u>261</u>

The table below lists out the road management fees and repairs and maintenance costs incurred by Tianjin Jinzheng Transportation Company in respect of the maintenance of the Eastern Outer Ring Road under Hong Kong GAAP for the six years ended 31 December 2002:

	Year ended 31 December					
	1997	1998	1999	2000	2001	2002
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
	million	million	million	million	million	million
Road management fees	21	23	25	27	29	31
Repairs and maintenance costs	Nil	Nil	Nil	Nil	20	8

Pursuant to the document (Jin Guo Shui Jing [2001] No.56) issued by the State Tax Bureau of the Tianjin Economic Technological Development Area, Tianjin Jinzheng Transportation Company is a production enterprise and is entitled to a preferential PRC enterprise income tax rate of 15%.

With the tax exemptions granted for the year 2001, the audited net profit before and after taxation of Tianjin Jinzheng Transportation Company under Hong Kong GAAP for the year ended 31 December 2001 were approximately RMB65 million (equivalent to approximately HK\$62 million) and RMB66 million (equivalent to approximately HK\$58 million). The audited net profit before and after taxation of Tianjin Jinzheng Transportation Company under Hong Kong GAAP for the year ended 31 December 2002 were approximately RMB99 million (equivalent to approximately HK\$93 million) and RMB91 million (equivalent to approximately HK\$86 million) respectively. The audited net asset value of Tianjin Jinzheng Transportation Company (including the Segregated Land) under Hong Kong GAAP as at 31 December 2002 was approximately RMB1,214 million (equivalent to approximately HK\$1,145 million).

(3) Right to be transferred

Pursuant to the Letter of Intent, Tianjin Jinzheng Transportation Company has agreed to transfer and TEDA Investment Co. has agreed to accept the permanent transfer of the Income Receiving Right upon Completion and TEDA Investment Co. shall be entitled to receive the Basic Operating Income for the period from the date on which Completion takes place to October 2027.

Tianjin Jinzheng Transportation Company is obliged to obtain all necessary approvals and consents in relation to the Proposed Transfer contemplated under the Letter of Intent, and TEDA Investment Co. is obliged to pay the consideration within five working days after the conditions precedent as set out in the paragraph headed “(5) Conditions” below have been fulfilled.

LETTER FROM THE BOARD

Upon Completion, Tianjin Jinzheng Transportation Company continues to have the right to collect tolls on the Eastern Outer Ring Road until and inclusive of October 2027.

(4) Consideration

The consideration to be paid by TEDA Investment Co. for obtaining the Income Receiving Right is RMB750 million (equivalent to approximately HK\$707 million), which was determined solely by arm's length negotiation between Tianjin Jinzheng Transportation Company and TEDA Investment Co.. It was determined by reference to the net present value of the effective cash flow of the Income Receiving Right for the remainder of the operating term together with the reduction of interest expense at the rate of 6.138% per annum of Tianjin Jinzheng Transportation Company after the transfer of RMB750 million (equivalent to approximately HK\$707 million) of the Loan arising from the Proposed Transfer.

The consideration in the amount of RMB750 million (equivalent to approximately HK\$707 million) will be satisfied by TEDA Investment Co. assuming the obligation to repay RMB750 million (equivalent to approximately HK\$707 million) in respect of an existing bank loan of RMB800 million (equivalent to approximately HK\$755 million) owed by Tianjin Jinzheng Transportation Company to the Tianjin branch of CMB. The purpose of the Loan was to raise funds for the redevelopment works of the Eastern Outer Ring Road and the corporate guarantee was given by the Company and Eastern Outer Ring Road Company on a several basis in proportion to their profit sharing ratio in Tianjin Jinzheng Transportation Company to guarantee the Loan. The Company and Eastern Outer Ring Road did not get anything in return. RMB30 million and RMB20 million (equivalent to approximately HK\$28 million and HK\$19 million) have already been settled by Tianjin Jinzheng Transportation Company itself in February 2003 and November 2003 respectively. The main terms of the Loan are as follows:

Principal	: RMB850 million
Outstanding amount as at the Latest Practicable Date	: RMB800 million
Interest rate	: 6.138% per annum
Drawdown dates	: 6 drawdowns were made on various dates from August 1999 to July 2000
Repayment date	: By 6 instalments from February 2004 to January 2005

