天津港發展控股有限公司
Tianjin Port Development Holdings Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock code : 3382)

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)

VERY SUBSTANTIAL ACQUISITION, PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL, SPECIFIC MANDATE TO ISSUE NEW SHARES, CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS FOR TIANJIN PORT DEVELOPMENT HOLDINGS LIMITED AND DEEMED VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION FOR TIANJIN DEVELOPMENT HOLDINGS LIMITED

Financial advisers to Tianjin Port Development Holdings Limited

Merrill Lynch

Morgan Stanley

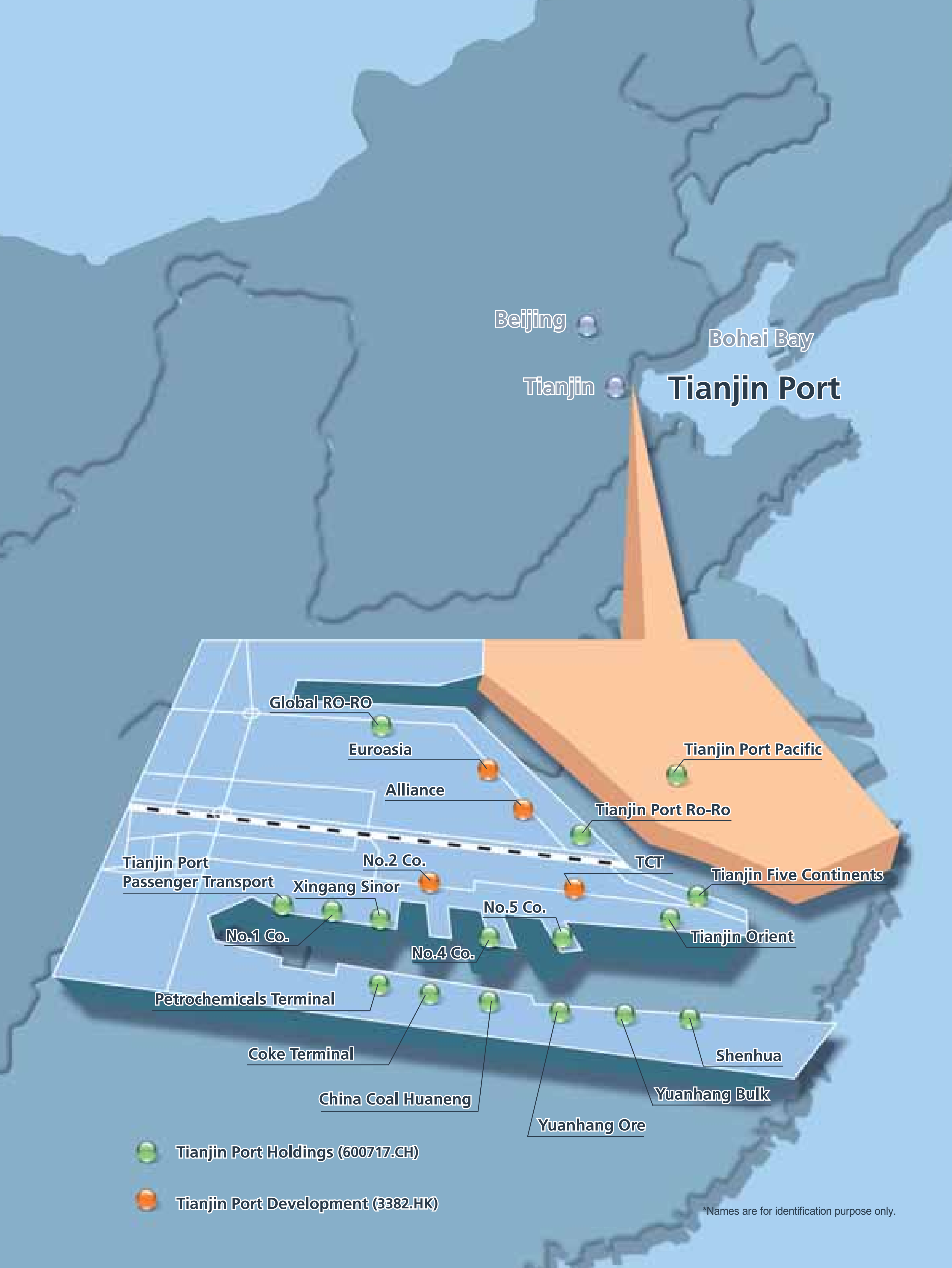
中信証券國際
CITIC Securities International

Independent financial adviser to the independent board committee and independent shareholders of Tianjin Port Development Holdings Limited

Quam Capital Limited

Independent financial adviser to the independent board committee and independent shareholders of Tianjin Development Holdings Limited

SOMERLEY LIMITED



Beijing
Bohai Bay
Tianjin
Tianjin Port
Global RO-RO
Euroasia
Tianjin Port Pacific
Alliance
Tianjin Port Ro-Ro
Tianjin Port
Passenger Transport
No.2 Co.
TCT
Tianjin Five Continents
Xingang Sinor
No.5 Co.
No.1 Co.
Tianjin Orient
No.4 Co.
Petrochemicals Terminal
Coke Terminal
Shenhua
China Coal Huaneng
Yuanhang Bulk
Yuanhang Ore
Tianjin Port Holdings (600717.CH)
Tianjin Port Development (3382.HK)
*Names are for identification purpose only.

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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

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Financial advisers to Tianjin Port Development Holdings Limited

Merrill Lynch   Morgan Stanley   CITIC 中信証券國際 CITIC Securities International

Independent financial adviser to the independent board committee and independent shareholders of Tianjin Port Development Holdings Limited

Quam Financial Services Group — Quam Capital Limited

Independent financial adviser to the independent board committee and independent shareholders of Tianjin Development Holdings Limited

SOMERLEY LIMITED

A letter from the Tianjin Port Development Independent Board Committee is set out on pages 91 to 92 of this circular. A letter from Quam Capital containing its advice to the Tianjin Port Development Independent Board Committee and the Tianjin Port Development Independent Shareholders is set out on pages 93 to 160 of this circular.

A notice convening the Tianjin Port Development EGM to be held at Harbour View Ballroom III, Level 4, Four Seasons Hotel Hong Kong, 8 Finance Street, Central, Hong Kong on Wednesday, 15 July 2009 at 3:00 p.m. is set out on pages 478 to 481 of this circular. A form of proxy for use by the Tianjin Port Development Shareholders at the Tianjin Port Development EGM (or any adjourned meeting thereof) is also enclosed. Whether or not Tianjin Port Development Shareholders are able to attend the Tianjin Port Development EGM, Tianjin Port Development Shareholders are requested to complete and return the enclosed **BLUE** proxy form in accordance with the instructions on the form and return it to Tianjin Port Development's share registrar in Hong Kong, Tricor Investor Services Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time scheduled for holding the Tianjin Port Development EGM (or any adjourned meeting thereof). Completion and delivery of the proxy form shall not preclude you from attending and voting at the Tianjin Port Development EGM or any adjourned meeting thereof should you so wish.

A letter from the Tianjin Development Independent Board Committee is set out on pages 161 to 162 of this circular. A letter from Somerley containing its advice to the Tianjin Development Independent Board Committee and the Tianjin Development Independent Shareholders is set out on pages 163 to 212 of this circular.

A notice convening the Tianjin Development EGM to be held at Harbour View Ballroom II, Level 4, Four Seasons Hotel Hong Kong, 8 Finance Street, Central, Hong Kong on Wednesday, 15 July 2009 at 4:00 p.m. is set out on pages 482 to 483 of this circular. A form of proxy for use by the Tianjin Development Shareholders at the Tianjin Development EGM (or any adjourned meeting thereof) is also enclosed. Whether or not Tianjin Development Shareholders are able to attend the Tianjin Development EGM, Tianjin Development Shareholders are requested to complete and return the enclosed **WHITE** proxy form in accordance with the instructions printed on the form and return it to Tianjin Development'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 later than 48 hours before the time scheduled for holding the Tianjin Development EGM (or any adjourned meeting thereof). Completion and delivery of the proxy form shall not preclude you from attending and voting at the Tianjin Development EGM or any adjourned meeting thereof should you so wish.

19 June 2009

EXPECTED TIMETABLE

Latest time for return of BLUE proxy form in respect of the Tianjin Port Development EGM	3:00 p.m. on 13 July 2009
Latest time for return of WHITE proxy form in respect of the Tianjin Development EGM	4:00 p.m. on 13 July 2009
Tianjin Port Development EGM	3:00 p.m. on 15 July 2009
Tianjin Development EGM	4:00 p.m. on 15 July 2009

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

"Announcement"	the announcement dated 16 March 2009 jointly issued by Tianjin Port Development and Tianjin Development in relation to, among others, a very substantial acquisition and connected transaction of Tianjin Port Development and a deemed very substantial disposal and connected transaction of Tianjin Development;
"associate"	has the meaning ascribed to that term in the Listing Rules;
"Business Day"	a day (other than Saturday or Sunday or public holiday or a day on which a tropical cyclone warning No. 8 or above or a "black rainstorm warning signal" is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which banks are open in Hong Kong for general commercial business;
"Cargo Reconfiguration and Storage Services Framework Agreement"	a framework agreement dated 15 June 2009 entered into between Tianjin Port Development and the Vendor in relation to the provision of cargo reconfiguration and storage services by the Enlarged Tianjin Port Development Group to the Vendor and/or its associates;
"China Coal"	China Coal Energy Company Limited* (中國中煤能源股份有限公司), a company incorporated in the PRC;
"China Coal Cargo Handling Services Framework Agreement"	a framework agreement dated 15 June 2009 entered into between Tianjin Port Development and China Coal in relation to the provision of cargo handling services by the Enlarged Tianjin Port Development Group to China Coal and/or its associates;
"Completion"	completion of the Proposed Transaction pursuant to the Sale and Purchase Agreement;
"connected person"	has the meaning ascribed to that term in the Listing Rules;
"Consideration"	the consideration for the Proposed Acquisition of HK$10,961 million, which shall be satisfied as to HK$7,031 million by the issue of the Consideration Shares to the Vendor's wholly-owned subsidiary as directed by the Vendor, and HK$3,930 million by cash (subject to adjustment) payable to the Vendor's wholly-owned subsidiary as directed by the Vendor;

"Consideration Shares"	the new Tianjin Port Development Shares to be issued and allotted to the Vendor's wholly-owned subsidiary as directed by the Vendor, the total number of which is subject to adjustment, at HK$2.0916 per Tianjin Port Development Share;
"Continuing Connected Transactions"	the transactions contemplated under the Framework Agreements and the Land Lease Agreements;
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會);
"DP World"	DP World New World (Tianjin) HK Limited* (迪拜環球港務新創建(天津)香港有限公司), a company incorporated in Hong Kong;
"DP World Secondment Framework Agreement"	a framework agreement dated 15 June 2009 entered into between Tianjin Port Development and DP World in relation to the provision of DP World Secondees by DP World and/or its associates to the Enlarged Tianjin Port Development Group;
"Dynasty"	Dynasty Fine Wines Group Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 828);
"Eastern Outer Ring Road"	the 42.5 kilometres long eastern section of the Outer Ring Road of Tianjin (天津外環路) between the junction with Yixingbu Road (宜興埠路) and the junction with Jinjing Road (津靜路)
"Eleventh Five-Year Plan"	the Eleventh Five-Year Plan for National Economic and Social Development of the People's Republic of China, issued by the National Development and Reform Commission of the PRC;
"Enlarged Tianjin Port Development Group"	the Tianjin Port Development Group immediately after Completion, including the Target Group;
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director;
"Exempt Continuing Connected Transactions"	the transactions contemplated under the Sales Framework Agreement, Freight Yard and Warehousing Lease Framework Agreement, Cargo Reconfiguration and Storage Services Framework Agreement and DP World Secondment Framework Agreement;

"Financial Services Framework Agreement"	a framework agreement dated 15 June 2009 entered into between Tianjin Port Development and Tianjin Port Finance in relation to the provision of financial services by Tianjin Port Finance to members of the Enlarged Tianjin Port Development Group;
"Framework Agreements"	the Sales Framework Agreement, Freight Yard and Warehousing Lease Framework Agreement, Cargo Reconfiguration and Storage Services Framework Agreement, DP World Secondment Framework Agreement, Property Lease Framework Agreement, Integrated Services Framework Agreement, Procurement Framework Agreement, China Coal Cargo Handling Services Framework Agreement, and Financial Services Framework Agreement;
"Freight Yard and Warehousing Lease Framework Agreement"	a framework agreement dated 15 June 2009 entered into between Tianjin Port Development and the Vendor in relation to the lease of various freight yards and warehouses in the Tianjin Binhai New Area from the Enlarged Tianjin Port Development Group to the Vendor and/or its associates;
"Grand Point"	Grand Point Investment Limited, a company incorporated in Hong Kong with limited liability, the entire share capital of which is wholly owned by Tianjin Port Development;
"HaiFeng"	Tianjin Port Haifeng Bonded Logistics Co., Ltd. (天津港海豐保税物流有限公司), a company incorporated in the PRC;
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"Integrated Services Framework Agreement"	a framework agreement dated 15 June 2009 entered into between Tianjin Port Development and the Vendor in relation to the provision of utilities and supporting services by the Vendor and/or its associates to the Enlarged Tianjin Port Development Group;
"Land Lease Agreements"	long-term lease agreements entered into between the Target Group and the Vendor Group on various dates from April 2004 to July 2008 in relation to the long-term leases of various pieces of land from the Vendor Group to the Target Group;

"Latest Practicable Date"	12 June 2009, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular;
"Leadport"	Leadport Holdings Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of Tianjin Development;
"Listing Rules"	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
"Ministry of Transport"	Ministry of Transport of the PRC (中華人民共和國交通運輸部);
"MOFCOM"	Ministry of Commerce of the PRC (中華人民共和國商務部) or its local branches;
"New Shares"	new Tianjin Port Development Shares issued pursuant to the Proposed Share Issue;
"Non-exempt Continuing Connected Transactions"	the transactions contemplated under the Property Lease Framework Agreement, Integrated Services Framework Agreement, Procurement Framework Agreement, China Coal Cargo Handling Services Framework Agreement, and Financial Services Framework Agreement;
"Option"	the option granted by Tianjin Port Development to Leadport to subscribe for the Option Shares pursuant to the Option Agreement;
"Option Agreement"	the option agreement dated 15 June 2009 entered into between Tianjin Port Development, Tianjin Development and Leadport, pursuant to which Tianjin Port Development granted Leadport a right to subscribe for the Option Shares;
"Option Shares"	new Tianjin Port Development Shares to be issued by Tianjin Port Development to Leadport pursuant to the Option Agreement;
"Placing Agreement"	the agreement to be entered into between Tianjin Port Development and the placing agents in respect of the Proposed Placing;
"Placing Price"	the price to be paid for each Placing Share;
"Placing Shares"	new Tianjin Port Development Shares to be issued by Tianjin Port Development pursuant to the Proposed Placing;

"PRC"	the People's Republic of China, which for the purpose of this circular excludes, unless the context otherwise requires, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
"Procurement Framework Agreement"	a framework agreement dated 15 June 2009 entered into between Tianjin Port Development and the Vendor in relation to the purchase of products including port machinery, equipment and working tools by the Enlarged Tianjin Port Development Group from the Vendor and/or its associates;
"Property Lease Framework Agreement"	a framework agreement dated 15 June 2009 entered into between Tianjin Port Development and the Vendor in relation to the lease of various freight yards, warehouses, office buildings and facilities in the Tianjin Binhai New Area from the Vendor and/or its associates to the Enlarged Tianjin Port Development Group;
"Proposed Acquisition"	the proposed acquisition by Tianjin Port Development, through its wholly-owned subsidiary Grand Point, of the 56.81% interest in the registered share capital of the Target from the Vendor;
"Proposed Increase in Authorised Share Capital"	the proposed increase in the authorised share capital of Tianjin Port Development from HK$500,000,000 to HK$1,200,000,000;
"Proposed Placing"	the proposed issue of Tianjin Port Development Shares by Tianjin Port Development to professional and independent investors by way of private placement of Tianjin Port Development Shares, which are proposed to be listed on the Stock Exchange;
"Proposed Share Issue"	the proposed issue by Tianjin Port Development of: (a) Consideration Shares to the Vendor's wholly-owned subsidiary as directed by the Vendor to satisfy the share portion of the Consideration; and (b) Placing Shares pursuant to the Proposed Placing (which among other reasons, may be used to maintain at least 25% of the issued share capital of Tianjin Port Development to be held by the public), Option Shares pursuant to the Option Agreement, and other securities (if any) relating to Tianjin Port Development to satisfy the cash portion of the Consideration;
"Proposed Transaction"	the Proposed Acquisition and the Proposed Share Issue, collectively;

"Quam Capital"	Quam Capital Limited, being a corporation licensed by the SFC for carrying out Type 6 (advising on corporate finance) regulated activities under the SFO, the independent financial adviser to the Tianjin Port Development Independent Board Committee and the Tianjin Port Development Independent Shareholders in relation to the Proposed Transaction and the Non-exempt Continuing Connected Transactions;
"Remaining Tianjin Development Group"	the Tianjin Development Group immediately after Completion, excluding Tianjin Port Development and its subsidiaries;
"RMB"	Renminbi, the lawful currency of the PRC;
"Sale and Purchase Agreement"	the agreement for the transfer of state-owned interests in a listed company dated 16 March 2009 between Tianjin Port Development, Grand Point and the Vendor in respect of the Proposed Acquisition;
"Sales Framework Agreement"	a framework agreement dated 15 June 2009 entered into between Tianjin Port Development and the Vendor in relation to the sale of materials including spare parts, fuel and lubricant products and construction materials from the Enlarged Tianjin Port Development Group to the Vendor and/or its associates;
"SASAC"	State-owned Assets Supervision and Administration Commission of the State Council of the PRC (中華人民共和國國務院國有資產監督管理委員會);
"SFC"	The Securities and Futures Commission of Hong Kong;
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
"Somerley"	Somerley Limited, being a corporation licensed by the SFC for carrying out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, the independent financial adviser to the Tianjin Development Independent Board Committee and the Tianjin Development Independent Shareholders in relation to the Proposed Transaction;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"subsidiary"	has the meaning ascribed to that term in the Listing Rules;
"Takeovers Code"	The Code on Takeovers and Mergers;

"Target"	Tianjin Port Holdings Co., Ltd.* (天津港股份有限公司), a limited liability company incorporated in the PRC, the shares of which are listed on the Shanghai Stock Exchange (stock code: 600717), and approximately 56.81% of whose registered share capital is directly held by the Vendor as at the date of this circular;
"Target Group"	the Target and its subsidiaries;
"TEDA"	Tianjin Economic-Technological Development Area;
"TEUs"	twenty-foot equivalent units, a container size standard of twenty feet; container vessel capacity and port throughput capacity are frequently referred to in TEUs;
"Tianjin Development"	Tianjin Development Holdings Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 882), and which as of the Latest Practicable Date is the indirect holder of 1,203,312,000 Tianjin Port Development Shares, representing approximately 67.33% of the issued share capital of Tianjin Port Development;
"Tianjin Development Directors"	the directors of Tianjin Development;
"Tianjin Development EGM"	the extraordinary general meeting of Tianjin Development to be held to approve the Proposed Transaction;
"Tianjin Development Group"	Tianjin Development and its subsidiaries;
"Tianjin Development Independent Board Committee"	the committee of independent non-executive directors of Tianjin Development, comprising Mr. Kwong Che Keung, Gordon, Mr. Lau Wai Kit and Dr. Cheng Hon Kwan, established to advise the Tianjin Development Independent Shareholders in respect of the terms of the Proposed Transaction;
"Tianjin Development Independent Shareholders"	Tianjin Development Shareholders other than Tianjin Investment Holdings Limited and Tsinlien Venture Capital Company Limited, each of which is a wholly-owned subsidiary of Tsinlien and has a material interest in the Proposed Transaction;
"Tianjin Development Shareholders"	holders of Tianjin Development Shares;

"Tianjin Development Shares"	ordinary shares of HK$0.10 each in the share capital of Tianjin Development;
"Tianjin Five Continents"	Tianjin Five Continents International Container Terminal Co., Ltd.* (天津五洲國際集裝箱碼頭有限公司), a company incorporated in the PRC, and a 40% owned associate of the Target Group;
"Tianjin Orient"	Tianjin Orient Container Terminals Co., Ltd. (天津東方海陸集裝箱碼頭有限公司), a company incorporated in the PRC, and a non-wholly owned subsidiary of the Target Group;
"Tianjin Port Alliance"	Tianjin Port Alliance International Container Terminal Co., Ltd. (天津港聯盟國際集裝箱碼頭有限公司), a sino-foreign equity joint venture incorporated in the PRC, and a 40% owned associate of Tianjin Port Development;
"Tianjin Port China Coal Huaneng"	Tianjin Port China Coal Hua'neng Coal Terminal Co., Ltd.* (天津港中煤華能煤碼頭有限公司), a company incorporated in the PRC, and a non-wholly owned subsidiary of the Target Group;
"Tianjin Port Development"	Tianjin Port Development Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 3382);
"Tianjin Port Development Directors"	the directors of Tianjin Port Development;
"Tianjin Port Development EGM"	the extraordinary general meeting of Tianjin Port Development to be held to approve, among other things: (a) the Sale and Purchase Agreement, the Option Agreement and the Proposed Transaction; (b) the Non-exempt Continuing Connected Transactions and the Framework Agreements in respect of the Non-exempt Continuing Connected Transactions; and (c) the Proposed Increase in Authorised Share Capital; and (d) to seek a specific mandate for the Proposed Share Issue;
"Tianjin Port Development Group"	Tianjin Port Development and its subsidiaries;

"Tianjin Port Development Independent Board Committee"	the committee of independent non-executive directors of Tianjin Port Development, comprising Mr. Kwan Hung Sang, Francis, Professor Japhet Sebastian Law and Dr. Cheng Chi Pang, Leslie, established to advise the Tianjin Port Development Independent Shareholders in respect of the terms of (a) the Proposed Acquisition, the proposed issue of Consideration Shares to the Vendor and the proposed issue of Option Shares to Leadport; and (b) the Framework Agreements in respect of the Non-exempt Continuing Connected Transactions, and the Non-exempt Continuing Connected Transactions;
"Tianjin Port Development Independent Shareholders"	Tianjin Port Development Shareholders, other than (a) Learder Top Investments Limited (a wholly-owned subsidiary of Tianjin Development); (b) Leadport (a wholly-owned subsidiary of Tianjin Development); and (c) Tianjin Investment Holdings Limited (a wholly-owned subsidiary of Tsinlien), each of which has a material interest in the Proposed Transaction;
"Tianjin Port Development Shareholders"	holders of Tianjin Port Development Shares;
"Tianjin Port Development Shares"	ordinary shares of HK$0.10 each in the share capital of Tianjin Port Development;
"Tianjin Port Finance"	Tianjin Port Finance Co., Ltd.* (天津港財務有限公司), a company incorporated in the PRC, a 48% owned associate of the Target and a 32.01% owned associate of the Vendor;
"Tianjin Port Pacific"	Tianjin Port Pacific International Container Terminal Co., Ltd. (天津港太平洋國際集裝箱碼頭有限公司), a company incorporated in the PRC, and a non-wholly owned subsidiary of the Target Group;
"Tsinlien"	Tsinlien Group Company Limited, a company incorporated in Hong Kong with limited liability, which is wholly-owned by the Tianjin Commission of Commerce, a subordinate department of the Tianjin Municipal Government of the PRC;
"Trading Day"	day on which (a) Tianjin Port Development Shares are traded on the Stock Exchange; and/or (b) shares in the Target are traded on the Shanghai Stock Exchange, as the case may be;
"US$"	United States dollar, the lawful currency of the United States of America;

"Vendor"	Tianjin Port (Group) Co., Ltd.* (天津港(集團)有限公司), a company incorporated in the PRC; and
"Vendor Group"	the Vendor and its associates.

* *The English names of PRC incorporated companies in this circular are for identification purposes only.*

Certain information and statistics set out in this section have been extracted from various official government, industry association and publicly available sources. No independent verification has been carried out on the information and statistics contained in such official government, industry association and publicly available sources. None of Tianjin Port Development, Tianjin Development, and their respective directors and advisers makes any representation as to the accuracy of such information and statistics, which may not be consistent with each other or with other information.

THE GLOBAL PORT INDUSTRY

The global port industry has experienced strong growth in the past few years driven by globalisation and economic growth. In 2008, six of the world's top ten ports in terms of aggregate cargo throughput were located in the PRC. The port of Tianjin was the fifth largest port in the world and third largest port in the PRC in 2008 in terms of aggregate cargo throughput, and achieved a compound annual growth rate of approximately 14.6% from 2004 to 2008, being the third highest among the top 10 ports in the world in 2008.

The table below sets forth the top 10 ports in the world in terms of aggregate cargo throughput in 2008:

Rank	Port	Country	2004	2008	Compound annual growth rate
			(million tonnes)	*(million tonnes)*	*(%)*
1	Shanghai	PRC	379	582	11.3%
2	Ningbo	PRC	226	520	23.2%
3	Singapore	Singapore	393	515	7.0%
4	Rotterdam	Netherlands	353	421	4.5%
5	Tianjin	PRC	206	356	14.6%
6	Guangzhou	PRC	215	347	12.7%
7	Qingdao	PRC	163	300	16.5%
8	Hong Kong	Hong Kong	221	259	4.0%
9	Qinhuangdao	PRC	150	252	13.8%
10	Busan	South Korea	215	242	3.0%

Source: Maritime and Port Authorities Singapore, Port of Rotterdam, Ministry of Transport, Hong Kong Port Development Council, Busan Port Authority, Statistics Bureau of Shanghai.

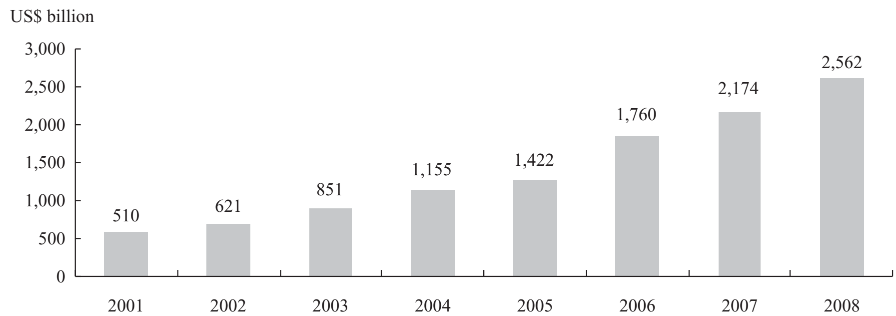
THE PRC PORT INDUSTRY

Overview

The PRC economy has shown strong momentum with an average gross domestic product growth rate of approximately 10% per year, from its accession into the World Trade Organisation in December 2001 until the end of 2008. Amid the booming PRC economy, foreign trade has increased steadily with a compound annual growth rate of approximately 25.9% over the period from approximately US$510 billion in 2001 to approximately

US$2,562 billion in 2008. According to the National Bureau of Statistics of China, the United States, the European Union and Japan have been three of the most important trade partners to the PRC in recent years, accounting for an aggregate trade value of approximately US$1,026 billion in 2008, representing approximately 40% of total foreign trade value of the PRC in 2008.

Total foreign trade value of the PRC, 2001 – 2008

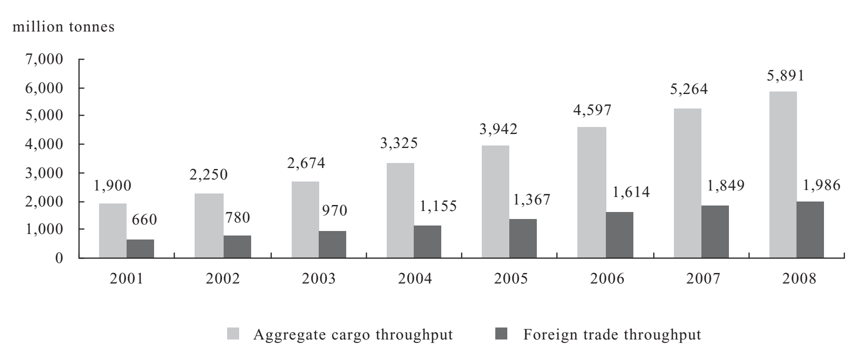


Source: National Bureau of Statistics of China

According to the World Trade Organisation, the total imports from the PRC (including Hong Kong) accounted for approximately 16.9%, 16.2% and 20.6% of the total imports of the United States, the European Union and Japan respectively in 2007.

Driven by the growing economy and increasing foreign trade, both aggregate cargo throughput and foreign trade throughput of the PRC have increased substantially since 2001. According to the Ministry of Transport, the aggregate cargo throughput at major ports has reached approximately 5,891 million tonnes in 2008 from approximately 1,900 million tonnes in 2001, representing a compound annual growth rate of approximately 17.5%. According to the definition by the Ministry of Transport, the major ports consist of coastal ports with annual cargo throughput capacity of one million tonnes or more, inland river ports with annual throughput capacity of two million tonnes or more and any ports involved in foreign trade and container business. In 2008, the volume of cargo handled at the major ports accounted for approximately 83.9% of aggregate cargo throughput in the PRC.

Aggregate cargo throughput at major ports in the PRC, 2001 – 2008



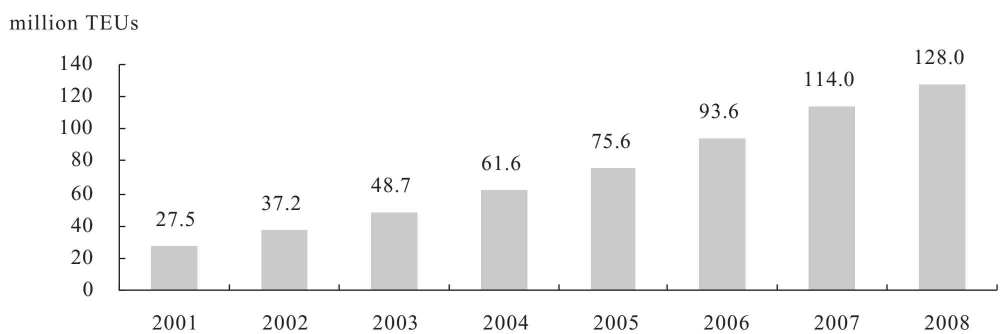
Source: Ministry of Transport

Container throughput of the PRC ports

Container throughput in the PRC is largely driven by exports and has shown steady growth as more western countries moved their manufacturing operations to the PRC. In 2008, container throughput in the PRC reached approximately 128.0 million TEUs from approximately 27.5 million TEUs in 2001, representing a compound annual growth rate of approximately 24.6% since 2001, when the PRC acceded to the World Trade Organisation.

The PRC port authorities have actively invested in the development and construction of container terminals over the past few years to facilitate trade growth. The containerisation rate of total cargo handled at major ports in the PRC has increased from approximately 13.2% in 2001 to approximately 21.4% in 2008. Meanwhile, the size of container vessels has increased and many large container berths have been constructed along the coastline, including those which can accommodate container vessels of more than 10,000-TEU capacity.

Container throughput of ports in the PRC, 2001 – 2008



Source: Ministry of Transport

Non-containerised cargo throughput of the PRC ports

Non-containerised cargo consists of a variety of commodities, mainly coal, oil and related products, metal ores, steel products and construction materials. The non-containerised cargo throughput at major ports in the PRC grew at a compound annual growth rate of approximately 15.9% for the period from 2001 to 2008, and accounted for over 78% of aggregate cargo throughput in the PRC in 2008. Coal, petroleum and metal ores are the main types of non-containerised cargo handled at the ports of the PRC.

The table below sets out the throughput of major types of non-containerised cargo at major ports in the PRC from 2001 to 2008:

(million tonnes)	2001	2002	2003	2004	2005	2006	2007	2008	Compound annual growth rate
Coal and related products	450	500	575	720	807	907	1,063	N/A	15.4%*
Metal ores	200	240	306	431	575	674	789	905	24.1%**
Construction materials	190	240	273	339	495	588	613	779	22.3%**
Petroleum, natural gas and related products	310	330	384	452	483	487	500	N/A	8.3%*
Steel and iron	80	100	136	170	196	237	286	N/A	23.7%*

* *Compound annual growth rate of the period from 2001 to 2007*
** *Compound annual growth rate of the period from 2001 to 2008*

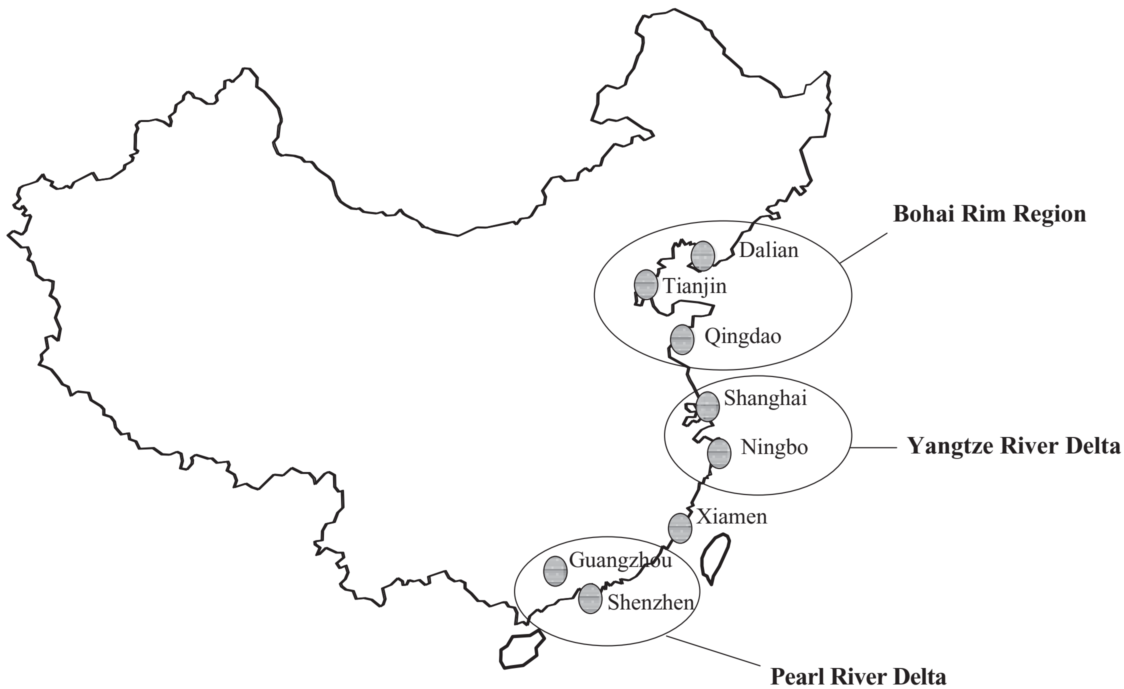
Source: Ministry of Transport

Three principal port regions

According to the Ministry of Transport, there were approximately 413 ports in the PRC as of the end of 2008. The major ports are located within the following three principal regions:

- Bohai Rim Region, which includes the ports of Tianjin, Qinhuangdao, and Dalian as well as the Jiaodong peninsular ports that include the port of Qingdao;
- Yangtze River Delta, which includes the ports of Shanghai and Ningbo; and
- Pearl River Delta, which includes the ports of Shenzhen and Guangzhou.

The following map illustrates the three principal port regions in the PRC:



The ports in the Bohai Rim Region serve a vast hinterland. In addition to the traditional coal mining and heavy manufacturing industries, various other industries have emerged and developed since the implementation of economic reforms in the hinterland of this region. Aggregate cargo throughput of major ports in the Bohai Rim Region has achieved rapid growth from 2006 to 2008 benefiting from the Eleventh Five-Year Plan. The Tianjin Binhai New Area in the Tianjin Municipality is the focus of economic development in the Bohai Rim Region.

There are numerous light and heavy manufacturing industries in the hinterland of the Yangtze River Delta, and the ports in this region have benefited from the rapid development and reforms. Aggregate cargo throughput and container throughput of the Shanghai port ranked first among all major ports in the PRC.

The manufacturing industries located in the hinterland of the Pearl River Delta are mainly engaged in the production of electronics, textiles and other consumer products. The ports in this region contributed a large proportion of total exports to the developed economies including the United States, Canada and the European Union in the recent years. Shenzhen port is a major export-driven container port in this region, recording a compound annual growth rate of approximately 22.7% from 2001 to 2008.

The table below sets forth aggregate cargo throughput and container throughput of key major ports at each of the three principal port regions:

	Aggregate cargo throughput (million tonnes)					Container throughput (million TEUs)				
	2001	2006	2008	Compound annual growth rate 01-08	Compound annual growth rate 06-08	2001	2006	2008	Compound annual growth rate 01-08	Compound annual growth rate 06-08
Bohai Rim Region										
Qingdao	104	224	300	16.3%	15.7%	2.6	7.7	10.0	21.2%	14.0%
Tianjin	114	258	356	17.7%	17.5%	2.0	6.0	8.5	23.0%	19.0%
Dalian	100	200	246	13.7%	10.9%	1.2	3.2	4.5	20.8%	18.6%
Yangtze River Delta										
Ningbo	129	424	520	22.0%	10.7%	1.2	7.1	10.9	37.1%	23.9%
Shanghai	220	537	582	14.9%	4.1%	6.3	21.7	28.0	23.8%	13.6%
Pearl River Delta										
Shenzhen	66	176	211	18.1%	9.5%	5.1	18.5	21.4	22.7%	7.6%
Guangzhou	128	303	347	15.3%	7.0%	1.7	6.7	11.0	30.6%	28.1%

Source: Ministry of Transport, Statistics Bureau of Shenzhen, Statistics Bureau of Shanghai

Regulation on port-related fees

Relevant fees charged by the PRC port operators are regulated by the PRC government. As prescribed in the rules promulgated by the Ministry of Transport, a reference rate of charge is stipulated for most terminal services, including container and non-containerised cargo handling, tugging, mooring, berthing and storage. In addition, there is a prescribed handling fee set for each type of cargo under such rules.

Pursuant to the revised "Rules of Charges at Ports in the PRC (Domestic Trade)" which was effective from August 2005, port operators are permitted to charge a lump sum fee for domestic trade container and non-containerised cargo handling and storage. Port operators can also adjust such lump sum fee based on market conditions. Relevant fees for foreign trade container and non-containerised cargo must be set within the range stipulated under the "Rules of Charges at Ports in the PRC (Foreign Trade)", which was last revised in December 2001. Currently, relevant fees charged at the ports constructed and operated by foreign investment enterprises are not required to follow the rules promulgated by the Ministry of Transport. However, such fees must be reported to the local government for record.

THE PORT OF TIANJIN

Overview

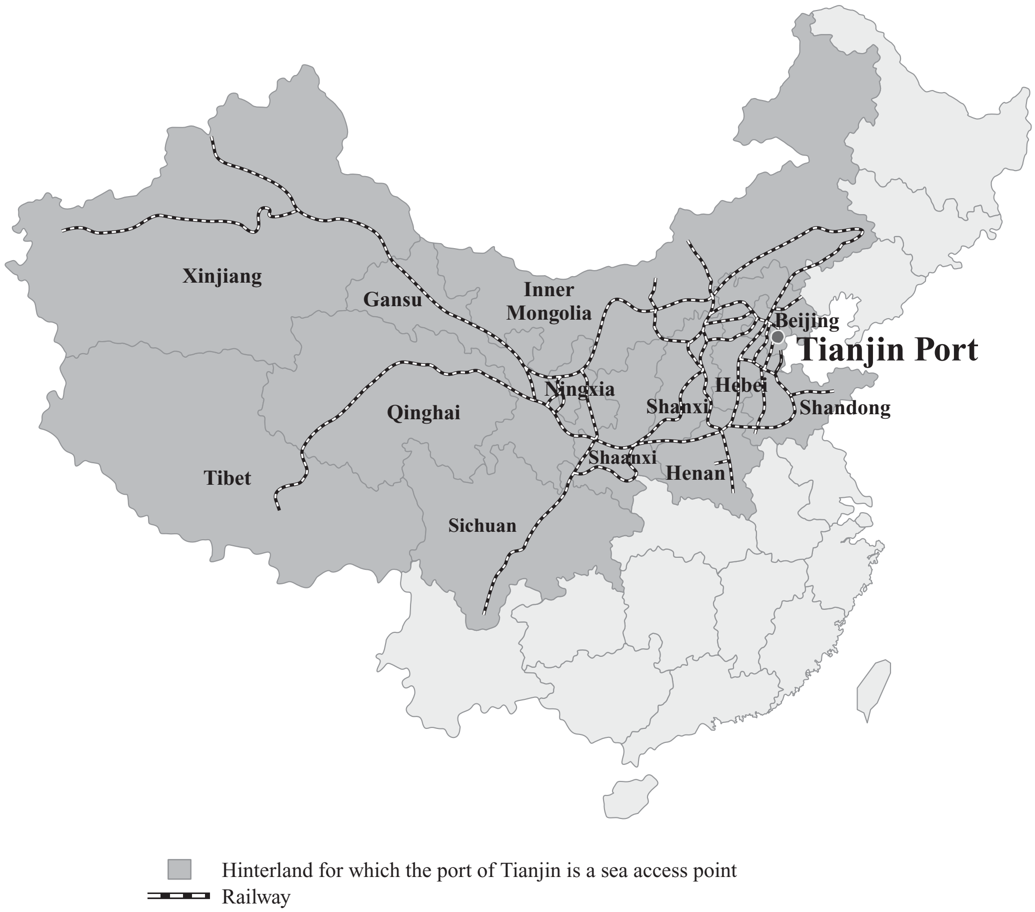
The port of Tianjin is located in the economic centre of the northern regions of the PRC. It is approximately 170 kilometres to the southeast of Beijing and located at the west side of the Bohai Bay. It is a key ocean gateway for the cities of Beijing and Tianjin, and many inland provinces of the northern and north western regions of the PRC. In addition, the port of Tianjin is the east end of the Eurasian Continental Bridge. It was also the first container port built in the PRC.

The port of Tianjin is the largest artificial port in the PRC, covering an area in excess of 200 square kilometres, including a land area of 47 square kilometres. The port of Tianjin mainly consists of four port districts, namely Beijiang, Nanjiang, Haihe, and Dongjiang. The Beijiang port district mainly handles containers and dry bulk and general cargo; the Nanjiang port district mainly handles liquid and dry bulk cargo; the Haihe port district mainly handles smaller vessels which are below 5,000-tonnage class; and the Dongjiang port district is a newly developed district covering a planned area of approximately 30 square kilometres. In August 2006, the Dongjiang Bonded Free Port, currently the largest bonded free port in the PRC, was approved by the PRC government to be established in the Dongjiang port district.

The port of Tianjin was designated by the PRC government as the principal gateway to the hinterland of the northern and north western regions of the PRC. According to the Eleventh Five-Year Plan, a total of RMB36.6 billion is to be invested between 2006 and 2010 to enhance the infrastructure, including the transportation network connecting Tianjin to its hinterland. It is anticipated that the container throughput at the port of Tianjin will reach 10 million TEUs by 2010. Furthermore, the Eleventh Five-Year Plan emphasised the acceleration of the development of the Tianjin Binhai New Area, which encompasses the port of Tianjin, as a key driver to advance the regional economy. The goal of the PRC government is to develop the Tianjin Municipality into an international shipping and logistics centre in the northern regions of the PRC.

Hinterland and transportation

The following map illustrates the hinterland served by the port of Tianjin:



The port of Tianjin serves a vast hinterland. It is the principal sea access point for Tianjin and Beijing, two municipalities directly governed by the Central PRC Government and the province of Hebei, as well as an important sea access point for the provinces of Henan, Shanxi, Shaanxi, Ningxia, Qinghai, Sichuan, Inner Mongolia, Shandong, Tibet, Gansu and Xinjiang. Tianjin is located among a group of important medium-sized cities such as Tangshan, Baoding, Shijiazhuang and Xingtai which are within 300 kilometres of the port of Tianjin. The regions from which the port of Tianjin derives its cargo volume account for a significant portion of industrial manufacturing in the PRC. The hinterland is linked to Tianjin by a number of road and railway networks. Such transportation infrastructure facilitates the efficient and convenient transportation of cargo.

Tianjin Binhai New Area

According to the Eleventh Five-Year Plan, the Tianjin Binhai New Area has been included as part of the development strategy of the PRC government and is designated to become a new regional economic growth driver, after the Shenzhen Special Economic Zone and the Shanghai Pudong New Area.

The Tianjin Binhai New Area is located at the east coast of Tianjin, in the centre of the Bohai Rim Region with a planned area of 2,270 square kilometres and a coastline of 153 kilometres. The port of Tianjin, together with the Tianjin Port Free Trade Zone and the TEDA are the three primary zones of the Tianjin Binhai New Area.

The Tianjin Binhai New Area has a well developed infrastructure network, and the development plan of the Tianjin Binhai New Area is particularly focused on nurturing and attracting the development of eight major industries, namely, electronics and information technology, automobile and machinery, petro-chemical and marine chemical, modern metallurgy, aviation and aerospace, bio-pharmaceuticals, new materials and new energy, and service industries. As of April 2009, the Tianjin Binhai New Area has attracted over 60,000 enterprises. 120 Fortune-500 companies have invested in over 230 projects in the Tianjin Binhai New Area. Direct foreign investment totalled approximately US$30 billion.

In 2008, the Tianjin Binhai New Area generated gross domestic product of approximately RMB310.2 billion, representing an annual growth rate of approximately 23.1% compared to 2007, and accounted for approximately 47% of the gross domestic product of Tianjin. Total export and import value reached approximately US$54.1 billion, up approximately 10.8% from 2007, and accounted for approximately 67% of the total foreign trade value of Tianjin.

Under the Three-Year Plan for the Infrastructure and Environment Construction in the Tianjin Binhai New Area, RMB225.7 billion will be invested in 177 significant projects to establish a comprehensive transportation system to further facilitate regional integration and improve the connectivity of the Tianjin Binhai New Area to the hinterland. The port of Tianjin will, directly and indirectly, benefit from various incentive policies that are implemented to boost regional economic growth.

Current development of the port of Tianjin

As part of the "Master Plan for the Port of Tianjin" approved by the Ministry of Transport and the Tianjin Municipal Government in 2004, a designated container terminal operation area, a large-scale modern logistics system, dedicated dry-bulk cargo berths and liquid cargo berths, and deep navigation channels have been constructed in the past few years. The port of Tianjin is now capable of handling 300,000-tonne class vessels.

Currently, the port of Tianjin is connected to over 400 ports in more than 180 countries and regions around the world. Over 60 regular liners have developed more than 100 shipping routes to and from Tianjin, and all of the top 20 liners in the world have set up operations at the port of Tianjin.

In 2008, the port of Tianjin was the third largest and the sixth largest port in the PRC in terms of aggregate cargo throughput and container throughput, respectively. The volume of aggregate cargo handled at the port of Tianjin reached approximately 356 million tonnes in 2008, up by approximately 15.2% from 2007, representing the second highest growth among the top 10 ports in the PRC. Container throughput at the port of Tianjin increased from approximately 7.1 million TEUs in 2007 to approximately 8.5 million TEUs in 2008, representing a year-on-year growth of approximately 19.7%. In terms of both aggregate cargo throughput and container throughput in 2008, the port of Tianjin achieved the highest growth among the major ports in the Bohai Rim Region, surpassing the ports of Qingdao and Dalian.

The following tables set out the top ten ports in the PRC, as measured by aggregate cargo throughput and container throughput.

Aggregate cargo throughput

Ranking	**Port**	**2007**	**2008**	**Year-on-year Growth**
		(million tonnes)		
1	Shanghai	561	582	3.7%
2	Ningbo	473	520	9.9%
3	Tianjin	309	356	15.2%
4	Guangzhou	343	347	1.2%
5	Qingdao	265	300	13.2%
6	Qinhuangdao	249	252	1.2%
7	Dalian	223	246	10.3%
8	Shenzhen	200	211	5.5%
9	Suzhou	184	203	10.3%
10	Rizhao	131	151	15.3%

Source: Ministry of Transport, Statistics Bureau of Shanghai

Container throughput

Ranking	**Port**	**2007**	**2008**	**Year-on-year Growth**
		(million TEUs)		
1	Shanghai	26.2	28.0	6.9%
2	Shenzhen	21.1	21.4	1.4%
3	Guangzhou	9.3	11.0	18.3%
4	Ningbo	9.4	10.9	16.0%
5	Qingdao	9.5	10.0	5.3%
6	Tianjin	7.1	8.5	19.7%
7	Xiamen	4.6	5.0	8.7%
8	Dalian	3.8	4.5	18.4%
9	Lianyungang	2.0	3.0	50.0%
10	Suzhou	1.9	2.6	36.8%

Source: Ministry of Transport

Resilient performance in the recent global economic downturn

The port industry in the PRC was adversely affected by the recent global economic downturn. Total foreign trade value with many major global trading partners has declined since the fourth quarter of 2008. According to the National Bureau of Statistics of China, the total foreign trade value in the PRC for the first quarter of 2009 dropped approximately 24.9% compared to the same period in 2008. Many major ports in the Yangtze River Delta and Pearl River Delta recorded double-digit year-on-year decline in both aggregate cargo throughput and container throughput for the first quarter of 2009.

The port of Tianjin has demonstrated resilience among the major ports in the PRC in the current challenging environment. Its container throughput for the first quarter of 2009 increased by approximately 1.4% as compared to the same period in 2008, while its aggregate cargo throughput recorded a slight decline of approximately 2.1%. Having benefited from the RMB4 trillion stimulus plan of the PRC government and the economic activities of its hinterland, the port of Tianjin experienced growth in both domestic container throughput and the volume of metal ore imports during the first quarter of 2009. However, such growth was offset by the decline in export containers and the drop in coal volume amid the weakening global economy.

	Aggregate cargo throughput *(million tonnes)*			**Container cargo throughput** *(million TEUs)*		
	2008 Q1	**2009 Q1**	**Year-on-year**	**2008 Q1**	**2009 Q1**	**Year-on-year**
Bohai Rim Region						
Qingdao	75.06	78.44	4.5%	2.44	2.50	2.5%
Tianjin	86.87	85.03	(2.1%)	1.90	1.93	1.6%
Dalian	58.83	61.58	4.7%	1.00	0.99	(1.0%)
Yangtze River Delta						
Ningbo	126.01	113.25	(10.1%)	2.52	2.26	(10.3%)
Shanghai	140.15	122.97	(12.3%)	6.60	5.61	(15.0%)
Pearl River Delta						
Shenzhen	50.33	40.48	(19.6%)	4.94	3.88	(21.5%)
Guangzhou	87.98	77.12	(12.3%)	2.80	2.15	(23.2%)

Source: Ministry of Transport, Statistics Bureau of Shanghai

天津港發展控股有限公司
Tianjin Port Development Holdings Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 3382)

Executive directors:
Yu Rumin *(Chairman)*
Nie Jiansheng
Zhang Jinming
Xue Lingsen
Liu Qingshan

Non-executive director:
Wang Guanghao

Independent non-executive directors:
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Professor Japhet Sebastian Law
Dr. Cheng Chi Pang, Leslie

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One Exchange Square
8 Connaught Place, Central
Hong Kong

19 June 2009

To the Tianjin Port Development Shareholders and, for information only, the Tianjin Development Shareholders

Dear Sir or Madam

VERY SUBSTANTIAL ACQUISITION, PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL, SPECIFIC MANDATE TO ISSUE NEW SHARES, CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

1. INTRODUCTION

On 16 March 2009, the Tianjin Port Development Directors announced that Tianjin Port Development, Grand Point and the Vendor entered into the Sale and Purchase Agreement, pursuant to which Tianjin Port Development, through its wholly-owned subsidiary Grand Point, agreed to conditionally acquire from the Vendor its interest in 951,512,511 shares in the Target, representing 56.81% in the registered share capital of the Target, for a total consideration of HK$10,961 million. The Consideration for the Proposed Acquisition shall be satisfied:

(a) as to approximately HK$7,031 million by the issue of the Consideration Shares to the Vendor's wholly-owned subsidiary as directed by the Vendor; and

(b) as to approximately HK$3,930 million by cash (subject to adjustment) payable to the Vendor's wholly-owned subsidiary as directed by the Vendor, which may be financed with the following:

(i) as to approximately HK$400 million, by cash from internal resources;

(ii) as to a maximum of HK$1,700 million, by bank borrowings; and

(iii) as to the remaining balance, by proceeds from the issue of Tianjin Port Development Shares pursuant to the Proposed Placing and the Option Agreement and/or other sources.

As disclosed in the Announcement, pursuant to the Sale and Purchase Agreement, the adjustment to the cash portion may be made by Tianjin Port Development based on market conditions between the date of the Sale and Purchase Agreement and Completion. The manner and specific amount of such adjustment are subject to further agreement to be made among Tianjin Port Development, Grand Point and the Vendor. In particular, if the parties agree that the cash portion of the Consideration is to be reduced, the shortfall may be satisfied by the issue of further Consideration Shares by Tianjin Port Development to the Vendor's wholly-owned subsidiary as directed by the Vendor or other means. As a result, the proportion of the Consideration to be satisfied by Consideration Shares and by cash may be adjusted pursuant to this mechanism. Tianjin Port Development will issue a further announcement when the final number of Consideration Shares and the amount of cash can be determined.

Upon Completion:

- the total issued share capital of Tianjin Port Development will not be more than 6,600 million Tianjin Port Development Shares;

- the Vendor will have an interest of no less than 51% in the enlarged issued share capital of Tianjin Port Development, and will become the controlling shareholder of Tianjin Port Development; and

- where the number of Consideration Shares and Placing Shares to be issued is such that Tianjin Development's interest in Tianjin Port Development would fall to below 21% upon Completion, Leadport will have a right pursuant to the Option Agreement to subscribe for such number of Option Shares not exceeding the lesser of: (a) the number of Option Shares that may be subscribed at the Placing Price for a total consideration of HK$280 million; and (b) the number of Option Shares that may be subscribed at the Placing Price which would result in Tianjin Development's total shareholding being equal to 21% of the enlarged issued share capital of Tianjin Port Development upon Completion.

Please see the section "The Option Agreement" for further details of the Option Agreement.

2. THE SALE AND PURCHASE AGREEMENT

Date of the Sale and Purchase Agreement

16 March 2009

Parties

(a) Tianjin Port Development;

(b) Grand Point; and

(c) the Vendor.

Subject matter and principal terms of the Proposed Transaction

The Sale and Purchase Agreement sets out the terms upon which Tianjin Port Development will, through its wholly-owned subsidiary Grand Point and subject to the conditions set out in the Sale and Purchase Agreement, acquire from the Vendor its 56.81% interest in the registered share capital of the Target.

Pursuant to the Sale and Purchase Agreement, Grand Point has undertaken that after Completion, it will not at any time prior to the expiration of three years after Completion, transfer its interest in the registered share capital of the Target that it acquired from the Vendor.

Consideration

The Consideration for the Proposed Acquisition shall be HK$10,961 million, which shall be satisfied (subject to adjustment as described below): (a) as to HK$7,031 million by the issue of Consideration Shares to the Vendor's wholly-owned subsidiary as directed by the Vendor; and (b) as to HK$3,930 million by cash payable to the Vendor's wholly-owned subsidiary as directed by the Vendor, which may be financed with internal resources, bank borrowings, proceeds from the issue of Tianjin Port Development Shares pursuant to a placing (if any), proceeds from the issue of convertible securities or other securities (if any), and/or other sources. The exchange rate has been determined to be HK$1:RMB0.88128, being the median exchange rate announced by the People's Bank of China on 13 March 2009, the last Trading Day of the Target's shares on the Shanghai Stock Exchange prior to the date of the Sale and Purchase Agreement.

Pursuant to the Sale and Purchase Agreement, upon Completion, the Vendor must hold no less than 51% of the enlarged issued share capital of Tianjin Port Development.

The Consideration was determined after arm's length negotiations between the parties and with reference to RMB10.152 per Target share, being 90% of the average of the daily volume-weighted average share price of the Target for the last 30 Trading Days prior to (but not including) the date of the Sale and Purchase Agreement.

The issue price of the Consideration Shares shall be HK$2.0916 per Tianjin Port Development Share, being the volume-weighted average share price of the Tianjin Port Development Shares for the five Trading Days prior to (but not including) the date of the Sale and Purchase Agreement. Based on the aggregate value of the Consideration Shares of HK$7,031 million and the issue price of HK$2.0916 per Tianjin Port Development Share, the total number of Consideration Shares to be issued would be approximately 3,362 million, representing approximately 188% of the existing issued share capital and approximately 51% of the maximum enlarged issued share capital of Tianjin Port Development (after the Proposed Share Issue).

The cash portion of the Consideration may be subject to adjustment by Tianjin Port Development based on market conditions between the date of the Sale and Purchase Agreement and Completion. The manner and specific amount of such adjustment are subject to further agreement to be made between the parties. In particular, if the parties agree that the cash portion of the Consideration is to be reduced, the shortfall may be satisfied by the issue of further Consideration Shares by Tianjin Port Development to the Vendor's wholly-owned subsidiary as directed by the Vendor or other means. The adjustment can be made provided that (a) the adjustment does not result in a change in the amount of the Consideration; (b) the adjustment does not impose any material adverse effect on the tax liability of each of Tianjin Port Development, Grand Point and the Vendor; (c) the adjustment does not prevent or unreasonably delay Completion and/or the issue of the Consideration Shares; and (d) the adjustment will not result in the Vendor holding less than 51% in the enlarged issued share capital of Tianjin Port Development (as described above).

The maximum amount of New Shares which may be issued by Tianjin Port Development, including Consideration Shares (which includes further Consideration Shares issued pursuant to the adjustment), Placing Shares, Option Shares and Tianjin Port Development Shares issued pursuant to an issue of other securities, must not exceed 4,812.9 million Tianjin Port Development Shares, representing approximately 73% of the maximum enlarged issued share capital of Tianjin Port Development. As a result, the maximum number of issued Tianjin Port Development Shares will not exceed 6,600 million Tianjin Port Development Shares upon Completion. Tianjin Port Development will ensure compliance with the relevant minimum public float requirement under Rule 8.08 of the Listing Rules after the Proposed Share Issue.

Conditions precedent

The Sale and Purchase Agreement will become effective from the date on which all of the following conditions are satisfied (or waived to the extent permitted by law, as the case may be) within nine months of the date of the Sale and Purchase Agreement (or such longer period as agreed between the parties):

(a) the Proposed Acquisition being approved by the shareholders at the extraordinary general meeting of the Target;

(b) completion of further due diligence on (i) the Target by Tianjin Port Development; and (ii) Tianjin Port Development by the Vendor, to the satisfaction of Tianjin Port Development and the Vendor respectively;

(c) the transfer of shares of the Target by state-owned shareholders pursuant to the Proposed Acquisition being approved by SASAC;

(d) the Proposed Acquisition being approved by MOFCOM in respect of the foreign investment in the Target and any merger control notification (if applicable);

(e) the Proposed Acquisition being approved by the CSRC and the CSRC having granted a waiver from the obligation to make a general offer for all the shares in the Target; and

(f) the above approvals not containing additional conditions or restrictions that may cause any impediments or impose any material adverse effect on the operations of the Target after Completion; and such approvals not having been revoked prior to the date the Sale and Purchase Agreement becomes effective; and no laws, regulations and orders preventing completion of the transfer of the shares in the Target.

Completion is conditional upon (among other things) the fulfilment (or waiver to the extent permitted by law, as the case may be) of the following conditions within six months of the Sale and Purchase Agreement being effective (or such longer period as may be agreed between the parties):

(a) the Vendor having established a wholly-owned subsidiary incorporated outside the PRC in accordance with the law to hold the Tianjin Port Development Shares as a result of the Proposed Transaction;

(b) the Proposed Transaction being approved, and the specific mandate being obtained for the Proposed Share Issue, by the Tianjin Port Development Independent Shareholders at the Tianjin Port Development EGM, and the Proposed Increase in Authorised Share Capital being approved by the Tianjin Port Development Shareholders at the Tianjin Port Development EGM;

(c) the Proposed Transaction and the deemed disposal resulting from the Proposed Share Issue being approved by the Tianjin Development Independent Shareholders at the Tianjin Development EGM;

(d) all necessary consents, approvals and notifications having been obtained or made, and not having been revoked prior to Completion, in Hong Kong and jurisdictions other than the PRC, including:

    (i) the Executive of the SFC having granted a waiver on the part of the Vendor from making a general offer under the Takeovers Code for all the Tianjin Port Development Shares as a result of the issue of Consideration Shares to the Vendor;

    (ii) the Stock Exchange having confirmed that the Proposed Transaction does not trigger the requirements for a reverse takeover under the Listing Rules; and

    (iii) the Stock Exchange having granted approval for the listing of, and permission to deal in, the New Shares on the Stock Exchange; and

(e) the above approvals not containing additional conditions or restrictions that may cause any impediments or impose any material adverse effect on the operations of the Target after Completion, and such approvals not having been revoked prior to the Completion; and no laws, regulations and orders preventing completion of the transfer of the shares in the Target.

If the conditions precedent to Completion have not been satisfied or waived (as the case may be) on or before this date, any one of the parties would be entitled to rescind the Sale and Purchase Agreement.

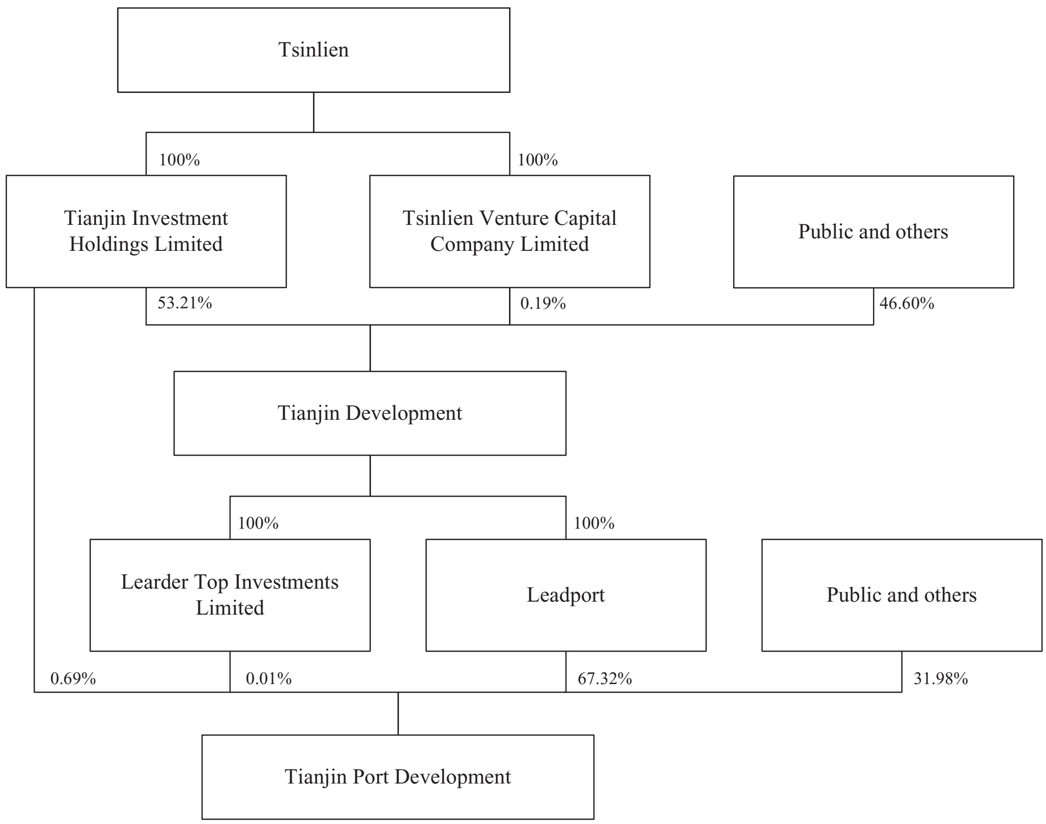
Completion

Completion shall take place on the date on which all of the conditions precedent to Completion are fulfilled (or waived to the extent permitted by law) and the process of registration in the name of Grand Point of the transfer of shares in the Target and issuing the Consideration Shares to the Vendor's wholly-owned subsidiary incorporated outside the PRC as directed by the Vendor are completed (each of which should commence immediately upon all of the conditions precedent to Completion being fulfilled).

Corporate structure

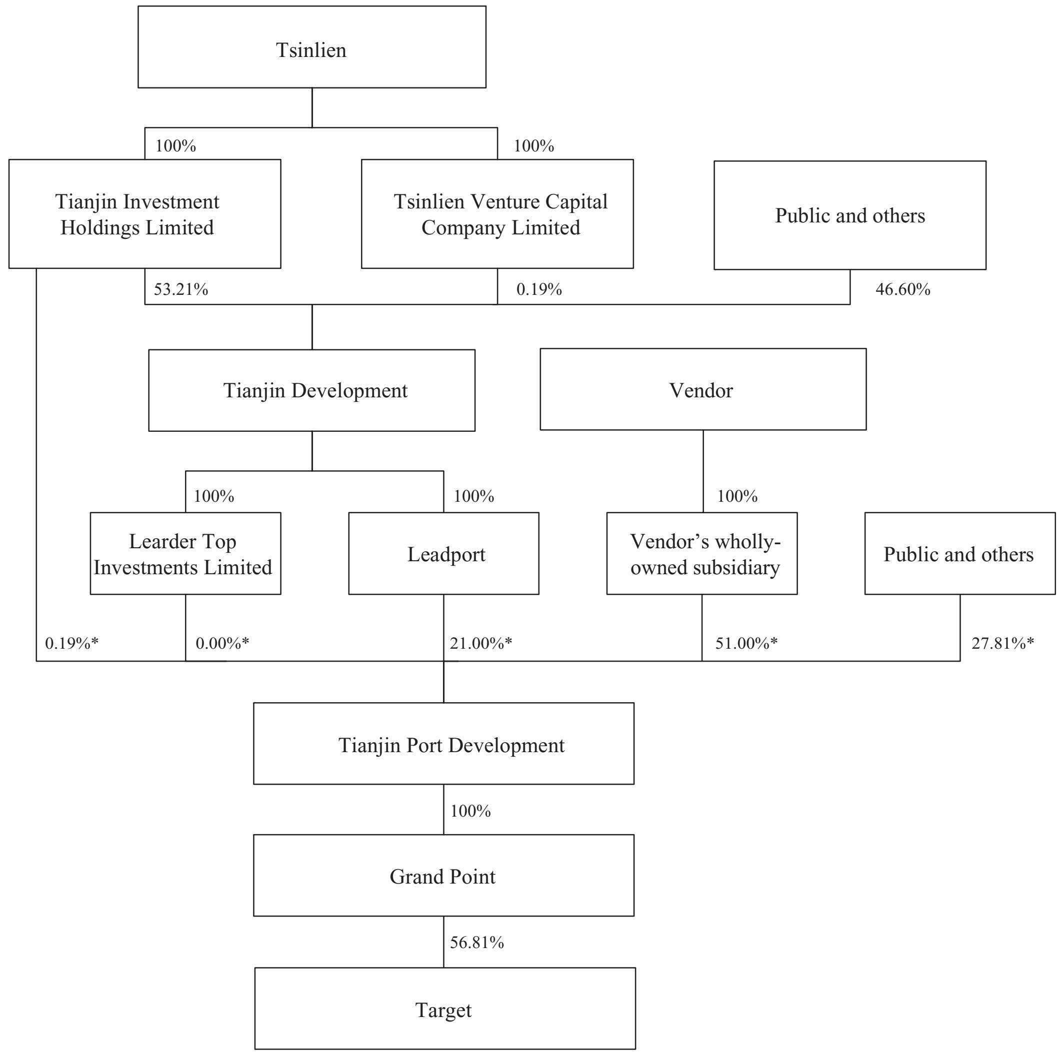
The following diagrams illustrate a simplified corporate and shareholding structure of Tianjin Port Development and Tianjin Development immediately before and following Completion.

As at the date of this circular



Note: The shareholding percentages as shown in the above diagram are approximate figures rounded to the nearest two decimal places.

Immediately after Completion



Notes:

1. The shareholding percentages as shown in the above diagram are approximate figures rounded to the nearest two decimal places.

2. The shareholding percentages marked with an asterisk (*) in respect of the Tianjin Port Development Shareholders in the above diagram are stated for illustrative purposes, and are subject to final valuation and financing. The figures may not represent the actual figures at Completion.

3. Tianjin Development will, through its wholly-owned subsidiaries, hold an interest of at least 21% in Tianjin Port Development upon Completion.

3. THE PROPOSED PLACING

Tianjin Port Development proposes to issue the Placing Shares to not less than six independent professional and institutional investors in order to satisfy part of the cash portion of the Consideration.

Target subscribers:	independent professional and institutional investors
Type of securities to be issued:	ordinary Tianjin Port Development Shares
Nominal value:	HK$0.10
Rights attached to the Placing Shares:	the Placing Shares will rank pari passu with the existing Tianjin Port Development Shares in all respects
Method of issue:	the proposed issue will be conducted by way of private placement to independent professional and institutional investors
Basis for determining the Placing Price:	the Placing Price will be determined by agreement between Tianjin Port Development and the placing agents and will be subject to a number of considerations, including prevailing market conditions, the prevailing market price of the Tianjin Port Development Shares and investor demand for the Tianjin Port Development Shares at the relevant time. In any event, the discount to the Placing Price must not exceed 20% of the closing price of the Tianjin Port Development Shares quoted on the Stock Exchange on the last Trading Day prior to the announcement in respect of the launch of the Proposed Placing

The maximum number of the Placing Shares and the Option Shares (as described in the section “Option Agreement” below) to be issued by Tianjin Port Development is 1,446.9 million (representing approximately 81% of the existing issued share capital and approximately 22% of the maximum enlarged issued share capital of Tianjin Port Development), based on the maximum enlarged issued share capital of 6,600 million Tianjin Port Development Shares less:

(i) 1,787.1 million existing Tianjin Port Development Shares; and

(ii) 3,366 million Tianjin Port Development Shares, being the minimum number of Tianjin Port Development Shares to be issued to the Vendor as Consideration Shares in order to allow the Vendor to achieve an interest of at least 51% in the maximum enlarged issued share capital of Tianjin Port Development.

The total number of Placing Shares to be issued will be determined between Tianjin Port Development and the placing agents taking into account factors including but not limited to the market conditions at the time of launch of the Proposed Placing, and the amount of cash and borrowings to be used to satisfy part of the cash portion of the Consideration. The total number of Placing Shares and Option Shares may or may not reach the maximum of 1,446.9 million Tianjin Port Development Shares.

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Placing Shares on the Stock Exchange.

Tianjin Port Development will issue a further announcement on the number of Placing Shares, the Placing Price and other information upon the signing of the Placing Agreement.

Conditions to the Proposed Placing

Completion of the Proposed Placing will be subject to the following conditions:

(a) the Proposed Transaction being approved, and the specific mandate being obtained for the Proposed Share Issue, by the Tianjin Port Development Independent Shareholders at the Tianjin Port Development EGM, and the Proposed Increase in Authorised Share Capital being approved by the Tianjin Port Development Shareholders at the Tianjin Port Development EGM;

(b) the Proposed Transaction and the deemed disposal resulting from the Proposed Share Issue being approved by the Tianjin Development Independent Shareholders at the Tianjin Development EGM;

(c) the transfer of shares of the Target by state-owned shareholders pursuant to the Proposed Acquisition being approved by SASAC;

(d) the Proposed Acquisition being approved by MOFCOM in respect of the foreign investment in the Target and any merger control notification (if applicable);

(e) the Proposed Acquisition being approved by the CSRC and the CSRC having granted a waiver from the obligation to make a general offer for all the shares in the Target; and

(f) the Stock Exchange having granted approval for the listing of, and permission to deal in, the Placing Shares on the Stock Exchange.

Use of proceeds from the Proposed Placing

The net proceeds from the Proposed Placing will be used to satisfy part of the cash portion of the Consideration for the Proposed Acquisition.

Timing of the Proposed Placing

It is expected that the Proposed Placing will be launched and Placing Price will be determined after all of the conditions precedent to the completion of the Proposed Placing (other than listing approval of the Placing Shares) have been fulfilled. In any event, the Proposed Placing, if launched, will be conducted and completed no later than the earlier of the date of Completion and 16 June 2010.

4. THE OPTION AGREEMENT

On 15 June 2009, it was announced that, in view of recent market volatility subsequent to the date of the Announcement and to provide greater certainty as to the success of the Proposed Transaction in terms of shareholders' approval at the Tianjin Development EGM, Tianjin Port Development has entered into the Option Agreement with Tianjin Development and Leadport. Pursuant to the Option Agreement, Tianjin Port Development granted Leadport a right to subscribe for the Option Shares, at the same time as the Proposed Placing, to increase Tianjin Development's interest, through its wholly-owned subsidiaries, Learder Top Investments Limited and Leadport, to no more than 21% of the enlarged issued share capital of Tianjin Port Development upon Completion.

The total consideration for the subscription of the Option Shares by Leadport shall not exceed HK$280 million.

Subscriber:	Leadport
Type of securities to be issued:	ordinary Tianjin Port Development Shares
Nominal value:	HK$0.10
Rights attached to the Option Shares:	the Option Shares will rank pari passu with the existing Tianjin Port Development Shares in all respects
Price:	the price payable for each Option Share shall be the same as the Placing Price
Number of Option Shares to be issued:	such number of Option Shares not exceeding the lesser of: (a) the number of Option Shares that may be subscribed at the Placing Price for a total consideration of HK$280 million; and (b) the number of Option Shares that may be subscribed at the Placing Price which would result in Tianjin Development's total shareholding, through its two wholly-owned subsidiaries, being equal to 21% of the enlarged issued share capital of Tianjin Port Development upon Completion

Option period:	Leadport may exercise the Option to subscribe for the Option Shares on the date the Placing Price is determined

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Option Shares on the Stock Exchange.

Conditions to completion of the Option Agreement

Completion of the Option Agreement will be subject to the following conditions:

(a) Tianjin Port Development obtaining all approvals and consents required for the issue and allotment of the Option Shares, including but not limited to consents and approvals from the Tianjin Port Development Directors, the Tianjin Port Development Shareholders for the Proposed Increase in Authorised Share Capital, the Tianjin Port Development Independent Shareholders for the Option Agreement, and regulatory and governmental authorities (including the Stock Exchange);

(b) all of the conditions precedent to completion of the Placing Agreement having been fulfilled; and

(c) the Stock Exchange having granted approval for the listing of, and permission to deal in, the Option Shares.

Upon the exercise in full of the Option, Tianjin Development, through its two wholly-owned subsidiaries, will have an interest of no more than 21% in the enlarged issued share capital of Tianjin Port Development upon Completion.

Use of proceeds from the issue of Option Shares

The proceeds from the issue of Option Shares under the Option Agreement will be used to satisfy part of the cash portion of the Consideration for the Proposed Acquisition.

Reasons for entering into the Option Agreement for Tianjin Port Development

In view of recent market volatility subsequent to the date of the Announcement, the Tianjin Port Development Directors consider the entering into of the Option Agreement by Tianjin Port Development would provide greater certainty as to the success of the Proposed Transaction in terms of shareholders' approval at the Tianjin Development EGM.

The maximum percentage interest to be held by Tianjin Development if the Option is exercised was determined to be 21% taking into consideration, among others, the retention of a significant influence of and interest by Tianjin Development in the Enlarged Tianjin Port Development Group, the adoption of equity accounting in respect of Tianjin Development's interest in Tianjin Port Development, and potential minor dilutions of Tianjin Development's interest in Tianjin Port Development as a result of exercise of employee share options in Tianjin Port Development or otherwise.

5. HISTORICAL BACKGROUND

The core businesses of the Tianjin Port Development Group, the Tianjin Development Group, the Vendor Group and the Target Group are centred in the municipality of Tianjin. The port of Tianjin is located in the centre of Bohai Rim Region and in the estuary of the Haihe River. A brief chronology of key events for the above companies is set out below.

Date	Event
October 1954	The Tianjin Port Authority was established by the Tianjin Municipal Government as the government regulatory body of the port of Tianjin.
December 1992	The Target was established by way of promotion by the Tianjin Port Authority.
June 1996	The shares of the Target were listed on the Shanghai Stock Exchange.
May 1997	Tianjin Development was established by Tsinlien to serve as an overseas listed conglomerate flagship under the control of the Tianjin Municipal Government. Tsinlien is wholly owned by the Tianjin Commission of Commerce, a subordinate department of the Tianjin Municipal Government.
December 1997	The Tianjin Development Shares were listed on the main board of the Stock Exchange.
July 2004	The Vendor was established to assume part of the duties of the Tianjin Port Authority under the reorganisation plan of the State Council of the PRC and the Ministry of Transport to separate the administrative and business functions of ports in the PRC in order to strengthen the development and modernisation of such ports.
May 2006	Following a spin-off of Tianjin Development's container handling and non-containerised cargo handling businesses pursuant to Practice Note 15 of the Listing Rules, the Tianjin Port Development Shares were listed on the main board of the Stock Exchange.

Date	Event
April 2008	The Vendor injected assets valued at approximately RMB4.1 billion (including the equity interests in 15 entities mainly engaged in port cargo handling and related services, land use rights and other port terminal assets and facilities) into the Target in consideration for the subscription of shares in the Target. The Target Group was then transformed from a port cargo handling company to an integrated port operator.

6. INFORMATION ON THE VENDOR

The Vendor was established in the PRC in July 2004 upon the conversion of the Tianjin Port Authority into a wholly-state owned company. Since July 2004, the Vendor Group has been engaged in the business operations previously undertaken by the Tianjin Port Authority. The Vendor, through its subsidiaries, is principally engaged in port cargo handling, logistics, and port area land development in the port of Tianjin. The Vendor is a company controlled by the Tianjin SASAC, which is directly under the management of the Tianjin Municipal Government. The Vendor is the controlling shareholder of the Target.

In April 2008, the Vendor injected into the Target the equity interests in 15 entities mainly engaged in port cargo handling and related services, land use rights, and other port terminal assets and facilities valued at approximately RMB4.1 billion, in consideration for the subscription of shares in the Target. As a result of the subscription, the Vendor has undertaken that the Target shall have right of priority to investment opportunities in relation to the future construction, development and operation of the port assets, as well as the right to acquire such projects.

7. INFORMATION ON THE TARGET

(a) Overview

Established by way of promotion by the Tianjin Port Authority in 1992, the shares of the Target were listed on the Shanghai Stock Exchange on 14 June 1996. The Target is based in Tianjin, and is principally engaged in port cargo handling, sales, tugboat services, agency services, and logistics and other services through its subsidiaries, associates and jointly-controlled entities. It is engaged in non-containerised cargo handling, such as coal, coke, metal ores, oil and related products, as well as containers. For the year ended 31 December 2008, the Target Group and its associates handled approximately 4.11 million TEUs of containers and approximately 206.14 million tonnes of non-containerised cargo. The Target Group and the Tianjin Port Development Group are the two major port operators in the port of Tianjin, and collectively accounted for more than 90% of aggregate cargo throughput in the entire port of Tianjin in 2008.

Since the listing of the shares of the Target on the Shanghai Stock Exchange in 1996, the Target has acquired quality port and related assets from the Vendor. These acquisitions have facilitated the transformation of the Target Group from a port cargo handling company to an integrated port operator, capable of offering comprehensive cargo handling, logistics and related services.

The Target is a non-wholly owned subsidiary of the Vendor, with the Vendor having a direct shareholding of 56.81% in the registered share capital of the Target since the completion of the asset injection in April 2008. Upon Completion, the Target will become a non-wholly owned subsidiary of the Tianjin Port Development, and as a result, the financial results of the Target Group will be consolidated with those of the Tianjin Port Development Group.

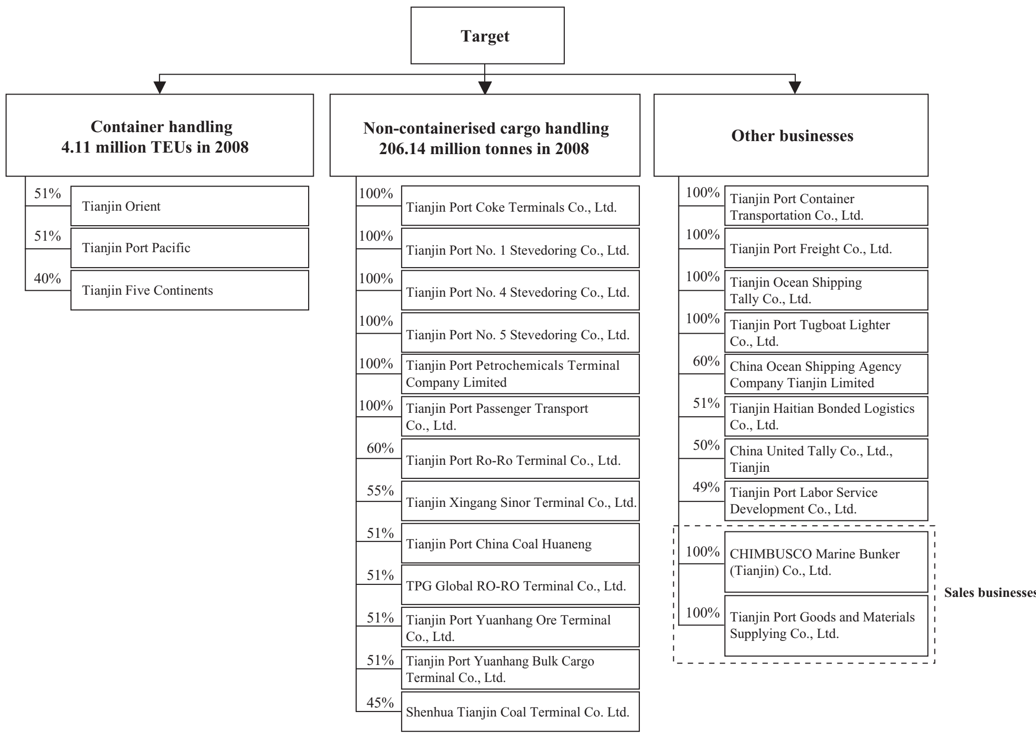
(b) History

A brief history of the Target is set out below.

Date	**Event**
December 1992	The Target was established by the Tianjin Port Authority by way of promotion.
June 1996	The shares of the Target were listed on the Shanghai Stock Exchange (Stock code: 600717). The scope of operations was gradually enlarged through self constructions and acquisitions of assets from the Vendor.
August 1997	The Target invested in the construction of one of the projects in the Nanjiang port district, which is the first port terminal constructed by the Target. The terminal comprised a 35,000-tonne non-containerised berth.
November 2006	Tianjin Port Pacific was incorporated; Stage III of the Beigangchi project commenced construction, becoming the starting and benchmark project in the Dongjiang Bonded Free Port.
2007	Tianjin Haitian Bonded Logistics Co., Ltd., TPG Global RO-RO Terminal Co., Ltd. and Tianjin Port China Coal Huaneng were established, further expanding the Target Group's scope of operations and enhancing its economies of scale and capability in securing stable cargo supply.
April 2008	The Vendor injected assets valued at approximately RMB4.1 billion (including the equity interests in 15 entities mainly engaged in port cargo handling and related services, land use rights and other port terminal assets and facilities) into the Target, in consideration for the subscription of shares in the Target. The Target Group was then transformed from a port cargo handling company to an integrated port operator.

(c) Corporate structure

The diagram below sets out the Target's principal operating structure and entities as of 31 December 2008.



(d) Business overview

The Target operates port and related assets within the port of Tianjin through its subsidiaries, associates and jointly-controlled entities. Its core businesses consist of container handling and non-containerised cargo handling. The Target Group is also engaged in sales (supply of bunker fuel, water, and materials), tugboat services, agency services, and logistics and other services.

The following table sets out the actual cargo throughput of the Target Group and its associates since 2006:

	Year ended 31 December			
	2006	**2007**	**2008**	**Compound annual growth rate**
Container (million TEUs)	2.90	3.27	4.09	18.8%
Non-containerised cargo (million tonnes)	91.40	111.64	185.13	42.3%
Total throughput (million tonnes)	122.19	145.32	226.47	36.1%

The Target acquired assets valued at approximately RMB4.1 billion (including the equity interests in 15 entities mainly engaged in port cargo handling and related services, land use rights and other port terminal assets and facilities) in April 2008. The table below sets out the pro forma cargo throughput of the Target Group and its associates since 2006.

	Year ended 31 December			
	2006	**2007**	**2008**	**Compound annual growth rate**
Container (million TEUs)	3.46	3.57	4.11	9.0%
Non-containerised cargo (million tonnes)	145.57	182.71	206.14	19.0%
Total throughput (million tonnes)	181.88	219.66	247.73	16.7%

The differences between the unadjusted, actual throughput and the adjusted pro forma throughput in 2006, 2007 and the first quarter of 2008, were 0.56 million TEUs, 0.30 million TEUs and 0.02 million TEUs for containers and 54.17 million tonnes, 71.07 million tonnes and 21.01 million tonnes for non-containerised cargo. Such differences represent the throughput contribution in 2006, 2007 and the first quarter of 2008 from the assets acquired by the Target from the Vendor in April 2008.

Container handling

The Target carries out container handling operations through Tianjin Orient, Tianjin Five Continents and Tianjin Port Pacific which collectively operate 13 berths. The Target Group's facilities are capable of docking and handling the largest container ships in operation today with 14,000-TEU capacity and have a maximum draft of 16 metres. The containers handled by the Target Group are mainly export and import containers for the hinterland. The Target Group accounted for approximately 48.3% of the market share in container handling in the port of Tianjin in 2008, while the Tianjin Port Development Group and its jointly-controlled entity captured the remaining 51.7% market share. As at the end of 2008, the annual container handling capacity of the Target Group and its associate was 5.9 million TEUs.

In 2008, the top five customers for container handling in terms of container throughput attributed to the Target Group collectively accounted for 51.5% of the Target Group's total container throughput.

The Target has set up companies in partnership with leading global port operators and shipping companies to operate container handling businesses. These companies are set out in the table below:

Entity	**Business description**	**Beneficial interest held by the Target as of 31 December 2008**	**Other key shareholders**
Tianjin Orient	Container handling and ancillary services	51%	DP World
Tianjin Port Pacific	Container handling and ancillary services	51%	PSA Tianjin Pte. Ltd
Tianjin Five Continents	Container handling and ancillary services	40%	NWS Ports Management (Tianjin) Limited, COSCO Ports (Tianjin) Limited, China Shipping Terminal Development Co., Ltd., China Merchants International Terminals (Tianjin) Limited

Non-containerised cargo handling

The Target provides non-containerised cargo handling and related services through its subsidiaries and an associate, collectively operating 41 berths with a maximum draft of 22 metres. The Target Group handles a variety of non-containerised cargo such as coal, coke, metal ores, oil and related products, steel products and automobiles. In addition, the Target Group also handles passengers. As at the end of 2008, the annual non-containerised cargo handling capacity of the Target Group and its associate was more than 168 million tonnes.

In 2008, the top five customers for non-containerised cargo in terms of throughput attributed to the Target Group collectively accounted for 28.6% of the Target Group's total non-containerised cargo throughput.

The following table shows the non-containerised cargo throughput in 2008 by cargo type:

Cargo type	million tonnes	%
Coal and coke	91.0	44.2%
Metal ores	64.5	31.3%
Oil and related products	23.8	11.5%
Steel products	11.5	5.6%
Others	15.3	7.4%
Total	206.1	100.0%

The following table sets out the Target's key subsidiaries and an associate through which the Target is engaged in non-containerised cargo handling and related businesses:

Entity	Business description	Beneficial interest held by the Target as of 31 December 2008	Other shareholders
Tianjin Port Coke Terminals Co., Ltd.* (天津港焦炭碼頭有限公司)	Non-containerised cargo handling and ancillary services	100%	N/A
Tianjin Port No. 1 Stevedoring Co., Ltd.* (天津港第一港埠有限公司)	Container handling and non-containerised cargo handling	100%	N/A
Tianjin Port No. 4 Stevedoring Co., Ltd.* (天津港第四港埠有限公司)	Non-containerised cargo handling and ancillary services	100%	N/A
Tianjin Port No. 5 Stevedoring Co., Ltd.* (天津港第五港埠有限公司)	Non-containerised cargo handling and ancillary services	100%	N/A
Tianjin Port Petrochemicals Terminal Company Limited* (天津港石油化工碼頭有限公司)	Oil and related products handling	100%	N/A
Tianjin Port Passenger Transport Co., Ltd.* (天津港客運有限公司)	Passenger service and automobile handling	100%	N/A
Tianjin Port Ro-Ro Terminal Co., Ltd.* (天津港滾裝碼頭有限公司)	Automobile handling	60%	Nippon Yusen Kaisha
Tianjin Xingang Sinor Terminal Co., Ltd.* (天津新港賽挪碼頭有限公司)	Non-containerised cargo handling and ancillary services	55%	GB Terminals (Tianjin) Limited

Entity	Business description	Beneficial interest held by the Target as of 31 December 2008	Other shareholders
Tianjin Port China Coal Huaneng	Non-containerised cargo handling and ancillary services	51%	China Coal and Huaneng Energy & Communications Holding Co., Ltd.
TPG Global RO-RO Terminal Co., Ltd.* (天津港環球滾裝碼頭有限公司)	Automobile handling	51%	Nippon Yusen Kaisha and Wallenius Wilhelmsen Terminals North AB
Tianjin Port Yuanhang Ore Terminal Co., Ltd.* (天津港遠航礦石碼頭有限公司)	Non-containerised cargo handling and ancillary services	51%	Ocean Line Holdings Ltd. (遠航集團有限公司)
Tianjin Port Yuanhang Bulk Cargo Terminal Co., Ltd.* (天津港遠航散貨碼頭有限公司)	Non-containerised cargo handling and ancillary services	51%	Ocean Line Holdings Ltd. (遠航集團有限公司)
Shenhua Tianjin Coal Terminal Co. Ltd.* (神華天津煤炭碼頭有限責任公司)	Non-containerised cargo handling and ancillary services	45%	China Shenhua Energy Company Limited

Sales business

In addition, the Target Group is engaged in provision of bunker fuel and water to visiting vessels, as well as sales of various materials.

Entity	Business description	Beneficial interest held by the Target as of 31 December 2008	Other shareholders
CHIMBUSCO Marine Bunker (Tianjin) Co., Ltd.* (天津中燃船舶燃料有限公司)	Supply of bunker fuel and water	100%	N/A
Tianjin Port Goods and Materials Supplying Co., Ltd.* (天津港物資供應有限責任公司)	Sales of various materials, including machine equipment parts, components and construction materials	100%	N/A

Other businesses

In addition to port cargo handling services, the Target Group also provides agency services, tugboat services, and logistics and other services.

Entity	**Business description**	**Beneficial interest held by the Target as of 31 December 2008**	**Other shareholders**
Tianjin Port Container Transportation Co., Ltd.* (天津港集裝箱貨運有限公司)	Freight forwarding, storage, cargo deconsolidation and consolidation	100%	N/A
Tianjin Port Freight Co., Ltd.* (天津港貨運有限公司)	Agency services	100%	N/A
Tianjin Ocean Shipping Tally Co., Ltd.* (天津外輪理貨有限公司)	Tallying services	100%	N/A
Tianjin Port Tugboat Lighter Co., Ltd.* (天津港輪駁有限公司)	Tugboat services	100%	N/A
China Ocean Shipping Agency Company Tianjin Limited* (中國天津外輪代理有限公司)	Agency services	60%	China Ocean Shipping Agency Limited* (中國外輪代理有限公司)
Tianjin Haitian Bonded Logistics Co., Ltd.* (天津海天保税物流有限公司)	Warehousing and logistics services	51%	Longright Limited
China United Tally Co., Ltd., Tianjin* (天津中聯理貨有限公司)	Tallying services	50%	China United Tally Co., Ltd.
Tianjin Port Labor Service Development Co., Ltd.* (天津港勞務發展有限公司)	Labour services	49%	The Vendor

(e) Selected financial information of the Target Group

The following table sets out selected financial information extracted from the audited financial information of the Target Group prepared in accordance with the Hong Kong Financial Reporting Standards for the financial years ended 31 December 2006, 2007 and 2008 as set out in the accountant's report included in Appendix III to this Circular.

	Year ended 31 December		
	2006	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	7,175,795	9,155,452	11,265,836
Profit before tax	1,383,107	1,543,418	1,362,427
Profit attributable to equity holders of the Target	883,455	956,897	923,155

	As at 31 December		
	2006	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*
Total assets	11,037,123	16,927,226	19,849,655
Total liabilities	4,255,333	7,404,103	7,911,208
Minority interests	930,631	2,754,277	2,955,869
Equity attributable to equity holders of the Target	5,851,159	6,768,846	8,982,578

In April 2008, the Target acquired from the Vendor the equity interests in 15 entities mainly engaged in port cargo handling and related services, land use rights, and other port terminal assets and facilities valued at approximately RMB4.1 billion.

In accordance with the relevant accounting principles, 12 of the entities acquired in April 2008 were treated as if they had been in existence since 1 January 2006. Two entities became an associate and a jointly-controlled entity of the Target, effective from April 2008.

The revenue and results of the business segments of the Target Group, namely sales, port cargo handling, agency services, tugboat services, logistics and other services, in 2008 are set out below.

RMB million	Revenue	%	Segment results	%
Sales	6,150	54.6%	75	5.2%
Port cargo handling	3,745	33.2%	1,022	70.4%
Agency services	349	3.1%	148	10.2%
Tugboat services	340	3.0%	110	7.6%
Logistics and other services	682	6.1%	96	6.6%
Total	11,266	100.0%	1,451	100.0%

(f) Asset injections

Since its listing in 1996, the Target has acquired numerous quality assets from the Vendor from time to time, including the following:

- in March 1997, the Target acquired a 90% equity interest in Tianjin Port Freight Co., Ltd* (天津港貨運有限公司) from the Vendor for a cash consideration of approximately RMB22.5 million;

- in June 1998, the Target acquired the entire equity interest in Tianjin Port No. 5 Stevedoring Co., Ltd.* (天津港第五港埠有限公司) from the Vendor for a cash consideration of approximately RMB147.8 million;

- in May 2001, the Target acquired a 51% equity interest in Tianjin Orient from the Vendor for a cash consideration of approximately RMB133.4 million; and

- in April 2008, the Vendor injected into the Target the equity interests in 15 entities mainly engaged in port cargo handling and related services, land use rights and other port terminal assets and facilities, valued at approximately RMB4.1 billion, in consideration for the subscription of shares in the Target. This asset injection significantly increased the scale of operations of the Target Group. The assets injected consisted of all commercially operating port cargo handling assets of the Vendor at the time of the injection.

In addition to the asset injection in 2008, the Vendor granted the Target the right of priority to invest in any future construction, development and operation of the port assets. Before the Target exercises such right, the Vendor could, in accordance with the development plan of the port of Tianjin and the Tianjin Municipality, initiate its investment in those projects, while the Target enjoys the same right of priority for acquisition of these projects. Upon written request by the Target, the Vendor will unconditionally transfer to the Target any port assets at a reasonable price, after fulfillment of all relevant legal procedures.

Furthermore, the Vendor will inject more developed port cargo handling assets into the Target. The Vendor undertook to improve the profitability of the less mature port service assets and granted the Target the right of priority. In particular, the 300,000-tonne oil terminal project will be injected into the Target after completion of construction in accordance with relevant legal procedures.

(g) Planned investments

As of 31 December 2008, the planned major investment projects of the Target were as follows:

- the Target has decided to establish Tianjin Port Shenghua International Container Terminal Co., Ltd.* (天津港盛華國際集裝箱碼頭有限公司) with Grand Asia International Shipping Ltd.* (華亞國際航運有限公司) and Terminal Link Tianjin Limited to develop berths No. 8 to 10 of Beigangchi with a planned total investment amounting to RMB4.2 billion. The Target will hold a 60% equity interest in Tianjin Port Shenghua International Container Terminal Co., Ltd.; and

- the Target has decided to establish Tianjin Port Yuanhang International Ore Terminal Co., Ltd.* (天津港遠航國際礦石碼頭有限公司) with Ocean Line Holdings Ltd. (遠航集團有限公司) to develop berth No. 26 of the Nanjiang District, with planned total investment amounting to RMB2.94 billion. The Target will hold a 51% equity interest in Tianjin Port Yuanhang International Ore Terminal Co., Ltd.

(h) Competitive strengths of the Target

(i) Bright industry prospects

The development of the port industry is closely related to the global economy and foreign trade. Globalisation enhances the role of ports in the integrated global transportation and logistics networks. The PRC has gradually developed into an important global manufacturing base, and robust international trade will continue to provide a conducive environment for port enterprises to grow their business.

(ii) Favourable policies in the PRC

The development and opening of the Tianjin Binhai New Area have been included in the Eleventh Five-Year Plan. The Tianjin Binhai New Area is designated to become a new regional economic growth driver, after the Shenzhen Special Economic Zone and the Shanghai Pudong New Area. The strategic plan of the PRC government to promote the development of the Tianjin Binhai New Area has created unprecedented opportunities for the Target. Further, the Tianjin Municipality will be developed into an international shipping and logistics centre in the northern regions of the PRC. As a key constituent of the Tianjin Binhai New Area, the port of Tianjin is a part of the core competitiveness of the Tianjin Municipality.

(iii) Vast hinterland

The port of Tianjin is located at the juncture of the Beijing-Tianjin city belt and centre of the Bohai Rim Region, serving a vast hinterland of 14 provinces, municipalities and autonomous regions in the PRC. As a gateway linking its hinterland and overseas destinations, Tianjin enjoys geographic advantages and extensive connectivity.

(iv) Scale of operations and resilience in the economic downturn

In 2008, the Target Group's throughput amounted to 4.11 million TEUs of containers and 206.14 million tonnes of non-containerised cargo. As an integrated port operator, the Target is well-positioned to compete in the market and has demonstrated resilience in the economic downturn due to its business structure and significant exposure to non-containerised cargo handling business.

(v) Asset injection undertaking by the Vendor

Over the years, the Target has expanded its business through its own constructions and acquisitions of quality assets from the Vendor. Upon the Target's acquisition from the Vendor of the equity interests in 15 entities mainly engaged in port cargo handling and related services, land use rights, and other port terminal assets and facilities in April 2008, the Vendor granted the Target a right of priority to acquire and invest in the future construction, development and operation of port assets. In particular, the 300,000-tonne oil terminal project will be injected into the Target after the completion of construction, in accordance with relevant legal procedures.

(i) Strategies of the Target

The Target will strive to improve its core competitiveness and develop into a large-scale and international port operator that provides first-class, integrated port services, through the following strategies:

(i) to further develop its core port cargo handling business and enhance its market position through research and analysis, strategic partnerships with global shipping and logistics enterprises, and improved operational efficiency and service standards;

(ii) to enhance logistics infrastructure and information system to offer comprehensive port logistics services in the supply chain centred around the port of Tianjin;

(iii) to implement budget management and cost control initiatives to lower its operating costs and to minimise operational risks; and

(iv) to take advantage of the right of priority granted by the Vendor to grow its business.

(j) Recent developments of the Target

On 22 April 2009, the Target announced its first quarter results of 2009, which were prepared in accordance with China Accounting Standards. Such results showed significantly weaker performance as compared to the same period in the previous year, mainly affected by adverse changes in the global macro-economic environment.

Appendix IV sets out an extract of the consolidated financial information of the Target Group reproduced from the unaudited quarterly results announcement of the Target for the three months ended 31 March 2009. The financial information was prepared in accordance with China Accounting Standards.

8. INFORMATION ON TIANJIN PORT DEVELOPMENT

Tianjin Port Development is principally engaged in container handling services at the port of Tianjin, primarily through its subsidiaries, associates and jointly-controlled entities. In addition, the Tianjin Port Development Group is also involved in non-containerised cargo handling, logistics, and other ancillary services in the port of Tianjin. For the year ended 31 December 2008, the Tianjin Port Development Group handled approximately 4.4 million TEUs of containers (including the volume handled by Tianjin Port Alliance) and approximately 13.1 million tonnes of non-containerised cargo.

The following table sets out selected financial information extracted from the audited consolidated financial statements of Tianjin Port Development prepared in accordance with the Hong Kong Financial Reporting Standards for the financial years ended 31 December 2006, 2007 and 2008.

	Year ended 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	1,036,495	1,193,777	1,258,991
Profit before tax	341,211	287,793	181,034
Profit after tax	304,273	240,642	130,620

As at 31 December 2008, the audited consolidated net assets of Tianjin Port Development was approximately HK$3,614.4 million.

9. INFORMATION ON TIANJIN DEVELOPMENT

The current principal operations (other than the port services operation through Tianjin Port Development Group) of the Tianjin Development Group are: (a) infrastructure operations including toll road operations; (b) utilities operations including the supply of water, electricity and heat and thermal power in the TEDA; (c) commercial properties operations, principally hotel operations; and (d) strategic and other investments, including approximately 44.8% equity interest in Dynasty, and elevator and escalator operations.

As disclosed in the annual report of Tianjin Development for the year ended 31 December 2008, disposal of the Tianjin Development Group's interest in the operation of Eastern Outer Ring Road, one of the toll roads currently operated by the Tianjin Development Group has been initiated prior to the end of 2008 and is expected to be completed in 2009.

10. RELATIONSHIP BETWEEN TIANJIN PORT DEVELOPMENT AND THE VENDOR

At the time of the spin-off and listing of Tianjin Port Development on the Stock Exchange in May 2006, the Stock Exchange exercised its discretion under Rule 14A.06 of the Listing Rules to deem the Vendor and its associates as connected persons of Tianjin Port Development and Tianjin Development. As such, the Proposed Transaction will constitute a connected transaction under the Listing Rules for Tianjin Port Development, and will be subject to the approval of the Tianjin Port Development Independent Shareholders.

Assuming the maximum number of New Shares is issued under the Proposed Share Issue, immediately following Completion, the Vendor's holding in Tianjin Port Development will be 51% or more. Tsinlien, being a substantial shareholder and therefore a connected person of Tianjin Development under the Listing Rules, will continue to be a connected person of each of Tianjin Port Development and Tianjin Development immediately following Completion.

11. REASONS FOR AND BENEFITS OF THE PROPOSED TRANSACTION FOR TIANJIN PORT DEVELOPMENT

The Tianjin Port Development Directors are of the view that the Proposed Transaction will result in the following benefits to Tianjin Port Development:

(a) under the support of the Vendor, the portfolio of the Enlarged Tianjin Port Development Group, consisting of all commercially operating port cargo handling assets within the port of Tianjin, will have significantly increased scale of operations, improved resource integration and allocation, more centralised management and better coordination of project planning and construction, which would help to create meaningful synergies and strengthen the overall competitiveness of the Enlarged Tianjin Port Development Group.

The Tianjin Port Development Group and the Target Group are the two major port operators in the port of Tianjin, and collectively accounted for more than 90% of the aggregate cargo throughput of the port of Tianjin in 2008. The following tables set out the historical cargo throughput for the Tianjin Port Development Group and the Target Group:

Containers (million TEUs)

	Year ended 31 December		
	2006	**2007**	**2008**
The Tianjin Port Development Group[(1)]	2.49	2.76	4.39
The Target Group[(2)]	3.46	3.57	4.11
Total	5.95	6.33	8.50

Non-containerised cargo (million tonnes)

	Year ended 31 December		
	2006	**2007**	**2008**
The Tianjin Port Development Group	16.6	13.0	13.1
The Target Group[(2)]	145.6	182.7	206.1
Total	162.2	195.7	219.2

(1) including the volume handled by a jointly-controlled entity

(2) including the volume handled by an associate and adjusted for the asset injection in April 2008

(b) there will be a significant increase in the scale of the container handling business which is complemented by the significantly increased exposure to non-containerised cargo handling business, resulting in a more diversified business structure for the Enlarged Tianjin Port Development Group, enhancing the competitiveness of Tianjin Port Development. Compared to the container handling business, the non-containerised cargo handling business is less dependent on exports from the PRC, and more dependent on PRC domestic demand and imports. This will help to mitigate the adverse impact of the global economic downturn.

(c) the Enlarged Tianjin Port Development Group will have more flexibility in terms of financing alternatives for the development or acquisition of port businesses, through access to capital markets in both Hong Kong and the PRC; and

(d) the Vendor has granted the Target a right of priority to invest in future construction, development and operation of the port assets, and a right of priority to select and acquire such projects. Further, the Vendor has undertaken to improve the profitability of less mature port service assets. Upon written request by the

Target, the Vendor will unconditionally transfer such projects and assets to the Target upon payment of a reasonable price and in accordance with relevant legal procedures. In particular, the 300,000-tonne oil terminal project will be injected into the Target after the completion of the construction in accordance with relevant legal procedures. Tianjin Port Development will be able to indirectly enjoy the potential benefits from these injected assets as the controlling shareholder of the Target.

12. FUTURE STRATEGIES OF THE ENLARGED TIANJIN PORT DEVELOPMENT GROUP

Upon completion of the acquisition of the controlling interest of the Target, the Enlarged Tianjin Port Development Group will, directly or indirectly, control all commercially operating port cargo handling assets within the port of Tianjin, and will maximise the benefits and synergies from the Proposed Transaction through the following strategies:

(a) upon the Completion of the Proposed Transaction, the Enlarged Tianjin Port Development Group, as the flagship listed entity of the port of Tianjin, will be the best representative of the overall performance of the port of Tianjin. In the future, the Enlarged Tianjin Port Development Group will take advantage of Tianjin's prime location at the juncture of the Beijing-Tianjin city belt and the centre of the Bohai Rim Region, and the vast hinterland covering 14 provinces, municipalities and autonomous regions including Beijing and Tianjin, to develop port cargo handling business and an integrated port logistics system. As the Tianjin Binhai New Area is included in the Eleventh Five-Year Plan and designated to become a new regional economic growth driver after the Shenzhen Special Economic Zone and the Shanghai Pudong New Area, the Enlarged Tianjin Port Development Group will benefit as a key constituent of the area;

(b) to continue to focus on developing the existing port assets of the Tianjin Port Development Group, including port cargo handling and logistics businesses. As the controlling shareholder of the Target, Tianjin Port Development will leverage on the expertise and experience of the strong management team of the Target;

(c) to take advantage of greater flexibility in terms of financing alternatives for the development and acquisition of port assets, through access to capital markets in both Hong Kong and the PRC; and

(d) to derive synergies from the Proposed Transaction, including resource integration, optimised business and management structure, minimisation of over-investments, coordinated procurements and joint marketing.

The Tianjin Port Development Directors do not intend to make any changes in the respective business scopes of Tianjin Port Development and the Target upon Completion.

13. FINANCIAL EFFECT OF THE PROPOSED TRANSACTION FOR THE TIANJIN PORT DEVELOPMENT GROUP

Set out in Appendix V to this circular is the unaudited pro forma financial information on the Enlarged Tianjin Port Development Group which illustrates the financial impact of the Proposed Transaction on the results and cash flows of the Enlarged Tianjin Port Development Group, assuming the Proposed Transaction had been completed on 1 January 2008, and the financial impact of the Proposed Transaction on the assets and liabilities of the Enlarged Tianjin Port Development Group, assuming the Proposed Transaction had been completed on 31 December 2008.

As described in the section "Introduction" above, the Consideration for the Proposed Acquisition shall be satisfied as to approximately HK$7,031 million by the issue of the Consideration Shares and as to approximately HK$3,930 million by cash (subject to adjustment). The cash portion of the Consideration may be financed with approximately HK$400 million by cash from internal resources, a maximum of HK$1,700 million by bank borrowings, and by proceeds from the issue of Tianjin Port Development Shares pursuant to the Proposed Placing, the Option Agreement and/or other sources. The number of Tianjin Port Development Shares to be issued for the purpose of satisfying the Consideration will be subject to, among others, the following conditions upon Completion: (i) the total issued share capital of Tianjin Port Development will be no more than 6,600 million Tianjin Port Development Shares; (ii) the Vendor will have an interest in no less than 51% in the enlarged issued share capital of Tianjin Port Development; (iii) Tianjin Development will have an interest in no more than 21% in the enlarged issued share capital of Tianjin Port Development if the Option Agreement is exercised; and (iv) the compliance with the relevant minimum public float requirement under Rule 8.08 of the Listing Rules.

As the determination of the number of Consideration Shares, the amount of cash, borrowings, and proceeds from the issue of Placing Shares and Option Shares used to satisfy the Consideration depends on market conditions and investor demand at the relevant time, the portion of the Consideration to be satisfied by the issue of the Consideration Shares and by cash upon Completion may be different from the above figures.

In this regard and for the purpose of illustrating the financial effect of the Proposed Transaction for the Tianjin Port Development Group, it is assumed that the cash portion of the Consideration is to be financed with the following:

(a) as to approximately HK$400 million, by cash from internal resources;

(b) as to HK$1,700 million, by bank borrowings; and

(c) as to approximately HK$2,707 million by the net proceeds from the issue of approximately 1,085 million Tianjin Port Development Shares pursuant to the Proposed Placing and the Option Agreement assuming the Placing Price is HK$2.56, being the average closing price of the Tianjin Port Development Shares as quoted on the Stock Exchange in the five Trading Days prior to 8 June 2009, being the latest practicable date for the purpose of the unaudited pro forma financial information.

Based on the above assumptions, we estimated that the Consideration of HK$10,961 million and related direct expenses for the Proposed Acquisition would be satisfied:

(a) as to approximately HK$6,252 million by the issue of approximately 2,989 million Consideration Shares to the Vendor's wholly-owned subsidiary as directed by the Vendor; and

(b) as to approximately HK$4,709 million by cash payable to the Vendor's wholly-owned subsidiary as directed by the Vendor and related direct expenses estimated to be approximately HK$98 million.

The enlarged number of issued Tianjin Port Development Shares would be approximately 5,861 million and the Vendor would hold 51% of the enlarged issued share capital of Tianjin Port Development.

Upon Completion, the Target will become an indirectly non-wholly owned subsidiary of Tianjin Port Development and the financial results of the Target Group will be consolidated with those of the Tianjin Port Development Group.

Earnings

For the year ended 31 December 2008, the audited consolidated profit before income tax was approximately HK$181.0 million and the basic earnings per share of Tianjin Port Development was HK7.3 cents. Assuming the Proposed Transaction had been completed on 1 January 2008, the unaudited pro forma consolidated profit before income tax of the Enlarged Tianjin Port Development Group would be increased to approximately HK$1,562.9 million. The unaudited pro forma basic earnings per share would be increased to approximately HK9.3 cents.

Net Assets

As at 31 December 2008, the audited consolidated total assets and total liabilities of Tianjin Port Development was approximately HK$4,903.1 million and HK$1,284.3 million respectively. As set out in the section headed "Unaudited pro forma financial information on the Enlarged Tianjin Port Development Group" in Appendix V to this circular, assuming the Proposed Transaction had been completed on 31 December 2008, (a) the unaudited pro forma consolidated total assets of the Enlarged Tianjin Port Development Group would be increased to approximately HK$26,988.3 million and (b) the unaudited pro forma consolidated total liabilities of the Enlarged Tianjin Port Development Group would be increased to approximately HK$11,961.0 million.

The audited consolidated net assets of Tianjin Port Development was approximately HK$3,614.4 million as at 31 December 2008. Assuming the Proposed Transaction had been completed on 31 December 2008, the unaudited pro forma consolidated net assets of the Enlarged Tianjin Port Development Group would be increased to approximately HK$7,273.0 million, representing the net assets as acquired from the Target as adjusted by the minority interests and the excess of fair value of the Consideration over the existing book value of the Target which was recognised as merger reserve.

Cash position

The audited consolidated total cash and cash equivalents of Tianjin Port Development were approximately HK$588.9 million as at 31 December 2008. The Enlarged Tianjin Port Development Group would have unaudited pro forma consolidated total cash and cash equivalents of approximately HK$2,285.8 million. The increase was mainly as a result of the consolidation of the cash and cash equivalents of the Target Group after completion of the Proposed Transaction.

Gearing

The audited consolidated total borrowings and the total equity of Tianjin Port Development was approximately HK$1,140.3 million and HK$3,618.9 million respectively as at 31 December 2008. The gearing ratio as measured by total borrowings to total equity was approximately 31.5% as at 31 December 2008. Based on the "Unaudited pro forma consolidated balance sheet" as set out in Appendix V to this circular, the Enlarged Tianjin Port Development Group would have unaudited pro forma consolidated total borrowings and total equity of approximately HK$9,116.9 million and HK$15,027.3 million respectively. The unaudited pro forma gearing ratio would be 60.7%.

14. BOARD COMPOSITION OF TIANJIN PORT DEVELOPMENT

Upon Completion, Tianjin Port Development may cause such changes to its board of directors (which may include nomination of new directors and resignation of existing directors). In addition, Tianjin Development will continue to have representation on the board of directors of Tianjin Port Development.

Appropriate announcement(s) will be made by Tianjin Port Development in relation to any proposed changes to the board of directors, including biographical and other information relating to any proposed new directors, in compliance with the requirements of the Listing Rules.

15. CONTINUING CONNECTED TRANSACTIONS

Immediately following Completion, the Vendor will be interested in not less than 51% of the enlarged issued share capital of Tianjin Port Development and is a connected person of Tianjin Port Development. As the Target Group will become part of the Tianjin Port Development Group upon Completion, transactions between the Enlarged Tianjin Port Development Group and its connected persons (including the Vendor or its associates) will, upon Completion, constitute continuing connected transactions for the Enlarged Tianjin Port Development Group under the Listing Rules.

On 15 June 2009, Tianjin Port Development entered into the Framework Agreements with each of its connected persons, the details of which are set out below, setting out the basis upon which members of the Enlarged Tianjin Port Development Group will after Completion continue to enter into the transactions with them or their respective associates. In addition, the Target Group had previously entered into the Land Lease Agreements with the Vendor or its associates for the lease of land from the Vendor or its associates. As the Target Group will become part of the Enlarged Tianjin Port Development Group upon Completion, transactions under the Framework Agreements and the pre-existing Land Lease Agreements will become continuing connected transactions for the Enlarged Tianjin Port Development Group.

It is envisaged that from time to time and as required, individual agreements in respect of the transactions contemplated under the Framework Agreements will be entered into between members of the Enlarged Tianjin Port Development Group and each of the above connected persons or their respective associates. Each agreement will set out the specific goods and services requested by the relevant party and any details which may be relevant to those services. The agreements will be consistent in all material aspects with the guidelines and terms and conditions set out in the Framework Agreements.

The Continuing Connected Transactions are based on arm's length negotiations with the relevant parties and are of a recurrent nature and will occur on a regular and continuous basis in the ordinary course of business of the Tianjin Port Development Group, on normal commercial terms, and on terms no less favourable to the Enlarged Tianjin Port Development Group than those with independent third parties.

The Tianjin Port Development Directors (including the independent non-executive Tianjin Port Development Directors) consider that the Continuing Connected Transactions are on normal commercial terms in the ordinary course of business and fair and reasonable, and in the interests of the Tianjin Port Development Shareholders.

Continuing Connected Transactions exempt from independent shareholders' approval requirements

15.1 Sales Framework Agreement – sale of materials by the Enlarged Tianjin Port Development Group to the Vendor Group

(a) Background

On 15 June 2009, Tianjin Port Development entered into the Sales Framework Agreement with the Vendor in respect of the sale of materials including spare parts, fuel and lubricant products, and construction materials by the Enlarged Tianjin Port Development Group to the Vendor and/or its associates.

The Sales Framework Agreement is for a term from 15 June 2009 to 31 December 2011. The prices in respect of the various materials sold by the members of the Enlarged Tianjin Port Development Group to the Vendor and/or its associates under the Sales Framework Agreement are determined in accordance with the following general pricing principles:

(i) State-prescribed prices, which are prices set by or with reference to the relevant laws, regulations, determinations, orders and policies issued by the relevant departments of the PRC government;

(ii) where there is no State-prescribed price, then according to the relevant market prices including the local, national or international market prices; or

(iii) where neither of the above is applicable, then on an arm's length basis through a tender procedure, and at prices that are in line with market rates and on terms that are no less favourable to the Enlarged Tianjin Port Development Group than those with independent third party bidders.

Payments for the sale of materials under the Sales Framework Agreement will be made by the Vendor and/or its associates to the Enlarged Tianjin Port Development Group on a monthly basis.

(b) Historical figures and proposed annual caps

The table below sets out a summary of the historical transaction amounts in respect of the sale of materials by the Tianjin Port Development Group and the Target Group to the Vendor and/or its associates for the three years ended 31 December 2006, 2007 and 2008 and the three months ended 31 March 2009, and the proposed annual caps for the three years ending 31 December 2009, 2010 and 2011.

Historical figures (RMB in thousands) for the				Proposed annual caps (RMB in thousands) for		
year ended 31 December 2006	**year ended 31 December 2007**	**year ended 31 December 2008**	**three months ended 31 March 2009**	**year ending 31 December 2009**	**year ending 31 December 2010**	**year ending 31 December 2011**
14,340	16,640	15,395	2,358	20,364	22,066	24,037

(c) Bases of the proposed annual caps

The proposed annual caps are calculated on the basis of historical payments for the sale of materials, taking into account: (i) the estimated growth in business of the Enlarged Tianjin Port Development Group, (ii) the future anticipated expansion plan of the Enlarged Tianjin Port Development Group; and (iii) an annual inflation rate of approximately 10%.

The increase in the proposed annual caps as compared to the historical figures is due to anticipated increase in the supply of fuel as a result of expansion and business growth of the Enlarged Tianjin Port Development Group.

(d) Reasons for and benefits of the transactions contemplated under the Sales Framework Agreement

Historically, the Vendor Group has purchased materials including spare parts, fuel and lubricant products, and construction materials from the Tianjin Port Development Group and the Target Group. In addition, the sale of materials are at market price and on terms that are no less favourable to the Enlarged Tianjin Port Development Group than those sold to independent third parties. The Tianjin Port Development Directors are of the view that the sale of materials on normal commercial terms will broaden the revenue base of the Enlarged Tianjin Port Development Group and is in the interests of the Enlarged Tianjin Port Development Group.

15.2 Freight Yard and Warehousing Lease Framework Agreement – lease of freight yards and warehouses from the Enlarged Tianjin Port Development Group to the Vendor Group

(a) Background

On 15 June 2009, Tianjin Port Development entered into the Freight Yard and Warehousing Lease Framework Agreement with the Vendor in respect of the lease of various freight yards and warehouses in the Tianjin Binhai New Area from the Enlarged Tianjin Port Development Group to the Vendor and/or its associates.

The Freight Yard and Warehousing Lease Framework Agreement is for a term from 15 June 2009 to 31 December 2011. The payments for the lease of various freight yards and warehouses pursuant to the Freight Yard and Warehousing Lease Framework Agreement are determined with reference to market price and on terms comparable to those freight yards and warehouses in the Tianjin Binhai New Area.

Payments for the lease of freight yards and warehouses under the Freight Yard and Warehousing Lease Framework Agreement will be made by the Vendor and/or its associates to the Enlarged Tianjin Port Development Group on a quarterly basis.

(b) Historical figures and proposed annual caps

The table below sets out a summary of the historical figures of the aggregate payments by the Vendor and/or its associates to the Tianjin Port Development Group and the Target Group for the lease of freight yards and warehouses for the three years ended 31 December 2006, 2007 and 2008 and the three months ended 31 March 2009, and the proposed annual caps for the three years ending 31 December 2009, 2010 and 2011.

Historical figures (RMB in thousands) for the				Proposed annual caps (RMB in thousands) for the		
year ended 31 December 2006	year ended 31 December 2007	year ended 31 December 2008	three months ended 31 March 2009	year ending 31 December 2009	year ending 31 December 2010	year ending 31 December 2011
17	69	237	220	3,495	5,495	6,495

(c) Bases of the proposed annual caps

The proposed annual caps are calculated with reference to historical lease payments for freight yards and warehouses in the Tianjin Binhai New Area, taking into account an annual inflation rate of approximately 10%.

The increase in the proposed annual caps as compared to the historical figures is due to increase in the number of warehouses rented as a result of the increase in the scale of operations as part of the Enlarged Tianjin Port Development Group's expansion plans. The warehouses are due to commence operations in 2009.

(d) Reasons for and benefits of the transactions contemplated under the Freight Yard and Warehousing Lease Framework Agreements

The freight yards and warehouses are leased from the Enlarged Tianjin Port Development Group to the Vendor Group at market price and on terms that are no less favourable to the Enlarged Tianjin Port Development Group than those offered to independent third party lessees. The Tianjin Port Development Directors are of the view that the lease of freight yards and warehouses on normal commercial terms will broaden the revenue base of the Enlarged Tianjin Port Development Group and is in the interests of the Enlarged Tianjin Port Development Group.

15.3 Cargo Reconfiguration and Storage Services Framework Agreement – provision of cargo reconfiguration and storage services by the Enlarged Tianjin Port Development Group to the Vendor Group

(a) Background

On 15 June 2009, Tianjin Port Development entered into the Cargo Reconfiguration and Storage Services Framework Agreement with the Vendor in respect of the provision of cargo reconfiguration and storage services by the Enlarged Tianjin Port Development Group to the Vendor and/or its associates.

The Cargo Reconfiguration and Storage Services Framework Agreement is for a term from 15 June 2009 to 31 December 2011. The prices in respect of the services provided under the Cargo Reconfiguration and Storage Services

Framework Agreement are determined with reference to: (i) the actual volume of cargo stored; and (ii) State-prescribed prices, which are prices set by or with reference to the relevant laws, regulations, determinations, orders and policies issued by the relevant departments of the PRC government.

Payments for the provision of cargo reconfiguration and storage services under the Cargo Reconfiguration and Storage Services Framework Agreement will be made by the Vendor and/or its associates to the Enlarged Tianjin Port Development Group on a monthly basis.

(b) Historical figures and proposed annual caps

The table below sets out a summary of the historical figures of the aggregate amounts received by the Tianjin Port Development Group and the Target Group from the Vendor and/or its associates for the provision of cargo reconfiguration and storage services for the three years ended 31 December 2006, 2007 and 2008 and the three months ended 31 March 2009, and the proposed annual caps for the three years ending 31 December 2009, 2010 and 2011.

Historical figures (RMB in thousands) for the				Proposed annual caps (RMB in thousands) for the		
year ended 31 December 2006	year ended 31 December 2007	year ended 31 December 2008	three months ended 31 March 2009	year ending 31 December 2009	year ending 31 December 2010	year ending 31 December 2011
N/A	4,750	7,793	2,055	10,917	12,830	15,543

(c) Bases of the proposed annual caps

The proposed annual caps are calculated on the basis of historical payments for the provision of cargo reconfiguration and storage services, taking into account: (i) the estimated growth in business of the Enlarged Tianjin Port Development Group; and (ii) the anticipated adjustments to the State-prescribed prices.

(d) Reasons for and benefits of the transactions contemplated under the Cargo Reconfiguration and Storage Services Framework Agreement

Historically, the Tianjin Port Development Group and the Target Group has provided cargo reconfiguration and storage services to the Vendor and/or its associates. In addition, the provision of cargo reconfiguration and storage services are at State-prescribed prices or market price and on terms that are no less favourable to the Enlarged Tianjin Port Development Group than those provided to independent third parties. The Tianjin Port Development Directors are of the view that the provision of cargo reconfiguration and storage services on normal commercial terms will broaden the revenue base of the Enlarged Tianjin Port Development Group and is in the interests of the Enlarged Tianjin Port Development Group.

15.4 DP World Secondment Framework Agreement – provision of management staff by DP World and/or its associates to the Enlarged Tianjin Port Development Group

(a) Background

DP World is engaged in the business of international marine terminal operations and development, logistics and related services. DP World is a substantial shareholder of Tianjin Orient, a subsidiary of the Target Group. As DP World holds an equity interest of 49% in Tianjin Orient, DP World is entitled to nominate and appoint representatives of DP World (the "DP World Secondees") to the management of Tianjin Orient from time to time. As such, Tianjin Orient pays the salary payments of the DP World Secondees direct to DP World. Immediately following Completion, Tianjin Orient will be a subsidiary of the Enlarged Tianjin Port Development Group and DP World will become a connected person of the Enlarged Tianjin Port Development Group by virtue of being a substantial shareholder of a subsidiary of the Enlarged Tianjin Port Development Group. Accordingly, salary payments of the DP World Secondees made by the Enlarged Tianjin Port Development Group to DP World and/or its associates will constitute continuing connected transactions for the Enlarged Tianjin Port Development Group under the Listing Rules.

On 15 June 2009, Tianjin Port Development entered into the DP World Secondment Framework Agreement with DP World in respect of the provision of DP World Secondees by DP World and/or its associates to the Enlarged Tianjin Port Development Group.

The DP World Secondment Framework Agreement is for a term from 15 June 2009 to 31 December 2011. The prices in respect of the services provided under the DP World Secondment Framework Agreement are determined in accordance with industry rates. The payments are commensurate with the number of years of experience and technical expertise of the relevant DP World Secondees.

Payments for the provision of management staff under the DP World Secondment Framework Agreement will be made by the Enlarged Tianjin Port Development Group to DP World on request by DP World from time to time.

(b) Historical figures and proposed annual caps

The table below sets out a summary of the historical figures of the aggregate amounts paid by the Target Group to DP World and/or its associates for salary payments of the DP World Secondees for the three years ended 31 December 2006, 2007 and 2008 and the three months ended 31 March 2009, and the proposed annual caps for the three years ending 31 December 2009, 2010 and 2011.

Historical figures (RMB in thousands) for the				Proposed annual caps (RMB in thousands) for the		
year ended 31 December 2006	year ended 31 December 2007	year ended 31 December 2008	three months ended 31 March 2009	year ending 31 December 2009	year ending 31 December 2010	year ending 31 December 2011
2,387	1,821	1,100	281	1,109	1,137	1,163

(c) *Bases of the proposed annual caps*

The proposed annual caps are calculated on the basis of historical salary payments of the DP World Secondees made by the Target Group to DP World and/or its associates.

(d) *Reasons for and benefits of the transactions contemplated under the DP World Secondment Framework Agreement*

The salary payments for the DP World Secondees are determined by the shareholders of Tianjin Orient and in accordance with industry rates. The payments are commensurate with the number of years of experience and technical expertise of the relevant DP World Secondees. The Tianjin Port Development Directors are of the view that the provision of DP World Secondees on normal commercial terms would enable the Enlarged Tianjin Port Development Group to leverage on DP World's technical expertise in the management and operations of the Enlarged Tianjin Port Development Group, and is in the interests of the Enlarged Tianjin Port Development Group.

Non-exempt Continuing Connected Transactions

15.5 Property Lease Framework Agreement – lease of freight yards, warehouses, office buildings and facilities from the Vendor Group to the Enlarged Tianjin Port Development Group

(a) *Background*

On 15 June 2009, Tianjin Port Development entered into the Property Lease Framework Agreement with the Vendor in respect of the lease of various freight yards, warehouses, office buildings and facilities in the Tianjin Binhai New Area from the Vendor and/or its associates to the Enlarged Tianjin Port Development Group.

The Property Lease Framework Agreement is for a term from 15 June 2009 to 31 December 2011. The payments for the lease of various freight yards, warehouses, office buildings and port facilities pursuant to the Property Lease

Framework Agreement are determined with reference to market price and on terms comparable to those freight yards, warehouses, office buildings and facilities in the Tianjin Binhai New Area.

Payments for the lease of freight yards, warehouses, office buildings and facilities under the Property Lease Framework Agreement will be made by the Enlarged Tianjin Port Development Group to the Vendor and/or its associates on a quarterly or half-yearly basis.

(b) Historical figures and proposed annual caps

The table below sets out a summary of the historical figures of the aggregate payments by the Tianjin Port Development Group and the Target Group to the Vendor and/or its associates for the lease of freight yards, warehouses, office buildings and facilities for the three years ended 31 December 2006, 2007 and 2008 and the three months ended 31 March 2009, and the proposed annual caps for the three years ending 31 December 2009, 2010 and 2011.

Historical figures (RMB in thousands) for the				Proposed annual caps (RMB in thousands) for the		
year ended 31 December 2006	year ended 31 December 2007	year ended 31 December 2008	three months ended 31 March 2009	year ending 31 December 2009	year ending 31 December 2010	year ending 31 December 2011
6,997	17,076	34,245	8,705	47,381	56,249	62,874

(c) Bases of the proposed annual caps

The proposed annual caps are calculated with reference to historical lease payments for freight yards, warehouses, office buildings and facilities in the Tianjin Binhai New Area, taking into account: (i) the estimated growth in the scale of operations of the Enlarged Tianjin Port Development Group; (ii) increase in the gross floor area required as a result of the increase in the scale of operations; and (iii) an annual inflation rate of approximately 10%.

(d) Reasons for and benefits of the transactions contemplated under the Property Lease Framework Agreements

Historically, the Tianjin Port Authority, the business of which was subsequently reorganised into the Vendor Group, owned the land and operated the port business in the port of Tianjin. As such, the freight yards, warehouses, office buildings and facilities owned by the Vendor Group were used to carry out the port business, which was subsequently spun off into the Tianjin Port Development Group and the Target Group. These freight yards, warehouses, office buildings and facilities continue to be leased to the Enlarged Tianjin Port Development Group at market price and on terms that are no less favourable to the Enlarged

Tianjin Port Development Group than those offered by independent third party lessors. The Tianjin Port Development Directors are of the view that the taking of leases on normal commercial terms from a reliable and co-operative owner of freight yards, warehouses, office buildings and facilities such as the Vendor and/or its associates is in the interests of the Enlarged Tianjin Port Development Group.

15.6 Integrated Services Framework Agreement – provision of utilities and supporting services by the Vendor Group to the Enlarged Tianjin Port Development Group

(a) Background

On 15 June 2009, Tianjin Port Development entered into the Integrated Services Framework Agreement with the Vendor in respect of the provision of utilities and supporting services by the Vendor and/or its associates to the Enlarged Tianjin Port Development Group. The services provided by the Vendor and/or its associates to the Enlarged Tianjin Port Development Group include:

- water supply services;
- electricity supply services;
- communications services;
- IT support services, including but not limited to, repair and maintenance of hardware and software of the electronic data information network in respect of the port operations of the Enlarged Tianjin Port Development Group;
- repair and maintenance of port facilities and equipment;
- project management services;
- labour services; and
- general administrative services, including but not limited to, office support services, general maintenance services, cleaning services, and catering services.

The Integrated Services Framework Agreement is for a term from 15 June 2009 to 31 December 2011. The prices in respect of the various services provided by the Vendor and/or its associates under the Integrated Services Framework Agreement are determined in accordance with the following general pricing principles:

(i) State-prescribed prices, which are prices set by or with reference to the relevant laws, regulations, determinations, orders and policies issued by the relevant departments of the PRC government;

(ii) where there is no State-prescribed price, then according to the relevant market prices including local, national or international market prices; or

(iii) where neither of the above is applicable, then on an arm's length basis through a tender procedure, and at prices that are in line with market rates and on terms that are no less favourable to the Enlarged Tianjin Port Development Group than those offered by independent third party bidders.

Payments for the provision of utilities and supporting services under the Integrated Services Framework Agreement will be made by the Enlarged Tianjin Port Development Group to the Vendor and/or its associates on a monthly basis.

(b) Historical figures and proposed annual caps

The table below sets out a summary of the historical figures of the aggregate amounts paid to the Vendor and/or its associates by the Tianjin Port Development Group and the Target Group for the provision of utilities and supporting services for the three years ended 31 December 2006, 2007 and 2008 and the three months ended 31 March 2009, and the proposed annual caps for the three years ending 31 December 2009, 2010 and 2011.

Historical figures (RMB in thousands) for the				Proposed annual caps (RMB in thousands) for the		
year ended 31 December 2006	year ended 31 December 2007	year ended 31 December 2008	three months ended 31 March 2009	year ending 31 December 2009	year ending 31 December 2010	year ending 31 December 2011
251,233	346,439	559,990	153,544	837,665	970,781	1,115,566

(c) Bases of the proposed annual caps

The proposed annual caps are calculated on the basis of historical payments for the provision of utilities and supporting services, taking into account: (i) the estimated growth in business of the Enlarged Tianjin Port Development Group, (ii) the future anticipated expansion plan of the Enlarged Tianjin Port Development Group; and (iii) an annual inflation rate of approximately 10%.

The increase in the proposed annual caps as compared to the historical figures is due to new operating units that have recently commenced operations as part of the expansion plan of the Enlarged Tianjin Port Development Group. As a result, there is an increased demand for electricity and other utilities, and labour and supporting services. In particular, there will be an anticipated increase in electricity consumption due to the diesel-to-electricity conversion project to be carried out in 2009.

(d) Reasons for and benefits of the transactions contemplated under the Integrated Services Framework Agreement

The Tianjin Port Authority, the business of which was subsequently reorganised into the Vendor Group, is the only provider of utilities including water, electricity and communications in the port of Tianjin. Historically, the Vendor Group has provided administrative and supporting services to the Tianjin Port Development Group and the Target Group. In addition, the Vendor Group is familiar with the operation pattern of the Enlarged Tianjin Port Development Group. As such, the Vendor Group is experienced in providing such services in an efficient and effective manner to the Enlarged Tianjin Port Development Group. The Tianjin Port Development Directors believe that the Vendor and/or its associates have consistently been able to meet the Tianjin Port Development Group's and the Target Group's stringent demands and deliver services in a timely manner. The Tianjin Port Development Directors consider that having reliable and co-operative service providers, such as the Vendor and/or its associates, is important and beneficial to the Enlarged Tianjin Port Development Group.

15.7 Procurement Framework Agreement – purchase of products by the Enlarged Tianjin Port Development Group from the Vendor Group

(a) Background

On 15 June 2009, Tianjin Port Development entered into the Procurement Framework Agreement with the Vendor in respect of the purchase of products including port machinery, equipment and working tools by the Enlarged Tianjin Port Development Group from the Vendor and/or its associates.

The Procurement Framework Agreement is for a term from 15 June 2009 to 31 December 2011. The prices in respect of the various products sold to the members of the Enlarged Tianjin Port Development Group by the Vendor and/or its associates under the Procurement Framework Agreement are determined in accordance with the following general pricing principles:

(i) State-prescribed prices, which are prices set by or with reference to the relevant laws, regulations, determinations, orders and policies issued by the relevant departments of the PRC government;

(ii) where there is no State-prescribed price, then according to the relevant market prices including the local, national or international market prices; or

(iii) where neither of the above is applicable, then on an arm's length basis through a tender procedure, and at prices that are in line with market rates and on terms that are no less favourable to the Enlarged Tianjin Port Development Group than those offered with independent third party bidders.

Payments for the products under the Procurement Framework Agreement will be made by the Enlarged Tianjin Port Development Group to the Vendor and/or its associates on a monthly basis.

(b) Historical figures and proposed annual caps

The table below sets out a summary of the historical transaction amounts for the purchase of products by the Target Group from the Vendor and/or its associates for the three years ended 31 December 2006, 2007 and 2008 and the three months ended 31 March 2009, and the proposed annual caps for the three years ending 31 December 2009, 2010 and 2011.

Historical figures (RMB in thousands) for the				Proposed annual caps (RMB in thousands) for the		
year ended 31 December 2006	year ended 31 December 2007	year ended 31 December 2008	three months ended 31 March 2009	year ending 31 December 2009	year ending 31 December 2010	year ending 31 December 2011
6,580	91,414	55,891	7,591	70,288	59,722	64,877

(c) Bases of the proposed annual caps

The proposed annual caps are calculated on the basis of historical payments for the purchase of the products, taking into account: (i) the estimated growth in business of the Enlarged Tianjin Port Development Group, (ii) the future anticipated expansion plan of the Enlarged Tianjin Port Development Group; and (iii) an annual inflation rate of approximately 10%.

The substantial increase in the amount of purchases for the year 2007 was as a result of the increase in the purchase by the Target Group of products including telecommunications and electronic equipment for Stage III of the Beigangchi container terminal project. The substantial increase in the proposed annual cap for the year 2009 is as a result of purchases by Tianjin Port Coke Terminals Co., Ltd.* (天津港焦炭碼頭有限公司), a subsidiary of the Target, of gantry cranes.

(d) Reasons for and benefits of the transactions contemplated under the Procurement Framework Agreement

Historically, the Vendor Group has sold products including port machinery, equipment and working tools to the Tianjin Port Development Group and the Target Group, and have been able to meet the stringent demands of the Tianjin Port Development Group and the Target Group. In addition, the purchase of products are at market price and on terms that are no less favourable to the Enlarged Tianjin Port Development Group than those with independent third parties. The Tianjin Port Development Directors consider that purchasing products on normal commercial terms from reliable and co-operative suppliers, such as the Vendor and/or its associates, is in the interests of the Enlarged Tianjin Port Development Group.

15.8 *China Coal Cargo Handling Services Framework Agreement – provision of cargo handling services by the Enlarged Tianjin Port Development Group to China Coal and/or its associates*

(a) Background

China Coal is principally engaged in mining and processing of coal, sales of coal and coke products and manufacturing and sales of coal mining machinery. China Coal is a substantial shareholder of Tianjin Port China Coal Huaneng, a subsidiary of the Target Group. Immediately following Completion, Tianjin Port China Coal Huaneng will be a subsidiary of the Enlarged Tianjin Port Development Group and China Coal will become a connected person of the Enlarged Tianjin Port Development Group by virtue of being a substantial shareholder of a subsidiary of the Enlarged Tianjin Port Development Group. Accordingly, transactions between China Coal and/or its associates and the Enlarged Tianjin Port Development Group will, upon Completion, constitute continuing connected transactions of the Enlarged Tianjin Port Development Group under the Listing Rules.

On 15 June 2009, Tianjin Port Development entered into the China Coal Cargo Handling Services Framework Agreement with China Coal in respect of the provision of cargo handling services by the Enlarged Tianjin Port Development Group to China Coal and/or its associates.

The China Coal Cargo Handling Services Framework Agreement is for a term from 15 June 2009 to 31 December 2011. The prices in respect of the services provided under the China Coal Cargo Handling Services Framework Agreement are determined in accordance with State-prescribed prices, which are prices set by or with reference to the relevant laws, regulations, determinations, orders and policies issued by the relevant departments of the PRC government.

Payments for the provision of cargo handling services under the China Coal Cargo Handling Services Framework Agreement will be made by China Coal and/or its associates to the Enlarged Tianjin Port Development Group on a monthly basis.

(b) Historical figures and proposed annual caps

The table below sets out a summary of the historical figures of the aggregate amounts received by the Tianjin Port Development Group and Target Group from China Coal and/or its associates for the provision of cargo handling services for the three years ended 31 December 2006, 2007 and 2008 and the three months ended 31 March 2009, and the proposed annual caps for the three years ending 31 December 2009, 2010 and 2011.

Historical figures (RMB in thousands) for the				Proposed annual caps (RMB in thousands) for the		
year ended 31 December 2006	year ended 31 December 2007	year ended 31 December 2008	three months ended 31 March 2009	year ending 31 December 2009	year ending 31 December 2010	year ending 31 December 2011
65,352	87,494	69,945	6,888	69,312	71,540	70,600

(c) Bases of the proposed annual caps

The proposed annual caps are calculated on the basis of historical payments for the provision of cargo handling services, taking into account: (i) the estimated growth in business of the Enlarged Tianjin Port Development Group; and (ii) the anticipated adjustments to the State-prescribed prices.

(d) Reasons for and benefits of the transactions contemplated under the China Coal Cargo Handling Services Framework Agreement

Historically, the Tianjin Port Development Group and the Target Group has provided cargo handling services to China Coal and/or its associates. China Coal is one of the leading energy conglomerates in the PRC. In addition, the provision of cargo handling services are at State-prescribed prices and on terms that are no less favourable to the Enlarged Tianjin Port Development Group than those provided to comparable independent third parties. The Tianjin Port Development Directors are of the view that the provision of cargo handling services on normal commercial terms will broaden the revenue base of the Enlarged Tianjin Port Development Group and is in the interests of the Enlarged Tianjin Port Development Group.

15.9 Financial Services Framework Agreement – provision of financial services by Tianjin Port Finance to the Enlarged Tianjin Port Development Group

(a) Background

Tianjin Port Finance is a 32.01% owned associated company of the Vendor. Tianjin Port Finance has provided and will continue to provide financial services to the Target Group. As Tianjin Port Finance is an associate of the Vendor, which is a connected person of Tianjin Port Development, and the Target Group will become part of the Enlarged Tianjin Port Development Group upon Completion, immediately following Completion, transactions between members of the Enlarged Tianjin Port Development Group and Tianjin Port Finance will become continuing connected transactions.

On 15 June 2009, Tianjin Port Development entered into the Financial Services Framework Agreement with Tianjin Port Finance in respect of the provision of financial services by Tianjin Port Finance to the members of the Enlarged Tianjin Port Development Group, including:

(i) deposit services;

(ii) provision of loans;

(iii) commercial notes discounting services;

(iv) settlement services;

(v) arrangement of entrustment loans between members of the Enlarged Tianjin Port Development Group, whereby Tianjin Port Finance serves as an agency through which funds of any member of the Enlarged Tianjin Port Development Group may be channelled for use by other members of the Enlarged Tianjin Port Development Group; and

(vi) certification of financial position, financial advisory services and other advisory services (together with the services referred to in paragraphs (iii) to (v) above, the "Other Financial Services").

The Financial Services Framework Agreement is for a term from 15 June 2009 to 31 December 2011. Pursuant to the Financial Services Framework Agreement, the Enlarged Tianjin Port Development Group will, from time to time, utilise the financial services available from the Tianjin Port Finance.

The fees and charges payable by the Enlarged Tianjin Port Development Group to Tianjin Port Finance under the Financial Services Framework Agreement are determined on the following bases:

- *deposit services* – the interest rate for deposits by members of the Enlarged Tianjin Port Development Group must not be lower than the interest rate provided by other independent commercial banks;

- *provision of loans* – the interest rates for borrowings by members of the Enlarged Tianjin Port Development Group must not be higher than the interest rate charged by other independent commercial banks;

- *commercial notes discounting services* – the interest rates for the commercial notes discounting services must not be higher than the interest rate charged by other independent commercial banks;

- *settlement services* – the settlement services are provided by Tianjin Port Finance to the Enlarged Tianjin Port Development Group free of charge;

- *arrangement of entrustment loans* – the fees payable by the Enlarged Tianjin Port Development Group to Tianjin Port Finance is set at a rate such that the aggregate amount of fees and loan interest together will not exceed the corresponding fees and loan interest payable on a loan of the same term obtained from other independent commercial banks; and

- *certification of financial position, financial advisory services and other advisory services* – the fees charged for these services must not be higher than the fees charged by other independent commercial banks.

Under the Financial Services Framework Agreement, the Enlarged Tianjin Port Development Group will have a right of set-off such that, in the event of misuse or default by Tianjin Port Finance in respect of amounts deposited with it by the Enlarged Tianjin Port Development Group which results in the inability of the Enlarged Tianjin Port Development Group to recover such deposits, the Enlarged Tianjin Port Development Group will be able to set off amounts due to the Enlarged Tianjin Port Development Group from Tianjin Port Finance against amounts outstanding from the Enlarged Tianjin Port Development Group to Tianjin Port Finance. Tianjin Port Finance does not have such right of set-off under the Financial Services Framework Agreement.

In addition, pursuant to the Financial Services Framework Agreement, the average daily amount of outstanding loans extended by Tianjin Port Finance to the Enlarged Tianjin Port Development Group must be more than the average daily amount of deposits placed by the Enlarged Tianjin Port Development Group with Tianjin Port Finance, both amounts being calculated on a monthly basis.

(b) Information on Tianjin Port Finance

Tianjin Port Finance is a non-bank financial institution and was established on 9 December 2006 with the approval of the People's Bank of China (the "PBOC") and is subject to the supervision of the China Banking Regulatory Commission (the "CBRC"). According to the business licence of Tianjin Port Finance, it is authorised to provide financial services set out in the Financial Services Framework Agreement to the members of Enlarged Tianjin Port Development Group but not to other parties. The registered capital of Tianjin Port Finance is RMB500 million. The Target Group, the Vendor Group and an independent third party respectively hold a 48.00%, 32.01% and 19.99% interest in Tianjin Port Finance.

Based on the understanding of Tianjin Port Development, the regulation by the CBRC of Tianjin Port Finance is more stringent than the regulation of commercial banks in certain respects. In accordance with the relevant requirements under the Measures for the Administration of Finance Companies of Enterprise Groups promulgated by the CBRC on 27 July 2004 (as amended on 28 December 2006), finance companies of enterprise groups (including Tianjin Port Finance):

- are not allowed to engage in non-financial services business, including property investment or trading;
- must comply with the following ratio requirements: (i) the capital adequacy ratio shall not be lower than 10% (while the capital adequacy ratio applicable to PRC commercial banks is not less than 8%); (ii) the inter-bank borrowing balances shall not exceed the total registered capital of the relevant finance company (while PRC commercial banks are not subject to such requirement); (iii) the total amount of outstanding guarantees shall not be more than the total registered capital of the relevant finance company (while PRC commercial banks are not subject to such requirement); and (iv) the ratio of self-owned fixed assets to total equity shall not exceed 20% (while PRC commercial banks are not subject to such requirement);
- must maintain a ratio of short-term securities investments to total capital of no more than 40%;
- must maintain a ratio of long-term investments to total capital of no more than 30%; and
- are required to deposit a mandatory proportion of the deposits they receive with the PBOC.

In determining that the financial risks involved in placing deposits with Tianjin Port Finance are limited, the Tianjin Port Development Directors have taken into account the following factors:

- the operations of Tianjin Port Finance are subject to the supervision of the CBRC and the relevant financial services rules and regulations;
- Tianjin Port Development, through the Target Group, is the single largest shareholder of Tianjin Port Finance with an aggregate equity interest of 48%;
- Tianjin Port Development, through the Target Group, has appointed the Chairman and has a total of three board representatives (including the Chairman) at Tianjin Port Finance and will therefore have knowledge of developments within Tianjin Port Finance; and
- the Tianjin Port Development Directors believe that Tianjin Port Finance has been in compliance with all the major financial services rules and regulations and maintained a sound internal control system.

According to Tianjin Port Finance, it is required to deposit with the PBOC a mandatory proportion of the deposits it receives, such proportion to be determined by the PBOC from time to time (currently 11%). In addition, it places a portion of the deposits received with commercial banks in the PRC to ensure that sufficient liquid funds will be available to satisfy the needs of its customers. It then utilises the remaining funds for other uses permitted by CBRC rules and regulations, such as providing discounting services, making loans to customers, purchasing government bonds or other notes issued by the PRC government to earn interest.

(c) Historical figures and proposed annual caps

As Tianjin Port Finance did not provide any financial services to the Tianjin Port Development Group in the past, no historical amounts are available. The table below sets out a summary of the historical transaction amounts for the financial services provided by Tianjin Port Finance to the Target Group for the three years ended 31 December 2006, 2007 and 2008 and the three months ended 31 March 2009.

	Historical figures (RMB in thousands) for the			
	year ended 31 December 2006	**year ended 31 December 2007**	**year ended 31 December 2008**	**three months ended 31 March 2009**
Maximum daily outstanding balance of deposits placed by the Target Group with Tianjin Port Finance	353,932	2,591,095	1,207,719	1,274,576
Total amount of deposits placed by the Target Group in Tianjin Port Finance as at end of reporting period	353,932	1,029,204	1,176,925	1,250,103
Total amount of deposits placed by the Target Group as at end of reporting period	1,763,172	2,022,705	1,849,405	1,920,209
Percentage of deposits placed by the Target Group with Tianjin Port Finance	20.07%	50.88%	63.64%	65.10%

The proposed annual caps for the three years ending 31 December 2009, 2010 and 2011.

	Proposed annual caps (RMB in thousands) for the year ending 31 December		
	2009	2010	2011
Maximum daily outstanding balance of the total deposits placed by members of the Enlarged Tianjin Port Development Group with Tianjin Port Finance	3,000,000	3,000,000	3,000,000

The table below sets out a summary of the historical figures of the aggregate interest payments and fees paid by the Target Group to Tianjin Port Finance for the Other Financial Services for the three years ended 31 December 2006, 2007 and 2008 and the three months ended 31 March 2009, the proposed annual caps for the three years ending 31 December 2009, 2010 and 2011.

Historical figures (RMB in thousands) for the				Proposed annual caps (RMB in thousands) for the		
year ended 31 December 2006	year ended 31 December 2007	year ended 31 December 2008	three months ended 31 March 2009	year ending 31 December 2009	year ending 31 December 2010	year ending 31 December 2011
N/A	821	657	–	2,024	2,024	2,024

(d) Bases of the proposed annual caps

The cap on the maximum daily outstanding balance of deposits (including accrued interest) placed by the Enlarged Tianjin Port Development Group with Tianjin Port Finance (excluding the deposits for the purpose of extending entrustment loans referred to above) will be RMB3.0 billion for each of the three years ending 31 December 2009, 2010 and 2011. This cap amount is calculated on the basis of: (i) the maximum daily outstanding balance of deposits placed with Tianjin Port Finance for the Target Group for the past three years; and (ii) the estimated maximum daily outstanding balance of deposits placed with Tianjin Port Finance for Tianjin Port Development and its subsidiaries (excluding the Target Group).

The cap on the aggregate interest payments and fees in respect of the Other Financial Services is calculated on the basis of: (i) the aggregate interest payments and fees paid by the Target Group to Tianjin Port Finance for the past three years; and (ii) the estimated aggregate interest payments and fees to be paid by the Enlarged Tianjin Port Development Group to Tianjin Port Finance.

The increase in the proposed annual caps as compared to the historical figures for the deposit services and Other Financial Services is due to the fact that historically only the Target Group placed deposits with and use the Other Financial Services from Tianjin Port Finance, while it is expected that the Enlarged Tianjin Port Development Group will do so in future.

(e) Exemptions from reporting, announcement and independent shareholders' approval requirements

Pursuant to Listing Rule 14A.65(4), continuing connected transactions involving the provision of loans to the members of the Enlarged Tianjin Port Development Group by Tianjin Port Finance are exempted from the reporting, announcement and independent shareholders' approval requirements as these constitute financial assistance provided by a connected person for the benefit of the Enlarged Tianjin Port Development Group on normal commercial terms where no security over the assets of the Enlarged Tianjin Port Development Group is granted in respect of the financial assistance.

(f) Independent shareholders' approval requirements

The transactions for Other Financial Services and deposit services, and their respective caps under the Financial Services Framework Agreement will be subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

(g) Reasons for and benefits of the transactions contemplated under the Financial Services Framework Agreement

The Tianjin Port Development Directors believe that the risk profile of Tianjin Port Finance, as a provider of financial services to the Enlarged Tianjin Port Development Group, is not greater than those of other independent commercial banks in the PRC because:

- Tianjin Port Finance is regulated by the PBOC and the CBRC and it provides its services pursuant to the relevant rules and requirements including capital risk guidelines and requisite capital adequacy ratios of such regulatory authorities;

- Tianjin Port Finance has not defaulted on any of its credit obligations or, to the knowledge of the Tianjin Port Development Directors, breached any rules or requirements of such regulatory authorities; and

- Tianjin Port Finance has implemented capital risk control measures that the Tianjin Port Development Directors believe are at least as stringent as those of the major commercial banks in the PRC. Tianjin Port Finance will provide the Enlarged Tianjin Port Development Group access to its books and accounts for inspection upon the Enlarged Tianjin Port Development Group's request to enable the Enlarged Tianjin Port Development Group to monitor its risk control measures.

The advantages of utilising financial services provided by Tianjin Port Finance over utilising similar services provided by other independent commercial banks are as follows:

- PRC laws do not permit companies, including affiliates, to extend intra-group loans directly without going through a financial agency. Tianjin Port Finance serves as the financial agency through which the funds of the members of the Enlarged Tianjin Port Development Group may be channelled efficiently to be used by one another;

- as an intra-group service provider, Tianjin Port Finance generally has better and more efficient communication with the Enlarged Tianjin Port Development Group compared with other independent commercial banks;

- in respect of deposit services, although Tianjin Port Finance offers interest rates that are the same as those offered by other independent commercial banks (because such rates are regulated by the PBOC), Tianjin Port Finance can assist the Enlarged Tianjin Port Development Group to formulate a beneficial deposit mix comprising different types of deposits such as current deposits, call deposits and fixed deposits, which allows the Enlarged Tianjin Port Development Group to increase its return on funds and retain sufficient working capital flexibility;

- as Tianjin Port Finance is familiar with the business and transaction patterns of the Enlarged Tianjin Port Development Group, the settlement services provided by Tianjin Port Finance tend to provide a more efficient and orderly platform than those that could be provided by other independent commercial banks. This also helps to reduce the transaction costs of Tianjin Port Development such as handling fees for transfer of funds and other administrative expenses; and

- discounting of commercial notes by Tianjin Port Finance provides the Enlarged Tianjin Port Development Group's customers with flexibility in payment terms and accelerates the Enlarged Tianjin Port Development Group's collection of sale proceeds. Upon discounting of the commercial notes, the Enlarged Tianjin Port Development Group may receive the sale proceeds as if the sale was effected as a cash sale while the interest payable for the discounting service is borne by customers who issue the commercial notes as payment for purchasing products of the Enlarged Tianjin Port Development Group. This arrangement helps to efficiently reduce the receivables balance of the Enlarged Tianjin Port Development Group and accelerate its fund flows.

Pre-existing continuing transactions

15.10 Land Lease Agreements – pre-existing long-term leases of land from the Vendor Group to the Target Group

(a) Background

The Target Group had previously entered into nine Land Lease Agreements on various dates from April 2004 to July 2008 with the Vendor and/or its associates for the long-term leases of various pieces of land in the port of Tianjin from the Vendor and/or its associates to the Target Group.

These pre-existing Land Lease Agreements are for various terms of between 12 to 50 years. The rental payments for the long-term lease of land under each of the Land Lease Agreements were determined with reference to: (i) the transfer value of the land as appraised by an independent qualified property valuer in the PRC and approved by the relevant PRC government departments; (ii) the yield for one-year PRC government bonds; (iii) relevant PRC tax; and (iv) the number of years of usage.

Payments for the long-term leases of land under the Land Lease Agreements will be made by the Target Group to the Vendor Group on a quarterly basis.

(b) Historical figures and proposed annual caps

The table below sets out a summary of the historical figures of the aggregate rental payments by the Target Group to the Vendor and/or its associates for the leases of land pursuant to the Land Lease Agreements for the three years ended 31 December 2006, 2007 and 2008 and the three months ended 31 March 2009, and the proposed annual caps for the three years ending 31 December 2009, 2010 and 2011.

Historical figures (RMB in thousands) for the				Proposed annual caps (RMB in thousands) for the		
year ended 31 December 2006	year ended 31 December 2007	year ended 31 December 2008	three months ended 31 March 2009	year ending 31 December 2009	year ending 31 December 2010	year ending 31 December 2011
41,752	41,616	43,133	11,217	45,430	45,430	45,430

(c) Bases of the proposed annual caps

The proposed annual caps are calculated on the basis of historical rental payments by the Target Group to the Vendor and/or its associates for various pieces of land in the port of Tianjin.

(d) Reasons for and benefits of the transactions contemplated under the Land Lease Agreements

Historically, the Tianjin Port Authority, the business of which was subsequently reorganised into the Vendor Group, owned the land and operated the port business in the port of Tianjin. As such, the Vendor is the only owner and provider of land in the port of Tianjin. In addition, usage of land for port operations is of a long-term nature and can only be changed with significant investment. Therefore, the lease of land must be of a long duration in order to justify the investment made by the Target Group. The terms of 12 to 50 years under the Land Lease Agreements are similar to those in comparable ports in the PRC. The Tianjin Port Development Directors are of the view that the taking of leases on independently appraised rates from a reliable and co-operative owner and provider of land such as the Vendor and/or its associates, with which the Target Group has maintained a good long-term relationship, is in the interests of the Enlarged Tianjin Port Development Group.

16. WAIVER FROM GENERAL OFFER REQUIREMENTS

It is one of the conditions precedent to Completion that a waiver from making a general offer (a) by the Vendor for the Tianjin Port Development Shares under Rule 26.1 of the Takeovers Code and (b) by Tianjin Port Development for the shares in the Target under the relevant PRC laws or regulations, as a result of Completion be granted by the Executive and the CSRC respectively.

Pursuant to Note 6(a) to Rule 26.1 of the Takeovers Code, the Executive has waived the Vendor's obligation to make a general offer for all the Tianjin Port Development Shares arising as a result of the Proposed Transaction.

Tianjin Port Development has made an application to the CSRC to obtain a waiver from relevant PRC requirements.

17. PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

The authorised share capital of Tianjin Port Development is HK$500,000,000, consisting of 5,000,000,000 Tianjin Port Development Shares of HK$0.10 each, of which 1,787,100,000 Tianjin Port Development Shares are in issue as at the date of this circular. The Tianjin Port Development Directors propose to increase the authorised share capital of Tianjin Port Development from HK$500,000,000 to HK$1,200,000,000, consisting of 12,000,000,000 Tianjin Port Development Shares of HK$0.10 each.

18. IMPLICATIONS UNDER THE LISTING RULES

The relevant percentage ratios under Rule 14.07 of the Listing Rules for the Proposed Acquisition are over 100% for Tianjin Port Development. Further, at the time of the spin-off and listing of Tianjin Port Development on the Stock Exchange in May 2006, the Stock Exchange has exercised its discretion under Rule 14A.06 of the Listing Rules to deem the Vendor and its associates as connected persons of Tianjin Port Development and Tianjin

Development. In addition, immediately following Completion, the Vendor will be interested in not less than 51% of the enlarged issued share capital of Tianjin Port Development and is a connected person of Tianjin Port Development.

Tianjin Development is a substantial shareholder and therefore a connected person of Tianjin Port Development.

The Proposed Transaction

The Proposed Transaction will constitute a very substantial acquisition for Tianjin Port Development, and the Proposed Acquisition and the Proposed Share Issue will constitute connected transactions for Tianjin Port Development, and will be subject to the approval of the Tianjin Port Development Independent Shareholders under the Listing Rules. Tianjin Port Development seeks to obtain a specific mandate from the Tianjin Port Development Independent Shareholders for the Proposed Share Issue of up to an aggregate of 4,812.9 million Tianjin Port Development Shares.

The Option Agreement

The issue of the Option Shares to Leadport pursuant to the Option Agreement will constitute a connected transaction for Tianjin Port Development, and Tianjin Port Development will be subject to the reporting, announcement and independent shareholders' approval requirements under Rules 14A.16 and 14A.31 of the Listing Rules.

Continuing Connected Transactions

As the Target Group will become part of the Enlarged Tianjin Port Development Group upon Completion, transactions between the Enlarged Tianjin Port Development Group and its connected persons (including the Vendor and/or its associates) will become continuing connected transactions for the Enlarged Tianjin Port Development Group.

As the relevant percentage ratios under Rule 14.07 of the Listing Rules in respect of the caps for the Exempt Continuing Connected Transactions will be 0.1% or more but less than 2.5%, these transactions will be subject to the reporting and announcement requirements, but exempt from the independent shareholders' approval requirements, under the Listing Rules.

As the relevant percentage ratios under Rule 14.07 of the Listing Rules in respect of the caps for the Non-exempt Continuing Connected Transactions will be 2.5% or more, these transactions will be subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

As the Target Group will become part of the Enlarged Tianjin Port Development Group upon Completion, the pre-existing Land Lease Agreements that were entered into between the Target Group and the Vendor and/or its associates will become continuing connected transactions for the Enlarged Tianjin Port Development Group under the Listing Rules. Accordingly, Tianjin Port Development will comply with the applicable reporting and disclosure requirements pursuant to the Listing Rules. Upon any variation or renewal of any of the Land Lease Agreements, Tianjin Port Development must comply in full with all applicable reporting, disclosure and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of all continuing connected transactions effected after such variation or renewal.

Independent financial advice from Quam Capital

Quam Capital, the independent financial adviser to the Tianjin Port Development Independent Board Committee, and the Tianjin Port Development Independent Board Committee are of the view that the Non-exempt Continuing Connected Transactions (including the relevant caps and the terms of such transactions) are in the usual and ordinary course of business of Tianjin Port Development and the Target Group, on normal commercial terms, are fair and reasonable and in the interests of the Tianjin Port Development Shareholders as a whole. Please refer to the "Letter from Quam Capital" set out in this circular for further information.

Pursuant to the Listing Rules, any Tianjin Port Development Shareholder and its associates with a material interest in the Proposed Transaction, the Option Agreement, and the Non-exempt Continuing Connected Transactions will abstain from voting on the resolutions approving such transactions. As at the Latest Practicable Date, Tianjin Development and its associates (including Tianjin Investment Holdings Limited, Learder Top Investments Limited and Leadport) control or are entitled to exercise control of approximately 68.02% of the voting rights in aggregate at the general meeting of Tianjin Port Development, and will abstain from voting in respect of such resolutions at the Tianjin Port Development EGM.

An application will also be made by Tianjin Port Development to the Stock Exchange for the listing of, and permission to deal in, the New Shares on the Stock Exchange.

19. THE TIANJIN PORT DEVELOPMENT EGM

There is set out on pages 478 to 481 of this circular a notice convening the Tianjin Port Development EGM to be held at Harbour View Ballroom III, Level 4, Four Seasons Hotel Hong Kong, 8 Finance Street, Central, Hong Kong on Wednesday, 15 July 2009 at 3:00 p.m. at which ordinary resolutions will be proposed for: (a) the approval by the Tianjin Port Development Independent Shareholders of the Proposed Transactions, the Non-exempt Continuing Connected Transactions, and a specific mandate for the Proposed Share Issue of up to an aggregate of 4,812.9 million Tianjin Port Development Shares; and (b) the approval by the Tianjin Port Development Shareholders of the Proposed Increase in Authorised Share Capital. In compliance with the Listing Rules, the votes to be taken at the Tianjin Port Development EGM in respect of such resolutions will be taken by poll, the results of which will be published after the Tianjin Port Development EGM.

In view of their material interests in the Proposed Transaction, the Option Agreement, and the Non-exempt Continuing Connected Transactions, Learder Top Investments Limited, Leadport and Tianjin Investment Holdings Limited will abstain from voting on the resolutions to be proposed at the Tianjin Port Development EGM in respect of the Proposed Transaction, the Option Agreement and the Non-exempt Continuing Connected Transactions.

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

20. RECOMMENDATIONS

The Tianjin Port Development Independent Board Committee, having considered the terms of: (a) the Sale and Purchase Agreement and the Proposed Acquisition, the proposed issue of Consideration Shares to the Vendor and the proposed issue of Option Shares to Leadport; and (b) (i) the Framework Agreements in respect of the Non-exempt Continuing Connected Transactions, and (ii) the Non-exempt Continuing Connected Transactions (including the relevant proposed annual caps), as well as the advice and recommendations of Quam Capital set out in the "Letter from Quam Capital" in this circular, considers that the terms of: (a) the Proposed Acquisition, the proposed issue of Consideration Shares to the Vendor and the proposed issue of Option Shares to Leadport; and (b) (i) the Framework Agreements in respect of the Non-exempt Continuing Connected Transactions, and (ii) the Non-exempt Continuing Connected Transactions (including the relevant proposed annual caps), are on normal commercial terms, fair and reasonable and in the interests of Tianjin Port Development and the Tianjin Port Development Shareholders as a whole. The Tianjin Port Development Independent Board Committee also considers that the Framework Agreements in respect of the Non-exempt Continuing Connected Transaction, and the Non-exempt Continuing Connected Transactions are in the usual and ordinary course of business of the Enlarged Tianjin Port Development Group. Accordingly, the Tianjin Port Development Independent Board Committee recommends that the Tianjin Port Development Independent Shareholders vote in favour of the ordinary resolutions to be proposed at the Tianjin Port Development EGM in relation to: (a) the Proposed Acquisition, the proposed issue of Consideration Shares to the Vendor and the proposed issue of Option Shares to Leadport; and (b) (i) the Framework Agreements in respect of the Non-exempt Continuing Connected Transactions, and (ii) the Non-exempt Continuing Connected Transactions (including the relevant proposed annual caps). The "Letter from the Tianjin Port Development Independent Board Committee" is set out on pages 91 and 92 of this circular.

On the basis of the information set out in this circular, the Tianjin Port Development Directors are of the opinion that the passing of the ordinary resolutions for (a) the Sale and Purchase Agreement, the Proposed Transaction, and the Option Agreement; (b)(i) the Framework Agreements in respect of the Non-exempt Continuing Connected Transactions, and (ii) the Non-exempt Continuing Connected Transactions; and (c) the Proposed Increase in Authorised Share Capital, are fair and reasonable and in the interests of Tianjin Port Development and the Tianjin Port Development Shareholders as a whole. The Tianjin Port Development Directors therefore recommend that the Tianjin Port Development Shareholders vote in favour of these resolutions as set out in the notice of Tianjin Port Development EGM on pages 478 to 481 of this circular.

21. FURTHER INFORMATION

Your attention is drawn to the other sections of and appendices to this circular, containing further information on the Target Group, financial and other information of the Tianjin Port Development Group and the Target Group and other information required to be disclosed under the Listing Rules.

Yours faithfully
For and on behalf of
Tianjin Port Development Holdings Limited
Yu Rumin
Chairman

天津發展控股有限公司
TIANJIN DEVELOPMENT HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability under the Companies Ordinance)
(Stock code: 882)

Executive directors:
Yu Rumin *(Acting Chairman)*
Wu Xuemin
Nie Jiansheng
Dai Yan
Zheng Daoquan
Dr. Wang Jiandong
Bai Zhisheng
Zhang Wenli
Sun Zengyin
Gong Jing

Non-executive director:
Cheung Wing Yui

Independent non-executive directors:
Kwong Che Keung, Gordon
Lau Wai Kit
Dr. Cheng Hon Kwan

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

19 June 2009

To the Tianjin Development Shareholders and,
for information only, the Tianjin Port Development Shareholders

Dear Sir or Madam

**DEEMED VERY SUBSTANTIAL DISPOSAL
AND CONNECTED TRANSACTION FOR
TIANJIN DEVELOPMENT HOLDINGS LIMITED**

1. INTRODUCTION

On 16 March 2009, the Tianjin Development Directors and the Tianjin Port Development Directors jointly announced that Tianjin Port Development, Grand Point and the Vendor entered into the Sale and Purchase Agreement, pursuant to which Tianjin Port Development, through its wholly-owned subsidiary Grand Point, agreed to conditionally acquire from the Vendor its 56.81% interest in the registered share capital of the Target for a total consideration of HK$10,961 million. Details of the Proposed Acquisition and the Proposed Share Issue are set out in the subsections headed "The Sale and Purchase

Agreement", "The Proposed Placing" and "The Option Agreement" in the "Letter from the Tianjin Port Development Directors". You are strongly advised to read them and the rest of the circular carefully.

2. THE OPTION AGREEMENT AND THE SHAREHOLDING INTEREST OF TIANJIN DEVELOPMENT IN TIANJIN PORT DEVELOPMENT UPON COMPLETION

Upon Completion, Tianjin Port Development will, through its wholly-owned subsidiary Grand Point, become the controlling shareholder of the Target, and the Vendor will, through its wholly-owned subsidiary, become the controlling shareholder of Tianjin Port Development, with an interest of no less than 51% in the enlarged issued share capital of Tianjin Port Development. As a result of the Proposed Share Issue of up to 4,812.9 million Tianjin Port Development Shares, Tianjin Port Development will cease to be a subsidiary of Tianjin Development.

In order to: (a) maintain a significant influence on and interest in a significantly larger Tianjin Port Development Group, which is expected to have improved performance as a result of the potential synergies, improved overall competitiveness and improved management of the Enlarged Tianjin Port Development Group, and (b) adopt equity accounting in respect of Tianjin Development's interest in Tianjin Port Development, and having considered potential minor dilutions of Tianjin Development's interest in Tianjin Port Development as a result of exercise of employee share options in Tianjin Port Development or otherwise, Tianjin Development intends to maintain its interest in Tianjin Port Development at or above 21% upon Completion through purchases on the market or exercise of the Option.

Tianjin Development and Leadport entered into the Option Agreement with Tianjin Port Development, on 15 June 2009, pursuant to which Tianjin Port Development granted Leadport a right to subscribe for the Option Shares, at the same time as the Proposed Placing, to increase Tianjin Development's interest, through its wholly-owned subsidiaries, Learder Top Investments Limited and Leadport, to no more than 21% of the enlarged issued share capital of Tianjin Port Development upon Completion.

It is expected that the number of the Consideration Shares and the Placing Shares to be issued will be determined on the date that the Placing Price is determined. On that date, Tianjin Development will be able to determine the dilutive effect on its interest, through its two wholly-owned subsidiaries, as a result of the proposed issue of the Consideration Shares and the Placing Shares. If Tianjin Development's interest in Tianjin Port Development, through its two wholly-owned subsidiaries, is to be diluted to below 21% upon Completion, Leadport will exercise the Option, which will allow Tianjin Development to increase its interest in Tianjin Port Development to no more than 21% upon Completion.

It is expected that the total amount to be spent on market purchases of Tianjin Port Development Shares by Tianjin Development from the date of the Announcement until Completion and exercise of the Option by Leadport will not exceed HK$280 million, which is determined with reference to the internal financial resources of Tianjin Development.

Tianjin Development has no current intention to dispose of its remaining shareholding interest in Tianjin Port Development.

Details of the Option Agreement are set out in the subsection headed "The Option Agreement" in the "Letter from the Tianjin Port Development Directors". You are strongly advised to read it and the rest of the circular carefully.

3. INFORMATION ON TIANJIN DEVELOPMENT

The current principal operations (other than the port services operation through Tianjin Port Development Group) of the Tianjin Development Group are: (a) infrastructure operations including toll road operations; (b) utilities operations including the supply of water, electricity and heat and thermal power in the TEDA; (c) commercial properties operations, principally hotel operations; and (d) strategic and other investments, including approximately 44.8% equity interest in Dynasty and elevator and escalator operations.

As disclosed in the annual report of Tianjin Development for the year ended 31 December 2008, disposal of Tianjin Development Group's interest in the operation of Eastern Outer Ring Road, one of the toll road currently operated by the Tianjin Development Group, has been initiated prior to the end of 2008 and is expected to be completed in 2009.

4. REASONS FOR AND BENEFITS OF THE PROPOSED TRANSACTION FOR TIANJIN DEVELOPMENT GROUP

The Tianjin Port Development Group's performance has been adversely affected recently due to significant exposure to the container business, which has been influenced by the recent economic downturn. In light of these challenges, the Tianjin Development Directors are of the view that the Proposed Transaction will result in the following benefits to the Tianjin Development Group:

(a) Tianjin Development will be holding an interest in a significantly larger Tianjin Port Development Group that will have significantly increased scale of operations and enhanced competitiveness;

(b) through its stake in Tianjin Port Development, the Tianjin Development Group will be able to benefit from improved performance of the Enlarged Tianjin Port Development Group as a result of the potential synergies and the improved overall competitiveness created through better resource integration and allocation, centralised management and planning, and a more diversified business structure;

(c) with the Vendor's strategic move to become the controlling shareholder equipped with the expertise in port operations and management, Tianjin Development as a substantial shareholder will be able to enjoy the benefits of the improved management and long term development of the Enlarged Tianjin Port Development Group;

(d) the management and operational effectiveness will be enhanced with a greater focus on its core competencies, including dedication of resources to the remaining businesses in the Tianjin Development Group and to the opportunities of developing new businesses for Tianjin Development; and

(e) Tianjin Development will retain significant influence over Tianjin Port Development through board representation and a significant minority shareholding, as the second largest Tianjin Port Development Shareholder after the Vendor.

5. FINANCIAL EFFECT OF THE PROPOSED TRANSACTION FOR TIANJIN DEVELOPMENT

Set out in Appendix VI to this circular is the unaudited pro forma financial information on the Remaining Tianjin Development Group which illustrates the financial impact on the results and the asset and liabilities of the Remaining Tianjin Development Group, assuming the deemed disposal as a result of the Proposed Transaction and the subscription of the Option Shares by Leadport had been completed on 1 January 2008 and on 31 December 2008 respectively.

For illustrative purpose only, it is assumed that Tianjin Port Development would settle the Consideration of HK$10,961 million and the related direct expenses for the Proposed Acquisition in the following ways:

(a) as to approximately HK$6,252 million by the issue of approximately 2,989 million Consideration Shares to the Vendor's wholly-owned subsidiary as directed by the Vendor; and

(b) as to approximately HK$4,709 million by cash payable to the Vendor's wholly-owned subsidiary as directed by the Vendor and related direct expenses estimated to be approximately HK$98 million, which together would be financed with the following:

    i. as to approximately HK$400 million, by cash from internal resources;

    ii. as to HK$1,700 million, by bank borrowings; and

    iii. as to approximately HK$2,707 million by the net proceeds from the issue of approximately 1,085 million Tianjin Port Development Shares pursuant to the Proposed Placing and the Option Agreement assuming the Placing Price is HK$2.56, being the average closing price of Tianjin Port Development Shares as quoted on the Stock Exchange in the five Trading Days prior to 8 June 2009, being the latest practicable date for the purpose of the pro forma financial information.

Based on the abovementioned assumption, the enlarged number of issued Tianjin Port Development Shares would be approximately 5,861 million and the Vendor would hold 51% of the enlarged issued share capital of Tianjin Port Development. Tianjin Development's interest in Tianjin Port Development would be diluted to 20.53%, Tianjin Development would subscribe for approximately 28 million Option Shares to maintain its interest in Tianjin Port Development at 21%.

Earnings

The effect of the Proposed Transaction on the future earnings of the Remaining Tianjin Development Group will depend on, among other matters, the growth of the business operations of the Enlarged Tianjin Port Development Group.

Following the Completion, the profit sharing ratio on Tianjin Port Development Group by Tianjin Development Group will be reduced, as Tianjin Development Group's interest in Tianjin Port Development will be diluted from approximately 67.33% to approximately 21%. Tianjin Port Development will cease to be a subsidiary and become an associate of Tianjin Development. Tianjin Development Group will adopt equity accounting in respect of its interest in Tianjin Port Development Group thereafter.

Based on the "Pro forma consolidated income statement" as set out in Appendix VI to this circular, Tianjin Development had audited consolidated revenue and net profit attributable to equity holders of Tianjin Development of approximately HK$3,787 million and HK$506 million respectively for the year ended 31 December 2008. Assuming the Proposed Transaction was completed on 1 January 2008, the Remaining Tianjin Development Group would have pro forma consolidated revenue and net profit attributable to equity holders of Tianjin Development of approximately HK$2,567 million and HK$782 million respectively.

The net profit attributable to equity holders of Tianjin Development of approximately HK$782 million is inclusive of a gain on deemed disposal of approximately HK$267 million as explained under note 5 to the "Pro forma consolidated income statement" in Appendix VI to this circular. The gain arising from the deemed disposal is one-off in nature and would have no impact on the cash flow position of Tianjin Development.

The pro forma consolidated income statement presented in Appendix VI does not take into account the approximately 51 million Tianjin Port Development Shares acquired in 2008 and the approximately 30 million Tianjin Port Development Shares acquired subsequent to 31 December 2008. As a result, Tianjin Development's investment in Tianjin Port Development is diluted to approximately 19.61% for the purpose of the pro forma consolidated income statement, and its share in Tianjin Port Development's results is approximately HK$107 million.

Had the approximately 51 million Tianjin Port Development Shares acquired in 2008 and the approximately 30 million Tianjin Port Development Shares acquired subsequent to 31 December 2008 were treated as they were acquired on 1 January 2008, Tianjin Development would hold approximately 21.0% of Tianjin Port Development. Accordingly, the share of profit of associates in connection with the investment in Tianjin Port Development for the year ended 31 December 2008 would be approximately HK$114 million on a hypothetical basis instead of approximately HK$107 million.

In comparison, the deconsolidation of Tianjin Port Development from Tianjin Development for the year ended 31 December 2008 results in a reduction of approximately HK$81 million in the profit attributable to equity holders of Tianjin Development as presented in the Appendix VI to this circular.

The pro forma consolidated income statement also excluded approximately HK$17 million of gain associated with the purchase of approximately 51 million Tianjin Port Development Shares during 2008.

Net Assets

The audited consolidated net assets of Tianjin Development attributable to equity holders of Tianjin Development was approximately HK$9,255 million as at 31 December 2008.

Tianjin Development may recognise a gain on deemed disposal of approximately HK$245 million as explained under note 6 to the “Pro forma consolidated balance sheet” in Appendix VI to this circular, assuming the Proposed Transaction was completed on 31 December 2008. The gain on deemed disposal is the sum of (a) the difference of the share of fair value of the effective interest in the Target deemed acquired and the book value of the partial interest in Tianjin Port Development deemed disposed of; (b) release of exchange reserve relating to the partial interest in Tianjin Port Development deemed disposed of; and (c) the share of the cash consideration and professional fee paid by Tianjin Port Development funded by borrowings and internal fund, and the share of deferred taxation on withholding tax in respect of distributable retained earnings of the Target attributable to Tianjin Port Development Group. However, the actual amount of the gain/loss on deemed disposal may differ from the estimated amount as mentioned above depending on the financing structure of the Proposed Transaction, the actual price of Tianjin Port Development Share and actual book value of Tianjin Development’s interest in Tianjin Port Development Group upon Completion.

Assuming the Proposed Transaction is completed by the end of December 2009, such gain/loss on deemed disposal would be recognised in the consolidated results of Tianjin Development for the year ending 31 December 2009. The consolidated net assets of Tianjin Development would therefore, among other things, be affected by the same amount of such gain/loss, excluding the release of exchange reserve which represents merely a transfer between reserves.

Cash position

The audited consolidated total cash and bank balances (including time deposits with maturity over three months, cash and cash equivalents and cash and cash equivalents of approximately HK$284 million separately presented and included in asset held for sale) of Tianjin Development were approximately HK$3,082 million as at 31 December 2008.

Based on the "Pro forma consolidated balance sheet" as set out in Appendix VI to this circular, the Remaining Tianjin Development Group would have pro forma consolidated total cash and bank balances (including time deposits with maturity over three months, cash and cash equivalents and cash and cash equivalents of approximately HK$284 million separately presented and included in asset held for sale) of approximately HK$2,423 million. The decrease was mainly resulted from the deconsolidation of the cash and bank balances of Tianjin Port Development Group and the internal cash utilised by Tianjin Development to subscribe for the Option Shares through Leadport pursuant to the Option Agreement.

Gearing

The audited consolidated total borrowings and the audited equity excluding minority interests of Tianjin Development was approximately HK$2,591 million and HK$9,255 million respectively as at 31 December 2008. The gearing ratio as measured by total borrowings to equity holders' funds was approximately 28% as at 31 December 2008.

Based on the "Pro forma consolidated balance sheet" as set out in Appendix VI to this circular, the Remaining Tianjin Development Group would have pro forma consolidated total borrowings and pro forma equity excluding minority interests of approximately HK$1,450 million and HK$9,253 million respectively. The pro forma gearing ratio would be approximately 16%.

6. IMPLICATIONS UNDER THE LISTING RULES

At the time of the spin-off and listing of Tianjin Port Development on the Stock Exchange in May 2006, the Stock Exchange has exercised its discretion under Rule 14A.06 of the Listing Rules to deem the Vendor and its associates as connected persons of Tianjin Port Development and Tianjin Development.

Upon Completion, Tianjin Port Development will, through its wholly-owned subsidiary Grand Point, become the controlling shareholder of the Target, and the Vendor will, through its wholly-owned subsidiary, become the controlling shareholder of Tianjin Port Development, with an interest of no less than 51% in the enlarged issued share capital of Tianjin Port Development. As a result of the Proposed Share Issue of up to 4,812.9 million Tianjin Port Development Shares, Tianjin Port Development will cease to be a subsidiary of Tianjin Development.

The Proposed Share Issue will constitute a deemed disposal for Tianjin Development, and the consideration ratio under Rule 14.07 of the Listing Rules for the Proposed Share Issue is over 75% for Tianjin Development. Accordingly, the Proposed Transaction will constitute a deemed very substantial disposal and a connected transaction for Tianjin Development, and will be subject to the approval of the Tianjin Development Independent Shareholders under the Listing Rules.

Tsinlien, being an indirect holding company of Tianjin Development, will continue to be a connected person of each of Tianjin Port Development and Tianjin Development immediately following Completion.

7. THE TIANJIN DEVELOPMENT EGM

There is set out on pages 482 to 483 of this circular a notice convening the Tianjin Development EGM to be held at Harbour View Ballroom II, Level 4, Four Seasons Hotel Hong Kong, 8 Finance Street, Central, Hong Kong on Wednesday, 15 July 2009 at 4:00 p.m. at which an ordinary resolution will be proposed for the approval by the Tianjin Development Independent Shareholders of the terms of the Proposed Transaction. In compliance with the Listing Rules, the votes to be taken at the Tianjin Development EGM in respect of the terms of the Proposed Transaction will be taken by poll, the results of which will be published after the Tianjin Development EGM.

Pursuant to the Listing Rules, any Tianjin Development Shareholder with a material interest in the Proposed Transaction and its associates will abstain from voting on the resolution approving the Proposed Transaction. As at the Latest Practicable Date, Tianjin Investment Holdings Limited and Tsinlien Venture Capital Company Limited and their respective associates control or are entitled to exercise control approximately 53.4% of the voting rights in aggregate at the Tianjin Development EGM, and will abstain from voting in respect of such resolution at the Tianjin Development EGM. To the best knowledge, information and belief of the Tianjin Development Directors having made all reasonable enquiries, there is (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon Tianjin Investment Holdings Limited or Tsinlien Venture Capital Company Limited; and (ii) no obligation or entitlement of Tianjin Investment Holdings Limited or Tsinlien Venture Capital Company Limited as at the Latest Practicable Date, whereby they have or may have temporarily or permanently passed control over the exercise of the voting right in respect of their Tianjin Development Shares to a third party, either generally or on a case-by-case basis.

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

8. RECOMMENDATIONS

Assuming the Option Agreement having become unconditional, the Tianjin Development Independent Board Committee, having considered the terms of the Option Agreement and the Proposed Transaction as well as the advice and recommendations of Somerley set out in the "Letter from Somerley" in this circular, considers that, the terms of the Proposed Transaction are fair and reasonable so far as the Tianjin Development Independent Shareholders are concerned and in the interests of Tianjin Development and the Tianjin Development Shareholders as a whole. Accordingly, the Tianjin Development Independent Board Committee recommends that the Tianjin Development Independent Shareholders vote in favour of the ordinary resolution to be proposed at the Tianjin Development EGM to approve the Proposed Transaction. The "Letter from the Tianjin Development Independent Board Committee" is set out on pages 161 and 162 of this circular.

On the basis of the information set out in this circular and assuming the Option Agreement having become unconditional, the Tianjin Development Directors are of the opinion that the terms of the Proposed Transaction are fair and reasonable and in the interests of the Tianjin Development Shareholders as a whole. The Tianjin Development Directors therefore recommend that the Tianjin Development Shareholders vote in favour of the resolution as set out in the notice of Tianjin Development EGM on pages 482 to 483 of this circular.

9. FURTHER INFORMATION

Your attention is drawn to the other sections of and appendices to this circular, containing further information of the Proposed Transaction, financial and other information of the Tianjin Development Group, the Tianjin Port Development Group and the Target Group and other information required to be disclosed under the Listing Rules.

Yours faithfully
For and on behalf of
Tianjin Development Holdings Limited
Yu Rumin
Acting Chairman

天津港發展控股有限公司
Tianjin Port Development Holdings Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 3382)

Registered office:
Clifton House
75 Fort Street
P.O. Box 1350
Grand Cayman, KY1-1108
Cayman Islands

Principal place of business in Hong Kong:
Suite 3301-3302, 33/F.
One Exchange Square
8 Connaught Place, Central
Hong Kong

19 June 2009

To the Tianjin Port Development Independent Shareholders

Dear Sir or Madam

VERY SUBSTANTIAL ACQUISITION, PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL, SPECIFIC MANDATE TO ISSUE NEW SHARES, CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

We refer to the circular dated 19 June 2009 issued jointly by Tianjin Port Development and Tianjin Development, of which this letter forms part. Unless otherwise stated, terms defined in the circular have the same meaning when used in this letter.

We have been appointed as the members of the Tianjin Port Development Independent Board Committee to consider and to advise the Tianjin Port Development Independent Shareholders as to the fairness and reasonableness of the terms of: (a) the Proposed Acquisition, the proposed issue of Consideration Shares to the Vendor and the proposed issue of Option Shares to Leadport; and (b) (i) the Framework Agreements in respect of the Non-exempt Continuing Connected Transactions, and (ii) the Non-exempt Continuing Connected Transactions (including the relevant proposed annual caps), and to recommend whether or not the Tianjin Port Development Independent Shareholders should vote for the ordinary resolutions to be proposed at the Tianjin Port Development EGM in relation to; (a) the Proposed Acquisition, the proposed issue of Consideration Shares to the Vendor and the proposed issue of Option Shares to Leadport; and (b) (i) the Framework Agreements in respect of the Non-exempt Continuing Connected Transactions, and (ii) the Non-exempt Continuing Connected Transactions.

Quam Capital has been appointed as the independent financial adviser to advise the Tianjin Port Development Independent Board Committee and the Tianjin Port Development Independent Shareholders in relation to the terms of: (a) the Proposed Acquisition, the proposed issue of Consideration Shares to the Vendor and the proposed issue of Option Shares to Leadport; and (b) (i) the Framework Agreements in respect of the Non-exempt Continuing Connected Transactions, and (ii) the Non-exempt Continuing Connected Transactions (including the relevant proposed annual caps).

We wish to draw your attention to the letter from the Tianjin Port Development Directors (which is set out on pages 22 to 81 of the circular) and the letter of advice from Quam Capital (which is set out on pages 93 to 160 of the circular).

Having taken into account the advice from Quam Capital, we consider that the terms of: (a) the Proposed Acquisition, the proposed issue of Consideration Shares to the Vendor and the proposed issue of Option Shares to Leadport; and (b) (i) the Framework Agreements in respect of the Non-exempt Continuing Connected Transactions, and (ii) the Non-exempt Continuing Connected Transactions (including the relevant proposed annual caps), are on normal commercial terms, fair and reasonable and in the interests of Tianjin Port Development and the Tianjin Port Development Shareholders as a whole. We also consider that the Framework Agreements in respect of the Non-exempt Continuing Connected Transactions, and the Non-exempt Continuing Connected Transactions are in the usual and ordinary courses of business of the Enlarged Tianjin Port Development Group. Accordingly, we recommend the Tianjin Port Development Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the Tianjin Port Development EGM in relation to: (a) the Proposed Acquisition, the proposed issue of Consideration Shares to the Vendor and the proposed issue of Option Shares to Leadport; and (b) (i) the Framework Agreements in respect of the Non-exempt Continuing Connected Transactions, and (ii) the Non-exempt Continuing Connected Transactions (including the relevant proposed annual caps).

Yours faithfully
The Tianjin Port Development Independent Board Committee
Kwan Hung Sang, Francis
Professor Japhet Sebastian Law
Dr. Cheng Chi Pang, Leslie
Independent non-executive directors

The following is the text of a letter of advice from Quam Capital, the independent financial adviser to the Tianjin Port Development Independent Board Committee and the Tianjin Port Development Independent Shareholders, which has been prepared for the purpose of incorporation into this circular, setting out its advice to the Tianjin Port Development Independent Board Committee and the Tianjin Port Development Independent Shareholders in respect of the Proposed Acquisition, the Possible Connected Placing and the Non-exempt Continuing Connected Transactions.

Quam Financial Services Group
Quam Capital Limited 華富嘉洛企業融資有限公司
A Member of The Quam Group

19 June 2009

The Tianjin Port Development Independent Board Committee and
the Tianjin Port Development Independent Shareholders

Dear Sir/Madam,

PROPOSED ACQUISITION,
POSSIBLE CONNECTED PLACING
AND
NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Tianjin Port Development Independent Board Committee and the Tianjin Port Development Independent Shareholders in relation to the Proposed Acquisition, the Possible Connected Placing (as defined in the section headed "Possible Connected Placing" below) and the Non-exempt Continuing Connected Transactions. Details of the transactions are set out in the "Letter from the Tianjin Port Development Directors" contained in the circular dated 19 June 2009 issued jointly by Tianjin Port Development and Tianjin Development to the Tianjin Port Development Shareholders and the Tianjin Development Shareholders respectively (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular, unless the context otherwise requires.

Mr. Kwan Hung Sang, Francis, Professor Japhet Sebastian Law and Dr. Cheng Chi Pang, Leslie, the independent non-executive directors of Tianjin Port Development, have been appointed as members of the Tianjin Port Development Independent Board Committee to advise the Tianjin Port Development Independent Shareholders as to (i) whether the Proposed Acquisition, the Possible Connected Placing and the Non-exempt Continuing Connected Transactions are on normal commercial terms, fair and reasonable and in the interests of Tianjin Port Development and the Tianjin Port Development Shareholders as a whole; (ii) whether the Non-exempt Continuing Connected Transactions are in the ordinary and usual course of business of the Tianjin Port Development Group; and (iii) whether to vote in favour of the Proposed Acquisition, the Possible Connected Placing and the

Non-exempt Continuing Connected Transactions. As the independent financial adviser, our role is to give an independent opinion to the Tianjin Port Development Independent Board Committee and the Tianjin Port Development Independent Shareholders in this regard.

Quam Capital Limited is independent of and not connected with any members of the Tianjin Port Development Group or any of their substantial shareholders, directors or chief executives, or any of their respective associates, and is accordingly qualified to give an independent advice in respect of the Proposed Acquisition, the Possible Connected Placing and the Non-exempt Continuing Connected Transactions.

In formulating our recommendations, we have relied on the information and facts supplied by Tianjin Port Development, and the opinions expressed by and the representations of the directors and the management of Tianjin Port Development. We have assumed that all the information and representations contained or referred to in the Circular were true and accurate in all respects at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time that they were made and continue to be true until the date of the Tianjin Port Development EGM. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Tianjin Port Development Directors, and the Tianjin Port Development Directors have confirmed that no material facts have been withheld or omitted from the information provided and referred to in the Circular, which would make any statement therein misleading.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendations. We have not, however, carried out any independent verification of the information, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of Tianjin Port Development, the Target and Tianjin Development or any of their respective subsidiaries or associates.

I. THE PROPOSED ACQUISITION

On 16 March 2009, Tianjin Port Development, Grand Point and the Vendor entered into the Sale and Purchase Agreement, pursuant to which Tianjin Port Development, through its wholly-owned subsidiary Grand Point, agreed to conditionally acquire from the Vendor its 56.81% interest in the registered share capital of the Target for a total consideration of HK$10,961 million. The Consideration shall be satisfied by the issue of the Consideration Shares and cash payment.

Upon Completion, Tianjin Port Development will, through its wholly-owned subsidiary Grand Point, become the controlling shareholder of the Target, and the Vendor will, through its wholly-owned subsidiary, become the controlling Tianjin Port Development Shareholder, with an interest of no less than 51% in the enlarged issued share capital of Tianjin Port Development. As a result of the Proposed Share Issue of up to 4,812.9 million Tianjin Port Development Shares, Tianjin Port Development will cease to be a subsidiary of Tianjin Development, and Tianjin Development will adopt equity accounting in respect of its interest in Tianjin Port Development.

The relevant percentage ratios under Rule 14.07 of the Listing Rules for the Proposed Acquisition are over 100% for Tianjin Port Development. Further, at the time of the spin-off and listing of Tianjin Port Development on the Stock Exchange in May 2006, the Stock Exchange exercised its discretion under Rule 14A.06 of the Listing Rules to deem the Vendor and its associates as connected persons of Tianjin Port Development. Accordingly, the Proposed Acquisition will constitute a very substantial acquisition and connected transaction for Tianjin Port Development, and will be subject to the approval of the Tianjin Port Development Independent Shareholders under the Listing Rules.

Principal factors and reasons considered

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

A. Reasons for and benefits of the Proposed Acquisition

The activities of Tianjin Port Development and the Target are centred on the port of Tianjin that is located in the centre of Bohai Rim Region and in the estuary of the Haihe River. The Proposed Acquisition will lead to the integration of port assets in Tianjin. Upon completion of the Proposed Acquisition, the enlarged portfolio of Tianjin Port Development will consist of all commercially operating port cargo handling assets within the port of Tianjin.

The Tianjin Port Development Directors are of the view that the Proposed Acquisition will result in the following benefits to Tianjin Port Development:

(i) Under the support of the Vendor, the portfolio of the Enlarged Tianjin Port Development Group, consisting of all commercially operating port cargo handling assets within the port of Tianjin, will have significantly increased scale of operations, improved resource integration and allocation, more centralised management and better coordination of project planning and construction, which would help to create meaningful synergies and strengthen the overall competitiveness of the Enlarged Tianjin Port Development Group.

Based on our analysis set out in the sub-section headed "The Enlarged Tianjin Port Development Group" under the section headed "Business, financial performance and future business opportunities" below, we concur with the Tianjin Port Development Directors' view that the enlarged portfolio of Tianjin Port Development will significantly increase its scale of operations.

The Vendor and Tianjin Development are currently the controlling shareholder of the Target and Tianjin Port Development respectively. Upon Completion, the Vendor, through its wholly-owned subsidiary, will become the controlling Tianjin Port Development Shareholder and Tianjin Port Development will indirectly own 56.81% interest in the Target. As such, both Tianjin Port Development and the Target are indirectly controlled by the Vendor. It is reasonable to believe that such group structure, may lead to improved resource integration and allocation, more centralised management and better coordination of project planning and construction. Thus, the operational and management efficiency would be improved.

We are advised by the management of Tianjin Port Development that the Enlarged Tianjin Port Development Group is expected to benefit from strengthened bargaining power with its suppliers. It is reasonable that the Enlarged Tianjin Port Development Group could achieve economies of scale which would lead to synergies in procurement.

The synergies identified by management could be realised after successful integration of operations of the Tianjin Port Development Group and the Target Group. The Tianjin Port Development Independent Shareholders should note that there are execution risks associated with integration of the two companies. While the anticipated synergies could not be quantified at this stage, we consider that the synergies as expected by the Tianjin Port Development Directors are reasonable.

(ii) There will be a significant increase in scale of the container handling business which is complemented by the significantly increased exposure to non-containerised cargo handling business, resulting in a more diversified business structure for the Enlarged Tianjin Port Development Group, enhancing the competitiveness of Tianjin Port Development. Compared to the container handling business, the non-containerised cargo handling business is less dependent on exports from the PRC, and more dependent on PRC domestic demand and imports. This will assist in mitigating the adverse impact of the global economic downturn.

Based on the analysis set out in the sub-section headed "The Enlarged Tianjin Port Development Group" under the section headed "Business, financial performance and future business opportunities" below, we concur with the Tianjin Port Development Directors' aforesaid view.

(iii) The Enlarged Tianjin Port Development Group will have more flexibility in terms of financing alternatives for the development or acquisition of port business, through access to capital markets in both Hong Kong and the PRC.

As the shares of the Target are listed on the Shanghai Stock Exchange, the Target has access to the capital market in the PRC. Therefore, Tianjin Port Development will also have indirect access to the capital market in the PRC through the Target after completion of the Proposed Acquisition. As such, we concur with the Tianjin Port Development Directors' aforesaid view.

(iv) The Vendor has granted the Target a right of priority to invest in future construction, development and operation of the port assets, and a right of priority to select and acquire such projects. Further, the Vendor has undertaken to improve the profitability of less mature port service assets. Upon written request by the Target, the Vendor will unconditionally transfer such projects and assets to the Target upon payment of a reasonable price and in accordance with relevant legal procedures. In particular, the 300,000-tonne oil terminal project will be

injected into the Target after the completion of the construction in accordance with relevant legal procedures. Tianjin Port Development will be able to indirectly enjoy the potential benefits from these injected assets as the controlling shareholder of the Target.

The aforementioned rights of priority granted by the Vendor are valuable as they provide opportunities for the Enlarged Tianjin Port Development Group to increase its port assets and thus increase its revenue source. It should note that depending on the size of an acquisition, payment method of the consideration and also its financing arrangements, such acquisition may or may not affect the liquidity and financial position of the Enlarged Tianjin Port Development Group.

Based on the aforesaid, we believe that the Proposed Acquisition is beneficial to Tianjin Port Development. Therefore, the Proposed Acquisition is in the interests of Tianjin Port Development and the Tianjin Port Development Shareholders as a whole.

B. Business, financial performance and future business opportunities

B.1 The Tianjin Port Development Group

(i) Business

Tianjin Port Development is principally engaged in the provision of container handling business, non-containerised cargo handling business and other ancillary services in the port of Tianjin through its subsidiaries, associates and jointly controlled entities.

a) Container handling business

The Tianjin Port Development Group has five wholly-owned container handling berths, with an aggregate quay length of 1,590 metres and a designed annual container throughput capacity of approximately 1.9 million TEUs.

In January 2008, Tianjin Port Development acquired a 40% interest in Tianjin Port Alliance, a jointly controlled entity, which has four berths with a total quay length of 1,100 metres and a designed capacity of 1.7 million TEUs.

It also has a 40% interest in Tianjin Port Euroasia International Container Terminal Co., Ltd, a jointly controlled entity, which has three berths with a total quay length of 1,100 metres and a designed capacity of 1.8 million TEUs. It is expected that the jointly controlled entity will commence its operations by the end of 2009 or early 2010.

b) Non-containerised cargo handling business

The Tianjin Port Development Group operates its non-containerised cargo handling business in seven wholly-owned deep water berths with a total quay length of 1,459 metres. The largest berth can dock vessels of over 70,000 deadweight tonnes.

Steel and grain are the two main types of non-containerised cargo handled by the Tianjin Port Development Group.

(ii) Financial performance

The following is a summary of the audited consolidated income statements of the Tianjin Port Development Group for the three years ended 31 December 2008:

Table 1 – Summary of audited income statements

		Year ended 31 December		
	Notes	**2006**	**2007**	**2008**
		HK$'000	*HK$'000*	*HK$'000*
Revenue	*a*	1,036,495	1,193,777	1,258,991
Business tax		(31,494)	(36,347)	(38,415)
Cost of sales		(484,163)	(561,701)	(689,691)
Gross profit	*b*	520,838	595,729	530,885
Other income		123,077	35,615	57,956
Administrative expenses	*c*	(277,812)	(309,808)	(363,600)
Other operating expenses		(17,676)	(31,204)	(2,675)
		348,427	290,332	222,566
Provision for impairment losses on available-for-sale financial assets		–	–	(25,253)
Finance costs		(8,199)	(3,329)	(26,529)
Share of results of associates		983	790	1,495
Share of results of jointly controlled entities		–	–	8,755
Profit before income tax		341,211	287,793	181,034
Income tax		(36,938)	(47,151)	(50,414)
Profit for the year		304,273	240,642	130,620
Profit attributable to equity holders of Tianjin Port Development	*d*	304,037	240,394	130,289

Sources: 2007 and 2008 annual reports of Tianjin Port Development

a) Revenue

The table below sets out a breakdown of the Tianjin Port Development Group's revenue for the three years ended 31 December 2008:

Table 2 – Revenue breakdown

	Year ended 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Container handling	663,454	790,960	773,211
Non-containerised cargo handling	359,988	386,198	462,570
Storage and agency fees	13,053	16,619	23,210
	1,036,495	1,193,777	1,258,991

Sources: 2007 and 2008 annual reports of Tianjin Port Development

For the three years ended 31 December 2008, the container handling business remained as the Tianjin Port Development Group's major revenue contributor, which accounted for more than 60% of the revenue for each of these three years.

The revenue of the Tianjin Port Development Group increased by 15.2% from approximately HK$1,036.5 million for the year ended 31 December 2006 to approximately HK$1,193.8 million for the year ended 31 December 2007 primarily due to the significant increase in revenue from container handling services by approximately HK$127.5 million. Such increment was primarily driven by the growth in throughput of containers by approximately 10.9% from approximately 2.5 million TEUs in 2006 to approximately 2.8 million TEUs in 2007 and also the increase in the blended average unit price by 7.5% to HK$286.4 per TEU in 2007. Without any changes in tariffs, the increase in the blended average unit price in 2007 was primarily due to the exchange effect of appreciation of RMB against HK$ during the year.

The Tianjin Port Development Group ceased its coal handling business in January 2007 which led to lower non-containerised cargo throughput volume in 2007. The throughput of non-containerised cargo decreased from 16.6 million tonnes in 2006 to 13.0 million tonnes in 2007. Nevertheless, we are advised by Tianjin Port Development that such decline in throughput was offset by the rise in the blended average unit price due to a change in product mix in 2007. The revenue from the non-containerised cargo handling business increased from approximately HK$360.0 million for the year ended 31 December 2006 to approximately HK$386.2 million for the year ended 31 December 2007, representing an increase of approximately 7.3%.

In 2008, the Tianjin Port Development Group experienced a slow down in throughput growth as a result of the global economic downturn. Both container and non-containerised cargo throughput remained on par with last year's results.

The negative effect on pricing from handling higher proportion of domestic trade cargo and empty containers handled during 2008 offset the positive effect of the 10% tariff increment in container handling fees, which has become effective since 1 January 2008, and RMB appreciation during the year. This led to the blended average unit price decline by 2.6% in 2008 compared to that of the previous year. As a result, the container handling business segment recorded a 2.2% decline in revenue.

The non-containerised cargo handling business segment recorded a 19.8% rise in revenue for the year ended 31 December 2008 which was mainly attributable to the 18.9% rise of the average unit price due to growth of volume in imported soya beans and appreciation of RMB against HK$. Significant volume growth in imported soya beans also contributed to the rise in non-containerised cargo handling segment revenue. It was, however, offset by the fall in steel products handling volume due to the abolishment of the export tax rebate for certain steel products which effected during the year.

b) Gross profit margin

Gross profit margin remained stable for the year ended 31 December 2006 and the year ended 31 December 2007 at approximately 50.2% and approximately 49.9% respectively.

For the year ended 31 December 2008, gross profit margin fell to approximately 42.2% which was attributable to the increase in cost of sales by approximately 22.8% exceeding the increase in revenue by approximately 5.5% in 2008. The cost of sales increment was mainly due to appreciation of the RMB against HK$ and increase in staff costs which was primarily attributable to the implementation of New Labour Contract Law in the PRC in 2008.

c) Administrative expenses

Administrative expenses increased by HK$53.8 million, or approximately 17.4%, for the year ended 31 December 2008 as compared to the previous year. The increase in administrative expenses was mainly attributable to appreciation of the RMB against HK$ and the increase in staff costs due to the implementation of New Labour Contract Law in 2008.

d) Profit attributable to equity holders of Tianjin Port Development

The profit attributable to equity holders of Tianjin Port Development for the year ended 31 December 2007 was approximately HK$240.4 million, representing a decrease of approximately 21.0% from approximately

HK$304.0 million for the year ended 31 December 2006, but an increase of approximately HK$33.7 million or 16.3% as compared to the year ended 31 December 2006 on the basis of interest income from initial public offering proceeds being excluded. Such increase was mainly due to the increase in gross profit by approximately HK$74.9 million for the year ended 31 December 2007 which was partially offset by the increase in administrative expenses by approximately HK$32.0 million.

For the year ended 31 December 2008, the profit attributable to equity holders of Tianjin Port Development was approximately HK$130.3 million, representing a decline of approximately 45.8% compared with the previous year's result. This was mainly because the increase in revenue by approximately HK$65.2 million was completely offset by the increase in cost of sales and administrative expenses by approximately HK$128.0 million and approximately HK$53.8 million respectively. Increase in costs and expenses were mainly attributable to the effect of general inflationary pressure and the implementation of New Labour Contract Law in the PRC in 2008.

(iii) Future business opportunities

The Tianjin Port Development Group has initiated its involvement in the development of the Dongjiang Bonded Free Port through HaiFeng, its joint-venture investment with Mapletree Investments Pte Ltd (a subsidiary of Temasek), to develop a logistics park within the Dongjiang Bonded Free Port area. The Dongjiang Bonded Free Port is located in the northeastern part of the port of Tianjin.

According to the latest blueprint, HaiFeng will have a land area of approximately 715,000 square metres, yielding a total gross floor area of approximately 484,000 square metres or 37 blocks of warehouse space. The logistics park is under construction and will be developed in several phases. The construction of four single storey warehouses with a gross floor area of about 46,000 square metres have been completed and have commenced operations in April 2008. The remainder of phase 1 is expected to commence operation by mid 2009. The timing of phases 2 to 4 of the project will be in line with the actual demand and development of the Dongjiang Bonded Free Port.

The management of Tianjin Port Development expects that the logistics business will not have a material impact on or contribution to the Tianjin Port Development Group's results in the near term.

B.2 The Target Group

(i) Business

The Target was listed on the Shanghai Stock Exchange on 14 June 1996. Based in Tianjin, the Target Group is principally engaged in port cargo handling, sales, tugboat services, agency services and logistics and other services, through its subsidiaries, associates and jointly controlled entities. It is engaged in the handling of non-containerised cargo such as coal, coke, metal ores and oil and related products, as well as containers.

Through acquisition of port assets or businesses and establishment of subsidiaries or joint venture enterprises with business partners, the Target Group has increased its scale of operations. In April 2008, the Vendor injected into the Target the equity interests in 15 entities mainly engaged in port cargo handling and related services, land-use rights, and other port terminal assets and facilities valued at approximately RMB4.1 billion according to an announcement dated 2 April 2008 issued by the Target.

a) Non-containerised cargo handling business

The Target Group carries out non-containerised cargo operations, primarily loading on and discharging of non-containerised cargo from ships and related services through its subsidiaries and an associate, which collectively operate 41 berths and a maximum draft of 22 metres.

The Target Group handles a variety of non-containerised cargo such as coal, coke, metal ores, oil and related products, steel products and automobiles.

b) Container handling business

The Target Group carries out container handling operations through Tianjin Orient, Tianjin Five Continents, and Tianjin Port Pacific, which collectively operate 13 berths. The Target Group's facilities enable the docking and handling of the largest container ships in operation today of 14,000-TEU capacity and a maximum draft of 16 metres.

The containers handled by the Target Group are mostly in foreign trade. There are also a small proportion of transshipment containers.

For the year ended 31 December 2008, with respect to the Target Group's container throughput (not including associates), approximately 79.3% was attributable to foreign trade and 20.7% was attributable to domestic trade, whereas with respect to the Target Group's non-containerised cargo throughput (not including associates), approximately 59.0% was attributable to foreign trade and 41.0% was attributable to domestic trade.

c) Sales and other port-related businesses

Besides container and non-containerised cargo handling businesses, the Target Group is also engaged in a broad range of port related services including sales (principally supply of bunker fuel and water to visiting vessels and sales of materials), tugboat services, agency services, and logistics and other services.

(ii) Financial performance

For the three years ended 31 December 2008

The following is a summary of the consolidated income statements of the Target Group for each of the three years ended 31 December 2008 extracted from the accountant's report on the Target Group prepared in accordance with the Hong Kong Financial Reporting Standards as set out in Appendix III to the Circular.

Table 3 – Summary of audited income statements

		Year ended 31 December		
	Notes	**2006**	**2007**	**2008**
		RMB'000	*RMB'000*	*RMB'000*
Revenue	*a*	7,175,795	9,155,452	11,265,836
Business tax		(146,970)	(170,867)	(189,532)
Cost of sales		(4,886,422)	(6,668,488)	(8,626,555)
Gross profit	*b*	2,142,403	2,316,097	2,449,749
Other income and gains	*c*	134,191	119,471	76,675
Administrative expenses	*d*	(887,542)	(860,702)	(1,034,239)
Other operating expenses		(31,007)	(37,227)	(36,016)
Operating profit		1,358,045	1,537,639	1,456,169
Finance income		22,674	33,413	30,057
Finance costs	*e*	(63,796)	(114,295)	(233,931)
Finance costs, net		(41,122)	(80,882)	(203,874)
Share of profits of associates		53,605	72,710	91,714
Share of profits of jointly controlled entities		12,579	13,951	18,418
Profit before income tax		1,383,107	1,543,418	1,362,427
Income tax		(359,768)	(391,657)	(244,397)
Profit for the year	*f*	1,023,339	1,151,761	1,118,030
Profit attributable to the equity holders of the Target		883,455	956,897	923,155

Source: Accountant's report of the Target Group set out in Appendix III to the Circular

It is noted the financial information of the Target Group for the three years ended 31 December 2008 includes the financial position and results of the 12 entities, which became subsidiaries of the Target, acquired from the Vendor in April 2008 as if the current group structure had been in existence since 1 January 2006.

a) Revenue

The table below sets out a breakdown of the Target Group's revenue for the three years ended 31 December 2008:

Table 4 – Revenue breakdown

	Year ended 31 December		
	2006	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*
Non-containerised cargo handling	2,650,620	3,072,395	3,189,584
Container handling	436,315	432,286	554,956
Port cargo handling	3,086,935	3,504,681	3,744,540
Sales	3,033,796	4,399,808	6,150,294
Agency services	237,127	293,678	348,676
Tugboat services	230,280	319,426	340,037
Logistics and other services	587,657	637,859	682,289
Total	7,175,795	9,155,452	11,265,836

Sources: Accountant's report of the Target Group set out in Appendix III to the Circular and management discussion and analysis of the Target Group set out in Appendix III to the Circular

Port cargo handling business

The Target Group achieved total revenue of approximately RMB11.3 billion for the year ended 31 December 2008. As shown in table 4 above, save for a slight decrease in revenue for the container handling segment in 2007, every segment of the Target Group experienced revenue growth for the three years ended 31 December 2008.