For the avoidance of doubt, after the repayment of RMB750 million (equivalent to approximately HK\$707 million) by TEDA Investment Co., the outstanding amount of RMB50 million (equivalent to approximately HK\$47 million) together with all the obligations under the Loan will continue to be borne by Tianjin Jinzheng Transportation Company. The corporate guarantee will be released following the repayment of all outstanding amount. It is the intention of the directors of Coastal Rapid that, after the repayment of RMB750 million (equivalent to approximately HK\$707 million) by TEDA Investment Co., the outstanding amount of RMB50 million (equivalent to approximately HK\$47 million) will be settled by fund from internal resources before the listing of the Coastal Rapid Shares on the Stock Exchange. Thus, the corporate guarantee given by the Company and Eastern Outer Ring Road Company will be released following the repayment of such outstanding amount and before the Spin-off of the Coastal Rapid Shares.

The terms and conditions of the Letter of Intent have been negotiated on an arm's length basis and are on normal commercial terms. The Board considers that the terms are fair and reasonable, and are in the interests of Tianjin Development and the Tianjin Development Shareholders taken as a whole.

LETTER FROM THE BOARD

(5) Condition

The Proposed Transfer is only subject to approval by the Tianjin Government and consents from the board of TEDA Investment Co. and the board of Tianjin Jinzheng Transportation Company. Pursuant to “the Approval in relation to the Transfer of Exclusive Right of the Eastern Outer Ring Road” (Document no.: Jin Zheng Han [2002] No.144) issued by the Tianjin Government, the Proposed Transfer was approved by the Tianjin Government on 19 December 2002. Resolution to approve the Letter of Intent and transfer of the Income Receiving Right was passed by the board of TEDA Investment Co. on 25 March 2003 and will be passed by the board of Tianjin Jinzheng Transportation on a date to be decided and before the Spin-off of the Coastal Rapid Shares, which is expected to be 29 December 2003.

In addition, the Letter of Intent is conditional upon the approval by the Stock Exchange of the listing of the Coastal Rapid Shares on the Stock Exchange and the approval by the Tianjin Development Shareholders. As the Proposed Transfer has, in accordance with Rule 14.10 of the Listing Rules, been approved by Tsinlien, who is the controlling shareholder of the Company and has no special interest in the Proposed Transfer and holds more than 50% of the Tianjin Development Shares giving the right to attend and vote at such general meeting, no extraordinary general meeting will be necessary to approve the Proposed Transfer.

Completion shall take place within 5 business days after the satisfaction of the conditions as set out above.

(6) Reasons for the Proposed Transfer

The Proposed Transfer is conditional upon the Spin-off. If the Spin-off does not proceed, the Proposed Transfer will not take place.

Although the Proposed Transfer will result in Tianjin Jinzheng Transportation Company ceasing to receive the Basic Operating Income, the Directors believe that Tianjin Development Group will benefit from the Proposed Transfer as TEDA Investment Co. will take over RMB750 million (equivalent to approximately HK\$707 million) of Tianjin Jinzheng Transportation Company’s bank loans from CMB, resulting in a reduction of Tianjin Jinzheng Transportation Company’s liabilities by RMB750 million (equivalent to approximately HK\$707 million) as well as related borrowing expenses over the long run. Further, the consideration of RMB750 million (equivalent to approximately HK\$707 million) net of taxation and minority interests of approximately RMB601 million (equivalent to approximately HK\$567 million) will be recognised as the Tianjin Development Group’s income in the year of disposal, i.e., December 2003.

The Proposed Transfer will effectively reduce the gearing ratio and increase current cash flow of Tianjin Jinzheng Transportation Company. Further, by allowing Tianjin Jinzheng Transportation Company to have immediate access to future cash flow, the Directors believe that it will be more flexible for the Tianjin Development Group to plan and allocate its resources. However, such transfer will at the same time, result in the cessation of the Basic Operating Income as part of the revenue stream of Tianjin Jinzheng Transportation Company, and toll revenue will become the major revenue source of revenue for Tianjin Jinzheng Transportation Company. Overall, the Board considers that the Proposed Transfer is beneficial to Tianjin Jinzheng Transportation Company, the Company and the Tianjin Development Shareholders as a whole.