Port cargo handling business contributed to approximately 70.4% of the operating profit (excluding unallocated income and expenses) of the Target Group for the year ended 31 December 2008. Non-containerised cargo handling and container handling contributed to approximately 85.2% and 14.8% respectively to the revenue of the Target Group's port cargo handling services segment for the year ended 31 December 2008. We note that a similar proportional split between non-containerised cargo handling and container handling in terms of revenue contribution was also observed for the two years ended 31 December 2007. Revenue from the port cargo handling services segment maintained an upward trend with a compounded annual growth rate ("**CAGR**") of 10.1% for the three years ended 31 December 2008. The gross profit margin of the port cargo handling business ranged between 49.4% and 53.8% for each of the three years ended 31 December 2008.

The growing trend in revenue generated from the non-containerised cargo handling business for the two years ended 31 December 2008 was mainly attributable to the rising demand for major cargo types such as coal and metal ores. In 2008, average unit price for non-containerised cargo handling services experienced moderate decline as the non-containerised cargo handled in 2008 comprised a higher proportion of cargo with lower handling fees as compared to 2007.

As for the container handling business, due to a change in the composition of containers handled in 2008 in respect of domestic and foreign trade proportion, the blended average unit handling price for container handling services declined in 2008 as compared to 2007. Despite the moderate decline in average unit handling price, revenue from container handling services improved in 2008, mainly attributable to the commencement of operation of Tianjin Port Pacific which largely improved the container handling capability of the Target Group.

Sales

Sales business was the largest revenue generating segment for each of the three years ended 31 December 2008, this segment recorded a revenue of approximately RMB6.2 billion for the year ended 31 December 2008, representing 54.6% of the Target Group's total revenue for that year.

Sales business mainly comprises bunker fuel and water supply and sales of materials. The significant increase in revenue from the sales business segment for the three years ended 31 December 2008 was mainly attributable to the significant increase of international crude oil price during that period. The gross profit margin for the Target Group's sales segment ranged between 2.7% and 3.7% for each of the three years ended 31 December 2008.

Other businesses

Agency services, tugboat services, logistics and other services together contributed less than 15% of the Target Group's total revenue for each of the three years ended 31 December 2008.

b) Gross profit margin

For the port cargo handling services business segment, the cost of sales increased by 6.4% in 2008 as compared to 2007 primarily as a result of increased cargo throughput, while the gross profit margin remained at similar level in 2008 as compared to that of 2007, being 49.6% and 49.4% respectively.

Gross profit margin for the sales business segment slightly decreased in 2008 as compared to 2007, being 2.7% and 2.9% respectively.

c) Other income and gains

Government subsidies was the main source of other income and gains for the years ended 31 December 2006 and 2007 which amounted to approximately RMB90.0 million and RMB88.3 million respectively. As disclosed in the accountant's report on the Target Group, such subsidies received from the Tianjin Finance Bureau since 2002 were withdrawn with effect from 1 January 2008. Part of the subsidies in 2007 which amounted to approximately RMB23.5 million was received and recorded in 2008.

For the year ended 31 December 2008, other income and gains of approximately RMB76.7 million mainly comprised of exchange gains of approximately RMB30.7 million, government subsidies of approximately RMB23.5 million and gains from disposal of property, plant and equipment and other non-current assets of RMB12.6 million.

d) Administrative expenses

Administrative expenses mainly consist of salaries, depreciation and amortisation expenses, rent, utilities expenses and labour related costs.

Administrative expenses increased by approximately 20.2% for the year ended 31 December 2008 as compared to the previous year. The increase in administrative expenses was mainly attributable to the effects of (i) expenses resulting from the commencement of operation of Tianjin Port Pacific, Tianjin Haitian Bonded Logistics Co., Ltd. and TPG Global RO-RO Terminal Co., Ltd. in 2008; and (ii) the increase in employee related expenses of the Target Group.

e) Finance costs

Finance costs are mainly interest expenses on bank borrowings and borrowings from Tianjin Port Finance after deduction of amount capitalised in construction in progress.

Finance costs increased by approximately 79.2% to approximately RMB114.3 million for the year ended 31 December 2007 compared to the previous year and a further increment of approximately 104.7% to approximately RMB233.9 million for the year ended 31 December 2008. Such increases were mainly due to additional loans obtained to finance new construction projects and rise in interest rates in general. Upon completion of the construction for Tianjin Port Pacific's container terminal project in 2008, the relevant interest expenses were no longer capitalised, leading to an increase in finance costs.

f) Profit for the year

Profit for the year of the Target grew by approximately RMB128.4 million, or approximately 12.5%, from approximately RMB1,023.3 million for the year ended 31 December 2006 to approximately RMB1,151.8 million for the year ended 31 December 2007. Such growth in profit was mainly due to the increase in gross profit by approximately RMB173.7 million, partly offset by the increase in finance costs of approximately RMB50.5 million.

Profit before income tax declined by approximately RMB181.0 million, or approximately 11.7%, from approximately RMB1,543.4 million for the year ended 31 December 2007 to approximately RMB1,362.4 million for the year ended 31 December 2008 despite increase in gross profit by approximately RMB133.7 million. The decline was mainly caused by increases in administration expenses and finance costs by approximately RMB173.5 million and approximately RMB119.6 million respectively. Income tax decreased by approximately RMB147.3 million for the year ended 31 December 2008 compared with the previous year. As a result, profit for the year declined slightly by approximately 2.9% to approximately RMB1,118.0 million for the year ended 31 December 2008.

For the three months ended 31 March 2009

The unaudited financial information of the Target Group for the three months ended 31 March 2009 were prepared in accordance with the PRC accounting standards, the extract of which is set out in Appendix IV to the Circular. We understand that the financial information of the Target Group for the three months ended 31 March 2008 (previous year's comparative figures) included financial position and financial results of the 12 entities, which became subsidiaries of the Target, acquired from the Vendor in April 2008 as if the current group structure had been in existence since 1 January 2008.

a) Revenue and profit

Revenue of the Target Group was approximately RMB1,866.1 million, representing a decline of approximately 31.4% from revenue of approximately RMB2,718.7 million for the three months ended 31 March

2008. We are advised by the management that the substantial decline in revenue in the first quarter of 2009 as compared to the first quarter of 2008, was mainly attributable to (i) decline in revenue from the sales business due to the decrease in number of visiting vessels and a sharp fall in oil prices in 2008; and (ii) the decrease in throughput in the first quarter of 2009 as compared to the first quarter of 2008, mainly due to the effects of the global slowdown in demand for goods.

For the three months ended 31 March 2009, gross profit margin of the Target Group was approximately 22.3% which remained at a similar level as compared to approximately 23.2% for the same period in 2008.

Profit after taxation amounted to approximately RMB139.0 million for the three months ended 31 March 2009, representing a decrease of approximately RMB187.3 million, or approximately 57.4%, from the corresponding period in 2008. The decrease in revenue and, therefore, the decrease in gross profit accounted for much of the decline in net profit. Profit attributable to equity holders of the Target declined by approximately 57.9% to approximately RMB115.3 million for the three months ended 31 March 2009 compared to the first quarter of 2008.

b) Net assets

The unaudited net asset value of the Target Group as at 31 March 2009 remained at a similar level as compared to 31 December 2008 under the PRC accounting standards.

(iii) Future business opportunities

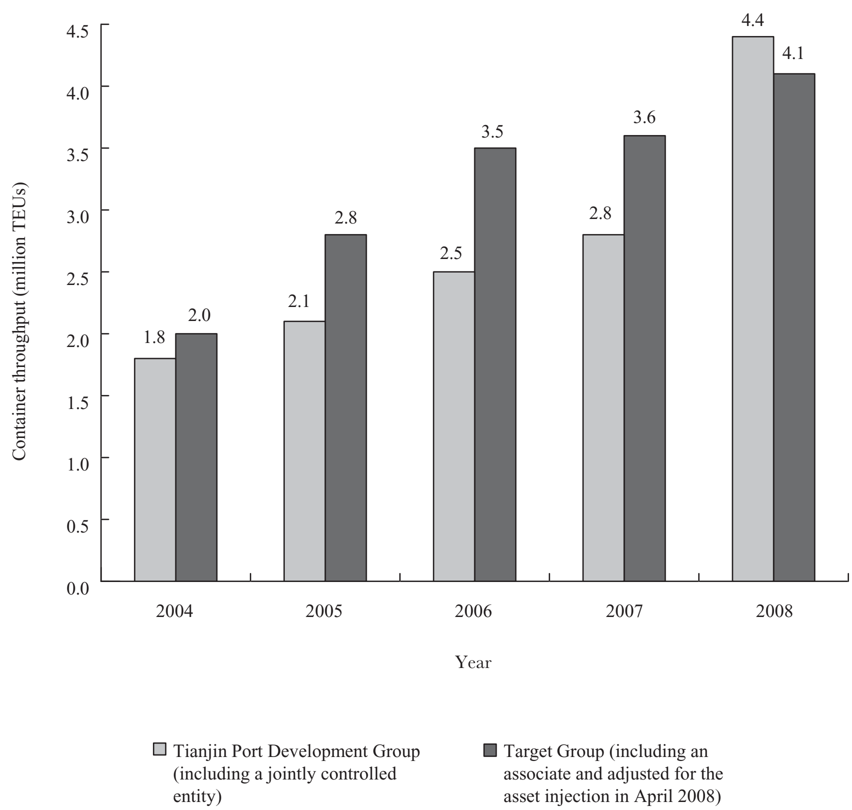
The Vendor has granted the Target a right of priority to invest in future construction, development and operations of the ports assets, and a right of priority to select and acquire such projects. Further, the Vendor has undertaken to improve the profitability of less mature port service assets. Upon written request by the Target, the Vendor will unconditionally transfer such projects and assets to the Target upon payment of a reasonable price and in accordance with legal procedures. In particular, the 300,000-tonne oil terminal project will be injected into the Target after the completion of the construction in accordance with relevant legal procedures.

B.3 The Enlarged Tianjin Port Development Group

(i) Throughput

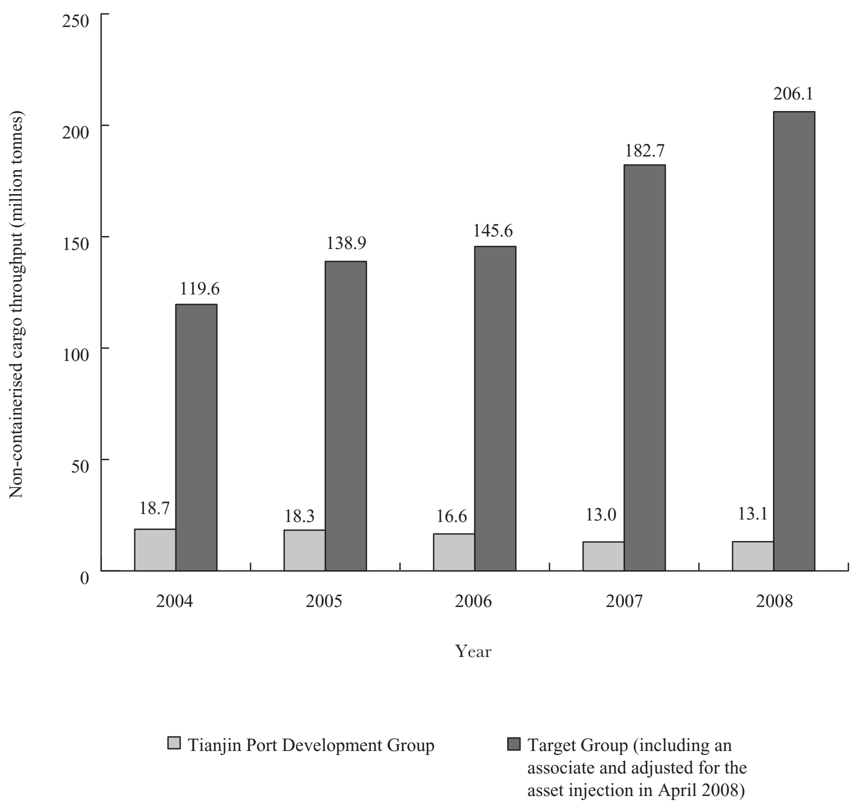
The charts below set out the container throughput and non-containerised cargo throughput of the Tianjin Port Development Group (including volume handled by a jointly-controlled entity) and the Target Group (including volume handled by associates and adjusted for the asset injection in April 2008) for the past five years:

Chart 5 – Container throughput comparison



Sources: Financial information of the Target Group in Appendix III to the Circular and information provided by Tianjin Port Development

Chart 6 – Non-containerised cargo throughput comparison



Sources: Financial information of the Target Group in Appendix III to the Circular and information provided by Tianjin Port Development

It is noted that the container throughput of the Target Group (including throughput of an associate and adjusted for the asset injection in April 2008) was comparable to that of the Tianjin Port Development Group (including throughput of a jointly controlled entity) in 2008 whereas the non-containerised cargo throughput of the Target Group (including throughput of an associate and adjusted for the asset injection in April 2008) was substantially more than that of the Tianjin Port Development Group for the past five years. In 2008, the non-containerised cargo throughput of the Target Group (including throughput of an associate and adjusted for the asset injection in April 2008) was 15.7 times the non-containerised cargo throughput of the Tianjin Port Development Group. As such, the scale of operations of the Tianjin Port Development Group will be significantly increased after completion of the Proposed Acquisition.

(ii) Revenue

The table below sets out the revenue of the Tianjin Port Development Group and the Target Group for the year ended 31 December 2008:

Table 7 – Revenue comparison

	The Tianjin Port Development Group		The Target Group		The Enlarged Tianjin Port Development Group	
	Year ended 31 December 2008					
	HK$'000	*%*	*HK$'000* *(Note 1)*	*%*	*HK$'000* *(Note 2)*	*%*
Container handling	773,211	62.6	623,546	14.8	1,396,757	25.7
Non-containerised cargo handling	462,570	37.4	3,583,802	85.2	4,046,372	74.3
Port cargo handling	1,235,781	100.0	4,207,348	100.0	5,443,129	100.0
Sales	–		6,910,443		6,910,443	
Others	23,210		1,540,452		1,563,662	
Total	1,258,991		12,658,243		13,917,234	

Sources: 2008 annual report of Tianjin Port Development, accountant's report of the Target Group set out in Appendix III to the Circular and information provided by Tianjin Port Development

Notes:

1. For indicative purposes, figures translated from RMB to HK$ using the average exchange rate in 2008 at HK$1 to RMB0.890.

2. For illustration purposes, revenue for each segment of the Tianjin Port Development Group and the Target Group as shown in the above table is added to form the Enlarged Tianjin Port Development Group's segment revenue based on the assumption that completion of the Proposed Acquisition had taken place on 1 January 2008.

As shown in table 7 above, revenue of the port cargo handling business of the Target Group was approximately 3.4 times the revenue of the Tianjin Port Development Group for the year ended 31 December 2008.

For the Tianjin Port Development Group, revenue from container handling services was the major revenue contributor for the year ended 31 December 2008. For the year ended 31 December 2008, revenue from container handling services and non-containerised cargo handling services accounted for approximately 62.6% and approximately 37.4% of the total revenue of the port cargo handling business respectively. Following completion of the Proposed Acquisition, the Target Group will become a subsidiary of Tianjin Port Development. Accordingly, the results of the Target Group will be consolidated into the results of the Tianjin Port Development Group. Assuming that completion of the Proposed Acquisition had taken place on 1 January 2008, revenue of the container handling services and non-containerised cargo handling services would have accounted for approximately 25.7% and approximately 74.3% of the total revenue of the port cargo handling business of the Enlarged Tianjin Port Development Group respectively. Based on the above historical financial information, it is expected that the Tianjin Port Development Group's exposure to non-containerised cargo handling business would increase significantly after completion of the Proposed Acquisition. We are advised by the management that non-containerised cargo handling business, which is less dependent on exports from the PRC and more dependent on PRC's domestic demand and imports compared to container business, is more resilient in the current global economic downturn.

The principal types of non-containerised cargo handled by the Tianjin Port Development Group are steel and grains whereas the Target Group primarily handles non-containerised cargo such as coal, coke, metal ores and oil and related products. Apart from steel and grains, the Tianjin Port Development Group will have substantial exposure in handling coal and metal ores following completion of the Proposed Acquisition. Furthermore, sales, agency services, tugboat services, logistics and other services of the Target Group will become new additions to the Tianjin Port Development Group's existing business portfolio following completion of the Proposed Acquisition. Therefore, the Tianjin Port Development Group will have a more diversified business portfolio after completion of the Proposed Acquisition. This will broaden the Tianjin Port Development Group's revenue base.

(iii) Earnings

The Tianjin Port Development Group recorded profit attributable to the Tianjin Port Development Shareholders of HK$130.3 million for the year ended 31 December 2008, representing basic earnings per Tianjin Port Development Share of HK7.3 cents.

The unaudited pro forma financial information on the Enlarged Tianjin Port Development Group set out in Appendix V to the Circular has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position, financial results and cash flows of the Enlarged Tianjin Port Development Group had the Proposed Transaction been completed as at 31 December 2008 and 1 January 2008 respectively, or at any future date. The unaudited pro forma financial information has been prepared based on, among other things, the following major assumptions:

- Completion had taken place on 31 December 2008 (for illustration of the financial position) or 1 January 2008 (for illustration of the financial results and cash flows);

- The following financing structure for the Consideration:

  - as to approximately HK$6,252 million by the issue of approximately 2,989 million Consideration Shares, representing 51% of the enlarged issued share capital of Tianjin Port Development upon Completion under this scenario;

  - as to approximately HK$4,709 million by cash, payable to the Vendor's wholly-owned subsidiary as directed by the Vendor, to be satisfied by the followings:

    – HK$400 million by cash from internal resources;

    – HK$1,700 million by bank borrowings, which is the indicative maximum balance of bank borrowings; and

    – Approximately HK$2,707 million by the net proceeds from the issue of 1,085 million Tianjin Port Development Shares pursuant to the Proposed Placing and the Possible Connected Placing assuming the Placing Price is HK$2.56, being the average closing share price of the Tianjin Port Development Shares as quoted on the Stock Exchange for the five Trading Days prior to 8 June 2009, being the latest practicable date for the purpose of the unaudited pro forma financial information.

As such, there would be 5,861 million Tianjin Port Development Shares in issue and the Vendor would hold 51% of the enlarged issued share capital of Tianjin Port Development upon Completion. Based on the assumptions, the profit attributable to equity holders of Tianjin Port Development on a pro forma basis would have been approximately HK$543.3 million, or basic earnings per Tianjin Port Development Share of approximately of HK9.3 cents.

The calculation of earnings per Tianjin Port Development Share on a pro forma basis varies with, among others, the assumption of the total number of Tianjin Port Development Shares in issue. As the Placing Price and, therefore, the number of Placing Shares and Option Shares (if any) will depend on, among other things, the prevailing market price of the Tianjin Port Development Shares and the prevailing market conditions at the time of the Proposed Placing and the final financing structure. As such, the total number of Tianjin Port Development Shares in issue upon Completion cannot be ascertained for the time being. For illustration of the possible impact of the Proposed Transaction on earnings per Tianjin Port Development Share, assuming that (i) 6,600 million Tianjin Port Development Shares (which is the maximum number of Tianjin Port Development Shares in issue upon Completion) had been in issue on 31 December 2008 instead of the assumption that the Placing Price was HK$2.56, which results in 5,861 million Tianjin Port Development Shares in issue upon Completion; (ii) the Consideration Shares representing 51% of the enlarged issued share capital of Tianjin Port

Development; and (iii) part of the cash portion of the Consideration will be satisfied as to HK$400 million by cash from internal resources and as to HK$1,700 million by bank borrowings (the "**Illustrative Scenario**"), basic earnings per Tianjin Port Development Share would have been approximately HK8.2 cents on a pro forma basis. Under the Illustrative Scenario, the Placing Price is approximately HK$1.36.

It should be noted that the unaudited pro forma historical results of the Enlarged Tianjin Port Development Group may or may not be a good indicator of the results of the Enlarged Tianjin Port Development Group following Completion as its future operating performance will depend on, among other things, the prevailing business environment. Nonetheless, the past track record of the Target Group should give the Tianjin Port Development Independent Shareholders a reference basis for assessing the capability of the Target Group's management and the potential profit generating power of the Target Group's operations.

(iv) Net assets

According to the annual report of Tianjin Port Development for the year ended 31 December 2008, the audited consolidated net asset value attributable to the Tianjin Port Development Shareholders was approximately HK$3,614.4 million as at 31 December 2008, representing a net asset value per Tianjin Port Development Share of approximately HK$2.0. The Target Group's consolidated net asset value attributable to equity holders of the Target as at 31 December 2008 was approximately RMB8,982.6 million (or approximately HK$10,184.3 million, translated from RMB to HK$ using the median exchange rate announced by the People's Bank of China (the "**PBOC**") on 31 December 2008 at HK$1 to RMB0.882), being approximately 2.8 times the Tianjin Port Development's consolidated net asset value attributable to equity holders of Tianjin Port Development.

Based on the unaudited pro forma consolidated net tangible assets of the Enlarged Tianjin Port Development Group set out in Appendix V to the Circular, the unaudited pro forma consolidated net tangible asset value of the Enlarged Tianjin Port Development Group would have been approximately HK$7,255.7 million, or HK$1.24 per Tianjin Port Development Share.

Under the Illustrative Scenario, the unaudited pro forma net tangible asset value of the Enlarged Tianjin Port Development Group would have been approximately HK$7,254.7 million, or approximately HK$1.1 per Tianjin Port Development Share.

(v) Working capital position

As at 31 December 2008, cash and cash equivalents of the Tianjin Port Development Group were approximately HK$588.9 million. Based on the unaudited pro forma consolidated balance sheet set out in Appendix V to the Circular, the Enlarged Tianjin Port Development Group would have cash and cash equivalents of approximately HK$2,285.8 million.

As stated in the Circular, the cash portion of the Consideration of HK$3,930 million (subject to adjustment) payable to the Vendor's wholly-owned subsidiary as directed by the Vendor, may be financed as to (i) approximately HK$400 million, by cash from internal resources; (ii) a maximum of HK$1,700 million, by bank borrowings; and (iii) the remaining balance, by proceeds from the issue of Tianjin Port Development Shares pursuant to the Proposed Placing and the Possible Connected Placing and/or other sources.

As stated in Appendix I to the Circular, it is noted that taking into account the expected completion of the Proposed Acquisition and the internal resources available to the Enlarged Tianjin Port Development Group, and subject to the completion of the arrangement as stated in the following paragraph to finance the cash proportion of the Consideration, the Tianjin Port Development Directors are of the opinion that the Enlarged Tianjin Port Development Group has sufficient working capital for its present requirements, that is, for at least the next 12 months from the date of the Circular. It is further noted that Tianjin Port Development will finance the cash portion of the Consideration by the following:

– cash from internal resources of approximately HK$400 million;

– bank borrowings not exceeding HK$1,700 million; and

– issue and placement of Placing Shares and Option Shares for cash.

The net proceeds from the Placing Shares and Option Shares (if any) are dependent upon the Placing Price.

The proportion of the Consideration to be satisfied by Consideration Shares and by cash which may be adjusted pursuant to the adjusting mechanism stipulated in the Sale and Purchase Agreement.

As at the date of the Circular, Tianjin Port Development has commenced negotiations with certain financial institutions for the bank borrowings. Tianjin Port Development Directors are of the opinion that the aforesaid bank borrowings will be obtained before Completion.

We are advised by the management of Tianjin Port Development that they are confident that Tianjin Port Development will raise sufficient funds through the Proposed Placing and the Possible Connected Placing barring unforeseen circumstances.

In view of the above, we believe that there are reasonable grounds for the Tianjin Port Development Directors to form their opinion in respect of the aforesaid working capital sufficiency statement.

We were also advised that pursuant to the Sale and Purchase Agreement, under the hypothesis that the conditions precedent and the closing conditions have been satisfied, if Tianjin Port Development is unable to settle the Consideration according to the Sale and Purchase Agreement and cannot remedy within 30 days after receiving the termination notice from the Vendor, the Vendor may terminate the Sale and Purchase Agreement.

(vi) Gearing ratio

As at 31 December 2008, the Tianjin Port Development Group's gearing ratio was 31.5% (calculated as total borrowings divided by total equity).

Based on the unaudited pro forma consolidated balance sheet of the Enlarged Tianjin Port Development Group set out in Appendix V to the Circular, the gearing ratio of the Enlarged Tianjin Port Development Group would have been approximately 60.7%. The increase in gearing ratio was mainly due to the fact that (i) the gearing ratio of the Target Group was approximately 46.4% as at 31 December 2008 which was higher than that of the Tianjin Port Development Group on the same date; and (ii) part of the Consideration will be financed by bank borrowings.

The Proposed Acquisition provides the Tianjin Port Development Group an opportunity to acquire a much larger port player in terms of scale of operations, profit generating power and asset base. Based on our analysis discussed above, we are of the view that the Proposed Transaction is in the interests of Tianjin Port Development and the Tianjin Port Development Shareholders as a whole. In addition, we consider that the Consideration is fair and reasonable in the section headed "Terms of the Proposed Acquisition" below. It is noted that the internal resources of Tianjin Port Development Group are not sufficient to satisfy the full amount of the Consideration. Under the current financing structure, part of the Consideration will be financed by borrowings. Therefore, we consider that the increase in gearing ratio is acceptable.

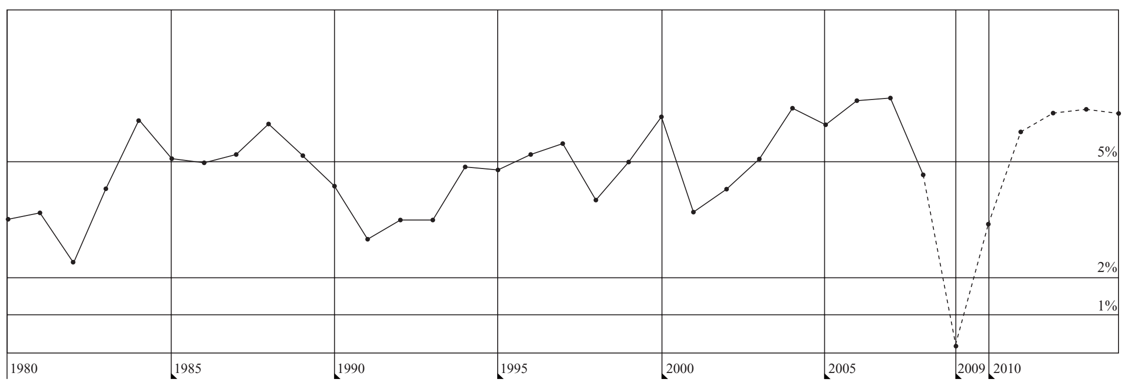
C. Industry overview

C.1 Global trade outlook

The throughput growth of ports is driven by global trade which is in turn driven by the global economic growth. The world gross domestic product ("**GDP**") grew in the last two decades as shown in chart 8 below.

According to World Economic Outlook issued by the International Monetary Fund in April 2009, the world GDP growth is projected to experience a slow down in 2009 and regain its momentum in 2010.

Chart 8 – World GDP



Source: International Monetary Fund – World Economic Outlook (April 2009)

On the other hand, the Drewry Shipping Consultants' 2008 annual report forecasted that the throughput growth rate in the Far East will start to rise from 2010. The average annual growth rate from 2007 to 2013 is forecasted to be 4.2% in the Far East, -0.6% in North America, 0.4% in North Europe, 5.9% in Middle East, 6.1% in South Asia and 5.1% in Africa.

C.2 Global ports industry

(i) Aggregate cargo

The global ports industry has experienced significant growth in recent years. The table below sets out the top 10 ports in the world in terms of aggregate cargo throughput in 2008 and the comparative figures in 2005.

Table 9 – Top 10 ports in 2008 in terms of aggregate cargo throughput

Port	Country	2008 throughput *million tonnes*	2008 Ranking	2005 throughput *million tonnes*	2005 Ranking	2005-2008 CAGR
Shanghai	PRC	582	1	443	1	9.5%
Ningbo	PRC	520	2	269	4	24.1%
Singapore	Singapore	515	3	423	2	6.8%
Rotterdam	Netherlands	421	4	370	3	4.4%
Tianjin	PRC	356	5	241	5	13.3%
Guangzhou	PRC	347	6	250	7	12.4%
Qingdao	PRC	300	7	187	12	17.7%
Hong Kong	PRC*(Note)*	259	8	230	8	4.0%
Qinhuangdao	PRC	252	9	169	15	14.7%
Busan	Korea	242	10	217	9	3.7%

Sources: Port of Rotterdam, Ministry of Transport, Statistics Bureau of Shanghai, Hong Kong Port Development Council, Maritime and Port Authorities Singapore and Busan Port Authority

Note: For the purpose of this table, the PRC includes Hong Kong.

The aggregate cargo throughput comprises throughput of containerised and non-containerised cargo. The top 15 ports in the world in 2008 in terms of container throughput are set out separately in table 10 below.

Non-containerised cargo consist of a wide variety of commodities such as steel, cement, coal, iron, metal ore, oil, petrochemicals and grains. The trade of non-containerised goods such as steel, cement and coal is highly sensitive to economic conditions whereas the trade of grains are less sensitive to changes in economic conditions.

The six ports in the PRC (other than Hong Kong) shown in table 9 achieved a CAGR of 15.3% from 2005 to 2008 on average, which was substantially higher than that of the other ports. The aggregate cargo throughput of the port of Tianjin increased at a CAGR of 13.3% during the same period.

(ii) Container

The global container ports industry has experienced significant growth in throughput in recent years. According to the reports issued by Drewry Shipping Consultants (issued in December 2002 and March 2009), the global throughput was approximately 235.2 million TEUs in 2000 and approximately 522.1 million TEUs in 2008, representing a CAGR of 9.3%.

The below table shows the top 15 ports in the world in terms of container throughput in 2008 and the comparative figures in 2007:

Table 10 – Top 15 container ports in the world in 2008 in terms of container throughput

Port	Country	2008 throughput *(million TEUs)*	2008 ranking	2007 throughput *(million TEUs)*	2007 ranking	Annual growth rate
Singapore	Singapore	29.92	1	27.94	1	7.1%
Shanghai	PRC	27.98	2	26.15	2	7.0%
Hong Kong	PRC*(Note)*	24.25	3	24.00	3	1.0%
Shenzhen	PRC	21.41	4	21.10	4	1.5%
Busan	Korea	13.43	5	13.26	5	1.3%
Dubai	UAE	11.83	6	10.65	7	11.1%
Ningbo	PRC	11.23	7	9.43	11	19.1%
Guangzhou	PRC	11.00	8	9.26	12	18.8%
Rotterdam	Netherlands	10.80	9	10.79	6	2.1%
Qingdao	PRC	10.32	10	9.46	10	9.1%
Hamburg	Germany	9.7	11	9.90	9	-2.0%
Kaohsiung	Taiwan	9.68	12	10.26	8	-5.7%
Antwerp	Belgium	8.66	13	8.18	14	5.9%
Tianjin	PRC	8.50	14	7.10	17	19.7%
Port Kelang	Malaysia	7.97	15	7.12	16	11.9%

Source: Containerization Yearbook 2009

Note: For the purpose of this table, the PRC includes Hong Kong.

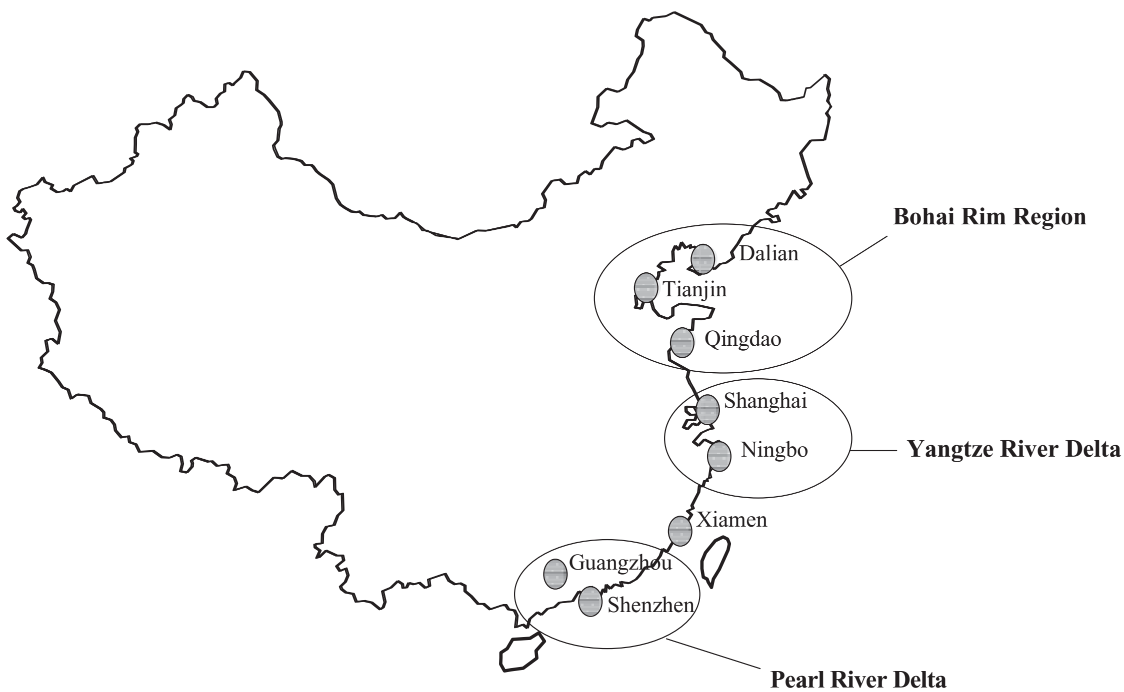
Six out of the top 15 container ports in the world are located in the PRC (other than Hong Kong), which had an average throughput growth rate of 12.5% from 2007 to 2008 compared with that of the other ports listed in the above table of 3.4%. The port of Tianjin was ranked fourteenth in the world in 2008. Its container throughput recorded an annual growth rate of 19.7% in 2008.

C.3 The PRC ports industry

As shown in tables 9 and 10, the throughput growth rates of the ports located in the PRC were higher than other ports in the world in recent years. This was partly attributable to the significant economic growth in the PRC. According to the International Monetary Fund, the PRC achieved an annual GDP growth rate of around 10% between 2002 and 2008.

The PRC ports are basically located in three main regions, namely Pearl River Delta, Yangtze River Delta and the Bohai Rim Region as shown in the map below.

Map 11 – The major terminal hubs in the PRC



Pearl River Delta is one of the PRC's major industrial and manufacturing areas in the PRC. The factories in Pearl River Delta mainly engage in light manufacturing business such as garments, toys, footwear and plastic products for export. The economic activities in this region are highly sensitive to macro-economic factors such as the global economy, RMB appreciation and the inflated material and labour costs.

Compared with Pearl River Delta, there are more heavy manufacturing companies including state-owned enterprises located in the hinterland of Yangtze River Delta. These enterprises are less impacted compared with the private enterprises in Pearl River Delta during the global economic downturn.

We note that the Bohai Rim Region serves an enormous hinterland. From table 14, it is noted that the Bohai Rim Region's throughput is less sensitive to the current global economic downturn.

Table 12 below shows the container throughput and aggregate cargo throughput of the major terminal hubs in the PRC for 2005 and 2008 and the CAGR for such period.

Table 12 -Throughput of the major terminal hubs in the PRC

	Container throughput			**Aggregate cargo throughput**		
	2005	**2008**	**2005-2008 CAGR**	**2005**	**2008**	**2005-2008 CAGR**
	million TEUs			*million tonnes*		
Pearl River Delta						
Guangzhou	4.7	11.0	33.0%	250	347	11.5%
Shenzhen	16.2	21.4	9.7%	154	211	11.1%
Yangtze River Delta						
Shanghai	18.1	28.0	15.7%	443	582	9.5%
Ningbo	5.2	11.2	29.2%	269	520	24.6%
Bohai Rim Region						
Dalian	3.7	4.5	7.1%	171	246	12.9%
Tianjin	4.8	8.5	21.0%	241	356	13.9%
Qingdao	6.3	10.3	17.8%	187	300	17.1%

Source: Ministry of Transport – PRC

Both container and aggregate cargo throughput of the major ports grew significantly during the past four years. The container throughput of the port of Tianjin grew steadily from approximately 4.8 million TEUs in 2005 to approximately 8.5 million TEUs in 2008, representing a CAGR of approximately 21.0%, whereas aggregate cargo throughput of the port of Tianjin grew by approximately 115 million tonnes, representing a CAGR of 13.9% in the same period.

C.4 The port of Tianjin

The port of Tianjin is the largest artificial harbour in the PRC, covering an area of more than 200 square kilometres with a land area of 47 square kilometres. The port of Tianjin was ranked fifth and fourteenth in the world in terms of aggregate cargo throughput and container throughput in 2008 respectively. The port of Tianjin has experienced significant growth in terms of throughput for the past few years as shown in table 12 above.

The port of Tianjin is benefiting from the PRC government's Eleventh Five Year Plan, for acceleration of the development of Tianjin Binhai New Area, encompasses the port of Tianjin, as a key element of advancing the regional economy. The Tianjin Port

Free Trade Zone is the largest free trade zone in the PRC. In addition to the geographical advantage of its proximity to Beijing, the capital of the PRC, the port of Tianjin also serves a vast area of hinterland as illustrated in the map below.

Map 13 – Hinterland of the port of Tianjin

Source: Tianjin Port Development

The downturn in global economy as triggered by the financial crisis adversely affected the PRC's economy and also imports/exports trade. In the first quarter of 2009, most of the PRC major ports recorded declines in throughput compared with the same period in 2008. The table below sets out the container and aggregate cargo throughput in major ports in the PRC in the first quarter of 2009 compared to the first quarter of 2008.

Table 14 – Throughput in the first quarter of 2008 and 2009

	Container throughput			Aggregate cargo throughput		
	2008 *TEUs '000*	**2009** *TEUs '000*	**Year-on-year**	**2008** *million tonnes*	**2009** *million tonnes*	**Year-on-year**
Pearl River Delta						
Guangzhou	2,795.0	2,151.7	-23.0%	88.0	77.1	-12.4%
Shenzhen	4,938.4	3,878.1	-21.5%	50.3	40.5	-19.5%
Yangtze River Delta						
Shanghai	6,603.1	5,609.6	-15.1%	140.2	123.0	-12.3%
Ningbo	2,517.7	2,256.8	-10.4%	126.0	113.3	-10.1%
Bohai Rim Region						
Dalian	1,002.6	988.0	-1.5%	58.8	61.6	4.8%
Tianjin	1,899.1	1,926.3	1.4%	86.9	85.0	-2.2%
Qingdao	2,444.7	2,501.2	2.3%	75.1	78.4	4.4%

Sources: Ministry of Transport – the PRC and Statistics Bureau of Shanghai

As shown in the above table, major ports located at Pearl River Delta and Yangtze River Delta were severely impacted by the global economic downturn. In contrast, the port of Tianjin recorded a slight increment in year-on-year growth in container throughput for the first quarter of 2009 and only a 2.1% decline in aggregate cargo throughput for the same period.

D. Terms of the Proposed Acquisition

Pursuant to the Sale and Purchase Agreement, Tianjin Port Development has agreed to conditionally acquire from the Vendor, through its wholly-owned subsidiary Grand Point, its 56.81% interest in the registered share capital of the Target for a total consideration of HK$10,961 million.

D.1 Consideration

(i) Basis

The Consideration of HK$10,961 million was determined after arm's length negotiations between the parties to the Sale and Purchase Agreement with reference to RMB10.152 per share of the Target, being 90% of the average of the daily volume-weighted average share price of the Target for the last 30 Trading Days prior to (but not including) the date of the Sale and Purchase Agreement.

Pursuant to Rule 24 of Interim measures for the administration of state-owned shareholders transfer of their shares of listed companies (國有股東轉讓所持上市公司股份管理暫行辦法) issued by The State-owned Assets Supervision and Administration Commission of the State Council of the PRC (中華人民共和國國務院國有資產監督管理委員會), the transfer price of listed companies held by state-owned enterprises cannot be less than 90% of the average of the daily volume-weighted average share price of the listed company for the last 30 Trading Days from the date of the agreement in relation to such share transfer. We are advised by Tianjin Port Development that the aforementioned rule applies to the Proposed Acquisition. As such, we consider that the Consideration is set at the most favourable possible discount of 10% in accordance with the PRC regulation.

(ii) Market comparables

We have reviewed valuation benchmarks for companies comparable to the Target (the "**Market Comparables**"). In selecting the Market Comparables, we have taken into account their principal businesses, port locations and market capitalisations. We consider that market capitalisation of a listed company reflects, among other things, the scale of its operations and also its profit generating power. Based on the above criteria, we have chosen listed companies that are principally engaged in port operations in the PRC with market capitalisations over HK$6 billion. The following table sets out the price to earnings ratio ("**PER**") and the price to book value ratio ("**PBR**"), the two commonly used valuation benchmarks, for each of the Market Comparables based on the respective closing price of their shares as at the Latest Practicable Date:

Table 15 – Trading multiples of the Market Comparables

Stock code	Stock exchange	Stock name	Principal business	Market capitalisation	Closing price as at the Latest Practicable Date	PER	PBR
	(Note 1)			*RMB million*	*RMB*	*times*	*times*
000022	SHE	Shenzhen Chiwan Wharf Holdings Limited	Principally engaged in the handling, storage, transportation and other related services of containers and bulk cargo, as well as land transportation, tug boat services and shipping brokerage services in Chiwan Wharf, Shenzhen, Guangdong Province, the PRC.	7,636	13.10	13.14	3.07
000088	SHE	Shenzhen Yan Tian Port Holdings Co. Ltd.	Principally engaged in the development and operation of ports, the handling and transportation of cargos, as well as the construction and operation of port supporting facilities, among others.	8,927	7.17	15.58	2.33

Stock code	Stock exchange *(Note 1)*	Stock name	Principal business	Market capitalisation *RMB million*	Closing price as at the Latest Practicable Date *RMB*	PER *times*	PBR *times*
600017	SHA	Rizhao Port Co., Ltd.	Principally engaged in the port loading and unloading, cargo warehousing and transshipping services for bulk cargoes such as coal, iron ore and cement.	7,740	6.14	29.24	2.81
600018	SHA	Shanghai International Port (Group) Co., Ltd.	Principally engaged in loading and unloading of containers, as well as the provision of container-related services.	115,869	5.52	25.08	3.88
					Companies that are listed on the PRC stock exchanges:		
					Average	20.76	3.02
					Minimum	13.14	2.33
					Maximum	29.24	3.88

Stock code	Stock exchange *(Note 1)*	Stock name	Principal business	Market capitalisation *HK$ million*	Closing price as at the Latest Practicable Date *HK$*	PER *times*	PBR *times*
144	HK	China Merchants Holdings (International) Co., Ltd.	Principally engaged in ports and ports-related operations.	60,222	24.85	16.92	1.99
1199	HK	COSCO Pacific Limited	Engaged in the businesses of managing and operating container terminals, container leasing, management and sale, logistics, container manufacturing and their related businesses.	22,899	10.2	10.75	1.16
2880	HK	Dalian Port (PDA) Company Limited	Provision of terminal and related logistics services for oil products/ liquefied chemicals; the provision of terminal and logistics services for containers; the provision of terminal and logistics services for automobiles, and the provision of port value-added services.	9,597	3.28	10.71	1.33
					Companies that are listed on the Stock Exchange:		
					Average	12.79	1.49
					Minimum	10.71	1.16
					Maximum	16.92	1.99
					Market Comparables:		
					Average	17.35	2.37
					Minimum	10.71	1.16
					Maximum	29.24	3.88
Tianjin Port Development				**6,577**	**3.68**	**50.41**	**1.82**
The Target (valuation ratios implied by the Consideration) *(Note 2)*				**22,256 (RMB19,628)**		**18.13**	**1.89**

Source: Bloomberg

Notes:

1. SHA, SHE and HK represent the Shanghai Stock Exchange, the Shenzhen Stock Exchange and the Stock Exchange respectively.

2. The implied PER and PBR of the Target are calculated based on the basic earnings per share of the Target Group for the year ended 31 December 2008 and the net asset value per share of the Target Group as at 31 December 2008 respectively.

Both the Tianjin Port Development Group and the Target Group operate in the port of Tianjin. It is noted that market capitalisation of the Target was approximately 3.4 times to that of Tianjin Port Development as at the Latest Practicable Date. The PER of the Target implied by the Consideration is lower than Tianjin Port Development, whereas the PBR of the Target implied by the Consideration is slightly higher than Tianjin Port Development.

It is noted that both the PER and PBR ratios of the Target implied by the Consideration are within the respective ranges and below the respective averages of the Market Comparables which are listed in the PRC stock exchanges.

The PER of the Market Comparables ranged from approximately 10.7 times to 29.2 times, with an average of approximately 17.4 times. The PER of the Target implied by the Consideration, is approximately 18.1 times, which falls within the said market range.

The Target's PBR implied by the Consideration is approximately 1.9 times, which falls within the range of the Market Comparables of between approximately 1.2 times and approximately 3.9 times.

Having considered the above analysis, in particular, that (i) the Consideration is set at the most favourable possible discount of 10% in accordance with the relevant PRC regulations; and (ii) the Consideration-implied PER and PBR of the Target are within ranges of the Market Comparables, we are of the opinion that the Consideration is fair and reasonable.

D.2 Settlement method of the Consideration

The Consideration of HK$10,961 million shall be satisfied as to:

(a) HK$7,031 million by the issue of approximately 3,361.5 million Consideration Shares to the Vendor's wholly-owned subsidiary as directed by the Vendor; and

(b) HK$3,930 million by cash (subject to adjustment) payable to the Vendor's wholly-owned subsidiary as directed by the Vendor, which may be financed with the following as to:

    (i) approximately HK$400 million, by cash from internal resources;

    (ii) a maximum of HK$1,700 million, by bank borrowings; and

(iii) the remaining balance, by proceeds from the issue of Tianjin Port Development Shares pursuant to the Proposed Placing and the Possible Connected Placing (as defined in section II below) and/or other sources.

The cash portion of the Consideration may be subject to adjustment by Tianjin Port Development based on market conditions between the date of the Sale and Purchase Agreement and Completion (provided that, among other things, the amount of the Consideration remains unchanged). The manner and specific amount of such adjustment are subject to further agreement to be made among the parties to the Sale and Purchase Agreement. If the parties agree that the cash portion of the Consideration is to be reduced, the shortfall may be satisfied by the issue of further Consideration Shares by Tianjin Port Development to the Vendor's wholly-owned subsidiary as directed by the Vendor or other means.

The maximum amount of New Shares which may be issued by Tianjin Port Development, including Consideration Shares (which includes further Consideration Shares issued pursuant to the adjustment), and Placing Shares, Option Shares and Tianjin Port Development Shares issued pursuant to an issue of other securities, must not exceed 4,812.9 million Tianjin Port Development Shares, representing approximately 73% of the maximum enlarged issued share capital of Tianjin Port Development.

Based on the current deal structure, approximately two-thirds of the Consideration will be satisfied by the issue of the Consideration Shares. As at 31 December 2008, the cash and cash equivalents of the Tianjin Port Development Group were approximately HK$588.9 million. As such, the internal resources of the Tianjin Port Development Group are not sufficient to satisfy the full amount of the Consideration, therefore the issue of the Consideration Shares reduces the financial burden of the Tianjin Port Development Group to complete the Proposed Acquisition. Furthermore, the cash portion of the Consideration may be reduced subject to further agreement among the parties to the Sale and Purchase Agreement. This will provide the Tianjin Port Development Group with flexibility in raising funds to settle the cash portion of the Consideration. Therefore, we consider that the settlement method of the Consideration is in the interests of Tianjin Port Development and the Tianjin Port Development Shareholders.

D.3 The issue price of the Consideration Shares

The issue price of the Consideration Shares shall be HK$2.0916 per Tianjin Port Development Share, being the volume-weighted average share price of the Tianjin Port Development Shares for the last five Trading Days prior to (but not including) the date of the Sale and Purchase Agreement.

(i) Comparison of the issue price with historical trading prices of the Tianjin Port Development Shares

The issue price of the Consideration Shares of HK$2.0916 per Consideration Share represents:

(a) a discount of approximately 7.0% to the closing price of HK$2.2500 per Tianjin Port Development Share as quoted on the Stock Exchange on 13 March 2009, being the last trading date of the Tianjin Port Development Shares immediately prior to the publication of the announcement dated 16 March 2009 issued jointly by Tianjin Port Development and Tianjin Development (the "**Announcement**");

(b) a premium of approximately 6.9% over the average closing price of HK$1.9560 per Tianjin Port Development Share as quoted on the Stock Exchange for the last 10 Trading Days up to and including 13 March 2009;

(c) a premium of approximately 10.9% over the average closing price of approximately HK$1.8867 per Tianjin Port Development Share as quoted on the Stock Exchange for the last 30 Trading Days up to and including 13 March 2009;

(d) a premium of approximately 14.6% over the average closing price of HK$1.8255 per Tianjin Port Development Share as quoted on the Stock Exchange for the last 60 Trading Days up to and including 13 March 2009;

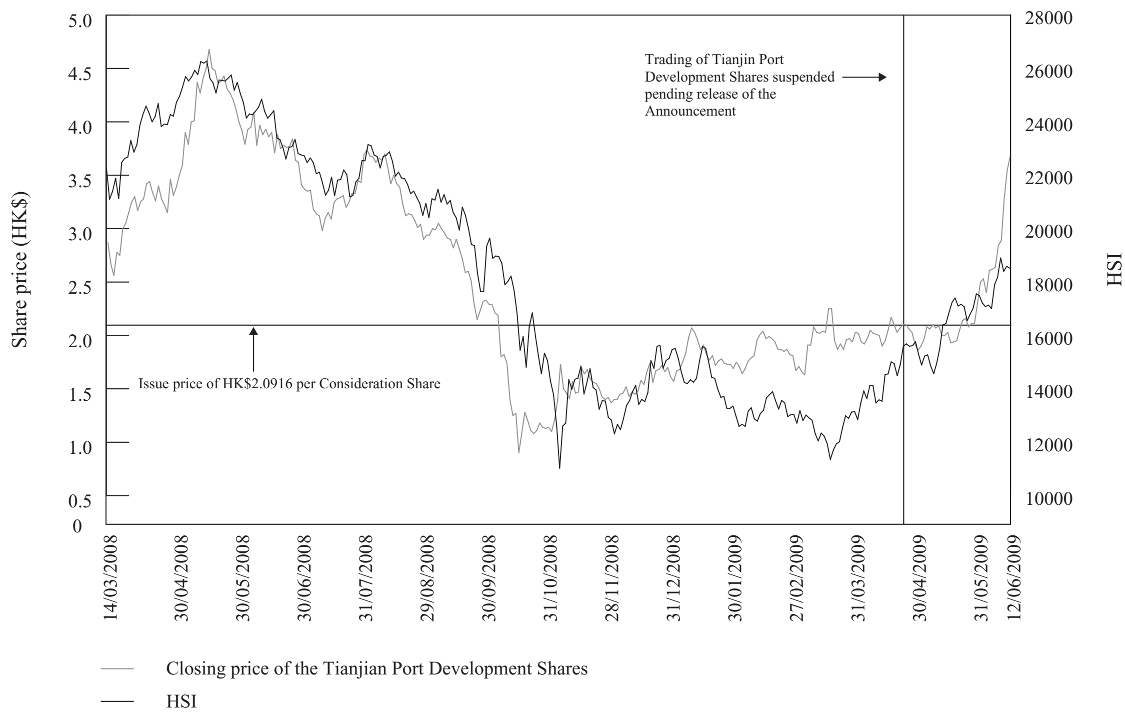
(e) a premium of approximately 24.1% over the average of closing price of approximately HK$1.6848 per Tianjin Port Development Share as quoted on the Stock Exchange for the last 120 Trading Days up to and including 13 March 2009; and

(f) a discount of approximately 43.2% to the closing price of HK$3.6800 per Tianjin Port Development Share as quoted on the Stock Exchange as at the Latest Practicable Date.

We have compared Tianjin Port Development Share price with the benchmark Hang Seng Index (the "**HSI**"), the main indicator of the share performance for listed shares in Hong Kong which reflects general trends of the market. The following chart shows the closing prices of the Tianjin Port Development Shares as quoted on the Stock Exchange: (a) from 14 March 2008 up to and including 13 March 2009, being the twelve-month period leading up to the last Trading Day before suspension of trading in the Tianjin Port Development Shares pending release of the Announcement; and (b) from 17 March 2009, being the first Trading Day after resumption of trading in the Tianjin Port Development

Shares after publication of the Announcement, up to and including the Latest Practicable Date (collectively the "**Review Period**"); and the HSI's performance during the Review Period.

Chart 16: Historical closing prices of the Tianjin Port Development Shares and the HSI's performance during the Review Period



Source: Bloomberg

During the Review Period, the Tianjin Port Development Shares traded under a volatile market environment which was mainly influenced by the effects of the global financial crisis. The Tianjin Port Development Shares rose sharply from the beginning of the Review Period and reached a peak of HK$4.68 on 7 May 2008. As shown in chart 16 above, the closing prices of the Tianjin Port Development Shares moved generally in line with the HSI, whereby the HSI peaked in May 2008 and then began its decline to reach its low in October 2008. The Tianjin Port Development Shares closed at HK$0.90 on 10 October 2008, being the lowest closing price within the Review Period. Save for results announcements announced on 16 April 2008, 10 September 2008 and 23 April 2009 and the Announcement, Tianjin Port Development did not announce any major corporate events during the Review Period.

Since reaching its trough on 10 October 2008, the price of Tianjin Port Development Shares recovered part of its losses and its closing prices fluctuated below the issue price of the Consideration Shares up to 5 March 2009, and then closed slightly above the issue price of the Consideration Shares for the five Trading Days prior to the publication of the Announcement as shown in chart 16 above. From the first Trading Day after the Announcement was issued, the closing prices of the Tianjin Port Development Shares gradually reverted to levels near the issue price of the Consideration Shares and then followed the HSI's upward trend up to and including the Latest Practicable Date. The Tianjin Port Development Shares has been trading above the issue price of the Consideration since 25 May 2009.

We observed from the above analysis that the issue price per Consideration Share represents a premium over the average trading prices of the Tianjin Port Development Shares for each of the last 10, 30, 60 and 120 Trading Days prior to the issue of the Announcement.

(ii) Comparison of the issue price with net asset value

The issue price of the Consideration Shares of HK$2.0916 per Consideration Share represents a premium of approximately 3.4% over the net asset value of Tianjin Port Development of approximately HK$2.0225 per Tianjin Port Development Share as at 31 December 2008.

Given the price history of the Tianjin Port Development Shares analysed above and the fact that the issue price per Consideration Share represents a premium to (a) the net asset value of Tianjin Port Development as at 31 December 2008; and (b) the average closing prices of the Tianjin Port Development Shares for the last 10, 30, 60 and 120 Trading Days prior to the issue of the Announcement, we consider that the issue price of the Consideration Shares to be fair and reasonable so far as the Tianjin Port Development Independent Shareholders are concerned.

D.4 Lock-up period

Pursuant to the Sale and Purchase Agreement, Grand Point has undertaken that after Completion, it will not at any time prior to the expiration of three years after completion of the Proposed Acquisition, transfer its interest in the registered share capital of the Target that it acquired from the Vendor.

We are advised that the Proposed Acquisition constitutes a strategic foreign investment in a PRC listed company and pursuant to the Rules Governing Strategic Investments into Listed Companies by Foreign Companies (外國投資者對上市公司戰略投資管理辦法), shares of PRC listed companies acquired by foreign companies cannot be transferred within a three-year period from the date of such acquisition. As such, the 951,512,511 shares of the Target to be acquired by Tianjin Port Development under the Proposed Acquisition will be subject to a lock-up period of three years as a PRC regulatory requirement, with which the lock-up undertaking is consistent.

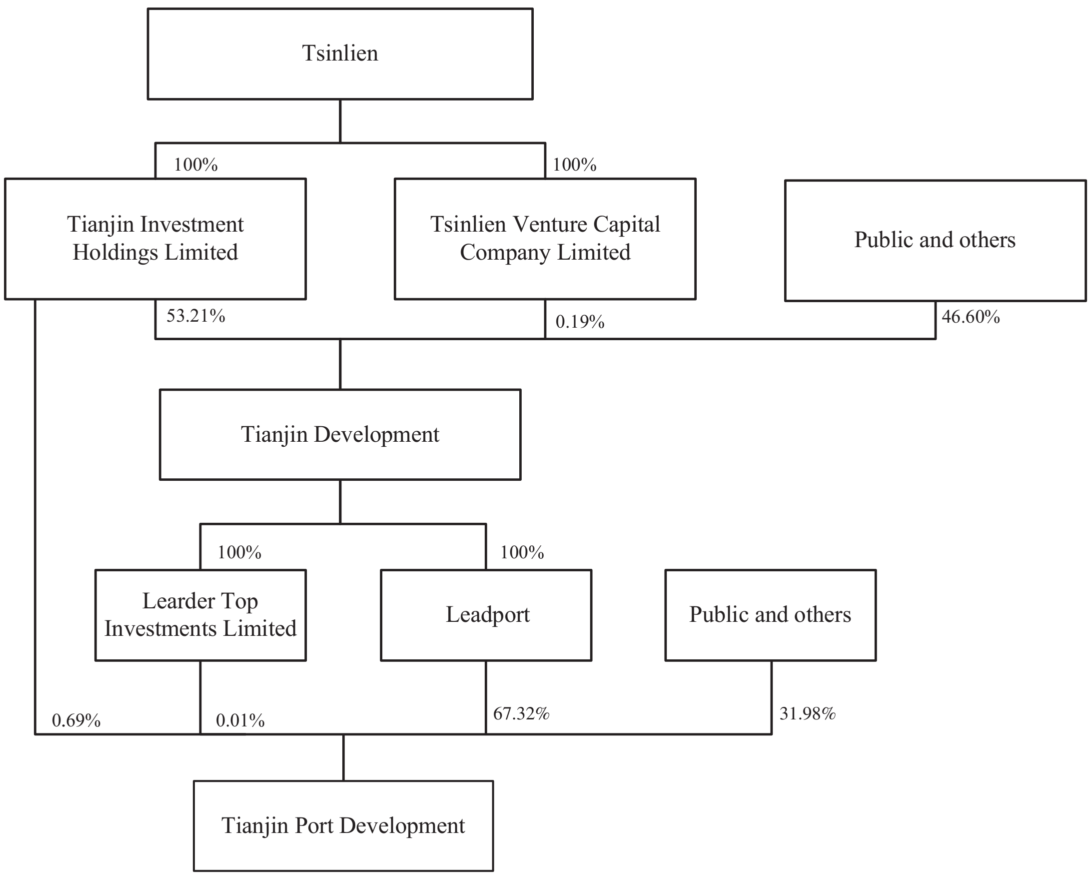
In view of the above analysis, we are of the view that the terms of the Proposed Acquisition are on normal commercial terms, fair and reasonable and in the interests of Tianjin Port Development and the Tianjin Port Development Shareholders as a whole.

E. Changes in the shareholding structure of Tianjin Port Development

E.1 The controlling Tianjin Port Development Shareholder

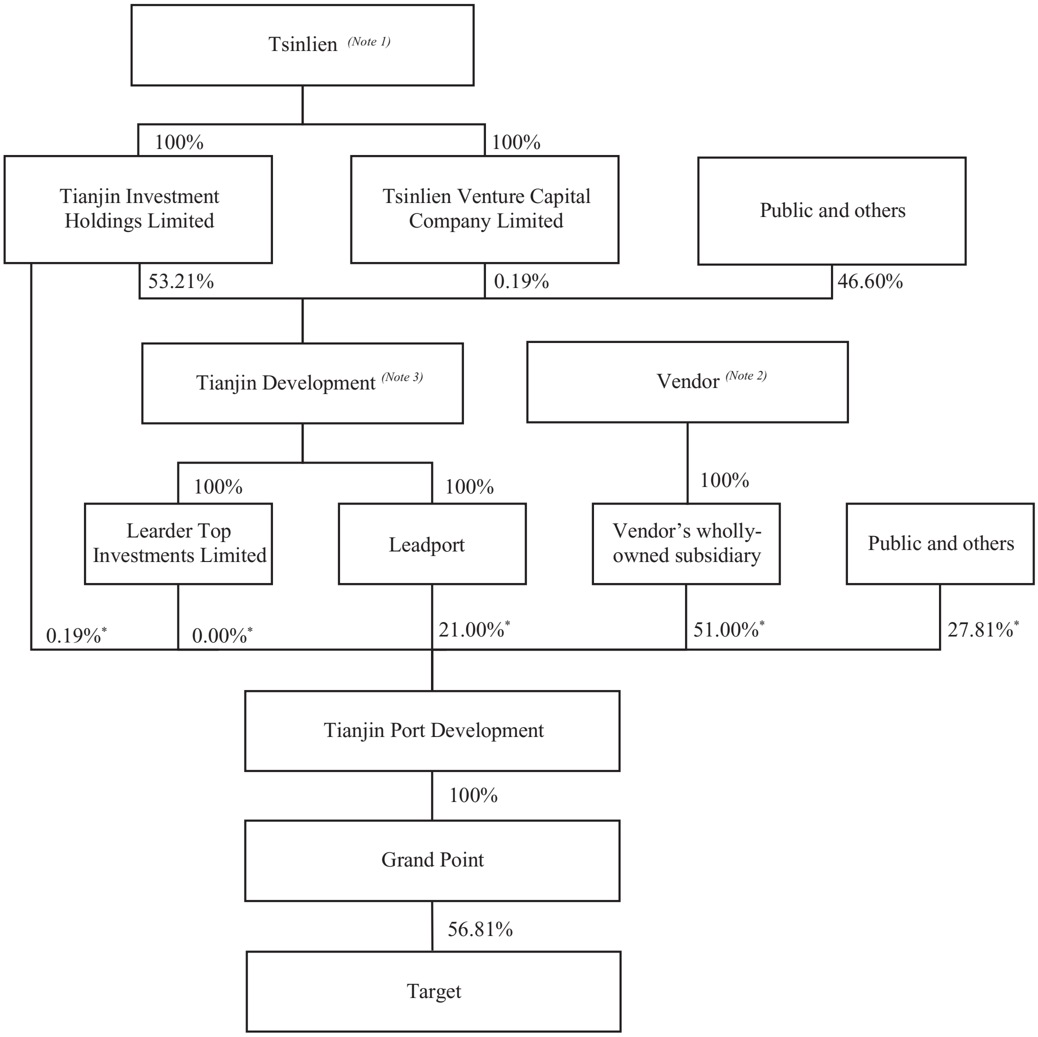
Chart 17 – Shareholding structure of the Tianjin Port Development Group as at the Latest Practicable Date and immediately after Completion

As at the Latest Practicable Date



Note: The shareholding percentages as shown in the above diagram are approximate figures rounded to the nearest two decimal places.

Immediately after Completion



Source: Tianjin Port Development

Notes:

1. Tsinlien is wholly-owned by the Tianjin Commission of Commerce, a subordinate department of the Tianjin Municipal Government.

2. The Vendor is a company controlled by the Tianjin SASAC, which is directly under the management of the Tianjin Municipal Government.

3. Tianjin Development will, through its wholly-owned subsidiaries, hold an interest of at least 21% in Tianjin Port Development upon Completion.

4. The shareholding percentages marked with an asterisk (*) in respect of the Tianjin Port Development Shareholders in the above diagram are stated for illustrative purposes and are subject to final valuation and financing. The figures may not represent the actual figures at Completion.

5. The shareholding percentages as shown in the above diagram are approximate figures rounded to the nearest two decimal places.

According to the Sale and Purchase Agreement, upon Completion, the Vendor will, through its wholly-owned subsidiary, hold no less than 51% of the enlarged issued share capital of Tianjin Port Development. Tianjin Development will become the second largest Tianjin Port Development Shareholder instead of the controlling Tianjin Port Development Shareholder upon Completion.

Tianjin Development is controlled by Tsinlien, which is a company controlled by the Tianjin Municipal Government. The Vendor is a company controlled by the Tianjin SASAC, which is directly under the management of the Tianjin Municipal Government. Therefore, we consider that the change in the controlling Tianjin Port Development Shareholder is not expected to have any adverse impact on the strategies and operations of the Tianjin Port Development Group.

E.2 Dilution effect on the shareholding interests of the Tianjin Port Development Independent Shareholders

The table below contains a hypothetical scenario and is solely prepared for illustration of the possible dilution effect on the shareholding interests of the Tianjin Port Development Independent Shareholders.

Table 18 – Shareholding structure of Tianjin Port Development

	As at the Latest Practicable Date		**Immediately after Completion (Assuming the Vendor holds the minimum of 51% issued share capital of Tianjin Port Development)** *(Notes 1 and 2)*	
	Number of Tianjin Port Development Shares	**Approximate % of the issued share capital of Tianjin Port Development** %	**Number of Tianjin Port Development Shares**	**Approximate % of the issued share capital of Tianjin Port Development** %
Vendor	–	–	3,366,000,000 *(Note 3)*	51.00
Tianjin Development *(Notes 4 and 5)*	1,203,312,000	67.33	1,203,312,000	18.23
Tianjin Investment Holdings Limited *(Note 5)*	12,250,000	0.69	12,250,000	0.19

	As at the Latest Practicable Date		Immediately after Completion (Assuming the Vendor holds the minimum of 51% issued share capital of Tianjin Port Development) *(Notes 1 and 2)*	
	Number of Tianjin Port Development Shares	Approximate % of the issued share capital of Tianjin Port Development %	Number of Tianjin Port Development Shares	Approximate % of the issued share capital of Tianjin Port Development %
Public:				
Existing public Tianjin Port Development Shareholders	571,538,000	31.98	571,538,000	8.66
Placees *(Note 6)*	–	–	1,446,900,000	21.92
Sub-total of public	571,538,000	31.98	2,018,438,000	30.58
	1,787,100,000	100.00	6,600,000,000	100.00

Notes:

1. Assuming (i) the Vendor holds the minimum of 51% of Tianjin Port Development's issued share capital as enlarged by the Proposed Share Issue; and (ii) the maximum of 6,600 million Tianjin Port Development Shares are in issue upon Completion.

2. As at the Latest Practicable Date, Tianjin Port Development had 14.5 million outstanding share options to subscribe for Tianjin Port Development Shares. However, as such amount of share options is insignificant compared to the number of New Shares to be issued, it has not been considered as part of our analysis.

3. Assuming the maximum of 6,600 million Tianjin Port Development Shares are in issue upon Completion, in order to satisfy the condition whereby the Vendor has an interest of no less than 51% of Tianjin Port Development's issued share capital as enlarged by the Proposed Share Issue, the minimum of 3,366,000,000 Consideration Shares are required to be issued to the Vendor under such scenario.

4. Tianjin Development through its wholly-owned subsidiaries, Learder Top Investments Limited and Leadport, held 1,203,312,000 Tianjin Port Development Shares as at the Latest Practicable Date.

   Pursuant to the Option Agreement, Tianjin Port Development has granted Leadport a right to subscribe for the Option Shares, at the same time as the Proposed Placing, to increase Tianjin Development's interest, through its two wholly-owned subsidiaries, to no more than 21% of the enlarged issued share capital of Tianjin Port Development upon Completion.

5. Tianjin Development is a subsidiary of Tianjin Investment Holdings Limited which in turn is a wholly-owned subsidiary of Tsinlien.

6. Assuming (i) all placees of the Proposed Placing are third parties independent of and not connected with Tianjin Port Development or its connected persons; and (ii) none of the placees will become a substantial Tianjin Port Development Shareholder.

The shareholding interests of the Tianjin Port Development Independent Shareholders were approximately 31.98% as at the Latest Practicable Date.

Assuming that the maximum of 6,600 million Tianjin Port Development Shares are in issue upon Completion, the shareholding interests of the Tianjin Port Development Shareholders will be diluted to approximately 8.7% immediately upon Completion, which would be the maximum level of dilution. This represents a dilution effect of about 72.9%.

The Proposed Acquisition provides the Tianjin Port Development Group an opportunity to acquire a much larger port player in terms of scale of operations, profit generating power and asset base. Based on our analysis discussed above, we are of the view that the Proposed Transaction is in the interests of Tianjin Port Development and the Tianjin Port Development Shareholders as a whole. In addition, we consider that the Consideration is fair and reasonable. It is noted that the internal resources of Tianjin Port Development Group are not sufficient to satisfy the full amount of the Consideration. Under the current financing structure, part of the Consideration will be financed by borrowings. Tianjin Port Development is also required to issue new Tianjin Port Development Shares in this circumstance. In view of the aforesaid, we consider that the dilution effect on the shareholding interests of the Tianjin Port Independent Shareholders is acceptable.

Recommendation

Having considered the principal factors and reasons as discussed above and in particular the following (which should be read in conjunction with and interpreted in the full context of section I):

- The Proposed Acquisition will transform Tianjin Port Development into a much larger port player in terms of the following:

  (a) scale of operations – in 2008, the container throughput of the Target Group was comparable to that of the Tianjin Port Development Group whereas the non-containerised cargo throughput of the Target Group was 15.7 times to that of the Tianjin Port Development Group;

  (b) profit generating power – profit attributable to equity holders of the Target was approximately 8.0 times the profit attributable to equity holders of Tianjin Port Development for the year ended 31 December 2008; and

  (c) asset base – Tianjin Port Development will own all commercially operating port cargo handling assets within the port of Tianjin upon completion of the Proposed Acquisition.

- the Tianjin Port Development Group will have a more diversified business structure after completion of the Proposed Acquisition;
- the Vendor has granted the Target a right of priority to invest in future construction, development and operations of the ports business, and a right of priority to select and acquire such projects;
- an increase in earnings per Tianjin Port Development Share on a pro forma basis;
- an increase in gearing ratio on a pro forma basis is considered to be acceptable;
- the Consideration is set at the most favourable possible discount of 10% in accordance with the relevant PRC regulations;
- the issue price per Consideration Share represents a premium to net asset value of Tianjin Port Development as at 31 December 2008 and represents a premium over the average trading prices of the Tianjin Port Development Shares for the last 10, 30, 60 and 120 Trading Days prior to the issue of the Announcement;
- the Consideration-implied PER and PBR of the Target are within the ranges of the Market Comparables;
- the change in the controlling Tianjin Port Development Shareholder is not expected to have any adverse impact on the strategies and operations of the Tianjin Port Development Group; and
- the dilution effect on the shareholding interests of the Tianjin Port Development Independent Shareholders is considered to be acceptable,

we consider that the Proposed Acquisition is on normal commercial terms, fair and reasonable and in the interests of Tianjin Port Development and the Tianjin Port Development Shareholders as a whole. Accordingly, we advise the Tianjin Port Development Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the Tianjin Port Development EGM to approve, among other things, the Proposed Acquisition.

II. POSSIBLE CONNECTED PLACING

On 15 June 2009, Tianjin Port Development, Tianjin Development and Leadport entered into the conditional Option Agreement. Pursuant to the Option Agreement, Tianjin Port Development has granted Leadport a right to subscribe for the Option Shares, at the same time as the Proposed Placing, to increase Tianjin Development's interest, through its wholly-owned subsidiaries, Learder Top Investments Limited and Leadport, to no more than 21% of the enlarged issued share capital of Tianjin Port Development upon Completion. The total consideration for the subscription of the Options Shares by Tianjin Development shall not exceed HK$280 million and shall be settled by cash (the "**Possible Connected Placing**").

Tianjin Development is a substantial Tianjin Port Development Shareholder, therefore Tianjin Development is a connected person of Tianjin Port Development. As such, the Possible Connected Placing constitutes a connected transaction of Tianjin Port Development under Chapter 14A of the Listing Rules, and will be subject to the approval of the Tianjin Port Development Independent Shareholders.

Principal factors and reasons considered

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

A. Background of and reasons for the Possible Connected Placing

From the perspective of Tianjin Development Shareholders, it is stated in the "Letter from the Tianjin Development Directors" in the Circular that Tianjin Development intends to maintain its interest in Tianjin Port Development at or above 21% upon Completion through purchases on the market or exercise of the Option in order to: (i) maintain a significant influence on and interest in a significantly larger Tianjin Port Development Group, which is expected to have improved performance as a result of the potential synergies, improved overall competitiveness and improved management of the Enlarged Tianjin Port Development Group; (ii) adopt equity accounting in respect of Tianjin Development's interest in Tianjin Port Development; and (iii) having considered potential minor dilutions of Tianjin Development's interest in Tianjin Port Development as a result of exercise of employee share options in Tianjin Port Development or otherwise.

On the other hand, from the perspective of Tianjin Port Development Shareholders, it is stated in the "Letter from the Tianjin Port Development Directors" that the reason for the Possible Connected Placing is to provide greater certainty as to the success of the Proposed Transaction in terms of shareholders' approval at the Tianjin Development EGM.

As at the Latest Practicable Date, Tianjin Development, through its two wholly-owned subsidiaries, held approximately 67.3% interest in the issued share capital of Tianjin Port Development. Upon Completion, the shareholding interest of Tianjin Development would be diluted to approximately 18.2%, which is the maximum level of dilution as illustrated in table 18. Accordingly, Tianjin Development will lose control of Tianjin Port Development. Therefore, the results of the Enlarged Tianjin Port Development Group will not be consolidated into the accounts of Tianjin Development. In contrast, Tianjin Port Development will control the Target Group which is a larger port player in the port of Tianjin. The Target will become a major subsidiary of Tianjin Port Development and thus, the results of the Target Group will be consolidated into the accounts of Tianjin Port Development upon completion of the Proposed Acquisition. We believe that it is important for the Proposed Transaction to be beneficial to all parties who are involved in or have an interest in the transaction including Tianjin Development and the Tianjin Development Shareholders as a whole.

After the significant dilutive effect of the Proposed Share Issue, in the event that Tianjin Development's shareholding interest in Tianjin Port Development falls below 21%, the Option Agreement provides an option for Tianjin Development to restore to no more than 21% interest in Tianjin Port Development through subscription of new Tianjin Port Development Shares at the Placing Price. As stated in the "Letter from Tianjin Development Directors" in the Circular, if Tianjin Development's interest in Tianjin Port Development, through its two wholly-owned subsidiaries, is to be diluted to below 21% upon Completion, Leadport will exercise the Option, which will allow Tianjin Development to increase its interest in Tianjin Port Development to no more than 21% upon Completion. As such, the Option Agreement provides a means to safeguard the interests of Tianjin Development and, thus, the interests of the Tianjin Development Shareholders as a whole.

The Sale and Purchase Agreement is conditional on, among other things, the approval of the Proposed Transaction and the deemed disposal resulting from the Proposed Share Issue being approved by the Tianjin Development Independent Shareholders. It is noted that the resolution to be put forward to the Tianjin Development Independent Shareholders for approval of the Proposed Transaction and the deemed disposal is subject to the Option Agreement having become unconditional. In addition, the Tianjin Development Independent Board Committee's recommendation in respect of the Proposed Transaction is based on the assumption that the Option Agreement having become unconditional. These highlight the importance of the Option Agreement to Tianjin Development and, therefore, the Tianjin Development Shareholders as a whole in respect of the Proposed Transaction.

The Sale and Purchase Agreement is also conditional on, among other things, the approval of the Proposed Transaction and the specific mandate being obtained for the Proposed Share Issue. The Proposed Share Issue comprises (i) the Consideration Shares to be issued to the Vendor's wholly-owned subsidiary; (ii) the issue of the Placing Shares; and (iii) the issue of the Option Shares to Tianjin Development (if any). It is noted that a resolution in respect of the Sale and Purchase Agreement, the Proposed Transaction together with the Option Agreement will be put forward to the Tianjin Port Development Independent Shareholders for consideration at the Tianjin Port Development EGM.

Based on our analysis set out in the section headed "The Proposed Acquisition" above, we are of the opinion that the Proposed Acquisition is in the interests of Tianjin Port Development and the Tianjin Port Development Shareholders as a whole. In view of the aforesaid, we believe that it is in the interest of the Tianjin Port Development Independent Shareholders to approve the resolution in respect of, among other things, the Option Agreement. Otherwise, the Proposed Transaction will not proceed.

(i) Number of Option Shares

Pursuant to the Option Agreement, Tianjin Development will have a right to subscribe for such number of Option Shares, at the same time as the Proposed Placing, not exceeding the lesser of:

(a) the number of Option Shares that may be subscribed at the Placing Price for a total consideration of HK$280 million; and

(b) the number of Option Shares that may be subscribed at the Placing Price which would result in Tianjin Development's total shareholding, through its two wholly-owned subsidiaries, being equal to 21% of the enlarged issued share capital of Tianjin Port Development upon Completion.

Leadport may exercise the Option to subscribe for the Option Shares on the date the Placing Price is determined.

Pursuant to the Option Agreement, Tianjin Development is allowed to subscribe for Tianjin Port Development Shares only if its interest falls below 21%. It is expected that the number of the Consideration Shares and the Placing Shares to be issued will be determined on the date that the Placing Price is determined. On that date, Tianjin Development will be able to determine the dilutive effect on its interest, through its two wholly-owned subsidiaries, as a result of the proposed issue of the Consideration Shares and the Placing Shares. If Tianjin Development's interest in Tianjin Port Development, through its two wholly-owned subsidiaries, is to be diluted to below 21% upon Completion, Leadport will exercise the Option, which will allow Tianjin Development to increase its interest in Tianjin Port Development to no more than 21% upon Completion. It is expected that the total amount to be spent by Tianjin Development on market purchases from the date of the Announcement until Completion and exercise of the Option will not exceed HK$280 million, which is determined with reference to the internal financial resources of Tianjin Development.

Based on the maximum of 6,600 million Tianjin Port Development Shares in issue upon Completion as shown in table 18 above, Tianjin Development will be interested in approximately 18.2% of the enlarged issued share capital of Tianjin Port Development. In order to attain its 21% interest in Tianjin Port Development, Tianjin Development may require to subscribe and/or acquire up to 182,688,000 Tianjin Port Development Shares. The maximum number of 182,688,000 Tianjin Port Development Shares that may be subscribed by Leadport represents 12.6% of the maximum of 1,446,900,000 Tianjin Port Development Shares to be issued under the Proposed Placing and the Possible Connected Placing. It also represents approximately 2.8% of the maximum number of Tianjin Port Development Shares in issue immediately after Completion, being 6,600 million Tianjin Port Development Shares.

(ii) Consideration

Pursuant to the Option Agreement, the total consideration payable by Leadport will not exceed HK$280 million. It is noted the proceeds from the issue of the Option Shares under the Option Agreement will be used to satisfy part of the cash portion of the Consideration. This will be a source of equity funding to Tianjin Port Development for financing the Proposed Acquisition if the Possible Connected Placing takes place.

(iii) Placing price

The Placing Price will be the same as that for independent third parties. It is noted that the placing price for independent third parties will be determined by Tianjin Port Development with reference to, among other things, the prevailing market conditions, prevailing market price of the Tianjin Port Development Shares and investors' demand for the Tianjin Port Development Shares at the relevant time. In any event, the discount on the Placing Price must not exceed 20% of the closing price of the Tianjin Port Development Shares quoted on the Stock Exchange on the last Trading Day prior to the announcement in respect of the launch of the Proposed Placing. It is reasonable to believe that Tianjin Port Development will strive for the best possible Placing Price to maximise the proceeds from the Proposed Placing.

(iv) Period

Tianjin Development may exercise its option to subscribe for the Option Shares on the date the Placing Price is determined.

Based on the aforesaid, we are of the view that the Option Agreement is on normal commercial terms and fair and reasonable.

B. Potential dilution effect on the Tianjin Port Development Independent Shareholders

It should be noted that if Tianjin Development exercises the Option, the Possible Connected Placing will form part of the Proposed Share Issue for the purpose of financing the cash portion of the Consideration. The discussion in this section and section C below regards the Possible Connected Placing as a stand-alone placement exercise is for illustration purposes.

As discussed in section A(i) above, the maximum number of 182,688,000 Tianjin Port Development Shares to be subscribed by Leadport represents approximately 2.8% of the maximum number Tianjin Port Development Shares in issue immediately after Completion (assuming that the maximum of 6,600 million Tianjin Port Development Shares are in issue). As such, the dilution effect of the Possible Connected Placing on the Tianjin Port Development Independent Shareholders is considered to be minimal.

C. Financial impacts of the Possible Connected Placing on the Tianjin Port Development Group

(i) Net asset value

If the Possible Connected Placing materialises, the net asset value of the Tianjin Port Development Group will be increased by the maximum net proceeds of HK$280 million from the Possible Connected Placing before deduction of related expenses. Based on the unaudited pro forma consolidated balance sheet of the Enlarged Tianjin Port Development Group set out in Appendix V to the Circular, the unaudited pro forma net assets of the Enlarged Tianjin Port Development Group would have been approximately HK$7,273.0 million on the assumption that, among other things, Completion had taken place on 31 December 2008. Compared with the pro forma net assets of the Enlarged Tianjin Port Development Group after Completion, the enhancement in the net asset value of the Tianjin Port Development Group as a result of the Possible Connected Placing is considered to be minimal.

(ii) Gearing ratio

The equity of the Enlarged Tianjin Port Development Group will be increased by the amount of net proceeds from the Possible Connected Placing. Thus, the gearing ratio will be improved. Based on the unaudited pro forma consolidated balance sheet of the Enlarged Tianjin Port Development Group set out in Appendix V to the Circular, the total equity of the Enlarged Tianjin Port Development Group would have been approximately HK$15,027.3 million on the assumption that, among other things, Completion had taken place on 31 December 2008. As such, the improvement in the gearing ratio of the Tianjin Port Development Group as a result of the Possible Connected Placing is considered to be minimal.

Based on the aforesaid, the Possible Connected Placement will not have any adverse impact on the net asset value and gearing ratio of the Enlarged Tianjin Port Development Group if the Possible Connected Placement materialises.

Recommendation

Having considered the principal factors and reasons as discussed above and in particular the following (which should be read in conjunction with and interpreted in the full context of section II):

- the Sale and Purchase Agreement is conditional on, among other things, the approval of the Proposed Transaction and the deemed disposal resulting from the Proposed Share Issue being approved by the Tianjin Development Independent Shareholders;

- the importance of the Option Agreement to Tianjin Development in respect of the Proposed Transaction as highlighted by the facts that (i) the aforesaid approval will be subject to the Option Agreement having become unconditional; and (ii) the Tianjin Development Independent Board Committee's recommendation in respect of the Proposed Transaction is based on the assumption that the Option Agreement having become unconditional;

- the Sale and Purchase Agreement is also conditional on, among other things, the approval of the Proposed Transaction and the specific mandate being obtained for the Proposed Share Issue, of which the issue of the Option Shares forms part;

- the Proposed Acquisition is in the interests of Tianjin Port Development and the Tianjin Port Development Shareholders as a whole as discussed in the section headed "The Proposed Acquisition" above;

- Assuming the Option is exercised in full by Leadport, Tianjin Development's interest in Tianjin Port Development will be no more than 21% upon Completion and the basis of determination of the 21% limit; and

- the Placing Price will be the same as those for independent third parties. It is noted that the discount on the Placing Price must not exceed 20% of the closing price of the Tianjin Port Development Shares quoted on the Stock Exchange on the last Trading Day prior to the announcement in respect of the launch of the Proposed Placing,

we are of the view that the Possible Connected Placing is on normal commercial terms, fair and reasonable and in the interests of Tianjin Port Development and the Tianjin Port Development Shareholders as a whole. Accordingly, we advise the Tianjin Port Development Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the Tianjin Port Development EGM to approve, among other things, the Option Agreement.

III. NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Immediately following Completion, the Vendor will be interested in not less than 51% of the enlarged issued share capital of Tianjin Port Development. As the Target Group will become part of the Tianjin Port Development Group upon completion of the Proposed Acquisition, continuing transactions between the Enlarged Tianjin Port Development Group and its connected persons (including the Vendor or its associates) will constitute continuing connected transactions under the Listing Rules.

On 15 June 2009, Tianjin Port Development entered into framework agreements with certain connected persons (including the Vendor), setting out the basis which members of the Enlarged Tianjin Port Development Group will continue to enter into the Continuing Connected Transactions with them or their respective associates after completion of the Proposed Acquisition.

Among the framework agreements, the transactions contemplated under the Property Lease Framework Agreement, Integrated Services Framework Agreement, Procurement Framework Agreement, China Coal Cargo Handling Services Framework Agreement and the Financial Services Framework Agreement will constitute the non-exempt continuing connected transactions of the Enlarged Tianjin Port Development Group upon completion of the Proposed Acquisition, which will be subject to the approval of the Tianjin Port Independent Shareholders. The transactions contemplated under other agreements will constitute continuing connected transactions that are exempt from the independent shareholders' approval requirements under the Listing Rules.

Save for the transactions contemplated under the Financial Services Framework Agreement that are discussed in the section headed "Transactions contemplated under the Financial Services Framework Agreement", other Non-exempt Continuing Connected Transactions are discussed in the section headed "Non-exempt Continuing Connected Transactions (other than the Financial Services Framework Agreement)" below.

Principal factors and reasons considered

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

A. Non-exempt Continuing Connected Transactions (other than the Financial Services Framework Agreement)

A.1 Nature of and reasons for entering into the agreements

Property Lease Framework Agreement

Tianjin Port Development has entered into the Property Lease Framework Agreement with the Vendor in respect of the lease of various freight yards, warehouses, office buildings and facilities in the Tianjin Binhai New Area by the Enlarged Tianjin Port Development Group from the Vendor and/or its associates.

The freight yards, warehouses, office buildings and facilities owned by the Vendor are used to carry out the port business of the Enlarged Tianjin Port Development Group. As such, the Enlarged Tianjin Port Development Group will continue to lease them for its operations. Therefore, the transactions contemplated under the Land Lease Agreements are in the ordinary and usual course of business of the Enlarged Tianjin Port Development Group. In addition, we believe that the transactions are in the interests of Tianjin Port Development and the Tianjin Port Development Shareholders as a whole.

Integrated Services Framework Agreement

Tianjin Port Development has entered into the Integrated Services Framework Agreement with the Vendor in respect of the provision of utilities and supporting services by the Vendor and/or its associates to the Enlarged Tianjin Port Development Group. The services provided by the Vendor and/or its associates to the Enlarged Tianjin Port Development Group include:

- water supply services;
- electricity supply services;
- communications services;
- IT support services, including but not limited to, repair and maintenance of hardware and software of the electronic data information network in respect of the port operations of the Enlarged Tianjin Port Development Group;
- repair and maintenance of port facilities and equipment;
- project management services;

- labour services; and

- general administrative services, including but not limited to, office support services, general maintenance services, cleaning services, and catering services.

The Tianjin Port Authority, the business of which was subsequently reorganised into the Vendor, is the only provider of utilities including water, electricity and communications in the port of Tianjin. Historically, the Vendor Group has provided administrative and supporting services to the Tianjin Port Development Group and the Target Group. Therefore, the Vendor Group is familiar with the operation pattern of the Enlarged Tianjin Port Development Group. As such, the Vendor Group is experienced in providing such services in an efficient and effective manner to the Enlarged Tianjin Port Development Group. Tianjin Port Development believes that the Vendor and its associates have consistently been able to meet the Tianjin Port Development Group's and the Target Group's stringent demands and deliver services in a timely manner. We consider that having reliable and co-operative service providers, such as the Vendor and its associates, are important and beneficial to the Enlarged Tianjin Port Development Group to ensure its smooth operation.

Based on the aforesaid, we consider that the transactions contemplated under the Integrated Services Framework Agreement are in the ordinary and usual course of business of the Enlarged Tianjin Port Development Group. Furthermore, we are of the view that it is in the interest of the Enlarged Tianjin Port Development Group to continue to utilise the integrated services provided by the Vendor and/or its associates.

Procurement Framework Agreement

Tianjin Port Development has entered into the Procurement Framework Agreement with the Vendor in respect of the purchase of products including port machinery, equipment and working tools by the Enlarged Tianjin Port Development Group from the Vendor and/or its associates.

The Vendor Group has supplied products including port machinery, equipment and working tools to the Tianjin Port Development Group and the Target Group.

We are advised by the management that the aforementioned products being sold by the Vendor are required regularly for port operations of the Enlarged Tianjin Port Development Group. Therefore, we consider that the transactions contemplated under the Procurement Framework Agreement are in the ordinary and usual course of business of the Enlarged Tianjin Port Development Group. Given that (i) the Vendor has supplied the products to the Tianjin Port Development Group and the Target Group; and (ii) the Tianjin Port Development Directors consider that the Vendor and its associates are reliable and co-operative suppliers, we consider that it is in the interest of Tianjin Port Development to have the flexibility in choosing the Vendor and/or its associates as potential suppliers in future.

China Coal Cargo Handling Services Framework Agreement

Tianjin Port Development has entered into the China Coal Cargo Handling Services Framework Agreement with China Coal in respect of the provision of cargo handling services by the Enlarged Tianjin Port Development Group to China Coal and/or its associates.

China Coal is principally engaged in mining and processing of coal, sales of coal and coke products and manufacturing and sales of coal mining machinery. China Coal is a substantial shareholder of Tianjin Port China Coal Huaneng, a subsidiary of the Target. Immediately following Completion, China Coal will become a connected person of the Enlarged Tianjin Port Development Group by virtue of being a substantial shareholder of a subsidiary of Tianjin Port Development. Accordingly, transactions between China Coal and/or its associates and the Enlarged Tianjin Port Development Group will, upon completion of the Proposed Acquisition, constitute continuing connected transactions of the Enlarged Tianjin Port Development Group under the Listing Rules.

The Tianjin Port Development Group and the Target Group have provided cargo handling services to China Coal and/or its associates.

The provision of cargo handling services is one of the principal activities of the Tianjin Port Development Group and the Target Group. As such, the provision of cargo handling services to China Coal, one of the leading energy conglomerates in the PRC, is a source of revenue for the Enlarged Tianjin Port Development Group. As such, the transactions contemplated under the China Coal Cargo Handling Services Agreement are in the ordinary and usual course of business of the Enlarged Tianjin Port Development Group. We are of the view that the China Coal Cargo Handling Services Framework Agreement is in the interests of Tianjin Port Development and the Tianjin Port Development Shareholders as a whole.

A.2 Principal terms of the agreements

(i) Tenure

Each of the Property Lease Framework Agreement, Integrated Services Framework Agreement, Procurement Framework Agreement and China Coal Cargo Handling Services Framework Agreement is for a term from 15 June 2009 to 31 December 2011.

(ii) Pricing and payment terms

Property Lease Framework Agreement

Payments for the lease of various freight yards, warehouses, office buildings and facilities pursuant to the Property Lease Framework Agreement are determined with reference to market price and on terms comparable to those freight yards, warehouses, office buildings and facilities in the Tianjin Binhai New Area. The payments will be made by the Enlarged Tianjin Port Development Group to the Vendor and/or its associates on a quarterly or half-yearly basis.

Integrated Services Framework Agreement and Procurement Framework Agreement

The prices in respect of the various services provided by the Vendor and/or its associates under the Integrated Services Framework Agreement and the various products sold to the members of the Enlarged Tianjin Port Development Group by the Vendor and/or its associates under the Procurement Framework Agreement are determined in accordance with the following general pricing principles:

- State-prescribed prices, which are prices set by or with reference to the relevant laws, regulations, determinations, orders and policies issued by the relevant departments of the PRC government;

- where there is no State-prescribed price, then according to the relevant market prices including the local, national or international market prices; or

- where neither of the above is applicable, then on an arm's length basis through a tender procedure, and at prices that are in line with market rates and on terms that are no less favourable to the Enlarged Tianjin Port Development Group than those offered with independent third party bidders.

Payments for (i) the provision of utilities and supporting services under the Integrated Services Framework Agreement; and (ii) products supplied under the Procurement Framework Agreement will be made by the Enlarged Tianjin Port Development Group to the Vendor and/or its associates on a monthly basis.

China Coal Cargo Handling Services Framework Agreement

The prices in respect of the services provided under the China Coal Cargo Handling Services Framework Agreement are determined in accordance with State-prescribed prices, which are prices set by or with reference to the relevant laws, regulations, determinations, orders and policies issued by the relevant departments of the PRC government.

Payments for the provision of cargo handling services under the China Coal cargo Handling Services Framework Agreement will be made to the Enlarged Tianjin Port Development Group on a monthly basis.

Given that the terms under the aforesaid framework agreements are no less favourable to the Enlarged Tianjin Port Development Group than terms available to or from independent third parties (as appropriate), we are of the view that the terms of the Framework Agreements are fair and reasonable.

A.3 Annual caps

Non-exempt continuing connected transactions are subject to annual caps. The table below sets out the historical value for each of the Non-exempt Continuing Connected Transactions stated in this section for the three years ended 31 March 2008 and for the three months ended 31 March 2009, the respective proposed annual caps for each of the three years ending 31 December 2011 and the respective bases of determination of the caps.

Table 19 – Historical figures and annual caps for the transactions

Agreement	For the year ended 31 December			For the three months ended 31 March	Proposed annual caps for the year ending 31 December			Bases of determination of the caps
	2006	2007	2008	2009	2009	2010	2011	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	
Property Lease Framework Agreement	6,997	17,076	34,245	8,705	47,381	56,249	62,874	(i) the estimated growth in the scale of operations of the Enlarged Tianjin Port Development Group; (ii) the increase in the gross floor area required as a result of the increase in the scale of operations; and (iii) an annual inflation rate of approximately 10%.

Agreement	For the year ended 31 December			For the three months ended 31 March	Proposed annual caps for the year ending 31 December			Bases of determination of the caps
	2006	2007	2008	2009	2009	2010	2011	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	
Integrated Services Framework Agreement *(Note 1)*	251,233	346,439	559,990	153,544	837,665	970,781	1,115,566	(i) the estimated growth in business of the Enlarged Tianjin Port Development Group; (ii) the future anticipated expansion plan of the Enlarged Tianjin Port Development Group; and (iii) an annual inflation rate of approximately 10%.
Procurement Framework Agreement *(Note 2)*	6,580	91,414	55,891	7,591	70,288	59,722	64,877	(i) the estimated growth in business of the Enlarged Tianjin Port Development Group; (ii) the future anticipated expansion plan of the Enlarged Tianjin Port Development Group; and (iii) an annual inflation rate of approximately 10%.
China Coal Cargo Handling Services Framework Agreement	65,352	87,494	69,945	6,888	69,312	71,540	70,600	(i) the estimated growth in business of the Enlarged Tianjin Port Development Group; and (ii) the anticipated adjustments to the State-prescribed prices.

Notes:

1. The aggregate amounts paid to the Vendor and/or its associates for the provision of utilities and supporting services reached approximately RMB560.0 million for the year ended 31 December 2008, representing an approximately 61.6% increase from 2007. The completion of the Target's acquisition of equity stakes in entities from the Vendor in April 2008, caused a substantial increase in the labour force of the Target Group. Compounded by the upward pressure on labour costs due to the implementation of the New Labour Contract Law in the PRC in 2008, payments in relation to labour services increased substantially in 2008.

   The increase in proposed annual caps as compared to historical figures is due to new operating units that have recently commenced as part of the expansion plan of the Tianjin Port Development Group. As a result, there is an increased demand for electricity, other utilities and also labour and supporting services. In addition, there will be an anticipated increase in electricity consumption due to the diesel-to-electricity conversion project to be carried out in 2009.

2. The substantial increase in the amount of purchases for the year ended 31 December 2007 was as a result of the increase in purchases of products including telecommunications and electronic equipment for Stage III of the Beigangchi container terminal project by the Target Group. The substantial increase in the proposed annual cap for the year 2009 is a result of purchases by Tianjin Port Coke Terminal Co., Ltd. (天津港焦炭碼頭有限公司), a subsidiary of the Target, of gantry cranes.

A.4 Bases of determination of the caps

As shown in table 19 above, the determination of the annual caps have taken into account of the following factors:

(i) Historical figures

We have discussed with management with regard to the trends of the historical figures. Furthermore, we have reviewed samples of the relevant invoices and the pricing information from the State or third parties relating to historical transactions and noted that such figures correspond to the pricing bases of the relevant proposed caps. Based on the above, we are of the view that historical figures are reasonable bases for determination of the proposed annual caps.

(ii) Estimated growth in business

We are advised by the management that the overall throughput of the Enlarged Tianjin Port Development Group is expected to grow in the three years ending 31 December 2011 thereby leading to the increase in the overall scale of operations of the Enlarged Tianjin Port Development Group.

(iii) Expansion plan

The Enlarged Tianjin Port Development Group has several construction projects which are expected to be completed and commence operation in 2009. Also, certain port improvement projects are planned from 2009 to 2011. Such expansion plans will bring about growth to the Enlarged Tianjin Port Development Group's business in the three years ending 31 December 2011.

(iv) Inflation rate

We have discussed with the management with regard to inflation rate and noted that, among other things, the following were taken into consideration: (i) the average historical annual growth rate of the PRC Purchasing Price Index for Raw Material, Fuel and Power between 2006 and 2008 (both years inclusive) of approximately 7%; and (ii) a guideline issued by the Tianjin Municipal Government which recommended a 15% increase in general wages in 2009 for enterprises located in the city of Tianjin; (iii) the effect of general inflationary pressure in the PRC in the past. Based on the above factors, we are of the view that the inflation rate estimation is justifiable.

(v) Adjustments to State-prescribed prices

The anticipated adjustments to the State-prescribed prices of cargo handling services are based on management's estimation.

B. Transactions contemplated under the Financial Services Framework Agreement

On 15 June 2009, Tianjin Port Development entered into the Financial Services Framework Agreement with Tianjin Port Finance in respect of the provision of financial services by Tianjin Port Finance to the members of the Enlarged Tianjin Port Development Group for a term from 15 June 2009 to 31 December 2011. Tianjin Port Finance will provide financial services to the members of the Enlarged Tianjin Port Development Group, including:

(i) deposit services;

(ii) provision of loans;

(iii) commercial notes discounting services;

(iv) settlement services;

(v) arrangement of entrustment loans between members of the Enlarged Tianjin Port Development Group, whereby Tianjin Port Finance serves as an agency through which funds of any member of the Enlarged Tianjin Port Development Group may be channelled for use by other members of the Enlarged Tianjin Port Development Group; and

(vi) certification of financial position, financial advisory services and other advisory services (together with the services referred to in paragraphs (iii) to (v) above, the "**Other Financial Services**").

The transactions contemplated under Financial Services Framework Agreement are in the ordinary and usual course of business of the Enlarged Tianjin Port Development Group.

Tianjin Port Finance is an associate of the Vendor, which is a connected person of Tianjin Port Development. The transactions and their respective caps under the Financial Services Framework Agreement constitutes non-exempt continuing connected transactions and will be subject to the approval of the Tianjin Port Development Independent Shareholders.

B.1 Reasons for and benefits of the transactions contemplated under the Financial Services Framework Agreement

As stated in the "Letter from the Tianjin Port Development Directors" in the Circular, the advantages of utilising financial services provided by Tianjin Port Finance over similar services provided by independent commercial banks are as follows:

- PRC laws do not permit companies, including affiliates, to extend intra-group loans directly without going through a financial agency. Tianjin Port Finance serves as the financial agency through which the funds of the members of the Enlarged Tianjin Port Development Group may be channelled efficiently to be used by one another;

- as an intra-group service provider, Tianjin Port Finance generally has better and more efficient communication with the Enlarged Tianjin Port Development Group compared with independent commercial banks;

- in respect of deposit services, although Tianjin Port Finance offers interest rates that are the same as those offered by independent commercial banks (because such rates are regulated by the PBOC), Tianjin Port Finance can assist the Enlarged Tianjin Port Development Group to formulate a beneficial deposit mix comprising different types of deposits such as current deposits, call deposits and fixed deposits, which allows the Enlarged Tianjin Port Development Group to increase its return on funds and retain sufficient working capital flexibility;

- as Tianjin Port Finance is familiar with the business and transaction patterns of the Enlarged Tianjin Port Development Group, the settlement services provided by Tianjin Port Finance tend to provide a more efficient and orderly platform than those that could be provided by independent commercial banks. This also helps to reduce the transaction costs of Tianjin Port Development such as handling fees for transfer of funds and other administrative expenses; and

- discounting of commercial notes by Tianjin Port Finance provides the Enlarged Tianjin Port Development Group's customers with flexibility in payment terms and accelerates the Enlarged Tianjin Port Development Group's collection of sale proceeds. Upon discounting of the commercial notes, the Enlarged Tianjin Port Development Group may receive the sale proceeds as if the sale was effected as a cash sale while the interest payable for the discounting services is borne by customers who issue the commercial notes as payment for purchasing products of the Enlarged Tianjin Port Development Group. This arrangement helps to efficiently reduce the receivables balance of the Enlarged Tianjin Port Development Group and accelerate its fund flows.

Furthermore, it is noted that Tianjin Port Development Directors believe that the risk profile of Tianjin Port Finance, as a provider of financial services to the Enlarged Tianjin Port Development Group, is not greater than those of independent commercial banks in the PRC.

We note that it is a common practice amongst listed companies on the Stock Exchange and major state-owned companies based in the PRC to utilise financial services (including deposit services and provision of loans) provided by non-bank finance companies owned by their respective parent groups in the PRC.

Tianjin Port Finance is one of the financial services providers of the Target Group. Deposits placed with Tianjin Port Finance representing approximately 20.1%, 50.9% and 63.6% of cash and cash equivalents of the Target Group as at 31 December 2006, 2007 and 2008. As at 31 March 2009, deposits placed with Tianjin Port Finance were approximately RMB1,250.1 million, representing 65.1% of cash and cash equivalents of the Target Group. Apart from the deposits placed with Tianjin Port Finance, substantial amount of loans have been obtained from Tianjin Port Finance. The table below sets out the amount of deposits placed with Tianjin Port Finance and the amount of borrowings from Tianjin Port Finance by the Target Group as at 31 December 2006, 2007 and 2008 and as at 31 March 2009:

Table 20 – Amount of deposits placed with Tianjin Port Finance and amount of borrowings from Tianjin Port Finance

	As at 31 December			As at 31 March
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deposits placed with Tianjin Port Finance	353,932	1,029,204	1,176,925	1,250,103
Borrowings from Tianjin Port Finance	20,000	1,203,190	1,355,500	1,448,000

Sources: Accountant's report set out in Appendix III to the Circular and information provided by Tianjin Port Development

The borrowings from Tianjin Port Finance representing approximately 1.3%, 25.8% and 24.5% of total borrowings as at 31 December 2006, 2007 and 2008 respectively. The borrowings from Tianjin Port Finance are unsecured. We are advised that Tianjin Port Finance is prepared to be flexible in making funds available to meet the Target Group's needs. This can be demonstrated by the fact that in the midst of the global credit crunch in 2008 when credit was significantly tightened by commercial banks in the PRC, the Target Group was able to obtain funds from Tianjin Port Finance which helped maintain liquidity of funds during that time.

We believe that it is in the interests of the Enlarged Tianjin Port Development Group to have the flexibility in borrowing loans from Tianjin Port Finance to meet its financing needs in future. We note that there are advantages of utilising financial services provided by Tianjin Port Finance over utilising similar services provided by independent commercial banks. Furthermore, based on our analysis set out in the section headed "Information on Tianjin Port Finance" below, we consider that there are appropriate measures to safeguard deposits placed with Tianjin Port Finance. As such, we are of the view that the transactions contemplated under the Financial Services Framework Agreement are in the interests of Tianjin Port Development and the Tianjin Port Development Shareholders as a whole.

B.2 Principal terms of the Financial Services Framework Agreement

Set out below are the major terms of the deposit services:

- the interest rate for deposits by members of the Enlarged Tianjin Port Development Group must not be lower than the interest rate provided by independent commercial banks;

- in the event of misuse or default by Tianjin Port Finance in respect of amounts deposited with it by the Enlarged Tianjin Port Development Group which results in the inability of the Enlarged Tianjin Port Development Group to recover such deposits, the Enlarged Tianjin Port Development Group will be able to set off amounts due to the Enlarged Tianjin Port Development Group from Tianjin Port Finance against amounts due from the Enlarged Tianjin Port Development Group to Tianjin Port Finance. Tianjin Port Finance does not have such right of set-off under the Financial Services Framework Agreement; and

- the average daily amount of outstanding loans extended by Tianjin Port Finance to the Enlarged Tianjin Port Development Group must be more than the average daily amount of deposits placed by the Enlarged Tianjin Port Development Group with Tianjin Port Finance, both amounts being calculated on a monthly basis.