LETTER FROM THE BOARD

The Proposed Transfer constitutes a major transaction for the Company under Chapter 14 of the Listing Rules. The Proposed Transfer has, in accordance with Rule 14.10 of the Listing Rules, been approved by Tsinlien, who is the controlling shareholder of the Company and has no special interest in the Proposed Transfer and holds more than 50% of the Tianjin Development Shares giving the right to attend and vote at such general meeting. As such, no extraordinary general meeting will be necessary to approve the Proposed Transfer.

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

RESPONSIBILITY STATEMENT

This supplemental 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 supplemental circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

DISCLOSURE OF INTERESTS

- (i) As at the Latest Practicable Date, the interests of the Directors in the Shares and underlying shares of the Company or any of its associated corporations, within the meaning of the SFO, which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) and required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, were as follows:

Interests in the Company

Directors	Personal interests in shares	Numbers of underlying shares held pursuant to share options	Total interests	Percentage of the Company's issued share capital as at the Latest Practicable Date
Wang Guanghao	—	8,504,000	8,504,000*	1.24%
Yu Rumin	—	2,000,000	2,000,000*	0.29%
Chen Zihe	—	6,332,000	6,332,000*	0.92%
He Xiuheng	—	2,000,000	2,000,000*	0.29%
Yang Liheng	—	2,000,000	2,000,000*	0.29%
Wang Jiandong	450,000	—	450,000*	0.07%

* These interests are held in the capacity as a beneficial owner.

Share Options

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

Directors	Number of share options		Outstanding as at the Latest Practicable Date	Approximate % of the existing issued share capital of the Company in the event that all outstanding option are exercised as at the Latest Practicable Date
	1st lot (Note 1)	2nd lot (Note 2)		
Wang Guanghao	3,500,000	5,004,000	8,504,000	1.24%
Yu Rumin	2,000,000	—	2,000,000	0.29%
Chen Zihe	2,000,000	4,332,000	6,332,000	0.92%
He Xiuheng	2,000,000	—	2,000,000	0.29%
Yang Liheng	2,000,000	—	2,000,000	0.29%

Notes:

1. These share options were granted to the Directors on 17 April 1998, and are exercisable at a price of HK\$6.136 per Tianjin Development Share during the period from 10 June 1998 to 21 November 2007.
2. These share options were granted to the Directors on 13 April 1999, and are exercisable at a price of HK\$3.34 per Tianjin Development Share during the period from 18 September 1999 to 17 March 2004.

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

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any interest or short positions in any Tianjin Development Shares, underlying shares or debentures of the Company or any associated corporations, within the meaning of the SFO, which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to the Company and the Stock Exchange.

(ii) Service Contracts

Each of Wang Guanghao, Yu Rumin, Chen Zihe, He Xiuheng and Yang Liheng has entered into service contract with the Company for a period of three years commencing 1 December 1997 and will continue thereafter until terminated by either party giving the other not less than six months' prior written notice.

Save as disclosed herein, no other Directors have entered into any service contract with any member of the Group which is not determinable within one year without payment of compensation (other than statutory compensation).

Cheung Wing Yui is a partner of Woo, Kwan, Lee & Lo, legal adviser to the Company on Hong Kong law in relation to the Spin-off. Woo, Kwan, Lee & Lo will receive normal professional fees in connection with matters relating to the Spin-off.

Save as disclosed herein, as at the Latest Practicable Date:

- (i) none of the Directors has any direct or indirect interest in any assets which have been since 31 December 2002, being the date of the latest published audited accounts of the Tianjin Development Group, acquired or disposed of by or leased to any member of the Tianjin Development Group or are proposed to be acquired or disposed of by or leased to any member of the Tianjin Development Group; and
- (ii) none of the Directors is materially interested in any contract or arrangement which is subsisting as at the date of this supplemental circular and which is significant in relation to the business of the Tianjin Development Group taken as a whole.

SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to the Directors, the persons who have an interest or short positions in the equity securities or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or will be directly or indirectly interested in 10% or more of the nominal value of the share capital carrying rights to vote in all circumstances at general meetings of any member of the Tianjin Development Group or had any option in respect of such capital, were as follows:

Name of shareholder	Capacity	Number of shares/ underlying shares held	Percentages to the Company's issued share capital
Tsinlien	Interest of controlled corporation	385,482,000 (L)	56.29%
	Option seller	65,000,000 (S)	9.49%
Credit Suisse Group	Option buyer	65,000,000 (L)	9.49%

Notes:

- The letter "L" stands for the shareholder's long position (within the meaning of the SFO) in shares of the Company. The letter "S" stands for the shareholder's short position (within the meaning of the SFO).
- As at the Latest Practicable Date, Tianjin Investment Holdings Limited and Tsinlien Property Services Limited, both being wholly-owned subsidiaries of Tsinlien, held 383,459,990 and 2,022,000 shares of the Company respectively. Mr. Wang Guanghao acted as trustee of Tianjin Investment Holdings Limited to held 10 shares of the Company. The corporate interest disclosed under Tsinlien represents its deemed interests in the shares of the Company by virtue of its interests in Tianjin Investment Holdings Limited and Tsinlien Property Services Limited.