The fees and charges payable by the Enlarged Tianjin Port Development Group to Tianjin Port Finance for other services under the Financial Services Framework Agreement are determined on the following bases:

- provision of loans – the interest rates for borrowings by members of the Enlarged Tianjin Port Development Group must not be higher than the interest rate charged by independent commercial banks;

- commercial notes discounting services – the interest rates for the commercial notes discounting services must not be higher than the interest rate charged by independent commercial banks;

- settlement services – the settlement services are provided by Tianjin Port Finance to the Enlarged Tianjin Port Development Group free of charge;

- arrangement of entrustment loans – the fees payable by the Enlarged Tianjin Port Development Group to Tianjin Port Finance is set at a rate such that the aggregate amount of fees and loan interest together will not exceed the corresponding fees and loan interest payable on a loan of the same term obtained from independent commercial banks;

- certification of financial position, financial advisory services of other services – the fees charged for these services must not be higher than the fees charged by independent commercial banks.

Given that (i) the interest rates and fees stipulated under the Financial Services Framework Agreement are no less favourable to the Enlarged Tianjin Port Development Group than that provided by independent commercial banks; and (ii) the right of set-off arrangement under certain circumstances and restrictions on the amount of outstanding loans in relation to the amount of deposits are measures to protect the interests of the Enlarged Tianjin Port Development Group, we consider that the Financial Services Framework Agreement are on commercial terms and fair and reasonable.

B.3 Information on Tianjin Port Finance

Tianjin Port Finance is a non-bank financial institution and was established on 9 December 2006 with the approval of the PBOC and is subject to the supervision of the China Banking Regulatory Commission (the "**CBRC**"). The registered capital of Tianjin Port Finance is RMB500 million.

Tianjin Port Finance is authorised to provide the financial services to the members of the Enlarged Tianjin Port Development Group but not to other parties according to its business licence. As Tianjin Port Development will become a subsidiary of the Vendor, the Tianjin Port Development Group will be qualified to utilise the financial services provided by Tianjin Port Finance upon completion of the Proposed Acquisition.

(i) Shareholding structure and board of directors composition

The Target Group, the Vendor Group and an independent third party respectively hold a 48.00%, 32.01% and 19.99% interest in Tianjin Port Finance. Upon completion of the Proposed Acquisition, Tianjin Port Development, through the Target Group, will be the single largest shareholder of Tianjin Port Finance.

The Target Group has appointed the Chairman and has a total of three board representatives (including the Chairman) at Tianjin Port Finance.

In view of the current shareholding structure and board composition of Tianjin Port Finance, Tianjin Port Development will have knowledge of developments within Tianjin Port Finance. Furthermore, we are of the view that upon completion of the Proposed Acquisition, Tianjin Port Development, through its significant influence in Tianjin Port Finance, will be able to ensure that Tianjin Port Finance does not act in a manner that will jeopardise the interest of the Enlarged Tianjin Port Development Group and that any possible material adverse changes to Tianjin Port Finance's risk profile and financial position can be constantly monitored by representatives of the Enlarged Tianjin Port Development Group in the board of Tianjin Port Finance.

(ii) Regulatory requirements

Tianjin Port Finance is regulated by the PBOC and the CBRC and it provides its services pursuant to the relevant rules and operational requirements including capital risk guidelines and requisite capital adequacy ratios of such regulatory authorities. As stated in the "Letter from the Tianjin Port Development Directors" in the Circular, based on the understanding of Tianjin Port Development, the regulation by the CBRC of Tianjin Port is more stringent than the regulation of commercial banks in certain respects which are summarised below:

Table 21 – Extract of relevant regulatory requirements for finance companies of enterprise groups

Requirement	Finance companies of enterprise groups	PRC commercial banks
Capital adequacy ratio	Shall not be lower than 10%	Shall not be lower than 8%
Inter-bank borrowing balances shall not exceed the total registered capital of the relevant finance company	Must comply	Not subject to such requirement
Total amount of outstanding guarantees shall not be more than the total registered capital of the relevant finance company	Must comply	Not subject to such requirement
Ratio of self-owned fixed assets to total equity	Shall not exceed 20%	Not subject to such requirement
Ratio of short-term securities investments to total capital	Shall not exceed 40%	Not subject to such requirement
Ratio of long-term investments to total capital	Shall not exceed 30%	Not subject to such requirement

Source: Tianjin Port Development

In addition to the above mandatory requirements, Tianjin Port Finance is required to place a portion of the deposits received, such proportion to be determined by the PBOC from time to time (currently 11%), with commercial banks in the PRC to ensure that sufficient liquid funds will be available to satisfy the needs of its customers. It then utilises the remaining funds for other uses permitted by the CBRC's rules and regulations, such as providing discounting services, making loans to customers, purchasing government bonds or other notes issued by the PRC government to earn interest. Furthermore, Tianjin Port Finance is not allowed to engage in non-financial services business, including property investment or trading.

To the knowledge of the Tianjin Port Development Directors, Tianjin Port Finance has not breached any rules or operations requirements of such regulatory authorities.

(iii) Financial information

As at 31 December 2008, the audited net assets value of Tianjin Port Finance was approximately RMB578.1 million. Net profit of Tianjin Port Finance was approximately RMB69.9 million for the year ended 31 December 2008.

As at 31 December 2007 and 2008, capital adequacy ratio of Tianjin Port Finance was 35.8% and 30.31% respectively, which was above the regulatory requirement of a minimum of 10%. Tianjin Port Finance has not defaulted on any of its credit obligations.

Tianjin Port Finance will provide the Enlarged Tianjin Port Development Group access to its books and accounts for inspection upon the Enlarged Tianjin Port Development Group's request to enable the Enlarged Tianjin Port Development Group to monitor its risk control measures.

(iv) Capital risk control

As stated in the "Letter from the Tianjin Port Development Directors" in the Circular, Tianjin Port Finance has implemented capital risk control measures that Tianjin Port Development Directors believe are at least as stringent as those of the major commercial banks in the PRC.

On top of the regulatory requirements and monitoring measures, the set-off arrangement and the control of the average daily deposit balance against the average daily loan balance detailed in the above section headed "Principal terms of the Financial Services Framework Agreement" limit financial risks of the Enlarged Tianjin Port Development Group exposed to Tianjin Port Finance. We consider that there are appropriate measures to safeguard deposits to be placed with Tianjin Port Finance and, accordingly, to protect the interests of Tianjin Port Development and the Tianjin Port Development Shareholders as a whole.

B.4 Annual caps

Deposit services

The cap on the maximum average daily outstanding balance of deposits (including accrued interest) placed by the Enlarged Tianjin Port Development Group with Tianjin Port Finance (excluding the deposits for the purpose of extending entrustment loans) will be RMB3.0 billion for each of the three years ending 31 December 2011.

Other Financial Services

The cap on the aggregate interest payments and fees in respect of the Other Financial Services will be RMB2,024,000 for each of the three years ending 31 December 2011.

B.5 Bases of determination of the caps

Deposit services

We note that the annual caps of the deposit services have been determined by the Tianjin Port Development Directors with reference to the following factors:

(i) The maximum daily outstanding balance of deposits placed with Tianjin Port Finance for the Target Group for the past three years; and

(ii) The estimated maximum daily outstanding balance of deposits placed with Tianjin Port Finance for Tianjin Port Development and its subsidiaries (excluding the Target Group).

In assessing the reasonableness of the proposed annual caps, we have compared the caps to historical figures. Set out below is a table showing the amount of maximum daily outstanding balances of deposit placed by the Target Group with Tianjin Port Finance for each of the three years ended 31 December 2008 and from 1 January 2009 to 31 March 2009. As Tianjin Port Finance could not provide any financial services to the Tianjin Port Development Group in the past, no historical amounts are available. Instead, the balances of the cash and cash equivalents held by the Tianjin Port Development Group as at 31 December 2006, 2007 and 2008 are shown in the table below for reference.

Table 22 – Historical figures of deposits of the Target Group and cash and cash equivalents of the Tianjin Port Development Group

	For the year ended 31 December			For the three months ended 31 March
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Maximum daily outstanding balance of deposits placed by the Target Group with Tianjin Port Finance	353,932	2,591,095	1,207,719	1,274,576

	As at 31 December		
	2006	**2007**	**2008**
		in thousands	
Cash and cash equivalents held by the Tianjin Port Development Group *(Note)*	HK$926,395 (equivalent to approximately RMB817,080)	HK$438,754 (equivalent to approximately RMB386,981)	HK$588,866 (equivalent to approximately RMB519,380)

Sources: 2007 and 2008 annual reports of Tianjin Port Development

Note: For indicative purpose, figures translated from HK$ to RMB using the median exchange rate announced by the PBOC on 31 December 2008 at HK$1 to RMB0.882.

Given that (i) the historical figures of the Target Group and the Tianjin Port Development Group as shown in table 22 above; and (ii) the estimated growth in business of the Enlarged Tianjin Port Development Group, and hence the possible increase in amount of the maximum daily balance of cash deposits, we are of the view that the proposed caps in relation to deposit services are set by Tianjin Port Development after due and careful consideration.

Other Financial Services

The annual caps on the aggregate interest payments and fees in respect of the Other Financial Services is calculated on the basis of: (i) the aggregate interest payments and fees paid by the Target Group to Tianjin Port Finance for the past three years (2006: Nil; 2007: approximately RMB821,000; and 2008: approximately RMB657,000); and (ii) the estimated aggregate interest payments and fees to be paid by the Enlarged Tianjin Port Development Group to Tianjin Port Finance.

The increase in the proposed annual caps as compared to the historical figures is due to the fact that historically only the Target Group utilised the financial services from Tianjin Port Finance, while it is expected that the Enlarged Tianjin Port Development Group will do so in future.

C. Annual review of the Non-exempt Continuing Connected Transactions

Pursuant to Rules 14A.37 to 14A.40 of the Listing Rules, the Non-exempt Continuing Connected Transactions are subject to the following requirements:

(i) each year the independent non-executive Tianjin Port Development Directors will review the continuing connected transactions and confirm in the annual report and accounts that the Non-exempt Continuing Connected Transactions have been entered into:

  (a) in the ordinary and usual course of business of the Enlarged Tianjin Port Development Group;

  (b) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Enlarged Tianjin Port Development Group than terms available to or from (as appropriate) independent third parties; and

  (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Tianjin Port Development Shareholders as a whole;

(ii) each year the auditors of Tianjin Port Development will provide a letter to the Tianjin Port Development Directors confirming that the Non-exempt Continuing Connected Transactions:

  (a) have received the approval of the Tianjin Port Development Directors;

  (b) are in accordance with the pricing policies of the Enlarged Tianjin Port Development Group if the transactions involving provision of goods and services by the Enlarged Tianjin Port Development Group;

  (c) have been entered into in accordance with the relevant agreements governing the Non-exempt Continuing Connected Transactions; and

  (d) have not exceeded the relevant annual caps;

The Tianjin Port Development Directors must state in the annual report whether the auditors have confirmed the above matters;

(iii) Tianjin Port Development shall allow, and shall procure the relevant counterparties to the Non-exempt Continuing Connected Transactions to allow, the auditors of Tianjin Port Development sufficient access to their records for the purpose of reporting on the Non-exempt Continuing Connected Transactions as set out in paragraph (ii) above; and

(iv) Tianjin Port Development will promptly notify the Stock Exchange and publish an announcement if it knows or has reason to believe that the independent non-executive Tianjin Port Development Directors and/or the auditors will not be able to confirm the matters set out in (i) and/or (ii) respectively.

In view of the Non-exempt Continuing Transactions will be subject to annual review by the independent non-executive Tianjin Port Development Directors and auditors of Tianjin Port Development, we are of the view that appropriate measures will be in place to govern the conduct of the Non-exempt Continuing Connected Transactions and safeguard the interest of the Tianjin Port Development Independent Shareholders.

Recommendation

Having considered the principal factors and reasons as discussed above, and in particular the following (which should be read in conjunction with and interpreted in the full context of section III):

- the nature of the Non-exempt Continuing Connected Transactions;
- the respective pricing basis as provided under each of the agreements is fair and reasonable;
- the respective basis of determination of the caps is reasonable;
- appropriate measures are in place to safeguard deposits placed with Tianjin Port Finance, among others, the set-off arrangement under certain circumstances and the average daily amount of outstanding loans must be more than the average daily amount of deposits on a monthly basis; and
- appropriate measures will be in place to govern the conduct of the Non-exempt Continuing Connected Transactions,

we are of the view that (i) the Non-exempt Continuing Connected Transactions are on normal commercial terms and fair and reasonable; and (ii) the Non-exempt Continuing Connected Transactions are in the ordinary and usual course of business of the Enlarged Tianjin Port Development Group and in the interests of Tianjin Port Development and the Tianjin Port Development Shareholders as a whole. Accordingly, we advise the Tianjin Port Development Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the Tianjin Port Development EGM to approve the Non-exempt Continuing Connected Transactions.

Yours faithfully,
For and on behalf of
Quam Capital Limited
Richard D. Winter
Managing Director

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)

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

19 June 2009

To the Tianjin Development Independent Shareholders

Dear Sir or Madam

DEEMED VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION FOR TIANJIN DEVELOPMENT HOLDINGS LIMITED

We refer to the circular dated 19 June 2009 issued jointly by Tianjin Port Development and Tianjin Development, of which this letter forms part. Unless otherwise stated, terms defined in the circular bear the same meaning when used in this letter.

We have been appointed as the members of the Tianjin Development Independent Board Committee to consider the Proposed Transaction and to advise the Tianjin Development Independent Shareholders as to the fairness and reasonableness of the terms of the Proposed Transaction and to recommend whether or not the Tianjin Development Independent Shareholders should vote for the ordinary resolution to be proposed at the Tianjin Development EGM to consider, and if thought fit, approve the terms of the Proposed Transaction.

Somerley has been appointed as the independent financial adviser to advise the Tianjin Development Independent Board Committee and the Tianjin Development Independent Shareholders in relation to the terms of the Proposed Transaction.

We wish to draw your attention to the letter from the Tianjin Development Directors (which is set out on pages 82 to 90 of this circular) and the letter of advice from Somerley (which is set out on pages 163 to 212 of this circular).

Assuming the Option Agreement having become unconditional and having taken into account the advice from Somerley, we consider that the terms of the Proposed Transaction are fair and reasonable so far as the Tianjin Development Independent Shareholders are concerned and the Proposed Transaction is in the interests of Tianjin Development and the

Tianjin Development Shareholders as a whole. Accordingly, we recommend the Tianjin Development Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the Tianjin Development EGM to approve the terms of the Proposed Transaction.

Yours faithfully
The Tianjin Development Independent Board Committee
Kwong Che Keung, Gordon
Lau Wai Kit
Dr. Cheng Hon Kwan
Independent non-executive directors

The following is the letter of advice from Somerley to the Tianjin Development Independent Board Committee and the Tianjin Development Independent Shareholders, prepared for the purpose of inclusion in this circular.

SOMERLEY LIMITED
10th Floor
The Hong Kong Club Building
3A Chater Road
Central
Hong Kong

19 June 2009

*To: the Tianjin Development (882.HK) Independent Board Committee
and the Tianjin Development (882.HK) Independent Shareholders*

Dear Sirs,

DEEMED VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION

INTRODUCTION

We refer to our appointment to advise the independent board committee and the independent shareholders of Tianjin Development (882.HK) in connection with the Proposed Transaction which principally involves Tianjin Development's (882.HK) deemed disposal of its interest in Tianjin Port Development (3382.HK) upon completion of the Sale and Purchase Agreement entered into between Tianjin Port Development (3382.HK), Grand Point and Tianjin Port (Group) Co., Ltd. ("Tianjin Port Group") on 16 March 2009. Tianjin Port Development (3382.HK) is an approximately 67.33% owned subsidiary of Tianjin Development (882.HK), shares of which are listed on the Stock Exchange. Details of the above transactions are contained in the joint circular to the shareholders of Tianjin Development (882.HK) and Tianjin Port Development (3382.HK) dated 19 June 2009 (the "Circular"), of which this letter forms a part, and are summarised in the section below headed "Major terms of the Proposed Transaction". Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

The Proposed Transaction involves, among others, Tianjin Port Group, Tianjin Development (882.HK) and its listed subsidiary namely Tianjin Port Development (3382.HK). At the time when Tianjin Development (882.HK) spun off Tianjin Port Development (3382.HK) for separate listing on the Stock Exchange in 2006, the Stock Exchange exercised its discretion under Rule 14A.06 of the Listing Rules to deem Tianjin Port Group and its associates as connected persons of Tianjin Development (882.HK) and Tianjin Port Development (3382.HK). As such, the subject transactions will constitute connected transactions of Tianjin Development (882.HK) under the Listing Rules, and will be subject to the approval of the Tianjin Development (882.HK) Independent Shareholders.

The Tianjin Development (882.HK) Independent Board Committee comprising all the three independent non-executive Tianjin Development (882.HK) Directors, namely Mr. Kwong Che Keung, Gordon, Mr. Lau Wai Kit and Dr. Cheng Hon Kwan, has been formed to advise the Tianjin Development (882.HK) Independent Shareholders in respect of the Proposed Transaction. We, Somerley Limited, have been appointed as the independent financial adviser to advise the Tianjin Development (882.HK) Independent Board Committee and the Tianjin Development (882.HK) Independent Shareholders in this regard.

In formulating our advice, we have relied on the information and facts supplied, and the opinions expressed, by the Tianjin Development (882.HK) Directors and the management of the Tianjin Development (882.HK) Group and have assumed that they are true, accurate and complete and will remain so up to the time of the Tianjin Development (882.HK) EGM. We have also sought and received confirmation from the Tianjin Development (882.HK) Directors that all material relevant information has been supplied to us and that no material facts have been omitted from the information supplied and opinions expressed to us. We have no reason to doubt the truth or accuracy of the information provided to us, or to believe that any material information has been omitted or withheld. We have relied on such information and consider that the information we have received is sufficient for us to reach our advice and recommendation as set out in this letter and to justify our reliance on such information. However, we have not conducted any independent investigation into the business and affairs of the Tianjin Development (882.HK) Group, Tianjin Port Development (3382.HK) Group, Tianjin Port Group, Tianjin Port Holdings Co., Ltd. (600717.CH) ("Tianjin Port Holdings") and their group companies.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In considering whether the terms of the Proposed Transaction are fair and reasonable in so far as the Tianjin Development (882.HK) Independent Shareholders are concerned, we have taken into account the principal factors and reasons set out below:

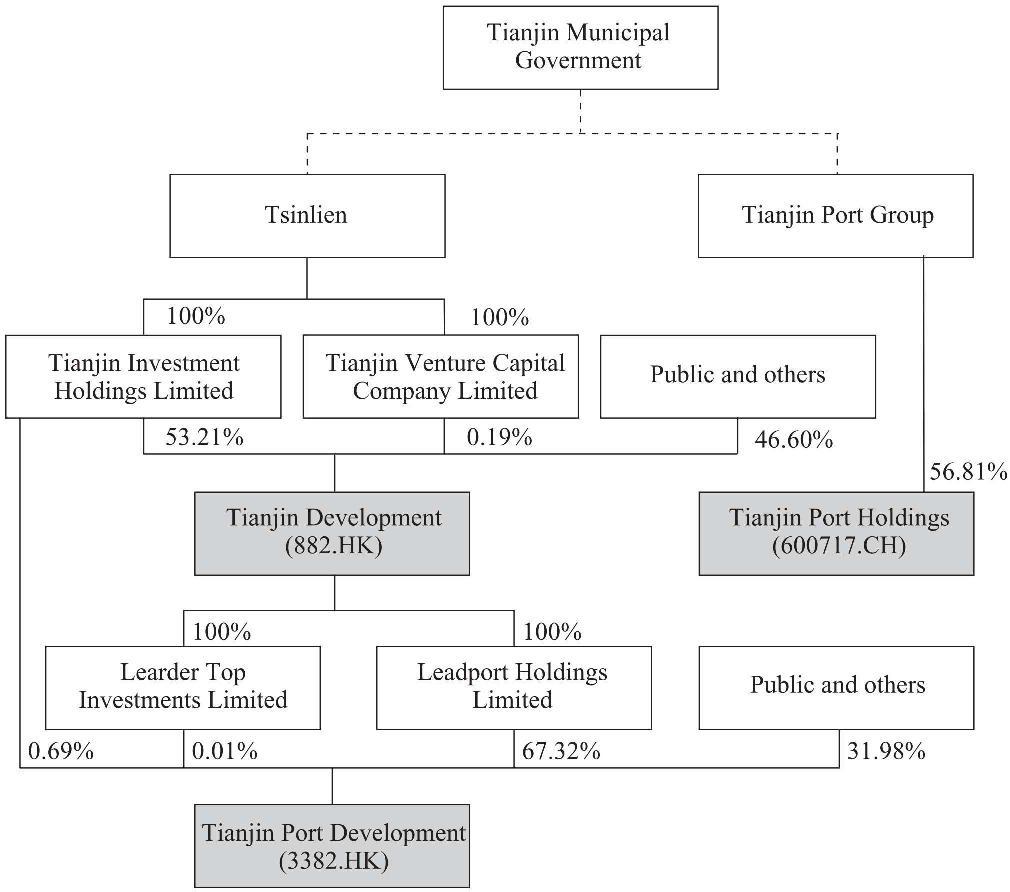
1. Major terms of the Proposed Transaction

(A) The Proposed Acquisition and the Option Agreement

On 16 March 2009, Tianjin Development's (882.HK) listed subsidiary namely Tianjin Port Development (3382.HK) together with Grand Point entered into the Sale and Purchase Agreement with Tianjin Port Group whereby Tianjin Port Development (3382.HK) would, through its wholly-owned subsidiary namely Grand Point, agreed to conditionally acquire from Tianjin Port Group an approximately 56.81% interest in Tianjin Port Holdings (600717.CH). Shares of Tianjin Port Holdings (600717.CH) are listed on the Shanghai Stock Exchange.

The following diagram illustrates the relationship among the relevant parties to the Sale and Purchase Agreement before Completion:

Before Completion



Notes:

(1) The shareholding percentages as shown in the above diagram are approximate figures rounded to the nearest two decimal places.

(2) Tsinlien is wholly-owned by the Tianjin Bureau of Commerce, a subordinate department of the Tianjin Municipal Government. Tianjin Port Group is a company controlled by the Tianjin SASAC, which is directly under the management of the Tianjin Municipal Government.

Both Tianjin Port Development (3382.HK) and Tianjin Port Holdings (600717.CH) are engaged in port related businesses. They are the two major port operators operating in the port of Tianjin, PRC.

Consideration for the Sale and Purchase Agreement would largely be satisfied by Tianjin Port Development (3382.HK) issuing approximately 3,362 million Consideration Shares (subject to adjustment as mentioned below). Since the number of Consideration Shares is substantial, Tianjin Port Group would replace Tianjin Development (882.HK) as the controlling shareholder of Tianjin Port Development (3382.HK) upon Completion. However, the exact percentage of the respective shareholding of Tianjin Development (882.HK) and Tianjin Port Group in Tianjin Port

Development (3382.HK) cannot be ascertained at this stage, and would vary with the final number of Consideration Shares and the exact number of shares to be issued by Tianjin Port Development (3382.HK) under the Proposed Placing and the Option Agreement (as discussed below). Though the final number of Tianjin Port Development (3382.HK) Shares to be issued is not known at this stage, it is prescribed under the Sale and Purchase Agreement that the aggregate number of Tianjin Port Development (3382.HK) Shares to be issued as consideration and under the intended fund raising shall not exceed approximately 4,812.9 million and Tianjin Port Group would hold not less than 51% in Tianjin Port Development (3382.HK) upon Completion. Assuming that there is no change to the number of Consideration Shares, it is currently intended that Tianjin Port Development (3382.HK) would satisfy the cash portion of the Consideration of approximately HK$3,930 million and expenses related to the Proposed Transaction in the following manner:

(i) as to approximately HK$400 million by cash;

(ii) as to a maximum of HK$1,700 million by bank borrowings; and

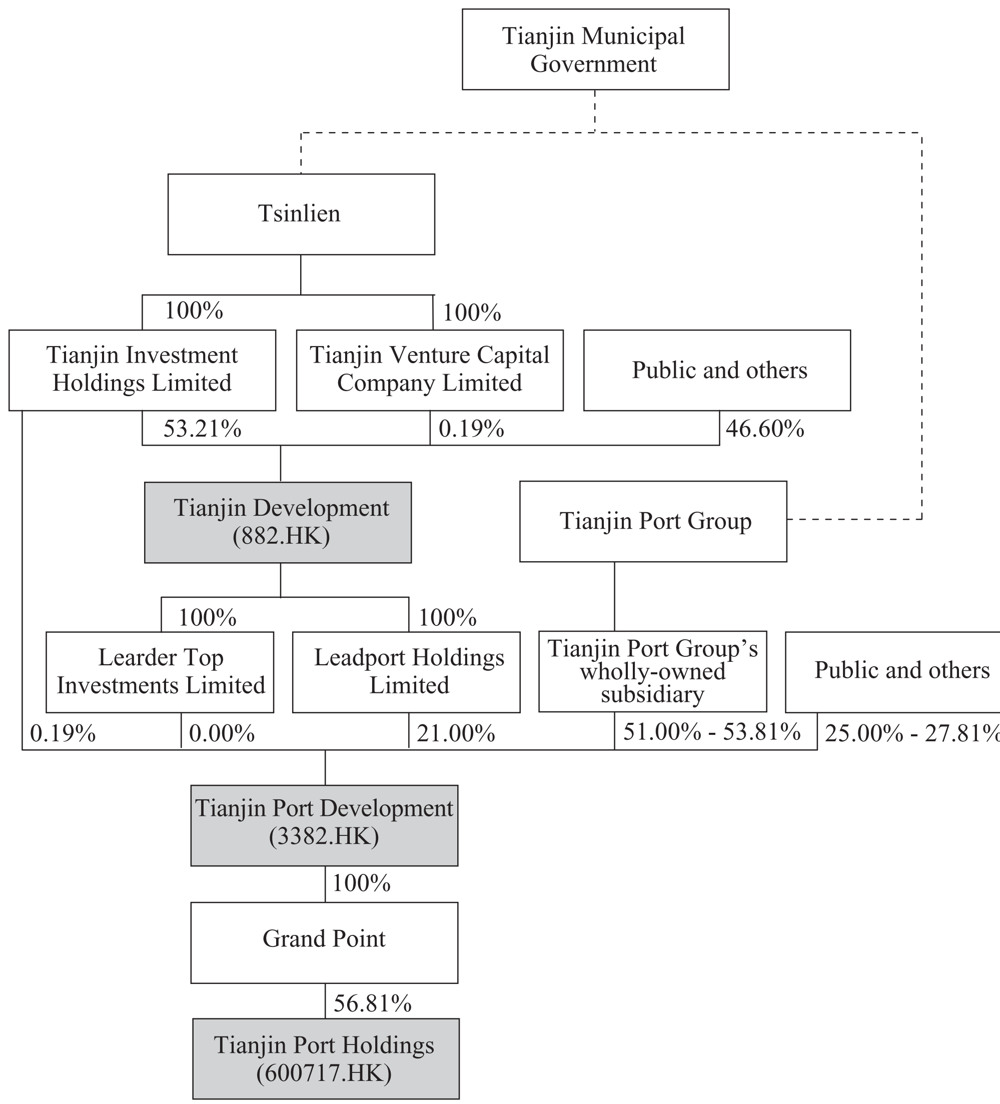
(iii) the remaining balance by proceeds from the issue of Tianjin Port Development Shares pursuant to the Proposed Placing to independent third parties and to Leadport, a wholly-owned subsidiary of Tianjin Development (882.HK), pursuant to the Option Agreement, and/or other sources.

The acquisition of Tianjin Port Holdings (600717.CH) by Tianjin Port Development (3382.HK) is beneficial to Tianjin Port Development (3382.HK), and Tianjin Development (882.HK) as a shareholder of Tianjin Port Development (3382.HK) can also benefit from the Proposed Transaction. However, since the scale of Tianjin Port Holdings (600717.CH) is much larger than that of Tianjin Port Development (3382.HK), in our opinion, the deal cannot proceed if it is an all-cash deal because Tianjin Port Development (3382.HK) does not consider fund raising for the entire Consideration through share placement or bank financing possible in this market. The only possible alternative is to finance the Consideration largely by issuing Consideration Shares to Tianjin Port Group, which would lead to a substantial dilution to Tianjin Development's (882.HK) shareholding in Tianjin Port Development (3382.HK) and a loss of control over Tianjin Port Development (3382.HK) upon Completion. Tianjin Development (882.HK) has assessed this against the benefit of having an indirect interest in Tianjin Port Holdings (600717.CH), a significantly larger company than Tianjin Port Development (3382.HK) and which may bring synergetic benefits, and came to the view that the deal can be advantageous to Tianjin Development (882.HK) if the dilution in its holding in Tianjin Port Development (3382.HK) is capped at an acceptable level. In order to maintain significant influence over a significantly larger Tianjin Port Development (3382.HK) Group, which is expected to have improved performance as a result of the potential synergies, improved overall competitiveness and improved management of the Enlarged Tianjin Port Development (3382.HK) Group, to further enhance the interest of the Remaining Tianjin Development (882.HK) Group by securing a larger stake in the potential benefits arising from the Proposed Transaction, to equity account for Tianjin Port Development (3382.HK), and to cater for potential minor dilutions as a result of exercise of employee share options in Tianjin Port Development (3382.HK) or otherwise, Tianjin Development (882.HK) Directors have decided to maintain its interest in Tianjin Port Development (3382.HK) at or above 21% upon Completion. We are also advised that it is the intention of Tianjin Development (882.HK) Group to use a maximum of HK$280 million to subscribe for new Tianjin Port Development (3382.HK) Shares or acquire Tianjin Port Development (3382.HK) Shares on the Stock Exchange so that its interest in Tianjin Port Development (3382.HK) would be at least 21% post-Completion, and we have prepared this letter of advice on the aforesaid basis. In order to avail Tianjin Development (882.HK) of the opportunity to subscribe for new Tianjin Port Development (3382.HK) Shares, Tianjin Development (882.HK) and Leadport, a wholly-owned subsidiary of Tianjin Development (882.HK), entered into the Option Agreement with Tianjin Port Development (3382.HK) on 15 June 2009, pursuant to which, Leadport was granted a right to subscribe for the Option Shares, at the same time as the Proposed Placing to increase Tianjin Development's (882.HK) interest, through its wholly-owned subsidiaries, to no more than 21% of the enlarged issued share capital of Tianjin Port Development (3382.HK) upon Completion (the "Top-up Exercise"). Pursuant to the Option Agreement, the total consideration for subscription of the Option Shares will not be more than HK$280 million.

Under the Sale and Purchase Agreement, the cash portion of the Consideration may be subject to adjustment by Tianjin Port Development (3382.HK) based on market conditions between the date of the Sale and Purchase Agreement and Completion. The manner and specific amount of such adjustment are subject to further agreement to be made between the parties. In particular, if the parties agree that the cash portion of the Consideration is to be reduced, the shortfall may be satisfied by the issue of further Consideration Shares by Tianjin Port Development (3382.HK) to Tianjin Port Group's wholly-owned subsidiary. However, this adjustment is subject to, among others, the condition that the maximum amount of New Shares which may be issued by Tianjin Port Development (3382.HK), including Consideration Shares (which includes further Consideration Shares issued pursuant to the adjustment), Option Shares and Tianjin Port Development (3382.HK) Shares issued pursuant to a placing, and issue of convertible securities or other securities, must not exceed 4,812.9 million Tianjin Port Development (3382.HK) Shares, such that the total issued share capital of Tianjin Port Development (3382.HK) post-Completion would not exceed 6,600.0 million Tianjin Port Development (3382.HK) Shares. In order to meet the Listing Rules requirement of maintaining a public float of 25%, it is expected that Tianjin Port Group's interest in Tianjin Port Development (3382.HK) would be between 51% to 53.81% after Completion.

The following chart illustrates the shareholding structure upon Completion:

Upon Completion



Notes:

(1) Tsinlien is wholly-owned by the Tianjin Bureau of Commerce, a subordinate department of the Tianjin Municipal Government. Tianjin Port Group is a company controlled by the Tianjin SASAC, which is directly under the management of the Tianjin Municipal Government.

(2) The shareholding percentages as shown in the above diagram are approximate figures rounded to the nearest two decimal places.

(3) The above shareholding percentages are stated for illustrative purposes, and are subject to final valuation and financing and any adjustment to the mode of payment of Consideration (as discussed below). The figures may not represent the actual figures at Completion.

(4) The above shareholding structure is prepared on the basis that Tianjin Development's (882.HK) interest in Tianjin Port Development (3382.HK) would be 21%.

Consideration

The Consideration payable by Tianjin Port Development (3382.HK) pursuant to the Sale and Purchase Agreement is approximately HK$10,961 million. This sum was determined after arm's length negotiations between the parties on the basis of 90% of the market capitalisation of Tianjin Port Holdings (600717.CH) to be acquired by Tianjin Port Development (3382.HK), calculated based on the average of the daily volume-weighted average share price of Tianjin Port Holdings (600717.CH) for the last 30 Trading Days prior to (and not including) the date of the Sale and Purchase Agreement. The Consideration shall be satisfied by Tianjin Port Development (3382.HK) in the following manner:

Amount	Approximate % of Consideration	Manner of payment
HK$7,031 million (subject to adjustment)	64%	By issuing 3,362 million Consideration Shares at HK$2.0916 per Tianjin Port Development (3382.HK) Share to Tianjin Port Group's wholly-owned subsidiary as directed by Tianjin Port Group
HK$3,930 million (subject to adjustment)	36%	By cash payable to Tianjin Port Group's wholly-owned subsidiary as directed by Tianjin Port Group

The issue price per Consideration Share of HK$2.0916 is equivalent to the volume-weighted average share price of Tianjin Port Development (3382.HK) for the five Trading Days prior to (and not including) the date of the Sale and Purchase Agreement.

Tianjin Port Development (3382.HK) intends to finance the cash portion of the Consideration largely through bank borrowings and proceeds from the Proposed Placing and the Top-up Exercise. Having considered the financial position of the Enlarged Tianjin Port Development (3382.HK) Group post-Completion, the Tianjin Port Development (3382.HK) Directors have decided that the maximum bank borrowings to be drawn down for the purpose of funding the Proposed Acquisition shall not exceed HK$1,700 million. The cash portion of the Consideration may be subject to adjustment by Tianjin Port Development (3382.HK) based on market conditions between the date of the Sale and Purchase Agreement and Completion. The manner and specific amount of such adjustment are subject to further agreement to be made between the parties. In particular, if the parties agree that the cash portion of the Consideration is to be reduced, the shortfall may be satisfied by the issue of further Consideration Shares by Tianjin Port Development (3382.HK) to the Tianjin Port Group's wholly-owned subsidiary as directed by the Tianjin Port Group or other means. In any event, the aggregate number of Consideration Shares, Placing Shares, Option Shares and issue of convertible securities or other securities, shall not exceed 4,812.9 million Tianjin Port Development (3382.HK) Shares.

Conditions precedent

Completion of the Sale and Purchase Agreement is conditional upon, among other things, fulfilment or waiver of certain conditions. The following is a summary, in our view, of the more important conditions from the Tianjin Development (882.HK) Independent Shareholders' point of view:

Conditions to be fulfilled or waived within nine months of the date of the Sale and Purchase Agreement (or such longer period as agreed between the parties):

(a) the Proposed Acquisition being approved by the shareholders at the extraordinary general meeting of Tianjin Port Holdings (600717.CH);

(b) the transfer of shares of Tianjin Port Holdings (600717.CH) by state-owned shareholders pursuant to the Proposed Acquisition being approved by SASAC;

(c) the Proposed Acquisition being approved by MOFCOM in respect of the foreign investment in Tianjin Port Holdings (600717.CH) and any merger control notification (if applicable); and

(d) the Proposed Acquisition being approved by the CSRC and the CSRC having granted a waiver from the obligation to make a general offer for all the shares in Tianjin Port Holdings (600717.CH)

Conditions to be fulfilled or waived within six months of the Sale and Purchase Agreement being effective (or such longer period as agreed between the parties):

(e) the Proposed Transaction being approved, and the specific mandate being obtained for the Proposed Share Issue, by the Tianjin Port Development (3382.HK) Independent Shareholders at the Tianjin Port Development (3382.HK) EGM, and the Proposed Increase in Authorised Share Capital being approved by the Tianjin Port Development (3382.HK) Shareholders at the Tianjin Port Development (3382.HK) EGM;

(f) the Proposed Transaction and the deemed disposal resulting from the Proposed Share Issue being approved by the Tianjin Development (882.HK) Independent Shareholders at the Tianjin Development (882.HK) EGM;

(g) all necessary consents, approvals and notifications having been obtained or made, and not having been revoked prior to Completion, in Hong Kong and jurisdictions other than the PRC, including:

(i) the Executive of the SFC having granted a waiver on the part of Tianjin Port Group from making a general offer under the Takeovers Code for all the Tianjin Port Development (3382.HK) Shares as a result of the issue of Consideration Shares to Tianjin Port Group; and

(ii) the Stock Exchange having confirmed that the Proposed Transaction does not trigger the requirements for a reverse takeover under the Listing Rules.

As at the Latest Practicable Date, except for conditions (a), (g)(i) and (g)(ii), all the above conditions were yet to be fulfilled.

The Top-up Exercise constitutes a connected transaction of Tianjin Port Development (3382.HK) under the Listing Rules and is subject to, among others, the approval by the Tianjin Port Development (3382.HK) Independent Shareholders and the grant of approval for listing of and permission to deal in the Option Shares by the Stock Exchange.

(B) Proposed Placing

Tianjin Port Development (3382.HK) proposes to issue the Placing Shares to independent professional and institutional investors by way of private placement in order to satisfy part of the cash portion of the Consideration and expenses related to the Proposed Transaction. The Placing Price will be separately determined and will be subject to a number of considerations, including prevailing market conditions, the prevailing market price of the Tianjin Port Development (3382.HK) Shares and investor demand for the Tianjin Port Development (3382.HK) Shares at the relevant time. In any event, the discount to the Placing Price must not exceed 20% of the closing price of the Tianjin Port Development (3382.HK) Shares quoted on the Stock Exchange on the last Trading Day prior to the announcement in respect of the launch of the Proposed Placing.

The maximum number of the Placing Shares and the Options Shares to be issued by Tianjin Port Development (3382.HK) is 1,446.9 million, being the maximum number of total issued shares of 6,600.0 million Tianjin Port Development (3382.HK) Shares, less approximately 3,366.0 million Consideration Shares (being 6,600.0 million Tianjin Port Development (3382.HK) Shares times 51%), and approximately 1,787.1 million Tianjin Port Development (3382.HK) Shares currently issued.

It is expected that the Proposed Placing will be launched and Placing Price will be determined after all of the conditions precedent to the completion of the Proposed Placing (other than listing approval of the Placing Shares) have been fulfilled. In any event, the Proposed Placing, if launched, will be conducted no later than the date of the earlier of the date of Completion and 16 June 2010.

Completion of the Proposed Placing is conditional upon the specific mandate for the Proposed Share Issue having been obtained at the Tianjin Port Development (3382.HK) EGM, and some key conditions precedent to Completion under the Sale and Purchase Agreement having been satisfied (as set out in detail in the "Letter from the Tianjin Port Development Directors" under the paragraph headed "Conditions to the Proposed Placing").

2. Background to and reasons for the Proposed Transaction

Tianjin Development (882.HK) was first listed on the Stock Exchange in 1997, and is the overseas listed conglomerate under the control of the Tianjin Municipal Government of the PRC. Port services segment is one of Tianjin Development's (882.HK) major lines of businesses in terms of revenue contribution and asset size, and the participation in port services is solely carried out through its approximately 67.33% held listed subsidiary namely Tianjin Port Development (3382.HK).

Both Tianjin Port Development (3382.HK) and Tianjin Port Holdings (600717.CH) are engaged in containers and non-containerised cargo handling services in the port of Tianjin, and are under the management of the Tianjin Municipal Government of the PRC. Historically, Tianjin Port Development (3382.HK) was more focused on container handling business which is more export-driven. On the other hand, Tianjin Port Holdings (600717.CH) was more focused on handling non-containerised cargo (mainly coal, coke, metal ores, oil and related products, steel products and automobiles) which is more driven by domestic consumption. Following an acquisition in 2008 (as further discussed in the section below headed "Business information of Tianjin Port Development (3382.HK) and Tianjin Port Holdings (600717.CH)"), Tianjin Port Holdings (600717.CH) further developed itself from a cargo handling operator into a comprehensive port service provider with capacity to also provide ancillary value-added port services including port-related logistics, agency services, and supply of bunker fuel, water and other materials.

In 2008, the downturn of the global economy has adversely affected the performance and accordingly the net profit of Tianjin Port Development (3382.HK), which business tends to be more export-driven and moves in line with international trade activities. On the other hand, Tianjin Port Holdings (600717.CH) recorded only a slight decrease in net profit in 2008. This was largely due to the fact that a higher portion of the goods handled by Tianjin Port Holdings (600717.CH) in 2008 were for domestic consumption in the PRC, and PRC economy was by far less affected by the recent global economic turmoil. As a result, Tianjin Port Holdings' (600717.CH) business is more correlated to the PRC domestic demand, rather than the world economy.

In light of these challenges being faced by Tianjin Port Development (3382.HK), the Tianjin Port Development (3382.HK) Directors consider that it would be in the interest of Tianjin Port Development (3382.HK) to enter into the Proposed Transaction. Tianjin Development (882.HK) would have an interest in a significantly larger Tianjin Port Development (3382.HK) Group which would become much more competitive as against other port operators. The Proposed Transaction also confers upon Tianjin Development (882.HK) the following benefits:

(a) through its stake in Tianjin Port Development (3382.HK), Tianjin Development (882.HK) Group will be able to benefit from improved performance of the Enlarged Tianjin Port Development (3382.HK) Group as a result of the potential synergies and the improved overall competitiveness created through better resource integration and allocation, centralised management and planning, and a more diversified business structure;

(b) with Tianjin Port Group's strategic move to become the controlling shareholder equipped with the expertise in port operations and management, Tianjin Development (882.HK) as a substantial shareholder will be able to enjoy the benefits of the improved management and long term development of the Enlarged Tianjin Port Development (3382.HK) Group. In particular, Tianjin Development (882.HK) may indirectly benefit from the undertaking given in favour of Tianjin Port Holdings (600717.CH) by Tianjin Port Group. Tianjin Port Group has granted Tianjin Port Holdings (600717.CH) a right of priority to invest in future construction, development and operations of the ports assets, and a right of priority to select and acquire such projects. Further, Tianjin Port Group has undertaken to improve the profitability of less mature port service assets. Upon written request by Tianjin Port Holdings (600717.CH), Tianjin Port Group will unconditionally transfer such projects and assets to Tianjin Port Holdings (600717.CH) upon payment of a reasonable price and in accordance with relevant legal procedures. In particular, the 300,000-tonne oil terminal project will be injected into Tianjin Port Holdings (600717.CH) after the construction is completed in accordance with relevant legal procedures;

(c) the management and operational effectiveness will be enhanced with a greater focus on its core competencies, including dedication of resources to the remaining businesses in Tianjin Development (882.HK) Group and the opportunities of developing new businesses for Tianjin Development (882.HK); and

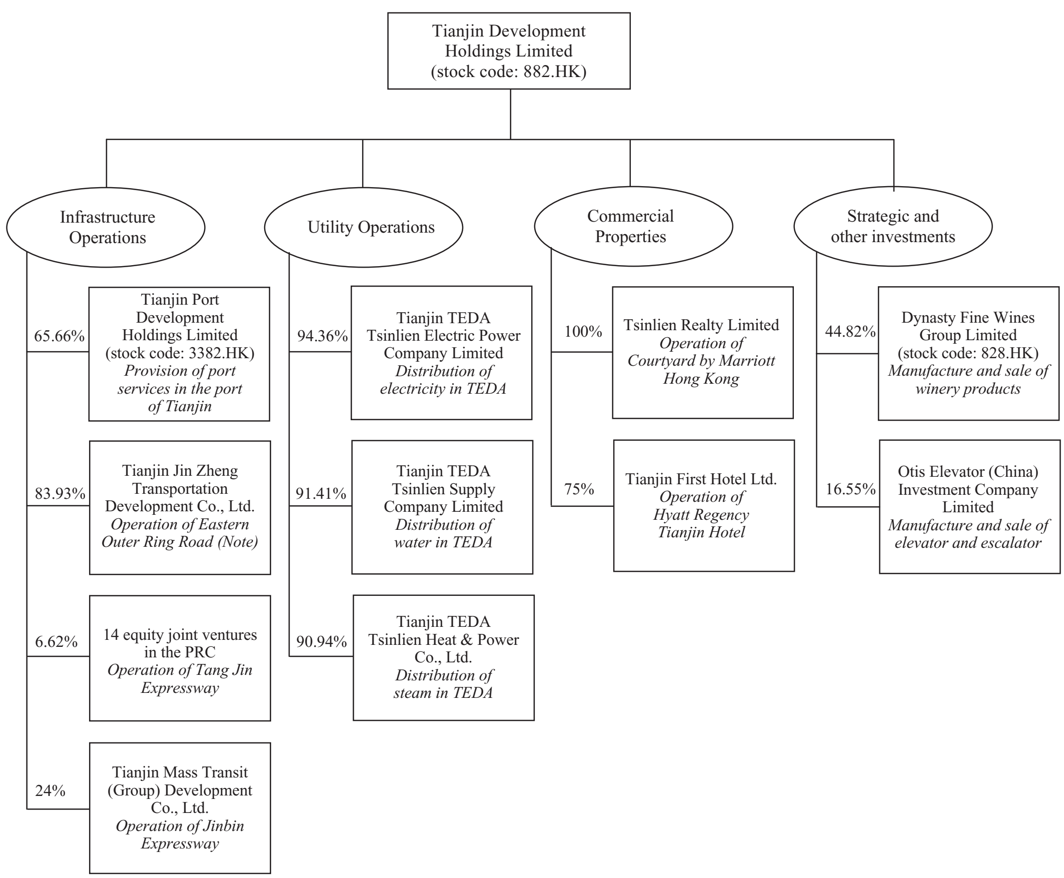
(d) Tianjin Development (882.HK) would continue to retain significant influence over Tianjin Port Development (3382.HK) post-Completion through board representation and a significant minority shareholding, as the second largest shareholder of Tianjin Port Development (3382.HK) after Tianjin Port Group.

We agree with the Tianjin Development (882.HK) Directors that the entering into of the Proposed Transaction, through which Tianjin Development (882.HK) would have an indirect interest in Tianjin Port Holdings (600717.CH) and be able to enjoy the above benefits, is in the interest of Tianjin Development (882.HK), despite a loss of control over Tianjin Port Development (3382.HK). In coming to this view, we have taken into account all the factors as set out in this letter, in particular the positive improvement in earnings of Tianjin Development (882.HK) post-Completion. Please see section below headed "Financial effects on the Tianjin Development (882.HK) Group".

3. Business and financial information of Tianjin Development (882.HK)

Tianjin Development (882.HK) is incorporated in Hong Kong and its shares have been listed on the Stock Exchange since 1997. Tianjin Development (882.HK) is owned as to approximately 53.40% by Tsinlien, which is wholly-owned by the Tianjin Bureau of Commerce, a subordinate department of the Tianjin Municipal Government. Tianjin Development (882.HK) and its subsidiaries are principally engaged in the provision of port services, supply of utilities and operation of commercial properties, while the associates of Tianjin Development (882.HK) Group are principally engaged in the manufacturing and sales of winery products, elevators and escalators.

The following group chart illustrates the principal activities and subsidiaries of Tianjin Development (882.HK) as at 31 December 2008:



Note: As discussed below, Tianjin Development (882.HK) Directors have resolved in 2008 to dispose of its operation of Eastern Outer Ring Road. The transaction is expected to be completed in 2009.

The following table summarises the consolidated financial information of Tianjin Development (882.HK), prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS"), for the three years ended 31 December 2008:

	Continuing operations									Discontinued operation/ assets and liabilities held for sale
	Port services	Operation of toll roads	Supply of utilities	Operation of commercial properties	Winery	Elevator and escalator	Others	Unallocated	Total	Operation of Eastern Outer Ring Road
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Note 2 and 4)		*(Note 3)*	*(Note 4)*	*(Note 4)*	*(Note 2)*			
For the year ended 31 December 2008										
Operating results										
Revenue	1,220,576	–	2,463,311	103,536	–	–	–	N/A	3,787,423	127,905
Profit attributable to shareholders	81,207	22,646	156,007	(22,826)	64,128	152,331	10,264	N/A	463,757	42,104
Assets and liabilities										
Segment total assets	4,274,552	N/A	2,216,828	1,140,919	775,321	479,521	662,226	3,548,356	13,097,723	2,376,166
Segment total liabilities	127,900	N/A	773,207	47,845	–	–	92,513	2,977,125	4,018,590	152,399
For the year ended 31 December 2007										
Operating results										
Revenue	1,157,430	57,506	2,053,077	N/A	–	–	–	N/A	3,268,013	119,650
Profit attributable to shareholders	150,967	171,015	171,093	N/A	56,576	131,799	(30,975)	N/A	650,475	39,826
Assets and liabilities										
Segment total assets	3,451,407	2,281,115	1,945,707	N/A	697,187	412,523	411,211	3,723,870	12,923,020	N/A
Segment total liabilities	87,763	31,494	796,822	N/A	–	–	75,546	1,778,872	2,770,497	N/A
For the year ended 31 December 2006										
Operating results										
Revenue	1,005,001	78,700	1,467,672	N/A	–	–	8,683	N/A	2,560,056	128,401
Profit attributable to shareholders	371,467	7,918	123,168	N/A	52,618	106,794	(140,263)	N/A	521,702	31,049
Assets and liabilities										
Segment total assets	2,579,983	3,571,212	1,670,611	N/A	625,365	463,265	667,187	3,653,903	13,231,526	N/A
Segment total liabilities	159,655	55,860	565,065	N/A	–	–	76,101	3,004,416	3,861,097	N/A

Notes:

(1) Except for the disclosure of segment profits attributable to shareholders which were provided by the management of Tianjin Development (882.HK), all other figures in the above table are audited and extracted from the accountant's report of Tianjin Development (882.HK) contained in Appendix II to the Circular.

(2) As actions had been initiated by the management of Tianjin Development (882.HK) prior to the year end of 2008 to effect the disposal of the operation of Eastern Outer Ring Road in Tianjin, PRC, the financial results of Eastern Outer Ring Road were presented under discontinued operation for the three years ended 31 December 2008, and the related assets and liabilities (which were included in toll roads operation as at 31 December 2006 and 2007) were presented as assets held for sale in the consolidated balance sheet as at 31 December 2008.

(3) Tianjin Development (882.HK) Group entered into the business of commercial property operations in 2008. Therefore no financial information of this segment is presented in the above table for the two years ended 31 December 2006 and 2007.

(4) The operating results of certain toll roads, winery, elevator and escalator segments are recorded as shares of profits/(losses) of associates and jointly controlled entities, and are not consolidated into the financial statements of Tianjin Development (882.HK) Group. As a result, revenue of Tianjin Development (882.HK) Group does not include those derived from certain toll roads, winery, elevator and escalator segments.

As shown above, the port services segment, which is solely contributed by the results of Tianjin Port Development (3382.HK) Group, is a key contributor of the revenue of Tianjin Development (882.HK) Group for the three years ended 31 December 2008. For the year ended 31 December 2008, Tianjin Development (882.HK) Group recorded revenue from its continuing operations and profit attributable to shareholders of approximately HK$3,787 million and approximately HK$506 million respectively, of which approximately HK$1,221 million (or approximately 32.2%) and approximately HK$81 million (or approximately 16.1%) are attributable to the port business conducted through the Tianjin Port Development (3382.HK) Group. The consolidated total assets of Tianjin Development (882.HK) amounted to approximately HK$15,474 million as at 31 December 2008, of which approximately HK$4,275 million (or approximately 27.6%) represented share of total assets of Tianjin Port Development (3382.HK) Group. Further analyses on the operating performance of Tianjin Port Development (3382.HK) are disclosed in the section below headed "Financial information of Tianjin Port Development (3382.HK)".

Consolidated income statement of Tianjin Development (882.HK)

	Year ended 31 December		
	2008	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	*(audited)*	*(audited)*
Continuing operations:			
Revenue	3,787,423	3,268,013	2,560,056
Gross profit	841,157	911,238	794,853
Gross profit %	*22.2%*	*27.9%*	*31.0%*
Operating profit	448,575	728,024	692,911
Profit before tax from continuing operations	624,983	837,714	649,207
Profit after tax from continuing operations	**552,028**	**775,145**	**591,258**
Discontinued operation:			
Profit after tax from discontinued operation	**48,574**	**52,094**	**45,923**
Profit for the year	**600,602**	**827,239**	**637,181**
Profit attributable to shareholders	**505,861**	**690,301**	**552,751**

Prior to the year end of 2008, the management of Tianjin Development (882.HK) had resolved to dispose of Tianjin Development (882.HK) Group's 83.93% interest in Tianjin Jin Zheng Transportation Development Co., Ltd. ("Jinzheng") which is the operator of the Eastern Outer Ring Road in Tianjin, PRC. Actions had been initiated to effect the disposal and the transaction is expected to be completed in 2009. Accordingly, the results of Jinzheng were presented as "discontinued operation" in the consolidated income statement of Tianjin Development (882.HK) for the three years ended 31 December 2008, and the assets and liabilities related to Jinzheng were presented as held for sale as at 31 December 2008.

2007 compared to 2006

Revenue from continuing operations increased by approximately 27.7% from approximately HK$2,560 million in 2006 to approximately HK$3,268 million in 2007. This was mainly due to the increase in revenue from the utilities supplies segment by approximately HK$585 million for the year ended 31 December 2007. Gross profit margin from continuing operations decreased from approximately 31.0% in 2006 to approximately 27.9% in 2007, which was mainly attributable to the relatively higher contribution from the utilities supplies segment in 2007, which historically had a lower gross margin relative to other segments. Profit for the year and profit attributable to shareholders increased by approximately 29.8% and 24.9% respectively to approximately HK$827 million and HK$690 million respectively.

2008 compared to 2007

Revenue from continuing operations of Tianjin Development (882.HK) further increased by approximately 15.9% to approximately HK$3,787 million in 2008, which was principally attributable to the further increase in revenue from the utilities supplies segment by approximately HK$410 million and the contribution of approximately HK$104 million from the new commercial properties segment during 2008. Gross profit margin in respect of continuing operations further decreased to approximately 22.2% in 2008, which was also mainly due to the relatively higher contribution from the utilities supplies segment in 2008, which historically had a lower gross margin relative to other segments, and the decrease in gross profit margin of the port services segment. Profit for the year decreased by approximately 27.4% to approximately HK$601 million. This was mainly due to combined effect of the following factors: (i) approximately HK$166 million gain on toll roads restructuring in 2007 ("Toll Roads Restructuring"). The Toll Roads Restructuring was to unwind the previous group reorganisation completed in 2003. The group reorganisation was effected in preparation for the application for separate listing of the toll roads business of the Tianjin Development (882.HK) Group which lapsed in September 2004; (ii) approximately HK$159 million increase in general and administrative expenses in 2008; (iii) approximately HK$150 million of impairment loss on leasehold land in 2008; and (iv) a gain of approximately HK$203 million representing excess of fair value of net assets acquired over the cost of acquisition of Tsinlien Realty Limited and Tianjin First Hotel Limited completed in 2008. Accordingly, profit attributable to shareholders decreased by approximately 26.7% to approximately HK$506 million in 2008.

Consolidated financial position of Tianjin Development (882.HK)

	As at 31 December		
	2008	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	*(audited)*	*(audited)*
Non-current assets			
Property, plant and equipment	3,390,071	2,650,817	4,106,118
Toll road operating right	–	1,815,640	1,707,451
Interest in associates	1,590,350	1,377,480	1,150,667
Other non-current assets	3,664,627	2,206,453	1,935,675
	8,645,048	**8,050,390**	**8,899,911**
Current assets			
Trade receivables	756,029	714,178	478,692
Time deposits with maturity over three months	952,815	580,341	424,898
Cash and cash equivalents	1,845,316	2,655,841	2,850,740
Other current assets	898,515	922,270	577,285
	4,452,675	4,872,630	4,331,615
Assets held for sale	2,376,166	–	–
	6,828,841	**4,872,630**	**4,331,615**
Non-current liabilities			
Borrowings	(2,557,349)	(1,245,580)	(1,714,485)
Deferred tax liabilities	(90,769)	(57,664)	(93,796)
	(2,648,118)	**(1,303,244)**	**(1,808,281)**
Current liabilities			
Other payables and accruals	(837,317)	(798,829)	(632,235)
Borrowings	(33,389)	(223,836)	(563,814)
Other current liabilities	(499,766)	(444,588)	(856,767)
	(1,370,472)	(1,467,253)	(2,052,816)
Liabilities directly associated with assets classified as held for sale	(152,399)	–	–
	(1,522,871)	**(1,467,253)**	**(2,052,816)**
Minority interests	**(2,048,064)**	**(1,928,264)**	**(2,464,540)**
Equity attributable to shareholders	**9,254,836**	**8,224,259**	**6,905,889**
Net current assets	**5,305,970**	**3,405,377**	**2,278,799**

Note: Following the Toll Roads Restructuring in 2007, a portion of the Tianjin Development (882.HK) Group's toll road operations were deconsolidated from the accounts of Tianjin Development (882.HK) and classified as interest in associates since then.

As at 31 December 2008, non-current assets of Tianjin Development (882.HK) was mainly composed of property, plant and equipment (e.g. plant and machinery and buildings) of approximately HK$3,390 million, and interest in associates of approximately HK$1,590 million, which included listed shares in Dynasty Fine Wines Group Limited and unlisted shares of Otis Elevator (China) Investment Company Limited. Current assets from the continuing operations of Tianjin Development (882.HK) mainly included cash and cash equivalents of approximately HK$1,845 million, time deposits with maturity over three months of approximately HK$953 million and trade receivables of approximately HK$756 million as at 31 December 2008.

Non-current liabilities as at 31 December 2008 mainly represented borrowings totalling approximately HK$2,557 million. Current liabilities from the continuing operations of Tianjin Development (882.HK) comprised mainly other payables and accruals of approximately HK$837 million. Gearing ratio (calculated as total borrowings divided by equity attributable to shareholders) of Tianjin Development (882.HK) increased from approximately 17.9% as at 31 December 2007 to approximately 28.0% as at 31 December 2008.

"Assets held for sale" and "liabilities directly associated with assets classified as held for sale" respectively represented the assets and liabilities related to Jinzheng which were re-classified as such following Tianjin Development's (882.HK) decision to dispose of Jinzheng in 2008.

Consolidated cash flow of Tianjin Development (882.HK)

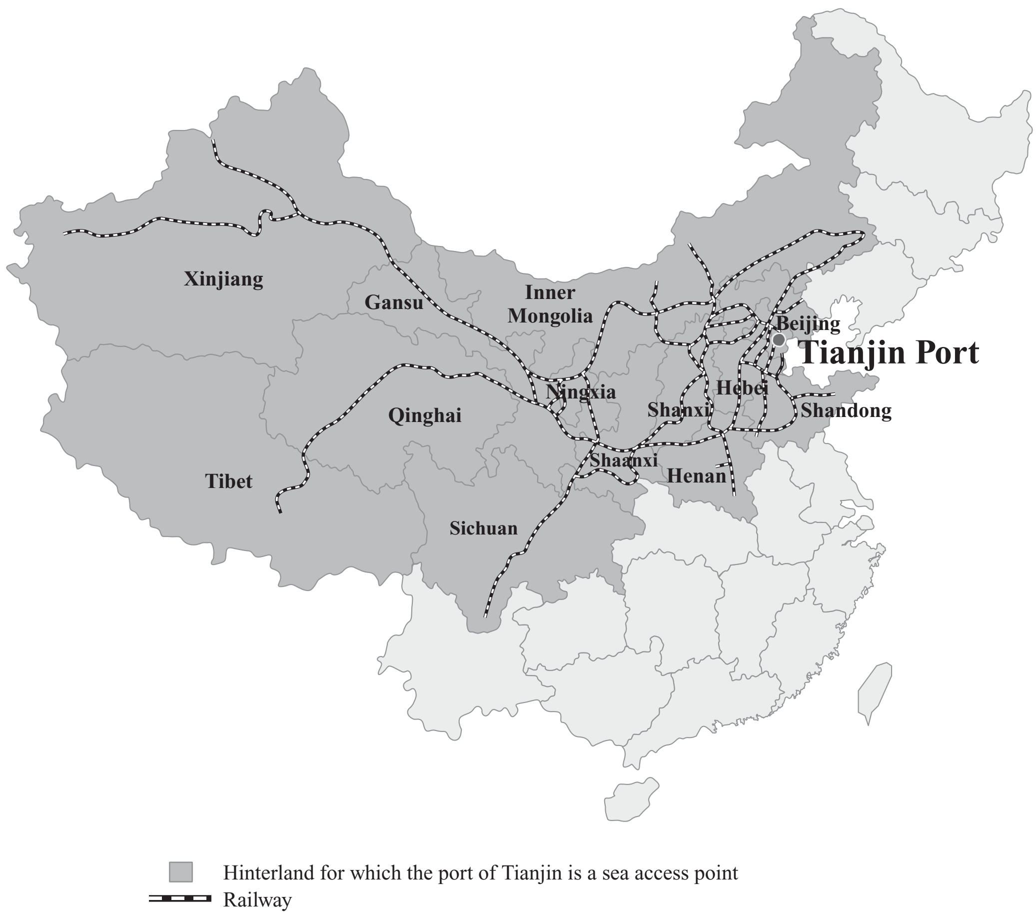
	Year ended 31 December		
	2008	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	*(audited)*	*(audited)*
Net cash from operating activities	357,237	163,610	568,262
Net cash used in investing activities	(1,914,136)	(442,834)	(943,377)
Net cash from/(used in) financing activities	885,748	(153,842)	996,928
Net (decrease)/increase in cash and cash equivalents	**(671,151)**	**(433,066)**	**621,813**

As shown above, Tianjin Development (882.HK) generated positive cash flow from its operating activities from 2006 to 2008. However, due to the significant amount of cash flow used in investing activities, including purchase of fixed assets and equity investments, there were overall decreases in cash and cash equivalent in 2007 and 2008. The significant net cash generated from financing activities in 2006 represented principally net proceeds from the initial public offering of Tianjin Port Development (3382.HK) Shares in 2006.

4. Business information of Tianjin Port Development (3382.HK) and Tianjin Port Holdings (600717.CH)

The port of Tianjin

The port of Tianjin is located in the economic centre of northern regions of the PRC. It is approximately 170 kilometres away from Beijing on the west side of the Bohai Bay. The following map illustrates the hinterland served by the port of Tianjin:



Both Tianjin Port Development (3382.HK) and Tianjin Port Holdings (600717.CH) are engaged in port related businesses and they are the two major port operators operating in the port of Tianjin. The port of Tianjin is located at the Tianjin Binhai New Area, and is the largest artificial port in the PRC, covering an area of more than 200 square kilometres with a land area of 47 square kilometres. The ports in the Bohai Rim Region serves a vast hinterland area. In addition to the traditional coal mining and heavy manufacturing industries, various other industries have emerged and developed since the implementation of reforms in the hinterland of this region. Aggregate cargo throughput of major ports in the Bohai Rim Region has achieved fast growth from 2006 to 2008.

The aggregate cargo throughput of the port of Tianjin was the third largest in the PRC in 2008, amounting to approximately 355.9 million tonnes and representing a growth of approximately 15.2% compared to 2007. The port of Tianjin recorded a total container throughput of approximately 8.5 million TEUs in 2008, representing a growth of approximately 19.7% compared to 2007, and was ranked the sixth highest in the PRC in terms of container throughput.

The port of Tianjin has benefited from the Eleventh Five-Year Plan released in 2006 by the PRC government, and was designated to be the principal gateway to the hinterland of 14 provinces, municipalities and autonomous regions including Beijing, Tianjin, Hebei and mid-west PRC. The Eleventh Five-Year Plan also emphasised acceleration of the development of the Tianjin Binhai New Area, which encompasses the port of Tianjin, will become the focus of economic development in the Bohai Rim Region. Approximately RMB36,600 million in total was proposed to be spent on the infrastructure of the port of Tianjin in the five-year period, with the aim of turning the port into an international shipping hub and logistic centre for northern PRC.

Tianjin Port Development (3382.HK)

Tianjin Port Development (3382.HK) was spun off by Tianjin Development (882.HK) for separate listing on the Stock Exchange in 2006. Tianjin Development (882.HK) currently has an approximately 67.33% equity interest in Tianjin Port Development (3382.HK) and its results and assets and liabilities are consolidated into the financial statements of Tianjin Development (882.HK).

Tianjin Port Development (3382.HK) is principally engaged in container handling services. It is also involved in non-containerised cargo handling, logistics and other ancillary services in the port of Tianjin. It operates 9 berths in the port of Tianjin for its container handling operation (after taking into account the berths owned by Tianjin Port Alliance, the 40% owned associate of Tianjin Port Development (3382.HK)) and 7 berths for its non-containerised cargo handling operation. 6 of the 7 non-containerised cargo berths are equipped for handling general cargo, while the remaining berth is equipped as a specialised grain handling terminal. Tianjin Port Development (3382.HK) has also invested in a logistics park in the port of Tianjin through a 51% owned joint venture, which will be developed in several phases and with a total investment cost of RMB750 million in phase 1. The logistics park, which is expected to have a land area of approximately 715,000 square metres and a gross floor area of approximately 484,000 square metres or 37 blocks of warehouse space, is expected to become a prominent part of Tianjin Port Development (3382.HK) Group's business in the future.

Tianjin Port Development (3382.HK) has also set up strategic cooperation with joint venture partners to operate the container terminal business and the logistic business.

Tianjin Port Holdings (600717.CH)

Tianjin Port Holdings (600717.CH) has been listed on the Shanghai Stock Exchange since 1996, with approximately 56.81% of its equity interest currently held by Tianjin Port Group. Tianjin Port Holdings (600717.CH) has been engaged principally in containers and non-containerised cargo handling since listing. Following an acquisition of equity interests in 15 entities mainly engaged in port cargo handling and related services, land use rights, and other port terminal assets and facilities (the "2008 Acquisition") from Tianjin Port Group in 2008, Tianjin Port Holdings (600717.CH) significantly increased its scale of operations and was transformed from a port cargo handling company to a comprehensive port operator which has more diversified business operations than Tianjin Port Development (3382.HK). Tianjin Port Holdings (600717.CH) now also provides a range of ancillary services including logistics, cargo consolidation and deconsolidation, storage and warehousing, supply of bunker fuel, water and other materials, marine towage and other services, and shipping and cargo agencies. The assets injected pursuant to the 2008 Acquisition consisted of all the operating commercial port cargo handling assets of Tianjin Port Group at the time of 2008 Acquisition.

Tianjin Port Holdings (600717.CH) has set up companies in partnership with leading global port operators and shipping companies to operate container terminal business, and with customers such as China Shenhua Energy Company Limited, China Coal and Huaneng Energy & Communications Holding Co., Ltd. to operate the non-containerised cargo business.

Although Tianjin Port Holdings (600717.CH) also handles container cargo, it primarily handles non-containerised cargo such as coal, coke, metal ores, oil and related products, steel products and automobiles. It operates 13 berths for its container handling operation and 41 berths for its non-containerised cargo handling operation (after taking into account the associates and jointly controlled entities of Tianjin Port Holdings (600717.CH)). Tianjin Port Holdings (600717.CH) also handles automobiles in its roll-on roll-off terminal, as well as passengers. As a whole, Tianjin Port Holdings (600717.CH) has strong market existences in the non-containerised port cargo handling business within the port of Tianjin in 2008.

The business operations of Tianjin Port Holdings can be separated into different segments as follows:

(i) Sales – including principally supply of bunker fuel, water and other materials

(ii) Port cargo handling

(iii) Agency services – including shipping agency services and cargo agency services

(iv) Tugboat services

(v) Logistics and other services

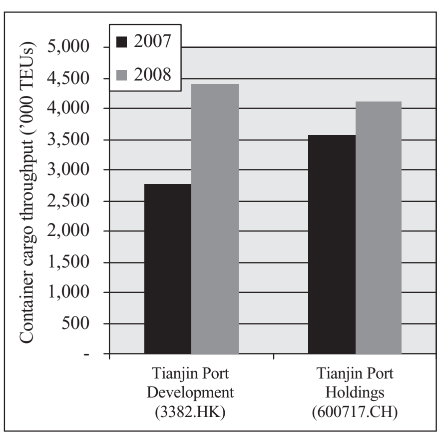
Tianjin Port Group has granted Tianjin Port Holdings (600717.CH) a right of priority to invest in future construction, development and operations of the port business, and a right of priority to select and acquire such projects. Furthermore, Tianjin Port Group has undertaken to improve the profitability of less mature port service assets. Upon written request by Tianjin Port Holdings (600717.CH), Tianjin

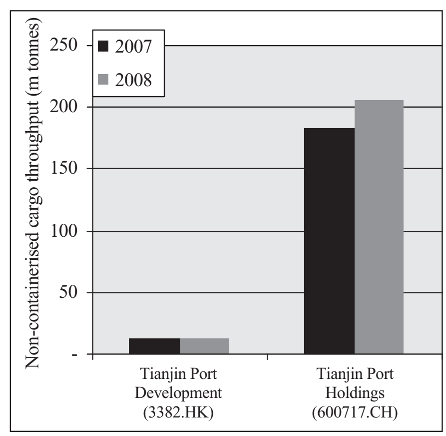
Port Group will unconditionally transfer such projects and assets to Tianjin Port Holdings (600717.CH) on payment of a reasonable price and in accordance with legal procedures. In particular, the 300,000-tonne oil terminal project will be injected into Tianjin Port Holdings (600717.CH) after the construction is completed in accordance with relevant legal procedures. Tianjin Development (882.HK) will be able to enjoy indirectly the potential benefits from these asset injections through its indirect shareholding in Tianjin Port Holdings (600717.CH).

As disclosed in the accountant's report of Tianjin Port Holdings (600717.CH), following completion of the 2008 Acquisition, 12 entities became subsidiaries of Tianjin Port Holdings (600717.CH), the acquisition of which is regarded as a business combination under common control. 2 other entities became an associate and a jointly controlled entity of Tianjin Port Holdings (600717.CH) respectively. Accordingly, though the 2008 Acquisition was completed in 2008, the financial statements as disclosed in the accountant's report of Tianjin Port Holdings (600717.CH) have been prepared using the principles of merger accounting as if the 2008 Acquisition had been completed as at 1 January 2006.

Respective performance of Tianjin Port Development (3382.HK) and Tianjin Port Holdings (600717.CH)

Containers and non-containerised cargo throughput of Tianjin Port Development (3382.HK) and Tianjin Port Holdings (600717.CH)





Note: The data above include the volumes handled by the associates and jointly controlled entities of Tianjin Port Development (3382.HK) and Tianjin Port Holdings (600717.CH).

For the years ended 31 December 2008 and 2007, Tianjin Port Development (3382.HK) recorded a total container throughput of approximately 4.39 million TEUs and 2.76 million TEUs in 2008 and 2007 respectively (including the volume handled by Tianjin Port Alliance, a 40% owned associate of Tianjin Port Development (3382.HK), which acquisition was completed in January 2008), and a total non-containerised cargo throughput of 13.1 million tonnes and 13.0 million tonnes in 2008 and 2007 respectively. On the other hand, for the years ended 31 December 2008 and 2007, Tianjin Port Holdings (600717.CH) has a total container throughput of approximately 4.11 million TEUs and 3.57 million TEUs respectively, and a total non-containerised cargo throughput of 206.1 million tonnes and 182.7 million tonnes respectively (including the volume handled by associates of Tianjin Port Holdings (600717.CH)), after taking into account of the 2008 Acquisition by Tianjin Port Holdings (600717.CH).

The port industry in the PRC has suffered from the global economic downturn. As shown in the above charts and mentioned in above-section headed "Background to and reasons for the Proposed Transaction", given that Tianjin Port Development (3382.HK) is more focused on the container handling business which is more export-driven while Tianjin Port Holdings (600717.CH) is more focused on non-containerised cargo (mainly coal, coke, metal ores, oil and related products, steel products and automobiles) handling business which relies more on domestic consumption, the financial performance of Tianjin Port Development (3382.HK) was more adversely affected as compared to Tianjin Port Holdings (600717.CH) which recorded a slight decrease in net profit in 2008.

Further information in connection with the businesses of the port of Tianjin, Tianjin Port Development (3382.HK) and Tianjin Port Holdings (600717.CH) is disclosed in the sections "Industry Overview", "Letter from the Tianjin Port Development Directors", "Appendix I – Financial information on the Tianjin Port Development Group", "Appendix III – Financial information on the Target Group" and "Appendix IV – Additional financial information on the Target Group" as contained in the Circular.

5. Financial information of Tianjin Port Development (3382.HK)

The following table summarises the consolidated financial information of Tianjin Port Development (3382.HK), prepared in accordance with the HKFRS, for the three years ended 31 December 2008, as extracted from the 2008 and 2007 annual report of Tianjin Port Development (3382.HK):

Consolidated income statement of Tianjin Port Development (3382.HK)

	Year ended 31 December		
	2008	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	*(audited)*	*(audited)*
Revenue	1,258,991	1,193,777	1,036,495
Gross profit	530,885	595,729	520,838
Gross profit %	*42.2%*	*49.9%*	*50.2%*
Operating profit	222,566	290,332	348,427
Operating profit %	*17.7%*	*24.3%*	*33.6%*
Profit before tax	**181,034**	**287,793**	**341,211**
Profit after tax	**130,620**	**240,642**	**304,273**
Profit attributable to shareholders	**130,289**	**240,394**	**304,037**

2007 compared to 2006

Revenue of Tianjin Port Development (3382.HK) increased by 15.2% in 2007, from approximately HK$1,036 million in 2006 to approximately HK$1,194 million in 2007, which primarily resulted from the increase in revenue from container handling business by approximately 19.2%, from approximately HK$663 million in 2006 to approximately HK$791 million in 2007. Gross profit margin was maintained at approximately 50% in both 2006 and 2007.

Despite the increase in revenue and gross profit, there was a drop in operating profit by approximately 16.7% in 2007. Such decline mainly arose from the approximately HK$97 million interest income from initial public offer deposits recorded during 2006. Excluding the interest income from initial public offer, operating profit in 2007 rose approximately 15.6% when compared to 2006. Due to the same reason, profit before tax and profit attributable to shareholders also dropped by approximately 15.7% and 20.9% respectively, to approximately HK$288 million and HK$240 million respectively in 2007.

2008 compared to 2007

Tianjin Port Development (3382.HK) recorded a further growth in revenue by approximately 5.5% in 2008 to approximately HK$1,259 million, which was primarily attributable to the growth in revenue from non-containerised cargo handling business by approximately 19.8% to approximately HK$463 million. However, there was a drop in revenue from container handling business by approximately 2.2% to approximately HK$773 million. This was mainly due to a higher proportion of empty containers being handled which reduced the average container handling fee. According to the management of Tianjin Port Development (3382.HK), an increase in number of empty containers being handled normally happens in economic downturn when there is not enough shipping demand. Due to the same reason and in addition the general inflationary pressure and the increase in staff costs arising from the implementation of the New Labour Contract Law in the PRC, gross profit margin decreased from approximately 49.9% in 2007 to approximately 42.2% in 2008.

Although operating profit in 2008 decreased by approximately the same extent as the decrease in gross profit, profit before tax and after tax dropped significantly by approximately 37.1% and 45.7% respectively, to approximately HK$181 million and HK$131 million respectively. This was primarily attributable to a provision for impairment losses on an investment in a listed security during the year of approximately HK$25 million, and an increase in finance costs from approximately HK$3 million in 2007 to approximately HK$27 million in 2008 due to increased borrowings.

Consolidated financial position of Tianjin Port Development (3382.HK)

	As at 31 December		
	2008	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	*(audited)*	*(audited)*
Non-current assets			
Land use rights	792,437	768,696	731,855
Property, plant and equipment	1,842,794	1,802,656	1,742,992
Interests in jointly controlled entities	1,430,037	704,467	–
Other non-current assets	58,796	39,624	42,555
	4,124,064	**3,315,443**	**2,517,402**
Current assets			
Trade and other receivables	175,476	145,755	69,631
Cash and cash equivalents	588,866	438,754	926,395
Other current assets	14,705	7,442	13,761
	779,047	**591,951**	**1,009,787**
Non-current liabilities			
Borrowings	(1,140,250)	(390,000)	–
	(1,140,250)	**(390,000)**	**–**
Current liabilities			
Trade and other payables	(127,900)	(87,763)	(159,655)
Borrowings	–	–	(119,522)
Other current liabilities	(16,110)	(35,632)	(246,004)
	(144,010)	**(123,395)**	**(525,181)**
Minority interests	**(4,433)**	**(4,201)**	**(3,788)**
Equity attributable to shareholders	**3,614,418**	**3,389,798**	**2,998,220**
Net current assets	**635,037**	**468,556**	**484,606**

As at 31 December 2008, non-current assets of Tianjin Port Development (3382.HK) were mainly composed of property, plant and equipment (e.g. plant and machinery and port facilities) of approximately HK$1,843 million, interests in jointly controlled entities of approximately HK$1,430 million, which included investments in two container handling companies and a logistic services company, and land use rights located in Tianjin of approximately HK$792 million. Current assets of Tianjin Port

Development (3382.HK) mainly included cash and cash equivalents of approximately HK$589 million and trade and other receivables of approximately HK$175 million as at 31 December 2008.

Non-current liabilities of Tianjin Port Development (3382.HK) as at 31 December 2008 represented borrowings of approximately HK$1,140 million. Current liabilities of Tianjin Port Development (3382.HK) comprised mainly trade and other payables of approximately HK$128 million as at 31 December 2008. Short-term borrowings as at 31 December 2006 were repaid in 2007 and long-term borrowings were drawn down in 2007. Gearing ratio (calculated as total borrowings divided by equity attributable to shareholders) of Tianjin Port Development (3382.HK) increased from approximately 11.5% as at 31 December 2007 to approximately 31.5% as at 31 December 2008.

Consolidated cash flow of Tianjin Port Development (3382.HK)

	Year ended 31 December		
	2008	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	*(audited)*	*(audited)*
Net cash generated from operating activities	259,094	328,183	290,741
Net cash used in investing activities	(752,870)	(1,026,232)	(692,667)
Net cash from financing activities	619,627	165,978	1,045,697
Net increase/(decrease) in cash and cash equivalents	**125,851**	**(532,071)**	**643,771**

Tianjin Port Development (3382.HK) generated positive cash flow from its operating activities from 2006 to 2008. On the other hand, significant amount of cash flow was used in investing activities, including purchase of fixed assets and equity investments. As a result, there was an overall decrease in cash and cash equivalent in 2007. The significant net cash generated from financing activities in 2006 and 2008 represented principally proceeds from the issue of ordinary shares upon its initial public offer in 2006, and proceeds from borrowings in 2008, respectively.

6. Financial information of Tianjin Port Holdings (600717.CH)

The following table summarises the consolidated financial information of Tianjin Port Holdings (600717.CH), prepared in accordance with the HKFRS, for the three years ended 31 December 2008, as extracted from the accountant's report contained in Appendix III to the Circular:

Consolidated income statement of Tianjin Port Holdings (600717.CH)

	Year ended 31 December		
	2008	**2007**	**2006**
	RMB'000	*RMB'000*	*RMB'000*
	(audited)	*(audited)*	*(audited)*
Revenue	11,265,836	9,155,452	7,175,795
Gross profit	2,449,749	2,316,097	2,142,403
Gross profit %	*21.7%*	*25.3%*	*29.9%*
Operating profit	1,456,169	1,537,639	1,358,045
Operating profit %	*12.9%*	*16.8%*	*18.9%*
Profit before tax	**1,362,427**	**1,543,418**	**1,383,107**
Profit after tax	**1,118,030**	**1,151,761**	**1,023,339**
Profit attributable to shareholders	**923,155**	**956,897**	**883,455**

A further analysis of Tianjin Port Holdings' (600717.CH) segment results are presented as follows:

	Sales *RMB'000*	Port cargo handling *RMB'000*	Agency services *RMB'000*	Tugboat services *RMB'000*	Logistics and other services *RMB'000*	Total *RMB'000*
For the year ended 31 December 2008 (audited)						
Operating results						
Revenue	6,150,294	3,744,540	348,676	340,037	682,289	11,265,836
Segment results	74,741	1,021,824	148,275	110,067	95,697	1,450,604
Share of profits of associates and jointly controlled entities	–	49,993	1,654	–	58,485	110,132
Assets and liabilities						
Segment total assets	957,750	14,609,274	1,031,231	330,591	2,717,189	19,646,035
Unallocated assets						203,620
Total assets						19,849,655
Segment total liabilities	713,239	6,149,128	815,343	74,882	158,616	7,911,208
For the year ended 31 December 2007 (audited)						
Operating results						
Revenue	4,399,808	3,504,681	293,678	319,426	637,859	9,155,452
Segment results	42,796	1,030,437	125,686	106,912	170,312	1,476,143
Share of profits of associates and jointly controlled entities	–	52,302	1,401	–	32,958	86,661
Assets and liabilities						
Segment total assets	1,205,006	11,570,389	1,284,450	290,590	1,902,084	16,252,519
Unallocated assets						674,707
Total assets						16,927,226
Segment total liabilities	1,035,285	4,869,616	1,200,332	126,120	172,750	7,404,103
For the year ended 31 December 2006 (audited)						
Operating results						
Revenue	3,033,796	3,086,935	237,127	230,280	587,657	7,175,795
Segment results	31,713	936,511	84,080	54,526	168,394	1,275,224
Share of profits of associates and jointly controlled entities	–	40,272	1,473	–	24,439	66,184
Assets and liabilities						
Segment total assets	807,197	7,141,498	1,053,325	234,527	1,740,952	10,977,499
Unallocated assets						59,624
Total assets						11,037,123
Segment total liabilities	615,822	1,856,681	854,320	81,051	847,459	4,255,333

As discussed in the section above headed "Business information of Tianjin Port Development (3382.HK) and Tianjin Port Holdings (600717.CH), the financial statements as disclosed in the accountant's report of Tianjin Port Holdings (600717.CH) have been prepared as if the current group structure had been in existence since 1 January 2006.

2007 compared to 2006

In 2007, Tianjin Port Holdings (600717.CH) reported an increase in revenue by approximately 27.6%, from approximately RMB7,176 million in 2006 to approximately RMB9,155 million in 2007, which primarily resulted from the increase in revenue from its sales business by approximately 45.0%, from approximately RMB3,034 million in 2006 to approximately RMB4,400 million in 2007. According to the management of Tianjin Port Holdings (600717.CH), the gross profit margin of the port cargo handling segment in 2007 was comparable to that of 2006. However, the overall gross profit margin showed a decrease from approximately 29.9% in 2006 to approximately 25.3% in 2007. This was mainly due to the relatively higher sales segment (in which sales of bunker fuel was a major portion) in 2007, which carries a lower gross margin relative to other segments.

The gross profit margin of the port cargo handling of Tianjin Port Holdings (600717.CH) is comparable to that of Tianjin Port Development (3382.HK). However, as the sales segment recorded the largest revenue among other segments in 2007 and 2008, the overall gross profit margin and operating profit margin of Tianjin Port Holdings (600717.CH) were lower compared to that of Tianjin Port Development (3382.HK).

Operating profit in 2007 increased by approximately 13.2%, from approximately RMB1,358 million in 2006 to approximately RMB1,538 million in 2007, which was mainly resulted from the higher gross profit in 2007. Profit before tax and profit attributable to shareholders in 2007 increased accordingly by approximately 11.6% and 8.3% respectively, to approximately RMB1,543 million and RMB957 million respectively.

2008 compared to 2007

Revenue of Tianjin Port Holdings (600717.CH) further increased by approximately 23.1% in 2008 to approximately RMB11,266 million in 2008. This also resulted from the increase in revenue from its sales business by a further approximately 39.8% to approximately RMB6,150 million in 2008. Gross profit margin showed a gradual decline to approximately 21.7% in 2008, which was also mainly due to the even higher sales segment in 2008, which, as mentioned above, carries a lower gross margin relative to other segments. Proportion of revenue attributable to sales segment increased gradually from approximately 42.3% in 2006 to approximately 48.1% in 2007, and increased further to approximately 54.6% in 2008.

Despite the increase in gross profit to approximately RMB2,450 million in 2008, operating profit in 2008 decreased by approximately 5.3% to approximately RMB1,456 million in 2008, which was mainly resulted from an increase in administrative expenses from approximately RMB861 million in 2007 to approximately RMB1,034 million in 2008. Profit before tax and profit attributable to shareholders in 2008 decreased accordingly by approximately 11.7% and 3.5% respectively, to approximately RMB1,362 million and RMB923 million respectively.

Consolidated financial position of Tianjin Port Holdings (600717.CH)

	As at 31 December		
	2008	**2007**	**2006**
	RMB'000	*RMB'000*	*RMB'000*
	(audited)	*(audited)*	*(audited)*
Non-current assets			
Land use rights	3,177,749	407,329	417,192
Property, plant and equipment	11,361,724	9,178,736	6,074,105
Investments in associates	1,496,550	893,063	799,735
Other non-current assets	416,995	2,425,874	186,884
	16,453,018	**12,905,002**	**7,477,916**
Current assets			
Inventories	146,258	249,196	148,955
Trade and other receivables	1,400,974	1,750,323	1,647,080
Cash and cash equivalents	1,849,405	2,022,705	1,763,172
	3,396,637	**4,022,224**	**3,559,207**
Non-current liabilities			
Borrowings	(3,586,550)	(1,701,986)	(534,000)
Other non-current liabilities	(38,619)	(158,944)	(46,227)
	(3,625,169)	**(1,860,930)**	**(580,227)**
Current liabilities			
Trade and other payables	(2,320,754)	(2,537,408)	(2,645,727)
Current income tax liabilities	(15,862)	(52,785)	(74,479)
Borrowings	(1,949,423)	(2,952,980)	(954,900)
	(4,286,039)	**(5,543,173)**	**(3,675,106)**
Minority interests	**(2,955,869)**	**(2,754,277)**	**(930,631)**
Equity attributable to shareholders	**8,982,578**	**6,768,846**	**5,851,159**
Net current liabilities	**(889,402)**	**(1,520,949)**	**(115,899)**

Non-current assets of Tianjin Port Holdings (600717.CH) as at 31 December 2008 was mainly composed of property, plant and equipment (e.g. port facilities, vessels and machinery, and buildings) of approximately RMB11,362 million and land use rights located in Tianjin of approximately RMB3,178 million. Current assets of Tianjin Port Holdings (600717.CH) as at 31 December 2008 mainly included cash and cash equivalents of approximately RMB1,849 million and trade and other receivables of approximately RMB1,401 million.

As at 31 December 2008, non-current liabilities of Tianjin Port Holdings (600717.CH) represented mainly long-term borrowings of RMB3,587 million. Current liabilities as at 31 December 2008 represented mainly trade and other payables of approximately RMB2,321 million and short-term borrowings of approximately RMB1,949 million. Gearing ratio (calculated as total borrowings divided by equity attributable to shareholders) of Tianjin Port Holdings (600717.CH) decreased from approximately 68.8% as at 31 December 2007 to approximately 61.6% as at 31 December 2008.

Tianjin Port Holdings (600717.CH) had net current liabilities as at 31 December 2006, 2007 and 2008. According to the management of Tianjin Port Holdings (600717.CH), that was principally due to the continuous expansion of Tianjin Port Holdings (600717.CH) which necessitated substantial investments in construction of ports. Such construction works were principally financed by long-term borrowings. The construction works were recorded as non-current assets, while the relevant construction fee payables were recorded as current liabilities. That resulted in net current liability position of Tianjin Port Holdings (600717.CH) which continued until the construction fee payables were settled out of long-term borrowings. We note that Tianjin Port Holdings (600717.CH) had returned to a net current asset position as at 31 March 2009 (as further detailed below) and the Tianjin Port Development (3382.HK) Directors are of the opinion that, taking into account the expected completion of the Proposed Acquisition and the internal resources available to the Enlarged Tianjin Port Development (3382.HK) Group, and subject to the completion of the arrangement to finance the cash consideration for the Proposed Acquisition, the Enlarged Tianjin Port Development (3382.HK) Group has sufficient working capital for its present requirements, that is, for at least the next twelve months from the date of the Circular.

Consolidated cash flow of Tianjin Port Holdings (600717.CH)

	Year ended 31 December		
	2008	**2007**	**2006**
	RMB'000	*RMB'000*	*RMB'000*
	(audited)	*(audited)*	*(audited)*
Net cash generated from operating activities	1,471,020	842,359	1,205,736
Net cash used in investing activities	(2,245,189)	(4,515,699)	(969,448)
Net cash from/(used in) financing activities	599,087	3,941,953	(136,548)
Net (decrease)/increase in cash and cash equivalents	**(175,082)**	**268,613**	**99,740**

Tianjin Port Holdings (600717.CH) generated positive cash flow from its operating activities from 2006 to 2008. On the other hand, significant amount of cash flow was used in investing activities, especially in 2007 and 2008, which was mainly used for purchase of property, plant and equipment. The net cash used in investing activities in 2007 were mainly financed by borrowings. In 2008, since the proceeds from additional borrowings decreased and there were still a significant amount of funds used in investing activities, there was an overall decrease in cash and cash equivalent in 2008.

Financial information of Tianjin Port Holdings (600717.CH) for the three months ended 31 March 2009, 31 March 2008 and 31 December 2008

The following table summarises the unaudited consolidated financial information of Tianjin Port Holdings (600717.CH), prepared in accordance with the China Accounting Standards of the PRC, for the three months ended 31 March 2009, 31

March 2008 and 31 December 2008, using the principles of merger accounting as if the 2008 Acquisition had been completed as at 1 January 2006:

Consolidated income statement of Tianjin Port Holdings (600717.CH)

	Three months ended 31 March		Three months ended 31 December
	2009	**2008**	**2008**
	RMB'000	*RMB'000*	*RMB'000*
	(unaudited)	*(unaudited)*	*(unaudited)*
	(Note 1)	*(Note 1)*	*(Note 2)*
Revenue	1,866,112	2,718,736	2,287,156
Gross profit	416,924	629,389	343,161
Gross profit %	*22.3%*	*23.2%*	*15.0%*
Operating profit	168,480	403,556	84,614
Operating profit %	*9.0%*	*14.8%*	*3.7%*
Profit before tax	168,374	402,138	81,472
Profit after tax	138,996	326,337	78,517
Profit attributable to shareholders	115,348	274,103	58,702

Notes:

1. The unaudited financial information of Tianjin Port Holdings (600717.CH) for the three months ended 31 March 2009 and 2008 was extracted from Appendix IV to the Circular.

2. The unaudited financial information of Tianjin Port Holdings (600717.CH) for the three months ended 31 December 2008 was deduced by subtracting the figures for the nine months ended 30 September 2008 from the financial statements of Tianjin Port Holdings (600717.CH) for the full year of 2008. The unaudited consolidated financial information of Tianjin Port Holdings (600717.CH) for the three months ended 31 December 2008 is for illustrative purpose only.

1st quarter 2009 compared to 1st quarter 2008

Tianjin Port Holdings (600717.CH) reported a decrease in revenue by approximately 31.4%, from approximately RMB2,719 million for the three months ended 31 March 2008 to approximately RMB1,866 million for the three months ended 31 March 2009. According to the management of Tianjin Port Holdings (600717.CH), approximately 80% of the decrease resulted from the decrease in revenue generated from its sales business and the remaining approximately 20% of the decrease resulted from the decrease in revenue from its port cargo handling business. One of the major products sold by Tianjin Port Holdings (600717.CH) in its sales segment was bunker fuel. In light of the decrease in general price level of petroleum products, the selling price and cost of bunker fuel also decreased during the three months ended 31 March 2009 when compared with the corresponding period last year. In the meantime, the price charged for containers and non-containerised cargo handling services remained at a relatively stable level even though the business slowed down and the volume of such business decreased. As a result, the gross profit margin showed only a slight decrease from approximately 23.2% to approximately 22.3%.

Operating profit for the three months ended 31 March 2009 decreased by approximately 58.3% when compared with the corresponding period last year, from approximately RMB404 million to approximately RMB168 million, which mainly resulted from the relative stable administrative expenses and the increase in finance cost. Such increase in finance cost was resulted from non-capitalisation of the interest cost after completion of the construction of ports in 2008, but the project loan remained outstanding during the year. Profit before tax and profit attributable to shareholders decreased accordingly by approximately 58.1% and 57.9% respectively, to approximately RMB168 million and RMB115 million respectively.

For illustrative purpose, we have also presented the operating results of Tianjin Port Holdings (600717.CH) for the 4th quarter of 2008 (i.e. for the three months ended 31 December 2008). The operating results for the 1st quarter of 2009 are in general better than those of the 4th quarter of 2008. According to the management of Tianjin Port Holdings (600717.CH), the cargo handling business in Tianjin generally started performing better in 2009.

Consolidated financial position of Tianjin Port Holdings (600717.CH)

	As at 31 March 2009 *RMB'000* *(unaudited)*	As at 31 December 2008 *RMB'000* *(audited)*
Non-current assets		
Intangible assets	3,178,539	3,192,743
Fixed assets	9,556,415	9,683,161
Construction in progress	1,986,714	1,659,425
Long-term investments	1,690,502	1,676,083
Other non-current assets	326,454	241,606
	16,738,624	**16,453,018**
Current assets		
Inventories	243,358	146,258
Trade and other receivables	1,537,898	1,400,974
Cash and cash equivalents	1,920,209	1,849,405
	3,701,465	**3,396,637**
Non-current liabilities		
Borrowings	(4,407,981)	(3,586,550)
Other non-current liabilities	(57,117)	(38,619)
	(4,465,098)	**(3,625,169)**
Current liabilities		
Trade and other payables	(2,257,593)	(2,293,772)
Current income tax liabilities	(17,914)	(42,844)
Borrowings	(1,328,423)	(1,949,423)
	(3,603,930)	**(4,286,039)**
Minority interests	**(3,201,207)**	**(2,955,869)**
Equity attributable to shareholders	**9,169,854**	**8,982,578**
Net current assets/(liabilities)	**97,535**	**(889,402)**

Note: The consolidated financial positions of Tianjin Port Holdings (600717.CH) as at 31 March 2009 and 2008 were extracted from Appendix IV to the Circular.

Non-current assets of Tianjin Port Holdings (600717.CH) as at 31 March 2009 were mainly composed of fixed assets (e.g. port facilities, vessels and machinery, and buildings) of approximately RMB9,556 million and intangible assets (mainly represented land use rights located in Tianjin) of approximately RMB3,179 million. Current assets of Tianjin Port Holdings (600717.CH) as at 31 March 2009 mainly included cash and cash equivalents of approximately RMB1,920 million and trade and other receivables of approximately RMB1,538 million.

As at 31 March 2009, non-current liabilities of Tianjin Port Holdings (600717.CH) represented mainly long-term borrowings of RMB4,408 million. Current liabilities as at 31 March 2009 represented mainly trade and other payables of approximately RMB2,258 million and short-term borrowings of approximately RMB1,328 million. Gearing ratio (calculated as total borrowings divided by equity attributable to shareholders) of Tianjin Port Holdings (600717.CH) was approximately 62.6% as at 31 March 2009.

Consolidated cash flow of Tianjin Port Holdings (600717.CH)

	Three months ended 31 March	
	2009	**2008**
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Net cash generated from operating activities	11,476	115,719
Net cash used in investing activities	(291,944)	(534,120)
Net cash from financing activities	349,704	150,509
Net increase/(decrease) in cash and cash equivalents	69,236	(267,892)

Note: The unaudited consolidated cash flows of Tianjin Port Holdings (600717.CH) for the three months ended 31 March 2009 and 2008 were extracted from Appendix IV to the Circular.

Tianjin Port Holdings (600717.CH) generated less cash flow from its operating activities during the three months ended 31 March 2009 when compared with the corresponding period last year. As informed by the management of Tianjin Port Holdings (600717.CH), it was primarily due to the payment of operating expenses, which were relatively stable despite the decrease in revenue.

On the other hand, significantly less amount of cash flow was used in investing activities, especially after completion of construction of the ports in 2008. During the three months ended 31 March 2009, net cash received in financing activities were mainly generated from borrowings and capital received from joint venture partners.

Largely because less capital was used in the investing activities and the proceeds from additional borrowings increased, there was an overall increase in cash and cash equivalent as at 31 March 2009 even though cash generated from operating activities decreased significantly.

7. Comparison of performance of Tianjin Port Development (3382.HK) and Tianjin Port Holdings (600717.CH)

The following table illustrates the key financial statistics of Tianjin Port Development (3382.HK) and Tianjin Port Holdings (600717.CH):

	Tianjin Port Development (3382.HK)		Tianjin Port Holdings (600717.CH)	
	As at 31 December 2008	As at 31 December 2007	As at 31 December 2008	As at 31 December 2007
	HK$'000	*HK$'000*	*RMB'000*	*RMB'000*
Scale of operations				
Total assets	4,903,111	3,907,394	19,849,655	16,927,226
Equity attributable to shareholders	3,614,418	3,389,798	8,982,578	6,768,846
Profit attributable to shareholders	130,289	240,394	923,155	956,897
Throughput *(Note 1)*				
Container cargo (million TEUs)	4.39	2.76	4.11	3.57
Non-containerised cargo (million tonnes)	13.1	13.0	206.1	182.7
Financial ratios				
Growth in total assets (%)	25.5%	10.8%	17.3%	53.4%
Growth in profit attributable to shareholders (%)	(45.8%)	(20.9%)	(3.5%)	8.3%
Return on assets (%) *(Note 2)*	2.7%	6.2%	5.6%	6.8%
Return on shareholders' equity (%) *(Note 2)*	3.6%	7.1%	10.3%	14.1%

Notes:

(1) Includes the volume handled by the associates and jointly controlled entities of Tianjin Port Development (3382.HK) and Tianjin Port Holdings (600717.CH).

(2) The numerators of return on assets and return on shareholders' equity are defined as profit after tax and profit attributable to shareholders respectively, while the denominators are defined as total assets and shareholders' equity respectively as at year end date.

Tianjin Port Holdings (600717.CH) has substantially larger scale of operation than that of Tianjin Port Development (3382.HK) in terms of both total assets and net profits. It has a comparable container throughput, but a much higher non-containerised cargo throughput than that of Tianjin Port Development (3382.HK).

As discussed earlier in the section headed "Background to and reasons for the Proposed Transaction", the performance of Tianjin Port Development (3382.HK) was adversely affected by the global economic downturn in 2008, while Tianjin Port Holdings (600717.CH) was able to achieve relatively better financial results, which was principally due to the fact that the non-containerised cargo business, which tends to be more driven by domestic consumption as opposed to container handling business, was less affected when compared to the container handling business, which tends to be more export-oriented. Both the return on assets and return on shareholders' equity of Tianjin Port Holdings (600717.CH) outperforms that of Tianjin Port Development (3382.HK).

8. Evaluation of the Consideration

	Closing price as at Latest Practicable Date *(A)*	**Basic earnings per share for 2008** *(B)*	**Net book value per share for 2008** *(C)*	**2008 price/ earnings ("P/E") ratio** *(A)/(B)*	**2008 price/ book ("P/B") ratio** *(A)/(C)*
Tianjin Port Development (3382.HK) (HK$)					
– Closing price	3.6800	0.0730	2.0225	50.4	1.82
– Issue price of Consideration Share	**2.0916**	**0.0730**	**2.0225**	**28.7**	**1.03**
Tianjin Port Holdings (600717.CH) (RMB)					
– Closing price	11.7200	0.5600	5.3635	20.9	2.19
– Share price as implied by the Consideration	**10.1520**	**0.5600**	**5.3635**	**18.1**	**1.89**

We have assessed the above P/E ratio of Tianjin Port Holdings (600717.CH) as implied by the Consideration against that of the following companies (the "Comparable Companies"). Listed below are all PRC listed A-Share companies engaged principally in port services and with a market capitalisation of at least RMB5 billion that we are able to identify from the websites of Shenzhen Stock Exchange and Shanghai Stock Exchange as at the Latest Practicable Date:

Name of Comparable Companies	Closing price as at Latest Practicable Date	Market capitalis-ation	Basic earnings per share for 2008	Net asset value per share as at 31 December 2008	P/E ratio	P/B ratio
	(RMB)	*(RMB'm)*	*(RMB)*	*(RMB)*		
	(A)		*(B)*	*(C)*	*(A)/(B)*	*(A)/(C)*
Shenzhen Yantian Port Holdings Company Ltd. (Stock code: 000088.CH)	7.17	8,927	0.46	3.08	15.6	2.3
Yingkou Port Liability Co., Ltd. (Stock code: 600317.CH)	10.19	5,592	0.55	5.65	18.5	1.8
Shanghai International Port (Group) Co., Ltd. (Stock code: 600018.CH)	5.52	115,869	0.22	1.42	25.1	3.9
Rizhao Port Co., Ltd. (Stock code: 600017.CH)	6.14	7,740	0.21	2.19	29.2	2.8
Shenzhen Chiwan Wharf Holdings Ltd. (Stock code: 000022.CH)	13.10	7,636	1.00	4.27	13.1	3.1
				Mean:	***20.3***	***2.8***
				Median:	***18.5***	***2.8***
Tianjin Port Holdings (600717.CH) (Note)		***19,628***			***18.1***	***1.9***
					(as implied by the Consideration)	

Source: Bloomberg and the 2008 annual reports of the respective companies

Note: The Implied P/E and P/B ratios of Tianjin Port Holdings (600717.CH) are calculated using the share price of Tianjin Port Holdings (600717.CH) as implied by the Consideration of approximately RMB10.152 divided by Tianjin Port Holdings' (600717.CH) 2008 basic earnings per share of approximately RMB0.56 and net asset value per share of approximately RMB5.3635 as at 31 December 2008 respectively.

As illustrated above, the Comparable Companies have P/E ratios ranging from 13.1 times to 29.2 times. The implied P/E ratio of Tianjin Port Holdings (600717.CH) falls within the ranges, approximates the median P/E ratio of the Comparable Companies of 18.5 times, and is lower than the mean P/E ratio of the Comparable Companies of 20.3 times. The mean P/B ratio and the median P/B ratio of the Comparable Companies are both 2.8 times, which are higher than the P/B ratio of Tianjin Port Holdings (600717.CH) of 1.9 times as implied by the Consideration.

The Proposed Transaction is to Tianjin Development (882.HK) essentially a share exchange, whereby Tianjin Development (882.HK) would use not more than HK$280 million and have its equity interest in Tianjin Port Development (3382.HK) diluted from approximately 67.33% to approximately 21.00% in exchange for an indirect shareholding of approximately 11.93% (being 21.00% interest in Tianjin Port Development (3382.HK) which in turn would hold approximately 56.81% interest in Tianjin Port Holdings (600717.CH)) in Tianjin Port Holdings (600717.CH), which is a much larger group and is believed to have better earnings prospects than Tianjin Port Development (3382.HK). On this basis, we have also evaluated the fairness of the Consideration by comparing the P/E at which the Tianjin Port Development (3382.HK) Shares and Tianjin Port Holdings' (600717.CH) shares are valued.

a) *Calculation of weighted average P/E ratio (assuming Tianjin Port Group would have a holding of 51% in Tianjin Port Development (3382.HK) upon Completion):*

Tianjin Port Development (3382.HK)	**Price per Tianjin Port Development (3382.HK) Share**	**2008 earnings per share of Tianjin Port Development (3382.HK)**	**P/E ratio**	**Amount to be issued**	**Weighted average P/E ratio**
	(HK$)	*(HK$)*		*(HK$'m)*	
	(A)	*(B)*	*(A)/(B)*		
Issue price of Consideration Shares	2.0916	0.0730	28.7	7,040 (78.2%)	22.4
Issue price of Placing Shares and Option Shares	1.3601 *(Note 3)*	0.0730	18.6	1,968 (21.8%)	4.1
Total				9,008 (100%)	26.5

Notes:

(1) Assuming Tianjin Port Group would be issued 3,366.0 million Consideration Shares (being the maximum total issued Tianjin Port Development (3382.HK) Shares post-Completion as allowed under the Sale and Purchase Agreement of 6,600.0 million Tianjin Port Development (3382.HK) Shares times 51%).

(2) Assuming the cash portion of the Consideration is partly financed as to approximately HK$400 million by cash from internal resources and as to approximately HK$1,700 million by bank borrowings.

(3) Assuming (i) an aggregate number of 1,446.9 million (being the maximum number of total issued shares of 6,600.0 million Tianjin Port Development (3382.HK) Shares, less approximately 3,366.0 million Consideration Shares and approximately 1,787.1 million Tianjin Port Development (3382.HK) Shares currently issued) Tianjin Port Development (3382.HK) Shares are issued pursuant to the Proposed Placing and the Top-up Exercise, and (ii) an aggregate gross proceeds of approximately HK$1,968 million is raised from the Proposed Placing and the Top-up Exercise to partly finance the Proposed Acquisition, the related expenses of the Proposed Transaction (approximately HK$98 million) and the underwriting

commission (approximately HK$49 million, as calculated based on 2.5% of gross proceeds from the issue of Placing Shares and Option Shares), the lowest issue price for the Placing Shares and the Option Shares would be approximately HK$1.3601 per Tianjin Port Development (3382.HK) Share. However, such HK$1.3601 issue price is stated for illustrative purpose only as the actual issue price could not be determined as at the Latest Practicable Date.

b) Calculation of weighted average P/E ratio (assuming Tianjin Port Group would have a holding of 53.81% interest in Tianjin Port Development (3382.HK) upon Completion):

Tianjin Port Development (3382.HK)	**Price per Tianjin Port Development (3382.HK) Share**	**2008 earnings per share of Tianjin Port Development (3382.HK)**	**P/E ratio**	**Amount to be issued**	**Weighted average P/E ratio**
	(HK$)	*(HK$)*		*(HK$'m)*	
	(A)	*(B)*	*(A)/(B)*		
Issue price of Consideration Shares	2.0916	0.0730	28.7	7,428 (82.6%)	23.7
Issue price of Placing Shares and Option Shares	1.2447 (Note 3)	0.0730	17.1	1,570 (17.4%)	3.0
Total				8,998 (100%)	26.7

Notes:

(1) Assuming the share portion of the Consideration is adjusted such that Tianjin Port Group would hold approximately 53.81% of Tianjin Port Development (3382.HK) upon Completion (which translates to approximately 3,551.5 million Consideration Shares, being the maximum number of 6,600.0 million issued shares of Tianjin Port Development (3382.HK) as allowed under the Sale and Purchase Agreement times 53.81%), and the issue price of Consideration Shares would be HK$2.0916 per Consideration Share.

(2) Assuming the cash portion of the Consideration is partly financed as to approximately HK$400 million by cash from internal resources and as to approximately HK$1,700 million by bank borrowings.

(3) Assuming (i) the maximum aggregate number of 1,261.4 million (being the maximum number of approximately 6,600.0 million issued Tianjin Port Development (3382.HK) Shares less approximately 3,551.5 million (Note 4) Consideration Shares and approximately 1,787.1 million Tianjin Port Development (3382.HK) Shares currently issued) Tianjin Port Development (3382.HK) Shares are issued pursuant to the Proposed Placing and the Top-up Exercise, (ii) an aggregate gross proceeds of approximately HK$1,570 million is raised from the Proposed Placing and the Top-up Exercise to partly finance the Proposed Acquisition, the related expenses of the Proposed Transaction (approximately HK$98 million) and the underwriting commission (approximately HK$39 million, as calculated based on 2.5% of gross proceeds from the issue of Placing Shares and Option Shares), the lowest issue price of the Placing Shares and the Option Shares would be approximately HK$1.2447 per Tianjin Port

Development (3382.HK) Share. However, such HK$1.2447 issue price is stated for illustrative purpose only as the actual issue price could not be determined as at the Latest Practicable Date.

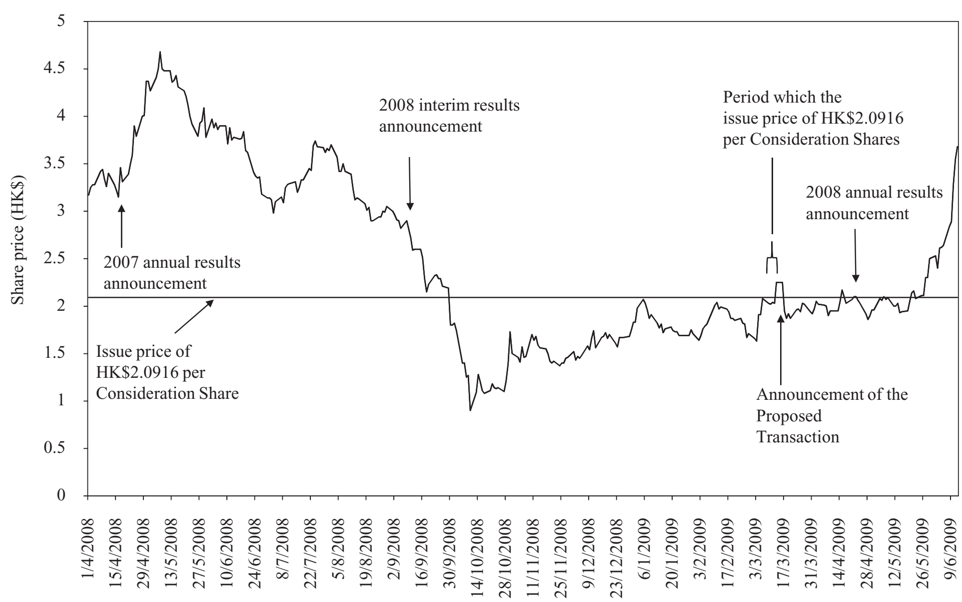
(4) Based on the maximum number of 6,600.0 million issued Tianjin Port Development (3382.HK) Shares upon Completion, a 53.81% interest would amount to approximately 3,551.5 million (6,600.0 million times 53.81%) Tianjin Port Development (3382.HK) Shares.

From the above analysis, the weighted average P/E ratios of Tianjin Port Development (3382.HK) Shares as implied by the Proposed Acquisition of approximately 26.5 times (scenario (a)) or 26.7 times (scenario (b)) are both higher than the P/E ratio of Tianjin Port Holdings (600717.CH) of approximately 18.1 times as implied by the Consideration, which we consider in the interest of Tianjin Development (882.HK).

9. Share price performance and comparison of the issue price of the Consideration Shares

(i) Share price of Tianjin Port Development (3382.HK)

Set out below is the daily closing market prices of Tianjin Port Development (3382.HK) Shares during a period starting from 1 April 2008 (approximately 1 year preceding the date of the Sale and Purchase Agreement) up to and including the Latest Practicable Date:



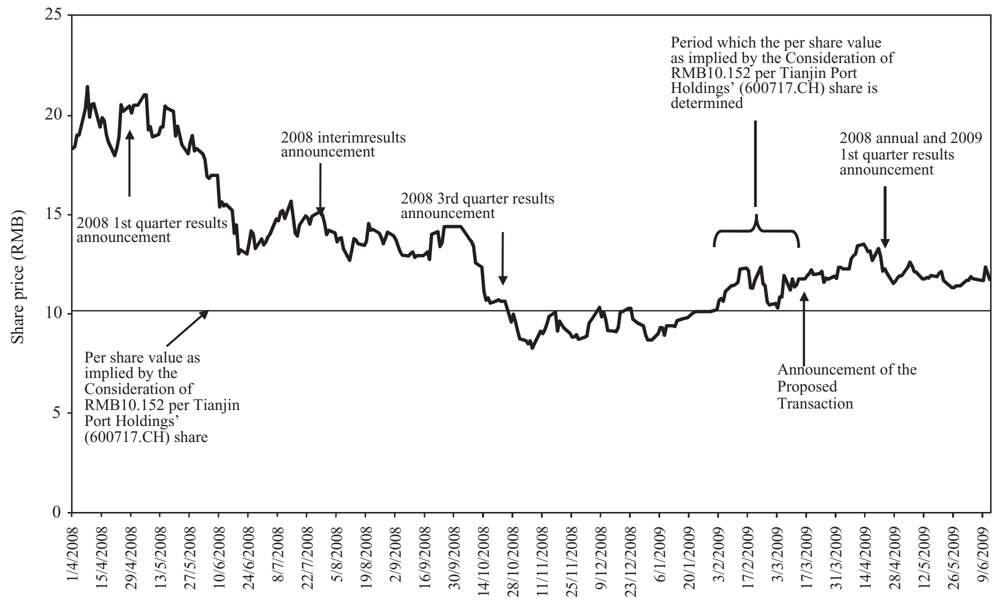
Source: Bloomberg

On 16 April 2008, Tianjin Port Development (3382.HK) announced its 2007 annual results, which reported a profit attributable to shareholders of approximately HK$240 million, representing a decrease of approximately 20.9% compared to 2006, which was mainly attributable to the approximately HK$97 million interest income from initial public offer proceeds recorded in 2006. If the interest income was excluded from the 2006 profits, Tianjin Port Development (3382.HK) would have recorded an approximately 16.3% increase in profit attributable to shareholders in 2007. The prices of the Tianjin Port Development (3382.HK) Shares rose from HK$3.15 on 16 April 2008 to a high of HK$4.68 on 7 May 2008, but dropped back to a low of HK$2.81 on 9 September 2008. On 11 September 2008, Tianjin Port Development (3382.HK) announced its 2008 interim results, reporting a growth in profit attributable to shareholders of approximately 19.4% to approximately HK$141 million. Despite that, prices of the Tianjin Port Development (3382.HK) Shares dropped further following the 2008 interim results announcement to HK$0.90 on 10 October 2008, and gradually rose back to HK$2.25 on 13 March 2009, which is the last Trading Day before the announcement of the Proposed Transaction.

Trading of the Tianjin Port Development (3382.HK) Shares was suspended on 16 March 2009, pending the announcement of the Proposed Transaction. The announcement as regards the Proposed Transaction was published on 16 March 2009 and trading of the Tianjin Port Development (3382.HK) Shares was resumed the next day, upon which prices of the Tianjin Port Development (3382.HK) Shares dropped by approximately 13.3% to HK$1.95 on 17 March 2009, and fluctuated within a range of HK$1.87 to HK$2.17 between 18 March 2009 and 22 April 2009. On 23 April 2009, Tianjin Port Development (3382.HK) announced a substantial drop in profit attributable to shareholders of approximately 45.8%, from approximately HK$240 million in 2007 to approximately HK$130 million in 2008. Following the 2008 annual results announcement, prices of the Tianjin Port Development (3382.HK) Shares dropped to a low of HK$1.86 at 28 April 2009, and fluctuated within a range of HK$1.90 to HK$2.16 between 29 April 2009 and 26 May 2009. Beginning from 27 May 2009, prices of Tianjin Port Development (3382.HK) Shares rose again and closed at a high of HK$3.68 at the Latest Practicable Date.

(ii) Share price of Tianjin Port Holdings (600717.CH)

Set out below is the daily closing market prices of the shares of Tianjin Port Holdings (600717.CH) during a period starting from 1 April 2008 (approximately 1 year preceding the date of the Sale and Purchase Agreement) up to and including the Latest Practicable Date:



Source: Bloomberg

On 29 April 2008, Tianjin Port Holdings (600717.CH) announced its 2008 first quarter results, which reported a profit attributable to shareholders of approximately RMB130 million (based on the China Accounting Standards of the PRC) and represented an approximately 29.9% increase compared to the same period in 2007. The prices of the Tianjin Port Holdings' (600717.CH) shares rose from RMB20.43 on 28 April 2008 to a high of RMB20.99 on 6 May 2008, but then gradually decreased to RMB12.68 on 11 August 2008. On 20 August 2008, Tianjin Port Holdings (600717.CH) announced its 2008 interim results with an approximately 18.1% growth of profit attributable to shareholders to approximately RMB583 million (based on the China Accounting Standards of the PRC). Following the 2008 interim results announcement, prices of the Tianjin Port Holdings' (600717.CH) shares fluctuated within a range of RMB12.72 to RMB14.38 between 21 August 2008 and 26 September 2008, and then dropped to a low of RMB8.27 on 6 November 2008. During that period, the 2008 third quarter results were announced (on 25 October 2008), with a profit attributable to shareholders of approximately RMB300 million for the 3 months ended 30 September 2008 (based on the China Accounting Standards of the PRC), which represented a slight drop of approximately 5.3% when compared to the same period in 2007. Since then, prices of the Tianjin Port Holdings' (600717.CH) shares gradually rose from RMB8.50 on 7 November 2008 to RMB11.75 on 13 March 2009, the last Trading Day before the announcement of the Proposed Transaction.

Trading of the Tianjin Port Holdings' (600717.CH) shares was suspended on 16 March 2009, pending the announcement of the Proposed Transaction. The announcement as regards the Proposed Transaction was published on 16 March 2009 and trading of the Tianjin Port Holdings' (600717.CH) shares resumed the next day, upon which prices of the Tianjin Port Holdings' (600717.CH) shares did not respond as vigorously as that of Tianjin Port Development (3382.HK), and fluctuated within a range of RMB11.58 and RMB13.49 between 17 March 2009 and 21 April 2009. On 23 April 2009, Tianjin Port Holdings (600717.CH) announced a drop in profit attributable to shareholders of approximately 10.1% when compared to 2007, to approximately RMB942 million for the year ended 31 December 2008 (based on the China Accounting Standards of the PRC). On the same day, Tianjin Port Holdings (600717.CH) also announced its 2009 first quarter results, with its profit attributable to shareholders amounting to approximately RMB115 million, or an approximately 57.9% drop when compared to the same period in 2008. Since then, prices of the Tianjin Port Holdings' (600717.CH) shares fluctuated within a range of RMB11.31 to RMB12.59 between 23 April 2009 and 12 June 2009. At the Latest Practicable Date, the Tianjin Port Holdings' (600717.CH) shares closed at RMB11.72.

(iii) Comparison of the issue price ("Issue Price") of the Consideration Shares

Issue price of the Consideration Shares was fixed at HK$2.0916 per Consideration Share, which represents:

(a) the volume-weighted average share price of the Tianjin Port Development (3382.HK) as quoted on the Stock Exchange for the 5 Trading Days prior to (and not including) the date of the Sale and Purchase Agreement. This was the agreed basis for setting the issue price of the Consideration Shares;

(b) a discount of approximately 7.0% to the price of approximately HK$2.25 per Tianjin Port Development (3382.HK) Share as quoted on the Stock Exchange as at the last Trading Day prior to (and not including) the date of the Sale and Purchase Agreement;

(c) a premium of approximately 7.8% over the volume-weighted average share price of approximately HK$1.94 per Tianjin Port Development (3382.HK) Share as quoted on the Stock Exchange for the last 30 Trading Days prior to (and not including) the date of the Sale and Purchase Agreement;

(d) a discount of approximately 43.2% to the price of approximately HK$3.68 per Tianjin Port Development (3382.HK) Share as quoted on the Stock Exchange as at the Latest Practicable Date; and

(e) a premium of approximately 3.5% over the audited net asset value per Tianjin Port Development (3382.HK) Share of approximately HK$2.02 as at 31 December 2008.

The per share value of Tianjin Port Holdings (600717.CH) as implied by the Consideration of RMB10.152 per Tianjin Port Holdings' (600717.CH) share represents:

(a) 90% of the average of the daily volume-weighted average share price of Tianjin Port Holdings (600717.CH) as quoted on the Shanghai Stock Exchange for the 30 Trading Days prior to (and not including) the date of the Sale and Purchase Agreement. This was the agreed basis for setting the Consideration;

(b) a discount of approximately 13.6% to the price of approximately RMB11.75 per share of Tianjin Port Holdings (600717.CH) as quoted on the Shanghai Stock Exchange as at the last Trading Day prior to (and not including) the date of the Sale and Purchase Agreement;

(c) a discount of approximately 12.3% to the average of the daily volume-weighted average share price of approximately RMB11.57 per share of Tianjin Port Holdings (600717.CH) as quoted on the Shanghai Stock Exchange for the last 5 Trading Days prior to (and not including) the date of the Sale and Purchase Agreement;

(d) a discount of approximately 13.4% to the price of approximately RMB11.72 per share of Tianjin Port Holdings (600717.CH) as quoted on the Shanghai Stock Exchange as at the Latest Practicable Date; and

(e) a premium of approximately 89.4% over the audited net asset value per share of Tianjin Port Holdings (600717.CH) of approximately RMB5.36 as at 31 December 2008.

The Consideration of RMB10.152 per share of Tianjin Port Holdings (600717.CH) is set in accordance with the relevant PRC rules and regulations which require that any transfer of state assets be at a price that is not lower than 90% of the average of the daily volume-weighted average share price of Tianjin Port Holdings (600717.CH) as quoted on the Shanghai Stock Exchange for the 30 Trading Days prior to (and not including) the date of the Sale and Purchase Agreement. The issue price of the Consideration Shares, being HK$2.0916 per Tianjin Port Development (3382.HK) Share, are based on the volume-weighted average share price of Tianjin Port Development (3382.HK) for the five Trading Days prior to (and not including) the date of the Sale and Purchase Agreement.

(iv) Overall

We note that the Consideration of RMB10.152 per share of Tianjin Port Holdings (600717.CH) is set at a 10% discount to the 30-day average of the daily volume-weighted average share price, while no discount is given for the issue price of the Consideration Shares. We further note that the issue price of the Consideration Shares would have been 7.8% lower if it was set at 30-day average of the volume-weighted average share price. Given the above and the factors that we have considered under the section headed "Evaluation of the Consideration" above, we consider the issue price of the Consideration Shares, on a relative basis, fair and reasonable so far as the Tianjin Development (882.HK) Independent Shareholders are concerned.

10. Financial effects on the Tianjin Development (882.HK) Group

(i) Overall accounting presentation

Following Completion, Tianjin Development (882.HK) would cease to consolidate the operating performance, including revenue and expenses, of Tianjin Port Development (3382.HK), and the results of Tianjin Port Development (3382.HK) would be reported as share of profit or loss of associate in the consolidated income statements of the Remaining Tianjin Development (882.HK) Group. The assets and liabilities of Tianjin Port Development (3382.HK) Group would also cease to be consolidated in the consolidated balance sheet of the Remaining Tianjin Development (882.HK) Group. Share of net assets of the Enlarged Tianjin Port Development (3382.HK) Group would be accounted for as an interest in associate. Further details of the pro forma financial information on the Remaining Tianjin Development (882.HK) Group are set out in Appendix VI of the Circular.

(ii) Profit or loss and net assets

Tianjin Development (882.HK) is currently entitled to 67.33% economic return of Tianjin Port Development (3382.HK), the operating performance of which are consolidated into the consolidated income statement of Tianjin Development (882.HK). Upon Completion, Tianjin Development (882.HK) would instead be entitled to not less than 21% economic return from the Enlarged Tianjin Port Development (3382.HK) Group, which would include a 56.81% interest in Tianjin Port Holdings (600717.CH) post-Completion, and the net profit of the Enlarged Tianjin Development (3382.HK) Group would be equity accounted for in the consolidated income statement of the Remaining Tianjin Development (882.HK) Group. Based on the audited consolidated income statement of Tianjin Port Development (3382.HK), profit attributable to shareholders of 2008 were approximately HK$130.3 million, of which approximately HK$87.7 million would be attributable to a 67.33% interest in Tianjin Port Development (3382.HK). This compares to approximately HK$114 million which, as set out in note 4 to the "Unaudited Pro Forma Financial Information on the Remaining Tianjin Development Group" on page 440 of Appendix VI to the Circular, represents Tianjin Development's (882.HK) 21% share of the Enlarged Tianjin Port Development (3382.HK) Group's pro forma profit for the year ended 31 December 2008. This pro forma figure is calculated with reference to the Enlarged Tianjin Port Development (3382.HK) Group's pro forma profit attributable to Tianjin Port Development's (3382.HK) equity holders of approximately HK$543.3 million. The HK$543.3 million is arrived at on the basis and assumptions as set out in detail in the aforesaid pro forma income statement and has taken into account the HK$98 million estimated expenses related to the Proposed Transaction which is not a recurring item.

Besides the above effect on profit of Tianjin Development (882.HK), it is also expected that Tianjin Development (882.HK) would recognise a gain or loss on deemed disposal of its interest in Tianjin Port Development (3382.HK) Group upon Completion. Such gain or loss would be calculated based on (a) the share of fair value of the effective interest in the Tianjin Port Holdings (600717.CH) deemed acquired and the book value of the partial interest in Tianjin Port Development (3382.HK) Group deemed disposed of; (b) release of exchange reserve relating to the partial interest in Tianjin Port Development (3382.HK) Group deemed disposed of; and (c) the share of the cash consideration and professional fee to be paid by Tianjin Port Development (3382.HK) Group funded by borrowings and internal fund, and the share of deferred taxation on withholding tax in respect of distributable retained earnings of Tianjin Port Holdings (600717.CH) attributable to Tianjin Port Development (3382.HK) Group. The consolidated net assets of Tianjin Development (882.HK) will be affected by the same amount of such gain/loss, excluding the release of exchange reserve. The fair value of Tianjin Port Holdings (600717.CH) deemed acquired would be determined with reference to the fair value of the 45.17% interest of the Tianjin Port Development (3382.HK) Group deemed disposed of, based on the closing price of the Tianjin Port Development (3382.HK) Shares on the date of Completion, and the financing structure of the Proposed Transaction was yet to be finalised as at the Latest Practicable Date. In the "Unaudited Pro Forma Financial Information on the Remaining Tianjin Development Group", the fair value of Tianjin Port Holdings (600717.CH) deemed acquired by Tianjin Development (882.HK) is estimated with reference to the fair value of the 45.17% interest of the Tianjin Port Development (3382.HK) Group deemed disposed of, based on the average closing share price of Tianjin Port Development (3382.HK) as quoted on the Stock Exchange for the five Trading Days prior to 8 June 2009, being the latest practicable date for the purpose of pro forma financial information. On the basis and assumption as set out in detail in the pro forma consolidated balance sheet of the Remaining Tianjin Development (882.HK) Group, the pro forma net assets attributable to shareholders would decrease by approximately HK$2 million to approximately HK$9,253 million, after taking into account the gain on deemed disposal of approximately HK$245 million, excluding the release of exchange reserve in the sum of approximately HK$247 million.

The gain/loss arising from the deemed disposal is one-off in nature and would have no impact on the cash flow position of Tianjin Development (882.HK).

(iii) Gearing ratio

Following Completion, Tianjin Port Development (3382.HK) would cease to be a subsidiary of Tianjin Development (882.HK) and would be accounted for as an interest in associate in the financial statements of Tianjin Development (882.HK).

The gearing ratios (defined as total borrowings divided by shareholders' fund) of Tianjin Development (882.HK), Tianjin Port Development (3382.HK) and Tianjin Port Holdings (600717.CH) were approximately 28.0%, 31.5% and 61.6% as at 31 December 2008. Based on the unaudited pro forma financial information of Tianjin Development (882.HK), the gearing ratio of Tianjin Development (882.HK) is expected to drop from approximately 28.0% to 15.7%, which is principally due to the deconsolidation of Tianjin Port Development (3382.HK), which had total borrowings of approximately HK$1,140 million as at 31 December 2008.

(iv) Cash flow

Upon Completion, the cash flow from Tianjin Port Development (3382.HK) would be deconsolidated from the cash flow statement of Tianjin Development (882.HK). As Tianjin Port Development (3382.HK) is a separately listed company on the Stock Exchange and manages its cash flow independently. The deconsolidation of cash flow from the Tianjin Port Development (3382.HK) Group is not expected to have material effect on the cash flow position of the Tianjin Development (882.HK) Group. After Completion, the Remaining Tianjin Development (882.HK) Group is expected to recognise dividend income from the Enlarged Tianjin Port Development Group in its cash flow statement.

As mentioned above, Tianjin Development (882.HK) would use no more than HK$280 million to acquire Tianjin Port Development (3382.HK) Shares so that its interest in Tianjin Port Development (3382.HK) would be at least 21% post-Completion. This sum is not material to Tianjin Development (882.HK). The Tianjin Development (882.HK) Directors have also made a statement, contained in Appendix II to the Circular, that the Remaining Tianjin Development (882.HK) Group will have sufficient working capital for its present requirements, that is, for at least the next 12 months from the date of the Circular, after taking into account the financial resources available to the Remaining Tianjin Development (882.HK) Group, including internally generated funds and available banking and other facilities. We have obtained and reviewed the working capital forecast of the Remaining Tianjin Development (882.HK) Group, and considered that the working capital forecast was prepared with due care and consideration.

RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that the Proposed Transaction is on normal commercial terms which are fair and reasonable so far as the Tianjin Development (882.HK) Independent Shareholders are concerned. We also consider the entering into of the Proposed Transaction is in the interests of Tianjin Development (882.HK) and its shareholders as a whole. We therefore advise the Tianjin Development (882.HK) Independent Board Committee to recommend, and ourselves recommend, the Tianjin Development (882.HK) Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the Tianjin Development (882.HK) EGM to approve, among others, the entering into of the Proposed Transaction.

Yours faithfully,
for and on behalf of
SOMERLEY LIMITED
M.N. Sabine
Chairman

1. THREE YEARS FINANCIAL SUMMARY

The following is a summary of the audited consolidated financial information of Tianjin Port Development Group for the years ended 31 December 2006, 2007 and 2008 as extracted from the relevant annual reports of Tianjin Port Development for the years presented.

The auditor's reports issued by PricewaterhouseCoopers in respect of the audited financial statements for each of the years ended 31 December 2006, 2007 and 2008 set out in the annual reports of Tianjin Port Development for the years ended 31 December 2006, 2007 and 2008 did not contain any qualifications.

Consolidated Income Statement

	For the year ended 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	1,036,495	1,193,777	1,258,991
Business tax	(31,494)	(36,347)	(38,415)
Cost of sales	(484,163)	(561,701)	(689,691)
Gross profit	520,838	595,729	530,885
Other income	123,077	35,615	57,956
Administrative expenses	(277,812)	(309,808)	(363,600)
Other operating expenses	(17,676)	(31,204)	(2,675)
	348,427	290,332	222,566
Provision for impairment losses on available-for-sale financial assets	–	–	(25,253)
Finance costs	(8,199)	(3,329)	(26,529)
Share of results of associates	983	790	1,495
Share of results of jointly controlled entities	–	–	8,755
Profit before income tax	341,211	287,793	181,034
Income tax	(36,938)	(47,151)	(50,414)
Profit for the year	304,273	240,642	130,620
Attributable to:			
Equity holders of Tianjin Port Development	304,037	240,394	130,289
Minority interests	236	248	331
	304,273	240,642	130,620
Dividends	41,094	96,504	55,400
Earnings per share			
– Basic (HK cents)	19.9	13.5	7.3
– Diluted (HK cents)	19.9	13.4	7.3

Consolidated Balance Sheet

	As at 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
ASSETS			
Non-current assets			
Land use rights	731,855	768,696	792,437
Property, plant and equipment	1,742,992	1,802,656	1,842,794
Interests in associates	23,847	24,981	28,513
Interests in jointly controlled entities	–	704,467	1,430,037
Available-for-sale financial assets	13,748	5,744	20,873
Deferred income tax assets	4,960	8,899	9,410
	2,517,402	3,315,443	4,124,064
Current assets			
Inventories	1,976	4,852	5,295
Trade and other receivables	69,631	145,755	175,476
Amounts due from associates	2,103	2,590	2,552
Amounts due from jointly controlled entities	–	–	6,858
Amounts due from related parties	9,682	–	–
Cash and cash equivalents	926,395	438,754	588,866
	1,009,787	591,951	779,047
Total assets	3,527,189	3,907,394	4,903,111
EQUITY			
Capital and reserves attributable to equity holders of Tianjin Port Development			
Share capital	178,670	178,710	178,710
Reserves	2,153,431	2,442,864	2,679,812
Retained earnings	666,119	768,224	755,896
	2,998,220	3,389,798	3,614,418
Minority interests	3,788	4,201	4,433
Total equity	3,002,008	3,393,999	3,618,851

	As at 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
LIABILITIES			
Non-current liabilities			
Borrowings	–	390,000	1,140,250
Current liabilities			
Trade and other payables	159,655	87,763	127,900
Amounts due to related companies	237,332	22,536	12,586
Borrowings	119,522	–	–
Current income tax liabilities	8,672	13,096	3,524
	525,181	123,395	144,010
Total liabilities	525,181	513,395	1,284,260
Total equity and liabilities	3,527,189	3,907,394	4,903,111
Net current assets	484,606	468,556	635,037
Total assets less current liabilities	3,002,008	3,783,999	4,759,101

2. AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

The following are the audited financial statements of Tianjin Port Development for the year ended 31 December 2008 together with the notes thereto as extracted from the annual report of Tianjin Port Development for the year ended 31 December 2008.

Consolidated Income Statement

For the year ended 31 December 2008

	Note	**2008** *HK$'000*	**2007** *HK$'000*
Revenue	*3*	1,258,991	1,193,777
Business tax		(38,415)	(36,347)
Cost of sales		(689,691)	(561,701)
Gross profit		530,885	595,729
Other income	*4*	57,956	35,615
Administrative expenses		(363,600)	(309,808)
Other operating expenses		(2,675)	(31,204)
		222,566	290,332
Provision for impairment losses on available-for-sale financial assets	*17*	(25,253)	–
Finance costs	*5*	(26,529)	(3,329)
Share of results of associates		1,495	790
Share of results of jointly controlled entities		8,755	–
Profit before income tax	*6*	181,034	287,793
Income tax	*8*	(50,414)	(47,151)
Profit for the year		130,620	240,642
Attributable to:			
Equity holders of the Company		130,289	240,394
Minority interests		331	248
		130,620	240,642
Dividends	*10*	55,400	96,504
Earnings per share	*11*		
– Basic *(HK cents)*		7.3	13.5
– Diluted *(HK cents)*		7.3	13.4

Consolidated Balance Sheet
As at 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
ASSETS			
Non-current assets			
Land use rights	12	792,437	768,696
Property, plant and equipment	13	1,842,794	1,802,656
Interests in associates	15	28,513	24,981
Interests in jointly controlled entities	16	1,430,037	704,467
Available-for-sale financial assets	17	20,873	5,744
Deferred income tax assets	18	9,410	8,899
		4,124,064	3,315,443
Current assets			
Inventories		5,295	4,852
Trade and other receivables	19	175,476	145,755
Amounts due from associates		2,552	2,590
Amounts due from jointly controlled entities		6,858	–
Cash and cash equivalents	20	588,866	438,754
		779,047	591,951
Total assets		4,903,111	3,907,394
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	21	178,710	178,710
Reserves	22	2,679,812	2,442,864
Retained earnings		755,896	768,224
		3,614,418	3,389,798
Minority interests		4,433	4,201
Total equity		3,618,851	3,393,999

	Note	2008 HK$'000	2007 HK$'000
LIABILITIES			
Non-current liabilities			
Borrowings	23	1,140,250	390,000
Current liabilities			
Trade and other payables	24	127,900	87,763
Amounts due to related companies		12,586	22,536
Current income tax liabilities		3,524	13,096
		144,010	123,395
Total liabilities		1,284,260	513,395
Total equity and liabilities		4,903,111	3,907,394
Net current assets		635,037	468,556
Total assets less current liabilities		4,759,101	3,783,999

Balance Sheet
As at 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	1,805	2,515
Interests in subsidiaries	14	3,600,976	3,327,925
Interests in a jointly controlled entity	16	595,959	–
Available-for-sale financial assets	17	14,800	–
		4,213,540	3,330,440
Current assets			
Other receivables	19	2,243	3,195
Amounts due from subsidiaries	14	191,143	126,268
Cash and cash equivalents	20	4,555	20,758
		197,941	150,221
Total assets		4,411,481	3,480,661
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	21	178,710	178,710
Reserves	22	3,003,898	2,815,205
Retained earnings		101,307	84,612
		3,283,915	3,078,527
Current liabilities			
Other payables	24	18,164	16,257
Amount due to a subsidiary	14	1,109,402	385,877
		1,127,566	402,134
Total equity and liabilities		4,411,481	3,480,661
Net current liabilities		(929,625)	(251,913)
Total assets less current liabilities		3,283,915	3,078,527

Consolidated Statement of Changes in Equity

For the year ended 31 December 2008

	Attributable to equity holders of the Company				
	Share capital *HK$'000*	**Reserves** *HK$'000*	**Retained earnings** *HK$'000*	**Minority interests** *HK$'000*	**Total** *HK$'000*
Balance at 1 January 2007	178,670	2,153,431	666,119	3,788	3,002,008
Exchange differences	–	236,703	–	300	237,003
Profit for the year	–	–	240,394	248	240,642
Issue of shares upon exercise of share option	40	872	–	–	912
Transfers	–	48,934	(48,934)	–	–
Dividends paid	–	–	(89,355)	(135)	(89,490)
Share-based compensation	–	2,924	–	–	2,924
Balance at 31 December 2007	178,710	2,442,864	768,224	4,201	3,393,999
Exchange differences	–	195,940	–	291	196,231
Profit for the year	–	–	130,289	331	130,620
Transfers	–	38,965	(38,965)	–	–
Dividends paid	–	–	(103,652)	–	(103,652)
Share-based compensation	–	2,043	–	–	2,043
Acquisition of additional interests in a subsidiary	–	–	–	(390)	(390)
Balance at 31 December 2008	178,710	2,679,812	755,896	4,433	3,618,851

Consolidated Cash Flow Statement
For the year ended 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
Cash flows from operating activities			
Cash generated from operations	25	320,289	376,933
PRC Income tax paid		(61,195)	(48,750)
Net cash generated from operating activities		259,094	328,183
Cash flows from investing activities			
Purchase of property, plant and equipment		(75,138)	(364,350)
Purchase of available-for-sale financial assets		(40,053)	(345)
Acquisition of a jointly controlled entity		(570,186)	–
Acquisition of an associate		(1,425)	–
Acquisition of additional interests in a subsidiary		(390)	–
Investments in an associate		–	(890)
Investments in jointly controlled entities		–	(704,467)
Loan to a jointly controlled entity		(80,346)	–
Proceeds from disposal of property, plant and equipment		830	715
Proceeds from disposal of an associate		–	1,778
Proceeds from disposal of available-for-sale financial assets		–	20,229
Interest received		13,057	20,373
Dividends received from associates		781	725
Net cash used in investing activities		(752,870)	(1,026,232)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		–	912
Proceeds from borrowings		815,880	497,901
Repayments of borrowings		(65,630)	(236,571)
Interest paid		(26,971)	(6,774)
Dividends paid to equity holders		(103,652)	(89,355)
Dividends paid to minority interests		–	(135)
Net cash from financing activities		619,627	165,978
Net increase/(decrease) in cash and cash equivalents		125,851	(532,071)
Cash and cash equivalents at 1 January		438,754	926,395
Effects of changes in exchange rates		24,261	44,430
Cash and cash equivalents at 31 December representing bank balances and cash		588,866	438,754

Notes to the Financial Statements

For the year ended 31 December 2008

1. GENERAL INFORMATION

The Company is incorporated in the Cayman Islands as an exempted company with limited liability and is listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its principal address is Suites 3301-3302, 33/F., One Exchange Square, 8 Connaught Place, Central, Hong Kong.

The principal activity of the Company is investment holding and the activities of its principal subsidiaries, associates and jointly controlled entities are disclosed in Note 32.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and have been prepared under the historical cost convention, except for certain financial assets which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The area involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 31.

The following amendments and interpretations are mandatory for the financial year ended 31 December 2008:

HKAS 39 & HKFRS 7 (Amendments)	*Financial Instruments: Recognition and Measurement & Financial Instruments: Disclosures – Reclassification of Financial Assets*
HK(IFRIC) – Int 11	*HKFRS 2 – Group and Treasury Share Transactions*
HK(IFRIC) – Int 12	*Service Concession Arrangements*
HK(IFRIC) – Int 14	*HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

The adoption of these amendments and interpretations had no significant impact on the results and financial position of the Group.

The following standards, amendments and interpretations to the existing standards have been issued but not yet effective for the financial year ended 31 December 2008 and have not been early adopted by the Group:

HKFRS (Amendments)	*Improvements to HKFRS (effective from 1 January 2009 unless otherwise specified)*
HKAS 1 (Revised)	*Presentation of Financial Statements (effective from 1 January 2009)*
HKAS 23 (Revised)	*Borrowing Costs (effective from 1 January 2009)*

HKAS 27 (Revised)	*Consolidated and Separate Financial Statements (effective from 1 July 2009)*
HKAS 32 & HKAS 1 (Amendments)	*Financial Instruments: Presentation & Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation (effective from 1 January 2009)*
HKAS 39 (Amendment)	*Financial Instruments: Recognition and Measurement – Eligible Hedged Items (effective from 1 July 2009)*
HKFRS 1 & HKAS 27 (Amendments)	*First-time Adoption of HKFRS & Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (effective from 1 January 2009)*
HKFRS 1 (Revised)	*First-time Adoption of HKFRS (effective from 1 July 2009)*
HKFRS 2 (Amendments)	*Share-based Payment – Vesting Conditions and Cancellations (effective from 1 January 2009)*
HKFRS 3 (Revised)	*Business Combinations (effective from 1 July 2009)*
HKFRS 7 (Amendments)	*Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments (effective from 1 January 2009)*
HKFRS 8	*Operating Segments (effective from 1 January 2009)*
HK(IFRIC) – Int 13	*Customer Loyalty Programmes (effective from 1 July 2008)*
HK(IFRIC) – Int 15	*Agreements for the Construction of Real Estate (effective from 1 January 2009)*
HK(IFRIC) – Int 16	*Hedges of a Net Investment in a Foreign Operation (effective from 1 October 2008)*
HK(IFRIC) – Int 17	*Distributions of Non-cash Assets to Owners (effective from 1 July 2009)*
HK(IFRIC) – Int 18	*Transfer of Assets from Customers (effective from 1 July 2009)*
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	*Reassessment of Embedded Derivatives & Financial Instruments: Recognition and Measurement – Embedded Derivatives (effective for annual periods ending on or after 30 June 2009)*

The Group is in the process of making an assessment of the impact of these standards, amendments and interpretations on the financial statements of the Group in the initial application.

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31 December.

(a) Subsidiaries

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses (Note 2.6). The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(b) Transactions with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the consolidated income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

(c) Associates

Associates are all entities over which the Group has significant influence but not control and generally accompanying a shareholding of between 20% and 50% of the voting rights. Interests in associates are incorporated in the consolidated financial statements using the equity method of accounting and are initially recognised at cost. The Group's interests in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interests in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(d) Jointly controlled entities

A jointly controlled entity is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties having unilateral control over the economic activity of the jointly controlled entity. Interests in jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting and are initially recognised at cost.

The Group's share of the post-acquisition results in jointly controlled entities are recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a jointly controlled entity equals or exceeds its interests in the jointly controlled entity, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entity. Accounting policies of jointly controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, the interests in jointly controlled entities are stated at cost less provision for impairment losses. The results of jointly controlled entities are accounted for by the Company on the basis of dividend received and receivable.

2.3 Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company and its subsidiaries in the People's Republic of China ("PRC") is Renminbi ("RMB"). The consolidated financial statements are presented in Hong Kong Dollars. The directors consider that presentation of these consolidated financial statements in Hong Kong Dollars will facilitate analysis of financial information of the Group.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security, and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in the income statement, and other changes in the carrying amount are recognised in equity.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available for sale are included in the available-for-sale reserve in equity.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

– assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

– income and expenses for each income statement are translated at average exchange rates; and

– all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.5 Property, plant and equipment

Buildings comprise mainly office premises and warehouses. All property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. Repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate costs to their residual values over their estimated useful lives, as follows:

– Buildings	25 – 40 years
– Port facilities	35 – 41 years
– Plant and machinery	8 – 35 years
– Leasehold improvement, furniture and equipment	5 – 10 years
– Motor vehicles	5 – 12 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are recognised in the income statement.

2.6 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each balance sheet date.

2.7 Financial assets

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale. The classification depends on the purposes for which the financial assets were acquired. Management determine the classification of its financial assets at initial recognition.

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as 'trade and other receivables' (Notes 2.9), 'Amounts due from associates', 'Amounts due from jointly controlled entities', 'Amounts due from subsidiaries' and 'cash and cash equivalents' (Note 2.10) in the balance sheet.

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. Available-for-sale financial assets are subsequently carried at fair value.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in the income statement; translation differences on non-monetary securities are recognised in equity. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in equity.

When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement.

Dividends on available-for-sale equity instruments are recognised in the income statement when the Group's right to receive payments is established.

The fair value of the quoted financial assets is based on current bid prices. If the market for a financial asset is not active (and for unquoted equity instruments), the Group established fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and reply as little as possible on entity-specific inputs.

For available-for-sale equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are carried at cost less any accumulated impairment loss at balance sheet date.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement) is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment testing of trade receivables is described in Note 2.9.

2.8 Inventories

Inventories mainly comprises of consumable stock and are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method and represents purchase costs. Net realisable value is the estimated selling price in the ordinary course of business.

2.9 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited to the income statement.

2.10 Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits with banks held at call or with maturities three months or less.

2.11 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.12 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.13 Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.14 Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2.15 Employee benefits

(a) Pension obligations

The employees of the Group's subsidiaries in the PRC are members of a state-managed employee pension scheme operated by the Tianjin Municipal People's Government which undertakes to assume the retirement benefit obligations of all existing and future retired employees. The Group's obligation is to make the required contributions under the scheme. The Group has no further payment obligation once the contributions have been paid.

In addition, the Group also contributes to a mandatory provident fund scheme for all Hong Kong employees. All these contributions are based on a certain percentage of the employee's salary and are charged to the income statement as incurred.

(b) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

2.16 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

2.17 Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary holder of the guarantee (i.e. the holder) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are initially recognised at their fair values, and subsequently measured at the higher of (i) the amount initially recognised less accumulated amortisation; and (ii) the amount required to be settled by the guarantor in respect of the financial guarantee contracts at the balance sheet date.

2.18 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of discounts and after eliminating sales within the Group and is recognised as follows:

(a) Sale of services

Sale of services is recognised in the period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided.

(b) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

(c) Dividend income

Dividend income is recognised when the right to receive payment is established.

2.19 Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

2.20 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the period of the lease.

2.21 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

3. REVENUE AND SEGMENT INFORMATION

Provision of port services is the Group's only business segment throughout the year and all of its assets, operations and customers are located in the PRC. Accordingly, no separate business or geographical segment information is presented.

The Group's revenue, all of which are related to port services, is analysed below:

	2008	**2007**
	HK$'000	*HK$'000*
Container handling	773,211	790,960
Bulk cargo handling	462,570	386,198
Storage and agency fees	23,210	16,619
	1,258,991	1,193,777

4. OTHER INCOME

	2008 HK$'000	2007 HK$'000
Exchange gain	40,284	–
Interest income		
– from bank deposits	13,057	20,373
– from loan to a jointly controlled entity	3,572	–
Gain on disposal of available-for-sale financial assets	–	10,429
Gain on disposal of an associate	–	139
Others	1,043	4,674
	57,956	35,615

5. FINANCE COSTS

	2008 HK$'000	2007 HK$'000
Interest expense on bank borrowings wholly repayable within five years	26,529	3,329

6. PROFIT BEFORE INCOME TAX

Profit before income tax is stated after (crediting)/charging:

	2008 HK$'000	2007 HK$'000
Employee benefit expense, including directors' emoluments *(Note 7)*	470,626	394,684
Depreciation of property, plant and equipment	114,837	102,995
Amortisation of prepaid lease payments	20,194	18,468
Operating lease charges	9,029	7,931
Loss on disposal of property, plant and equipment	2,300	14,680
Auditors' remuneration	1,400	1,330
Exchange loss	–	16,314
Reversal of provision of impairment on trade receivables	–	(5,812)

7. EMPLOYEE BENEFIT EXPENSE

	2008 HK$'000	2007 HK$'000
Wages and salaries, social security costs and other benefits	413,180	347,977
Share-based payment	2,043	2,924
Employer's contribution to pension schemes	55,403	43,783
	470,626	394,684

(a) Directors' emoluments

	2008 HK$'000	2007 HK$'000
Fees	7,817	6,990
Salaries, share-based payment and other benefits	4,486	6,665
Employer's contribution to pension schemes	482	422
	12,785	14,077

The remuneration of the directors is set out below:

	For the year ended 31 December 2008				
Name of director	Fees HK$'000	Salaries, share-based payment and other benefits HK$'000	Discretionary bonus HK$'000	Employer's contribution to pension schemes HK$'000	Total HK$'000
Executive directors					
Mr. Yu Rumin	1,600	346	400	110	2,456
Mr. Nie Jiansheng	1,540	–	370	105	2,015
Mr. Zhang Jinming	1,485	90	340	99	2,014
Mr. Xue Lingsen	396	786	200	35	1,417
Mr. Jiao Hongxun *(Note)*	396	596	200	35	1,227
Non-executive director					
Mr. Wang Guanghao	1,500	–	300	98	1,898
Independent non-executive directors					
Mr. Kwan Hung Sang, Francis	300	286	–	–	586
Prof. Japhet Sebastian Law	300	286	–	–	586
Dr. Cheng Chi Pang, Leslie	300	286	–	–	586
	7,817	2,676	1,810	482	12,785

	For the year ended 31 December 2007				
Name of director	Fees HK$'000	Salaries, share-based payment and other benefits HK$'000	Discretionary bonus HK$'000	Employer's contribution to pension schemes HK$'000	Total HK$'000
Executive directors					
Mr. Yu Rumin	1,300	1,045	600	85	3,030
Mr. Nie Jiansheng	1,400	442	550	90	2,482
Mr. Zhang Jinming	1,350	442	500	92	2,384
Mr. Xue Lingsen	360	952	300	30	1,642
Mr. Jiao Hongxun *(Note)*	360	746	300	30	1,436
Non-executive director					
Mr. Wang Guanghao	1,500	338	450	95	2,383
Independent non-executive directors					
Mr. Kwan Hung Sang, Francis	240	–	–	–	240
Prof. Japhet Sebastian Law	240	–	–	–	240
Dr. Cheng Chi Pang, Leslie	240	–	–	–	240
	6,990	3,965	2,700	422	14,077

Note: Mr. Jiao Hongxun resigned on 23 April 2009.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include five (2007: five) directors whose emoluments are reflected in the analysis presented above.

8. INCOME TAX

	2008	2007
	HK$'000	*HK$'000*
PRC income tax		
– Current tax	46,911	50,580
– Underprovision in prior years	3,503	–
	50,414	50,580
Deferred tax	–	(3,429)
	50,414	47,151

No Hong Kong profits tax has been provided for as the Group has no estimated assessable profits for the year (2007: nil).

Provision for the PRC income tax has been calculated based on the estimated assessable profit for the year at the prevailing income tax rates.

On 16 March 2007, the National People's Congress approved the PRC Corporate Income Tax Law (the "New CIT Law") which revised the corporate income tax rate to 25% progressively with effect from 1 January 2008.

Under the New CIT Law, the Group's two principal subsidiaries are currently subjected to income tax rate at 18% (2007: 15%). The income tax rates of the Group's other subsidiaries range from 18% to 25% (2007: 15% to 33%).

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the weighted average income tax rate applicable to profits of the consolidated entities as follows:

	2008	2007
	HK$'000	*HK$'000*
Profit before income tax	181,034	287,793
Calculated at weighted average tax rate	30,879	48,047
Income not subject to income tax	(435)	(7,777)
Expenses not deductible for tax purposes	16,467	10,310
Underprovision in prior years	3,503	–
Deferred tax credit due to changes in corporate income tax rate	–	(3,429)
Income tax	50,414	47,151

9. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK$120,347,000 (2007: HK$100,334,000).

10. DIVIDENDS

	2008 *HK$'000*	2007 *HK$'000*
Paid interim dividend of HK 3.1 cents (2007: HK 2.7 cents) per ordinary share	55,400	48,252
Proposed final dividend: nil (2007: HK 2.7 cents) per ordinary share	–	48,252
	55,400	96,504

No final dividend was proposed in respect of the year ended 31 December 2008.

11. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	2008 *HK$'000*	2007 *HK$'000*
Earnings		
Profit attributable to equity holders of the Company	130,289	240,394

	2008	2007
Number of shares (thousands)		
Weighted average number of ordinary shares for calculating basic earnings per share	1,787,100	1,786,946
Effect of dilutive potential ordinary shares:		
– Share options	2,761	6,708
Weighted average number of ordinary shares for calculating diluted earnings per share	1,789,861	1,793,654

12. LAND USE RIGHTS

The Group's interests in land use rights represent prepaid lease payments analysed as follows:

	2008 *HK$'000*	2007 *HK$'000*
Group		
At 1 January	768,696	731,855
Exchange differences	43,935	55,309
Amortisation of prepaid lease payments	(20,194)	(18,468)
Net book values		
At 31 December	792,437	768,696

All land use rights are located in Tianjin, the PRC and are held under lease terms ranging from 41 to 50 years.

The Group is in the process of applying the title documents of certain land use rights with carrying value of approximately RMB660 million. The directors believe that the title documents will be obtained in due course without significant additional costs.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Port facilities	Plant and machinery	Leasehold improvements, furniture and equipment	Motor vehicles	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Group							
Cost							
At 1 January 2007	468,555	624,964	1,176,507	51,800	17,350	552	2,339,728
Exchange differences	35,862	47,833	90,046	3,964	1,328	42	179,075
Additions	2,543	6,670	28,101	9,919	470	1,438	49,141
Disposals	(17,364)	(4,534)	(4,496)	(697)	(2,105)	–	(29,196)
Transfers	52	–	–	542	–	(594)	–
At 1 January 2008	489,648	674,933	1,290,158	65,528	17,043	1,438	2,538,748
Exchange differences	28,102	38,737	74,045	3,761	978	83	145,706
Additions	21,309	351	20,421	8,622	551	4,433	55,687
Disposals	(3,976)	(40)	(892)	(3,293)	(3,200)	–	(11,401)
Transfers	7,054	(7,054)	637	–	–	(637)	–
At 31 December 2008	542,137	706,927	1,384,369	74,618	15,372	5,317	2,728,740
Accumulated depreciation							
At 1 January 2007	97,572	73,668	396,005	20,829	8,662	–	596,736
Exchange differences	8,078	6,170	32,783	1,848	723	–	49,602
Charge for the year	15,985	13,937	64,839	6,653	1,581	–	102,995
Disposals	(5,884)	(2,217)	(2,707)	(612)	(1,821)	–	(13,241)
At 1 January 2008	115,751	91,558	490,920	28,718	9,145	–	736,092
Exchange differences	6,800	5,390	28,834	1,726	538	–	43,288
Charge for the year	17,253	15,063	72,632	8,463	1,426	–	114,837
Disposals	(2,407)	(11)	(631)	(2,960)	(2,262)	–	(8,271)
At 31 December 2008	137,397	112,000	591,755	35,947	8,847	–	885,946
Net book values							
At 31 December 2007	373,897	583,375	799,238	36,810	7,898	1,438	1,802,656
At 31 December 2008	404,740	594,927	792,614	38,671	6,525	5,317	1,842,794

	Leasehold improvements, furniture and equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
Company			
Cost			
At 1 January 2007	2,158	1,624	3,782
Exchange differences	166	124	290
Additions	490	–	490
At 1 January 2008	2,814	1,748	4,562
Exchange differences	161	100	261
Additions	3	541	544
Disposal	–	(411)	(411)
	2,978	1,978	4,956
Accumulated depreciation			
At 1 January 2007	634	218	852
Exchange differences	79	29	108
Charge for the year	768	319	1,087
At 1 January 2008	1,481	566	2,047
Exchange differences	92	36	128
Charge for the year	808	332	1,140
Disposal	–	(164)	(164)
	2,381	770	3,151
Net book values			
At 31 December 2007	1,333	1,182	2,515
At 31 December 2008	597	1,208	1,805

14. SUBSIDIARIES

	2008	2007
	HK$'000	*HK$'000*
Company		
Non-current assets		
Unlisted shares, at cost	1,806,789	1,708,721
Amounts due from subsidiaries	1,794,187	1,619,204
	3,600,976	3,327,925
Current assets		
Amounts due from subsidiaries	191,143	126,268
Current liabilities		
Amount due to a subsidiary	(1,109,402)	(385,877)

Amounts due from/(to) subsidiaries are unsecured, interest free and have no fixed repayment terms. Particulars of principal subsidiaries are set out in Note 32(a).

15. INTERESTS IN ASSOCIATES

	2008	2007
	HK$'000	*HK$'000*
Group		
Share of net assets	28,513	24,981

The Group's share of assets, liabilities, revenue and results of the Group's associates are as follows:

	2008	2007
	HK$'000	*HK$'000*
Total assets	48,180	32,337
Total liabilities	(19,667)	(7,356)
Net assets	28,513	24,981
Revenue	63,655	33,319
Share of results	1,495	790

Particulars of principal associates are set out in Note 32(b).

16. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	Group		Company	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Share of net assets *(Note i)*	1,349,691	704,467	595,959	–
Loan to a jointly controlled entity *(Note ii)*	80,346	–	–	–
	1,430,037	704,467	595,959	–

The Group's share of assets, liabilities, revenue, expenses and results of the Group's jointly controlled entities are as follows:

	2008	**2007**
	HK$'000	*HK$'000*
Assets		
Non-current assets	2,665,376	703,999
Current assets	62,407	123,574
	2,727,783	827,573
Liabilities		
Non-current liabilities	(703,233)	–
Current liabilities	(674,859)	(123,106)
	(1,378,092)	(123,106)
Net assets	1,349,691	704,467
Revenue	160,920	–
Expenses	(152,165)	–
Share of results	8,755	–

Notes:

i. On 26 July 2007, the Company entered into a conditional equity interest transfer agreement with Tianjin Port (Group) Co., Ltd. ("Tianjin Port Group") to acquire a 40% equity interest in Tianjin Port Alliance International Container Terminal Co., Ltd. ("Alliance") for a consideration of RMB524,343,000. During the year, all the conditions of the agreement were fulfilled and the acquisition was completed. The Group's 40% interest in Alliance is accounted as an investment in a jointly controlled entity.

ii. The loan is unsecured, interest bearing at LIBOR+1.5% and repayable in 2013.

As at 31 December 2008, the Group had equity interest in three entities operating in Tianjin, the PRC. Although the Group holds 51% equity interest in one and 40% in the other two, no investors in these entities have unilateral control of their respective economic activities, resulting in joint control over these entities by the respective investors.

There are no contingent liabilities relating to the Group's interests in jointly controlled entities and jointly controlled entities themselves do not have any contingent liabilities.

Particulars of jointly controlled entities are set out in Note 32(c).

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Available-for-sale financial assets comprise:				
Equity securities listed in Hong Kong *(Note i)*	14,800	–	14,800	–
Unlisted equity investments *(Note ii)*	6,073	5,744	–	–
	20,873	5,744	14,800	–

Notes:

i. During the year, the Company acquired listed shares at a cost of approximately HK$40 million. Based on the market price as at 31 December 2008, the Company has recorded an impairment loss of approximately HK$25 million to the income statement.

ii. The unlisted equity investments are stated at cost less any accumulated impairment losses rather than fair value as they do not have quoted market prices in an active market and hence their fair values cannot be reliably measured.

18. DEFERRED INCOME TAX ASSETS

Movements of the deferred income tax, which is realisable more than 12 months after the respective balance sheet date and principally in relation to provision for assets, are as follows:

	2008	**2007**
	HK$'000	*HK$'000*
Group		
At 1 January	8,899	4,960
Exchange differences	511	510
Effect of changes in tax rate *(Note 8)*	–	3,429
At 31 December	9,410	8,899

Deferred income tax liabilities of approximately RMB 8 million have not been recognised for the withholding tax that would be payable on the undistributed profits of certain subsidiaries in the PRC amounting to approximately RMB154 million as the directors considered that the timing of the reversal of the temporary differences can be controlled and such temporary differences will not be reversed in the foreseeable future.

19. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2008	2007	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	100,258	126,764	–	–
Less: Provision for impairment	(1,458)	(1,378)	–	–
Trade receivables, net	98,800	125,386	–	–
Other receivables	19,885	20,369	2,243	3,195
Prepayment	56,791	–	–	–
	175,476	145,755	2,243	3,195

The carrying amounts of trade and other receivables approximate their fair values and are mainly denominated in Renminbi.

In general, the Group grants a credit period of about 30 to 90 days to its trade customers. The ageing analysis of the Group's trade receivables (net of provision of impairment) is as follows:

	2008	2007
	HK$'000	*HK$'000*
0 – 30 days	78,694	113,596
31 – 90 days	20,106	11,790
At 31 December	98,800	125,386

The ageing analysis of the Group's trade receivables that are impaired are as follows:

	2008	2007
	HK$'000	*HK$'000*
Over 6 months	1,458	1,378

Movements on the provision for impairment of the Group's trade receivables are as follows:

	2008	2007
	HK$'000	*HK$'000*
At 1 January	1,378	6,885
Exchange differences	80	305
Reversal of provision	–	(5,812)
At 31 December	1,458	1,378

20. CASH AND CASH EQUIVALENTS

	Group		Company	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash at bank and in hand	588,866	438,754	4,555	20,758

The effective interest rates on bank deposits ranged from 0.4% to 4.4% (2007: 0.7% to 5.2%).

The carrying amounts of cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Renminbi	584,259	415,475	–	–
HK dollars	4,607	23,279	4,555	20,758
	588,866	438,754	4,555	20,758

The maximum exposure to credit risk at the reporting date is the fair value of each class of bank deposits mentioned above.

The conversion of Renminbi denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

21. SHARE CAPITAL

	Number of shares	*HK$*
Ordinary shares of HK$0.10 each:		
Authorised:		
At 31 December 2007 and 31 December 2008	5,000,000,000	500,000,000
Issued and fully paid:		
At 31 December 2007 and 31 December 2008	1,787,100,000	178,710,000

Share option

Pursuant to the written resolutions passed by the sole shareholder of the Company on 26 April 2006, a share option scheme (the "Scheme") was approved and adopted.

Under the Scheme, the directors of the Company may, at their discretion, grant to any eligible person as defined under the Scheme to take up options to subscribe for shares of the Company at a subscription price to be determined by the directors of the Company pursuant to the relevant Listing Rules. The maximum number of shares issuable upon the exercise of all outstanding options to be granted under the Scheme must not, in aggregate, exceed 30% of the total number of shares in issue from time to time. The total number of shares in respect of which options may be granted under the Scheme and any other share option schemes of the Company shall not exceed 10% of the total number of shares in issue as at the date of listing of the Company's shares, unless separate approval is obtained. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

(a) Movements in share options and their related weighted average exercise price are as follows:

	2008		2007	
	Average exercise price	**Share options**	**Average exercise price**	**Share options**
	HK$	*'000*	*HK$*	*'000*
At 1 January	2.35	11,900	2.28	11,500
Granted	3.90	2,300	2.74	1,900
Exercised		–	2.28	(400)
Cancelled		–	2.28	(1,100)
At 31 December	2.60	14,200	2.35	11,900
Exercisable at 31 December		13,200		11,900

The weighted average share price on the dates which the share options are exercised in 2007 was HK$5.95.

(b) Share options at the end of the year and their remaining contractual lives are as follows:

	2008		2007	
	Remaining contractual life	**Share options**	**Remaining contractual life**	**Share options**
	No. of years	*'000*	*No. of years*	*'000*
Exercise price				
HK$2.28	7.59	10,000	8.59	10,000
HK$2.74	8.10	1,900	9.10	1,900
HK$4.24	9.07	1,300		–
HK$3.45	9.56	1,000		–
At 31 December	7.93	14,200	8.68	11,900

(c) The fair value of share options determined at the date of grant using the Binomial model and the significant inputs are as follows:

Date of grant	21 July 2008	25 January 2008	3 February 2007
Exercise price	HK$3.45	HK$4.24	HK$2.74
Expected volatility	43%	41%	34%
Expected option life	3.8 years	1.9 & 1.7 years	2 years
Risk free interest rate	3.685%	1.527%	4.06%
Dividend pay out ratio	40%	40%	40%
Fair value	HK$0.99	HK$0.86 & HK$0.79	HK$0.54

The Binomial model requires input of certain subjective assumptions thus the fair value calculated varies with different assumptions.

The expected volatility measured at the standard deviation is based on statistical analysis of the volatility of shares of companies in similar industry.

22. RESERVES

	Share premium	Merger reserve	Employee share-based compensation reserve	Exchange reserve	Statutory reserve	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Group						
At 1 January 2007	1,095,962	820,962	3,786	102,736	129,985	2,153,431
Exchange differences	–	–	–	236,703	–	236,703
Issue of shares upon exercise of share options	872	–	–	–	–	872
Transfer	–	–	–	–	48,934	48,934
Share-based compensation	–	–	2,924	–	–	2,924
At 31 December 2007	1,096,834	820,962	6,710	339,439	178,919	2,442,864
Exchange differences	–	–	–	195,940	–	195,940
Transfer	–	–	–	–	38,965	38,965
Share-based compensation	–	–	2,043	–	–	2,043
At 31 December 2008	1,096,834	820,962	8,753	535,379	217,884	2,679,812

	Share premium	Capital reserve	Employee share-based compensation reserve	Exchange reserve	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Company					
At 1 January 2007	1,095,962	1,450,909	3,786	43,440	2,594,097
Exchange differences	–	–	–	217,312	217,312
Issue of shares upon exercise of share options	872	–	–	–	872
Share-based compensation	–	–	2,924	–	2,924
At 31 December 2007	1,096,834	1,450,909	6,710	260,752	2,815,205
Exchange differences	–	–	–	186,650	186,650
Share-based compensation	–	–	2,043	–	2,043
At 31 December 2008	1,096,834	1,450,909	8,753	447,402	3,003,898

23. BORROWINGS

Details of the Group's non-current unsecured bank borrowings are as follows:

	2008	2007
	HK$'000	*HK$'000*
(a) Balance at 31 December	1,140,250	390,000
(b) Maturity between 2 and 5 years	1,140,250	390,000
(c) Carrying amounts are denominated in following currencies:		
US dollars	23,250	–
HK dollars	1,117,000	390,000
	1,140,250	390,000
(d) Effective interest rates at 31 December:		
US dollars	2.0%	–
HK dollars	0.9%	4.1%

All bank borrowings are exposed to interest-rate changes and the contractual repricing dates are within 6 months or less (2007: 6 months or less).

The carrying amounts of bank borrowings approximate their fair values.

24. TRADE AND OTHER PAYABLES

	Group		Company	
	2008	2007	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	56,791	–	–	–
Construction fee payables	26,719	46,170	–	–
Other non-trade payables	44,390	41,593	18,164	16,257
	127,900	87,763	18,164	16,257

As at 31 December 2008, the trade payables are all aged less than 3 months.

The carrying amounts of trade and other payables approximate their fair values.

25. CASH FLOWS FROM OPERATING ACTIVITIES

	2008 *HK$'000*	2007 *HK$'000*
Profit before income tax	181,034	287,793
Adjustments for:		
– Interest income	(16,629)	(20,373)
– Finance costs	26,529	3,329
– Share of results of associates	(1,495)	(790)
– Share of results of jointly controlled entities	(8,755)	–
– Gain on disposal of an associate	–	(139)
– Gain on disposal of available-for-sale financial assets	–	(10,429)
– Provision for impairment losses on available-for-sale financial assets	25,253	–
– Loss on disposal of property, plant and equipment	2,300	14,680
– Amortisation	20,194	18,468
– Depreciation	114,837	102,995
– Share-based payment	2,043	2,924
– Exchange difference	(40,284)	16,314
Changes in working capital:		
– Inventories	(443)	(2,876)
– Trade and other receivables	(31,358)	(72,005)
– Amounts due from associates	38	(487)
– Amounts due from related companies	–	9,682
– Trade and other payables	56,975	16,296
– Amounts due to related companies	(9,950)	11,551
Cash generated from operations	320,289	376,933

26. COMMITMENTS

(a) Capital commitments

	2008 *HK$'000*	2007 *HK$'000*
Group		
Contracted but not provided for		
– Property, plant and equipment	26,827	3,247
– Investment in a jointly controlled entity	–	562,226
	26,827	565,473
Authorised but not contracted for		
– Property, plant and equipment	–	12,569

(b) Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Group		Company	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	5,536	2,239	4,683	1,795
In the second to fifth year inclusive	8,585	407	8,585	–
	14,121	2,646	13,268	1,795

(c) Other commitments

	2008	**2007**
	HK$'000	*HK$'000*
Group		
Loan to a jointly controlled entity	64,222	–

27. FINANCIAL GUARANTEE

The Company has given guarantee of HK$1,200,000,000 for one of its wholly-owned subsidiaries in respect of its banking facilities. As at 31 December 2008, HK$1,140,250,000 of the banking facilities has been drawn by the subsidiary (2007: HK$390,000,000).

28. SIGNIFICANT RELATED-PARTY TRANSACTIONS

The ultimate holding company of the Group is Tsinlien Group Company Limited, a company which is ultimately controlled by the PRC government and hence a state-owned enterprise. In accordance with HKAS 24, “Related Party Disclosures” issued by the Hong Kong Institute of Certified Public Accountants, state-owned enterprises and their subsidiaries, directly and indirectly controlled by the PRC government are also deemed as related parties of the Group (“other state-owned enterprises”).

There are business activities of the Group which are conducted with other state-owned enterprises. For the purposes of the related parties disclosure in accordance with HKAS 24, the Group has established procedures to determine, to the extent practicable, the identification of the ownership structure of its customers and suppliers as to whether they are state-owned enterprises. Nevertheless, management believes that all material related party transactions and balances have been adequately disclosed.

In addition to those mentioned elsewhere in the financial statements, the following are the significant related party transactions entered into in the normal course of business between the Group and its related parties:

(a) Transactions with associates of the Group

	2008	**2007**
	HK$'000	*HK$'000*
Bulk cargo handling income received from associates	65,065	43,597
Wharf cargo handling service charges paid to associates	24,486	20,529
Labour services paid to associates	48,024	–

(b) Balances with associates and jointly controlled entities of the Group

The amounts due from associates and jointly controlled entities as included in the consolidated balance sheet are unsecured, interest free and repayable on demand.

(c) Transactions with other state-owned enterprises

	2008 *HK$'000*	**2007** *HK$'000*
Income		
Container and bulk cargo handling income	330,549	374,575
Interest income	12,736	3,579
Expenses		
Electricity supply services	38,521	27,365
Container reconfiguration storage services	6,932	8,420
Water supply services	5,377	4,868
Labour services	-	4,695
Communication services	1,100	1,156
EDI services	2,052	1,348
Dredging fees paid	6,870	2,555
Interest expenses	388	2,407
Acquisition		
Interests in an associate	1,425	–
Interests in a jointly controlled entity	570,186	–
Disposal		
Interests in an associate	–	1,778

(d) Balances with other state-owned enterprises

	2008 *HK$'000*	**2007** *HK$'000*
Assets		
Trade receivables	64,290	96,587
Deposits with state-owned banks	584,052	415,317
Liabilities		
Amounts due to related companies	12,586	22,536

The amounts due to related companies are unsecured, interest free, repayable on demand and denominated in Renminbi.

(e) Key management compensation

The key management of the Group comprises solely the directors of the Company, details of their remuneration are disclosed in Note 7.

29. EVENTS AFTER BALANCE SHEET DATE

On 16 March 2009, the Company, its wholly-owned subsidiary Grand Point Investment Limited ("Grand Point") and Tianjin Port Group entered into a sale and purchase agreement, pursuant to which the Company, through its wholly-owned subsidiary Grand Point, conditionally agreed to acquire from Tianjin Port Group its 56.81% interest in the registered share capital of Tianjin Port Holdings Co., Ltd., which is listed on the Shanghai Stock Exchange (stock code: 600717) for a total consideration of HK$10,961 million (the "Proposed Acquisition").

The Proposed Acquisition constitutes a very substantial acquisition and connected transaction for the Company subject to the approval of the independent shareholders of the Company.

30. FINANCIAL RISK MANAGEMENT

30.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow interest rate risk and price risk), credit risk, and liquidity risk. The Group's financial risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. As at 31 December 2008, the Group does not use any derivative financial instruments to hedge against its financial risk exposures.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and recognised assets or liabilities are denominated in currency that is not the functional currency of the entity.

The operations and customers of the Group's subsidiaries are located in the PRC with most of the operating assets and transactions denominated and settled in Renminbi.

At 31 December 2008, if Renminbi had weakened/strengthened by 5% against non-functional currency, with all other variables held constant, profit for the year and equity would have been approximately HK$52 million lower/higher, mainly as a result of foreign exchange losses/gains on translation of the outstanding non-functional currency denominated monetary items including bank deposits, receivables, payables and bank borrowings of the Group (2007: HK$18 million lower/higher, mainly as a result of foreign exchange losses/ gains). Profit and equity are more sensitive to the movement in 2008 than 2007 because of the relatively larger non-functional currency denominated monetary items held by the Group in 2008.

(ii) Cash flow interest rate risk

As the Group has no significant interest-bearing assets and liabilities, other than loan to a jointly controlled entity, bank deposits and borrowings, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

During 2007 and 2008, all the Group's borrowings were at variable rate which exposes the Group to cash flow interest rate risk.

(iii) Price risk

The Group is exposed to equity securities price risk because certain of the Group's investments are classified as available-for-sale financial assets which are required to be stated at fair values.

(b) Credit risk

Credit risk arises from cash and cash equivalents, and credit exposures to trade customers, including outstanding trade receivables. The carrying amounts of these balances substantially represent the Group's maximum exposure to credit risk at the reporting date. The credit risk for cash and cash equivalents is limited because majority of its bank deposits are placed with high credit rating banks in Hong Kong and top tier state-owned/listed banks in the PRC. For trade customers, the Group has no significant concentrations of credit risk. The Group assesses the credit quality of the customer, taking into account its financial position, past settlement history and trading relationships. The utilisation of credit limits is regularly monitored.

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and availability of funding from an adequate amount of committed credit facilities. The Group maintains flexibility in funding by keeping credit lines available.

Management monitors the Group's liquidity reserve which comprises undrawn borrowing facility and cash and cash equivalents.

The Group's financial liabilities are analysed into relevant maturity groupings based on the remaining period at the respective balance sheet dates to the contractual maturity dates, using the contractual undiscounted cash flows, as follows:

	Less than 1 year	**Between 2 and 5 years**
	HK$'000	*HK$'000*
Group		
At 31 December 2008		
Trade and other payables	127,900	–
Amounts due to related companies	12,586	–
Borrowings	–	1,140,250
	140,486	1,140,250
At 31 December 2007		
Trade and other payables	87,763	–
Amounts due to related companies	22,536	–
Borrowings	–	390,000
	110,299	390,000

30.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists of borrowings, cash and cash equivalents and equity attributable to equity holders of the Company.

The Group monitors the capital structure using the gearing ratio (consolidated total borrowings to total equity). The Group's gearing ratio at 31 December 2008 was 31.5% (2007: 11.5%).

Management reviews the capital structure on a regular basis and considers the cost of capital and the risks associated with each class of capital. In order to maintain or balance the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares, issue of new debts and redemption of existing debts.

30.3 Fair value estimation

The carrying amounts of the Group's financial assets including cash and cash equivalents, trade and other receivables, amounts due from associates and jointly controlled entities; and financial liabilities including trade and other payables and amounts due to related companies, are assumed to approximate their fair values. The fair values of long-term bank borrowings approximates their carrying values because they are contracted at variable market rates throughout the period of the loan.

31. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

32. PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

(a) The following are principal subsidiaries in which the Company has direct and indirect interest at 31 December 2008:

Name	Date of incorporation	Issued share capital	Interest held (%)	Principal activities
Incorporated in the British Virgin Islands and directly held:				
Ace Advantage Investments Limited	26 July 2005	US$100	100	Investment holding
Shinesun Investments Limited	5 July 2005	US$100	100	Investment holding
High Reach Investments Limited	10 May 2006	US$100	100	Investment holding
Tianjin Port Development International Limited	30 June 2006	US$1	100	Investment holding
Win Many Investments Limited	16 May 2007	US$1	100	Investment holding
Tianjin Port Development Finance Limited	23 October 2007	US$1	100	Group treasury
Incorporated in Hong Kong and indirectly held:				
Champion Sky Enterprises Limited	4 December 2007	HK$2	100	Investment holding
Well Light Enterprises Limited	4 December 2007	HK$2	100	Investment holding
Incorporated and operating in the PRC and indirectly held:				
Tianjin Port Container Terminal Co., Ltd.*	25 October 1997	RMB1,021,230,000	100	Container transportation and storage services
Tianjin Harbour Second Stevedoring Co., Ltd.*	25 October 1997	RMB815,180,100	100	Bulk cargo handling and storage services
Tianjin Gangshi Container Service Co., Ltd.**	9 October 1998	US$200,000	80	Cargo and container handling services
Tianjin Port Free Trade Zone Chang Hao International Trade Co., Ltd.***	22 November 1999	RMB1,000,000	90	Shipping agency service
Tianjin Gangkai Container Service Co., Ltd.**	31 May 2000	US$200,000	75	Cargo transportation and container handling and trucking services
Tianjin Gangxin Container Logistics Co., Ltd.**	23 November 2004	US$200,000	75	Container transhipment and stevedoring services

(b) The following are principal associates at 31 December 2008, all of which are unlisted, incorporated and operating in the PRC:

Name	Date of incorporation	Issued share capital	Interest held (%)	Principal activities
Tianjin Japan Container Service Co., Ltd.	29 July 1985	US$1,132,000	40	Freight forwarding agency service
Tianjin Jin Hai Enterprise Co., Ltd.	15 December 1992	US$1,500,000	41	Shipping agency service
Tianjin Port Labour Services Co., Ltd.	10 December 1999	RMB3,000,000	33	Labour service
Tianjin ShengGang Container Technology Development & Services Co., Ltd.	7 December 2004	RMB3,000,000	33	Labour service
Tianjin Port Steel Logistics Co., Ltd.	27 July 2006	RMB17,000,000	39	Steel storage, logistics service

(c) The following are jointly controlled entities at 31 December 2008, all of which are unlisted, incorporated and operating in the PRC:

Name	Date of incorporation	Issued share capital	Interest held *(%)*	Principal activities
Tianjin Port Alliance International Container Terminal Co., Ltd.	30 March 2005	US$160,000,000	40	Container and cargo handling services
Tianjin Port Haifeng Bonded Logistics Co., Ltd.	28 August 2007	RMB300,000,000	51	Logistics related services
Tianjin Port Euroasia International Container Terminal Co., Ltd.	4 September 2007	RMB1,260,000,000	40	Container and cargo handling services, (pre-operating as at 31 Dec 2008)

Notes:

* Wholly-foreign owned enterprise
** Sino-foreign joint venture
*** Limited liability company

33. ULTIMATE HOLDING COMPANY

The directors of the Company consider Tsinlien Group Company Limited, a company incorporated in Hong Kong, as the ultimate holding company.

34. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 23 April 2009.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE TIANJIN PORT DEVELOPMENT GROUP

The following is the management discussion and analysis of the Tianjin Port Development Group's operating results and financial performance for each of the financial years ended 31 December 2006, 2007 and 2008. The information is principally extracted from Tianjin Port Development's 2006, 2007 and 2008 annual reports respectively.

1. Operating results

Year ended 31 December 2008 compared with the year ended 31 December 2007

Overview

For the year ended 31 December 2008, the audited consolidated revenue of the Tianjin Port Development Group amounted to approximately HK$1,259.0 million, representing an increase of approximately 5.5% over the year ended 31 December 2007. The profit attributable to the shareholders of Tianjin Port Development amounted to approximately HK$130.3 million, representing a decrease of approximately 45.8% over the year ended 31 December 2007. Basic earnings per Tianjin Port Development Share, on a weighted average basis, were HK7.3 cents compared to HK13.5 cents of 2007, amounting to a decrease of approximately 45.9%.

For the year ended 31 December 2008, the consolidated operating margin (measured by operating profits divided by revenue) of the Tianjin Port Development Group (excluding exchange gain) was approximately 14.5%, compared to approximately 25.7% (excluding exchange loss) of 2007. Despite the 10% tariff rise in container handling fees which has become effective since 1 January 2008, the drop in operating margin was the result of various factors. First, the growth of the Tianjin Port Development Group's throughput slowed down as a result of the global economic downturn. Secondly, an increase in the proportion of domestic and empty containers reduced the blended average unit price. Finally, cost increases due to general inflationary pressure and in particular the implementation of New Labour Contract Law in the PRC lowered the overall margins of the Tianjin Port Development Group.

The downturn in global economy as triggered by the financial crisis adversely affected economic growth in the PRC and the imports/exports trade. In 2008, the PRC recorded a growth in gross domestic product of 9.0% and total foreign trade value of US$2,561.6 billion, a year-on-year growth of 17.8%, with growth in exports and imports at 17.2% and 18.5% respectively.

The port of Tianjin, located in the centre of the Bohai Rim Region, is well-positioned to tap into the economic growth of the PRC. The aggregate cargo throughput achieved by the port of Tianjin for the year ended 31 December 2008 was approximately 355.9 million tonnes, representing a year-on-year growth of approximately 15%. This made the port of Tianjin the largest in the northern regions of the PRC and the third largest port in the PRC (ranked behind Shanghai and Ningbo only) in 2008.

During the year of 2008, the Tianjin Port Development Group's existing terminals (excluding those of Tianjin Port Alliance) achieved a container throughput of approximately 2.77 million TEUs and approximately 13.1 million tonnes of non-containerised cargo, both similar to the level achieved in 2007.

A summary of the throughput of the existing terminals of the Tianjin Port Development Group (excluding those of Tianjin Port Alliance) by segment is as follows:

Year	**2008**	**2007**	**2006**	**2005**	**2004**
Throughput					
Container (million TEUs)	2.77	2.76	2.49	2.05	1.81
Non-containerised cargo (million tonnes)	13.1	13.0	16.6	18.3	18.7

Revenue

For the year ended 31 December 2008, the audited consolidated revenue for the Tianjin Port Development Group amounted to approximately HK$1,259.0 million, representing an increase of approximately 5.5% over that of 2007.

Container handling business

For the year ended 31 December 2008, the revenue of the container handling business of the Tianjin Port Development Group amounted to approximately HK$773.2 million, representing a decrease of approximately 2.2% compared to that of 2007. Berths wholly-owned by the Tianjin Port Development Group and run by Tianjin Port Container Terminal Co., Ltd. ("TCT"), an indirectly wholly-owned subsidiary of Tianjin Port Development, and Tianjin Harbour Second Stevedoring Co., Ltd. ("Second Company"), an indirectly wholly-owned subsidiary of Tianjin Port Development, recorded only a minimal growth in throughput volume at approximately 2.77 million TEUs.

The blended average unit price in 2008 was approximately HK$279.0 per TEU, representing a decrease of approximately 2.6% compared to that of 2007. Despite a tariff increase in container handling fee and the RMB appreciation during 2008, the average unit price decreased as a result of a higher proportion of domestic and empty containers as a result of slow down of the imports/exports trade in the PRC.

Tianjin Port Alliance, a 40% owned associate of Tianjin Port Development, has 4 berths with a total quay length of approximately 1,100 metres and a designed capacity of approximately 1.7 million TEUs. The acquisition of Tianjin Port Alliance was completed in January 2008. In terms of accounting treatment, Tianjin Port Alliance were reported as a jointly-controlled entity in the Tianjin Port Development Group's consolidated financial statements. Tianjin Port Alliance is a key contributor to Tianjin Port Development Group's container throughput. In 2008, Tianjin Port Alliance achieved approximately 1.62 million TEUs in volume and net profit of approximately HK$34.9 million.

If the volume of Tianjin Port Alliance were to be included in the Tianjin Port Development Group, the total throughput for the Tianjin Port Development Group during 2008 would have been approximately 4.39 million TEUs, representing a growth of approximately 59%. The market share in the port of Tianjin would have been approximately 51.7%, representing a growth of approximately 12.8 percentage points compared to that of 2007.

Non-containerised cargo handling business

For the year ended 31 December 2008, the Tianjin Port Development Group achieved a throughput volume of approximately 13.1 million tonnes, which was similar to the level achieved in 2007. The revenue of the Tianjin Port Development Group for 2008 amounted to approximately HK$462.6 million, representing an increase of approximately 19.8% compared to that of 2007. The key driver for the increase in revenue was the encouraging volume growth in imported soya beans. In addition to the appreciation in RMB, the average unit price per tonne in 2008 rose to HK$35.3, which was HK$5.6 or approximately 18.9% higher than that of 2007.

Steel remained the flagship cargo in non-containerised cargo handling. However, the abolishment of the export rebate for certain steel products adversely impacted the growth of the steel handling business. In 2008, the Tianjin Port Development Group recorded a drop in volume of approximately 16.3% compared to that of 2007. Benefiting from the increase in the average unit price, the revenue generated by steel handling was approximately HK$234.4 million, representing a slight increase of approximately 2.2% compared to that of 2007.

Aside from steel, grain was the other principal product in the non-containerised cargo handling business.

Logistics Business

HaiFeng, a 51% owned joint venture with Mapletree Tianjin Free Port Development (HKSAR) Limited ("Mapletree"), was established in August 2007 to develop a logistics warehouse in the Dongjiang Bonded Free Port. HaiFeng was the first company engaged in logistics warehousing projects in the Dongjiang Bonded Free Port. According to the latest blueprint, HaiFeng will have a land area of approximately 715,000 square metres, yielding a total gross floor area ("GFA") of approximately 484,000 square metres or thirty-seven blocks of warehouse space. The logistics park will be developed in several phases. Phase One of the logistics park, with total investment of RMB750 million, of which RMB300 million was contributed by each of the joint venture partners as capital, entails the building of ten warehouse blocks, including four single-storey warehouse blocks and six double-storey warehouse blocks with a combined GFA of approximately 191,000 square metres of warehouse space.

The construction of four single-storey warehouses with a GFA of approximately 46,000 square metres has been completed and operations commenced in April 2008. The rest of Phase One is expected to commence operations by mid 2009. For the year ended 31 December 2008, HaiFeng recorded revenue of HK$3.9 million and a net loss of HK$10.2 million, including one-off pre-operating expenses, which was equity accounted for as a jointly-controlled entity in the Tianjin Port Development Group's consolidated financial statements.

Given the Tianjin Port Development Group's significant market share of the logistics warehousing business in the Dongjiang Bonded Free Port, it is expected that HaiFeng will be a potential contributor to the Tianjin Port Development Group in the future.

Cost Control

For the year ended 31 December 2008, the cost of sales of the Tianjin Port Development Group increased approximately 22.8% from approximately HK$561.7 million in 2007 to approximately HK$689.7 million in 2008, while administrative expenses and other operating expenses also increased approximately 7.4% from approximately HK$341.0 million in 2007 to approximately HK$366.3 million in 2008. Moreover, additional costs arising from the implementation of the New Labour Contract Law in the PRC imposed cost pressure on every company operating in the PRC. The management of Tianjin Port Development is committed to monitor head count and control employee costs as well as other costs at an optimal level. As at 31 December 2008, headcount, excluding that of associates and jointly-controlled entities, was 2,883, representing a decrease of approximately 8% compared to that of 2007.

The Tianjin Port Development Group acquired equity stakes in two labour service providers, one specialising in non-containerised cargo handling and the other in container handling. This move enabled the Tianjin Port Development Group to secure a stable source of outsourced labour with high service quality and reliability while at the same time reducing the costs of hiring these workers directly.

Year ended 31 December 2007 compared with the year ended 31 December 2006

Revenue

For the year ended 31 December 2007, the Tianjin Port Development Group's audited consolidated revenue amounted to approximately HK$1,193.8 million, representing an increase of approximately 15.2% compared to that of 2006.

Container handling business

For the year ended 31 December 2007, the revenue of the container handling business of the Tianjin Port Development Group amounted to approximately HK$791.0 million, representing an increase of approximately 19.2% compared to that of 2006.

During 2007, the Tianjin Port Development Group continued to operate its five existing wholly-owned container handling berths. The berths had a total quay length of 1,590 metres and a designed annual container throughput capacity of approximately 1.9 million TEUs. TCT, a flagship container terminal, won the China Outstanding Portainer Efficiency prize of the year awarded by the China Container Ports Association.

Notwithstanding there was no new addition in berth or terminal capacity in 2007, the container handling business of the Tianjin Port Development Group maintained high organic growth of approximately 10.9% in terms of throughput volume, achieving a total container throughput volume of approximately 2.76 million TEUs. This growth was, to a large extent, the result of operational efficiency and service quality. The growth in container handling volume boosted revenue to approximately HK$791.0 million, driving up gross profits by approximately 21.7%. The blended average unit price was approximately HK$286.4 per TEU in 2007, representing an increase of approximately 7.5% compared to that of 2006. Without any tariff changes in 2007, the increase was primarily due to the appreciation of RMB in the year of 2007.

The procedures required for the acquisition of Tianjin Port Alliance were not completed until January 2008 and therefore the results contributed by Tianjin Port Alliance were not included in the books of the Tianjin Port Development Group for the year ended 31 December 2007.

The market share of the Tianjin Port Development Group in the port of Tianjin for the year ended 31 December 2007 was approximately 38.9%, a drop from approximately 41.8% in 2006.

Non-containerised cargo handling business

For the year ended 31 December 2007, the Tianjin Port Development Group operated its non-containerised cargo handling business in seven wholly-owned deep-water berths with a total quay length of 1,459 metres. The largest berth could dock vessels of over 70,000 deadweight tonnes. The principal types of non-containerised cargo that the Tianjin Port Development Group handled were steel, grains, and other general cargo.

In January 2007, the Tianjin Port Development Group completely ceased its coal handling business for environmental reasons. The significant drop in throughput in 2007 was mainly due to the relocation process. In order to cope with the cessation of the coal handling business, the Tianjin Port Development Group improved its product mix, pushed toward higher unit prices, accelerated the introduction of potential products and maintained its dominant position in the steel and grain sectors.

For the year ended 31 December 2007, the Tianjin Port Development Group achieved a throughput volume of approximately 13.0 million tonnes, representing a decrease of approximately 21.6% compared to that of 2006. Despite this decline, the revenue of the Tianjin Port Development Group for the year ended 31 December 2007 amounted to approximately HK$386.2 million, representing an increase of approximately 7.3% compared to that of 2006. The average unit price per tonne in 2007 rose to approximately HK$29.7, which was HK$8.0 or approximately 36.9% higher than that of 2006. These outstanding results reflected the Tianjin Port Development Group management's ability to adapt to an ever evolving operational environment with effective strategies to combat adverse situations.

One of the long term goals of the Tianjin Port Development Group was to develop steel handling as a flagship product. To this end, the Steel Distribution Centre, which was established in August 2006 by the Tianjin Port Development Group, was the first and only steel logistics company within the port of Tianjin. The Tianjin Port Development Group achieved a record breaking steel handling volume of approximately 8.6 million tonnes, representing a growth of approximately 78.2% compared to that of 2006. The outstanding performance was partially attributable to the significant growth in production output and export volume of steel in the region, but more importantly was due to the efforts of the management of the Tianjin Port Development Group in establishing the Steel Distribution Centre in 2006.

Aside from steel, grain was the other principal product in the non-containerised cargo handling business. However, due to a significant drop in imports of soya beans in 2007, the Tianjin Port Development Group handled only approximately 1.4 million tonnes of grain, representing a sharp decrease of approximately 30.5% as compared to that of 2006. The unsatisfactory result was due to two factors which discouraged soya bean imports: (1) a good soya bean harvest in the PRC; and (2) the PRC government's temporary incentive for using local soya beans.

Logistics business

For the year ended 31 December 2007, no operational figures of HaiFeng were included because it was still in a pre-operational stage.

Cost Control

For the year ended 31 December 2007, the cost of sales of the Tianjin Port Development Group increased approximately 16.0% from approximately HK$484.2 million in 2006 to approximately HK$561.7 million in 2007, while administrative expenses and other operating expenses also increased approximately 15.4% from approximately HK$295.5 million in 2006 to approximately HK$341.0 million in 2007. Moreover, the year-on-year Consumer Price Index of the PRC in 2007 was approximately 4.8%. General inflationary pressure was more apparent, especially in regard to labour costs.

2. Employees

As at 31 December 2008, the Tianjin Port Development Group, excluding its associates and jointly-controlled entities, had a staff size of approximately 2,883 as compared to 3,131 and 3,272 as at 31 December 2007 and 31 December 2006 respectively. Remuneration packages are assessed in accordance with the nature of job duties, individual performance and market trends. Incentives in the Tianjin Port Development management's remuneration package are paid in the form of cash bonuses in addition to share options.

3. Liquidity and financial resources

As at 31 December 2008, cash and cash equivalents of the Tianjin Port Development Group was HK$588.9 million, compared to HK$438.8 million and HK$926.4 million as at 31 December 2007 and 2006 respectively.

The total borrowings of the Tianjin Port Development Group as at 31 December 2008 was approximately HK$1,140.3 million, compared to HK$390.0 million and HK$119.5 million as at 31 December 2007 and 2006 respectively.

For day-to-day liquidity management, Tianjin Port Development Group maintained flexibility in funding by obtaining sufficient uncommitted short-term facilities from banks. Given the low gearing ratio, the management of Tianjin Port Development would consider increasing the proportion of debt to equity if and when demand for additional funds arises. This may be done to lower the weighted average cost of capital, and hence, improve return to shareholders.

4. Financial ratio

As at 31 December 2008, the gearing ratio, being total borrowings divided by total equity, of the Tianjin Port Development Group was approximately 31.5%, compared to approximately 11.5% for 2007. All borrowings are denominated in HK$/US$ with a floating interest rate and repayable within five years. In addition, the current ratio, being total current assets divided by total current liabilities, was 5.4 times for the year ended 31 December 2008, compared to 4.8 times and 1.9 times for the year ended 31 December 2007 and 2006 respectively.

5. Capital structure

As at the end of 2008, the capital and reserves attributable to the equity holders of Tianjin Port Development was approximately HK$3,614.4 million. This represented an increase of approximately HK$224.6 million, or 6.6% compared to the end of 2007. During 2008, a final dividend for the year 2007 of HK$48.3 million and interim dividend for the year 2008 of HK$55.4 million were paid to the Tianjin Port Development Shareholders. As at the end of 2007, the capital and reserves attributable to the equity holders of Tianjin Port Development was approximately HK$3,389.8 million, representing an increase of approximately HK$391.6 million or 13.1% compared to the end of 2006. During 2007, a final dividend for the year 2006 of HK$41.1 million and interim dividend for the year 2007 of HK$48.3 million were paid to the Tianjin Port Development Shareholders.

As at 31 December 2008, the share capital of Tianjin Port Development was HK$178,710,000 divided into ordinary 1,787,100,000 shares of HK$0.10 each. The market capitalisation of Tianjin Port Development as at 31 December 2008 (the last trading day of 2008) and 31 December 2007 (the last trading day of 2007) was HK$3,270.4 million (issued shares of 1,787,100,000 shares at closing market price of HK$1.83 per share) and HK$10,633.2 million (issued shares of 1,787,100,000 shares at closing market price of HK$5.95 per share) respectively.

6. Charges on assets

As at 31 December 2008 and as at 31 December 2007, the Tianjin Port Development Group had no charges against any asset.

7. Financial management and treasury policy

The financial risk management of the Tianjin Port Development Group is the responsibility of the Tianjin Port Development Group's treasury function at the head office in Hong Kong. One of the major objectives of the Tianjin Port Development Group's treasury is to manage its exposure to fluctuations in foreign currency exchange rates and interest rates. It is the Tianjin Port Development Group's policy not to engage in speculative activities.

As at 31 December 2008, most of the Tianjin Port Development Group's assets and liabilities were denominated in RMB, except for the bank borrowings of HK$1,140.3 million. Due to the appreciation of RMB, the Tianjin Port Development Group recorded a gain in foreign exchange of HK$40.3 million for the year 2008 as compared to a loss of HK$16.3 million for the year 2007.

As at 31 December 2008, the Tianjin Port Development Group assessed its foreign exchange rate and interest rate risk exposure and has not entered into any hedging arrangements.

8. Contingent liabilities

The Enlarged Tianjin Port Development Group did not have any material contingent liabilities as at 31 December 2008 and 31 December 2007.

9. Future plans for material investments or capital assets

Tianjin Port Development, Grand Point and the Vendor entered into the Sale and Purchase Agreement, pursuant to which Tianjin Port Development, through its wholly-owned subsidiary Grand Point, agreed to conditionally acquire from the Vendor its interest in shares in the Target, representing 56.81% in the issued share capital of the Target, for a total consideration of HK$10,961 million. Please see the section "Letter from the Tianjin Port Development Directors" for details of the Proposed Acquisition.

10. Significant investments and material acquisitions and disposals of subsidiaries

The Tianjin Port Development Group has had three new joint ventures since its listing in May 2006, namely Tianjin Port Euroasia International Container Terminal Co., Ltd. ("Euroasia"), and Tianjin Port Alliance and HaiFeng. The joint venture partners include COSCO Group, APMT, Orient Overseas (International) Limited, PSA International Pte. Ltd and Mapletree Investments Pte Ltd.

Acquisition of Tianjin Port Alliance

Tianjin Port Development completed the acquisition of Tianjin Port Alliance in January 2008. A consideration of approximately RMB524.3 million was paid as agreed in the equity interest transfer agreement signed on 26 July 2007.

Establishment of HaiFeng

On 6 August 2007, the Tianjin Port Development Group entered into an agreement with a subsidiary of the Mapletree Investments Pte Ltd, which is a leading Singapore real estate and logistics business operator with an Asian focus. HaiFeng was established with the intent of developing a logistics park in the Dongjiang Bonded Free Port. HaiFeng is the first company engaged in the development of logistics warehousing projects in Dongjiang Bonded Free Port.

Establishment of Euroasia

Euroasia was established in September 2007. The Tianjin Port Development Group paid RMB504.0 million as consideration for its share in the capital of Euroasia.

INDEBTEDNESS OF THE ENLARGED TIANJIN PORT DEVELOPMENT GROUP

1. Indebtedness of the Tianjin Port Development Group

As at the close of business on 30 April 2009, being the latest practicable date for the purpose of the statement of indebtedness, the Tianjin Port Development Group had the following outstanding unsecured borrowings:

	HK$'000
Long-term borrowings	
– HK dollars denominated	1,146,726
– US dollars denominated	53,274
	1,200,000

As at the close of business on 30 April 2009, except for the Proposed Acquisition, the Tianjin Port Development Group had the following commitments:

	HK$'000
Capital commitments	
Contracted but not provided for	
– Property, plant and equipment	31,983
Other commitments	
Loan to a jointly-controlled entity	34,665

The Tianjin Port Development Group had entered into the following loan agreements with specific performance covenants:

(a) a facility agreement (the "1st Facility Agreement") dated 10 December 2007 between Tianjin Port Development Finance Limited (a wholly-owned subsidiary of Tianjin Port Development) as borrower (the "Borrower"), Tianjin Port Development as guarantor and six financial institutions as lenders (the "1st Lenders"), pursuant to which a 5-year revolving/term loan facility in an aggregate amount of HK$1,000,000,000 was made available by the 1st Lenders to the Borrower. The 1st Facility Agreement included a condition imposing specific performance obligations on Tianjin Development. The loan facility is unsecured, interest bearing and repayable in full on the date falling sixty months from the date of the agreement; and

(b) a facility agreement (the "2nd Facility Agreement") dated on 4 September 2008 between the Borrower, Tianjin Port Development as guarantor, and a financial institution as lender (the "2nd Lender"), pursuant to which a 5-year revolving/ term loan facility in an aggregate amount of HK$200,000,000 was made available by the 2nd Lender to the Borrower. The 2nd Facility Agreement included a condition imposing specific performance obligations on Tianjin Development. The loan facility is unsecured, interest bearing and repayable in full on the date falling sixty months from the date of the agreement.

In respect of the 1st Facility Agreement and 2nd Facility Agreement, it will be an event of default if Tianjin Development ceases to remain (directly or indirectly) as the single largest shareholder of the Borrower or Tianjin Port Development, or ceases to maintain shareholding interest of at least 35% (directly or indirectly) in the Borrower or Tianjin Port Development and in such event the 1st Lenders and the 2nd Lender may demand immediate repayment of the loans. Such obligation continues to exist as at the date of this circular.

Upon completion of the Proposed Acquisition, Tianjin Development will cease to be the single largest shareholder of Tianjin Port Development. Tianjin Port Development is currently in negotiation with the 1st Lenders and the 2nd Lender for a waiver of the above condition under the 1st Facility Agreement and the 2nd Facility Agreement.

Save as aforesaid and apart from intra-group liabilities, the Tianjin Port Development Group did not have, as at the close of business on 30 April 2009, any debt securities, any outstanding loan capital, any bank overdrafts, charges or debentures, mortgages, loans, or other similar indebtedness or any finance lease commitments, hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credit or any guarantees or other material contingent liabilities.

2. Indebtedness of the Target Group

As at the close of business on 30 April 2009, being the latest practicable date for the purpose of the statement of indebtedness, the Target Group had the following outstanding unsecured borrowings:

	RMB'000
Short-term borrowings	
– Renminbi denominated	1,093,200
Long-term borrowings	
– Renminbi denominated	3,720,490
– US dollars denominated	785,129
	4,505,619

As at the close of business on 30 April 2009, the Target Group had the following commitments:

	RMB'000
Capital commitments	
Contracted but not provided for	
– Property, plant and equipment	21,249
– Investment in joint ventures	1,473,447
	1,494,696

Save as aforesaid and apart from intra-group liabilities, the Target Group did not have, as at the close of business on 30 April 2009, any debt securities, any outstanding loan capital, any bank overdrafts, charges or debentures, mortgages, loans, or other similar indebtedness or any finance lease commitments, hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credit or any guarantees or other material contingent liabilities.

FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED TIANJIN PORT DEVELOPMENT GROUP

Tianjin Port Development Group and the Target Group are two major port operators in the port of Tianjin. The development of the port industry is closely related to the global economy and the economic activities of its hinterland. Affected by the recent global economic slowdown, gross domestic product of the PRC recorded only single-digit growth for the first time since 2003. Nonetheless, with its strong fundamentals and the introduction of a series of effective policies and measures to stimulate economic development, the PRC is well-positioned to recover at a faster pace than many other countries.

Upon completion of the Proposed Transaction, the Enlarged Tianjin Port Development Group will, directly or indirectly, control all commercially operating port cargo handling assets within the port of Tianjin. As the flagship listed entity of the port of Tianjin, it will be the best representative of the overall performance of the port of Tianjin.

This long term strategic integration is expected to result in a significant increase in scale of operations, improved resource integration and allocation, more centralised management and better coordination of project planning and construction, which would help to create meaningful synergies and strengthen overall competitiveness. In addition, the Proposed Acquisition will significantly increase the container handling business which is complemented by the significantly increased exposure to non-containerised cargo handling business, resulting in a more diversified business structure for the Enlarged Tianjin Port Development Group. Furthermore, the Enlarged Tianjin Port Development Group will benefit from the right of priority granted by the Vendor to further develop its core port cargo handling business and achieve economies of scale through the acquisition of quality assets from the Vendor.

In 2006, under the Eleventh Five-Year Plan, the Tianjin Binhai New Area was included as part of the State's developmental strategy and is designated to become a new regional economic growth driver after the Shenzhen Special Economic Zone and the Shanghai Pudong New Area. According to the Eleventh Five-Year Plan, Tianjin Municipality is to be developed into an international shipping and logistics centre for the northern regions of the PRC.

Under the Eleventh Five-Year Plan, a total of RMB36.6 billion will be invested between 2006 and 2010 to enhance the infrastructure of the port of Tianjin. It is anticipated that the container throughput of the port of Tianjin will reach 10 million TEUs by 2010. At the same time, during the period covered by the Eleventh Five-Year Plan, the enhancement of the transportation networks connecting Tianjin to its hinterland will be accelerated, which includes plans for the construction of new railroads and highways. The Eleventh Five-Year Plan will drive gross domestic product and trade value growth in Tianjin and the neighbouring region and subsequently spur further throughput growth in the port of Tianjin. As a key constituent of the Tianjin Binhai New Area, the Enlarged Tianjin Port Development Group is expected to benefit from, directly or indirectly, such government incentive policies to boost the economic growth within the area.

WORKING CAPITAL OF THE ENLARGED TIANJIN PORT DEVELOPMENT GROUP

Taking into account the expected completion of the Proposed Acquisition and the internal resources available to the Enlarged Tianjin Port Development Group, and subject to the completion of the arrangement as stated in the following paragraph to finance the cash consideration for the Proposed Acquisition, the Tianjin Port Development Directors are of the opinion that the Enlarged Tianjin Port Development Group has sufficient working capital for its present requirements, that is, for at least the next twelve months from the date of this circular.

Tianjin Port Development will finance the cash consideration for the Proposed Acquisition by:

- cash from internal resources of approximately HK$400 million;
- bank borrowings not exceeding HK$1,700 million; and
- issue and placement of Placing Shares and Option Shares for cash.

The net proceeds from the Proposed Placing of Placing Shares and Option Shares are dependent upon the offer price on the date of the Proposed Placing.

As at the date of this circular, Tianjin Port Development has commenced negotiations with certain financial institutions for the bank borrowings. The Tianjin Port Development Directors are of the opinion that the aforesaid bank borrowings will be obtained before the Completion.

The proportion of the Consideration to be satisfied by Consideration Shares and by cash which may be adjusted pursuant to the adjusting mechanism stipulated in the Sale and Purchase Agreement.

The following is the text of a report, prepared for the purpose of inclusion in this circular, received from the reporting accountant of Tianjin Development, PricewaterhouseCoopers.

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

19 June 2009

The Directors
Tianjin Development Holdings Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") of Tianjin Development Holdings Limited ("Tianjin Development") and its subsidiaries (together, the "Tianjin Development Group") set out in Sections I to III below, for inclusion in the joint circular of Tianjin Development and Tianjin Port Development Holdings Limited ("Tianjin Port Development") dated 19 June 2009 (the "Circular") in connection with the proposed acquisition by Tianjin Port Development of the 56.81% interest in the registered share capital of Tianjin Port Holdings Co., Ltd. and the resulting deemed disposal of Tianjin Port Development by Tianjin Development. The Financial Information comprises the consolidated balance sheets of the Tianjin Development Group as at 31 December 2006, 2007 and 2008, the balance sheets of Tianjin Development as at 31 December 2006, 2007 and 2008, and the consolidated income statements, the consolidated statements of changes in equity and the consolidated cash flow statements of the Tianjin Development Group for each of the years ended 31 December 2006, 2007 and 2008 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory notes.

Tianjin Development was incorporated in Hong Kong on 9 May 1997 with limited liability under the Hong Kong Companies Ordinance.

As at the date of this report, Tianjin Development has direct and indirect interests in the principal subsidiaries, associates and jointly controlled entities as set out in Notes 42 to 44 of Section I below. Except for Tianjin Port Development and Dynasty Fine Wines Group Limited, all of the other companies are private companies.

The consolidated financial statements of Tianjin Development for each of the years ended 31 December 2006, 2007 and 2008 were audited by us.

The Financial Information has been prepared based on the audited consolidated financial statements of the Tianjin Development, after making such adjustments as are appropriate.

Directors' responsibility

The directors of Tianjin Development during the Relevant Periods are responsible for the preparation and the true and fair presentation of the consolidated financial statements of Tianjin Development in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The directors of Tianjin Development are responsible for the preparation and the true and fair presentation of the Financial Information in accordance with HKFRSs. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the Financial Information that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Financial Information based on our examination and to report our opinion to you. We examined the audited consolidated financial statements of Tianjin Development for the Relevant Periods used and the related adjustments made in preparing the Financial Information, and carried out such additional procedures as we considered necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Opinion

In our opinion, the Financial Information, for the purpose of this report, gives a true and fair view of the state of affairs of Tianjin Development as at 31 December 2006, 2007 and 2008 and of the Tianjin Development Group as at 31 December 2006, 2007 and 2008 and of the Tianjin Development Group's results and cash flows for the Relevant Periods.

I. FINANCIAL INFORMATION

The following is the Financial Information of the Tianjin Development Group as at 31 December 2006, 2007 and 2008 and for each of the years ended 31 December 2006, 2007 and 2008.