Save as disclosed herein, there is no person (not being a Director or chief executive of the Company) known to the Directors or chief executive of the Company who, as at the Latest Practicable Date, who have an interest or short position in the shares or underlying shares of the Company which

would fall to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or will be directly or indirectly interested in 10% or more of the nominal value of the share capital carrying rights to vote in all circumstances at general meetings of any member of the Tianjin Development Group or had any option in respect of such capital.

INDEBTEDNESS AND CONTINGENT LIABILITIES

Borrowings

At the close of business on 31 October 2003, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this supplemental circular, the Tianjin Development Group had outstanding borrowings of approximately HK\$2,308.3 million, which comprised unsecured short term bank loans of approximately HK\$177.1 million, secured short term bank loans of approximately HK\$29.7 million, unsecured long term bank loans of approximately HK\$1,082.3 million, secured long term bank loans of approximately HK\$773.1 million, guaranteed convertible bonds of approximately HK\$156.0 million and amount due to Eastern Outer Ring Road Company of approximately HK\$90.1 million. The current portion of long term bank loan is approximately HK\$537.4 million.

Security

As at 31 October 2003, the Tianjin Development Group's bank loans of HK\$853.9 million were secured by:

- (a) bank deposits of subsidiaries amounting to approximately HK\$50.5 million;
- (b) properties under development held for sale approximately HK\$41.6 million;
- (c) a corporate guarantee of approximately HK\$51.1 million provided by Tsinlien;
- (d) a corporate guarantee of approximately HK\$102.8 million provided by Eastern Outer Ring Road Company; and
- (e) toll revenue of the Tianjin Development Group arising from operations of ring road.

Contingent liabilities

As at 31 October 2003, the Tianjin Development Group has contingent liabilities of guarantees given to banks in respect of banking facilities extended to a jointly controlled entity of approximately HK\$28.3 million and a fellow subsidiary company of approximately of HK\$2.5 million.

Save as aforesaid and apart from the intra-group liabilities and trade payables in the ordinary course of business of the Tianjin Development Group, actual or contingent, none of the companies in the Tianjin Development Group had outstanding indebtedness in respect of any mortgages, charges or debentures, loan capital, bank overdrafts or loans, debt securities or other similar indebtedness, or hire purchase commitments, finance lease commitments, guarantees or other material contingent liabilities as at the close of business on 31 October 2003.

WORKING CAPITAL

Taking into account the financial resources available to the Tianjin Development Group, the Directors are of the opinion that the Tianjin Development Group has sufficient working capital for its present requirement.

MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Company since 31 December 2002, the date to which the latest audited accounts of the Company were made up.

MATERIAL CONTRACT

The Letter of Intent is the contract that is material, not being contract in the ordinary course of business, and that has been entered into by the Tianjin Development Group within the two years immediately preceding the date of this supplemental circular.

LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries is engaged in any litigation or claims of any material importance and there is no litigation or claims of material importance known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

GENERAL

The registered office of the Company is situated at 26th–38th Floor, Tianjin Building, 167 Connaught Road West, Hong Kong. The share registrar of the Company is Tengis Limited at G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.

The secretary of the Company is Tsang Wai Yip, Patrick, *CHKSA, FCCA*.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the offices of Woo, Kwan, Lee & Lo, 27th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong during normal business hours until 12 January 2004:

- (a) the memorandum and articles of association of the Company;
- (b) the audited consolidated accounts of the Tianjin Development Group for the two years ended 31 December 2002 and the unaudited consolidated accounts of the Tianjin Development Group for the six months ended 30 June 2003;
- (c) the material contract as referred to in this appendix;
- (d) the service contracts as referred to in this appendix; and
- (e) the circular of the Company dated 13 December 2003 issued pursuant to the requirements set out in Chapter 14 of the Listing Rules.