Consolidated Income Statement
For the year ended 31 December

	Note	2006 HK$'000	2007 HK$'000	2008 HK$'000
Continuing operations:				
Revenue	5	2,560,056	3,268,013	3,787,423
Cost of sales		(1,765,203)	(2,356,775)	(2,946,266)
Gross profit		794,853	911,238	841,157
Other income	6	178,117	77,574	101,286
Other gains, net	7	64,924	117,183	172,485
Gain on deemed disposal of partial interests in subsidiaries	1(ii)	109,235	–	–
Gain on toll roads restructuring	1(iii)	–	165,913	–
Excess of fair value of net assets acquired over the cost of acquisition of subsidiaries	1(iv),(v)	–	–	203,103
Impairment loss on leasehold land	19	–	–	(150,000)
General and administrative expenses		(449,381)	(496,128)	(654,787)
Other operating expenses		(4,837)	(47,756)	(64,669)
Operating profit	8	692,911	728,024	448,575
Finance costs	10	(149,293)	(101,130)	(65,661)
Net loss on convertible bonds		(63,847)	–	–
Share of profits/(losses) of				
Associates	22	181,215	220,651	253,146
Jointly controlled entities	23	(11,779)	(9,831)	(11,077)
Profit before tax		649,207	837,714	624,983
Tax expense	11	(57,949)	(62,569)	(72,955)
Profit for the year from continuing operations		591,258	775,145	552,028
Discontinued operation:				
Profit for the year from discontinued operation	15	45,923	52,094	48,574
Profit for the year		637,181	827,239	600,602
Attributable to:				
Equity holders of Tianjin Development		552,751	690,301	505,861
Minority interests		84,430	136,938	94,741
		637,181	827,239	600,602

	Note	2006 HK cents	2007 HK cents	2008 HK cents
Earnings per share	*13*			
Basic				
From continuing operations		54.67	63.53	43.75
From discontinued operation		3.25	3.89	3.97
		57.92	67.42	47.72
Diluted				
From continuing operations		54.38	63.02	43.75
From discontinued operation		3.24	3.84	3.97
		57.62	66.86	47.72
		HK$'000	*HK$'000*	*HK$'000*
Dividends	*14*	92,241	115,701	96,072

Consolidated Balance Sheet
As at 31 December

	Note	2006 HK$'000	2007 HK$'000	2008 HK$'000
ASSETS				
Non-current assets				
Property, plant and equipment	16	4,106,118	2,650,817	3,390,071
Investment property	17	383,085	–	–
Goodwill	18	586,050	510,847	510,847
Leasehold land and land use rights	19	761,516	797,549	1,420,412
Toll road operating right	20	1,707,451	1,815,640	–
Interest in associates	22	1,150,667	1,377,480	1,590,350
Interest in jointly controlled entities	23	91,903	764,181	1,475,520
Deferred tax assets	34	4,960	26,759	129,395
Available-for-sale financial assets	24	108,161	107,117	128,453
		8,899,911	8,050,390	8,645,048
Current assets				
Inventories	25	12,706	7,098	10,337
Amounts due from associates	26	22,218	23,325	2,553
Amounts due from jointly controlled entities	26	284	3,205	6,858
Amounts due from related companies	27	24,332	21,748	13,000
Amounts due from a minority shareholder	27	12,382	–	–
Amounts due from investee companies	27	100,871	127,738	162,036
Trade receivables	28	478,692	714,178	756,029
Other receivables, deposits and prepayments	28	198,566	432,739	231,028
Financial assets at fair value through profit or loss	29	177,286	306,417	472,703
Restricted bank balance	30	28,640	–	–
Time deposits with maturity over three months	30	424,898	580,341	952,815
Cash and cash equivalents	30	2,850,740	2,655,841	1,845,316
		4,331,615	4,872,630	4,452,675
Assets held for sale	15	–	–	2,376,166
		4,331,615	4,872,630	6,828,841
Total assets		13,231,526	12,923,020	15,473,889

	Note	2006 HK$'000	2007 HK$'000	2008 HK$'000
EQUITY				
Equity holders				
Share capital	31	98,244	103,562	106,747
Reserves – others	32	6,762,453	8,062,702	9,116,065
Reserves – proposed final dividend	32	45,192	57,995	32,024
		6,905,889	8,224,259	9,254,836
Minority interests		2,464,540	1,928,264	2,048,064
Total equity		9,370,429	10,152,523	11,302,900
LIABILITIES				
Non-current liabilities				
Borrowings	33	1,714,485	1,245,580	2,557,349
Deferred tax liabilities	34	93,796	57,664	90,769
		1,808,281	1,303,244	2,648,118
Current liabilities				
Trade payables	35	221,123	186,592	198,168
Other payables and accruals		632,235	798,829	837,317
Amounts due to related companies	27	336,244	141,852	218,329
Amounts due to minority shareholders	27	197,480	16,894	1,079
Amounts due to ultimate holding company	26	–	–	15,051
Borrowings	33	563,814	223,836	33,389
Current tax liabilities		101,920	99,250	67,139
		2,052,816	1,467,253	1,370,472
Liabilities directly associated with assets classified as held for sale	15	–	–	152,399
		2,052,816	1,467,253	1,522,871
Total liabilities		3,861,097	2,770,497	4,170,989
Total equity and liabilities		13,231,526	12,923,020	15,473,889
Net current assets		2,278,799	3,405,377	5,305,970
Total assets less current liabilities		11,178,710	11,455,767	13,951,018

Balance Sheet
As at 31 December

	Note	2006 HK$'000	2007 HK$'000	2008 HK$'000
ASSETS				
Non-current assets				
Property, plant and equipment	16	3,726	3,733	2,899
Interest in subsidiaries	21	6,293,962	7,517,322	8,864,379
Interest in an associate	22	–	194,865	206,796
		6,297,688	7,715,920	9,074,074
Current assets				
Other receivables, deposits and prepayments	28	17,081	26,929	7,002
Amount due from an associate	26	4,000	–	–
Amount due from ultimate holding company	26	–	–	535
Time deposits with maturity over three months	30	20,672	14,002	28,798
Cash and cash equivalents	30	48,256	81,637	105,474
		90,009	122,568	141,809
Total assets		6,387,697	7,838,488	9,215,883

	Note	2006 HK$'000	2007 HK$'000	2008 HK$'000
EQUITY				
Equity holders				
Share capital	*31*	98,244	103,562	106,747
Reserves – others	*32*	5,057,619	6,669,871	7,391,900
Reserves – proposed final dividend	*32*	45,192	57,995	32,024
Total equity		5,201,055	6,831,428	7,530,671
LIABILITIES				
Non-current liabilities				
Borrowings	*33*	908,652	855,580	1,417,099
Amounts due to subsidiaries		118,772	75,655	201,820
		1,027,424	931,235	1,618,919
Current liabilities				
Borrowings	*33*	142,389	58,389	33,389
Other payables and accruals		16,829	17,436	32,904
		159,218	75,825	66,293
Total liabilities		1,186,642	1,007,060	1,685,212
Total equity and liabilities		6,387,697	7,838,488	9,215,883
Net current (liabilities)/ assets		(69,209)	46,743	75,516
Total assets less current liabilities		6,228,479	7,762,663	9,149,590

Consolidated Cash Flow Statement
For the year ended 31 December

	Note	2006 HK$'000	2007 HK$'000	2008 HK$'000
Cash flows from operating activities				
Cash generated from operations	38(a)	730,082	350,814	520,118
Interest paid		(110,492)	(96,612)	(64,492)
PRC income tax paid		(51,328)	(90,592)	(98,389)
Net cash from operating activities		568,262	163,610	357,237
Cash flows from investing activities				
Interest received		148,727	53,352	64,589
Purchase of property, plant and equipment		(444,868)	(267,891)	(258,979)
Proceeds from disposal of property, plant and equipment		1,208	3,266	9,698
Proceeds from disposal of an investment property		–	407,216	–
Proceeds from disposal of associates		–	1,978	–
Proceeds from disposal of jointly controlled entities		–	15,213	–
Proceeds from disposal of available-for-sale financial assets		3,817	20,229	–
Purchase of land use right		(518,417)	–	–
Acquisition of subsidiaries	38(b)	(113,312)	–	(667,253)
Acquisition of additional interest in a subsidiary		–	–	(88,512)
Disposal of a subsidiary	38(c)	35,534	542	–
Toll roads restructuring	38(d)	–	(13,526)	–
Investment in an associate		(6,603)	(890)	(1,425)
Investment in jointly controlled entities		(19,231)	(704,467)	(570,186)
Increase in time deposits with maturity over three months		(78,017)	(155,443)	(351,586)
Increase in available-for-sale financial assets		–	(345)	(40,053)
(Increase)/decrease in amounts due from associates		(3,171)	(7,027)	21,844
Increase in amounts due from jointly controlled entities		–	(3,093)	(175,783)

	Note	2006 HK$'000	2007 HK$'000	2008 HK$'000
Increase in amounts due from investee companies		(18,720)	(18,749)	(26,239)
Dividends received from associates		69,415	226,801	169,749
Dividends from a jointly controlled entity		261	–	–
Net cash used in investing activities		(943,377)	(442,834)	(1,914,136)
Cash flows from financing activities				
Repayment of bank borrowings		(1,538,364)	(745,525)	(121,273)
Drawdown of bank borrowings		1,484,672	829,501	1,375,880
Repayment of loans from a minority shareholder		(14,156)	(109,581)	(173,998)
Drawdown of loans from a minority shareholder		40,451	–	–
(Increase)/decrease in restricted bank balance		(28,640)	28,640	–
Dividends paid to equity holders		(83,387)	(103,562)	(123,827)
Dividends paid to minority shareholders		(22,450)	(60,117)	(71,034)
Net proceeds from spin off of a subsidiary		1,157,252	–	–
Issue of new shares		1,550	5,890	–
Contribution from minority shareholders		–	912	–
Net cash from/(used in) financing activities		996,928	(153,842)	885,748
Net increase/(decrease) in cash and cash equivalents		621,813	(433,066)	(671,151)
Cash and cash equivalents at beginning of the year		2,158,434	2,850,740	2,655,841
Exchange gains		70,493	238,167	144,803
Cash and cash equivalents at end of the year		2,850,740	2,655,841	2,129,493
Continuing operations		2,850,740	2,655,841	1,845,316
Discontinued operation	15	–	–	284,177
		2,850,740	2,655,841	2,129,493

Consolidated Statement of Changes in Equity
For the year ended 31 December

		Equity holders				
	Note	**Share capital** *HK$'000*	**Reserves** *HK$'000*	**Sub-total** *HK$'000*	**Minority interests** *HK$'000*	**Total** *HK$'000*
At 1 January 2006		91,066	5,750,244	5,841,310	1,277,327	7,118,637
Currency translation differences		–	210,462	210,462	52,451	262,913
Profit for the year		–	552,751	552,751	84,430	637,181
Release of exchange reserve upon disposal of a subsidiary		–	(1,915)	(1,915)	–	(1,915)
Total recognised income for the year		–	761,298	761,298	136,881	898,179
Issue of new shares:						
– Conversion of convertible bonds	*31, 32*	5,128	264,676	269,804	–	269,804
– Exercise of share options	*31, 32*	50	1,500	1,550	–	1,550
Share based payments		–	2,377	2,377	1,409	3,786
Contribution from minority shareholders		–	–	–	1,048,017	1,048,017
Acquisition of a subsidiary	*38(b)*	2,000	111,000	113,000	23,407	136,407
Disposal of a subsidiary		–	(63)	(63)	(51)	(114)
Dividends		–	(83,387)	(83,387)	(22,450)	(105,837)
At 31 December 2006		98,244	6,807,645	6,905,889	2,464,540	9,370,429

		Equity holders				
	Note	Share capital *HK$'000*	Reserves *HK$'000*	Sub-total *HK$'000*	Minority interests *HK$'000*	Total *HK$'000*
At 1 January 2007		98,244	6,807,645	6,905,889	2,464,540	9,370,429
Currency translation differences		–	509,196	509,196	159,870	669,066
Profit for the year		–	690,301	690,301	136,938	827,239
Total recognised income for the year		–	1,199,497	1,199,497	296,808	1,496,305
Issue of new shares:						
– Conversion of convertible bonds	*31,32*	5,128	209,581	214,709	–	214,709
– Exercise of share options	*31,32*	190	5,700	5,890	–	5,890
Share based payments		–	1,836	1,836	1,088	2,924
Contribution from minority shareholders		–	–	–	912	912
Disposal of a subsidiary	*38(c)*	–	–	–	(8,340)	(8,340)
Toll roads restructuring	*38(d)*	–	–	–	(766,627)	(766,627)
Dividends		–	(103,562)	(103,562)	(60,117)	(163,679)
At 31 December 2007		103,562	8,120,697	8,224,259	1,928,264	10,152,523
Currency translation differences		–	448,323	448,323	117,731	566,054
Profit for the year		–	505,861	505,861	94,741	600,602
Total recognised income for the year		–	954,184	954,184	212,472	1,166,656
Issue of new shares upon acquisition of a subsidiary	*31,32*	3,185	164,346	167,531	–	167,531
Acquisition of a subsidiary	*38(b)*	–	–	–	82,715	82,715
Share based payments		–	32,689	32,689	732	33,421
Acquisition of additional interest in a subsidiary		–	–	–	(105,085)	(105,085)
Dividends		–	(123,827)	(123,827)	(71,034)	(194,861)
At 31 December 2008		106,747	9,148,089	9,254,836	2,048,064	11,302,900

Notes to the Financial Information

1. General information

The Tianjin Development Group is principally engaged in the provision of port services, supply of utilities and operation of commercial properties.

Tianjin Development is a limited liability company incorporated in Hong Kong. The address of its registered office is Suites 7-13, 36/F, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.

Tianjin Development has its primary listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

During the Relevant Periods, the major changes in the Tianjin Development Group are as follows:

(i) On 18 April 2006, the Tianjin Development Group acquired approximately 90.9% of equity interest of Tianjin TEDA Tsinlien Heat & Power Co., Ltd. ("Heat & Power Company"), a company engaged in steam and thermal power supply in Tianjin Economic – Technological Development Area ("TEDA"), for a cash consideration of HK$306.6 million and an issue of 20 million of Tianjin Development's share. Goodwill of approximately HK$184,594,000 arose as a result of this acquisition (Note 40(i)).

(ii) The port services business was spun off as a separate listed company on the Main Board of the Stock Exchange on 24 May 2006. The Tianjin Development Group's interest was diluted from 100% to 62.8% thereafter. A gain of HK$109,235,000 arose as a result of the spin off.

(iii) On 27 July 2007, the Tianjin Development Group entered into 5 sale and purchase agreements which resulted in the increase in the Tianjin Development Group's shareholding in Dynamic Infrastructure Limited from 78% to 100%, Coastal Rapid Transit Company Limited from 78% to 100%, Pearl Harbour Investment Limited from 50% to 100%, and decrease in Golden Horse Resources Limited from 78% to 40%. The Tianjin Development Group entered into this transaction to unwind the previous group reorganisation completed in 2003 which was effected in preparation for the application for the separate listing of the toll roads business of the Tianjin Development Group and such application was lapsed in September 2004. The gain arising from the transaction was approximately HK$165,913,000. (Note 38(d)).

(iv) On 4 January 2008, the Tianjin Development Group completed the acquisition of the entire issued share capital of Lethia Limited ("Lethia") at a consideration of US$7.5 million. Lethia's assets mainly comprise 50% equity interest in Tianjin First Hotel Limited ("First Hotel"), a sino-foreign equity joint venture company holding a five-star hotel property situated in Tianjin managed by Hyatt of China Limited.

    On 4 March 2008, the Tianjin Development Group completed the acquisition of a further 25% equity interest in First Hotel through Lethia at a consideration of RMB75.5 million.

    Excess of fair value of net assets acquired over the cost of acquisition of subsidiaries of approximately HK$3,316,000 arose as a result of the acquisition (Note 40(ii)).

(v) On 28 March 2008, the Tianjin Development Group completed the acquisition of the entire equity interest in, and all the shareholders' loan advanced to, Tsinlien Realty Limited ("Realty") at a cash consideration of HK$560 million and an issue of 31,850,000 new shares of Tianjin Development. Excess of fair value of net assets acquired over the cost of acquisition of approximately HK$199,787,000 arose as a result of the acquisition (Note 40(iii)).

(vi) Prior to the end of 2008, management had resolved to dispose of the Tianjin Development Group's 83.93% interest in Tianjin Jin Zheng Transportation Development Co., Ltd. ("Jinzheng") which is the operator of the Eastern Outer Ring Road ("EORR"). Actions had been initiated to effect the disposal and the transaction is expected to be completed in 2009. Accordingly, the assets and liabilities related to Jinzheng have been presented as held for sale as at 31 December 2008 (Note 15).

2. Basis of preparation and accounting policies

The significant accounting policies adopted in the preparation of the Financial Information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The Financial Information has been prepared in accordance with the HKFRSs and are prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets at fair value through profit or loss and investment properties which are carried at fair value.

The preparation of the Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Tianjin Development Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information, are disclosed in Note 4.

The following new standards, amendments and interpretations to existing standards have been published and are relevant to the Tianjin Development Group's accounting periods beginning on or after 1 January 2009 or later periods but are not effective for financial year ended 31 December 2008 and have not been early adopted by the Tianjin Development Group:

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 (Amendment)	Financial Instruments: Presentation
HKAS 27 and HKFRS 1 (Amendment)	Consolidated and Separate Financial Statements and First-time adoption of HKFRS – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Share-based payment
HKFRS 3 (Revised)	Business Combinations
HKFRS 7 (Amendment)	Financial Instruments: Disclosure
HKFRS 8	Operating Segments
HK(IFRIC)-Int 17	Distribution of Non-cash Assets to Owners
HK(IFRIC)-Int 18	Transfers of Assets from Customers

The following improvements to HKFRS will be effective on 1 January 2009.

HKAS 1 Amendment	Presentation of Financial Statements
HKAS 16 Amendment	Property, Plant and Equipment
HKAS 19 Amendment	Employee Benefits
HKAS 23 Amendment	Borrowing Costs
HKAS 27 Amendment	Consolidated and Separate Financial Statements
HKAS 28 Amendment	Investments in Associates
HKAS 31 Amendment	Interests in Joint Ventures
HKAS 36 Amendment	Impairment of Assets
HKAS 38 Amendment	Intangible Assets
HKAS 39 Amendment	Financial Instruments: Recognition and Measurement
HKFRS 5 Amendment	Non-current Assets Held for Sale and Discontinued Operations

The Tianjin Development Group has already commenced an assessment of the impact of these new standards, amendments and interpretations but is not yet in a position to state whether they would have a significant impact on its results of operations and financial position.

(a) Consolidation

The Financial Information includes the financial information of Tianjin Development and all its subsidiaries made up to 31 December.

(i) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Tianjin Development Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Tianjin Development Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Tianjin Development Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Tianjin Development Group. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Tianjin Development Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary in the Financial Information to ensure consistency with the policies adopted by the Tianjin Development Group.

Investments in subsidiaries are carried on the balance sheet of Tianjin Development at cost together with advances by Tianjin Development which are neither planned nor likely to be settled in the foreseeable future, less provision for impairment. Provision for impairment in a subsidiary is made when the recoverable amount of the subsidiary is lower than Tianjin Development's respective cost of investment. The results of subsidiaries are accounted for by Tianjin Development on the basis of dividend income.

(ii) Transactions with minority interests

The Tianjin Development Group applies a policy of treating transactions with minority interests as transactions with parties external to the Tianjin Development Group. Disposals to minority interests result in gains and losses for the Tianjin Development Group and are recorded in the consolidated income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

(iii) Associates

Associates are all entities over which the Tianjin Development Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Tianjin Development Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss. See Note 2(i) for the impairment of non-financial assets including goodwill.

The Tianjin Development Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Tianjin Development Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Tianjin Development Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Tianjin Development Group and its associates are eliminated to the extent of the Tianjin Development Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Tianjin Development Group.

In Tianjin Development's balance sheet, the investments in associates are stated at cost less provision for impairment losses (Note 2(i)). The results of associates are accounted for by Tianjin Development on the basis of dividend income.

(iv) Jointly controlled entities

A jointly controlled entity is a contractual arrangement whereby the Tianjin Development Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

The Tianjin Development Group's share of its jointly controlled entities' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Tianjin Development Group's share of losses in a jointly controlled entity equals or exceeds its interest in the jointly controlled entity, including any other unsecured receivables, the Tianjin Development Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entities.

Unrealised gains on transactions between the Tianjin Development Group and its jointly controlled entities are eliminated to the extent of the Tianjin Development Group's interest in the jointly controlled entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of jointly controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Tianjin Development Group.

In Tianjin Development's balance sheet, the investments in jointly controlled entities are stated at cost less provision for impairment losses. The results of jointly controlled entities are accounted for by Tianjin Development on the basis of dividend income.

(b) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Tianjin Development Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Financial Information are presented in Hong Kong dollars, which is the Tianjin Development Group's presentation currency. The functional currency of Tianjin Development and the Tianjin Development Group's subsidiaries in the PRC is Renminbi.

The Directors consider that presentation of Financial Information in Hong Kong dollars will facilitate analysis of the financial information of the Tianjin Development Group.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or revaluation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Translation differences on non-monetary financial assets held at fair value through profit or loss is reported as part of the fair value gain or loss. Translation differences on non-monetary available-for-sale financial assets is included in equity.

(iii) Tianjin Development Group companies

The results and financial position of all the Tianjin Development Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

– assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

– income and expenses for each consolidated income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

– all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the consolidated income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rates at the balance sheet date.

(d) Property, plant and equipment

Buildings comprise mainly office premises. All plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Tianjin Development Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance expenses are charged in the consolidated income statement during the financial period in which they are incurred.

Depreciation of building, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Buildings	10 – 40 years
Port facilities	35 – 41 years
Plant and machinery	3 – 35 years
Leasehold improvement, furniture and equipment	3 – 10 years
Motor vehicles	5 – 12 years
Others	5 years

No depreciation is provided for construction in progress.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2(i)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised in the consolidated income statement.

(e) Investment properties

Land held for undetermined future use and property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the Tianjin Development Group, is classified as investment property. Investment property comprises land held under operating leases and the buildings thereon.

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Tianjin Development Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are reviewed by external valuers.

Changes in fair values are recognised in the income statement.

(f) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Tianjin Development Group's share of the net identifiable assets of the acquired subsidiary, associate and jointly controlled entity at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates and jointly controlled entities is included in investments in associates and jointly controlled entities. Separately recognised goodwill is carried at cost less accumulated impairment losses. It is tested for impairment annually and whenever events or changes in circumstances indicate that the carrying amount exceeds its recoverable amount. Impairment losses on separately recognised goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units ("CGUs") for the purpose of impairment testing. The allocation is made to those CGUs that are expected to benefit from the business combination in which the goodwill arose.

(g) Leasehold land and land use rights

The upfront prepayments made for leasehold land and land use rights are expensed in the consolidated income statement on a straight line basis over the period of the operating lease or when there is impairment, it is recognised immediately.

(h) Toll road operating right

Toll road operating right is carried at historical cost less accumulated amortisation and any accumulated impairment losses.

Amortisation of toll road operating right is calculated to write off their carrying values on units-of-usage basis whereby the amount of amortisation is provided based on the ratio of actual traffic volume compared to the total projected traffic volume over the remaining toll collection periods. The projected traffic volume of toll road is reviewed regularly with references to both internal and external sources of information and adjusted if appropriate.

(i) Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are at least tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (i.e. CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(j) Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets held-for-sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

(k) Financial assets

The Tianjin Development Group classifies its financial assets in the following three categories:

(i) Financial assets at fair value through profit or loss;

(ii) Loans and receivables; and

(iii) Available-for-sale financial assets.

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current asset.

Assets in this category are initially recognised at fair value, and transaction costs are expensed in the consolidated income statement, and are subsequently remeasured at their fair values. Gains and losses arising from changes in the fair values are included in the consolidated income statement in the period in which they arise, except where the derivatives qualify for cash flow hedge accounting, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated income statement as part of other income when the Tianjin Development Group's right to receive payments is established.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the balance sheet date which are classified as non-current assets.

Loans and receivable are recognised initially at fair value, net of transaction costs incurred. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any other categories. They are included in non-current assets unless management intends to dispose of the investment within twelve months of the balance sheet date. Assets in this category are initially recognised at fair value plus transaction costs and are subsequently carried at fair value. Gains and losses arising from changes in the fair value are recognised in equity.

When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated income statement as gains and loss from available-for-sale financial assets.

Dividends on available-for-sale financial assets are recognised in the consolidated income statement as part of other income when the Tianjin Development Group's right to receive payments is established.

Regular purchases and sales of financial assets are recognised on the date of trade when the Tianjin Development Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Tianjin Development Group has transferred substantially all risks and rewards of ownership.

The fair values of quoted investments and derivative financial instruments are based on current bid prices. For unlisted securities and when the market for a financial asset is not active, the Tianjin Development Group establishes fair value by using appropriate valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis.

The Tianjin Development Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value less any impairment loss on that financial assets previously recognised in the consolidated income statement, is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

(l) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises materials, direct labour and an appropriate portion of production overheads calculated on a weighted average basis but excludes borrowing costs. Net realisable value is determined on the basis of anticipated sales proceed less estimated cost to completion and selling expenses.

(m) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Tianjin Development Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated income statement. When a trade receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited to the consolidated income statement.

(n) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(o) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(p) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Tianjin Development Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

(q) Convertible bonds

(i) Convertible bonds with equity component

Convertible bonds that can be converted to equity share capital at the option of the holders, where the number of shares that would be issued on conversion and the value of the consideration that would be received do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition, the liability component of the convertible bonds is determined using a market interest rate for an equivalent non-convertible bond. The remainder of the proceeds is allocated to the conversion option as equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost, calculated using the effective interest method, until extinguished on conversion or maturity. The equity component is recognised in equity, net of any tax effects.

When the bond is converted, the relevant equity component and the carrying amount of the liability component at the time of conversion are transferred to share capital and share premium for the shares issued. When the bond is redeemed, the relevant equity component is transferred to retained earnings.

(ii) Convertible bonds without equity component

All other convertible bonds which do not exhibit the characteristics mentioned in (i) above are accounted for as hybrid instruments consisting of an embedded derivative and a host debt contract.

At initial recognition, the embedded derivative of the convertible bonds is accounted for as derivative financial instruments and is measured at fair value. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as liability under the contract. Transaction costs that relate to the issue of the convertible bond are allocated to the liability under the contract.

The derivative component is subsequently carried at fair value and changes in fair value are recognised in the income statement. The liability under the contract is subsequently carried at amortised cost, calculated using the effective interest method, until extinguished on conversion or maturity.

When the bond is converted, the carrying amount of the liability under the contract together with the fair value of the relevant derivative component at the time of conversion are transferred to share capital and share premium as consideration for the shares issued. When the bond is redeemed, any difference between the redemption amount and the carrying amounts of both components is recognised in the income statement.

(r) Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(s) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where Tianjin Development, its subsidiaries, associates and jointly controlled entities operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the timing of the reversal of the temporary difference is controlled by the Tianjin Development Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(t) Employee benefits

(i) Retirement scheme obligations

Employees of the Tianjin Development Group's subsidiaries in the People's Republic of China (the "PRC") are members of state-managed employee pension scheme operated by the Tianjin Municipal People's Government which undertakes to assume the retirement benefit obligations of all existing and future retired employees. The Tianjin Development Group's obligation is to make the required contributions under the schemes. In addition, the Tianjin Development Group also contributes to a mandatory provident fund scheme for all Hong Kong employees. Both schemes are defined contribution plans. All these contributions are based on a certain percentage of the staff's salary and are charged to the consolidated income statement as incurred.

(ii) Share-based compensation

The Tianjin Development Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as considerations for equity instruments (options) of the Tianjin Development Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted, excluding the impact of any non-market service and performance vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision of original estimates, if any, in the consolidated income statement with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(u) Provisions

Provisions are recognised when the Tianjin Development Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(v) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of the Tianjin Development Group's activities. Revenue is shown net of value-added tax, business tax, returns and discounts. Revenue is recognised as follows:

(i) Sales of goods are recognised when goods are delivered to customers.

(ii) Toll revenue is recognised when services are rendered.

(iii) Port service income is recognised when services are rendered.

(iv) Sales of electricity, water, heat and thermal power are recognised based on meter readings of actual utilisation.

(v) Government supplemental income is recognised on accrual basis in accordance with the terms of the relevant documents from Government.

(vi) Rental and management fee income is recognised on accrual basis.

(vii) Interest income is accrued on a time-proportion basis using the effective interest method.

(viii) Dividend income is recognised when the right to receive payment is established.

(ix) Hotel revenue from room rentals, food and beverage sales and other ancillary services is recognised upon provision of services.

(w) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

(x) Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

(y) Dividend distribution

Dividend distribution to Tianjin Development's shareholders is recognised as a liability in the Tianjin Development Group's financial information in the period in which the dividends are approved by Tianjin Development's shareholders.

(z) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Tianjin Development Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Tianjin Development Group.

3. Financial risk management

3.1 Financial risk factors

The Tianjin Development Group's activities expose it to a variety of financial risks: market risk (including currency risk, price risk and interest rate risk), credit and counterparty risk and liquidity risk. The Tianjin Development Group's financial risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Tianjin Development Group's financial performance by actively managing debt level and cash flow in order to maintain a strong balance sheet and minimising refinancing and liquidity risks by attaining healthy debt repayment capacity, appropriate maturity profile and availability of banking facilities. The Tianjin Development Group adheres to a policy of financial prudence and did not use any derivative financial instruments or structured financial products during the year.

(a) Market risk

(i) Foreign exchange risk

The principal subsidiaries of the Tianjin Development Group operate in the PRC with almost all of the transactions settled in Renminbi and did not have significant exposure to foreign exchange risks during the year.

The actual foreign exchange risk faced by the Tianjin Development Group therefore primarily with respect to bank balances and deposits, financial assets at fair value through profit or loss, receivable and payable and borrowings made by the Tianjin Development Group which are denominated in non-functional currency mainly Hong Kong dollars (collectively "Non-Functional Currency Items").

At 31 December 2008, with all other variables held constant, if Hong Kong dollars had weakened/strengthened against Renminbi by 5% (2007: 5% and 2006: 5%), the Tianjin Development Group's post-tax profit would have been increased/decreased by approximately HK$120,453,000 (2007: HK$50,048,000 and 2006: HK$13,533,000) as a result of the translation of those Non-Functional Currency Items.

(ii) Price risk

The Tianjin Development Group is exposed to equity securities price risk because the Tianjin Development Group's investments in listed shares and unlisted funds are classified on the consolidated balance sheet as financial assets at fair value through profit or loss specified in Note 29. The Tianjin Development Group is not exposed to commodity price risk.

To manage its price risk arising from investments in equity securities, the Tianjin Development Group diversifies its portfolio and invests in relatively low-risk funds such as money market funds. Since the amount of the investments in listed shares is not significant to the Tianjin Development Group, management is of the view that the exposure to equity securities price risk is limited. For the Tianjin Development Group's investments in unlisted equity funds and money market funds, due to the difficulty in estimating the correlation with the market indexes of the underlying equity securities of the funds or the correlation with the interest rate trend of the underlying money market investments and the diversified nature of the funds, no sensitivity analysis for price risk is performed as it cannot be reliably estimated.

(iii) Interest rate risk

Other than bank balances and deposits (the "Interest Bearing Assets") specified in Note 30, the Tianjin Development Group has no other significant interest-bearing assets.

The Tianjin Development Group's interest rate risk arises from borrowings (the "Interest Bearing Liabilities") as set out in Note 33. Borrowings issued at variable rates expose the Tianjin Development Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Tianjin Development Group to fair value interest rate risk. The Tianjin Development Group's policy is to maintain a mixed portfolio of borrowings subject to variable and fixed interest rates. The Tianjin Development Group also analyses its interest rate exposure periodically by considering refinancing, renewal of existing positions and alternative financing. At 31 December 2008, the Tianjin Development Group's Interest Bearing Liabilities were entirely borrowings at variable rates of HK$2,590,738,000 (2007: HK$1,303,969,000 at variable rates and HK$165,447,000 at fixed rates, 2006: HK$1,707,042,000 at variable rates and HK$571,257,000 at fixed rates).

At 31 December 2008, with all other variables held constant, if the interest rate on HK dollar-denominated borrowings at variable interest rate, bank balances and deposits had increased/decreased by 50 basis points (2007: 100 basis points and 2006: 100 basis points), the corresponding increase/decrease in net finance costs (representing interest income on the Interest Bearing Assets less interest expenses on Interest Bearing Liabilities) would have resulted in a decrease/increase in the Tianjin Development Group's profit after taxation by HK$10,730,000 (2007: HK$4,777,000 and 2006: HK$2,916,000). At 31 December 2008, if the interest rate on Renminbi-denominated borrowings at variable interest rate, bank balances and deposits had increased/decreased by 100 basis points (2007: 50 basis points and 2006: 100 basis points), the corresponding decrease/increase in net finance costs would have resulted in an increase/decrease in the Tianjin Development Group's profit after taxation by HK$22,709,000 (2007: HK$9,447,000 and 2006: HK$11,653,000).

The Tianjin Development Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

(b) Credit risk

Credit risk mainly arises from cash deposits and financial assets at fair value through profit or loss maintained with banks and other financial institutions, as well as credit exposures to jointly controlled entities, associates, related companies, minority shareholders, investee companies and customers (including outstanding trade receivable balances). The carrying amounts of these balances substantially represents the Tianjin Development Group's maximum exposure to credit and counterparty risk as at 31 December 2008.

A significant portion of the Tianjin Development Group's cash deposits and financial assets at fair value through profit or loss are placed with state-owned and listed banks. The Tianjin Development Group has policies in place to ensure that sales of services are made to customers with an appropriate credit history and the Tianjin Development Group performs periodic credit evaluations of its customers. The Tianjin Development Group's historical experience in collection of trade and other receivables falls within the recorded allowances and the Directors are of the opinion that adequate provision for uncollectible accounts receivable has been made in the financial statements.

As at 31 December 2006, 2007 and 2008, over 70% of the Tianjin Development Group's financial assets were cash deposits and financial assets at fair value through profit or loss, which were placed with state-owned and listed banks and other financial institutions. For trade receivables, over one-third of which were supplemental income receivable from the Finance Bureau of Tianjin Economic-Technological Development were ("TEDA") with settlements throughout the years. The residential, commercial and industrial customers of the segment of supply of utilities demonstrated good credit quality in general as residential customers settled in cash while there are established relationships with key commercial and industrial customers with long business track record. Most of the customers of the segment of port services and the receivables of toll roads demonstrated continuous settlement track record.

(c) Liquidity risk

The Tianjin Development Group adopts prudent liquidity risk management which includes maintaining sufficient bank balances and cash and having funding through an adequate amount of committed credit facilities. The Tianjin Development Group aims to maintain flexibility in funding by keeping committed credit lines available.

Management monitors rolling forecasts of the Tianjin Development Group's liquidity reserve comprising undrawn borrowing facility and cash and cash equivalents on the basis of expected cash flow.

As at 31 December 2008, the Tianjin Development Group maintained a net cash position (Note 3.2) with only approximately HK$95 million of the contractual cash outflow related to borrowing (representing less than 4% of the total balance) maturing within one year. The refinancing and liquidity risks was minimal to the Tianjin Development Group.

The table below analyses the Tianjin Development Group's financial liabilities that will be settled into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2006				
Tianjin Development Group				
Borrowings	652,994	360,988	1,176,753	589,923
Amounts due to related companies and minority shareholders	533,724	–	–	–
Trade payables, other payables and accruals	853,358	–	–	–
Tianjin Development				
Borrowings	189,346	39,583	1,020,495	–
Other payables and accruals	16,829	–	–	–
At 31 December 2007				
Tianjin Development Group				
Borrowings	278,039	52,532	1,361,636	–
Amounts due to related companies and a minority shareholder	158,746	–	–	–
Trade payables, other payables and accruals	985,421	–	–	–
Tianjin Development				
Borrowings	96,670	36,611	924,791	–
Other payables and accruals	17,436	–	–	–

	Less than 1 year *HK$'000*	Between 1 and 2 years *HK$'000*	Between 2 and 5 years *HK$'000*	Over 5 years *HK$'000*
At 31 December 2008				
Tianjin Development Group				
Borrowings	95,027	60,237	2,623,683	–
Amounts due to related companies, a minority shareholder and ultimate holding company	234,459	–	–	–
Trade payables, other payables and accruals	1,061,724	–	–	–
Tianjin Development				
Borrowings	84,911	50,211	1,461,807	–
Other payables and accruals	32,904	–	–	–

3.2 Capital risk management

The Tianjin Development Group's objectives when managing capital are to safeguard the Tianjin Development Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Total capital is calculated as equity as shown in the consolidated balance sheet.

In order to maintain or adjust the capital structure, the Tianjin Development Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Tianjin Development Group monitors capital on the basis of the net gearing ratio. Net gearing ratio is calculated as net debt divided by equity. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less total cash and cash deposits. During 2008, the Tianjin Development Group's policy, which was unchanged from that in 2006 and 2007, was to maintain a net gearing ratio of not more than 40%.

As of the end of 2006, 2007 and 2008, the Tianjin Development Group had a net cash position.

	2006 *HK$'000*	2007 *HK$'000*	2008 *HK$'000*
Total borrowings	2,278,299	1,469,416	2,590,738
Less: total cash and cash deposits	3,304,278	3,236,182	3,082,308
Net cash	(1,025,979)	(1,766,766)	(491,570)
Shareholders' funds	6,905,889	8,224,259	9,254,836
Net gearing ratio	Net cash	Net cash	Net cash

3.3 Fair value estimation

The determination of the carrying amounts of the financial instruments of the Tianjin Development Group are as follows:

(i) The fair value of listed investments including available-for-sale financial assets and financial assets at fair value through profit or loss is based on quoted prices in an active market at the balance sheet date.

(ii) The fair value of unlisted investments including available-for-sale financial assets and financial assets at fair value through profit or loss is determined by reference to the market prices of the underlying investments, the current market value of similar investments or the estimated future cash flows generated from the underlying net assets discounted at a rate that reflects current market assessment of the time value of money and the risks specific to the assets.

(iii) The fair values of long-term borrowings are estimated using the expected future contractual payments discounted at current market interest rates available to similar financial instruments.

(iv) The fair values of cash and cash deposits, trade receivables, other receivables, deposits, trade payables, other payables, accruals, current borrowings and balances with associates, jointly controlled entities, related companies, minority shareholders and investee companies are assumed to approximate their carrying amount due to the short-term maturities of these assets and liabilities.

4. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities of the Tianjin Development Group are discussed below.

(a) Property, plant and equipment

Management determines the estimated useful lives and residual values for the Tianjin Development Group's property, plant and equipment. Management will revise the depreciation charge where useful lives and residual values are different to previously estimated, or it will write off or write down technically obsolete or non-strategy assets that have been abandoned or sold.

(b) Toll road operating right

As stated in Note 2(h), the total projected traffic volume of toll road is reviewed regularly with reference to both internal and external sources of information and adjusted if appropriate. Independent professional traffic studies are performed periodically and appropriate adjustment will be made should there be a material change. The Directors of Tianjin Development consider that these are the best current estimates on the total projected traffic volume.

(c) Impairment of assets

Non-financial assets including goodwill are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount. In addition, the Tianjin Development Group tests at least annually whether goodwill or assets that have indefinite useful lives have suffered any impairment. The recoverable amounts of assets or CGUs have been principally determined based on value-in-use calculations. These calculations require the use of estimates, such as discount rates, future profitability and growth rates.

5. Segment information

The Tianjin Development Group is principally engaged in provision of port services, supply of utilities and operation of commercial properties.

The associates of the Tianjin Development Group are principally engaged in the manufacturing and sales of winery products, elevators and escalators.

(a) Primary reporting format – business segments

For the year ended 31 December 2006

	Continuing operations							Discontinued operation *(note(ii))*
	Port services	Operation of toll road	Supply of utilities *(note(i))*	Winery	Elevator and escalator	Others	Total	Operation of EORR
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	1,005,001	78,700	1,467,672	–	–	8,683	2,560,056	128,401
Segment results	230,761	40,697	160,973	–	–	1,161	433,592	50,978
Gain on deemed disposal of partial interest in subsidiaries	109,235	–	–	–	–	–	109,235	–
Gain on disposal of a subsidiary	–	–	–	–	–	22,993	22,993	–
Interest income							145,678	3,049
Net corporate expense							(18,587)	–
Operating profit							692,911	54,027
Finance costs							(149,293)	–
Net loss on convertible bonds							(63,847)	–
Share of profits/(losses) of								
Associates	983	–	–	52,618	129,071	(1,457)	181,215	–
Jointly controlled entities	–	–	–	53	–	(11,832)	(11,779)	–
Profit before tax							649,207	54,027
Tax expense							(57,949)	(8,104)
Profit for the year							591,258	45,923
Capital expenditure	1,175,851	36,119	116,684	–	–	2,196	1,330,850	6
Depreciation and amortisation	97,328	23,257	73,823	–	–	4,166	198,574	22,324
(Reversal of)/provision for impairment of trade receivables	(4,349)	–	1,761	–	–	–	(2,588)	–

	For the year ended 31 December 2007						
	Continuing operations						Discontinued operation *(note(ii))*
	Port services	Supply of utilities *(note(i))*	Winery	Elevator and escalator	Others	Total	Operation of EORR
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	1,157,430	2,053,077	–	–	57,506	3,268,013	119,650
Segment results	269,820	198,579	–	–	34,590	502,989	58,887
Gain on toll roads restructuring						165,913	–
Provision for impairment of investment in an associate	–	–	–	–	(38,261)	(38,261)	–
Gain/(loss) on disposal of a subsidiary, associates and jointly controlled entities	139	–	–	–	(18,817)	(18,678)	–
Interest income						50,884	2,468
Net corporate income						65,177	–
Operating profit						728,024	61,355
Finance costs						(101,130)	–
Share of profits/(losses) of							
Associates	790	–	56,576	159,293	3,992	220,651	–
Jointly controlled entities	–	–	–	–	(9,831)	(9,831)	–
Profit before tax						837,714	61,355
Tax expense						(62,569)	(9,261)
Profit for the year						775,145	52,094
Capital expenditure	49,142	75,032	–	–	6,232	130,406	–
Depreciation and amortisation	121,463	63,242	–	–	23,684	208,389	23,203
(Reversal of)/provision for impairment of trade receivables	(5,812)	22,101	–	–	103	16,392	–

For the year ended 31 December 2008

	Continuing operations							Discontinued operation (note(ii))
	Port services	Supply of utilities (note(i))	Operation of commercial properties	Winery	Elevator and escalator	Others	Total	Operation of EORR
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	1,220,576	2,463,311	103,536	–	–	–	3,787,423	127,905
Segment results	180,686	198,154	(174,333)	–	–	–	204,507	56,273
Excess of fair value of net assets acquired over the cost of acquisition of subsidiaries	–	–	203,103	–	–	–	203,103	–
Interest income							63,552	4,609
Net corporate expense							(22,587)	–
Operating profit							448,575	60,882
Finance costs							(65,661)	–
Share of profits/(losses) of								
Associates	1,495	–	–	64,128	184,108	3,415	253,146	–
Jointly controlled entities	8,755	–	(2,105)	–	–	(17,727)	(11,077)	–
Profit before tax							624,983	60,882
Tax expense							(72,955)	(12,308)
Profit for the year							552,028	48,574
Capital expenditure	55,687	275,929	1,601	–	–	2,034	335,251	16
Depreciation and amortisation	135,030	74,901	28,511	–	–	3,663	242,105	26,413
Provision for impairment of trade receivables	–	23,019	21	–	–	–	23,040	–

Notes:

(i) Utility supply business is carried out by Tianjin TEDA Tsinlien Electric Power Company Limited ("Electricity Company"), Tianjin TEDA Tsinlien Water Supply Company Limited ("Water Company") and Heat & Power Company.

The Finance Bureau of TEDA confirmed to grant to Electricity Company and Water Company quantity-based government supplemental income calculated at RMB0.02 per kWh of electricity supplied and RMB2 per tonne of water supplied for five years to 31 December 2007 and subsequently extended for a year to 31 December 2008. The Finance Bureau of TEDA also confirmed to grant to Heat & Power Company quantity-based government supplemental income calculated at RMB50 per tonne of steam supplied for a period of five years up to 31 December 2008.

The Finance Bureau of TEDA has confirmed to grant to Electricity Company, Water Company and Heat & Power Company quantity-based government supplemental income calculated at RMB 0.02 per kWh of electricity supplied, RMB2 per tonne of water supplied and RMB50 per tonne of steam supplied for the year ending 31 December 2009.

In addition, Heat and Power Company is entitled to additional cost-based government supplemental income calculated at the difference between the purchase price per tonne of steam purchased from Tianjin Binhai Energy & Development Co., Ltd, the major supplier of steam, and the selling price per tonne of steam sold to the customers.

For the year ended 31 December 2008, revenue generated from the supply of utilities includes approximately HK$49.2 million (2007: HK$41.1 million and 2006: HK$56.6 million), HK$101.3 million (2007: HK$80.9 million and 2006: HK$74.9 million) and HK$165.2 million (2007: HK$137.9 million and 2006: HK$59.6 million) of quantity-based government supplemental income granted to the Electricity Company, Water Company and Heat & Power Company respectively.

In 2007, it also includes approximately HK$13.7 million (2006: HK$19.0 million) of cost-based government supplemental income granted to Heat & Power Company.

(ii) The results related to Jinzheng, which operates the EORR in Tianjin, have been presented under discontinued operation as actions had been initiated prior to the balance sheet date of the year ended 31 December 2008 to dispose of the Tianjin Development Group's interest in it and the transaction is expected to be completed in 2009 (Note 15).

	Port services	Operation of toll roads	Supply of utilities	Winery	Elevator and escalator	Others	Unallocated	Tianjin Development Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2006								
Assets	2,556,136	3,571,212	1,670,611	–	–	537,094	3,653,903	11,988,956
Associates	23,847	–	–	625,365	463,265	38,190	–	1,150,667
Jointly controlled entities	–	–	–	–	–	91,903	–	91,903
Total assets	2,579,983	3,571,212	1,670,611	625,365	463,265	667,187	3,653,903	13,231,526
Total liabilities	159,655	55,860	565,065	–	–	76,101	3,004,416	3,861,097

	Port services	Operation of toll roads	Supply of utilities	Winery	Elevator and escalator	Others	Unallocated	Tianjin Development Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2007								
Assets	2,721,959	2,088,477	1,945,707	–	–	301,346	3,723,870	10,781,359
Associates	24,981	192,638	–	697,187	412,523	50,151	–	1,377,480
Jointly controlled entities	704,467	–	–	–	–	59,714	–	764,181
Total assets	3,451,407	2,281,115	1,945,707	697,187	412,523	411,211	3,723,870	12,923,020
Total liabilities	87,763	31,494	796,822	–	–	75,546	1,778,872	2,770,497

	Port services	Supply of utilities	Operation of commercial properties	Winery	Elevator and escalator	Others	Unallocated	Tianjin Development Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2008								
Assets	2,816,002	2,216,828	1,140,919	–	–	309,748	3,548,356	10,031,853
Associates	28,513	–	–	775,321	479,521	306,995	–	1,590,350
Jointly controlled entities	1,430,037	–	–	–	–	45,483	–	1,475,520
Assets held for sale *(Note 15)*	–	–	–	–	–	2,091,989	284,177	2,376,166
Total assets	4,274,552	2,216,828	1,140,919	775,321	479,521	2,754,215	3,832,533	15,473,889
Liabilities	127,900	773,207	47,845	–	–	92,513	2,977,125	4,018,590
Liabilities directly associated with assets classified as held for sale *(Note 15)*	–	–	–	–	–	26,239	126,160	152,399
Total Liabilities	127,900	773,207	47,845	–	–	118,752	3,103,285	4,170,989

Unallocated assets under business segment reporting primarily include available-for-sale financial assets, deferred tax assets, financial assets at fair value through profit or loss, restricted bank balance, time deposits with maturity over three months and cash and cash equivalents. Unallocated liabilities primarily include borrowings, current and deferred tax liabilities.

(b) Secondary report format – geographical segments

	Revenue Year ended 31 December			Operating results Year ended 31 December		
	2006	2007	2008	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
PRC mainland	2,560,056	3,268,013	3,741,418	433,592	502,989	367,547
Hong Kong	–	–	46,005	–	–	(163,040)
Continuing operations	2,560,056	3,268,013	3,787,423	433,592	502,989	204,507
Discontinued operation	128,401	119,650	127,905	50,978	58,887	56,273

	As at 31 December		
	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*
Total assets:			
PRC mainland	11,802,170	10,555,284	9,022,345
Hong Kong	186,786	226,075	1,009,508
	11,988,956	10,781,359	10,031,853
Associates	1,150,667	1,377,480	1,590,350
Jointly controlled entities	91,903	764,181	1,475,520
Assets held for sale *(Note 15)*	–	–	2,376,166
	13,231,526	12,923,020	15,473,889

	Year ended 31 December		
	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*
Capital expenditure:			
PRC mainland	1,329,297	129,209	335,075
Hong Kong	1,553	1,197	176
Continuing operations	1,330,850	130,406	335,251
Discontinued operation	6	–	16

6. Other income

	Year ended 31 December		
	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*
Interest income			
– bank deposits	48,343	50,884	63,552
– proceeds from initial public offer of a subsidiary	97,335	–	–
Dividend income from investee companies – unlisted	18,028	18,750	26,274
Sundries	14,411	7,940	11,460
	178,117	77,574	101,286

7. Other gains, net

	Year ended 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Financial assets at fair value through profit or loss			
– fair value gains/(loss) – listed (realised and unrealised)	13,390	72,089	(7,900)
– fair value gains – unlisted (realised)	3,049	9,151	34,468
Gain on disposal of investment property	–	10,309	–
Gain on disposal of available-for-sale financial assets	–	10,429	–
Reversal of loan interest payable to a minority shareholder	–	–	20,349
Reversal of over-accrued expenses	–	–	22,853
Net gain/(loss) on disposal of a subsidiary, associates and jointly controlled entities	22,993	(18,678)	–
Net loss on disposal of property, plant and equipment	(12,041)	(13,788)	(2,122)
Loss on deemed disposal of partial interest in a jointly controlled entity	–	–	(1,034)
Gain on acquisition of additional interest in a subsidiary	–	–	16,573
Net exchange gain	37,533	47,671	89,298
	64,924	117,183	172,485

8. Operating profit

Operating profit is arrived at after charging/(crediting):

	Year ended 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Employee benefit expense including Directors' emoluments *(Note 9)*	475,496	543,016	732,108
Purchase of electricity, water and steam for sale	1,066,917	1,537,940	1,875,313
Depreciation			
– charged to cost of sales	169,246	166,187	169,323
– charged to administrative expenses	16,705	22,920	23,362
– charged to other operating expenses	–	–	23,335
Amortisation	12,623	19,282	26,085
(Reversal of)/provision for impairment of trade receivables	(2,588)	16,392	23,040
Impairment loss of available-for-sale financial assets	–	–	25,253
Provision for impairment of investment in an associate	–	38,261	–
Operating lease expense on			
– Plants, pipelines and networks	28,126	67,944	101,237
– Berths, railway, storage spaces and equipment	30,986	–	–
– Land and buildings	7,806	9,636	12,496
– Others	–	2,833	3,986
Auditors' remuneration	5,757	5,479	6,980
Management fee for the Jinbin Expressway	16,644	12,533	–

9. Employee benefit expense

	Year ended 31 December 2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*
Wages, salaries and social security costs	439,696	495,806	646,271
Pension costs – defined contribution plans	32,014	44,286	55,403
Share option expenses *(note)*	3,786	2,924	30,434
	475,496	543,016	732,108

Note: Tianjin Development and its listed subsidiary, Tianjin Port Development, operate share option schemes whereby options may be granted to eligible employees and directors, to subscribe for shares of Tianjin Development and Tianjin Port Development respectively.

Details of share options are as follows:

Year ended 31 December 2006

Grantor	Date of grant	Exercise Price *HK$*	Number of share options: At 1 January 2006	Granted	Exercised	Lapsed/ Cancelled	At 31 December 2006	*Note*
Tianjin Development	15 January 2004	4.10	90,000,000	–	–	(90,000,000)	–	*(i)*
Tianjin Development	23 December 2004	3.10	6,900,000	–	(500,000)	(2,000,000)	4,400,000	*(ii)*
Tianjin Port Development	1 August 2006	2.28	–	11,500,000	–	–	11,500,000	*(iv)*

Year ended 31 December 2007

Grantor	Date of grant	Exercise Price *HK$*	Number of share options: At 1 January 2007	Granted	Exercised	Lapsed/ Cancelled	At 31 December 2007	*Note*
Tianjin Development	23 December 2004	3.10	4,400,000	–	(1,900,000)	(2,500,000)	–	*(ii)*
Tianjin Port Development	1 August 2006	2.28	11,500,000	–	(400,000)	(1,100,000)	10,000,000	*(iv)*
Tianjin Port Development	3 February 2007	2.74	–	1,900,000	–	–	1,900,000	*(iv)*

Year ended 31 December 2008

Grantor	Date of grant	Exercise Price *HK$*	Number of share options: At 1 January 2008	Granted	Exercised	Lapsed/ Cancelled	At 31 December 2008	*Note*
Tianjin Development	19 December 2007	8.04	–	11,900,000	–	(1,100,000)	10,800,000	*(iii)*
Tianjin Port Development	1 August 2006	2.28	10,000,000	–	–	–	10,000,000	*(iv)*
Tianjin Port Development	3 February 2007	2.74	1,900,000	–	–	–	1,900,000	*(iv)*
Tianjin Port Development	25 January 2008	4.24	–	1,300,000	–	–	1,300,000	*(iv)*
Tianjin Port Development	21 July 2008	3.45	–	1,000,000	–	–	1,000,000	*(iv)*

Notes:

(i) The share option expired on 15 January 2006.

(ii) In 2006, a total of 2,000,000 share options were lapsed following the resignation of directors. The share option scheme of Tianjin Development expired on 21 November 2007.

(iii) A total of 11,900,000 share options were granted on 19 December 2007 and accepted by the grantees on 17 January 2008. The share options of Tianjin Development is exercisable from 17 January 2008 to 24 May 2017. A total of 1,100,000 share options were lapsed in 2008 following the resignation of a director.

(iv) The share options of Tianjin Port Development are divided into 4 tranches with exercise price of HK$2.28, HK$2.74, HK$4.24 and HK$3.45 respectively and exercisable from 1 February 2007 to 1 August 2016, from 3 August 2007 to 3 February 2017, from 25 July 2008 to 24 January 2018 and from 21 January 2009 to 20 July 2018 respectively. A total of 1,100,000 share options were cancelled during 2007 following the resignation of a director.

The estimated fair value of share options granted is based on the Binomial model. The significant inputs into the models are as follows:

Tianjin Development

Date of grant	**17 January 2008**
Exercise price	HK$8.04
Standard deviation of expected share price return	37%
Expected option life	Approximate 1 – 10 years
Annual risk free interest rate	1.870% – 2.726%
Dividend yield (semi-annual)	0.84%
Fair value	HK$0.9676 – 2.7894

The expected volatility measured at the standard deviation is based on the historical data of the weekly share price movement of Tianjin Development.

Tianjin Port Development

Date of grant	1 August 2006	3 February 2007	25 January 2008	21 July 2008
Exercise price	HK$2.28	HK$2.74	HK$4.24	HK$3.45
Expected volatility	32.4%	34%	41%	43%
Expected option life	2 & 10 years	2 years	1.9 & 1.7 years	3.8 years
Annual risk free interest rate	4.235% & 4.607%	4.06%	1.527%	3.685%
Dividend pay out rate	40%	40%	40%	40%
Fair value	HK$0.43 & HK$0.60	HK$0.54	HK$0.79	HK$0.9883

The expected volatility measured at the standard deviation is based on statistical analysis of the volatility of companies' shares of similar industry.

(a) Directors' and senior management's emoluments

The remuneration of each Director for the year ended 31 December 2006 is set out below:

Name of Director	Fees	Salaries and other benefits(i)	Share-based payments	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Wang Guanghao(ii)	1,000	2,360	650	4,010
Ren Xuefeng(ii)	–	1,036	–	1,036
Yu Rumin	134	417	–	551
Nie Jiansheng	933	1,248	834	3,015
Dai Yan(iii)	–	504	–	504
Hu Chengli(iii)	–	504	–	504
Wang Jiandong	–	–	–	–
Bai Zhisheng(iv)	–	–	–	–
Zhang Wenli(v)	–	–	–	–
Sun Zengyin	–	–	–	–
Zong Guoying(iii), (xi)	–	–	–	–
Zheng Daoquan(vi)	–	–	–	–
Cheung Wing Yui	270	–	–	270
Kwong Che Keung, Gordon	330	–	–	330
Lau Wai Kit	330	–	–	330
Cheng Hon Kwan	330	–	–	330
Zhang Hongru(vii)	–	396	–	396
He Xiuheng(viii)	–	–	–	–
Yang Liheng(ix)	–	–	–	–
Peng Jinhua(vii)	–	–	–	–
Ye Disheng(vii)	–	–	–	–
	3,327	6,465	1,484	11,276

The remuneration of each Director for the year ended 31 December 2007 is set out below:

Name of Director	**Fees**	**Salaries and other benefits**[(i)]	**Share based payments**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Wang Guanghao [(ii)]	1,500	2,290	338	4,128
Ren Xuefeng [(ii)]	–	1,411	–	1,411
Yu Rumin	1,300	695	1,035	3,030
Nie Jiansheng	1,400	2,524	417	4,341
Dai Yan	–	1,639	–	1,639
Hu Chengli	–	1,639	–	1,639
Wang Jiandong	–	–	–	–
Bai Zhisheng	–	–	–	–
Zhang Wenli	–	–	–	–
Sun Zengyin	–	–	–	–
Zong Guoying[(xi)]	–	–	–	–
Zheng Daoquan	–	–	–	–
Cheung Wing Yui	300	–	–	300
Kwong Che Keung, Gordon	360	–	–	360
Lau Wai Kit	360	–	–	360
Cheng Hon Kwan	360	–	–	360
	5,580	10,198	1,790	17,568

The remuneration of each Director for the year ended 31 December 2008 is set out below:

Name of Director	**Fees**	**Salaries and other benefits**[(i)]	**Share based payments**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Wang Guanghao [(ii)]	125	389	–	514
Ren Xuefeng [(ii)]	–	485	3,068	3,553
Yu Rumin	1,600	510	2,101	4,211
Wu Xuemin [(x)]	–	1,009	–	1,009
Nie Jiansheng	1,540	2,018	2,381	5,939
Dai Yan	–	1,430	2,147	3,577
Hu Chengli	–	1,430	2,510	3,940
Wang Jiandong	–	–	1,674	1,674
Bai Zhisheng	–	–	827	827
Zhang Wenli	–	–	793	793
Sun Zengyin	–	–	290	290
Zong Guoying [(xi)]	–	–	837	837
Zheng Daoquan	–	1,108	1,580	2,688
Cheung Wing Yui	318	–	1,395	1,713
Kwong Che Keung, Gordon	382	–	1,395	1,777
Lau Wai Kit	382	–	1,395	1,777
Cheng Hon Kwan	382	–	1,395	1,777
	4,729	8,379	23,788	36,896

(i) Other benefits include leave pay, insurance premium and club membership.

(ii) Resigned on 31 January 2008.

(iii) Appointed on 10 July 2006.

(iv) Appointed on 1 January 2006.
(v) Appointed on 20 March 2006.
(vi) Appointed on 1 December 2006.
(vii) Resigned on 10 July 2006.
(viii) Resigned on 1 January 2006.
(ix) Resigned on 20 March 2006.
(x) Appointed on 31 January 2008.
(xi) Resigned on 1 April 2009.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Tianjin Development Group for 2008 include five (2007: three and 2006: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three individuals in 2006 and three individuals in 2007 were as follows:

	Year ended 31 December	
	2006	**2007**
	HK$'000	*HK$'000*
Salaries and other emoluments	4,455	2,794
Share-based payments	1,077	616
	5,532	3,410

The emoluments of the five highest paid individuals fell within the following bands:

	Year ended 31 December		
	2006	**2007**	**2008**
Emolument bands			
HK$1,500,001 – HK$2,000,000	2	1	–
HK$2,000,001 – HK$2,500,000	1	1	–
HK$3,000,001 – HK$3,500,000	1	1	–
HK$3,500,001 – HK$4,000,000	–	–	3
HK$4,000,001 – HK$4,500,000	1	2	1
HK$5,500,001 – HK$6,000,000	–	–	1

10. Finance costs

	Year ended 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Interest expenses:			
– bank borrowings	104,490	88,777	65,661
– loans from a minority shareholder	14,639	9,447	–
– convertible bonds (notional charge)	30,164	2,906	–
	149,293	101,130	65,661

11. Tax expense

	Year ended 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Current taxation			
PRC income tax	47,097	82,951	118,879
Deferred taxation *(Note 34)*	10,852	(20,382)	(45,924)
	57,949	62,569	72,955

No provision for Hong Kong profits tax has been made as there is no estimated assessable profit for the year ended 31 December 2008 for the Tianjin Development Group (2007: Nil and 2006: Nil). Provision for the PRC income tax has been made at the applicable rate of taxation on the estimated assessable profit for the year for each of the Tianjin Development Group's subsidiaries.

Tax rates applicable to principal subsidiaries for the years ended 31 December 2006 and 2007:

On 6 November 1997, the Tianjin Finance Bureau approved that Tianjin Harbour Second Stevedoring Co., Ltd. and Tianjin Port Container Terminal Co., Ltd. be subject to a concessionary enterprise income tax rate of 15% and remained effective as at 31 December 2007.

Pursuant to an approval document issued by the State Tax Bureau of TEDA, Jinzheng is entitled to an exemption from the income tax for two years commencing from its first profit-making year of operation and thereafter, Jinzheng is entitled to a 50% relief from income tax for the following three years. The applicable tax rate of Jinzheng for the current year is 15% and remained effective as at 31 December 2007, being the preferential tax rate applicable after the tax relief period.

Pursuant to the relevant laws and regulations in the PRC, Tianjin Mass Transit (Group) Development Co., Ltd. and its subsidiaries ("MTD Group") is exempted from the income tax for two years starting from the first year of profit generation and thereafter, MTD Group is entitled to a 50% relief from PRC income tax for the following three years. The reduced tax rate for the relief period is 7.5%, after the expiry of the tax relief period, MTD Group is subject to an income tax rate of 15%, being the preferential tax rate applicable.

Pursuant to the relevant laws and regulations in the PRC, Electricity Company, Water Company and Heat & Power Company are exempted from the income tax for the two years starting from 2001 followed by a 50% reduction for the next three years. The applicable tax rate for the current year is 15% and remained effective as at 31 December 2007, being the preferential tax rate applicable after the tax relief period.

Tax rates applicable to principal subsidiaries for the year ended 31 December 2008:

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "New CIT Law") which was effective from 1 January 2008. Under the New CIT Law, both domestic and foreign invested enterprises will be subject to a single income tax rate of 25%. For those subsidiaries of the Tianjin Development Group which are applying 15% tax rate, namely Tianjin Harbour Second Stevedoring Co., Ltd., Tianjin Port Container Terminal Co., Ltd., Jinzheng, Electricity Company, Water Company and Heat & Power Company, the tax rate will gradually increase to 25% over five years.

The income tax expense on the Tianjin Development Group's profit before tax differs from the theoretical amount that would arise using the applicable tax rate, being the weighted average of rates prevailing in the territories in which the Tianjin Development Group's principal subsidiaries operate, as follows:

	Year ended 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Profit before tax	649,207	837,714	624,983
Less: share of profits less losses of associates and jointly controlled entities	(169,436)	(210,820)	(242,069)
	479,771	626,894	382,914
Calculated at applicable tax rates	83,298	110,184	73,578
Change in PRC tax rates due to New CIT Law	–	(24,403)	–
Income not subject to taxation	(96,638)	(70,612)	(57,774)
Expenses not deductible for taxation purposes	69,815	43,313	54,690
Tax losses not recognised	1,474	4,087	2,461
Tax expense	57,949	62,569	72,955

The weighted average applicable tax rate for the year ended 31 December 2008 is 19.2% (2007: 17.6% and 2006: 17.4%). The increase is caused by the change in PRC tax rates due to the New CIT Law.

12. Profit attributable to equity holders

The profit attributable to equity holders is dealt with in the financial information of Tianjin Development for the year ended 31 December 2008 to the extent of profit of approximately HK$206,376,000 (2007: profit of HK$1,084,274,000, including a gain of HK$821,299,000 arose from the toll roads restructuring (Note 1(iii)) and 2006: loss of HK$824,000). In respect of the toll road restructuring in 2007, the parties to the restructuring entered into the transactions at a nominal consideration whereas the investments, now acquired by Tianjin Development upon restructuring, were accounted for on a fair value basis in the financial information of Tianjin Development.

13. Earnings per share

The calculation of the basic and diluted earnings per share is based on the profit attributable to equity holders and weighted average number of shares with adjustments where applicable as follows:

	Year ended 31 December 2006		Year ended 31 December 2007		Year ended 31 December 2008	
	Continuing operations	**Discontinued operation**	**Continuing operations**	**Discontinued operation**	**Continuing operations**	**Discontinued operation**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Profit attributable to equity holders for the purpose of basic earnings per share	521,702	31,049	650,475	39,826	463,757	42,104
Adjustments arising from all outstanding convertible bonds being converted	–	–	2,906	–	–	–
Adjusted profit for the purpose of diluted earnings per share	521,702	31,049	653,381	39,826	463,757	42,104

	Year ended 31 December 2006		Year ended 31 December 2007		Year ended 31 December 2008	
	Continuing operations	Discontinued operation	Continuing operations	Discontinued operation	Continuing operations	Discontinued operation
Number of shares	*Thousand*	*Thousand*	*Thousand*	*Thousand*	*Thousand*	*Thousand*
Weighted average number of ordinary shares for the purpose of basic earnings per share	954,330	954,330	1,023,825	1,023,825	1,059,899	1,059,899
Effect of dilutive potential ordinary shares from the exercise of share options and conversion of convertible bonds	5,052	5,052	12,923	12,923	–	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	959,382	959,382	1,036,748	1,036,748	1,059,899	1,059,899

The share options have no dilutive effect on basic earnings per share for 2008.

14. Dividends

	Year ended 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
2008 final, proposed, of HK3.0 cents (2007: final, paid, of HK5.6 cents, 2006: final, paid of HK4.6 cents) per share	47,639	59,778	32,024
2008 interim, paid, of HK6.0 cents (2007: HK5.4 cents, 2006: HK4.6 cents) per share	44,602	55,923	64,048
	92,241	115,701	96,072

At a meeting held on 23 April 2009, the board of directors proposed a final dividend of HK3.0 cents per ordinary share. This proposed dividend is not reflected as a dividend payable in the Financial Information, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2009.

15. Discontinued operation and assets held for sale

The assets and liabilities related to Jinzheng have been presented as held for sale as actions had been initiated prior to the balance sheet of the year ended 31 December 2008 to dispose of the operation of the EORR. The transaction is expected to be completed in 2009.

	Year ended 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Discontinued operation			
(a) Results			
Revenue	128,401	119,650	127,905
Cost of sales	(72,446)	(60,572)	(66,819)
Gross profit	55,955	59,078	61,086
Other income	3,049	7,179	4,609
Other losses	(21)	(414)	(112)
General and administrative expenses	(4,956)	(4,488)	(4,701)
Profit before tax	54,027	61,355	60,882
Tax expense	(8,104)	(9,261)	(12,308)
Profit for the year	45,923	52,094	48,574
Attributable to:			
Equity holders of Tianjin Development	31,049	39,826	42,104
Minority interests	14,874	12,268	6,470
	45,923	52,094	48,574
(b) Cash flows			
Net cash (used in)/from operating activities	(4,360)	94,862	47,374
Net cash from investing activities	3,043	2,760	4,593
Net cash used in financing activities	–	(153,693)	(41,511)
Total cash (outflows)/inflows	(1,317)	(56,071)	10,456

	As at 31 December 2008
	HK$'000
Assets held for sale	
(a) Assets	
Property, plant and equipment	67,103
Toll road operating right	1,906,679
Trade receivables	77,665
Other receivables, deposits and prepayments	40,542
Cash and cash equivalents	284,177
Total assets	2,376,166
(b) Liabilities	
Deferred tax liabilities	55,931
Other payables and accruals	26,239
Current tax liabilities	70,229
Total liabilities	152,399

	Year ended 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
(c) Cumulative income or expense recognised directly in equity relating to disposal group classified as held for sale			
Foreign exchange translation adjustments	85,053	206,398	313,570

16. Property, plant and equipment

Tianjin Development Group

	Buildings	Toll roads	Leased berth improvement	Port facilities	Plant and machinery	Leasehold improvement, furniture and equipment	Motor vehicles	Construction in progress	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost										
At 1 January 2006	556,576	1,599,981	377,757	–	1,324,363	51,250	44,370	61,571	10,818	4,026,686
Exchange differences	22,210	56,410	–	14,579	51,419	1,868	1,507	3,066	662	151,721
Additions	66,204	34,606	–	–	35,224	4,429	7,635	476,961	3,688	628,747
Disposal of a subsidiary *(Note 38(c))*	–	–	–	–	–	(209)	(377)	–	(19)	(605)
Acquisition of a subsidiary *(Note 38(b))*	16,895	–	–	–	203,502	–	2,427	1,256	–	224,080
Transfers	157,669	–	(377,757)	611,081	106,759	1,157	43	(498,952)	–	–
Disposals	(14,844)	–	–	(696)	(4,592)	(946)	(4,903)	–	(257)	(26,238)
At 31 December 2006	804,710	1,690,997	–	624,964	1,716,675	57,549	50,702	43,902	14,892	5,004,391
Exchange differences	60,399	61,015	–	47,833	129,876	4,272	3,116	5,510	1,726	313,747
Additions	6,667	–	–	6,670	32,059	4,128	2,981	70,066	7,835	130,406
Disposal of a subsidiary *(Note 38(c))*	(11,316)	–	–	–	(863)	(1,595)	(781)	–	–	(14,555)
Toll roads restructuring *(Note 38(d))*	–	(1,752,012)	–	–	–	(1,192)	(4,427)	–	–	(1,757,631)
Transfers	51	–	–	–	6,096	543	–	(6,690)	–	–
Disposals	(18,185)	–	–	(4,534)	(5,533)	(650)	(6,852)	–	(609)	(36,363)
At 31 December 2007	842,326	–	–	674,933	1,878,310	63,055	44,739	112,788	23,844	3,639,995
Exchange differences	55,989	–	–	38,737	110,870	4,146	2,385	8,323	1,816	222,266
Additions	32,709	–	–	351	30,465	12,716	3,926	253,471	1,629	335,267
Acquisition of subsidiaries *(Note 38(b))*	412,233	–	–	–	79,936	47,939	2,563	–	–	542,671
Transfers	7,054	–	–	(7,054)	93,090	–	–	(93,090)	–	–
Disposals	(13,554)	–	–	(40)	(2,241)	(1,119)	(11,951)	–	(2,880)	(31,785)
Classified as assets held for sale *(Note 15)*	(96,108)	–	–	–	(25,300)	(128)	(1,839)	–	(625)	(124,000)
At 31 December 2008	1,240,649	–	–	706,927	2,165,130	126,609	39,823	281,492	23,784	4,584,414

	Buildings	Toll roads	Leased berth improvement	Port facilities	Plant and machinery	Leasehold improvement, furniture and equipment	Motor vehicles	Construction in progress	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Accumulated depreciation										
At 1 January 2006	102,024	99,253	44,401	–	406,076	13,542	18,564	–	6,510	690,370
Exchange differences	4,680	3,908	–	2,345	16,776	627	662	–	334	29,332
Charge for the year	36,461	22,737	–	12,132	104,708	8,292	5,209	–	2,437	191,976
Transfers	17,359	–	(44,401)	59,342	(32,300)	–	–	–	–	–
Disposal of a subsidiary *(Note 38(c))*	–	–	–	–	–	(140)	(273)	–	(3)	(416)
Disposals	(5,450)	–	–	(151)	(3,398)	(746)	(3,022)	–	(222)	(12,989)
At 31 December 2006	155,074	125,898	–	73,668	491,862	21,575	21,140	–	9,056	898,273
Exchange differences	12,829	4,545	–	6,170	41,496	1,901	1,419	–	920	69,280
Charge for the year	32,674	18,390	–	13,937	113,264	9,476	4,752	–	2,756	195,249
Disposal of a subsidiary *(Note 38(c))*	(2,077)	–	–	–	(347)	(860)	(296)	–	–	(3,580)
Toll roads restructuring *(Note 38(d))*	–	(148,833)	–	–	–	(438)	(2,349)	–	–	(151,620)
Disposals	(6,054)	–	–	(2,217)	(3,334)	(592)	(5,680)	–	(547)	(18,424)
At 31 December 2007	192,446	–	–	91,558	642,941	31,062	18,986	–	12,185	989,178
Exchange differences	11,668	–	–	5,390	38,596	1,932	1,029	–	831	59,446
Charge for the year	45,971	–	–	15,063	133,982	17,208	6,280	–	3,987	222,491
Disposals	(4,155)	–	–	(11)	(1,784)	(1,020)	(10,312)	–	(2,593)	(19,875)
Classified as assets held for sale *(Note 15)*	(31,679)	–	–	–	(23,839)	(78)	(1,301)	–	–	(56,897)
At 31 December 2008	214,251	–	–	112,000	789,896	49,104	14,682	–	14,410	1,194,343
Net book value										
At 31 December 2006	649,636	1,565,099	–	551,296	1,224,813	35,974	29,562	43,902	5,836	4,106,118
At 31 December 2007	649,880	–	–	583,375	1,235,369	31,993	25,753	112,788	11,659	2,650,817
At 31 December 2008	1,026,398	–	–	594,927	1,375,234	77,505	25,141	281,492	9,374	3,390,071

Tianjin Development

	Leasehold improvement, furniture and equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*
Cost			
At 1 January 2006	3,644	2,574	6,218
Exchange differences	128	120	248
Additions	36	1,517	1,553
At 31 December 2006	3,808	4,211	8,019
Exchange differences	284	319	603
Additions	103	1,094	1,197
Disposals	–	(858)	(858)
At 31 December 2007	4,195	4,766	8,961
Exchange differences	257	283	540
Additions	176	–	176
Disposals	(100)	(1,000)	(1,100)
At 31 December 2008	4,528	4,049	8,577
Accumulated depreciation			
At 1 January 2006	585	2,372	2,957
Exchange differences	41	86	127
Charge for the year	1,044	165	1,209
At 31 December 2006	1,670	2,623	4,293
Exchange differences	161	177	338
Charge for the year	1,048	407	1,455
Disposals	–	(858)	(858)
At 31 December 2007	2,879	2,349	5,228
Exchange differences	180	140	320
Charge for the year	658	572	1,230
Disposals	(100)	(1,000)	(1,100)
At 31 December 2008	3,617	2,061	5,678
Net book value			
At 31 December 2006	2,138	1,588	3,726
At 31 December 2007	1,316	2,417	3,733
At 31 December 2008	911	1,988	2,899

17. Investment property

	Year ended 31 December	
	2006	**2007**
	HK$'000	*HK$'000*
At 1 January	370,192	383,085
Exchange differences	12,893	13,822
Disposal	–	(396,907)
At 31 December	383,085	–

Investment property represents a parcel of land located in Tianjin with undetermined future use. The land use right of which will expire on 13 February 2052.

On 10 September 2007, the Tianjin Development Group disposed of the parcel of land for a consideration of RMB395,000,000 (approximately HK$407,216,000).

18. Goodwill

	Year ended 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January	400,746	586,050	510,847
Exchange differences	710	806	–
Acquisition of a subsidiary *(Note 38(b))*	184,594	–	–
Toll roads restructuring *(Note 38(d))*	–	(76,009)	–
At 31 December	586,050	510,847	510,847

Goodwill is allocated to the Tianjin Development Group's cash-generating units ("CGUs") identified according to business segment in the PRC.

A segment-level summary of the goodwill allocation is presented below.

	As at 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Operation of toll roads	75,203	–	–
Supply of utilities	510,847	510,847	510,847
Total	586,050	510,847	510,847

The recoverable amounts of CGUs are determined based on value-in-use calculations.

For the segment of supply of utilities, the calculations use budget for the first year and cash flow projections based on financial forecast prepared by the management covering the remaining 39-year operating period. The key assumptions include revenue, cost of raw materials, staff costs and other production costs and unchanged government supplemental income policy which were determined by management based on the past performance and its expectations on market development. The growth rates of revenue for the CGUs range from 5% to 15% for the next year, 5% to 7% for the second to fifth year, 5% for the sixth to tenth year and nil for the years thereafter. The present value of cash flow projections for the CGUs are calculated by using pre-tax discount rates ranging from 13.8% to 15.2% (2007: 13.1% to 14.8% and 2006: 11.6%).

Based on the assessment test of goodwill, in the opinion of the Directors, no impairment against the Tianjin Development Group's goodwill as at 31 December 2006, 2007 and 2008 is considered necessary.

19. Leasehold land and land use rights

The Tianjin Development Group's interests in leasehold land and land use rights represent prepaid operating lease payment as follows:

	As at 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
In the PRC, held on:			
Leases of between 10 to 50 years	761,516	797,549	1,045,854
In Hong Kong, held on:			
Leases over 50 years	–	–	374,558
	761,516	797,549	1,420,412

	Year ended 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January	69,787	761,516	797,549
Exchange differences	2,243	57,391	53,644
Additions	702,109	–	–
Acquisition of subsidiaries *(Note 38(b))*	–	–	745,304
Disposal of a subsidiary *(Note 38(c))*	–	(2,076)	–
Impairment loss *(note)*	–	–	(150,000)
Amortisation	(12,623)	(19,282)	(26,085)
At 31 December	761,516	797,549	1,420,412

Note:

A leasehold land situated in Hong Kong was revalued at 31 December 2008 by independent professionally qualified valuer, Knight Frank Petty Limited. Valuation was based on market value basis, by reference to comparable market transactions for similar assets and on the basis of capitalisation of net income for the relevant leasehold land.

Impairment loss of HK$150 million was recognised during the year ended 31 December 2008 to bring the carrying value of the leasehold land to its recoverable amount which is its fair value less costs to sell.

20. Toll road operating right

	Year ended 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January	1,666,069	1,707,451	1,815,640
Exchange differences	57,697	125,250	110,981
Disposals	(16)	–	–
Amortisation	(16,299)	(17,061)	(19,942)
Classified as assets held for sale *(Note 15)*	–	–	(1,906,679)
At 31 December	1,707,451	1,815,640	–

Toll road operating right represents the operating right in EORR located in Tianjin. The operating right will expire in 2027, extension of the operating right could be applied to Tianjin Municipal Government three years before expiration.

21. Interest in subsidiaries

	As at 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Unlisted investments, at cost	3,143,713	4,031,729	4,278,569
Advances to subsidiaries	3,150,249	3,485,593	4,585,810
	6,293,962	7,517,322	8,864,379

The advances to subsidiaries are unsecured, interest free except for the amount of approximately HK$750,495,000 (2007: Nil and 2006: Nil) which carries interest rates ranging from 1.57% to 5.31% and have no fixed repayment terms.

Details of principal subsidiaries, which in the Directors' opinion, materially affect the results and/or net assets of the Tianjin Development Group at 31 December 2008 are set out in Note 42.

22. Interest in associates

	Tianjin Development Group As at 31 December			Tianjin Development As at 31 December		
	2006	**2007**	**2008**	**2006**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Tianjin Development Group's share of net assets						
– Listed shares in Hong Kong of Dynasty Fine Wines Group Limited ("Dynasty")	625,365	697,187	775,321	–	–	–
– Listed shares in Hong Kong of Wah Sang Gas Holdings Limited ("Wah Sang") *(note (i))*	158,261	158,261	158,261	–	–	–
– Unlisted shares of Otis Elevator (China) Investment Company Limited ("Otis China")	422,806	412,523	479,521	–	–	–
– Other unlisted shares *(note (ii))*	64,235	267,770	335,508	–	194,865	206,796
	1,270,667	1,535,741	1,748,611	–	194,865	206,796
Impairment of investment in Wah Sang *(note (i))*	(120,000)	(158,261)	(158,261)	–	–	–
	1,150,667	1,377,480	1,590,350	–	194,865	206,796
Market value of listed shares						
– Dynasty	1,573,560	1,729,800	647,280	–	–	–
– Wah Sang	*Note(i)*	*Note(i)*	*Note(i)*	–	–	–

Notes:

(i) The unaudited financial statements of Wah Sang for the nine months ended 31 December 2008 was published in February 2009. Provision for impairment of investment in Wah Sang of HK$158,261,000 had been made due to the equity holders' deficit of Wah Sang as at 31 December 2008. As at 31 December 2008, the trading of its shares remained suspended. On 12 May 2009, Wah Sang has resumed trading of its shares, and the Tianjin Development Group's interest in Wah Sang was diluted and reclassified as available-for-sale financial assets in June 2009.

(ii) As at 31 December 2008, other unlisted shares include approximately HK$202,098,000 (2007: HK$192,638,000) representing the Tianjin Development Group's investment in 40% equity interest of Golden Horse Resources Limited since the toll road restructuring completed on 7 September 2007.

Interest in associates as at 31 December 2008 included goodwill of HK$4,072,000 (2007: HK$4,107,000 and 2006: HK$3,825,000). Share of associates' taxation for the year ended 31 December 2008 of HK$83,810,000 (2007: HK$56,860,000 and 2006: HK$60,860,000) are included in the consolidated income statement as share of profits of associates.

The Tianjin Development Group's interest in its associates is as follows:

Name	Assets	Liabilities	Revenues	Profit/(loss) attributable to the Tianjin Development Group	% interest attributable to the Tianjin Development Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	
As at 31 December 2006					
Otis China	1,258,309	835,503	1,498,287	129,071	16.55
Dynasty	750,043	124,678	499,360	52,618	44.82
Others	423,879	325,208	162,414	(474)	
	2,432,231	1,285,389	2,160,061	181,215	
As at 31 December 2007					
Otis China	1,381,323	968,800	1,867,453	159,293	16.55
Dynasty	837,147	139,960	503,475	56,576	44.82
Others	966,411	702,748	213,669	4,782	
	3,184,881	1,811,508	2,584,597	220,651	
As at 31 December 2008					
Otis China	1,414,619	935,098	2,309,828	184,108	16.55
Dynasty	965,061	189,740	609,937	64,128	44.82
Others	1,010,876	679,440	279,527	4,910	
	3,390,556	1,804,278	3,199,292	253,146	

There is no contingent liability relating to the Tianjin Development Group's interest in the associates, and no contingent liability of the associates themselves.

Details of associates, which in the Directors' opinion, materially affect the results and/or net assets of the Tianjin Development Group at 31 December 2008 are set out in Note 43.

23. Interest in jointly controlled entities

	As at 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Tianjin Development Group's share of net assets	91,903	764,181	1,395,174
Amount due from a jointly controlled entity	–	–	80,346
	91,903	764,181	1,475,520

As at 31 December 2008, amount due from a jointly controlled entity is unsecured, interest bearing at LIBOR + 1.5% and repayable in 2013.

The Tianjin Development Group's interest in its jointly controlled entities, all of which are unlisted, is as follows:

	Current Assets	**Non-current Assets**	**Current Liabilities**	**Non-current Liabilities**	**Revenues**	**Net loss attributable to the Tianjin Development Group**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2006	63,718	116,441	88,256	–	116,710	(11,779)
As at 31 December 2007	177,790	812,865	226,461	13	124,444	(9,831)
As at 31 December 2008	137,106	2,781,406	819,760	703,578	312,057	(11,077)

There is no contingent liability relating to the Tianjin Development Group's interest in the jointly controlled entities, and no contingent liability of the jointly controlled entities themselves.

Details of the principal jointly controlled entities are set out in Note 44.

24. Available-for-sale financial assets

	Year ended 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January	110,495	108,161	107,117
Exchange differences	1,236	8,195	6,536
Additions	–	345	40,053
Disposal of a subsidiary *(Note 38(c))*	(146)	–	–
Impairment loss	–	–	(25,253)
Disposals	(3,424)	(9,584)	–
At 31 December	108,161	107,117	128,453
Market value of listed shares	–	–	14,800

The available-for-sale financial assets are principally unlisted equity in certain entities established and operating in the PRC. They are mainly denominated in Renminbi.

During 2008, the Tianjin Development Group acquired listed shares at a cost of approximately HK$40 million. Based on the market price as at 31 December 2008, the Tianjin Development Group has recorded an impairment loss of approximately HK$25 million to the consolidated income statement.

25. Inventories

	As at 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Raw materials	5,402	5,863	5,702
Work in progress	4,571	47	69
Finished goods	1,522	250	260
Consumable stocks	1,211	938	4,306
	12,706	7,098	10,337

26. Amounts due from/to associates, jointly controlled entities and ultimate holding company

The balances are unsecured, interest free, have no fixed repayment terms and are mainly denominated in Renminbi.

As at 31 December 2006, 2007 and 2008, all the receivable balances were fully performing.

27. Amounts due from/(to) related companies, minority shareholders and investee companies

	As at 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Amounts due from related companies *(note (i))*	24,332	21,748	13,000
Amount due from a minority shareholder *(note (i))*	12,382	–	–
Amounts due from investee companies *(note (i) & (ii))*	100,871	127,738	162,036
Amounts due to related companies *(note (iii))*	(336,244)	(141,852)	(218,329)
Amounts due to minority shareholders *(note (iii))*	(197,480)	(16,894)	(1,079)

Notes:

(i) All the balances are unsecured, interest free, have no fixed repayment terms and are mainly denominated in Renminbi. All the balances were fully performing as at 31 December 2006, 2007 and 2008.

(ii) The amounts due from investee companies are of good credit quality in view of their operational profitability and sufficiency of cash for settlement.

(iii) The balances are unsecured, interest free, have no fixed repayment terms and are mainly denominated in Renminbi except that approximately HK$226 million payable to a related company as at 31 December 2006 for the acquisition of land use rights, berths and railways were settled in May 2007.

28. Trade receivables, other receivables, deposits and prepayments

	Tianjin Development Group As at 31 December			Tianjin Development As at 31 December		
	2006	**2007**	**2008**	**2006**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables						
Fully performing *(note (i))*	341,445	525,389	445,129	–	–	–
Past due but not impaired *(note (ii))*	137,247	188,789	310,900	–	–	–
Impaired *(note (iii))*	74,712	94,323	76,000	–	–	–
Trade receivables – gross	553,404	808,501	832,029	–	–	–
Less: provision for impairment	(74,712)	(94,323)	(76,000)	–	–	–
Trade receivables – net *(note (iv))*	478,692	714,178	756,029	–	–	–
Other receivables, deposits and prepayments *(note (v))*	198,566	432,739	231,028	17,081	26,929	7,002
	677,258	1,146,917	987,057	17,081	26,929	7,002

Notes:

(i) The various group companies have different credit policies which are dependent on the requirements of the markets and the businesses which they operate. In general, credit periods of about 30 to 90 days are granted to customers of the segment of port services and credit periods of 30 to 180 days are granted to corporate customers of the Tianjin Development Group's hotels in the segment of commercial properties. No credit terms are granted to customers of the segments of supply of utilities and operation of toll roads.

As at 31 December 2008, the Tianjin Development Group was entitled to government supplemental income of HK$321,125,000 (2007: HK$285,288,000 and 2006: HK$200,626,000) which is receivable from the Finance Bureau of TEDA as referred to in Note 2(v)(v). Annual supplemental income receivable does not have credit terms and the amount of which is to be finalised by the Finance Bureau after year end. Continuous settlements have been received by the Tianjin Development Group in the past years.

(ii) Trade receivables that are past due but not impaired relate to a wide range of customers and management believes that no impairment provision is necessary as there has not been a significant change in the credit quality and the balances are still considered fully recoverable. The ageing analysis of these trade receivables is as follows:

	As at 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Within 30 days	69,193	111,389	219,711
31 to 90 days	18,942	20,931	34,366
91 to 180 days	12,067	14,799	17,769
Over 180 days	37,045	41,670	39,054
	137,247	188,789	310,900

(iii) As at 31 December 2008, trade receivables of HK$76,000,000 (2007: HK$94,323,000 and 2006: HK$74,712,000) were impaired. The age and settlement track record of individual receivables are considered in the review for their impairment. The ageing of these receivables is as follows:

	As at 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Within 30 days	1,260	1,164	–
31 to 90 days	1,242	169	19
91 to 180 days	916	342	1
Over 180 days	71,294	92,648	75,980
	74,712	94,323	76,000

Movements on the provision for impairment of trade receivables are as follows:

	Year ended 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January	69,480	74,712	94,323
Exchange differences	2,541	6,012	5,550
Provision made in the year	(2,588)	16,392	23,040
Write off against receivables	(4,854)	(2,793)	(46,913)
Acquisition of a subsidiary	10,133	–	–
At 31 December	74,712	94,323	76,000

The creation and release of provision for impaired receivables have been included in general and administrative expenses in the income statement. Amounts charged to the provision account are generally written off when there is no expectation of recovering additional cash.

(iv) The ageing analysis of the Tianjin Development Group's trade receivables (net of provisions) is as follows:

	As at 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Within 30 days	366,557	503,446	505,666
31 to 90 days	18,329	32,768	54,637
91 to 180 days	10,031	14,814	18,447
Over 180 days	83,775	163,150	177,279
	478,692	714,178	756,029

(v) As at 31 December 2006, 2007 and 2008, all other receivables and deposits were fully performing.

The carrying amounts of trade receivables, other receivables and deposits approximate their fair value and are mainly denominated in Renminbi. The maximum exposure to credit risk at the reporting date is the carrying value of the receivable mentioned above. Except for the government supplemental income receivable, the Tianjin Development Group has no significant concentrations of credit risk and does not hold any collateral as security.

29. Financial assets at fair value through profit or loss

	As at 31 December 2006	As at 31 December 2007	As at 31 December 2008
	HK$'000	*HK$'000*	*HK$'000*
Listed shares in Hong Kong	12,542	15,091	5,633
Listed shares in the PRC	55,432	13,813	37
Unlisted funds in the PRC	109,312	277,513	467,033
	177,286	306,417	472,703
Market values of listed shares	67,974	28,904	5,670

As at 31 December 2008, the balances are denominated in Renminbi except for approximately HK$5,633,000 (2007: HK$15,091,000 and 2006: HK$12,542,000) is denominated in Hong Kong dollars.

The fair value of all listed shares are based on their current bid prices in active markets. The fair value of unlisted funds are based on their net asset values quoted by the relevant investment trust/securities companies.

30. Cash and cash equivalents, restricted bank balance and time deposits with maturity over three months

	Tianjin Development Group As at 31 December			Tianjin Development As at 31 December		
	2006	2007	2008	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cash at bank and in hand	1,796,300	2,193,298	1,674,670	6,508	20,100	41,100
Time deposits in bank with maturity less than three months	976,790	438,054	89,776	41,748	61,537	46,366
Balances with other financial institutions	77,650	24,489	80,870	–	–	18,008
Cash and cash equivalents	2,850,740	2,655,841	1,845,316	48,256	81,637	105,474
Restricted bank balance	28,640	–	–	–	–	–
Time deposits in banks with maturity over three months	424,898	580,341	935,525	20,672	14,002	28,798
Time deposits in other financial institutions with maturity over three months	–	–	17,290	–	–	–
Time deposits with maturity over three months	424,898	580,341	952,815	20,672	14,002	28,798
	3,304,278	3,236,182	2,798,131	68,928	95,639	134,272
Maximum exposure to credit risk	3,304,074	3,235,958	2,797,180	68,884	95,619	134,259

The carrying amounts of cash and cash equivalents, restricted bank balance and time deposits with maturity over three months approximate their fair value and are mainly denominated in Renminbi.

As at 31 December 2008, the effective interest rates on cash at bank and time deposits in bank range from 0.30% to 5.85% per annum (2007: 0.72% to 4.14% per annum and 2006: 0.17% to 3.53% per annum); these deposits have maturity from 6 to 365 days (2007: 3 to 356 days and 2006: 4 to 353 days).

31. Share capital

	Number of shares *thousands*	*HK$'000*
At 1 January 2006	910,656	91,066
Issue of shares *(Note 40(i))*	20,000	2,000
Exercise of share options *(note (c))*	500	50
Conversion of convertible bonds *(note (a))*	51,282	5,128
At 31 December 2006	982,438	98,244
Conversion of convertible bonds *(note (a))*	51,282	5,128
Exercise of share options *(note (c))*	1,900	190
At 31 December 2007	1,035,620	103,562
Issue of shares *(Note 40(iii))*	31,850	3,185
At 31 December 2008	1,067,470	106,747

As at 31 December 2008, the authorised share capital of Tianjin Development is HK$300,000,000, comprising 3,000 million shares (2007 and 2006: 3,000 million shares) with a par value of HK$0.10 per share (2007 and 2006: HK$0.10 per share). All issued shares are fully paid.

(a) On 19 December 2005, the Tianjin Development Group issued zero coupon convertible bonds with an aggregate principal amount of HK$400 million (which was subsequently changed to RMB400 million on 28 December 2006) (the "Bonds"). On 12 April, 25 April and 8 November 2006, holders of the Bonds with face value of HK$200 million exercised their option to convert the Bonds into shares of Tianjin Development by subscribing for 51,282,049 new shares of Tianjin Development at HK$3.9 each. On 2 February, 6 March and 7 May 2007, holders of the Bonds with face value of remaining RMB200 million exercised their option to convert the Bonds into shares of Tianjin Development by subscribing for a total of 51,282,049 new shares of Tianjin Development at HK$3.9 each.

(b) Tianjin Development had an equity settled share option scheme (the "Old Scheme") approved in an extraordinary general meeting on 22 November 1997. The Old Scheme was terminated on 25 May 2007 but the share option granted continued to be valid and exercisable until the expiration of the share options on 21 November 2007.

Tianjin Development has adopted an equity settled share option scheme (the "New Scheme") on 25 May 2007 under which the Directors may, at their discretion and within 10 years from the approval date, offer to grant options to the participants pursuant to the criteria set out in the New Scheme. Tianjin Development operates the New Scheme for the purpose of providing Tianjin Development with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the participants. The total number of shares of Tianjin Development which may be issued upon exercise of all options to be granted under the New Scheme and any other share option schemes of Tianjin Development shall not in aggregate exceed 10% of the total number of shares of Tianjin Development in issue as at the date of approval of the New Scheme. The maximum number of shares of Tianjin Development which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other share option schemes of Tianjin Development must not exceed 30% of the total number of shares of Tianjin Development in issue from time to time. The subscription price shall be at least the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet (the "Daily Quotation") on the date of grant; (ii) the average of the closing price of the shares as stated in the Daily Quotation for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share. The cash consideration payable for each grant is HK$1. The life of the New Scheme will expire on 24 May 2017.

On 19 December 2007, 11,900,000 share options were offered to Directors and employees and accepted by them on 17 January 2008, with an exercise price of HK$8.04 and are exercisable from 17 January 2008 to 24 May 2017.

(c) Movements in the number of share options outstanding during the year are as follows:

	Year ended 31 December					
	2006		2007		2008	
	Average exercise price in HK$ per share	Number of options	Average exercise price in HK$ per share	Number of options	Average exercise price in HK$ per share	Number of options
At 1 January	4.029	96,900,000	3.100	4,400,000		–
Granted		–		–	8.04	11,900,000
Exercised *(note)*	3.100	(500,000)	3.100	(1,900,000)		–
Lapsed	4.078	(92,000,000)	3.100	(2,500,000)	8.04	(1,100,000)
At 31 December		4,400,000		–		10,800,000

Note:

From 11 to 21 May 2007, options for 1,900,000 shares (2006: 500,000 shares) were exercised at the price of HK$3.1 each. The related weighted average closing share price at the date of exercise was HK$7.84 (2006: HK$6.2) per share.

32. Reserves

Tianjin Development Group

	Capital reserve HK$'000	Share premium HK$'000	General reserve HK$'000	Statutory reserves HK$'000	Share based payment reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 January 2006	9,430	4,247,684	86,893	202,918	–	122,604	1,080,715	5,750,244
Issue of shares								
– Conversion of convertible bonds	–	264,676	–	–	–	–	–	264,676
– Exercise of share options	–	1,500	–	–	–	–	–	1,500
Acquisition of a subsidiary	–	111,000	–	–	–	–	–	111,000
Disposal of a subsidiary *(Note 38(c))*	(185)	–	122	–	–	(1,915)	–	(1,978)
Profit for the year	–	–	–	–	–	–	552,751	552,751
Dividends	–	–	–	–	–	–	(83,387)	(83,387)
Transfers	–	–	374	35,500	–	–	(35,874)	–
Share based payments	–	–	–	–	2,377	–	–	2,377
Currency translation differences								
– Tianjin Development Group	93	–	–	–	–	182,385	–	182,478
– Associates	–	–	–	–	–	24,720	–	24,720
– Jointly controlled entities	–	–	–	–	–	3,264	–	3,264
At 31 December 2006	9,338	4,624,860	87,389	238,418	2,377	331,058	1,514,205	6,807,645
2006 proposed final dividend								45,192
Balance after 2006 proposed final dividend								6,762,453
								6,807,645
At 1 January 2007	9,338	4,624,860	87,389	238,418	2,377	331,058	1,514,205	6,807,645
Issue of shares								
– Conversion of convertible bonds	–	209,581	–	–	–	–	–	209,581
– Exercise of share options	–	5,700	–	–	–	–	–	5,700
Profit for the year	–	–	–	–	–	–	690,301	690,301
Dividends	–	–	–	–	–	–	(103,562)	(103,562)
Transfers	–	–	–	53,848	–	–	(53,848)	–
Share based payments	–	–	–	–	1,836	–	–	1,836
Currency translation differences								
– Tianjin Development Group	–	–	–	–	–	421,018	–	421,018
– Associates	–	–	–	–	–	83,448	–	83,448
– Jointly controlled entities	–	–	–	–	–	4,730	–	4,730
At 31 December 2007	9,338	4,840,141	87,389	292,266	4,213	840,254	2,047,096	8,120,697
2007 proposed final dividend								57,995
Balance after 2007 proposed final dividend								8,062,702
								8,120,697

	Capital reserve HK$'000	Share premium HK$'000	General reserve HK$'000	Statutory reserves HK$'000	Share based payment reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 January 2008	9,338	4,840,141	87,389	292,266	4,213	840,254	2,047,096	8,120,697
Issue of shares	–	164,346	–	–	–	–	–	164,346
Profit for the year	–	–	–	–	–	–	505,861	505,861
Dividends	–	–	–	–	–	–	(123,827)	(123,827)
Transfers	–	–	–	72,886	–	–	(72,886)	–
Share based payments								
– Tianjin Development Group	–	–	–	–	29,702	–	–	29,702
– Associates	–	–	–	–	2,987	–	–	2,987
Transfer upon lapse of share options	–	–	–	–	(3,068)	–	3,068	–
Currency translation differences								
– Tianjin Development Group	–	–	–	–	–	296,423	–	296,423
– Associates	–	–	–	–	–	79,641	–	79,641
– Jointly controlled entities	–	–	–	–	–	72,259	–	72,259
At 31 December 2008	9,338	5,004,487	87,389	365,152	33,834	1,288,577	2,359,312	9,148,089
2008 proposed final dividend								32,024
Balance after 2008 proposed final dividend								9,116,065
								9,148,089

As at 31 December 2008, retained earnings attributable to associates and accumulated losses attributable to jointly controlled entities amount to HK$616,860,000 (2007: HK$534,093,000 and 2006: HK$532,108,000) and HK$52,309,000 (2007: HK$43,337,000 and 2006: HK$31,313,000) respectively. All other reserves of the Tianjin Development Group are dealt with in the financial statements of Tianjin Development and its subsidiaries.

Statutory reserves and general reserves are reserves required by the relevant PRC laws applicable to the Tianjin Development's subsidiaries and cannot be used for distribution in the form of cash dividends.

According to the articles of association of each of the Tianjin Development Group's subsidiaries established in the PRC, a percentage, as stated in the articles of association or as approved by the board of directors of the subsidiaries, of net profit as reported in the PRC statutory accounts must be appropriated to reserve fund and enterprise expansion reserve, both of which are classified under statutory reserves. The percentage of appropriation is determined at the discretion of the board of directors of the respective subsidiaries. The reserve fund can be used to set off accumulated losses whilst the enterprise expansion reserve can be used for expansion of production facilities or increase in capital.

Tianjin Development

	Share premium *HK$'000*	Share based payment reserve *HK$'000*	Exchange reserve *HK$'000*	Retained earnings *HK$'000*	Total *HK$'000*
At 1 January 2006	4,247,684	–	93,165	300,495	4,641,344
Issue of shares					
– Conversion of convertible bonds	264,676	–	–	–	264,676
– Exercise of share options	1,500	–	–	–	1,500
Acquisition of a subsidiary	111,000	–	–	–	111,000
Loss for the year	–	–	–	(824)	(824)
Dividends	–	–	–	(83,387)	(83,387)
Currency translation differences	–	–	168,502	–	168,502
At 31 December 2006	4,624,860	–	261,667	216,284	5,102,811
2006 proposed final dividend					45,192
Balance after 2006 proposed final dividend					5,057,619
					5,102,811
At 1 January 2007	4,624,860	–	261,667	216,284	5,102,811
Issue of shares					
– Conversion of convertible bonds	209,581	–	–	–	209,581
– Exercise of share options	5,700	–	–	–	5,700
Profit for the year	–	–	–	1,084,274	1,084,274
Dividends	–	–	–	(103,562)	(103,562)
Currency translation differences	–	–	429,062	–	429,062
At 31 December 2007	4,840,141	–	690,729	1,196,996	6,727,866
2007 proposed final dividend					57,995
Balance after 2007 proposed final dividend					6,669,871
					6,727,866
At 1 January 2008	4,840,141	–	690,729	1,196,996	6,727,866
Issue of shares	164,346	–	–	–	164,346
Profit for the year	–	–	–	206,376	206,376
Dividends	–	–	–	(123,827)	(123,827)
Share based payments	–	28,391	–	–	28,391
Transfer upon lapse of share options	–	(3,068)	–	3,068	–
Currency translation differences	–	–	420,772	–	420,772
At 31 December 2008	5,004,487	25,323	1,111,501	1,282,613	7,423,924
2008 proposed final dividend					32,024
Balance after 2008 proposed final dividend					7,391,900
					7,423,924

33. Borrowings

	Tianjin Development Group As at 31 December			Tianjin Development As at 31 December		
	2006	**2007**	**2008**	**2006**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current						
Convertible bonds *(note (i))*	211,803	–	–	–	–	–
Bank borrowings						
– Secured *(note (ii))*	594,030	–	–	–	–	–
– Unsecured	908,652	1,245,580	2,557,349	908,652	855,580	1,417,099
	1,714,485	1,245,580	2,557,349	908,652	855,580	1,417,099
Current						
Current portion of long term bank borrowings						
– Secured *(note (ii))*	9,453	–	–	–	–	–
Short term bank borrowings						
– Secured *(note (ii))*	9,950	–	–	–	–	–
– Unsecured	284,558	58,389	33,389	142,389	58,389	33,389
Loans from a minority shareholder *(note (iii))*	259,853	165,447	–	–	–	–
	563,814	223,836	33,389	142,389	58,389	33,389
Total borrowings	2,278,299	1,469,416	2,590,738	1,051,041	913,969	1,450,488

The carrying amounts of all bank borrowings approximate their fair values.

Notes:

(i) All zero coupon convertible bonds were converted into shares in 2006 and 2007 (Note 31(a)). The balance of the convertible bonds was transferred to the share capital and share premium upon conversion accordingly.

(ii) As at 31 December 2006, the secured bank borrowings were secured by a bank deposit of approximately HK$28,640,000, toll revenue arising from the operation of Jinbin Expressway and equity interests in certain subsidiaries of the Tianjin Development Group.

(iii) Loans from a minority shareholder were unsecured, had no fixed terms of repayment and carried interest at 6.4% per annum except for an amount of approximately HK$90,169,000 as at 31 December 2006 which was carried at 5.69% per annum. Interest payable totalling HK$20,349,000 was subsequently reversed in 2008 (Note 7).

The maturity of bank borrowings is as follows:

	Tianjin Development Group As at 31 December			Tianjin Development As at 31 December		
	2006	**2007**	**2008**	**2006**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Bank borrowings:						
Within one year	303,961	58,389	33,389	142,389	58,389	33,389
In the second year	73,065	–	–	53,164	–	–
In the third to fifth years inclusive	964,940	1,245,580	2,557,349	855,488	855,580	1,417,099
After the fifth year	464,677	–	–	–	–	–
	1,806,643	1,303,969	2,590,738	1,051,041	913,969	1,450,488
Wholly repayable within five years	1,203,160	1,303,969	2,590,738	1,051,041	913,969	1,450,488
Wholly repayable beyond five years	603,483	–	–	–	–	–
	1,806,643	1,303,969	2,590,738	1,051,041	913,969	1,450,488

The carrying amounts of the borrowings are denominated in the following currencies:

	Tianjin Development Group As at 31 December			Tianjin Development As at 31 December		
	2006	**2007**	**2008**	**2006**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Bank borrowings:						
Renminbi	755,602	–	–	–	–	–
US dollar	54,600	–	23,250	54,600	–	–
HK dollar	996,441	1,303,969	2,567,488	996,441	913,969	1,450,488
	1,806,643	1,303,969	2,590,738	1,051,041	913,969	1,450,488
Convertible bonds:						
Renminbi	211,803	–	–	–	–	–
Loans from a minority shareholder:						
Renminbi	259,853	165,447	–	–	–	–
	2,278,299	1,469,416	2,590,738	1,051,041	913,969	1,450,488

The effective interest rates of bank borrowings at the balance sheet date are as follows:

	Tianjin Development Group As at 31 December			Tianjin Development As at 31 December		
	2006	2007	2008	2006	2007	2008
	%	%	%	%	%	%
Bank borrowings:						
Renminbi	5.98	N/A	N/A	N/A	N/A	N/A
US dollar	5.89	N/A	2.01	5.89	N/A	N/A
HK dollar	4.50	4.20	2.37	4.50	4.26	3.57

34. Deferred taxation

	As at 31 December		
	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*
Deferred tax assets:			
– Deferred tax assets to be recovered after more than 12 months	4,960	26,759	129,395
Deferred tax liabilities:			
– Deferred tax liabilities to be settled after more than 12 months	(63,456)	(45,258)	(90,769)
– Deferred tax liabilities to be settled within 12 months	(30,340)	(12,406)	–
	(93,796)	(57,664)	(90,769)
Deferred tax (liabilities)/assets – net	(88,836)	(30,905)	38,626

Deferred tax is calculated in full on temporary differences under the liability method using tax rates of the relevant subsidiaries applicable to the period when the asset is expected to be realised or the liability to be settled, based on tax rates that have been substantively enacted by the balance sheet date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income tax levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The net movement on the deferred tax account is as follows:

	Year ended 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January	(75,311)	(88,836)	(30,905)
Acquisition of subsidiaries *(Note 38(b))*	(4,655)	–	(27,772)
Toll roads restructuring *(Note 38(d))*	–	53,520	–
Transfer (to)/from tax payable	–	(11,701)	5,078
Deferred tax (charged)/credited to income statement			
Continuing operations *(Note 11)*	(10,852)	20,382	45,924
Discontinued operation	–	–	(4,651)
Exchange differences	1,982	(4,270)	(4,979)
Classified as assets held for sale *(Note 15)*	–	–	55,931
At 31 December	(88,836)	(30,905)	38,626

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax liabilities

	Accelerated depreciation	**Accrued income**	**Revaluation of property**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2006	71,303	24,258	5,112	100,673
Acquisition of a subsidiary	(208)	10,049	–	9,841
Deferred tax charged to income statement	301	14,138	–	14,439
Exchange differences	2,483	1,426	178	4,087
At 31 December 2006	73,879	49,871	5,290	129,040
Toll roads restructuring	(53,520)	–	–	(53,520)
Transfer from/(to) tax payable	28,774	(11,593)	(5,480)	11,701
Deferred tax charged to income statement *(note i)*	368	10,360	–	10,728
Exchange differences	4,564	3,632	190	8,386
At 31 December 2007	54,065	52,270	–	106,335
Acquisition of subsidiaries *(Note 38(b))*	3,646	–	132,423	136,069
Transfer to tax payable	(5,078)	–	–	(5,078)
Deferred tax charged/(credited) to income statement *(note ii)*	4,651	(19,121)	(26,740)	(41,210)
Exchange differences	3,306	3,027	3,230	9,563
Classified as assets held for sale *(Note 15)*	(55,931)	–	–	(55,931)
At 31 December 2008	4,659	36,176	108,913	149,748

Deferred tax assets

	Accelerated depreciation *HK$'000*	Provisions *HK$'000*	Tax loss *HK$'000*	Total *HK$'000*
At 1 January 2006	2,715	22,647	–	25,362
Acquisition of a subsidiary	–	5,186	–	5,186
Deferred tax credited to income statement	95	3,492	–	3,587
Exchange differences	96	5,973	–	6,069
At 31 December 2006	2,906	37,298	–	40,204
Deferred tax credited to income statement *(note i)*	2,174	28,936	–	31,110
Exchange differences	294	3,822	–	4,116
At 31 December 2007	5,374	70,056	–	75,430
Acquisition of subsidiaries *(Note 38(b))*	–	–	108,297	108,297
Deferred tax credited/(charged) to income statement *(note ii)*	181	(118)	–	63
Exchange differences	330	4,254	–	4,584
At 31 December 2008	5,885	74,192	108,297	188,374

Notes:

(i) The net deferred tax credited to income statement of 2007 was mainly related to the change in PRC tax rate according to the New CIT Law effective from 1 January 2008 for certain subsidiaries of the Tianjin Development Group.

(ii) The net deferred tax credited to income statement of 2008 was mainly related to the impairment loss on a leasehold land.

(iii) Under the New CIT Law, withholding tax is imposed on dividends declared in respect of profits earned by the subsidiaries in the PRC from 1 January 2008 onwards. Deferred taxation of HK$32,804,000 as at 31 December 2008 has not been provided in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries as the Tianjin Development Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

There is no material unprovided deferred taxation at 31 December 2008 (2007 and 2006: Nil).

35. Trade payables

The ageing analysis of the Tianjin Development Group's trade payables is as follows:

	As at 31 December		
	2006 *HK$'000*	2007 *HK$'000*	2008 *HK$'000*
Within 30 days	24,738	18,354	22,479
31 to 90 days	14,142	24,081	74,272
91 to 180 days	13,931	7,419	356
Over 180 days	168,312	136,738	101,061
	221,123	186,592	198,168

The carrying amounts of trade payables approximate their fair value and are mainly denominated in Renminbi.

36. Operating lease commitments

	Tianjin Development Group As at 31 December			Tianjin Development As at 31 December		
	2006	**2007**	**2008**	**2006**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Land and buildings						
Not later than one year	7,295	6,547	13,752	3,944	2,923	6,971
Later than one year and not later than five years	5,474	1,854	14,138	2,013	688	3,665
Over five years	210	–	776	–	–	–
	12,979	8,401	28,666	5,957	3,611	10,636
Plants, pipelines and networks						
Not later than one year	30,748	25,270	121,449	–	–	–
Later than one year and not later than five years	28,847	48,005	26,849	–	–	–
	59,595	73,275	148,298	–	–	–
	72,574	81,676	176,964	5,957	3,611	10,636

37. Capital commitments

	Tianjin Development Group As at 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Authorised but not contracted for in respect of			
– Improvements on plant and machinery	380,863	424,561	183,011
Contracted but not provided for in respect of			
– Property, plant and machinery	29,527	48,118	84,923
– Investment in a jointly controlled entity	504,838	562,226	175,340
– Acquisition of hotels	–	865,950	–
	534,365	1,476,294	260,263

38. Notes to the consolidated cash flow statement

(a) Reconciliation of operating profit to net cash generated from operations

	Year ended 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Operating profit – continuing operations	692,911	728,024	448,575
Operating profit – discontinued operation *(Note 15)*	54,027	61,355	60,882
	746,938	789,379	509,457
Adjustments for:			
Interest income	(148,727)	(53,352)	(68,161)
Depreciation	191,976	195,249	222,491
Amortisation	28,922	36,343	46,027
Impairment loss on leasehold land and available-for-sale financial assets	–	–	175,253
Net loss on disposal of property, plant and equipment *(note)*	12,062	14,202	2,224
Gain on disposal of investment property	–	(10,309)	–
Unrealised (gain)/loss on financial assets at fair value through profit or loss	(4,194)	–	7,568
(Reversal of)/provision for impairment of trade receivables	(2,588)	16,392	23,040
Reversal of loan interest payable to minority shareholder	–	–	(20,349)
Reversal of over-accrued expenses	–	–	(22,853)
Net exchange gain	(37,533)	(47,671)	(89,288)
Gain on deemed disposal of partial interest in subsidiaries	(109,235)	–	–
Excess of fair value of net assets acquired over the cost of acquisition of subsidiaries	–	–	(203,103)
Loss on deemed disposal of partial interest in a jointly controlled entity	–	–	1,034
Gain on acquisition of additional interest in a subsidiary	–	–	(16,573)
Net (gain)/loss on disposal of a subsidiary, associates and jointly controlled entities	(22,993)	18,678	–
Provision for impairment of an associate	–	38,261	–
Gain on toll roads restructuring	–	(165,913)	–
Gain on disposal of available-for-sale financial assets	(333)	(10,429)	–
Share based payments	3,785	2,924	30,434
Changes in working capital:			
Inventories	(3,680)	(1,121)	(204)
Trade receivables	(58,642)	(227,002)	(105,258)
Other receivables, deposits and prepayments	(38,748)	(236,872)	252,244
Financial assets at fair value through profit or loss	(3,462)	(117,419)	(156,377)
Trade payables	25,933	(50,495)	(901)
Other payables and accruals	153,561	108,656	(159,499)
Completed properties held for sale	5,063	–	–
Amounts due to ultimate holding company	207	–	(536)
Amounts due to and from related companies and a minority shareholder	(8,230)	51,313	93,448
Net cash generated from operations	730,082	350,814	520,118

Note: Proceeds from disposal of property, plant and equipment comprises:

	Year ended 31 December		
	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*
Proceeds from sales	1,208	3,266	9,698
Less: Net book amount	(13,265)	(17,939)	(11,910)
Exchange differences	(5)	471	(12)
Loss on disposal	(12,062)	(14,202)	(2,224)

(b) Acquisition of subsidiaries

	Year ended 31 December		
	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*
Net assets acquired			
Property, plant and equipment *(Note 16)*	224,080	–	542,671
Leasehold land and land use rights *(Note 19)*	–	–	745,304
Inventories	334	–	2,898
Trade receivables	135,954	–	1,249
Other receivables, deposits and prepayments	12,222	–	115,711
Amounts due from related companies	11,224	–	–
Cash and cash equivalents	193,288	–	38,055
Trade payables	(179,398)	–	(2,442)
Other payables and accruals	(47,944)	–	(113,419)
Amounts due to related companies	(61,183)	–	–
Amounts due to jointly controlled entity	–	–	(98,808)
Amount due to ultimate holding company	–	–	(15,041)
Borrowings	–	–	(29,749)
Net deferred tax liability *(Note 34)*	(4,655)	–	(27,772)
Current income tax liabilities	(1,229)	–	–
Loans from a minority shareholder	(24,280)	–	–
Net assets	258,413	–	1,158,657
Minority interests	(23,407)	–	(82,715)
	235,006	–	1,075,942
Goodwill on acquisition	184,594	–	–
Excess of fair value of net assets acquired over the cost of acquisition	–	–	(203,103)
	419,600	–	872,839
Satisfied by:			
Cash paid	306,600	–	705,308
Fair value of shares issued	113,000	–	167,531
	419,600	–	872,839
Analysis of net cash outflow in respect of acquisition of subsidiaries:			
Cash paid	(306,600)	–	(705,308)
Cash and cash equivalents acquired	193,288	–	38,055
Net cash outflow in respect of acquisition of subsidiaries	(113,312)	–	(667,253)

(c) ***Disposal of a subsidiary***

	Year ended 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Net assets disposed			
Property, plant and equipment *(Note 16)*	189	10,975	–
Land use rights *(Note 19)*	–	2,076	–
Available-for-sale financial assets *(Note 24)*	146	–	–
Inventories	34	7,520	–
Trade receivables	584	797	–
Other receivables, deposits and prepayments	35,733	9,216	–
Completed properties held for sale	1,320	–	–
Cash and cash equivalent	33,602	20	–
Trade payables	–	(337)	–
Other payables and accruals	(17,074)	(5,681)	–
Current income tax liabilities	(69)	–	–
Minority interests	(51)	(8,340)	–
Net assets disposed	54,414	16,246	–
Other reserves released upon disposal	(1,978)	–	–
Gain/(loss) on disposal of a subsidiary	22,993	(15,684)	–
	75,429	562	–
Satisfied by:			
Cash received	69,136	562	–
Cash to be received	6,293	–	–
	75,429	562	–
Analysis of net cash inflow in respect of disposal of a subsidiary:			
Cash received	69,136	562	–
Cash and cash equivalents disposed	(33,602)	(20)	–
Net cash inflow in respect of disposal of a subsidiary	35,534	542	–

(d) Toll roads restructuring

	Year ended 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Net assets disposed			
Property, plant and equipment *(Note 16)*	–	(1,606,011)	–
Goodwill *(Note 18)*	–	(76,009)	–
Amount due from associates	–	(7,186)	–
Trade receivables	–	(5,623)	–
Other receivables, deposits and prepayments	–	(2,533)	–
Cash and cash equivalent	–	(13,526)	–
Other payables and accruals	–	47,080	–
Amounts due to minority shareholders	–	204,121	–
Borrowings	–	620,361	–
Deferred tax liabilities *(Note 34)*	–	53,520	–
Interest in an associate	–	3,552	–
Minority interests	–	766,627	–
Net assets disposed	–	(15,627)	–
Interest in an associate acquired	–	188,035	–
Exchange reserves released	–	(6,495)	–
Gain on toll roads restructuring	–	165,913	–
Analysis of net cash outflow in respect of toll road restructuring:			
Cash and cash equivalents disposed	–	(13,526)	–

(e) Non-cash transactions

During 2006, the Tianjin Development Group acquired approximately 90.9% interest in Heat & Power Company. The acquisition was satisfied by cash of HK$306,600,000, as included in cash paid on acquisition of a subsidiary in Note 38(b), and issue of 20,000,000 ordinary shares of HK$0.10 each of Tianjin Development.

During 2006, convertible bonds of face value of HK$200,000,000 were converted into 51,282,049 ordinary shares of HK$0.10 each of Tianjin Development, while in 2007 the remaining convertible bonds of face value of RMB200,000,000 were converted into 51,282,049 ordinary shares of HK$0.10 each of Tianjin Development.

During 2008, the Tianjin Development Group acquired entire interest in Realty. The acquisition was satisfied by the issue of 31,850,000 ordinary shares of HK$0.10 each of Tianjin Development and cash of HK$560,000,000, as included in cash paid on acquisition of a subsidiary in Note 38(b).

39. Related party transactions

The following are significant related party transactions and balances during the years ended 31 December 2006, 2007 and 2008 in addition to those disclosed in Notes 22, 23, 26 and 27:

(a) Transactions with related parties of the Tianjin Development Group

	Year ended 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
(i) Acquisition of a subsidiary from the ultimate holding company *(Note 40(i) & (iii))*	419,600	–	727,531
(ii) Transactions with the Tianjin Development Group's associates			
– Non-containerised cargo handling income received from associates	37,901	43,597	65,065
– Wharf cargo handling service charges paid to associates	13,669	20,529	24,486
– Labour services paid to associates	–	–	48,024
(iii) Transactions with other related parties of the Tianjin Development Group			
– Rental of land	1,902	2,011	1,925
– Rental of plants, pipelines and networks	26,256	65,309	99,167
– Purchase of steam for sale	164,896	358,321	446,661

(b) Key management compensation

	Year ended 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Fees	5,620	6,990	7,817
Salaries and other emoluments	13,712	15,683	14,069
Share based payments	4,917	2,624	19,003
	24,249	25,297	40,889

40. Business combinations

(i) On 18 April 2006, the Tianjin Development Group acquired approximately 90.9% of the equity interest of Heat & Power Company, a company engaged in heat and thermal power supply in TEDA of Tianjin, for cash of HK$306.6 million paid and issue of 20,000,000 ordinary shares of Tianjin Development.

The acquired business contributed revenues of HK$229,860,000 and net profit of HK$1,964,000 to the Tianjin Development Group for the period from 18 April 2006 to 31 December 2006. If the acquisition had occurred on 1 January 2006, contributed revenue and contributed profit for the year would have been HK$442,764,000 and HK$28,198,000 respectively.

Details of net assets acquired and goodwill are as follows:

	HK$'000
Purchase consideration:	
– cash paid	306,600
– fair value of shares issued	113,000
Total purchase consideration	419,600
Less: fair value of net identifiable assets acquired *(note (b))*	235,006
Goodwill *(note (c))*	184,594

Notes:

(a) The fair value of the shares issued was based on the published share price on 18 April 2006.

(b) The assets and liabilities as of 18 April 2006 arising from the acquisition are as follows:

	Acquiree's carrying amount *HK$'000*	**Acquiree's fair value** *HK$'000*
Property, plant and equipment *(Note 16)*	224,080	224,080
Inventories	334	334
Trade and other receivables	148,176	148,176
Amounts due from related companies	11,224	11,224
Cash and cash equivalents	193,288	193,288
Trade and other payables	(227,342)	(227,342)
Amounts due to related companies	(61,183)	(61,183)
Current tax liabilities	(1,229)	(1,229)
Borrowings	(24,280)	(24,280)
Net deferred tax liabilities *(Note 34)*	(4,655)	(4,655)
Net assets	258,413	258,413
Minority interests		(23,407)
Net assets acquired		235,006

(c) The goodwill is attributable to the fact that Heat & Power Company is the sole distributor of steam and heat in the TEDA, which is an area of high growth potential. In addition, the established facilities, management expertise and customer base of the Heat & Power Company can provide the Tianjin Development Group with an opportunity to enter the steam supply business in a faster pace.

(ii) On 4 January 2008, the Tianjin Development Group completed the acquisition of the entire issued share capital of Lethia at a consideration of US$7.5 million. Lethia's assets mainly comprise 50% equity interest in First Hotel, a sino-foreign equity joint venture company holding a five-star hotel property situated in Tianjin managed by Hyatt of China Limited.

On 4 March 2008, the Tianjin Development Group completed the acquisition of a further 25% equity interest in First Hotel through Lethia at a consideration of RMB75.5 million.

The acquired business contributed revenues of HK$57,531,000 and net loss of HK$9,926,000 to the Tianjin Development Group for the period from 4 January 2008 to 31 December 2008. If the acquisition had occurred on 1 January 2008, contributed revenue and contributed loss for the year would have been HK$67,723,000 and HK$15,030,000 respectively.

Details of net assets acquired and goodwill of the above acquisitions in aggregate are as follows:

	HK$'000
Purchase consideration:	
– cash paid	141,029
– direct cost relating to the acquisition	2,000
Total purchase consideration	143,029
Less: fair value of net identifiable assets acquired (shown as below)	146,345
Excess of fair value of net assets acquired over the cost of acquisition of subsidiaries	3,316

The assets and liabilities as of the completion date arising from the acquisition are as follows:

	Acquirees' carrying amount *HK$'000*	**Acquirees' fair value** *HK$'000*
Cash and cash equivalents	14,913	14,913
Property, plant and equipment	29,295	188,806
Land use right	21,699	220,304
Inventories	2,898	2,898
Receivables	115,208	112,620
Payables	(191,203)	(191,203)
Borrowings	(29,749)	(29,749)
Deferred tax liabilities	–	(89,529)
Net assets	(36,939)	229,060
Minority interests	(15,569)	(82,715)
Net assets acquired	(52,508)	146,345

(iii) On 28 March 2008, the Tianjin Development Group completed the acquisition of the entire equity interests in, and all the shareholders' loan advanced to, Realty at a cash consideration of HK$560 million and an issue of 31,850,000 new shares of Tianjin Development.

The acquired business contributed revenues of HK$46,005,000 and net loss of HK$12,900,000 and one-off impairment loss on leasehold land of HK$125,250,000 to the Tianjin Development Group for the period from 28 March 2008 to 31 December 2008. If the acquisition had occurred on 1 January 2008, contributed revenue and contributed loss for the year would have been HK$46,005,000 and HK$28,262,000 and one-off impairment loss on leasehold land of HK$125,250,000 respectively.

Details of net assets acquired and goodwill are as follows:

	HK$'000
Purchase consideration:	
– cash paid	560,000
– fair value of shares issued	167,531
– direct cost relating to the acquisition	3,000
Total purchase consideration	730,531
Less: fair value of net identifiable assets acquired (shown as below)	930,318
Excess of fair value of net assets acquired over the cost of acquisition	199,787

The fair value of the shares issued was based on the closing share price as at the date of completion of the acquisition.

The assets and liabilities as of the completion date arising from the acquisition are as follows:

	Acquirees' carrying amount *HK$'000*	**Acquirees' fair value** *HK$'000*
Cash and cash equivalents	23,142	23,142
Property, plant and equipment	353,791	353,865
Leasehold land	265,111	525,000
Deferred tax assets	104,651	61,757
Receivables	4,340	4,340
Payables	(37,786)	(37,786)
Net assets acquired	713,249	930,318

41. Ultimate holding company

The Directors of Tianjin Development consider Tsinlien Group Company Limited, a company incorporated in Hong Kong, as being the ultimate holding company.

42. Principal subsidiaries

Name	Principal Activities	Issued and paid up capital/ registered capital	Percentage: Attributable to the Tianjin Development Group	Percentage: Held by Tianjin Development	Percentage: Held by subsidiaries
Established and operating in the PRC					
Tianjin Harbour Second Stevedoring Co., Ltd.	Provision of stevedoring and storage services	RMB815,180,100	65.66		100
Tianjin Port Container Terminal Co., Ltd.	Provision of containers transportation and storage services	RMB1,021,230,000	65.66		100
Tianjin Heavenly Palace Winery Co., Ltd.	Investment holding	RMB80,018,400	100	100	
Tianjin Tai Kang Industrial Co., Ltd.	Investment holding	RMB1,030,269,400	82.74	82.74	
Tianjin Development Assets Management Co., Ltd.	Investment holding	RMB32,076,000	100	100	
Tianjin Jin Zheng Transportation Development Co., Ltd.	Operating and management of Eastern Outer Ring Road	RMB1,104,596,200	83.93 *(note a)* 86.67 *(note b)*		83.93 *(note a)* 86.67 *(note b)*
Tianjin TEDA Tsinlien Electric Power Company Limited	Supply of electricity	RMB314,342,450	94.36		94.36
Tianjin TEDA Tsinlien Water Supply Company Limited	Supply of water	RMB163,512,339	91.41		91.41
Tianjin TEDA Tsinlien Heat & Power Company Limited	Supply of steam and thermal power	RMB262,948,258	90.94		90.94
Tianjin First Hotel Ltd.	Operation of Hyatt Regency Tianjin Hotel	US$9,000,000	75		75
Established in the British Virgin Islands and operating in Hong Kong					
Dynamic Infrastructure Limited	Investment holding	US$5	100	100	
Leadport Holdings Limited	Investment holding	US$1	100	100	
Famous Ever Group Limited	Investment holding	US$1	100	100	
Established in Cayman Islands, operating in and shares listed in Hong Kong					
Tianjin Port Development Holdings Limited	Investment holding	HK$178,710,000	65.66		65.66

Name	Principal Activities	Issued and paid up capital/ registered capital	Percentage: Attributable to the Tianjin Development Group	Percentage: Held by Tianjin Development	Percentage: Held by subsidiaries
Established and operating in Hong Kong					
Tsinlien Realty Limited	Operation of Courtyard by Marriott Hong Kong	HK$200,000	100		100
Lethia Limited	Investment holding	HK$300,000	100		100
Godia Holdings Limited	Investment holding	HK$15	100		100

Notes:

(a) Represents equity interest in the paid up capital of the subsidiary

(b) Represents profit sharing ratio in the subsidiary

43. Principal associates

Name	Principal Activities	Issued and paid up capital/ registered capital	Percentage: Attributable to the Tianjin Development Group	Percentage: Held by Tianjin Development	Percentage: Held by subsidiaries
Established and operating in the PRC					
Otis Elevator (China) Investment Company Limited	Investment holding	US$79,625,000	16.55		20
Tianjin Tian Fa Heavy Electric Equipment Manufacturing Limited	Design, manufacture, sale and provision of advisory services for equipment used to generate electricity by water	RMB180,597,627	28.14		34.0
Established in Cayman Islands, operating in and shares listed in Hong Kong					
Dynasty Fine Wines Group Limited	Investment holding	HK$124,500,000	44.82		44.82
Established in the British Virgin Islands and operating in Hong Kong					
Golden Horse Resources Limited	Investment in joint ventures which operates Jinbin Expressway in Tianjin	US$10,000	40	40	

44. Principal jointly controlled entities

Name	Principal Activities	Issued and paid up capital/ registered capital	Percentage: Attributable to the Tianjin Development Group	Percentage: Held by Tianjin Development	Percentage: Held by subsidiaries
Established and operating in the PRC					
Tianjin Port Alliance International Container Terminal Co., Ltd.	Container and cargo handling services	US$160,000,000	26.26		40
Tianjin Port Euroasia International Container Terminal Co., Ltd.	Container and cargo handling services	RMB1,260,000,000	26.26		40
Tianjin Port Haifeng Bonded Logistics Co., Ltd.	Logistics relates services	RMB300,000,000	33.49		51
Tianjin Haihe Dairy Company Limited	Manufacturing and sale of dairy products	RMB200,000,000	40		40

II. EVENTS AFTER THE BALANCE SHEET DATE

On 16 March 2009, Tianjin Port Development, a non-wholly owned subsidiary of the Tianjin Development Group, its wholly owned subsidiary, Grand Point Investment Limited, and Tianjin Port (Group) Co., Ltd., a connected person to the Tianjin Development Group, entered into a sale and purchase agreement, pursuant to which Tianjin Port Development, through Grand Point Investment Limited, agreed to conditionally acquire from Tianjin Port (Group) Co., Ltd. its 56.81% interest in the registered share capital of Tianjin Port Holdings Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 600717) for a total consideration of HK$10,961 million to be satisfied as to HK$7,031 million by the issue of the shares of Tianjin Port Development and as to HK$3,930 million by cash (subject to adjustment).

Pursuant to an option agreement dated 15 June 2009 (the "Option Agreement") between Tianjin Port Development, Tianjin Development and Leadport Holdings Limited ("Leadport"), a wholly-owned subsidiary of Tianjin Development, Tianjin Port Development granted Leadport a right to subscribe for option shares to increase Tianjin Development's interest to no more than 21% of the enlarged issued share capital of Tianjin Port Development.

Upon completion and assume Tianjin Development exercises the option to subscribe for option shares, the Tianjin Development Group's interest in Tianjin Port Development will be diluted to approximately 21% and Tianjin Port Development will cease to be a subsidiary and become an associate of the Tianjin Development Group. The Tianjin Development Group will adopt equity accounting in respect of its interest in Tianjin Port Development.

The Tianjin Development Group expects to recognise a gain or loss on deemed disposal of its interest in Tianjin Port Development, which is to be calculated based on the fair value and the carrying value of the shares of Tianjin Port Development held by the Tianjin Development Group on the date of completion.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for Tianjin Development and its subsidiaries in respect of any period subsequent to 31 December 2008 and up to the date of this report.

Yours faithfully
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

INDEBTEDNESS

1. Borrowings

As at the close of business on 30 April 2009, being the latest practicable date for the purpose of this indebtedness statement, Tianjin Development Group had outstanding bank borrowings of approximately HK$2,673.7 million, which comprised unsecured short term bank loans of approximately HK$56.1 million which will be matured within one year and unsecured long term bank loans of approximately HK$2,617.6 million.

2. Disclaimer

Save as disclosed above and apart from intra-group liabilities, the Tianjin Development Group did not have, as at the close of business on 30 April 2009, any debt securities, any outstanding loan capital, any other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptances (other than normal trade bills) or similar indebtedness, debentures, mortgages, charges, acceptance credits, hire purchase commitments, guarantees or material contingent liabilities.

WORKING CAPITAL

Taking into account the financial resources available to the Remaining Tianjin Development Group, including internally generated funds, the Tianjin Development Directors are of the opinion that the Remaining Tianjin Development Group will have sufficient working capital for its present requirements, that is, for at least the next 12 months from the date of this circular.

The following is the text of a report, prepared for the purpose of inclusion in this circular and adopting the same accounting policies as those in the preparation of the report set out in Appendix I of this circular, received from the reporting accountant, PricewaterhouseCoopers.

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

19 June 2009

The Directors
Tianjin Port Development Holdings Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") of Tianjin Port Holdings Co., Ltd. (the "Target") and its subsidiaries (together, the "Target Group") set out in Sections I to III below, for inclusion in the joint circular of Tianjin Port Development Holdings Limited ("Tianjin Port Development") dated 19 June 2009 (the "Circular") in connection with the proposed acquisition of a majority interest in the Target by Tianjin Port Development. The Financial Information comprises the consolidated and the Target's balance sheets as at 31 December 2006, 2007 and 2008, and its consolidated income statements, consolidated statements of changes in equity and consolidated cash flow statements for each of the three years ended 31 December 2006, 2007 and 2008 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory notes.

The Target's establishment is detailed in Note 1 of Section II below. As at the date of this report, the Target has direct and indirect interests in the subsidiaries, jointly controlled entities and associates as set out in Note 31 of Section II below.

The Target has adopted 31 December as its financial year end date. The statutory consolidated financial statements of the Target for each of the three years ended 31 December 2006, 2007 and 2008, which were prepared in accordance with the prevailing China Accounting Standards promulgated by the Ministry of Finance of the People's Republic of China ("CAS Financial Statements") were audited by Wuzhou Songde Certified Public Accountants (五洲松德聯合會計師事務所).

The Financial Information has been prepared based on the audited CAS Financial Statements of the Target, after making such adjustments as are appropriate.

Directors' responsibility

The directors of the Target during the Relevant Periods are responsible for the preparation and the fair presentation of the Target's CAS Financial Statements. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the fair presentation of the CAS Financial Statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The directors of Tianjin Port Development are responsible for the preparation and the true and fair presentation of the Financial Information in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the Financial Information that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Financial Information based on our examination and to report our opinion to you. We examined the audited CAS Financial Statements of the Target for the Relevant Periods used and the related adjustments made in preparing the Financial Information, and carried out such additional procedures as we considered necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Opinion

In our opinion, the Financial Information, for the purpose of this report, and presented on the basis as set out in Note 2.1 of Section II below, gives a true and fair view of the state of affairs of the Target and of the Target Group as at 31 December 2006, 2007 and 2008 and of the Target Group's results and cash flows for the Relevant Periods.

I. FINANCIAL INFORMATION ON THE TARGET GROUP

The following Financial Information on the Target Group has been prepared on the basis set out in Note 2.1 of Section II, after making such adjustments as are appropriate. All amounts are in Renminbi ("RMB") thousand unless otherwise stated.

1. CONSOLIDATED INCOME STATEMENTS

		For the year ended 31 December		
	Note	**2006**	**2007**	**2008**
Revenue	*3*	7,175,795	9,155,452	11,265,836
Business tax		(146,970)	(170,867)	(189,532)
Cost of sales	*5*	(4,886,422)	(6,668,488)	(8,626,555)
Gross profit		2,142,403	2,316,097	2,449,749
Other income and gains	*4*	134,191	119,471	76,675
Administrative expenses	*5*	(887,542)	(860,702)	(1,034,239)
Other operating expenses	*5*	(31,007)	(37,227)	(36,016)
Operating profit		1,358,045	1,537,639	1,456,169
Finance income		22,674	33,413	30,057
Finance costs		(63,796)	(114,295)	(233,931)
Finance costs, net	*7*	(41,122)	(80,882)	(203,874)
Share of profits of associates	*15(a)*	53,605	72,710	91,714
Share of profits of jointly controlled entities	*16(a)*	12,579	13,951	18,418
Profit before income tax		1,383,107	1,543,418	1,362,427
Income tax	*8*	(359,768)	(391,657)	(244,397)
Profit for the year		1,023,339	1,151,761	1,118,030
Attributable to:				
Equity holders of the Target		883,455	956,897	923,155
Minority interests		139,884	194,864	194,875
		1,023,339	1,151,761	1,118,030
Dividends	*9*	144,884	144,884	–
Earnings per share – Basic and diluted (RMB)	*10*	0.56	0.61	0.56

2. CONSOLIDATED BALANCE SHEETS

		As at 31 December		
	Note	2006	2007	2008
ASSETS				
Non-current assets				
Land use rights	*11*	417,192	407,329	3,177,749
Property, plant and equipment	*12*	6,074,105	9,178,736	11,361,724
Intangible assets	*13*	9,303	9,341	15,216
Investments in associates	*15*	799,735	893,063	1,496,550
Investments in jointly controlled entities	*16*	100,546	107,496	133,076
Available-for-sale financial assets	*17*	59,624	674,707	203,620
Deferred tax assets	*24(a)*	17,411	53,488	65,083
Other long term assets	*11(iv)*	–	1,580,842	–
		7,477,916	12,905,002	16,453,018
Current assets				
Inventories	*18*	148,955	249,196	146,258
Trade and other receivables	*19*	1,647,080	1,750,323	1,400,974
Cash and cash equivalents	*20*	1,763,172	2,022,705	1,849,405
		3,559,207	4,022,224	3,396,637
Total assets		11,037,123	16,927,226	19,849,655
EQUITY				
Capital and reserves attributable to equity holders of the Target				
Share capital	*21*	1,448,840	1,448,840	1,674,769
Reserves	*22*	2,268,382	2,650,170	3,985,876
Retained earnings		2,133,937	2,669,836	3,321,933
		5,851,159	6,768,846	8,982,578
Minority interests		930,631	2,754,277	2,955,869
Total equity		6,781,790	9,523,123	11,938,447

		As at 31 December		
	Note	**2006**	**2007**	**2008**
LIABILITIES				
Non-current liabilities				
Borrowings	*23*	534,000	1,701,986	3,586,550
Deferred tax liabilities	*24(b)*	45,401	158,118	37,793
Other long term liabilities		826	826	826
		580,227	1,860,930	3,625,169
Current liabilities				
Trade and other payables	*25*	2,645,727	2,537,408	2,320,754
Current income tax liabilities		74,479	52,785	15,862
Borrowings	*23*	954,900	2,952,980	1,949,423
		3,675,106	5,543,173	4,286,039
Total liabilities		4,255,333	7,404,103	7,911,208
Total equity and liabilities		11,037,123	16,927,226	19,849,655
Net current liabilities		(115,899)	(1,520,949)	(889,402)
Total assets less current liabilities		7,362,017	11,384,053	15,563,616

3. TARGET'S BALANCE SHEETS

	Note	As at 31 December 2006	2007	2008
ASSETS				
Non-current assets				
Land use rights	*11*	44,298	43,191	305,318
Property, plant and equipment	*12*	2,673,733	810,533	318,677
Intangible assets		3,208	1,477	6
Investments in subsidiaries	*14*	767,206	2,391,348	6,470,424
Investments in associates	*15*	585,786	591,866	1,166,590
Investments in jointly controlled entities	*16*	12,539	12,039	7,582
Available-for-sale financial assets		2,838	2,088	2,088
Deferred tax assets		4,250	2,985	2,985
		4,093,858	3,855,527	8,273,670
Current assets				
Inventories		1,874	1,436	–
Trade and other receivables	*19*	149,848	106,487	91,725
Cash and cash equivalents	*20*	925,052	645,917	399,980
		1,076,774	753,840	491,705
Total assets		5,170,632	4,609,367	8,765,375
EQUITY				
Capital and reserves attributable to equity holders of the Target				
Share capital	*21*	1,448,840	1,448,840	1,674,769
Reserves	*22*	1,574,912	1,667,543	5,102,465
Retained earnings		1,048,060	1,374,776	1,648,901
Total equity		4,071,812	4,491,159	8,426,135

	Note	As at 31 December 2006	2007	2008
LIABILITIES				
Non-current liabilities				
Borrowings	*23*	65,000	–	–
Deferred tax liabilities		15,146	–	–
		80,146	–	–
Current liabilities				
Trade and other payables	*25*	887,357	94,236	341,988
Current income tax liabilities		65,317	23,972	(2,748)
Borrowings	*23*	66,000	–	–
		1,018,674	118,208	339,240
Total liabilities		1,098,820	118,208	339,240
Total equity and liabilities		5,170,632	4,609,367	8,765,375
Net current assets		58,100	635,632	152,465
Total assets less current liabilities		4,151,958	4,491,159	8,426,135

4. CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Target				
	Share capital	**Reserves** *(Note 22)*	**Retained earnings**	**Minority interests**	**Total**
Balance at 1 January 2006	1,448,840	2,199,883	1,743,852	907,662	6,300,237
Profit for the year	–	–	883,455	139,884	1,023,339
Changes in fair value	–	24	–	16	40
Total recognised income for the year	1,448,840	2,199,907	2,627,307	1,047,562	7,323,616
Transfers	–	68,475	(68,475)	–	–
Dividends declared *(Note 9)*	–	–	(424,895)	(116,931)	(541,826)
Balance at 31 December 2006	1,448,840	2,268,382	2,133,937	930,631	6,781,790
Profit for the year	–	–	956,897	194,864	1,151,761
Changes in fair value	–	279,412	–	186,275	465,687
Total recognised income for the year	1,448,840	2,547,794	3,090,834	1,311,770	8,399,238
Contributions from minority shareholders of subsidiaries	–	–	–	1,567,659	1,567,659
Transfers	–	92,623	(92,623)	–	–
Dividends declared *(Note 9)*	–	–	(328,375)	(119,448)	(447,823)
Others	–	9,753	–	(5,704)	4,049
Balance at 31 December 2007	1,448,840	2,650,170	2,669,836	2,754,277	9,523,123
Profit for the year	–	–	923,155	194,875	1,118,030
Changes in fair value	–	(211,465)	–	(140,977)	(352,442)
Total recognised income for the year	1,448,840	2,438,705	3,592,991	2,808,175	10,288,711
Contributions from minority shareholders of subsidiaries	–	–	–	338,592	338,592
Arising from issue of new shares *(Note 21)*	225,929	3,365,277	–	–	3,591,206
Arising from adoption of merger accounting	–	(1,889,097)	–	–	(1,889,097)
Transfers	–	69,645	(69,645)	–	–
Dividends declared *(Note 9)*	–	–	(201,413)	(158,072)	(359,485)
Others	–	1,346	–	(32,826)	(31,480)
Balance at 31 December 2008	1,674,769	3,985,876	3,321,933	2,955,869	11,938,447

5. CONSOLIDATED CASH FLOW STATEMENTS

	Note	For the year ended 31 December 2006 *RMB'000*	2007 *RMB'000*	2008 *RMB'000*
Cash flows from operating activities				
Cash generated from operations	*26*	1,698,424	1,334,299	1,766,780
PRC income tax paid		(492,688)	(491,940)	(295,760)
Net cash generated from operating activities		1,205,736	842,359	1,471,020
Cash flows from investing activities				
Purchase of:				
– land use rights		(154,477)	(1,580,842)	(348,230)
– property, plant and equipment		(690,942)	(3,027,693)	(1,959,401)
– intangible assets		(3,599)	(2,983)	(8,854)
Investments in:				
– associates		(244,380)	(42,958)	(19,800)
– jointly controlled entities		(6,000)	–	–
– available-for-sale financial assets		(300)	–	–
– additional interests in subsidiaries		–	–	(36,777)
Proceeds from disposal of:				
– property, plant and equipment		20,613	16,996	10,799
– land use rights		55,373	–	–
– associates		4,046	37,396	1,966
– available-for-sale financial assets		2,813	2,550	–
Interest received		22,674	33,413	30,057
Dividends received from:				
– associates		20,072	39,234	65,694
– jointly controlled entities		2,077	6,063	9,710
Income from available-for-sale financial assets		2,582	2,825	4,334
Others		–	300	5,313
Net cash used in investing activities		(969,448)	(4,515,699)	(2,245,189)

		For the year ended 31 December		
	Note	**2006**	**2007**	**2008**
		RMB'000	*RMB'000*	*RMB'000*
Cash flows from financing activities				
Contributions from minority shareholders of subsidiaries		–	1,567,659	338,592
Proceeds from borrowings		1,015,900	4,477,366	2,733,012
Repayments of borrowings		(588,296)	(1,311,300)	(1,814,469)
Interest paid		(63,796)	(110,430)	(237,796)
Dividends paid		(500,744)	(688,347)	(403,882)
Others		388	7,005	(16,370)
Net cash (used in)/generated from financing activities		(136,548)	3,941,953	599,087
Net increase/(decrease) in cash and cash equivalents		99,740	268,613	(175,082)
Cash and cash equivalents at 1 January		1,666,400	1,763,172	2,022,705
Effects of changes in exchange rates		(2,968)	(9,080)	1,782
Cash and cash equivalents at 31 December		1,763,172	2,022,705	1,849,405

II. NOTES TO THE FINANCIAL INFORMATION

1. ORGANISATION AND PRINCIPAL ACTIVITIES

Tianjin Port Holdings Co., Ltd (the "Target") was established in the People's Republic of China ("PRC") in December 1992 by way of promotion by the Tianjin Port Authority. In 1992, the Target was transformed into a joint stock limited company under the then Company Law of the PRC and was subsequently listed on the Shanghai Stock Exchange on 14 June 1996.

The principal activity of the Target is investment holding whilst the activities of its principal subsidiaries, associates and jointly controlled entities (together referred to as "Target Group") are disclosed in Note 31.

In April 2008, the Target acquired equity interests in certain entities (and their underlying investments) together with certain property, plant and equipment and land use rights from its holding company, Tianjin Port (Group) Co., Ltd. The total consideration of approximately RMB4.1 billion was settled by way of issue of new shares (Note 21).

Of the entities thus acquired, 12 became subsidiaries of the Target, the acquisition of which is regarded as business combinations under common control and hence, they are deemed to have existed within the Target Group throughout the Relevant Periods (Note 2.1(b)). 2 entities became an associate or a jointly controlled entity of the Target effective April 2008.

Other than the acquisition mentioned above, there is no significant change in the organisational structure of the Target Group during the Relevant Periods.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

2.1 Basis of preparation

(a) The Financial Information has been prepared in accordance with HKFRS including application of HKFRS 1 – First-time Adoption of Hong Kong Financial Reporting Standards, as the Financial Information is the first set of financial statements of the Target Group prepared in accordance with HKFRS.

The statutory consolidated financial statements of the Target Group had been prepared in accordance with CAS, which differs in certain respects from HKFRS. In preparing the Financial Information, Tianjin Port Development's management has adjusted, where applicable, certain accounting treatment applied in the CAS financial statements to comply with HKFRS. Adjustments made to restate the Financial Information of the Target Group for the Relevant Periods in conformity with HKFRS have not been incorporated in the accounting records of the Target Group. Reconciliations and descriptions of the effect of the translation from CAS to HKFRS on the Target Group's equity and its net profit are disclosed in Note 33.

(b) In addition, the Financial Information have been prepared using the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA in respect of the acquisition mentioned in Note 1. The Target Group's investments in the aforementioned 12 subsidiaries are accounted for using the predecessor cost method as in any other business combination under common control that had taken place prior to the Relevant Periods (Note 2.2(a)).

(c) The Financial Information has been prepared under the historical cost convention as modified by the revaluation of available-for-sale financial assets. The preparation of Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Target Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 30.

(d) The following new interpretations are effective from 1 January 2008 but not relevant to the Target Group's operations:

HKAS 39 & HKFRS 7 (Amendments)	*Financial instruments: Recognition and measurement & Financial instruments: Disclosure – Reclassification of financial assets*
HK(IFRIC) – Int 11	*HKFRS 2 – Group and treasury share transactions*
HK(IFRIC) – Int 12	*Service concession arrangements*
HK(IFRIC) – Int 14	*HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction*

(e) The following new standards, amendments to the existing standards and interpretations have been issued but not yet effective and have not been early adopted by the Target Group:

HKFRS (Amendments)	*Improvements to HKFRS (effective from 1 January 2009 unless otherwise specific)*
HKAS 1 (Revised)	*Presentation of financial statements (effective from 1 January 2009)*
HKAS 23 (Revised)	*Borrowing costs (effective from 1 January 2009)*
HKAS 27 (Revised)	*Consolidated and separate financial statements (effective from 1 July 2009)*
HKAS 1 and HKAS 32 (Amendments)	*Presentation of financial statements & Financial instruments: presentation – Puttable financial instruments and obligations arising on liquidation (effective from 1 January 2009)*
HKAS 39 (Amendments)	*Financial Instruments: Recognition and measurement – Eligible hedged items (effective from 1 July 2009)*
HKFRS 1 (Revised)	*First-time adoption of HKFRS (effective from 1 July 2009)*
HKAS 27 & HKFRS 1 (Amendments)	*Consolidated and separate financial statements & First-time adoption of HKFRS – Cost of an investment in a subsidiary, jointly controlled entity or associate (effective from 1 July 2009)*
HKFRS 2 (Amendments)	*Share-based payment – Vesting conditions and cancellations (effective from 1 January 2009)*
HKFRS 3 (Revised)	*Business combinations (effective from 1 July 2009)*
HKFRS 8	*Operating segments (effective from 1 January 2009)*
HK(IFRIC) – Int 13	*Customer loyalty programmes (effective from 1 July 2008)*
HK(IFRIC) – Int 15	*Agreements for the construction of real estate (effective from 1 Jan 2009)*

HK(IFRIC) – Int 16	*Hedges of a net investment in a foreign operation (effective from 1 October 2008)*
HK(IFRIC) – Int 17	*Distributions of non-cash assets to owners (effective from 1 July 2009)*
HK(IFRIC) – Int 18	*Transfer of assets from customers (effective from 1 July 2009)*

The Target Group is in the process of assessing the impact of these standards, amendments and interpretations on the consolidated financial statements of the Group in the initial application.

2.2 Consolidation

The consolidated financial statements include the financial statements of the Target and all of its subsidiaries made up to 31 December.

(a) Subsidiaries

Subsidiaries are entities over which the Target Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Target Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Target Group. They are de-consolidated from the date that control ceases.

Common control acquisitions:

For common control combination, the consolidated financial statements incorporate the financial entities of the combining entities or businesses as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party. The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in consideration of goodwill or excess of acquirer's interest in the net fair value of acquirer's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated income statement includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where there is a shorter period, regardless of the date of the common control combination.

The consolidated financial statements are presented as if the entities or business had been combined at the previous balance sheet date or when they first came under common control, whichever is shorter.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting is recognised as an expense in the year in which it is incurred.

Other acquisitions:

The purchase method of accounting is used to account for the acquisition of subsidiaries except for those under common control by the Target Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Target Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary in the consolidated financial statements to ensure consistency with the policies adopted by the Target Group.

In the Target's balance sheet, investments in subsidiaries are stated at cost less provision for impairment losses (Note 2.8). The results of subsidiaries are accounted by the Target on the basis of dividend received and receivable.

(b) Transactions with minority interests

The Target Group applies a policy of treating transactions with minority interests as transactions with parties external to the Target Group. Disposals to minority interests result in gains and losses for the Target Group that are recorded in the consolidated income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

(c) Associates/Jointly controlled entities ("JCE")

Associates are all entities over which the Target Group has significant influence but not control and generally accompanying a shareholding of between 20% and 50% of the voting rights.

A jointly controlled entity is a contractual arrangement whereby the Target Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties having unilateral control over the economic activity of the jointly controlled entity.

Interests in associates/JCE are incorporated in the consolidated financial statements using the equity method of accounting and are initially recognised at cost. The Target Group's interest in associates/JCE includes goodwill identified on acquisition (net of any accumulated impairment loss).

The Target Group's share of its associates'/JCE post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Target Group's share of losses in an associate/JCE equals or exceeds its interests in the associate/JCE, including any other unsecured receivables, the Target Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate/JCE.

Unrealised gains on transactions between the Target Group and its associates/JCE are eliminated to the extent of the Target Group's interests in the associates/JCE. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Accounting policies of associates/JCE have been changed where necessary to ensure consistency with the policies adopted by the Target Group.

Dilution gains and losses arising in investments in associates/JCE are recognised in the consolidated income statement.

In the Target's balance sheet, investments in associates/JCE are stated at cost less provision for impairment losses (Note 2.8). The results of associates/JCE are accounted for by the Target on the basis of dividend received and receivable.

2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Target Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi, which is the functional currency of the Target and its subsidiaries and the Target Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available for sale are included in reserve in equity.

2.5 Property, plant and equipment

Buildings comprise mainly office premises and warehouses. All property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Target Group and the cost of the asset can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged in the consolidated income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate costs to their residual values over their estimated useful lives, as follows:

– Vessels and machinery	8-20 years
– Port facilities	50 years
– Buildings	10-40 years
– Office equipment and motor vehicles	8-10 years

Construction in progress represents plant and equipment under construction or pending installation and is stated at cost less accumulated impairment losses, if any. Cost includes all direct costs relating to the construction of the assets and acquisition.

No depreciation is provided for construction in progress until such time as the relevant assets are completed and ready for intended use. Assets under construction are transferred to relevant categories of property, plant and equipment upon the completion of their respective construction/ installation, and depreciated in accordance with the policy as stated above.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are recognised in the income statement.

2.6 Land use rights

Land use rights represent prepaid operating lease payments for land less accumulated amortisation and impairment losses, if any. Amortisation is calculated using the straight-line method to allocate the prepaid operating lease payments over the remaining lease term or the operating license period, whichever is shorter.

2.7 Intangible assets

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful lives of 5-10 years on a straight-line basis.

2.8 Impairment of non-financial assets, investments in subsidiaries, associates and jointly controlled entities

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each balance sheet date.

2.9 Financial assets

The Target Group classifies its financial assets in the following categories: loans and receivables and available-for-sale. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Target Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Target Group has transferred substantially all risks and rewards of ownership.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as 'trade and other receivables' (Notes 2.11), and 'cash and cash equivalents' (Note 2.12) in the balance sheet. Loans and receivables are carried at amortised cost using the effective interest method.

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. Available-for-sale financial assets are carried at fair value. Changes in fair value are recognised in equity until the available-for-sale financial assets is sold or impaired. When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement.

The fair values of quoted investments are based on current bid prices. For available-for-sale equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are carried at cost less any accumulated impairment loss at balance sheet date, if any.

The Target Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement) is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

2.10 Inventories

Inventories principally include fuel oil and construction materials for sales.

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted moving average method and represents purchase costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.11 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Target Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited to the income statement.

2.12 Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits with banks held at call or with maturities three months or less.

2.13 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.14 Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.15 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Target Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.16 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Target and its subsidiaries, associates and jointly controlled entities operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and jointly controlled entities except where the timing of the reversal of the temporary difference is controlled by the Target Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.17 Employee benefits

(a) Pension obligations

The Target Group's employees are members of a state-managed employee pension scheme operated by the Tianjin Municipal People's Government which undertakes to assume the retirement benefit obligations of all existing and future retired employees. The Target Group's obligation is to make the required contributions under the scheme. The Target Group has no further payment obligation once the contributions have been paid.

(b) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. Employee entitlements to sick and maternity leave are not recognised until the time of leave.

(c) Housing benefits

Full-time employees of the Target Group are entitled to participate in various government sponsored housing funds. The Target Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees. The Target Group's liability in respect of these funds is limited to the contributions payable in each period.

2.18 Provisions

Provisions are recognised when the Target Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

2.19 Government grants

Grants from the government are recognised at their fair value when there is reasonable assurance that the grant will be received and the Target Group will comply with all attached conditions, if any.

2.20 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Target Group's activities. Revenue is shown net of value added tax and discounts, after eliminating sales within the Target Group and is recognised as follows:

(a) Sale of services is recognised in the period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided.

(b) Sale of goods is recognised in the period in which the goods are delivered and title has passed.

(c) Rental income on assets leased out under operating leases is recognised on a straight– line basis over the lease term.

(d) Interest income is recognised on a time-proportion basis using the effective interest method.

(e) Dividend income is recognised when the right to receive payment is established.

2.21 Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

2.22 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the period of the lease.

2.23 Dividend distribution

Dividend distribution to the Target's shareholders is recognised as a liability in the Target Group's financial statements in the period in which the dividends are approved by the Target's shareholders.

3. REVENUE AND SEGMENT INFORMATION

(a) Primary reporting segment – business segments

The Target Group's revenue, all of which are related to port services, are segmented as follows:

	Sales	Port cargo handling	Agency services	Tugboat services	Logistics and other services	Total
2006						
Total segment revenue	3,298,429	3,086,935	237,127	230,280	861,685	7,714,456
Inter-segment revenue	(264,633)	–	–	–	(274,028)	(538,661)
Revenue from external customers	3,033,796	3,086,935	237,127	230,280	587,657	7,175,795
Segment results	31,713	936,511	84,080	54,526	168,394	1,275,224
Unallocated income						96,481
Unallocated expenses						(13,660)
Operating profit						1,358,045
Finance costs, net						(41,122)
Taxation charge						(359,768)
Share of profits of associates *(Note 15(b))*	–	40,272	–	–	13,333	53,605
Share of profits of jointly controlled entities *(Note 16(b))*	–	–	1,473	–	11,106	12,579
Profit for the year						1,023,339
Other information						
Capital expenditure	13,235	807,308	5,882	55,850	92,557	974,832
Depreciation	14,348	334,639	5,616	15,671	48,603	418,877
Amortisation of land use rights and intangible assets	141	6,363	973	30	1,191	8,698
Segment assets	806,498	6,654,419	1,045,321	234,527	1,319,042	10,059,807
Associates	–	487,079	–	–	312,656	799,735
Jointly controlled entities	–	–	8,004	–	92,542	100,546
Deferred tax assets	699	–	–	–	16,712	17,411
Available-for-sale financial assets-unallocated						59,624
Total assets	807,197	7,141,498	1,053,325	234,527	1,740,952	11,037,123
Segment liabilities	(421,555)	(596,133)	(854,275)	(12,883)	(836,186)	(2,721,032)
Deferred tax liabilities	(1,967)	(30,548)	(45)	(1,568)	(11,273)	(45,401)
Borrowings	(192,300)	(1,230,000)	–	(66,600)	–	(1,488,900)
Total liabilities	(615,822)	(1,856,681)	(854,320)	(81,051)	(847,459)	(4,255,333)

	Sales	Port cargo handling	Agency services	Tugboat services	Logistics and other services	Total
2007						
Total segment revenue	4,778,187	3,504,681	293,678	319,426	953,387	9,849,359
Inter-segment revenue	(378,379)	–	–	–	(315,528)	(693,907)
Revenue from external customers	4,399,808	3,504,681	293,678	319,426	637,859	9,155,452
Segment results	42,796	1,030,437	125,686	106,912	170,312	1,476,143
Unallocated income						78,088
Unallocated expenses						(16,592)
Operating profit						1,537,639
Finance costs, net						(80,882)
Taxation charge						(391,657)
Share of profits of associates *(Note 15(b))*	–	52,302	–	–	20,408	72,710
Share of profits of jointly controlled entities *(Note 16(b))*	–	–	1,401	–	12,550	13,951
Profit for the year						1,151,761
Other information						
Capital expenditure	75,395	3,325,802	1,782	77,573	202,259	3,682,811
Depreciation	14,297	365,859	5,212	22,636	48,026	456,030
Amortisation of land use rights and intangible assets	135	10,755	520	82	1,431	12,923
Segment assets	1,204,476	11,007,679	1,274,704	290,590	1,421,023	15,198,472
Associates	–	514,381	–	–	378,682	893,063
Jointly controlled entities	–	–	8,107	–	99,389	107,496
Deferred tax assets	530	48,329	1,639	–	2,990	53,488
Available-for-sale financial assets-unallocated						674,707
Total assets	1,205,006	11,570,389	1,284,450	290,590	1,902,084	16,927,226
Segment liabilities	(749,938)	(619,753)	(1,045,058)	(3,911)	(172,359)	(2,591,019)
Deferred tax liabilities	(347)	(1,897)	(155,274)	(209)	(391)	(158,118)
Borrowings	(285,000)	(4,247,966)	–	(122,000)	–	(4,654,966)
Total liabilities	(1,035,285)	(4,869,616)	(1,200,332)	(126,120)	(172,750)	(7,404,103)

	Sales	Port cargo handling	Agency services	Tugboat services	Logistics and other services	Total
2008						
Total segment revenue	6,603,079	3,744,540	351,041	340,037	1,004,717	12,043,414
Inter-segment revenue	(452,785)	–	(2,365)	–	(322,428)	(777,578)
Revenue from external customers	6,150,294	3,744,540	348,676	340,037	682,289	11,265,836
Segment results	74,741	1,021,824	148,275	110,067	95,697	1,450,604
Unallocated income						54,239
Unallocated expenses						(48,674)
Operating profit						1,456,169
Finance costs, net						(203,874)
Taxation charge						(244,397)
Share of profit of associates *(Note 15(b))*	–	49,993	–	–	41,721	91,714
Share of profit of jointly controlled entities *(Note 16(b))*	–	–	1,654	–	16,764	18,418
Profit for the year						1,118,030
Other information						
Capital expenditure	90,089	4,424,493	14,284	45,838	1,072,449	5,647,153
Depreciation	14,714	419,094	4,073	17,796	58,014	513,691
Amortisation of land use rights and intangible assets	465	44,978	290	295	6,605	52,633
Segment assets	957,150	13,481,032	1,019,786	330,591	2,162,767	17,951,326
Associates	–	1,075,430	–	–	421,120	1,496,550
Jointly controlled entities	–	–	8,472	–	124,604	133,076
Deferred tax assets	600	52,812	2,973	–	8,698	65,083
Available-for-sale financial assets-unallocated						203,620
Total assets	957,750	14,609,274	1,031,231	330,591	2,717,189	19,849,655
Segment liabilities	(433,239)	(1,039,578)	(749,127)	(5,882)	(109,616)	(2,337,442)
Deferred tax liabilities	–	–	(37,793)	–	–	(37,793)
Borrowings	(280,000)	(5,109,550)	(28,423)	(69,000)	(49,000)	(5,535,973)
Total liabilities	(713,239)	(6,149,128)	(815,343)	(74,882)	(158,616)	(7,911,208)

Note: Segment assets consist primarily of land use rights, property, plant and equipment, intangible assets, inventories, receivables and cash and cash equivalents, and exclude mainly investments in associates, jointly controlled entities, available-for-sale financial assets and deferred tax assets. Segment liabilities mainly comprise payables and exclude borrowings and deferred tax liabilities.

Unallocated income mainly represents head office income. Operating expenses of a functional unit are allocated to the relevant segment which is the predominant user of the services provided by the unit. Operating expenses of other shared services which cannot be allocated to a specific segment and corporate expenses are included as unallocated expenses.

Capital expenditure comprises mainly additions to property, plant and equipment, land use rights and intangible assets.

(b) Secondary reporting segment – geographical segments

No analysis by geographical segment is presented as virtually all of the Target Group's turnover and operating profits are earned within the PRC and all of its assets are located in the PRC.

4. OTHER INCOME AND GAINS

	2006	**2007**	**2008**
Other income:			
Government subsidies *(Note (i))*	89,989	88,260	23,477
Dividends from listed investments	1,889	2,479	4,131
Others	27,495	11,670	5,727
	119,373	102,409	33,335
Other gains:			
Exchange gains	9,901	8,777	30,714
Gain from disposal of property, plant and equipment and other non-current assets	4,917	8,285	12,626
	14,818	17,062	43,340
	134,191	119,471	76,675

Note:

(i) These subsidies which were received from the Tianjin Finance Bureau since 2002 were withdrawn effective 1 January 2008. The amounts recorded in 2008 relates to 2007 subsidies received in 2008.

5. EXPENSES BY NATURE

	2006	2007	2008
Purchase costs of inventories	3,352,618	4,742,392	6,528,446
Employee benefits expenses	935,519	1,059,927	1,244,893
Depreciation of property, plant and equipment	418,877	456,030	513,691
Amortisation of land use rights	7,170	9,863	49,654
(Reversal of)/provision for impairment of trade receivables	(1,671)	(3,596)	7,756
Operating lease charges	122,826	201,866	233,194
Amortisation of intangible assets	1,528	3,060	2,979
Auditors remuneration	1,281	2,038	1,549
Others	966,823	1,094,837	1,114,648
Total cost of sales and administrative expenses and other operating expenses	5,804,971	7,566,417	9,696,810

6. EMPLOYEE BENEFITS EXPENSES

	2006	2007	2008
Wages and salaries	639,980	717,534	825,239
Staff welfare	295,539	342,393	419,654
	935,519	1,059,927	1,244,893

The employees of the Target Group participate in various pension plans organised by the relevant municipal and provincial governments under which the Target Group is obliged to make monthly defined contributions based on a certain percentage of the employees' monthly salaries (subject to certain ceiling) for the Relevant Periods, depending on the applicable social security regulations. The Target Group has no further obligation for payment of retirement benefits beyond these contributions. Contributions to these pension plans are expensed as incurred.

(a) Directors' emoluments

	2006	2007	2008
Yu Rumin	850	943	960
Li Quanyong	391	511	522
Li Tianli *(Note (i))*	–	40	68
Han Chuanmo *(Note (i))*	–	40	68
Tian Changsong *(Note (i))*	–	–	–
Huang Lijun *(Note (i))*	–	–	–
Zhao Yanhu *(Note (i))*	–	–	–
Zhao Mingkui *(Note (i))*	–	–	–
Sun Zhiwei *(Note (ii))*	401	–	–
Tan Huanzhu *(Note (ii))*	40	–	–
Gao Ruyan *(Note (ii))*	40	–	–
Zhuge Tao *(Note (iii))*	–	–	–
Liu Dong *(Note (iii))*	–	494	–
	1,722	2,028	1,618

(i) Li Tianli and Han Chuanmo were appointed in April 2007, whilst Tian Changsong, Huang Lijun, Zhao Yanhu, Zhao Mingkui were appointed in December 2008.

(ii) Resigned in June 2007.

(iii) Resigned in December 2008.

During the Relevant Periods, no directors, supervisors or senior management of the Target waived any emoluments and no emoluments were paid by the Target to any of the directors, supervisors or senior management as an inducement to join or upon joining the Target Group or as compensation for loss of office.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Target Group for the year ended 31 December 2006, 2007 and 2008 included 3, 3 and 2 directors, respectively whose emoluments are reflected in the analysis presented above, while emoluments payable to the remaining individuals are as follows:

	2006	**2007**	**2008**
Basic salaries, housing allowances, share options, other allowances and benefits in kind	654	961	1,611

The emoluments for each of the individuals were all below RMB1 million for the Relevant Periods.

7. FINANCE COSTS – NET

	2006	**2007**	**2008**
Finance income			
Interest income:			
– short-term bank deposits	22,604	17,618	13,164
– deposits placed with Tianjin Port Finance Co., Ltd.	70	15,795	16,893
	22,674	33,413	30,057
Finance costs			
Interest expenses:			
– bank borrowings	64,957	140,646	202,940
– borrowings from Tianjin Port Finance Co., Ltd	6	26,446	84,443
Discounting of bank notes	2,063	11,814	9,113
	67,026	178,906	296,496
Less: Amounts capitalised in construction in progress	(3,230)	(64,611)	(62,565)
	63,796	114,295	233,931
Finance costs, net	41,122	80,882	203,874

Amounts capitalised are borrowing costs related to funds borrowed specifically for the purpose of acquisition/development of qualifying assets. The weighted average interest rates of such capitalised borrowings for the years ended 31 December 2006 are 5.0%, 5.5% for Renminbi borrowings and 3 months LIBOR+0.6% for US Dollars borrowings for 2007 and, 4.8-7% for Renminbi borrowing and 3 months LIBOR + 0.6% for US Dollar borrowings for 2008.

8. INCOME TAX

	2006	2007	2008
PRC corporate income tax charge for the year:			
– Current	345,614	470,246	258,836
– Deferred *(Note 24 (c))*	14,154	(78,589)	(14,439)
	359,768	391,657	244,397

(a) PRC corporate income tax

Provision for the PRC corporate income tax has been calculated based on the estimated assessable profit for the year at the prevailing income tax rates.

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law ("New CIT Law") of the PRC which adjusted the corporate income tax rates as follows:

– for domestic enterprises from 33% to 25% with effect from 1 January 2008.

– for eligible foreign invested enterprises, the corporate income tax rate will gradually increase from 15% to 25% over 5 years with effect from 1 January 2008; the applicable rate for the year ended 31 December 2008 is 18%.

Accordingly, with effect from 1 January 2008, the Target and its domestic subsidiaries will be subject to corporate income tax at 25% whilst its joint ventures with foreign parties will be subject to tax at 18%, except for the following subsidiaries which enjoy special tax concessions:

Subsidiaries	**Concession**
Tianjin Port Yuanhang Ore Terminal Co., Ltd.	Exempted from corporate income tax for five years from 2004 to 2008; followed by 50% reduction for the next five years from 2009 to 2013
Tianjin Port Yuanhang Bulk Cargo Terminal Co., Ltd.	Exempted from corporate income tax for five years from 2007 to 2011; followed by 50% reduction for the next five years from 2012 to 2016
Tianjin Orient Container Terminals Co., Ltd.	Exempted from corporate income tax for five years from 2000 to 2004; followed by 50% reduction for the next five years from 2005 to 2009
Tianjin Port Pacific International Container Terminal Co., Ltd.	Exempted from corporate income tax for five years from 2008 to 2012; followed by 50% reduction for the next five years from 2013 to 2017
Tianjin Port Ro-Ro Terminal Co., Ltd.	Exempted from corporate income tax for five years from 2006 to 2010; followed by 50% reduction for next five years from 2011 to 2015

(b) Effective tax rates

The applicable tax rate was 33%, 33% and 25% for the years ended 31 December 2006, 2007 and 2008, respectively.

The income tax on the Target Group's profit before income tax differs from the theoretical amount that would arise applying the applicable tax rate against profits of the consolidated entities as follows:

	2006	**2007**	**2008**
Profit before income tax	1,383,107	1,543,418	1,362,427
Calculated at applicable tax rates	456,425	509,328	340,606
Income not subject to income tax	(24,954)	(30,845)	(28,707)
Expenses not deductible for tax purposes	5,667	7,797	9,446
Tax effect of tax losses not recognised	699	5,176	21,533
Utilisation of tax losses not recognised	(1,111)	(260)	(968)
Impact of change in applicable tax rate on deferred income tax assets and liabilities due to the New CIT Law *(Note a)*	–	16,178	–
Reduced income tax due to concessionary rates	(75,606)	(114,450)	(97,304)
Others	(1,352)	(1,267)	(209)
	359,768	391,657	244,397

(c) Business tax ("BT") and related taxes

Certain subsidiaries of the Target Group are subject to BT at rates ranging from 3% and 5% of the service fee income earned. In addition, certain subsidiaries are subject to city construction tax and educational surcharge based on 7% and 3% of BT payable, respectively.

(d) Value-added tax ("VAT") and related taxes

Certain subsidiaries of the Target Group are subject to output VAT generally calculated at 17% of the product selling prices. An input credit is generally available at 17% whereby input VAT previously paid on purchases of raw materials or semi-finished products can be used to offset the output VAT to determine the net VAT payable.

9. DIVIDENDS

Prior to the acquisition mentioned in Note 1, dividends of RMB144,884,000 were approved by the Target for each of the years ended 31 December 2006 and 2007. No dividend was declared in respect of the year ended 31 December 2008.

The dividends declared by the Target Group for each of the three years to 2008 are disclosed in the Consolidated Statements of Changes in Equity.

10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	2006	2007	2008
Earnings			
Profit attributable to equity holders of the Target	883,455	956,897	923,155
Number of shares (thousands)			
Weighted average number of ordinary shares for calculating basic and diluted earnings per share *(note a)*	1,579,585	1,579,585	1,643,041

Note:

(a) The 2006 and 2007 number of shares in issue has been adjusted for the proportionate number of new shares issued for the acquisition of subsidiaries under common control on 1 April 2008 (Note 1) as if these new proportionated shares (130,744,926 shares) had been in issue throughout the Relevant Periods. The number of proportionated shares is based on the relative fair values of these subsidiaries and the other assets acquired.

11. LAND USE RIGHTS

Interests in land use rights represent prepaid lease payments analysed as follows:

	2006	2007	2008
Target Group			
At 1 January	269,885	417,192	407,329
Additions*(Note iv)*	154,477	–	2,862,527
Disposal to an associate *(Note (i))*	–	–	(42,453)
Amortisation	(7,170)	(9,863)	(49,654)
At 31 December	417,192	407,329	3,177,749
Target			
At 1 January	45,405	44,298	43,191
Additions	–	–	702,330
Capital injection to subsidiaries	–	–	(386,011)
Disposal to subsidiaries	–	–	(6,279)
Disposal to an associate *(Note (i))*	–	–	(42,453)
Amortisation	(1,107)	(1,107)	(5,460)
At 31 December	44,298	43,191	305,318

Note:

(i) Two parcels of land with an aggregate net book value of RMB42 million were disposed to an associate resulting in a gain of RMB 9.8 million.

(ii) All land use rights are located in Tianjin, the PRC and are held under lease terms ranging from 30 to 50 years.

(iii) The Target Group is in the process of applying for the titles of certain land use rights with cost of about RMB773 million as at 31 December 2008. The directors of the Target believe that the titles will be obtained in due course without significant additional cost.

(iv) The Target Group's other long term assets in 2007 of RMB1.58 billion represented prepayments for land use rights. In 2008, the remaining amount due was fully settled and the entire amount was transferred to land use rights.

12. PROPERTY, PLANT AND EQUIPMENT

Target Group

	Vessels and machinery	Port facilities	Buildings	Office equipment, motor vehicles and others	Construction in progress	Total
Cost						
At 1 January 2006	3,724,773	1,783,589	1,961,130	385,295	366,419	8,221,206
Additions	–	–	–	29,979	786,777	816,756
Disposals	(58,037)	(22,127)	(6,142)	(44,687)	(3,225)	(134,218)
Transfers from construction in progress	377,474	336,605	191,519	25,949	(931,547)	–
At 31 December 2006	4,044,210	2,098,067	2,146,507	396,536	218,424	8,903,744
Additions	–	261,140	–	96,168	3,322,404	3,679,712
Disposals	(119,442)	(7,183)	(17,511)	(39,808)	(69,947)	(253,891)
Transfers from construction in progress	353,345	78,027	79,561	37,939	(548,872)	–
At 31 December 2007	4,278,113	2,430,051	2,208,557	490,835	2,922,009	12,329,565
Additions	13,494	458,388	79,663	3,759	2,220,468	2,775,772
Disposals	(32,720)	(1,901)	(5,713)	(95,523)	–	(135,857)
Transfers from construction in progress	975,055	1,112,853	1,331,058	64,087	(3,483,053)	–
At 31 December 2008	5,233,942	3,999,391	3,613,565	463,158	1,659,424	14,969,480
Accumulated depreciation						
At 1 January 2006	(1,623,332)	(178,733)	(477,406)	(220,756)	–	(2,500,227)
Charge for the year	(262,152)	(40,395)	(74,714)	(41,616)	–	(418,877)
Disposals	47,301	34	3,107	39,023	–	89,465
At 31 December 2006	(1,838,183)	(219,094)	(549,013)	(223,349)	–	(2,829,639)
Charge for the year	(286,804)	(49,401)	(79,086)	(40,739)	–	(456,030)
Disposals	83,924	1,624	9,280	40,012	–	134,840
At 31 December 2007	(2,041,063)	(266,871)	(618,819)	(224,076)	–	(3,150,829)
Charge for the year	(290,489)	(69,625)	(102,722)	(50,855)	–	(513,691)
Disposals	27,838	1,570	3,406	23,950	–	56,764
At 31 December 2008	(2,303,714)	(334,926)	(718,135)	(250,981)	–	(3,607,756)
Net book value						
At 31 December 2006	2,206,027	1,878,973	1,597,494	173,187	218,424	6,074,105
At 31 December 2007	2,237,050	2,163,180	1,589,738	266,759	2,922,009	9,178,736
At 31 December 2008	2,930,228	3,664,465	2,895,430	212,177	1,659,424	11,361,724

Target

	Vessels and machinery	Port facilities	Buildings	Office equipment, motor vehicles and others	Construction in progress	Total
Cost						
At 1 January 2006	1,678,795	861,825	964,017	114,158	11,138	3,629,933
Additions	–	–	–	2,258	100,692	102,950
Disposals	(17,303)	–	(163)	(15,843)	(3,206)	(36,515)
Transfers from construction in progress	34,699	2,544	22,395	26,642	(86,280)	–
At 31 December 2006	1,696,191	864,369	986,249	127,215	22,344	3,696,368
Additions	–	–	–	–	104,146	104,146
Disposals	(7,729)	–	(438)	(11,099)	(320)	(19,586)
Transfers from construction in progress	30,840	–	15,800	38,972	(85,612)	–
Transfers to subsidiaries	(1,247,440)	(597,708)	(656,286)	(39,035)	–	(2,540,469)
At 31 December 2007	471,862	266,661	345,325	116,053	40,558	1,240,459
Additions	7,006	399,493	67,967	–	14,486	488,952
Disposals	(2)	–	–	(378)	–	(380)
Transfers from construction in progress	14,583	8,980	25,231	6,250	(55,044)	–
Transfers to subsidiaries	(486,001)	(423,772)	(370,557)	(113,647)	–	(1,393,977)
At 31 December 2008	7,448	251,362	67,966	8,278	–	335,054
Accumulated depreciation						
At 1 January 2006	(558,459)	(69,076)	(174,032)	(69,532)	–	(871,099)
Charge for the year	(114,039)	(16,557)	(35,642)	(12,030)	–	(178,268)
Disposals	11,701	–	57	14,974	–	26,732
At 31 December 2006	(660,797)	(85,633)	(209,617)	(66,588)	–	(1,022,635)
Charge for the year	(91,837)	(13,558)	(29,974)	(10,475)	–	(145,844)
Disposals	7,729	–	178	4,651	–	12,558
Transfers to subsidiaries	502,782	56,177	134,919	32,117	–	725,995
At 31 December 2007	(242,123)	(43,014)	(104,494)	(40,295)	–	(429,926)
Charge for the year	(7,404)	(5,191)	(7,199)	(5,458)	–	(25,252)
Disposals	–	–	–	4	–	4
Transfers to subsidiaries	247,906	43,812	108,073	39,006	–	438,797
At 31 December 2008	(1,621)	(4,393)	(3,620)	(6,743)	–	(16,377)
Net book value						
At 31 December 2006	1,035,394	778,736	776,632	60,627	22,344	2,673,733
At 31 December 2007	229,739	223,647	240,831	75,758	40,558	810,533
At 31 December 2008	5,827	246,969	64,346	1,535	–	318,677

The Target Group is in the process of applying for the title to certain buildings with cost of approximately RMB239 million as at 31 December 2008. The directors of the Target believe that the title documents will be obtained in due course without significant additional cost.

13. INTANGIBLE ASSETS

Movement of the Target Group's intangible assets which relate to computer software costs are as follows:

	Cost	Accumulated amortisation	Net book value
At 1 January 2006	9,374	(2,142)	
Additions/amortisation	3,599	(1,528)	
Disposals	(279)	279	
At 31 December 2006	12,694	(3,391)	9,303
Additions/amortisation	3,099	(3,060)	
Disposals	(339)	338	
At 31 December 2007	15,454	(6,113)	9,341
Additions/amortisation	8,854	(2,979)	
Disposals	(9)	9	
At 31 December 2008	24,299	(9,083)	15,216

14. INVESTMENTS IN SUBSIDIARIES

	2006	2007	2008
Unlisted shares, at cost	767,206	2,391,348	6,470,424

Details of the principal subsidiaries at 31 December 2008 are shown in Note 31.

15. INVESTMENTS IN ASSOCIATES

	2006	2007	2008
Target Group			
Share of net assets	799,735	893,063	1,496,550
Target			
Unlisted shares, at cost	585,786	591,866	1,166,590

(a) Particulars of the Target Group's principal associates are set out in Note 31. Movements of the Target Group's share of net assets are as follows:

	2006	2007	2008
As at 1 January	560,674	799,735	893,063
Increase in investments *(Note (i))*	241,000	62,000	577,299
Decrease in investments	(1,752)	(292)	(587)
Dividends received	(8,803)	(38,898)	(64,939)
Share of profits of associates	53,605	72,710	91,714
Reclassifications *(Note (ii))*	(44,989)	–	–
Others	–	(2,192)	–
As at 31 December	799,735	893,063	1,496,550

Note:

(i) In August 2006, the Target together with four of its subsidiaries, the holding company and a third party established Tianjin Port Finance Co., Ltd.. The Target Group's initial investment is about RMB240 million for an effective equity interest of 48%.

In April 2008, as part of the acquisition mentioned in Note 1, the Target acquired its holding company's entire 45% equity interest in Shenhua Tianjin Coal Terminal Co. Ltd. at a consideration of about RMB565 million. Goodwill arising from this acquisition is insignificant.

(ii) In 2006, the Target Group lost its significant influence over its investment in Northern Petroleum Company Limited (北方石油有限公司) as a result of dilution of interests by the other shareholders. The balance was accounted for as available-for-sale financial assets thereafter *(Note 17)*.

(b) All of the Target Group's associates are established in the PRC. The Target Group's share of assets, liabilities, revenue and results of the associates are as follows:

	Assets	Liabilities	Revenue	Profit/ (loss)	Interest held %
2006					
Tianjin Five Continents International Container Terminal Co., Ltd.	917,295	(430,216)	165,037	40,272	40
Tianjin Port Finance Co., Ltd.	869,959	(626,811)	2,190	4,086	48
Tianjin International Petroleum Storage and Transportation Company Limited	31,390	(1,115)	13,833	6,652	20
Others	62,129	(22,896)	72,400	2,595	
	1,880,773	(1,081,038)	253,460	53,605	
2007					
Tianjin Five Continents International Container Terminal Co., Ltd.	1,002,524	(488,143)	192,116	52,302	40
Tianjin Port Finance Co., Ltd.	1,719,448	(1,464,480)	36,530	12,859	48
Tianjin International Petroleum Storage and Transportation Company Limited	34,027	(1,359)	15,690	8,380	20
Tianjin Zhonghua International Dangerous Goods Logistics Company Limited	49,939	(10,062)	–	(123)	40
Others	80,857	(29,688)	112,879	(708)	
	2,886,795	(1,993,732)	357,215	72,710	
2008					
Tianjin Five Continents International Container Terminal Co., Ltd.	985,201	(472,234)	196,341	45,135	40
Tianjin Port Finance Co., Ltd.	1,578,443	(1,300,962)	49,292	33,552	48
Tianjin International Petroleum Storage and Transportation Company Limited	35,062	(1,377)	14,061	8,559	20
Shenhua Tianjin Coal Terminal Co. Ltd.	1,334,438	(771,975)	186,114	4,858	45
Tianjin Zhonghua International Dangerous Goods Logistics Company Limited	78,479	(38,590)	4,003	12	40
Others	110,967	(40,902)	165,680	(402)	
	4,122,590	(2,626,040)	615,491	91,714	

16. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

	2006	2007	2008
Target Group			
Share of net assets	100,546	107,496	133,076
Target			
Unlisted shares, at cost	12,539	12,039	7,582

(a) Particulars of the Target Group's principal jointly controlled entities are set out in Note 31. Movements in the Target Group's share of assets are as follows:

	2006	2007	2008
As at 1 January	84,744	100,546	107,496
Increase in investments	6,000	–	17,582
Decrease in investments	–	–	(700)
Dividends received	(2,777)	(6,061)	(9,720)
Share of profits of jointly controlled entities	12,579	13,951	18,418
Others	–	(940)	–
As at 31 December	100,546	107,496	133,076

(b) The Target Group's share of assets and liabilities of the jointly controlled entities are as follows:

	Assets	Liabilities	Revenue	Profit/ (loss)	Interest held %
2006					
Vopak Nanjiang Petrochemicals Terminal Tianjin Company Limited	37,579	(160)	13,892	8,352	50
Tianjin Orient Petroleum Company Limited	73,845	(42,901)	18,286	2,801	50
Tianjin Jinchang Storage and Transportation Company Limited	9,014	(214)	2,051	(504)	50
China Shipping Agency (Tianjin) Co., Ltd.	20,885	(12,882)	7,700	1,473	50
Others	26,598	(11,218)	29,057	457	
	167,921	(67,375)	70,986	12,579	
2007					
Vopak Nanjiang Petrochemicals Terminal Tianjin Company Limited	44,701	(701)	14,348	8,990	50
Tianjin Orient Petroleum Company Limited	86,225	(55,111)	20,498	2,670	50
Tianjin Jinchang Storage and Transportation Company Limited	9,042	(50)	1,772	289	50
China Shipping Agency (Tianjin) Co., Ltd.	21,373	(13,266)	8,083	1,401	50
Others	37,466	(22,183)	38,494	601	
	198,807	(91,311)	83,195	13,951	

	Assets	Liabilities	Revenue	Profit/ (loss)	Interest held %
2008					
Vopak Nanjiang Petrochemicals Terminal Tianjin Company Limited	48,838	(1,277)	13,100	12,181	50
Tianjin Orient Petroleum Company Limited	80,962	(49,635)	20,420	213	50
China Shipping Agency (Tianjin) Co., Ltd.	19,885	(11,413)	8,434	1,654	50
Tianjin Jinchang Storage and Transportation Company Limited	9,177	(16)	1,451	169	50
Tianjin Dehai Petroleum Products Sales Co. Ltd.	18,133	(991)	61,825	2,100	50
China United Tally Co., Ltd Tianjin	10,409	(1,450)	12,460	2,206	50
Others	22,327	(11,873)	22,216	(105)	
	209,731	(76,655)	139,906	18,418	

(c) There are no contingent liabilities relating to the Target Group's and the Target's interests in jointly controlled entities. The jointly controlled entities themselves do not have any contingent liabilities.

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Movements of the Target Group's available-for-sale financial assets are as follows:

	2006	2007	2008
At 1 January	18,342	59,624	674,707
Additions	300	–	–
Disposals	(3,560)	(2,900)	(1,164)
Net fair value change recognised in equity	53	620,916	(469,923)
Impairment charge	(500)	–	–
Reclassifications *(Note 15(ii))*	44,989	–	–
Others	–	(2,933)	–
At 31 December	59,624	674,707	203,620
Available-for-sale financial assets represent the following equity investments in the PRC:			
– Listed *(note (i))*	6,169	627,085	157,163
– Unlisted, at cost *(note (ii))*	53,455	47,622	46,457
	59,624	674,707	203,620

Notes:

(i) Balances principally comprises investment in equity of an insurance company listed on the Shanghai Stock Exchange. These shares were not freely tradable initially, hence as at 31 December 2006, the investment was carried at cost less impairment losses because it did not have a quoted market price in an active market and its fair value cannot be reliably measured.

Subsequent to 31 December 2006, the shares became freely tradable and the investment was marked to market as at 31 December 2007 and 2008.

(ii) Unlisted investments mainly comprise equity interests in entities which are engaged in businesses related to port operations. These unlisted equity investments are stated at cost less any accumulated impairment losses as they do not have quoted market prices in an active market and their fair values cannot be reliably measured.

(iii) All available-for-sale financial assets are denominated in Renminbi.

18. INVENTORIES

The Target Group's inventories is analysed below:

	2006	**2007**	**2008**
Bunker and other fuel oil	88,243	158,892	88,713
Construction materials and others	60,712	90,304	57,545
	148,955	249,196	146,258

19. TRADE AND OTHER RECEIVABLES

	2006	**2007**	**2008**
Target Group			
Trade receivables	1,099,298	1,390,449	1,094,316
Bank notes receivable	279,758	219,828	233,051
	1,379,056	1,610,277	1,327,367
Less: Provision for impairment	(14,228)	(10,632)	(18,388)
Trade and bank notes receivable, net	1,364,828	1,599,645	1,308,979
Other receivables, deposits and prepayments	286,851	155,183	96,471
Less: Provision for impairment	(4,599)	(4,505)	(4,476)
Other receivables, deposits and prepayments, net	282,252	150,678	91,995
	1,647,080	1,750,323	1,400,974
Target			
Trade receivables	22,304	11,401	1,310
Bank notes receivable	102,452	85,522	23,000
	124,756	96,923	24,310
Less: Provision for impairment	(2,360)	(1,310)	(1,310)
Trade and bank notes receivable, net	122,396	95,613	23,000
Other receivables, deposits and prepayments	27,452	10,874	68,725
	149,848	106,487	91,725

(a) In general, the Target Group and the Target grants a credit period of about 30 to 90 days to its trade customers. The Target Group's ageing analysis of the trade and bank notes receivable is as follows:

	2006	2007	2008
Trade and bank notes receivable			
0 – 30 days	890,302	1,048,692	749,918
31 – 90 days	323,419	385,791	330,084
91 – 180 days	143,257	146,433	189,951
181 – 365 days	13,419	15,532	36,615
Over 1 year	8,659	13,829	20,799
	1,379,056	1,610,277	1,327,367
Provision for impairment			
0 – 30 days	(3,536)	–	–
31 – 90 days	(1,740)	–	–
91 – 180 days	(293)	–	–
181 – 365 days	(34)	–	–
Over 1 year	(8,625)	(10,632)	(18,388)
	(14,228)	(10,632)	(18,388)
Trade and bank notes receivable, net	1,364,828	1,599,645	1,308,979

(b) Movements on the Target Group's provision for impairment of trade and bank notes receivable are as follows:

	2006	2007	2008
At 1 January	(15,899)	(14,228)	(10,632)
Net (charge)/credit for the year	1,671	3,596	(7,756)
At 31 December	(14,228)	(10,632)	(18,388)

(c) The Target Group's trade receivables that are impaired are mainly aged over one year.

(d) Receivables past due but not impaired are summarised below:

	2006	2007	2008
Target Group			
91 – 180 days	7,976	37,049	65,813
181 – 365 days	13,385	15,532	36,615
Over 1 year	34	3,196	2,411
	21,395	55,777	104,839

(e) The carrying amounts of the Target Group's and Target's trade receivables approximate their fair values and are mainly denominated in Renminbi.

20. CASH AND CASH EQUIVALENTS

	2006	2007	2008
Target Group			
Deposits placed with Tianjin Port Finance Co., Ltd. *(Note (i))*	353,932	1,029,204	1,176,925
Bank balances and cash	1,409,240	993,501	672,480
Cash and cash equivalents	1,763,172	2,022,705	1,849,405
Effective interest rates	0.7%-2.5%	0.7%-4.1%	0.4%-3.9%
Target			
Deposits placed with Tianjin Port Finance Co., Ltd. *(Note (i))*	199,154	491,190	382,800
Bank balances and cash	725,898	154,727	17,180
Cash and cash equivalents	925,052	645,917	399,980
Effective interest rates	0.7%-2.5%	0.7%-4.1%	0.4%-3.9%

(a) The carrying amounts of the Target Group's cash and cash equivalents are denominated in the following currencies:

	2006	2007	2008
Renminbi	1,624,430	1,765,861	1,644,969
US dollars	138,723	256,825	204,415
Other currencies	19	19	21
	1,763,172	2,022,705	1,849,405

Notes:

(i) Deposits placed with an associate Tianjin Port Finance Co., Ltd., a licensed deposit taking company, bear interest at prevailing market rates.

(ii) The conversion of Renminbi denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

21. SHARE CAPITAL

	Number of ordinary shares of RMB1 each *('000)*	Share capital
Authorised and fully paid up:		
At 31 December 2006 and 2007	1,448,840	1,448,840
Issue of new shares *(Note)*	225,929	225,929
At 31 December 2008	1,674,769	1,674,769

Note:

As described in Note 1, on 1 April 2008, the Target completed an acquisition of certain assets from its holding company. The consideration for this acquisition of approximately RMB4.1 billion was settled through private placement of 225,928,678 new shares. The resulting net share premium of the Target and the Target Group amounted to about RMB3.4 billion (Note 22).

22. RESERVES

	Share premium	Merger reserve	Capital reserves	Investment revaluation reserves	Statutory reserves *(note (i))*	Total
Target Group						
At 1 January 2006	751,154	693,390	417,440	56	337,843	2,199,883
Changes in fair value *(note (ii))*	–	–	–	24	–	24
Transfer from retained earnings	–	–	–	–	68,475	68,475
At 31 December 2006	751,154	693,390	417,440	80	406,318	2,268,382
Changes in fair value *(note (ii))*	–	–	–	279,412	–	279,412
Transfer from retained earnings	–	–	–	–	92,623	92,623
Others	–	9,745	8	–	–	9,753
At 31 December 2007	751,154	703,135	417,448	279,492	498,941	2,650,170
Changes in fair value *(note (ii))*	–	–	–	(211,465)	–	(211,465)
Arising from issue of new shares *(Note 21)*	3,365,277	–	–	–	–	3,365,277
Arising from adoption of merger accounting	–	(1,889,097)	–	–	–	(1,889,097)
Transfer from retained earnings	–	–	–	–	69,645	69,645
Others	–	1,346	–	–	–	1,346
At 31 December 2008	4,116,431	(1,184,616)	417,448	68,027	568,586	3,985,876

	Share premium	Capital reserves	Statutory reserves *(note (i))*	Total
Target				
At 1 January 2006	751,154	417,440	337,843	1,506,437
Transfer from retained earnings	–	–	68,475	68,475
At 31 December 2006	751,154	417,440	406,318	1,574,912
Transfer from retained earnings	–	–	92,623	92,623
Others	–	8	–	8
At 31 December 2007	751,154	417,448	498,941	1,667,543
Transfer from retained earnings	–	–	69,645	69,645
Arising from issue of new shares	3,365,277	–	–	3,365,277
At 31 December 2008	4,116,431	417,448	568,586	5,102,465

Notes:

(i) Statutory reserves

In accordance with the PRC Company Law and the Target's articles of association, the Target is required to allocate 10% of its profit attributable to equity holders of the Target ("Net Profit"), as determined in accordance with the relevant accounting principles and financial regulations applicable to PRC companies and regulations applicable to the Target, to the statutory reserves until such reserves reaches 50% of the registered capital of the Target. The appropriation to the reserves must be made before any distribution of dividends to equity holders. The statutory reserves can be used to offset previous year's losses, if any, and part of the statutory reserves can be capitalised as the Target's share capital provided that the amount of such reserve remaining after the capitalisation shall not be less than 25% of the share capital of the company.

(ii) Changes in fair value relate to available-for-sale financial assets, net of deferred tax.

23. BORROWINGS

	2006	2007	2008
Target Group			
Bank borrowings:			
– repayable within 5 years			
– secured	65,000	–	–
– unsecured	469,000	1,075,742	2,069,779
– not repayable within 5 years			
– unsecured	–	476,244	630,271
Borrowings from Tianjin Port Finance Co., Ltd.			
– unsecured and repayable within 5 years	–	150,000	886,500
Long term borrowings	534,000	1,701,986	3,586,550
Bank borrowings			
– unsecured	868,900	1,580,790	995,423
Borrowings from Tianjin Port Finance Co., Ltd.			
– unsecured	20,000	1,053,190	469,000
Current portion of long term bank borrowings:			
– secured	32,000	–	–
– unsecured	34,000	319,000	485,000
Short term borrowings	954,900	2,952,980	1,949,423
Total borrowings	1,488,900	4,654,966	5,535,973
Target			
Bank borrowings repayable after 1 year			
– secured	65,000	–	–
Long term borrowings	65,000	–	–
Current portion of long term bank borrowings:			
– secured	32,000	–	–
– unsecured	34,000	–	–
Short term borrowings	66,000	–	–
Total borrowings	131,000	–	–

(a) The Target Group's long term borrowings are analysed as follows:

	2006	2007	2008
Between 1 and 2 years	373,000	157,000	710,000
Between 2 and 5 years	161,000	1,068,742	2,246,279
After 5 years	–	476,244	630,271
	534,000	1,701,986	3,586,550

(b) Carrying amounts of the Target's borrowings are in Renminbi whilst those of the Target Group's are denominated in the following currencies:

	2006	2007	2008
Renminbi	1,488,900	4,112,980	4,749,913
US dollars	–	541,986	786,060
	1,488,900	4,654,966	5,535,973

(c) The Target Group's and Target's effective interest rates as follows:

	2006	2007	2008
Renminbi	4.9%-5.5%	5.2%-6.9%	4.8%-7.0%
US dollars	–	3 months LIBOR + 0.6%	3 months LIBOR + 0.6%

(d) All bank borrowings are exposed to interest-rate changes and the contractual repricing dates are within 1 year or less.

(e) The carrying amounts of all of the borrowings approximate their fair values.

24. DEFERRED TAX

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income tax levied by the same taxation authority.

The following amounts, determined after appropriate offsetting, are shown in the Target Group's balance sheet:

	2006	2007	2008
Deferred tax assets to be recovered:			
– after more than 12 months	14,244	46,998	53,626
– within 12 months	3,167	6,490	11,457
	17,411	53,488	65,083
Deferred tax liabilities to be recovered:			
– after more than 12 months	(45)	(155,274)	(37,793)
– within 12 months	(45,356)	(2,844)	–
	(45,401)	(158,118)	(37,793)
Deferred tax (liabilities)/assets, net	(27,990)	(104,630)	27,290

As a result of the change of applicable tax rates discussed in Note 8(a), the carrying amount of the net deferred tax assets/liabilities for the year ended 31 December 2007 and 2008 have been reduced by approximately RMB33 million and RMB9 million, respectively.

(a) Deferred tax assets:

	Valuation surplus on property, plant and equipments	Provision, impairment losses and others	Total
At 1 January 2006	11,570	8,018	19,588
Charged to the income statement	(704)	(1,473)	(2,177)
At 31 December 2006	10,866	6,545	17,411
Credited/(charged) to the income statement	37,314	(1,237)	36,077
At 31 December 2007	48,180	5,308	53,488
Credited to the income statement	7,892	3,703	11,595
At 31 December 2008	56,072	9,011	65,083

(b) Deferred tax liabilities:

	Fair value change on available-for-sale financial assets	Deferred tax effect on different accounting treatment under CAS and HKFRS	Total
At 1 January 2006	32	33,379	33,411
Charged directly to equity	13	–	13
Charged to the income statement	–	11,977	11,977
At 31 December 2006	45	45,356	45,401
Charged directly to equity	155,229	–	155,229
Credited to the income statement	–	(42,512)	(42,512)
At 31 December 2007	155,274	2,844	158,118
Credited directly to equity	(117,481)	–	(117,481)
Credited to the income statement	–	(2,844)	(2,844)
At 31 December 2008	37,793	–	37,793

	2006	2007	2008
(c) Net charge/(credit) to the income statement arising from deferred tax assets and liabilities *(Note 8)*	14,154	(78,589)	(14,439)

25. TRADE AND OTHER PAYABLES

	2006	2007	2008
Target Group			
Trade payables	950,177	1,351,320	813,666
Bank notes payable	7,396	295,128	355,124
Construction payables	116,356	70,673	336,642
Port service and port construction fees payable *(Note (a))*	872,085	102,535	132,647
Dividend payable	56,138	48,339	18,789
Other payables and accruals	643,575	669,413	663,886
	2,645,727	2,537,408	2,320,754
Target			
Trade payables	1,442	960	–
Construction payables	5,104	5,772	2,256
Dividend payable	5,544	5,325	5,450
Other payables and accruals:	875,267	82,179	334,282
	887,357	94,236	341,988

Note:

(a) Port service and port construction fees are collected on behalf of the relevant government body and settled through the Target Group's holding company.

(b) The ageing analysis of the Target Group's trade payables is as follows:

	2006	2007	2008
0 – 30 days	577,853	593,862	375,181
31 – 90 days	364,104	748,652	430,346
Over 90 days	8,220	8,806	8,139
	950,177	1,351,320	813,666

(c) The carrying amounts of the Target Group's and Target's trade and other payables approximate their fair values.

26. CASH FLOWS FROM OPERATING ACTIVITIES

	2006	2007	2008
Profit before income tax	1,383,107	1,543,418	1,362,427
Adjustments for:			
– Finance income	(22,674)	(33,413)	(30,057)
– Finance costs	63,796	114,295	233,931
– Share of profits of associates	(53,605)	(72,710)	(91,714)
– Share of profits of jointly controlled entities	(12,579)	(13,951)	(18,418)
– Investment income from listed investments	(1,889)	(2,479)	(4,131)
– Net gain on disposal of property, plant and equipment	(272)	(391)	(8,609)
– Amortisation	8,698	12,923	52,633
– Depreciation	418,877	456,030	513,691
– Exchange difference	3,964	9,080	(1,782)
Changes in working capital:			
– Inventories	7,296	(100,241)	102,938
– Trade and other receivables	(384,522)	(103,243)	391,793
– Trade and other payables	288,227	(475,019)	(735,922)
Cash generated from operations	1,698,424	1,334,299	1,766,780

27. COMMITMENTS

(a) Capital commitments

	2006	2007	2008
Target Group			
Contracted but not provided for			
– Property, plant and equipment	2,102,432	1,744,993	373,306
– Equity investment *(note (i))*	1,178,100	355,804	1,407,147
	3,280,532	2,100,797	1,780,453
Target			
Contracted but not provided for			
– Equity investment *(note (i))*	1,178,100	355,804	1,407,147

Note:

(i) On 18 August 2008 the Board resolved that the Target will set up a joint venture company, Tianjin Port Shenghua International Container Terminal Co., Ltd, with Grand Asia International Shipping Ltd. and Terminal Link Tianjin Limited. The Target will hold 60% equity interest in the investment, the cost of which will be settled by cash of about RMB882 million. As of the date of this report, legal procedures in relation to this investment are still in progress.

On 23 December 2008 the Board resolved that the Target will set up a joint venture company, Tianjin Port Yuan Hang International Ore Terminal Co., Ltd., with Ocean Line Holdings Ltd.. The Target will hold 51% equity interest in the investment, the cost of which will be settled by cash of about RMB525 million. As of the date of this report, legal procedures in relation to this investment are still in progress.

(b) Operating lease commitments

The Target has no operating lease commitment. The Target Group's future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2006	**2007**	**2008**
Within one year	45,070	46,293	51,549
In the second to fifth year inclusive	183,776	181,679	185,688
More than 5 years	734,308	691,560	680,889
	963,154	919,532	918,126

28. SIGNIFICANT RELATED-PARTY TRANSACTIONS

The ultimate holding company of the Target Group, Tianjin Port (Group) Co., Ltd, is a company which is ultimately controlled by the PRC government and hence a state-owned enterprise. In accordance with HKAS 24, "Related Party Disclosures" issued by the HKICPA, state-owned enterprises and their subsidiaries, directly and indirectly controlled by the PRC government are also deemed as related parties of the Target Group ("other state-owned enterprises").

There are business activities of the Target Group which are conducted with other state-owned enterprises. For the purpose of the related parties disclosure in accordance with HKAS 24, the Target Group has established procedures to determine, to the extent practicable, the identification of the ownership structure of its customers and suppliers as to whether they are state-owned enterprises. Nevertheless, management believes that all material related party transactions and balances have been adequately disclosed.

In addition to those mentioned elsewhere in the financial statements, the following are the significant related party transactions entered into in the normal course of business between the Target Group and its related parties:

(a) Significant transactions

		2006	2007	2008
(i)	With holding company:			
	Sales of service and goods	–	16,841	26,131
	Purchase of goods and services	(142,183)	(152,032)	(207,876)
	Rental of land and property, plant and equipment	(41,751)	(46,349)	(50,143)
(ii)	With jointly controlled entities :			
	Purchase of goods and services	–	–	636
	Rental of land and property, plant and equipment	–	1,591	1,302
(iii)	With associates:			
	Sales of service and goods	40,514	42,746	66,255
	Rental of land and property, plant and machineries	–	1,500	900
	Purchase of service and goods	(25,502)	(42,402)	(61,909)
	Rental of land and property, plant and equipment	–	(11,750)	(13,100)
(iv)	With other related parties:			
	Purchase of service and goods	–	(10,770)	(16,994)
	Rental of land and property, plant and equipment	–	(1,196)	(3,667)
(v)	With other state-owned enterprises:			
	Sales of service and goods	663,202	570,338	581,962
	Interest income	22,604	17,168	13,164
	Purchase of service and goods	(14,489)	(12,874)	(53,158)
	Interest expense	(59,763)	(85,284)	(164,382)

(b) Significant balances

		2006	2007	2008
(i)	With holding company:			
	Trade and other receivables	81,236	85	621
	Trade and other payables	(3,849)	–	–
(ii)	With jointly controlled entities:			
	Trade and other receivables	25,000	–	–
(iii)	With associates:			
	Trade and other receivables	–	–	1,948
	Trade and other payables	(55,373)	(55,373)	–
(iv)	With other state-owned enterprises:			
	Trade and other receivables	34,684	45,496	108,009
	Deposits	1,351,412	873,048	671,962
	Trade and other payables	(4,968)	(29,528)	(28,540)
	Borrowings	(1,468,900)	(3,186,034)	(3,924,684)

(c) Others

As at 31 December 2006, the Target Group has bank borrowings of RMB97 million guaranteed by Tianjin Port (Group) Co., Ltd. The guarantee was released upon repayment of the borrowings in September 2007.

29. FINANCIAL RISK MANAGEMENT

29.1 Financial risk factors

The Target Group's activities expose it to a variety of financial risks: market risk (including currency risk and cash flow interest rate risk), credit risk, and liquidity risk. The Target Group's financial risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Target Group's financial performance. As at 31 December 2008, the Target Group does not use any derivative financial instruments to hedge against its financial risk exposures.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and recognised assets or liabilities are denominated in currency that is not the functional currency of the entity.

The operations and customers of the Target Group's subsidiaries are located in the PRC with most of the operating assets and transactions denominated and settled in Renminbi. The Target Group did not use any derivative financial instruments to hedge its foreign exchange risk exposure during the Relevant Periods.

The foreign exchange risk faced by the Target Group primarily arises from cash and cash equivalents and borrowings denominated in non-functional currencies (mainly US Dollars).

At 31 December 2006, 2007 and 2008, with all other variables held constant, if Renminbi had weakened/strengthened by 5% against other non-functional currencies, profit and equity for the year ended 31 December 2006 would have been approximately RMB7 million higher/lower while profit and equity for the year ended 31 December 2007 and 2008 would have been approximately RMB14 million and RMB29 million lower/higher respectively, mainly as a result of foreign exchange gains/loss on translation of US Dollars.

(ii) Price risk

The Target Group is exposed to equity securities price risk because certain of the Target Group's investment are classified as available-for-sale financial assets which are required to be stated at fair values.

The Target Group is also exposed to fluctuations in bunker prices. Management monitors the market conditions and bunker prices fluctuations. No bunker forward or hedging contracts have been entered during the Relevant Periods.

(iii) Cash flow and fair value interest rate risk

Other than the deposits placed with an associate and its bank balances, the Target Group has no other significant interest bearing assets.

The Target Group's interest rate risk arises from borrowings. Borrowings taken at variable rates expose the Target Group to cash flow interest-rate risk. Borrowings taken at fixed rates expose the Target Group to fair value interest-rate risk.

The Target Group has not used any interest rate swaps to hedge its exposure to interest rate risk during the Relevant Periods.

With all other variables held constant, if the annual interest rate had increased/ decreased by 5%, the corresponding increase/decrease in net finance costs would have resulted in a decrease/ an increase in the Target Group's profit for the year ended and equity as at 31 December 2006, 2007 and 2008 by approximately RMB3 million, RMB6 million and RMB12 million, respectively.

(b) Credit risk

The Target Group has no significant concentration of credit risk. The carrying amounts of cash and cash equivalents, trade and notes receivable, and other current assets, represent the Group's maximum exposure to credit risk in relation to financial assets.

The Target Group has limited its credit exposure by restricting their selection of financial institutions to reputable, state-owned banks and an associate financial institution. Management considers the credit risk for deposits with the associate, Tianjin Port Finance Co., Ltd., is low as there was no default history in the past.

The Target Group also has policies in place to ensure that services are rendered to customers with appropriate credit history and performs periodic credit evaluations of its customers. The Target Group's historical experience in collection of trade and other receivables falls within the recorded allowances. No single customer accounted for greater than 2% of total revenues during the Relevant Periods.

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and availability of funding from an adequate amount of committed credit facilities. The Target Group maintains flexibility in funding by keeping credit lines available.

Management monitors the Target Group's liquidity reserve which comprises undrawn borrowing facility and cash and cash equivalents.

The Target Group's and the Target's financial liabilities are analysed into relevant maturity groupings based on the remaining period at the respective balance sheet dates to the contractual maturity dates, using the contractual undiscounted cash flows, as follows:

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Target Group				
2006				
Bank borrowings	980,269	398,452	163,349	–
Borrowings from an associate	21,065	–	–	–
Trade and other payables	1,593,752	–	–	–
2007				
Bank borrowings	2,047,900	248,175	1,094,325	571,206
Borrowings from an associate	1,079,951	10,085	157,405	–
Trade and other payables	2,020,733	–	–	–
2008				
Bank borrowings	1,670,474	703,004	1,752,220	678,717
Borrowings from an associate	549,590	208,681	849,370	–
Trade and other payables	1,477,552	–	–	–
Target				
2006				
Bank borrowings	71,712	34,239	33,642	–
Trade and other payables	876,709	–	–	–
2007				
Trade and other payables	83,139	–	–	–
2008				
Trade and other payables	334,282	–	–	–

29.2 Capital risk management

The Target Group's objectives when managing capital are to safeguard the Target Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Target Group consists of borrowings, cash and cash equivalents and equity attributable to equity holders of the Target.

The Target Group monitors the capital structure using the gearing ratio (consolidated total borrowings to total equity). The Target Group's gearing ratio at 31 December 2008 was 46.4%.

Management reviews the capital structure on a regular basis and considers the cost of capital and the risks associated with each class of capital. In order to maintain or balance the capital structure, the Target Group may adjust the amount of dividends paid to shareholders, issue new shares, issue of new debts and redemption of existing debts.

29.3 Fair value estimation

The carrying amounts of the Target Group's financial assets including cash and cash equivalents, trade and other receivables, and financial liabilities including trade and other payables are assumed to approximate their fair values. The fair values of long-term bank borrowings approximates their carrying values because they are contracted at variable market rates throughout the period of the loan.

30. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

31. PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

(a) The following are principal subsidiaries at 31 December 2008, all of which are unlisted, limited liability companies incorporated and operating in the PRC:

Name	Principal activities	Directly held %	Particular of issued share capital ('000 and in RMB unless otherwise stated)
Tianjin Port No.5 Stevedoring Co., Ltd 天津港第五港埠有限公司	Port cargo handling	100	496,278
Tianjin Orient Container Terminals Co., Ltd. 天津東方海陸集裝箱碼頭有限公司	Port cargo handling	51	US$29,200
Tianjin Port Yuanhang Ore Terminal Co., Ltd. 天津港遠航礦石碼頭有限公司	Port cargo handling	51	US$58,895
Tianjin Port Yuanhang Bulk Cargo Terminal Co., Ltd. 天津港遠航散貨碼頭有限公司	Port cargo handling	51	US$38,400
Tianjin Port Pacific International Container Terminal Co., Ltd. 天津港太平洋國際集裝箱碼頭有限公司	Port cargo handling	51	2,303,350
Tianjin Port China Coal Hua'neng Coal Terminal Co., Ltd. 天津港中煤華能煤碼頭有限公司	Port cargo handling	51	1,125,000
TPG Global RO-RO Terminal Co., Ltd. 天津港環球滾裝碼頭有限公司	Port cargo handling	51	264,460

Name	Principal activities	Directly held %	Particular of issued share capital ('000 and in RMB unless otherwise stated)
Tianjin Port Coke Terminals Co., Ltd 天津港焦炭碼頭有限公司	Port cargo handling	100	600,000
Tianjin Port No.1 Stevedoring Co., Ltd 天津港第一港埠有限公司#	Port cargo handling	100	212,244
Tianjin Port No.4 Stevedoring Co., Ltd 天津港第四港埠有限公司#	Port cargo handling	100	154,761
Tianjin Port Petrochemicals Terminal Company Limited 天津港石油化工碼頭有限公司#	Port cargo handling	100	110,700
Tianjin Port Ro-Ro Terminal Co., Ltd. 天津港滾裝碼頭有限公司#	Port cargo handling	60	US$23,500
Tianjin Xingang Sinor Terminal Co., Ltd. 天津新港賽挪碼頭有限公司#	Port cargo handling	55	US$5,000
Tianjin Port Passenger Transport Co., Ltd. 天津港客運有限公司#	Port cargo handling	100	58,968
Tianjin Port Freight Co., Ltd 天津港貨運有限公司	Logistics	100	20,910
Tianjin Haitian Bonded Logistics Co., Ltd. 天津港海天保税物流有限公司	Logistics	51	210,000
China Ocean Shipping Agency, Tianjin 中國天津外輪代理有限公司#	Logistics	60	101,220
Tianjin Port Container Transportation Co., Ltd. 天津港集裝箱貨運有限公司#	Logistics	100	645,820
Tianjin Port Tugboat Lighter Co., Ltd. 天津港輪駁有限公司#	Tugboat services	100	82,541

Name	Principal activities	Directly held %	Particular of issued share capital ('000 and in RMB unless otherwise stated)
CHIMBUSCO Marine Bunker (Tianjin) Co., Ltd 天津中燃船舶燃料有限公司#	Sales	100	105,355
Tianjin Port Goods and Materials Supplying Co, Ltd. 天津港物資供應有限責任公司#	Sales	100	80,896
Tianjin Ocean Shipping Tally Co., Ltd. 天津外輪理貨有限公司#	Tallying	100	1,610

\# Subsidiaries acquired as described in Note 1.

(b) The following are principal associates at 31 December 2008, all of which are unlisted limited liability companies, incorporated and operating in the PRC:

	Principal activities	Directly held %	Particular of issued share capital *RMB'000*
Tianjin Five Continents International Container Terminal Co., Ltd. 天津五洲國際集裝箱碼頭有限公司	Port cargo handling	40	1,145,000
Shenhua Tianjin Coal Terminal Co. Ltd. 神華天津煤炭碼頭有限責任公司	Port cargo handling	45	1,264,000
Tianjin Port Finance Co., Ltd. 天津港財務有限公司	Finance	48	500,000
Tianjin International Petroleum Storage and Transportation Company Limited 天津國際石油儲運有限公司	Logistics	20	112,750
Tianjin Zhonghua International Dangerous Goods Logistics Company Limited 天津港中化國際危險品物流有限責任公司	Logistics	40	100,000

(c) The following are the principal jointly controlled entities at 31 December 2008, all of which are unlisted limited liability companies, incorporated and operating in the PRC:

	Principal activities	Directly held %	Particular of issued share capital ('000 and in RMB unless otherwise stated)
Vopak Nanjiang Petrochemicals Terminal Tianjin Company Limited 天津孚寶南疆石化倉儲有限公司	Logistics	50	US$8,460
Tianjin Orient Petroleum Company Limited 天津東方石油有限公司	Sales	50	50,000
China Shipping Agency (Tianjin) Co., Ltd. 天津中海船務代理有限公司	Agency	50	5,000
Tianjin Jinchang Storage and Transportation Company Limited 天津津昌儲運有限公司	Logistics	50	24,078
Tianjin Dehai Petroleum Products Sales Co. Ltd. 天津德海石油製品銷售有限公司	Logistics	50	30,000
China United Tally Co., Ltd Tianjin 天津中聯理貨有限公司	Tallying	50	3,000

(d) Translation of names of entities

The English translation of the entities noted throughout this Financial Information are for reference only. The related Chinese names are the only official names of these entities.

32. ULTIMATE HOLDING COMPANY

The directors regard Tianjin Port (Group) Co., Ltd as the ultimate holding company of the Target.

33. RECONCILIATION OF DIFFERENCES UNDER CAS AND HKFRS

(a) Reconciliation of the Target Group's total equity

	As at 1 January 2006	31 December 2006	31 December 2007	31 December 2008
Total equity as reported under CAS	6,151,704	6,608,940	9,433,829	11,938,447
Adjustments for different accounting treatment:				
– Reversal of welfare payable to period incurred rather than to period allowed under CAS	148,533	172,850	89,294	–
Total equity as reported under HKFRS	6,300,237	6,781,790	9,523,123	11,938,447

(b) Reconciliation of the Target Group's profit for the year

	2006	2007	2008
Profit for the year as reported under CAS	1,007,923	1,247,932	1,145,084
Adjustments for different accounting treatment:			
– Distribution of earnings under CAS accounted as staff and welfare fund expensed under HKFRS	(8,901)	(12,615)	(18,521)
– Reversal of welfare payable to period incurred rather than to period allowed under CAS	24,317	(83,556)	(8,533)
Profit for the year as reported under HKFRS	1,023,339	1,151,761	1,118,030

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Target or any of its subsidiaries have been prepared in respect of any period subsequent to 31 December 2008.

Yours faithfully
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET GROUP

The following discussion should be read in conjunction with the accountant's report on the Target, included in this Appendix III to this circular. The financial information on the Target Group included in the accountant's report were prepared in accordance with Hong Kong Financial Reporting Standards.

It should be noted the financial information of the Target Group for the year ended 31 December 2006, 2007 and 2008 includes the financial position, results and cash flows of the 12 entities acquired from the Vendor in April 2008 as if the current group structure had been in existence since 1 January 2006. Please see the section of "Information on the Target" in the "Letter from the Tianjin Port Development Directors" for a brief description of the assets injections.

For illustration purpose, certain figures in this section have been subject to rounding adjustments.

1. Summary of the operating results

1.1 Revenue breakdown by business segments (RMB million)

	2006	2007	2008
Port cargo handling	3,086.9	3,504.7	3,744.5
Sales	3,033.8	4,399.8	6,150.3
Tugboat services	230.3	319.4	340.0
Agency services	237.1	293.7	348.7
Logistics & other services	587.7	637.9	682.3
Total revenue	7,175.8	9,155.5	11,265.8

1.2 Throughput by types of cargo, domestic trade and foreign trade

(a) Throughput (including associates)

	2006	2007	2008
Container (million TEUs)	3.46	3.57	4.11
Non-containerised cargo (million tonnes)	145.57	182.71	206.14
Total throughput (million tonnes)	181.88	219.66	247.73

(b) Throughput (excluding associates)

	2006	**2007**	**2008**
Container (million TEUs)	1.69	1.59	2.17
Non-containerised cargo (million tonnes)	143.18	163.76	182.40
Total throughput (million tonnes)	161.19	179.93	201.89

(c) Container throughput (million TEUs)

	2006	**2007**	**2008**
Foreign trade	1.25	1.21	1.72
Domestic trade	0.44	0.37	0.45
Total	1.69	1.59	2.17

(d) Non-containerised cargo throughput (million tonnes)

	2006	**2007**	**2008**
Foreign trade	84.82	96.21	107.56
Domestic trade	58.36	67.55	74.84
Total	143.18	163.76	182.40

1.3 Port cargo handling revenue by types of cargo

(a) Port cargo handling revenue (RMB million)

	2006	**2007**	**2008**
Container	436.3	432.3	555.0
Non-containerised cargo	2,650.6	3,072.4	3,189.6
Total port cargo handling revenue	3,086.9	3,504.7	3,744.5

(b) Blended average unit price by types of cargo

	2006	2007	2008
Container (RMB per TEU)	258.7	272.7	255.6
Non-containerised cargo (RMB per tonne)	18.5	18.8	17.5

***1.4 Costs of sales by business segment** (RMB million)*

	2006	2007	2008
Port cargo handling	1,425.4	1,772.3	1,886.5
Sales	2,922.8	4,270.7	5,985.1

1.5 Gross profit and gross profit margin by business segment

	2006	2007	2008
(a) Gross profit *(RMB million)*			
Port cargo handling	1,661.5	1,732.4	1,858.1
Sales	111.0	129.1	165.2
(b) Gross profit margin			
Port cargo handling	53.8%	49.4%	49.6%
Sales	3.7%	2.9%	2.7%

2. Operating results for the years ended 31 December 2008 and 2007

2.1 The port of Tianjin

The global economic downturn triggered by the financial crisis has resulted in a negative impact on economic growth of the PRC and foreign trade. In 2008, the growth rate in gross domestic product of the PRC was approximately 9.0%, the lowest year-on-year growth since 2003. Total foreign trade value reached US$2,561.6 billion, representing an increase of approximately 17.8% compared to the previous year, with an increase in export and import trade by approximately 17.2% and 18.5% respectively.

The port of Tianjin, located in the centre of the Bohai Rim Region, is well-positioned to take advantage of economic growth of the PRC. During 2008, the port of Tianjin achieved total throughput of 355.9 million tonnes, representing an increase of approximately 15% compared to the previous year. The port of Tianjin became the largest port in the northern regions of the PRC and the third largest port in the PRC, in terms of aggregate cargo throughput (ranked behind Shanghai and Ningbo only).

2.2 Revenue

For the year ended 31 December 2008, the audited consolidated revenue of the Target Group was RMB11,265.8 million, representing an increase of approximately 23.1% compared to the previous year.

Port cargo handling

For the year ended 31 December 2008, revenue from the port cargo handling business amounted to RMB3,744.5 million, representing an increase of approximately 6.8% as compared to 2007. The combined throughput (excluding associates) of containers and non-containerised cargo increased by approximately 12.2% from 179.9 million tonnes in 2007 to 201.9 million tonnes in 2008.

Containers

Revenue from container handling increased approximately 28.4% from RMB432.3 million in 2007 to RMB555.0 million in 2008, mainly reflecting the increase in container throughput. Foreign trade throughput and domestic trade throughput increased approximately 42.1% and 21.4% to 1.72 million TEUs and 0.45 million TEUs respectively in 2008. Such increase was mainly attributable to the commencement of the Tianjin Port Pacific which largely improved the container handling capability of the Target Group. The increase in container throughput was partially offset by a decrease of approximately 6.3% in the blended average unit price from RMB273 per TEU in 2007 to RMB256 per TEU in 2008, as the container throughput handled in 2008 comprised a higher proportion of empty containers as compared to 2007.

Non-containerised cargo

Non-containerised cargo handling revenue amounted to RMB3,189.6 million in 2008, representing an increase of approximately 3.8% as compared to RMB3,072.4 million in 2007. The increase in revenue was mainly due to the rising demand for major types of non-containerised cargo, in particular, coal and metal ores. Foreign trade throughput and domestic trade throughput reached 107.6 million tonnes and 74.8 million tonnes in 2008, representing an increase of approximately 11.8% and 10.8% respectively, as compared to 2007. The increase in non-containerised cargo throughput was partially offset by an approximately 6.8% decrease in the blended average unit price from RMB18.8 per tonne in 2007 to RMB17.5 per tonne in 2008, as the non-containerised cargo handled in 2008 comprised a higher proportion of cargo with lower handling fees as compared to 2007.

Sales

Revenue from sales business increased approximately 39.8% from RMB4,399.8 million in 2007 to RMB6,150.3 million in 2008, mainly due to the significant increase of crude oil price during the first half of 2008.

Other port related businesses

Benefiting from the increase in business volume and number of visiting vessels, revenue from other port-related businesses increased approximately 9.6% from RMB1,251.0 million in 2007 to RMB1,371.0 million in 2008, of which, (a) revenue from tugboat services increased by approximately 6.5% from RMB319.4 million in 2007 to RMB340.0 million in 2008; (b) revenue from agency services increased by approximately 18.7% from RMB293.7 million in 2007 to RMB348.7 million in 2008; and (c) revenue from logistics and other services increased by approximately 7.0% from RMB637.9 million in 2007 to RMB682.3 million in 2008.

2.3 Gross profit margin

Cost of sales for port cargo handling increased by approximately 6.4% from RMB1,772.3 million in 2007 to RMB1,886.5 million in 2008, primarily as a result of increased cargo throughput. Also, due to the acquisition of land use rights and port related assets from the Vendor in April 2008, the amortisation and depreciation expense increased significantly. And the implementation of the New Labour Contract Law also caused a large increase in employee benefit related expenses. Gross profit margin was 49.6% in 2008, nearly the same as 49.4% in 2007.

Cost of sales for supplying bunker fuel and water for visiting vessels increased from RMB4,270.7 million in 2007 to RMB5,985.1 million in 2008, mainly due to increases in both crude oil prices and vessel calls. Gross profit margin was 2.7% in 2008, slightly decreased from 2.9% in 2007.

2.4 Finance costs

Finance costs increased from RMB114.3 million in 2007 to RMB233.9 million in 2008, representing an increase of approximately 104.7%. The increase in finance costs was mainly resulted from additional loans obtained to finance new construction projects together with an increase in interest rate. Furthermore, upon completion of the construction of Tianjin Port Pacific's container terminals in 2008, the relevant interest expenses were no longer capitalised, leading to an increase in finance costs.

3. Operating results for the year ended 31 December 2007 and 31 December 2006

3.1 Revenue

For the year ended 31 December 2007, the audited consolidated revenue of the Target Group was RMB9,155.5 million, representing an increase of approximately 27.6% from 2006.

Port Cargo Handling

For the year ended 31 December 2007, the revenue from the port cargo handling increased by approximately 13.5% from RMB3,086.9 million in 2006 to RMB3,504.7 million in 2007. The combined throughput (excluding associates) of containers and non-containerised cargo increased by approximately 11.6% from 161.2 million tonnes in 2006 to 179.9 million tonnes in 2007.

Containers

Revenue from container handling decreased from RMB436.3 million in 2006 to RMB432.3 million in 2007, representing a slight decline of approximately 0.9%. There was a reduction in container throughput by approximately 5.9% from 1.69 million TEUs in 2006 to 1.59 million TEUs in 2007. At the same time, such decline in container throughput was partially offset by an increase of approximately 5.4% in the blended average unit price from RMB259 per TEU in 2006 to RMB273 per TEU in 2007, as the proportion of foreign trade containers increased in the container throughput handled in 2007.

Non-containerised cargo

Revenue from non-containerised cargo handling increased by approximately 15.9% from RMB2,650.6 million in 2006 to RMB3,072.4 million in 2007, mainly reflecting a growth of approximately 14.4% in non-containerised throughput from 143.2 million tonnes in 2006 to 163.8 million tonnes in 2007. Foreign trade throughput and domestic trade throughput reached 96.2 million tonnes and 67.6 million tonnes in 2007, representing an increase of approximately 13.4% and 15.7%, respectively from 2006. The increase in non-containerised cargo throughput was mainly as a result of increased demand for coal, coke, metal ores and steel products driven by the fast growing economic of the PRC.

Sales

Sales revenue amounted to RMB4,399.8 million in 2007, representing a significant growth of approximately 45.0% from RMB3,033.8 million in 2006, mainly due to increases in both crude oil price and the number of vessel calls.

Other port-related businesses

Benefiting from the increase in business volume and number of visiting vessels, the revenue from other port related business increased by approximately 18.6% from RMB1,055.1 million in 2006 to RMB1,251.0 million in 2007, of which (a) revenue from tugboat services increased by approximately 38.7% from RMB230.3 million in 2006 to RMB319.4 million in 2007; (b) revenue from agency services increased by approximately 23.8% from RMB237.1 million in 2006 to RMB293.7 million in 2007; and (c) revenue from logistics and other services increased by approximately 8.5% from RMB587.1 million in 2006 to RMB637.9 million in 2007.

3.2 Gross profit margin

Cost of sales for port cargo handling increased by approximately 24.3% from RMB1,425.4 million in 2006 to RMB1,772.3 million in 2007, mainly due to an increase in the cargo throughput. Also, the Tianjin Port Yuanhang Bulk Cargo Terminal Co., Ltd. commenced operations in 2007, which led to an increase in depreciation and labour cost. Gross profit margin decreased from 53.8% in 2006 to 49.4% in 2007, mainly due to the newly constructed terminals still being in their ramp-up stage.

Cost of sales for supplying bunker fuel and water for visiting vessels increased from RMB2,922.8 million in 2006 to RMB4,270.7 million to 2007, representing a growth of 46.1%, mainly due to increases in both crude oil price and the number of vessel calls. Gross profit margin decreased from 3.7% in 2006 to 2.9% in 2007.

3.3 Finance costs

Interest expenses increased from RMB63.8 million in 2006 to RMB114.3 million in 2007, representing an increase of approximately 79.2%. The increase was mainly due to an increase in loans and a rise in interest rates.

4. Liquidity and financial resources

As at 31 December 2008, the total cash and cash equivalents were RMB1,849.4 million, compared to RMB2,022.7 million and RMB1,763.2 million as at 31 December 2007 and 2006 respectively.

As at 31 December 2008, the total borrowings of the Target Group were RMB5,536.0 million, compared to RMB4,655.0 million and RMB1,488.9 million as at 31 December 2007 and 2006 respectively.

As at 31 December 2008, the gearing ratio (as calculated by total borrowings divided by total equity) of the Target Group was approximately 46.4%, compared to 48.9% in 2007 and 22.0% in 2006.

For the year ended 31 December 2008, the effective interest rate for loans denominated in RMB ranged from 4.8% to 7.0%, and the effective interest rate for loans denominated in US dollars was 0.6% over the 3-month LIBOR. For the year ended 31 December 2007, the effective interest rate for loans denominated in RMB ranged from 5.2% to 6.9%, and the effective interest rate for loans denominated in US dollars was 0.6% over the 3-month LIBOR. For the year ended 31 December 2006, the effective interest rate for loans denominated in RMB ranged from 4.9% to 5.5%.

As at 31 December 2008, 85.8% of borrowings of the Target Group was denominated in RMB and the remaining was denominated in US dollars, compared to 88.4% in 2007 and 100% in 2006. For the three years ended 31 December 2006, 2007 and 2008, the Target Group has not entered into any derivative contracts or hedging transactions.

5. Capital structure

As at 31 December 2008, the capital and reserves attributable to equity holders of the Target amounted to RMB8,982.6 million. This represented an increase of approximately RMB2,213.7 million, or an increase of 32.7%, as compared to 31 December 2007. The Target has announced that there will be no dividends for the financial year of 2008. As at 31 December 2007, the capital and reserves attributable to equity holders of the Target amounted to RMB6,768.9 million. This represented an increase of approximately RMB917.7 million, or approximately 15.7%, as compared to 31 December 2006. A cash dividend of RMB1.00 (inclusive of tax) for every 10 shares was distributed to all shareholders, amounted to approximately RMB144.9 million for the financial year of 2007.

The market capitalisation of the Target as at 31 December 2008 and 2007 was approximately RMB14,537 million (with issued share capital of 1,674,769,120 shares) and approximately RMB39,698 million (with issued share capital of 1,448,840,442 shares) respectively.

6. Significant investments

Tianjin Port Pacific, a non-wholly owned subsidiary of the Target, was set up in November 2006 to invest in the container terminal project of Stage III of Beigangchi project with a planned total investment of approximately RMB6,600 million. As at 31 December 2008, total accumulated investment was approximately RMB5,500 million. The investment made in 2008 amounted to RMB972 million, which were financed by internal resources and bank borrowings. Construction of the terminal and the storage yard has been completed, and installation of quay cranes and yard cranes are in progress. In total, approximately RMB1,392 million were paid for land use rights.

TPG Global RO-RO Terminal Co., Ltd., a non-wholly owned subsidiary of the Target, was set up to invest in a roll-on roll-off terminal at Beigangchi with a planned total investment of RMB756 million. As at 31 December 2008, the construction has been completed and the total accumulated investment was RMB745 million, out of which RMB306 million was spent in 2008 and financed by internal resources and bank borrowings.

7. Contingent liabilities and obligations

As at 31 December 2008 and 2007, the Target Group did not have any material contingent liabilities or obligations.

8. Staff

As at 31 December 2008, excluding associates and jointly-controlled entities, the Target Group employed a total of 9,198 staff (compared to 9,009 as at 31 December 2007).

9. Charges on assets

As at 31 December 2008 and 2007, the Target Group had no charges against any asset.

10. Financial and trading prospects of the Target Group

The development of the port industry is closely related to the global economy and the economic activities of its hinterland. Affected by the recent global economic slowdown, gross domestic product of the PRC has recorded only single-digit growth for the first time since 2003. Nonetheless, with its strong fundamental and the introduction of a series of effective policies and measures to stimulate economic development, the PRC is well-positioned to recover at a faster pace than many other countries.

Under the Eleventh Five-Year Plan, the Tianjin Binhai New Area has been included as part of the PRC government's developmental strategy and is designated to become a new regional economic growth driver. As the largest port operator located in the port of Tianjin, and a key constituent of the Tianjin Binhai New Area, the Target is expected to benefit from the invaluable and unprecedented opportunities derived from the development and opening of the Tianjin Binhai New Area.

In addition, the Target will take advantage of the right of priority granted by the Vendor to further develop its core port cargo handling business and achieve economies of scale through self-construction and acquisition of quality assets from the Vendor. The Target Group will strive to improve its core competiveness and develop into a large-scale international port operator.

The following is an extract of the consolidated financial information of the Target Group reproduced from the unaudited quarterly results announcement of the Target for the three months ended 31 March 2009. The financial information were prepared in accordance with China Accounting Standards.

1. CONSOLIDATED INCOME STATEMENT

	For the period ended 31 March 2009 *RMB*	2008 *RMB*
1. Total operating income	1,866,112,315.02	2,718,736,447.48
of which: operating income	1,866,112,315.02	2,718,736,447.48
2. Total operating costs	(1,714,971,140.66)	(2,340,089,702.30)
of which: Cost of sales	(1,412,437,481.21)	(2,044,693,852.42)
Business tax and others	(36,750,680.05)	(44,654,067.96)
Administrative expenses	(208,026,489.27)	(211,165,270.56)
Finance costs	(57,095,331.89)	(38,489,997.41)
Impairment losses on assets	(661,158.24)	(1,086,513.95)
Add: Gain on investments	17,339,318.04	24,909,305.29
of which: gain on investments in associates and joint ventures	16,539,166.98	24,705,068.95
3. Operating profit	168,480,492.40	403,556,050.47
Add: Non-operating income	302,155.58	1,062,298.96
Less: Non-operating expenses	(408,298.18)	(2,480,770.93)
of which: net loss on disposal of non-current assets	(176,516.93)	(1,184,699.37)
4. Total profit	168,374,349.80	402,137,578.50
Less: Income tax	(29,378,378.88)	(75,800,785.76)
5. Net profit	138,995,970.92	326,336,792.74
Net profit attributable to equity holders of the Target	115,348,008.43	274,103,305.88
Minority interests	23,647,962.49	52,233,486.86
6. Earnings per share:		
(1) Basic earnings per share	0.07	0.17
(2) Diluted earnings per share	0.07	0.17

2. CONSOLIDATED BALANCE SHEET

	As at 31 March 2009 *RMB*	As at 31 December 2008 *RMB*
Current assets:		
Monetary funds	1,920,208,729.19	1,849,404,568.19
Note receivables	326,853,448.14	233,051,240.98
Trade receivables	1,108,122,317.72	1,075,927,568.93
Prepayments	73,130,743.14	68,623,091.07
Dividend receivables	1,940,000.00	157,421.46
Other receivables	27,851,903.04	23,215,002.60
Inventories	243,357,633.69	146,258,322.48
	3,701,464,774.92	3,396,637,215.71
Non-current assets		
Available-for-sale financial assets	231,154,321.85	157,162,529.17
Long-term equity investments	1,690,502,388.83	1,676,083,221.85
Fixed assets	9,556,415,151.61	9,683,160,793.50
Construction in progress	1,986,713,768.64	1,659,425,060.34
Intangible assets	3,178,539,215.52	3,192,743,367.18
Goodwill	221,913.16	221,913.16
Long-term deferred expenses	18,664,017.86	19,137,876.01
Deferred income tax assets	76,412,768.53	65,082,951.87
	16,738,623,546.00	16,453,017,713.08
Total assets	20,440,088,320.92	19,849,654,928.79

	As at 31 March 2009 *RMB*	As at 31 December 2008 *RMB*
Current liabilities:		
Short-term borrowings	1,198,423,032.31	1,464,423,032.31
Note payables	412,023,955.37	355,123,955.37
Trade payables	1,122,504,039.95	1,249,380,007.19
Receipts in advance	368,004,654.11	366,909,093.40
Staff salaries payables	47,187,872.46	52,168,291.36
Tax payables	17,913,816.00	42,843,687.91
Dividend payables	18,649,616.28	18,788,673.06
Other payables	289,223,007.02	251,402,637.84
Non-current liabilities due within one year	130,000,000.00	485,000,000.00
	3,603,929,993.50	4,286,039,378.44
Non-current liabilities:		
Long-term borrowings	4,407,981,211.02	3,586,550,218.15
Deferred income tax liabilities	56,290,963.26	37,793,015.09
Other non-current liabilities	825,948.35	825,948.35
	4,465,098,122.63	3,625,169,181.59
Total liabilities	8,069,028,116.13	7,911,208,560.03
Shareholders equity:		
Share capital	1,674,769,120.00	1,674,769,120.00
Capital reserves	3,569,998,403.28	3,498,053,009.32
Surplus reserves	568,585,428.64	568,585,428.64
Undistributed profit	3,356,500,734.48	3,241,169,500.50
Equity attributable to equity holders of the Target	9,169,853,686.40	8,982,577,058.46
Minority interests	3,201,206,518.39	2,955,869,310.30
Total shareholders equity	12,371,060,204.79	11,938,446,368.76
Total liabilities and shareholders equity	20,440,088,320.92	19,849,654,928.79

3. CONSOLIDATED CASH FLOW STATEMENT

	For the period ended 31 March 2009 *RMB*	2008 *RMB*
1. Cash flows generated from operating activities:		
Cash received from sales of goods and rendering of services	1,679,399,832.16	2,340,404,782.94
Cash received relating to other operating activities	63,182,997.79	152,202,950.38
Sub-total of cash inflows from operating activities	1,742,582,829.95	2,492,607,733.32
Cash paid for purchase of goods and services received	(1,281,038,213.77)	(1,799,656,338.94)
Cash paid to and on behalf of employees	(282,051,053.23)	(276,028,369.72)
Taxes paid	(106,950,328.68)	(186,302,355.84)
Cash paid relating to other operating activities	(61,066,837.96)	(114,902,111.50)
Sub-total of cash outflows for operating activities	(1,731,106,433.64)	(2,376,889,176.00)
Net cash flows generated from operating activities	11,476,396.31	115,718,557.32
2. Cash flows generated from investing activities:		
Cash received from investments	11,566,260.97	820,000.00
Cash received from returns on investments	2,050,150.58	1,244,675.02
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	1,050,665.77	2,846,279.59
Sub-total of cash inflows from investing activities	14,667,077.32	4,910,954.61
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets	(306,611,035.80)	(538,272,227.95)
Cash paid for investments	–	(758,316.05)
Sub-total of cash outflows for investing activities	(306,611,035.80)	(539,030,544.00)
Net cash flows generated from investing activities	(291,943,958.48)	(534,119,589.39)

	For the period ended 31 March 2009 *RMB*	2008 *RMB*
3. Cash flows generated from financing activities		
Cash received from capital contribution	226,600,000.00	338,592,450.00
Cash received from borrowings	481,500,000.00	306,000,000.00
Sub-total of cash inflows from financing activities	708,100,000.00	644,592,450.00
Cash paid for repayment of borrowings	(281,000,000.00)	(324,385,396.06)
Cash paid for distribution of dividends, profit or interest expenses	(77,396,056.73)	(164,048,251.62)
Cash paid relating to other financing activities	–	(5,649,483.00)
Sub-total of cash outflows for financing activities	(358,396,056.73)	(494,083,130.68)
Net cash flows generated from financing activities	349,703,943.27	150,509,319.32
4. Effect of changes in exchange rate on cash and cash equivalents	1,567,779.90	(6,168,839.07)
5. Net increase in cash and cash equivalents	70,804,161.00	(274,060,551.82)
Add: Balance of cash and cash equivalents at the beginning of period	1,849,404,568.19	2,022,705,494.38
6. Balance of cash and cash equivalents at the end of period	1,920,208,729.19	1,748,644,942.56

1. UNAUDITED PRO FORMA FINANCIAL INFORMATION ON THE ENLARGED TIANJIN PORT DEVELOPMENT GROUP

A. Unaudited pro forma financial information

The following is an illustrative unaudited pro forma financial information of the Enlarged Tianjin Port Development Group which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Proposed Transaction as if it had taken place on 31 December 2008 in respect of the pro forma statement of consolidated net tangible assets and consolidated balance sheet and 1 January 2008 in respect of the pro forma consolidated income statement and consolidated cash flow statement.

This pro forma financial information has been prepared for illustrative purposes only and, because of its hypothetical nature, may not give a true picture of the financial position, financial results and cash flows of the Enlarged Tianjin Port Development Group had the Proposed Transaction been completed as at 31 December 2008 and 1 January 2008 respectively, or at any future date.

i) Unaudited pro forma statement of consolidated net tangible assets:

	Pro forma adjustments			
Unadjusted audited consolidated net tangible assets attributable to equity holders of Tianjin Port Development as at 31 December 2008	**Audited consolidated net tangible assets attributable to equity holders of the Target as at 31 December 2008**	**Other adjustments**	**Unaudited pro forma consolidated net tangible assets attributable to equity holders of the Enlarged Tianjin Port Development Group**	**Unaudited pro forma consolidated net tangible assets attributable to equity holders of the Enlarged Tianjin Port Development Group per Tianjin Port Development Share**
Note 1	*Note 2*	*Note 3*		*Note 4*
HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$*
3,614,418	10,167,077	(6,525,795)	7,255,700	1.24

ii) Unaudited pro forma consolidated balance sheet:

	Unadjusted audited consolidated balance sheet of Tianjin Port Development as at 31 December 2008	Pro forma adjustments: Audited consolidated balance sheet of the Target as at 31 December 2008	Pro forma adjustments: Other adjustments	Unaudited pro forma consolidated balance sheet of the Enlarged Tianjin Port Development Group
	Note 1	*Note 2*	*Note 3*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS				
Non-current assets				
Land use rights	792,437	3,602,890		4,395,327
Property, plant and equipment	1,842,794	12,881,773		14,724,567
Intangible assets	–	17,252		17,252
Interests in associates	28,513	1,696,769		1,725,282
Interests in jointly controlled entities	1,430,037	150,880		1,580,917
Available-for-sale financial assets	20,873	230,862		251,735
Deferred income tax assets	9,410	73,790		83,200
	4,124,064	18,654,216		22,778,280
Current assets				
Inventories	5,295	165,825		171,120
Trade and other receivables	175,476	1,588,406	(20,134)*(d)*	1,743,748
Amounts due from associates	2,552	–		2,552
Amounts due from jointly controlled entities	6,858	–		6,858
Cash and cash equivalents	588,866	2,096,831	(399,943)*(a)(b)*	2,285,754
	779,047	3,851,062		4,210,032
Total assets	4,903,111	22,505,278		26,988,312

ii) Unaudited pro forma consolidated balance sheet:

	Unadjusted audited consolidated balance sheet of Tianjin Port Development as at 31 December 2008	Pro forma adjustments: Audited consolidated balance sheet of the Target as at 31 December 2008	Pro forma adjustments: Other adjustments	Unaudited pro forma consolidated balance sheet of the Enlarged Tianjin Port Development Group
	Note 1	*Note 2*	*Note 3*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
EQUITY				
Capital and reserves attributable to equity holders of Tianjin Port Development				
Share capital	178,710	1,898,831	(1,491,439)*(a)(b)(c)*	586,102
Reserves	2,679,812	4,519,134	(3,309,663)*(a)(b)(c)(g)*	3,889,283
Retained earnings	755,896	3,766,364	(1,724,693)*(b)(c)*	2,797,567
	3,614,418	10,184,329		7,272,952
Minority interests	4,433	3,351,325	4,398,612 *(c)*	7,754,370
Total equity	3,618,851	13,535,654		15,027,322
LIABILITIES				
Non-current liabilities				
Long term borrowings	1,140,250	4,066,383	1,700,000 *(b)*	6,906,633
Deferred income tax liabilities	–	42,849	27,240 *(g)*	70,089
Other long term liabilities	–	937		937
	1,140,250	4,110,169		6,977,659

ii) Unaudited pro forma consolidated balance sheet:

	Unadjusted audited consolidated balance sheet of Tianjin Port Development as at 31 December 2008	Pro forma adjustments: Audited consolidated balance sheet of the Target as at 31 December 2008	Pro forma adjustments: Other adjustments	Unaudited pro forma consolidated balance sheet of the Enlarged Tianjin Port Development Group
	Note 1	*Note 2*	*Note 3*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Current liabilities				
Trade and other payables	127,900	2,631,241	(20,134)*(d)*	2,739,007
Amounts due to related companies	12,586	–		12,586
Current income tax liabilities	3,524	17,984		21,508
Short term borrowings	–	2,210,230		2,210,230
	144,010	4,859,455		4,983,331
Total liabilities	1,284,260	8,969,624		11,960,990
Total equity and liabilities	4,903,111	22,505,278		26,988,312
Net current assets/ (liabilities)	635,037	(1,008,393)		(773,299)
Total assets less current liabilities	4,759,101	17,645,823		22,004,981

iii) Unaudited pro forma consolidated income statement:

	Unadjusted audited consolidated income statement of Tianjin Port Development for the year ended 31 December 2008	Pro forma adjustments: Audited consolidated income statement of the Target for the year ended 31 December 2008	Pro forma adjustments: Other adjustments	Unaudited pro forma consolidated income statement of the Enlarged Tianjin Port Development Group
	Note 1	*Note 2*	*Note 3*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	1,258,991	12,658,243		13,917,234
Business tax	(38,415)	(212,957)		(251,372)
Cost of sales	(689,691)	(9,692,758)		(10,382,449)
Gross profit	530,885	2,752,528		3,283,413
Other income and gains	57,956	86,152		144,108
Administrative expenses	(363,600)	(1,162,066)	(98,000)*(e)*	(1,623,666)
Other operating expenses	(2,675)	(40,467)		(43,142)
	222,566	1,636,147		1,760,713
Provision for impairment losses on available-for-sale financial assets	(25,253)	–		(25,253)
Finance costs	(26,529)	(229,072)	(51,000)*(f)*	(306,601)
Share of results of associates	1,495	103,049		104,544
Share of results of jointly controlled entities	8,755	20,694		29,449
Profit before income tax	181,034	1,530,818		1,562,852
Income tax	(50,414)	(274,603)	(27,240)*(g)*	(352,257)
Profit for the year	130,620	1,256,215		1,210,595
Attributable to:				
Equity holders of Tianjin Port Development	130,289	1,037,254	(624,230)*(e)(f)(g)(h)*	543,313
Minority interests	331	218,961	447,990 *(h)*	667,282
	130,620	1,256,215		1,210,595

iv) Unaudited pro forma consolidated cash flow statement:

		Pro forma adjustments			
	Unadjusted audited consolidated cash flow statement of Tianjin Port Development for the year ended 31 December 2008	**Audited consolidated cash flow statement of the Target for the year ended 31 December 2008**	**Other adjustments**		**Unaudited pro forma consolidated cash flow statement of the Enlarged Tianjin Port Development Group**
	Note 1	*Note 2*		*Note 3*	
	HK$'000	*HK$'000*	*HK$'000*		*HK$'000*
Cash flows from operating activities					
Cash generated from operations	320,289	1,985,146			2,305,435
PRC income tax paid	(61,195)	(332,315)			(393,510)
Net cash generated from operating activities	259,094	1,652,831			1,911,925
Cash flows from investing activities					
Purchase of property, plant and equipment	(75,138)	(2,201,574)			(2,276,712)
Purchase of land use rights	–	(391,270)			(391,270)
Purchase of intangible assets	–	(9,948)			(9,948)
Purchase of available-for-sale financial assets	(40,053)	–			(40,053)
Acquisition of the Target	–	–	(4,807,018)	*(a)(b)*	(4,807,018)
Acquisition of a jointly controlled entity	(570,186)	–			(570,186)
Acquisition of associates	(1,425)	(22,247)			(23,672)
Acquisition of additional interests in subsidiaries	(390)	(41,322)			(41,712)
Loan to a jointly controlled entity	(80,346)	–			(80,346)
Proceeds from disposal of property, plant and equipment	830	12,134			12,964
Proceeds from disposal of associates	–	2,209			2,209
Interest received	13,057	33,772			46,829
Dividends received from associates	781	73,813			74,594
Dividends received from jointly controlled entities	–	10,910			10,910
Income from available-for-sale financial assets	–	4,870			4,870
Others	–	5,970			5,970
Net cash used in investing activities	(752,870)	(2,522,683)			(8,082,571)

iv) Unaudited pro forma consolidated cash flow statement:

	Unadjusted audited consolidated cash flow statement of Tianjin Port Development for the year ended 31 December 2008	Pro forma adjustments: Audited consolidated cash flow statement of the Target for the year ended 31 December 2008	Pro forma adjustments: Other adjustments	Unaudited pro forma consolidated cash flow statement of the Enlarged Tianjin Port Development Group
	Note 1	*Note 2*	*Note 3*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash flows from financing activities				
Proceeds from borrowings	815,880	3,070,800	1,700,000 *(b)*	5,586,680
Repayments of borrowings	(65,630)	(2,038,729)		(2,104,359)
Net proceeds from issue of new shares	–	–	2,707,075 *(b)*	2,707,075
Interest paid	(26,971)	(267,187)	(51,000)*(f)*	(345,158)
Contribution from minority shareholders of subsidiaries	–	380,440		380,440
Dividends paid	(103,652)	(453,800)	92,482 *(i)*	(464,970)
Others	–	(18,393)		(18,393)
Net cash generated from financing activities	619,627	673,131		5,741,315
Net increase/(decrease) in cash and cash equivalents	125,851	(196,721)		(429,331)
Cash and cash equivalents at 1 January	438,754	2,272,702		2,711,456
Effects of changes in exchange rates	24,261	2,002		26,263
Cash and cash equivalents at 31 December	588,866	2,077,983		2,308,388

Notes:

1. The balances are extracted from the audited consolidated financial statements of Tianjin Port Development for the year ended 31 December 2008.

2. The balances are extracted from the financial information included in the accountant's report of the Target as set out in Appendix III of the Circular and are translated into Hong Kong dollar using the median exchange rate announced by the People's Bank of China on 31 December 2008 at HK$1 to RMB0.882 for the pro forma statement of consolidated net tangible assets and consolidated balance sheet and average exchange rate for the year ended 31 December 2008 at HK$1 to RMB0.890 for the pro forma consolidated income statement and consolidated cash flow statement.

3. The other pro forma adjustments represent:

(i) On consolidated balance sheet (in HK$'000):

Reference to notes below	**a**	**b**	**c**	**d**	**g**	**Total**
Trade and other receivables	–	–	–	(20,134)	–	(20,134)
Cash and cash equivalents	(4,709,018)	4,309,075	–	–	–	(399,943)
Share capital	298,912	108,480	(1,898,831)	–	–	(1,491,439)
Reserves	7,353,222	2,598,595	(13,234,240)	–	(27,240)	(3,309,663)
Retained earnings	–	(98,000)	(1,626,693)	–	–	(1,724,693)
Minority interests	–	–	4,398,612	–	–	4,398,612
Long term borrowings	–	1,700,000	–	–	–	1,700,000
Deferred income tax liabilities	–	–	–	–	27,240	27,240
Trade and other payables	–	–	–	(20,134)	–	(20,134)

(ii) On consolidated income statement (in HK$'000):

Reference to notes below	**e**	**f**	**g**	**h**	**Total**
Administrative expenses	(98,000)	–	–	–	(98,000)
Finance costs	–	(51,000)	–	–	(51,000)
Income tax	–	–	(27,240)	–	(27,240)
Profit for the year attributable to:					
Equity holders of Tianjin Port Development	(98,000)	(51,000)	(27,240)	(447,990)	(624,230)
Minority interests	–	–	–	447,990	447,990

(iii) On consolidated cash flow statement (in HK$'000):

Reference to notes below	**a**	**b**	**f**	**i**	**Total**
Acquisition of the Target	(4,709,018)	(98,000)	–	–	(4,807,018)
Proceeds from borrowings	–	1,700,000	–	–	1,700,000
Net proceeds from issue of new shares	–	2,707,075	–	–	2,707,075
Interest paid	–	–	(51,000)	–	(51,000)
Dividend paid	–	–	–	92,482	92,482

a. the settlement of the Consideration by issue of approximately 2,989 million Consideration Shares and cash payment of approximately HK$4,709 million to the Vendor's wholly-owned subsidiary as directed by the Vendor. For the purpose of this pro forma information, the fair value of each Consideration Share is assumed to be HK$2.56, which is the average closing share price of Tianjin Port Development Shares as quoted on the Stock Exchange for the five Trading Days prior to 8 June 2009, being the latest practicable date for the purpose of this pro forma financial information. On this basis, the Consideration Shares will increase share capital by approximately HK$299 million with related share premium of approximately HK$7,353 million.

The assumed settlement included in these pro forma financial information differs from that previously described in the Sale and Purchase Agreement. Details of which is discussed on pages 52 to 54 under the section "Letter from the Tianjin Port Development Directors".

b. Tianjin Port Development intends to source the estimated cash consideration of HK$4,709 million as follows:

	HK$ million
Estimated proceeds from the issue of Placing Shares and Option Shares	2,777
Estimated cost for the issue of Placing Shares	(70)
Estimated net proceeds from the issue of Placing Shares and Option Shares	2,707
Estimated professional fees and other expenses *(note e)*	(98)
Estimated new bank borrowings – maximum	1,700
Estimated own funds	400
	4,709

The net proceeds from the issue of approximately 1,085 million Placing Shares/Option Shares is approximately HK$2,707 million after deducting estimated underwriting expenses for Placing Shares of approximately HK$70 million. For the purpose of this pro forma information, the offer price per Placing Shares/Option Shares is also assumed to be HK$2.56 which is the average closing share price of Tianjin Port Development Shares as quoted on the Stock Exchange for the five Trading Days prior to 8 June 2009, being the latest practicable date for the purpose of this pro forma financial information. On this basis, the issue of new Placing Shares/ Option Shares will increase share capital by approximately HK$108 million with related share premium of approximately HK$2,599 million.

Tianjin Port Development plans to obtain new bank borrowings not exceeding HK$1,700 million. Tianjin Port Development has commenced negotiations with certain financial institutions for the bank borrowings. The Tianjin Port Development Directors are of the opinion that the aforesaid bank borrowings will be obtained before the Completion. The actual amount of the bank borrowings may be different from the amount shown in this pro forma information. It will be determined based on the market condition, financial position, working capital requirement and the applicable bank covenants of Tianjin Port Development.

c. Elimination of investment in the Target as at 31 December 2008 against share capital of the Target, reserves and retained earnings attributable to minority interests, and merger reserve.

d. Elimination of intercompany balances between the Tianjin Port Development Group and the Target Group.

e. Estimated professional fees and other expenses directly attributable to the Proposed Transaction of HK$98 million.

f. Interest expenses of the new bank borrowings of approximately HK$51 million estimated at 3% per annum.

g. Effect of withholding tax in respect of distributable profit for the year ended 31 December 2008 of the Target attributable to Tianjin Port Development at 5%.

h. Account for profits attributable to minority interests of the Target.

i. Elimination of the dividend of the Target for the year ended 31 December 2007 that was assumed to be paid to Tianjin Port Development in 2008 had the Proposed Transaction been completed on 1 January 2008.

4. The unaudited pro forma consolidated net tangible assets attributable to equity holders of the Enlarged Tianjin Port Development Group per Tianjin Port Development Share is determined based on approximately 5,861 million Tianjin Port Development Shares assumed to be issued and outstanding as at 31 December 2008, representing approximately 1,787 million existing shares, approximately 2,989 million Consideration Shares and approximately 1,085 million Placing Shares/Option Shares to be issued.

5. The fair value of the Consideration Shares and the offer price of the Placing Shares/ Option Shares may be different from the share price used in this pro forma financial information. For information, the share price of the Consideration Shares stipulated in the Sale and Purchase Agreement and the average closing share price of Tianjin Port Development Shares for the five Trading Days prior to 8 June 2009 (the latest practicable date for the purpose of this pro forma information) of Tianjin Port Development Shares were HK$2.0916 and HK$2.56 respectively. Hence, the actual financial position upon the Completion may be different from that shown in this pro forma financial information.

6. No adjustment has been made to reflect any trading result or other transaction of the Tianjin Port Development Group or the Target Group entered into subsequent to 31 December 2008.

7. Pro forma adjustments set out in Notes 3(f), 3(g), 3(h) and 3(i) above are expected to have continuing effect on the consolidated income statement and cash flow statement of the Enlarged Tianjin Port Development Group.

B. Report from reporting accountant on unaudited pro forma financial information

The following is the text of a report, prepared for the purpose of inclusion in this circular, received from the reporting accountant, PricewaterhouseCoopers, in respect of the pro forma financial information of the Enlarged Tianjin Port Development Group.

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS OF TIANJIN PORT DEVELOPMENT HOLDINGS LIMITED

We report on the unaudited pro forma financial information set out on pages 419 to 428 under the heading of "Unaudited Pro Forma Financial Information" (the "Unaudited Pro Forma Financial Information") in Appendix V of the joint circular dated 19 June 2009 (the "Circular") of Tianjin Development Holdings Limited and Tianjin Port Development Holdings Limited ("Tianjin Port Development"), in connection with the proposed acquisition by Tianjin Port Development of the 56.81% equity interest in Tianjin Port Holdings Co., Ltd. (the "Proposed Acquisition"). The Unaudited Pro Forma Financial Information has been prepared by the directors of Tianjin Port Development, for illustrative purposes only, to provide information on how the Proposed Acquisition might have affected the relevant financial information of Tianjin Port Development and its subsidiaries (hereinafter collectively referred to as the "Tianjin Port Development Group"). The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages 419 to 428 of the Circular.

Respective responsibilities of the Directors of Tianjin Port Development and the Reporting Accountant

It is the responsibility solely of the directors of Tianjin Port Development to prepare the Unaudited Pro Forma Financial Information in accordance with rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by rule 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted audited consolidated net tangible assets and consolidated balance sheet of Tianjin Port Development as at 31 December 2008 and unadjusted audited consolidated income statement and consolidated cash flow statement of Tianjin Port Development for the year ended 31 December 2008 with the published audited financial statements of Tianjin Port Development for the year ended 31 December 2008, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of Tianjin Port Development.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of Tianjin Port Development on the basis stated, that such basis is consistent with the accounting policies of the Tianjin Port Development Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to rule 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of Tianjin Port Development, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

– the net tangible assets and financial position of the Tianjin Port Development Group as at 31 December 2008 or any future date, or

– the results and cash flows of the Tianjin Port Development Group for the year ended 31 December 2008 or any future periods.

Opinion

In our opinion:

a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of Tianjin Port Development on the basis stated;

b) such basis is consistent with the accounting policies of the Tianjin Port Development Group; and

c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to rule 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 19 June 2009

1. UNAUDITED PRO FORMA FINANCIAL INFORMATION ON THE REMAINING TIANJIN DEVELOPMENT GROUP

A. Unaudited pro forma financial information

As mentioned on page 52 under heading of "Financial Effect of the Proposed Transaction for the Tianjin Port Development Group" in the Letter from the Tianjin Port Development Directors to this Circular, upon the completion of the Proposed Share Issue of up to approximately 4,074 million Tianjin Port Development Shares, Tianjin Port Development will cease to be a subsidiary of Tianjin Development. The Proposed Transaction will result a deemed disposal of Tianjin Port Development by Tianjin Development (the "Deemed Disposal").

The following is an illustrative unaudited pro forma consolidated balance sheet, consolidated income statement and consolidated cash flow statement of the Remaining Tianjin Development Group which has been prepared on the basis as set out in the notes below for the purpose of illustrating the effect of the Deemed Disposal and the subscription of the Option Shares by Leadport, a wholly-owned subsidiary of Tianjin Development, as if it had taken place on 31 December 2008 for the pro forma consolidated balance sheet and 1 January 2008 for the pro forma consolidated income statement and consolidated cash flow statement of the Remaining Tianjin Development Group.

This pro forma financial information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position, financial results and cash flows of the Remaining Tianjin Development Group had the Deemed Disposal and the subscription of the Option Shares by Leadport been completed as at 31 December 2008 and 1 January 2008 respectively, or at any future date.

i) Pro forma consolidated balance sheet:

	Unadjusted audited consolidated balance sheet of Tianjin Development as at 31 December 2008	Pro forma adjustments			Pro forma consolidated balance sheet of the Remaining Tianjin Development Group
	Note 1	*Note 2*			
	HK$'000	*HK$'000*	*HK$'000*		*HK$'000*
ASSETS					
Non-current assets					
Property, plant and equipment	3,390,071	(1,842,794)			1,547,277
Goodwill	510,847				510,847
Leasehold land and land use rights	1,420,412	(792,437)			627,975
Interests in associates	1,590,350	(28,513)	2,441,651	*Note 4*	4,003,488
Interests in jointly controlled entities	1,475,520	(1,430,037)			45,483
Deferred income tax assets	129,395	(9,410)			119,985
Available-for-sale financial assets	128,453	(20,873)			107,580
	8,645,048				6,962,635

	Unadjusted audited consolidated balance sheet of Tianjin Development as at 31 December 2008	Pro forma adjustments			Pro forma consolidated balance sheet of the Remaining Tianjin Development Group
	Note 1	*Note 2*			
	HK$'000	*HK$'000*	*HK$'000*		*HK$'000*
Current assets					
Inventories	10,337	(5,295)			5,042
Amounts due from associates	2,553	(2,552)			1
Amounts due from jointly controlled entities	6,858	(6,858)			–
Amounts due from related companies	13,000				13,000
Amounts due from investee companies	162,036				162,036
Trade receivables	756,029	(98,800)			657,229
Other receivables, deposits and prepayments	231,028	(76,676)			154,352
Financial assets at fair value through profit or loss	472,703				472,703
Time deposits with maturity over three months	952,815	(448,980)			503,835
Cash and cash equivalents	1,845,316	(139,886)	(70,400)	*Note 3*	1,635,030
	4,452,675				3,603,228
Assets held for sale	2,376,166				2,376,166
	6,828,841				5,979,394
Total assets	15,473,889				12,942,029

		Pro forma adjustments			
	Unadjusted audited consolidated balance sheet of Tianjin Development as at 31 December 2008				**Pro forma consolidated balance sheet of the Remaining Tianjin Development Group**
	Note 1	*Note 2*			
	HK$'000	*HK$'000*	*HK$'000*		*HK$'000*
EQUITY					
Capital and reserves attributable to equity holders of Tianjin Development					
Share capital	106,747	–			106,747
Reserves	9,116,065	(2,373,227)	2,373,227		9,114,089
			(247,301)	*Note 5*	
			245,325	*Note 6*	
Reserves – proposed final dividend	32,024				32,024
	9,254,836				9,252,860
Minority interests	2,048,064	(1,245,624)			802,440
Total equity	11,302,900				10,055,300
LIABILITIES					
Non-current liabilities					
Borrowings	2,557,349	(1,140,250)			1,417,099
Deferred income tax liabilities	90,769				90,769
	2,648,118				1,507,868

	Unadjusted audited consolidated balance sheet of Tianjin Development as at 31 December 2008	Pro forma adjustments	Pro forma consolidated balance sheet of the Remaining Tianjin Development Group
	Note 1	*Note 2*	
	HK$'000	*HK$'000*	*HK$'000*
Current liabilities			
Trade payables	198,168	(56,791)	141,377
Other payables and accruals	837,317	(71,109)	766,208
Amounts due to related companies	218,329	(12,586)	205,743
Amounts due to a minority shareholder	1,079		1,079
Amounts due to ultimate holding company	15,051		15,051
Borrowings	33,389		33,389
Current income tax liabilities	67,139	(3,524)	63,615
	1,370,472		1,226,462
Liabilities directly associated with assets classified as held for sale	152,399		152,399
	1,522,871		1,378,861
Total liabilities	4,170,989		2,886,729
Total equity and liabilities	15,473,889		12,942,029
Net current assets	5,305,970		4,600,533
Total assets less current liabilities	13,951,018		11,563,168

Notes to pro forma consolidated balance sheet:

1. The balances are extracted from the audited consolidated financial statements of Tianjin Development as at 31 December 2008.

2. The adjustment represents the deconsolidation of Tianjin Port Development assuming that the Deemed Disposal had been taken place on 31 December 2008.

3. At 31 December 2008, Tianjin Development Group held approximately 1,173 million shares of Tianjin Port Development which represents approximately 65.66% of the issued share capital. Tianjin Port Development plans to issue approximately 2,989 million Consideration Shares and approximately 1,085 million Placing Shares and Option Shares in connection with the Proposed Transaction. Tianjin Development Group plans to subscribe for approximately 28 million Option Shares of Tianjin Port Development. After the subscription of the Option Shares, Tianjin Development Group would hold approximately 1,201 million shares (without taking into account the acquisition of approximately 30 million shares as described in note 7 below) which represents approximately 20.49% interest in Tianjin Port Development's enlarged issued share capital.

   For the purpose of this pro forma information, the offer price per Option Share is assumed to be HK$2.56, which is the average closing price of Tianjin Port Development Shares as quoted on the Stock Exchange for the five Trading Days prior to 8 June 2009, being the latest practicable date for the purpose of this unaudited pro forma financial information. The estimated cash to be paid for the subscription is approximately HK$70 million. Since the actual offer price per Tianjin Port Development Share may be different from the share price used in the preparation of this pro forma financial information, the actual cash to be paid for the subscription may be different from the amount used in this pro forma financial information.

4. The adjustment represents the recognition of the interests in associates, which comprises:

	HK$ million
The original book value of the remaining 20.49% interest in Tianjin Port Development	741
The cost of acquiring approximately 28 million Option Shares of Tianjin Port Development	70
The fair value of the 45.17% interest in Tianjin Port Development deemed disposed of for the effective interest in the Target deemed acquired	2,067
The share of the cash consideration and the professional fee to be paid by Tianjin Port Development Group funded by borrowings and internal fund, and the share of deferred taxation on withholding tax in respect of distributable retained earnings of the Target attributable to Tianjin Port Development Group	(436)
	2,442

5. The adjustment represents the reversal of exchange reserve in connection with the Deemed Disposal.

6. The adjustment represents the gain on the Deemed Disposal which is calculated as follows:

	HK$ million
Share of fair value of the effective interest in the Target deemed acquired *(note)*	2,067
Book value of the 45.17% interest in Tianjin Port Development Group	(1,633)
Release of the exchange reserve as at 31 December 2008 to income statement	247
The share of the cash consideration and the professional fee to be paid by Tianjin Port Development Group funded by borrowings and internal fund, and the share of deferred taxation on withholding tax in respect of distributable retained earnings of the Target attributable to Tianjin Port Development Group	(436)
Gain on the Deemed Disposal	245

note:

The fair value of the effective interest in the Target deemed acquired is estimated with reference to the fair value of the 45.17% interest of the Tianjin Port Development Group deemed disposed of.

7. During the period from 1 January 2009 to the Latest Practicable Date, Tianjin Development Group acquired an additional approximately 30 million shares of Tianjin Port Development from the market for an aggregate consideration of approximately HK$61 million. Such acquisition of approximately 30 million shares of Tianjin Port Development from the market has not been reflected in this pro forma financial information as the acquisition of these approximately 30 million shares of Tianjin Port Development is not an interlocking component of the Deemed Disposal and the subscription of the Option Shares by Tianjin Development. If the acquisition of these additional shares are taken into account, Tianjin Development Group would hold approximately 21.0% of Tianjin Port Development after the Deemed Disposal and the subscription of the Option Shares by Tianjin Development. The gain on the Deemed Disposal and the carrying value of the interest in associates as at 31 December 2008 would be approximately HK$242 million and HK$2,502 million respectively.

8. Since the fair value of the shares of Tianjin Port Development to be deemed disposed of for the effective interest in the Target deemed acquired may be different from the fair value used in this pro forma financial information, accordingly, the actual gain/loss on the Deemed Disposal, the financial position after the Deemed Disposal and the subscription of the Option Shares by Tianjin Development may be different from the financial position as shown in this pro forma financial information and the related notes above.

9. No adjustment has been made to reflect any trading result or other transaction of Tianjin Development Group, Tianjin Port Development Group and the Target Group entered into subsequent to 31 December 2008.

ii) Pro forma consolidated income statement:

	Unadjusted audited consolidated income statement of Tianjin Development for the year ended 31 December 2008	Pro forma adjustments				Pro forma consolidated income statement of the Remaining Tianjin Development Group
	Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	3,787,423	(1,220,576)				2,566,847
Cost of sales	(2,946,266)	689,691				(2,256,575)
Gross profit	841,157					310,272
Other income	101,286	(17,672)				83,614
Other gains, net	172,485	(37,984)	(16,573)		267,304	385,232
Excess of fair value of net assets acquired over the cost of acquisition of subsidiaries	203,103	–				203,103
Impairment loss on leasehold land	(150,000)	–				(150,000)
General and administrative expenses	(654,787)	363,600				(291,187)
Other operating expenses	(64,669)	25,628				(39,041)
	448,575					501,993

	Unadjusted audited consolidated income statement of Tianjin Development for the year ended 31 December 2008	Pro forma adjustments				Pro forma consolidated income statement of the Remaining Tianjin Development Group
	Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Finance costs	(65,661)	26,529				(39,132)
Share of results of associates	253,146	(1,495)		106,544		358,195
Share of results of jointly controlled entities	(11,077)	(8,755)				(19,832)
Profit before tax	624,983					801,224
Tax expense	(72,955)	50,414				(22,541)
Profit for the year from continuing operations	552,028					778,683
Profit for the year from discontinued operations	48,574					48,574
Profit for the year	600,602					827,257
Attributable to:						
Equity holders of Tianjin Development	505,861	(81,207)	(16,573)	106,544	267,304	781,929
Minority interests	94,741	(49,413)				45,328
	600,602					827,257

Notes to pro forma consolidated income statement:

1. The balances are extracted from the audited consolidated financial statements of Tianjin Development for the year ended 31 December 2008.

2. The adjustment represents the deconsolidation of the results of Tianjin Port Development for the year ended 31 December 2008, assuming that the Deemed Disposal had been taken place on 1 January 2008.

3. During the year ended 31 December 2008, Tianjin Development Group acquired approximately 51 million shares of Tianjin Port Development which represents approximately 2.88% of the then share capital of Tianjin Port Development and recognised a gain of approximately HK$17 million in relation to the excess of carrying value of net assets acquired over the acquisition cost. The adjustment represents the reversal of such gain for the purpose of this pro forma consolidated income statement.

4. At 1 January 2008, Tianjin Development Group held 1,122 million shares of Tianjin Port Development which represents approximately 62.78% of the issued share capital. Had Tianjin Port Development issued approximately 2,989 million Consideration Shares and approximately 1,085 million Placing Shares and Option Shares in connection with the Proposed Transaction, and Tianjin Development Group subscribed approximately 28 million Option Shares of Tianjin Port Development, Tianjin Development Group would hold approximately 1,150 million shares (without taking into account the approximately 51 million shares acquired in 2008 and approximately 30 million shares acquired subsequent to 31 December 2008) which represents approximately 19.61% interest in Tianjin Port Development after the Deemed Disposal and the subscription of the Option Shares by Tianjin Development. For the purpose of this pro forma consolidated income statement, the adjustment represents the 19.61% share of profit of the Enlarged Tianjin Port Development Group.

   Had the approximately 51 million shares acquired in 2008 and the approximately 30 million shares acquired subsequent to 31 December 2008 were treated as they were acquired on 1 January 2008, Tianjin Development Group would hold approximately 21.0% of Tianjin Port Development, accordingly, the share of profit of associates in connection with the investment in Tianjin Port Development for the year ended 31 December 2008 would be approximately HK$114 million on a hypothetical basis.

5. The adjustment represents the gain on the Deemed Disposal of Tianjin Port Development assuming that the Deemed Disposal and the subscription of the Option Shares by Tianjin Development was completed on 1 January 2008, and Tianjin Development Group's interest in Tianjin Port Development was diluted from 62.78% to 19.61% as described in note 4 above.

   The gain on the Deemed Disposal is calculated as follows:

	HK$ million
Share of fair value of the effective interest in the Target deemed acquired *(note)*	1,975
Book value of the 43.17% interest in Tianjin Port Development Group	(1,463)
Release of the exchange reserve as at 1 January 2008 to income statement	167
The share of the cash consideration and the professional fee to be paid by Tianjin Port Development Group funded by borrowings and internal fund	(412)
Gain on the Deemed Disposal	267

   note:

   The fair value of the effective interest in the Target deemed acquired is estimated with reference to the fair value of the 43.17% interest of the Tianjin Port Development Group deemed disposed of.

6. Since the fair value of the shares of Tianjin Port Development to be deemed disposed of for the effective interest in the Target deemed acquired may be different from the fair value used in this pro forma financial information, accordingly, the actual gain/loss on the Deemed Disposal may be different from the amount as shown in this pro forma financial information.

7. No adjustment has been made to reflect any trading result or other transaction of Tianjin Development Group, Tianjin Port Development Group and the Target Group entered into subsequent to 31 December 2008.

8. Pro forma adjustment set out in note 4 above is expected to have continuing effect while other pro forma adjustments are not expected to have continuing effect.

iii) Pro forma consolidated cash flow statement:

	Unadjusted audited consolidated cash flow statement of Tianjin Development for the year ended 31 December 2008	Pro forma adjustments					Pro forma consolidated cash flow statement of the Remaining Tianjin Development Group
	Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*	*Note 6*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cash flows from operating activities							
Cash generated from operations	520,118	(320,251)					199,867
Interest paid	(64,492)	26,971					(37,521)
PRC Income tax paid	(98,389)	61,195					(37,194)
Net cash generated from operating activities	357,237						125,152
Cash flows from investing activities							
Interest received	64,589	(13,057)					51,532
Purchase of property, plant and equipment	(258,979)	75,138					(183,841)
Proceeds from disposal of property, plant and equipment	9,698	(830)					8,868
Acquisition of subsidiaries	(667,253)						(667,253)
Acquisition of additional interests in a subsidiary	(88,512)	390		88,122			–
Investment in an associate	(1,425)	1,425			(70,400)		(70,400)
Investment in jointly controlled entities	(570,186)	570,186					–
Increase in time deposits with maturity over three months	(351,586)	223,808					(127,778)
Increase in available-for-sale financial assets	(40,053)	40,053					–
Decrease in amounts due from associates	21,844	(38)					21,806
Increase in amounts due from jointly controlled entities	(175,783)	80,346					(95,437)
Increase in amounts due from investee companies	(26,239)						(26,239)
Dividends received from associates	169,749	(781)				20,326	189,294
Net cash used in investing activities	(1,914,136)						(899,448)

	Unadjusted audited consolidated cash flow statement of Tianjin Development for the year ended 31 December 2008	Pro forma adjustments					Pro forma consolidated cash flow statement of the Remaining Tianjin Development Group
	Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*	*Note 6*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cash flows from financing activities							
Repayment of bank borrowings	(121,273)	65,630					(55,643)
Drawdown of bank borrowings	1,375,880	(815,880)					560,000
Repayment of loans from a minority shareholder	(173,998)						(173,998)
Dividends paid to equity holders	(123,827)						(123,827)
Dividends paid to minority shareholders	(71,034)	103,652	(65,076)				(32,458)
Net cash from financing activities	885,748						174,074
Net decrease in cash and cash equivalents	(671,151)						(600,222)
Cash and cash equivalents at 1 January	2,655,841	(213,582)					2,442,259
Effects of changes in exchange rates	144,803	(24,261)					120,542
Cash and cash equivalents at 31 December representing bank balances and cash	2,129,493						1,962,579

Notes to pro forma consolidated cash flow statement:

1. The balances are extracted from the audited consolidated financial statements of Tianjin Development for the year ended 31 December 2008.

2. The adjustment represents the deconsolidation of the cash flows of Tianjin Port Development for the year ended 31 December 2008, assuming that the Deemed Disposal had been taken place on 1 January 2008.

3. The adjustment represents the reversal of dividend income received by Tianjin Development Group from Tianjin Port Development Group during 2008, assuming that the Deemed Disposal had been taken place on 1 January 2008.

4. During the year ended 31 December 2008, Tianjin Development Group acquired approximately 51 million shares of Tianjin Port Development which represents approximately 2.88% of the then share capital of Tianjin Port Development. The adjustment represents the reversal of such acquisition for the purpose of this pro forma consolidated cash flow statement.

5. The adjustment represents the subscription of approximately 28 million Option Shares of Tianjin Port Development for approximately HK$70 million.

6. At 1 January 2008, Tianjin Development Group held 1,122 million shares of Tianjin Port Development which represents approximately 62.78% of the issued share capital. Had Tianjin Port Development issued approximately 2,989 million Consideration Shares and approximately 1,085 million Placing Shares and Option Shares in connection with the Proposed Transaction, and Tianjin Development Group subscribed for approximately 28 million Option Shares of Tianjin Port Development, Tianjin Development Group would hold approximately 1,150 million shares (without taking into account the approximately 51 million shares acquired in 2008 and the approximately 30 million shares acquired subsequent to 31 December 2008) which represents approximately 19.61% interest in Tianjin Port Development after the Deemed Disposal and the subscription of the Option Shares by Tianjin Development. For the purpose of this pro forma consolidated cash flow statement, the adjustment represents the dividend received for the 19.61% interest in Tianjin Port Development.

   Had the approximately 51 million shares acquired in 2008 and the approximately 30 million shares acquired subsequent to 31 December 2008 were treated as they were acquired on 1 January 2008, Tianjin Development Group would hold approximately 21.0% interest in Tianjin Port Development, accordingly, the dividend received from associates in connection with the investment in Tianjin Port Development for the year ended 31 December 2008 would be approximately HK$22 million on a hypothetical basis.

7. Since the offer price of the Option Shares may be different from the offer price used in this pro forma financial information, accordingly, the cash outflow for the subscription of the Option Shares may be different from the amount as shown in this pro forma financial information.

8. No adjustment has been made to reflect any trading result or other transaction of Tianjin Development Group, Tianjin Port Development Group and the Target Group entered into subsequent to 31 December 2008.

9. Pro forma adjustment set out in note 6 above is expected to have continuing effect while other pro forma adjustments are not expected to have continuing effect.

B. Report from reporting accountant on unaudited pro forma financial information

The following is the text of a report, prepared for the purpose of inclusion in this circular, received from the reporting accountant, PricewaterhouseCoopers, in respect of the pro forma financial information of the Remaining Tianjin Development Group.

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS OF TIANJIN DEVELOPMENT HOLDINGS LIMITED

We report on the unaudited pro forma financial information set out on pages 432 to 444 under the heading of "Unaudited Pro Forma Financial Information" (the "Unaudited Pro Forma Financial Information") in Appendix VI of the joint circular dated 19 June 2009 (the "Circular") of Tianjin Development Holdings Limited ("Tianjin Development") and Tianjin Port Development Holdings Limited ("Tianjin Port Development"), in connection with the proposed acquisition by Tianjin Port Development of the 56.81% interest in the registered share capital of Tianjin Port Holdings Co., Ltd. and the resulting deemed disposal of Tianjin Port Development by Tianjin Development. The Unaudited Pro Forma Financial Information has been prepared by the directors of Tianjin Development, for illustrative purposes only, to provide information about how the resulting deemed disposal of Tianjin Port Development by Tianjin Development and the subscription of Option Shares of Tianjin Port Development by Tianjin Development might have affected the relevant financial information of Tianjin Development and its subsidiaries (hereinafter collectively referred to as the "Tianjin Development Group"). The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages 432 to 444 of the Circular.

Respective Responsibilities of Directors of Tianjin Development and the Reporting Accountant

It is the responsibility solely of the directors of Tianjin Development to prepare the Unaudited Pro Forma Financial Information in accordance with rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by rule 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted audited consolidated balance sheet as at 31 December 2008 and the unadjusted audited consolidated income statement and cash flow statement of Tianjin Development for the year ended 31 December 2008 with the audited financial statements of Tianjin Development for the year ended 31 December 2008, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Tianjin Development.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of Tianjin Development on the basis stated, that such basis is consistent with the accounting policies of the Tianjin Development Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to rule 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of Tianjin Development, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

– the financial position of the Tianjin Development Group as at 31 December 2008 or any future date, or

– the results and cash flows of the Tianjin Development Group for the year ended 31 December 2008 or any future periods.

Opinion

In our opinion:

a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of Tianjin Development on the basis stated;

b) such basis is consistent with the accounting policies of the Tianjin Development Group; and

c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to rule 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 19 June 2009

MANAGEMENT DISCUSSION & ANALYSIS ON THE REMAINING TIANJIN DEVELOPMENT GROUP

The following management discussion and analysis of the Remaining Tianjin Development Group refers to the unaudited pro forma financial information on the Remaining Tianjin Development Group as set out above.

1. Operating Results

The Remaining Tianjin Development Group's operations are located in Hong Kong and the PRC. The operations of the Remaining Tianjin Development Group are currently organised into four principal operating divisions, namely infrastructure operations, utilities operations, commercial properties operations and strategic and other investments.

Infrastructure operations

The infrastructure operations of the Remaining Tianjin Development Group mainly consist of toll road operations.

In 2008, toll road operations achieved toll revenue of approximately HK$127.9 million and realised a segment profit of approximately HK$81.2 million, representing a decrease of 28% and 13% respectively over the year 2007. This was due to the absence of contribution to the revenue and segment profit of 2008 by Jinbin Expressway (津濱高速公路), which has become an associate of the Remaining Tianjin Development Group since the completion of the toll roads restructuring in September 2007. If Jinbin Expressway was excluded in 2007 for comparison purpose, segment profit would have increased by 9% alongside a 7% increase in toll revenue.

With the 2008 Beijing Olympic Games effect, more small vehicles travelled to and from Tianjin on the Eastern Outer Ring Road. However, import and export activities were affected due to more stringent traffic control around the Beijing region so that the number of large vehicles using the Eastern Outer Ring Road was reduced. As a result, the average daily traffic flow increased by 8% to 19,574 vehicles during the year 2008, while the toll revenue increased by 7% to approximately HK$127.9 million over the year 2007.

The Jinbin Expressway operated with satisfactory performance during the year 2008, as evidenced by an average daily traffic flow of 34,370 vehicles and toll revenue of approximately HK$137.3 million, representing an increase of 39% and 46% respectively over 2007.

Utilities operations

The Remaining Tianjin Development Group's utility businesses are mainly operating in TEDA, supplying electricity, water, heat and thermal power to industrial, commercial and residential sectors.

Electricity operation

Tianjin TEDA Tsinlien Electric Power Company Limited (the "Electricity Company") is principally engaged in the supply of electricity in the TEDA. It also provides services in relation to maintenance of power supply equipment and electric power related technological consulting. Currently, the installed capacity of electricity transmission of the Electricity Company is approximately 498,970 kVA.

In 2008, the Remaining Tianjin Development Group's electricity operation reported revenue of approximately HK$1,554.0 million and a segment profit of approximately HK$93.2 million, representing an increase of 19% and a decrease of 12% over the year 2007 respectively. Notwithstanding the increase in quantity sold, increase in cost of sales resulted in deteriorated profit margin. On the other hand, there was a one-off gain on reversing loan interest payable to a minority shareholder. The total quantity of electricity sold for the year 2008 was approximately 2,210,368,000 kWh, representing an increase of 11% over the year 2007.

Water operation

Tianjin TEDA Tsinlien Water Supply Company Limited (the "Water Company") is principally engaged in the supply of tap water in the TEDA. It is also engaged in installation and maintenance of water pipes, tap water related technological consulting, and retail and wholesale of water pipes and related parts. The daily water supply capacity of the Water Company reaches approximately 250,000 tonnes.

In 2008, the Remaining Tianjin Development Group's water operation reported revenue of approximately HK$310.3 million and a segment profit of approximately HK$91.4 million, resulted in an increase of 20% and 33% respectively over the year 2007. The total quantity of water sold for the year 2008 was approximately 45,090,000 tonnes, representing an increase of 15% over the year 2007. The favourable result was mainly volume driven. Together with the write-back of expenses previously accrued, the segment profit increased more than expected despite the increase in cost of sales.

Heat and thermal power operation

Tianjin TEDA Tsinlien Heat & Power Company Limited (the "Heat & Power Company") is principally engaged in the distribution of steam for industrial users and heating for commercial and residential purposes within the TEDA. The Heat & Power Company has currently made a connection to a total of approximately 300 kilometres steam transmission pipelines and more than 60 processing stations in the TEDA, with a daily distribution capacity reaching 21,600 tonnes of steam.

In 2008, the Remaining Tianjin Development Group's heat and thermal power operation reported revenue of approximately HK$599.1 million and a segment profit of approximately HK$13.6 million, resulted in an increase of 23% and a decrease of 43% respectively over the year 2007. The drop in the segment profit for the year 2008 was mainly caused by the significant increase in costs of sales. The total quantity of steam sold for the year 2008 was approximately 2,941,000 tonnes, representing an increase of 10% over 2007.

Located at the TEDA with a planned site area of 33 square kilometres in the east area and 48 square kilometres in the west area, the Electricity Company, the Water Company and the Heat & Power Company have been benefiting from the prosperous growth in consumption in the TEDA. Leveraging on their well established supply network, management expertise and customer base, the Remaining Tianjin Development Group believes that the utilities operations will continue to be one of the growth drivers of the Remaining Tianjin Development Group.

Commercial properties operations

Courtyard by Marriott Hong Kong ("Courtyard")

In late March 2008, the Remaining Tianjin Development Group completed the acquisition of Courtyard, a 4-star hotel with 245 guest rooms situated in a prime location on the Hong Kong Island. It is positioned as the upper moderate lodging tier for business individuals and leisure travelers. It commenced its operation in April 2008. Upon the completion of the acquisition, an excess of fair value of the net assets acquired over the cost of acquisition amounted to approximately HK$199.8 million was recognised as a gain in the income statement.

For the period from April to December 2008, Courtyard reported revenue of approximately HK$46.0 million and a segment loss of approximately HK$13.0 million (excluding an impairment loss on a leasehold land of HK$150.0 million). Courtyard has achieved satisfactory results, generating a positive operating profit before depreciation and amortisation within the short period since its commencement of operation. The average occupancy rate for the period was approximately 57%.

Hyatt Regency Tianjin Hotel ("Hyatt")

The Remaining Tianjin Development Group completed the acquisition of 50% interest in Hyatt in January 2008 and a further 25% interest in March 2008. Hyatt is a 5-star hotel with 428 guest rooms situated in a prime location in the city centre of Tianjin. It commenced its contribution as a 50% owned jointly-controlled entity of the Remaining Tianjin Development Group for January and February 2008 and as a 75% owned subsidiary since March 2008. Upon the completion of the acquisition, an excess of fair value of the net assets acquired over the cost of acquisition amounted to approximately HK$3.3 million was recognised as a gain in the income statement.

For the period from March to December 2008, Hyatt reported revenue of approximately HK$57.5 million and a segment loss of approximately HK$11.3 million. The average occupancy rate for the year was approximately 47%.

The Remaining Tianjin Development Group is currently working on the renovation plan of Hyatt which is expected to commence in the second half of 2009.

Strategic and other investments

Winery operation

In 2008, sales volume of Dynasty increased by 13% to approximately 55.1 million bottles. Red wine products accounted for approximately 88% of total sales revenue. The revenue and profit attributable to the equity holders of Dynasty amounted to approximately HK$1,360.9 million and HK$143.1 million respectively, representing respective increase of 21% and 13% over 2007. The improved financial results were mainly attributable to the increase in sales volume and improvement of the gross profit margin which was primarily due to lower purchase cost of grape juice as compared to that of 2007.

Dynasty contributed to the Remaining Tianjin Development Group a profit of approximately HK$64.1 million in 2008, representing an increase of 13% over 2007.

Elevator and escalator operation

Otis Elevator (China) Investment Company Limited ("Otis China"), the associate of the Remaining Tianjin Development Group, has recorded continuous satisfactory growth during the year 2008. The revenue of Otis China for 2008 amounted to approximately HK$11,549.1 million, representing a 24% increase over 2007.

In 2008, the contribution of Otis China to the profit of the Remaining Tianjin Development Group amounted to approximately HK$184.1 million, representing a 16% increase over 2007. The growth was contributed by strong demand in both domestic and overseas markets. Increase in domestic sales was driven by high demand in city infrastructure construction brought by the 2008 Beijing Olympic Games. Due to its competitive selling price in the international market, demand from overseas markets continued achieving robust growth. The Remaining Tianjin Development Group believes that the investment in Otis China will continue to bring in sustainable earnings in the future.

Port services

Upon Completion, Tianjin Port Development will cease to be a subsidiary of the Remaining Tianjin Development Group, and will be equity accounted in the consolidated accounts of the Remaining Tianjin Development Group. Tianjin Development intends to maintain its interests in Tianjin Port Development at or above 21% upon Completion through purchase on market or exercise of the Option.

Please refer to "Appendix V – Unaudited pro forma financial information on the Enlarged Tianjin Port Development Group".

For the year ended 31 December 2008, as shown in the Enlarged Tianjin Port Development Group's pro forma financial information, pro forma consolidated revenue is approximately HK$13,917.2 million, and gross profit is approximately HK$3,283.4 million, representing a gross margin of 23.6%. The pro forma operating profit and profit before tax of the Enlarged Tianjin Port Development Group is approximately HK$1,760.7 million and HK$1,562.9 million respectively. The profit attributable to shareholders of the Enlarged Tianjin Port Development Group is approximately HK$543.3 million. If the Remaining Tianjin Development Group's interest in the Tianjin Port Development upon Completion of the Proposed Transaction is 21%, the Enlarged Tianjin Port Development Group would contribute approximately HK$114 million, in the form of share of results of associates, to the Remaining Tianjin Development Group on pro forma basis.

2. Exposure to Exchange Risk

While the principal operating subsidiaries of the Remaining Tianjin Development Group operate in the PRC with almost all of the transactions settled in RMB and did not have significant exposure to foreign exchange risks during 2008, the foreign exchange risk faced by the Remaining Tianjin Development Group are primarily with respect to bank balances and deposits, financial assets at fair value through profit or loss, receivable and payable and borrowings made by the Remaining Tianjin Development Group which are denominated in non-functional currency mainly Hong Kong dollars.

For the year 2008, the Remaining Tianjin Development Group has not entered into any derivative contracts or hedging transactions.

3. Employees

As of 31 December 2008, the Remaining Tianjin Development Group had a total of approximately 1,600 employees at the end of the year, of which approximately 330 were management and technical staff, with the balance being production workers.

The Remaining Tianjin Development Group contributes to an employee pension scheme established by the PRC government which undertakes to assume the retirement benefit obligations of all existing and future retired employees of the Remaining Tianjin Development Group in the PRC. The Remaining Tianjin Development Group also contributes to a mandatory provident fund scheme for all Hong Kong employees. The contributions are based on a fixed percentage of the members' salaries.

4. Liquidity and financial resources

As at 31 December 2008, the Remaining Tianjin Development Group's total cash on hand (including time deposits with maturity over three months, cash and cash equivalents and cash and cash equivalents of approximately HK$284 million separately presented and included in asset held for sale) and total bank borrowings stood at approximately HK$2,423 million and approximately HK$1,450 million respectively (2007: HK$3,236 million and HK$1,304 million respectively for Tianjin Development Group) of which approximately

HK$33 million bank borrowings will mature within one year. As at 31 December 2007, loans from minority shareholders of subsidiaries which amounted to approximately HK$165 million, bore interest at 6.4% per annum and had no fixed terms of repayment, was fully repaid during the year.

Bank borrowings of HK$1,450 million remained outstanding as at 31 December 2008 were subject to floating rates with margin ranging from 0.44% to 0.47% over HIBOR of relevant interest periods.

As at 31 December 2007 and 2008, all of the Remaining Tianjin Development Group's bank borrowings were denominated in Hong Kong dollars.

5. Gearing Ratio

The gearing ratio of the Remaining Tianjin Development Group as measured by total borrowings to total shareholders' equity of the Remaining Tianjin Development Group is approximately 16% as at 31 December 2008, compared to approximately 18% as at 31 December 2007 for Tianjin Development Group.

6. Charges on assets

None of the Remaining Tianjin Development Group's assets are charged or subject to any encumbrance.

7. Contingent liabilities

The Remaining Tianjin Development Group did not have any contingent liabilities as at 31 December 2008.

8. Investments and material acquisitions and disposals of subsidiaries

The Remaining Tianjin Development Group did not undertake any significant acquisition or disposal of subsidiaries or assets during the year ended 31 December 2008, except the following:-

In late March 2008, the Remaining Tianjin Development Group completed the acquisition of Courtyard, a four-star hotel with 245 guest rooms situated in a prime location on the Hong Kong Island. It is positioned as the upper moderate lodging tier for business individuals and leisure travellers. It commenced its operations in April 2008.

The Remaining Tianjin Development Group completed the acquisition of 50% interest in Hyatt in January 2008 and a further 25% interest in March 2008. It is a five-star hotel with 428 guest rooms situated in a prime location in the city centre of Tianjin.

9. Business Prospects

The Remaining Tianjin Development Group achieved healthy growth amid a very volatile year of 2008, due to the stable nature of its core businesses and adherence to its prudent financial discipline. 2009 will still be a challenging year with the impact of the global financial crisis deepened and exacerbated. However, the Remaining Tianjin Development Group will strive to strengthen its business capabilities and enhance the operation efficiency in order to combat the challenges.

As affected by the subprime mortgage crisis of the United States, the economic development of the PRC was slowing down towards the end of 2008. Gross domestic product growth in the PRC for 2008 recorded the first-year single-digit growth since 2003. However, with its strong fundamentals and the introduction of a series of effective policies and measures to stimulate economic development, the PRC is well-positioned to recover at a faster pace than many other countries. The Remaining Tianjin Development Group also benefits from a series of preferential policies towards the Tianjin Binhai New Area under the Eleventh Five Year Plan. Looking ahead, the Remaining Tianjin Development Group remains confident in its future prospects.

With the important strategic move of Tianjin Port Development to acquire the controlling interest in the Target, all commercially operating port cargo handling assets within the port of Tianjin will be consolidated under Tianjin Port Development, enhancing the competitiveness of the port of Tianjin in the Bohai Rim Region and the PRC. In the long run, the Remaining Tianjin Development Group will enjoy the growth of and return from this significantly larger port operator with huge development potential, especially when the economy recovers.

Given the solid and healthy growth of the utilities segment, it is foreseen that there is sustainable development potential. The Remaining Tianjin Development Group is committed to increasing investment in its core utilities operations in order to capture the robust growth of the TEDA.

With the successful entry into the commercial property industry in early 2008, the Remaining Tianjin Development Group will continue to explore opportunities to build up a portfolio of balanced investments in this business segment.

In addition, the Remaining Tianjin Development Group is looking for other attractive investment opportunities that can enhance shareholders' value in the long term.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to Tianjin Port Development. The Tianjin Port Development Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular (other than that in relation to the Tianjin Development Group) 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.

2. SHARE CAPITAL

As at the Latest Practicable Date, the authorised and issued share capital of Tianjin Port Development were as follows:

	Number of Tianjin Port Development Shares	Amount (HK$)
Authorised share capital:		
Ordinary shares of HK$0.10 each	5,000,000,000	500,000,000
Issued and fully paid-up share capital:		
Ordinary shares of HK$0.10 each	1,787,100,000	178,710,000

3. DISCLOSURE OF TIANJIN PORT DEVELOPMENT DIRECTORS' INTERESTS

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

(a) Long position in the Tianjin Port Development Shares

Name of Tianjin Port Development Director	Capacity	Nature of interest	No. of Tianjin Port Development Shares held	Percentage of total issued share capital
Kwan Hung Sang, Francis	Beneficial owner	Personal interest	520,000	0.03%

Name of Tianjin Port Development Director	Capacity	Nature of interest	No. of Tianjin Port Development Shares held	Percentage of total issued share capital
Japhet Sebastian Law	Beneficial owner	Interest held jointly with another person	2,700,000	0.15%

(b) Long position in the underlying Tianjin Port Development Shares or equity derivatives of Tianjin Port Development

The share option scheme of Tianjin Port Development was adopted pursuant to the written resolutions of the sole shareholder of Tianjin Port Development passed on 26 April 2006 and the shareholders' resolutions of Tianjin Port Development passed on 8 May 2006 under which the Tianjin Port Development Directors may, at their discretion, invite any employees of the Tianjin Port Development Group or Tianjin Port Development Directors to take up options to subscribe for Tianjin Port Development Shares subject to the terms and conditions stipulated in the share option scheme. The details of share options granted to the Tianjin Port Development Directors which are outstanding as at the Latest Practicable Date are as follows:

Name of Tianjin Port Development Director	Number of Tianjin Port Development 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
	400,000	HK$4.24	25 January 2008	25 July 2008	24 January 2018
Nie Jiansheng	2,100,000	HK$2.28	1 August 2006	1 February 2007	1 August 2016
Zhang Jinming	2,000,000	HK$2.28	1 August 2006	1 February 2007	1 August 2016
Xue Lingsen	1,100,000	HK$2.28	1 August 2006	1 February 2007	1 August 2016
Liu Qingshan	1,100,000	HK$2.53	1 June 2009	1 December 2009	31 May 2019
Wang Guanghao	2,300,000	HK$2.28	1 August 2006	1 February 2007	1 August 2016
Kwan Hung Sang, Francis	300,000	HK$4.24	25 January 2008	25 July 2008	24 January 2018
Japhet Sebastian Law	300,000	HK$4.24	25 January 2008	25 July 2008	24 January 2018
Cheng Chi Pang, Leslie	300,000	HK$4.24	25 January 2008	25 July 2008	24 January 2018

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

(c) Share options in Tianjin Development, an associated corporation of Tianjin Port Development

Name of Tianjin Port Development Director	Number of Tianjin Development Shares over which options are exercisable	Exercise price	Grant date	Exercisable from	Exercisable until
Yu Rumin	1,000,000	HK$8.04	19 December 2007	17 January 2008	24 May 2017
Nie Jiansheng	900,000	HK$8.04	19 December 2007	17 January 2008	24 May 2017

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

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Tianjin Port Development Directors, none of the Tianjin Port Development Directors and chief executive of Tianjin Port Development or their respective associates had any interest or short position in any shares, underlying shares or debentures of Tianjin Port Development or any associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to Tianjin Port Development and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by Tianjin Port Development, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as contained in the Listing Rules, to be notified to Tianjin Port Development and the Stock Exchange.

4. SUBSTANTIAL SHAREHOLDERS

So far as was known to the Tianjin Port Development Directors or chief executive of Tianjin Port Development, as at the Latest Practicable Date, the following persons (other than a Tianjin Port Development Director or chief executive of Tianjin Port Development) or corporations had an interest or short position in the shares or underlying shares of Tianjin Port Development which would fall to be disclosed to Tianjin Port Development under Divisions 2 and 3 of Part XV of the SFO or was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meeting of any member of the Tianjin Port Development Group or in any options in respect of such capital:

(a) Interests in Tianjin Port Development

Names of Tianjin Port Development Shareholder	Capacity and nature of interest	Number of Tianjin Port Development Shares held	Approximate percentage of shareholding in Tianjin Port Development's total issued share capital
Leadport	Beneficial owner	1,203,162,000	67.32%[1]
Tianjin Development	Interest of controlled corporations	1,203,312,000	67.33%[1]
Tsinlien	Interest of controlled corporations	1,215,562,000	68.02%[2]

Notes:

1. Leadport is a wholly-owned subsidiary of Tianjin Development. By virtue of the SFO, Tianjin Development is deemed to be interested in all the Tianjin Port Development Shares held by Leadport.

2. Tianjin Development is a subsidiary of Tianjin Investment Holdings Limited which in turn is a wholly-owned subsidiary of Tsinlien. As at the Latest Practicable Date, Tianjin Investment Holdings Limited is directly interested in 12,250,000 Tianjin Port Development Shares, representing approximately 0.69% of the issued share capital of Tianjin Port Development. Tsinlien Venture Capital Company Limited is a wholly-owned subsidiary of Tsinlien and a shareholder of Tianjin Development. By virtue of the SFO, Tsinlien is deemed to be interested in all the Tianjin Port Development Shares held by or deemed to be interested in by each of Tianjin Development, Tianjin Investment Holdings Limited and Tsinlien Venture Capital Company Limited.

As at the Latest Practicable Date, Mr. Wang Guanghao, non-executive director of Tianjin Port Development, and Mr. Nie Jiansheng, executive director of Tianjin Port Development, are directors of Tsinlien. Mr. Yu Rumin, chairman and executive director of Tianjin Port Development, and Mr. Nie Jiansheng, executive director of Tianjin Port Development, are directors of Tianjin Development.

(b) Interests in other members of the Tianjin Port Development Group

Name of members of the Tianjin Port Development Group	Name of the other shareholders	Approximate percentage of shareholding
Tianjin Port Free Trade Zone Chang Hao International Trade Co., Ltd.* (天津港保稅區長昊國際貿易有限公司)	TEDA Inland & Marine Trade Freight Transportation Co., Ltd.* (天津開發區陸海貿易貨運有限公司)	10.00%
Tianjin Gangkai Container Service Co., Ltd.* (天津港凱集裝箱服務有限公司)	Sun Victory Enterprises Limited (新凱企業有限公司)	25.00%
Tianjin Gangxin Container Logistics Co., Ltd.* (天津港鑫集裝箱物流有限公司)	Gold Prime Holdings Limited (金得集團有限公司)	25.00%
Tianjin Gangshi Container Service Co., Ltd.* (天津港獅集裝箱服務有限公司)	Sinotrans Container Shipping Company Limited (中外運集裝箱運輸有限公司)	20.00%
HaiFeng	Mapletree Tianjin Free Port Development (HKSAR) Limited	49.00%

Save as disclosed above, as at the Latest Practicable Date, there was no person known to the Tianjin Port Development Directors who had an interest or short position in the shares and underlying shares of Tianjin Port Development which would fall to be disclosed to Tianjin Port Development and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, was directly or indirectly, interested in 10% or more of the nominal value of the issued share capital carrying rights to vote in all circumstances at general meeting of any other member of the Tianjin Port Development Group, or any options in respect of such capital.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, no Tianjin Port Development Director has entered into any service contract with any member of the Enlarged Tianjin Port Development Group which is not terminable within one year without payment of compensation (other than statutory compensation), and Tianjin Port Development does not intend to enter into any such service contracts with the Tianjin Port Development Directors.

6. LITIGATION

As at the Latest Practicable Date, none of the members of the Enlarged Tianjin Port Development Group was engaged in any litigation or claim of material importance and, so far as the Tianjin Port Development Directors are aware, no litigation or claim of material importance is pending or threatened against the Enlarged Tianjin Port Development Group.

7. COMPETING INTEREST

Mr. Yu Rumin, the chairman and an executive director of Tianjin Port Development, is the chairman of the Vendor, the chairman of the Target (which is currently a subsidiary of the Vendor), and the acting chairman and an executive director of Tianjin Development.

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

Mr Nie Jiansheng, an executive director of Tianjin Port Development, is an executive director of Tianjin Development.

As the board of Tianjin Port Development is independent of the board of Tianjin Development (save for Mr. Yu Rumin and Mr. Nie Jiansheng, who are executive directors of Tianjin Development and the only common directors in both of these companies) and Mr Yu Rumin and Mr Nie Jiansheng has no control over the board of Tianjin Port Development, the Tianjin Port Development Group is capable of carrying on its business independently of the business of Tianjin Development.

As at the Latest Practicable Date, save as disclosed above and in so far as the Tianjin Port Development Directors are aware, none of the Tianjin Port Development 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 Tianjin Port Development Group.

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

As at the Latest Practicable Date, none of the Tianjin Port Development Directors had any direct or indirect interest in any asset which had been, since 31 December 2008, being the date to which the latest published audited financial statements of Tianjin Port Development 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 Enlarged Tianjin Port Development Group.

As at the Latest Practicable Date, none of the Tianjin Port Development Directors is materially interested in any contract or arrangement which is significant in relation to the business of the Enlarged Tianjin Port Development Group.

9. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the members of the Enlarged Tianjin Port Development Group within two years preceding the date of this circular and which are or may be material:

(a) the joint venture agreement dated 18 July 2007 between the Target, Nippon Yusen Kaisha and Wallenius Wilhelmsen Terminals North AB for the establishment of TPG Global RO-RO Terminal Co., Ltd.* (天津港環球滾裝碼頭有限公司) with a registered share capital of approximately RMB264 million;

(b) the agreement dated 26 July 2007 between Tianjin Port Development and the Vendor pursuant to which Tianjin Port Development agreed to purchase and the Vendor agreed to sell a 40% equity interest in Tianjin Port Alliance for a consideration of RMB524,343,480;

(c) the asset purchase agreement dated 28 July 2007 between the Target and the Vendor for the purchase of assets including land for a total consideration of approximately RMB4,105 million, to be satisfied by the issue of shares in the Target;

(d) the joint venture agreement dated 31 August 2007 between the Target, China Coal and Huaneng Energy & Communications Holding Co., Ltd.* (華能能源交通產業控股有限公司) for the establishment of Tianjin Port China Coal Huaneng with a registered share capital of RMB 1,125 million;

(e) the agreement dated 18 December 2007 between the Second Company and Tianjin Port Labour Exchange Service Centre* (天津港口職工交流服務中心), a wholly-owned subsidiary of the Vendor, pursuant to which the Second Company agreed to purchase and Tianjin Port Labour Exchange Service Centre agreed to sell a 33% equity interest in Tianjin Port Labour Services Co. Ltd* (天津益港勞務有限責任公司) for a consideration of RMB1,260,000;

(f) the asset purchase agreement dated 24 January 2008 between the Target and Tianjin Port Coke Terminals Co., Ltd.* (天津港焦炭碼頭有限公司) for the purchase by the Target of assets including coke and non-ore berths for a total consideration of approximately RMB156 million;

(g) the agreement dated 31 March 2008 among Tianjin Port Development, Tianjin Binhai Teda Logistics (Group) Corporation Limited (天津濱海泰達物流集團股份有限公司) ("Tianjin Binhai") and Guotai Junan Securities (Hong Kong) Limited, pursuant to which Tianjin Port Development agreed to subscribe for 20,000,000 shares in Tianjin Binhai at a price of not more than HK$2.1 per share;

(h) the agreement dated 16 July 2008 between HaiFeng and Tianjin Port Engineering Supervisory & Consultant Co., Ltd.* (天津港工程監理諮詢有限公司) ("Tianjin Port Project Consulting"), relating to the consulting service of the logistics warehouse construction project situated in Dongjiang Bonded Free Port provided by Tianjin Port Project Consulting for a cash consideration of RMB2,200,000;

(i) the agreement dated 16 July 2008 between HaiFeng and Tianjin Port Construction Company* (天津港建設公司) ("Tianjin Port Construction") relating to the project management service, which mainly includes project coordination, progress monitoring and completion verification services, provided by Tianjin Port Construction in relation to the logistics warehouse construction project situated in Dongjiang Bonded Free Port for a cash consideration of approximately RMB5,117,000;

(j) the agreement dated 16 July 2008 between HaiFeng and Tianjin Port Communication Project Co., Ltd.* (天津振港通信工程有限公司) ("Tianjin Port Communication") relating to the purchase, material supply, installation and testing of low voltage electricity system in relation to the logistics warehouse construction project situated in Dongjiang Bonded Free Port for a cash consideration of approximately RMB2,998,000;

(k) the agreement dated 16 July 2008 between HaiFeng and Tianjin Port Electricity Project Co., Ltd.* (天津港灣電力工程有限公司) ("Tianjin Port Electricity") relating to the supply of electricity distribution system and the respective installation and testing services by Tianjin Port Electricity for a cash consideration of approximately RMB16,016,000;

(l) the joint venture agreement dated 21 August 2008 between the Target, Grand Asia International Shipping Ltd.* (華亞國際航運有限公司) and Terminal Link Tianjin Limited for the establishment of Tianjin Port Shenghua International Container Terminal Co., Ltd.* (天津港盛華國際集裝箱碼頭有限公司) with a registered share capital of RMB1,470 million;

(m) the joint venture agreement dated 18 November 2008 between the Target and the Vendor for the establishment of Tianjin Port Labor Service Development Co., Ltd.*) (天津港勞務發展有限公司) with a registered share capital of RMB20 million;

(n) the joint venture agreement dated 28 December 2008 between the Target and Ocean Line Holdings Ltd. (遠航集團有限公司) for the establishment of Tianjin Port Yuanhang International Ore Terminal Co., Ltd.* (天津港遠航國際礦石碼頭有限公司) with a registered share capital of approximately RMB1,030 million;

(o) the joint venture agreement dated 31 December 2008 between the Target and China Marine Bunker Supply Co., Ltd* (中國船舶燃料有限責任公司) for the establishment of CHIMBUSCO Marine Bunker (Tianjin) Co., Ltd.* (天津中燃船舶燃料有限公司) with a registered share capital of RMB200 million;

(p) the joint venture agreement dated 17 February 2009 between Tianjin Port Tugboat Lighter Co., Ltd.* (天津港輪駁有限公司) and Tianjin Foreign Economic and Technical Corporation* (天津港對外經濟技術合作公司) for the establishment of Tianjin Port Tugboat Co., Ltd.* (天津臨港拖輪有限公司) with a registered share capital of RMB20 million;

(q) the joint venture agreement dated 19 April 2009 between the Target and China Aviation Oil Group Logistics Co., Ltd.* (中國航油集團物流有限公司) for the establishment of Tianjin Port China National Aviation Fuel Nanjiang Terminal Co., Ltd.* (天津港中國航油南疆碼頭有限公司) with a registered share capital of RMB130 million;

(r) the agreement dated 28 April 2009 between Tianjin Port Development, Tianjin Binhai, Inner Mongolia Ordos Metallurgy Co., Ltd.* (內蒙古鄂爾多斯冶金有限責任公司), Tianjin Port Free Trade Zone Xingang International Trading Co., Ltd.* (天津港保税區鑫港國際貿易有限公司), Jinzhong Wanbang Industrial Trading Co., Ltd.* (晉中萬邦工貿有限公司), Shangxi Yiwang Ferroalloy Co., Ltd.* (山西義望鐵合金有限責任公司), Langfang Xinda Ferroalloy Co., Ltd.* (廊坊鑫達鐵合金有限公司), Shanxi Yinguang Huasheng Meiye (Group) Co., Ltd. (山西銀光華盛鎂業股份有限公司), Fugu County Tongyuan Magnesium Co., Ltd.* (府谷縣同源鎂業有限責任公司), and Qinghai Wutong (Group) Industry Co., Ltd.* (青海物通(集團)實業有限公司), pursuant to which Tianjin Port Development agreed to contribute RMB5,000,000 in relation to the establishment of a limited liability company in Tianjin, the PRC for the provision of metal products trading market and related warehousing and logistics services;

(s) the Sale and Purchase Agreement; and

(t) the Option Agreement.

10. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Tianjin Port Development Directors are not aware of any material adverse change in the financial or trading position of the Tianjin Port Development Group since 31 December 2008, being the date to which the latest published audited financial statements of Tianjin Port Development were made up.

11. EXPERTS

The qualifications of the experts who have given opinion in this circular are as follows:

Name	Qualification
Quam Capital	a corporation licensed by the SFC for carrying out Type 6 (advising on corporate finance) regulated activities under the SFO
PricewaterhouseCoopers	Certified Public Accountants

As at the Latest Practicable Date, each of Quam Capital and PricewaterhouseCoopers did not have any shareholding, direct or indirect, in any member of the Tianjin Port Development Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Tianjin Port Development Group.

As at the Latest Practicable Date, each of Quam Capital and PricewaterhouseCoopers did not have any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Enlarged Tianjin Port Development Group, or which are proposed to be acquired or disposed of by or leased to any member of the Enlarged Tianjin Port Development Group since 31 December 2008, being the date to which the latest published audited financial statements of Tianjin Port Development were made up.

Each of Quam Capital and PricewaterhouseCoopers has given and has not withdrawn its written consent to the issue of this circular with the inclusion in this circular of its letters or reports (as the case may be) and reference to its name in the form and context in which they appear.

12. GENERAL

(a) The registered office of Tianjin Port Development is at Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands and the principal place of business of Tianjin Port Development in Hong Kong is at Suite 3301-3302, 33/F., One Exchange Square, 8 Connaught Place, Central, Hong Kong.

(b) The Hong Kong branch share registrar and transfer office of Tianjin Port Development is Tricor Investor Services Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(c) The company secretary of Tianjin Port Development is Mr. Yam Pui Hung, Robert who holds a bachelor's degree in accounting and is a fellow member of the Association of Chartered Certified Accountants and associate member of the Hong Kong Institute of Certified Public Accountants.

(d) In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at Suite 3301-3302, 33/F., One Exchange Square, 8 Connaught Place, Central, Hong Kong during normal business hours up to and including 3 July 2009:

(a) the Memorandum and Articles of Association of Tianjin Port Development;

(b) the Sale and Purchase Agreement;

(c) the Option Agreement;

(d) the accountant's report on the Target Group from PricewaterhouseCoopers and the related statement of adjustments, the text of which is set out in Appendix III to this circular;

(e) the financial statements for the Target Group for the three months ended 31 March 2009, the text of which is set out Appendix IV to this circular;

(f) the report on the unaudited pro forma financial information on the Enlarged Tianjin Port Development Group from PricewaterhouseCoopers, the text of which is set out in Appendix V to this circular;

(g) the letter from Quam Capital, the text of which is set out in this circular;

(h) the Framework Agreements and the Land Lease Agreements;

(i) the written consent letters referred to in the paragraph headed "Experts" in this Appendix;

(j) the annual reports of Tianjin Port Development for each of the three years ended 31 December 2006, 2007 and 2008;

(k) each of the material contracts entered into by Tianjin Port Development, as referred to in the paragraph headed "Material Contracts" in this Appendix; and

(l) this circular.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to Tianjin Development. The Tianjin Development Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular in relation to the Tianjin Development Group and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts in relation to the Tianjin Development Group the omission of which would make any statement herein misleading.

2. DISCLOSURE OF TIANJIN DEVELOPMENT DIRECTORS' INTERESTS

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

(a) Long position in underlying Tianjin Development Shares or equity derivatives of Tianjin Development

Tianjin Development adopted a share option scheme at the annual general meeting held on 25 May 2007 under which the Tianjin Development Directors may, at their discretion, invite the participants of the share option scheme to take up options to subscribe for Tianjin Development Shares subject to the terms and conditions stipulated in the share option scheme. The details of share options granted to the Tianjin Development Directors which were outstanding as at the Latest Practicable Date are as follows:

Name of Tianjin Development Director	No. of Tianjin Development Shares over which options are exercisable	Exercise price	Grant date	Exercisable from	Exercisable until
Yu Rumin	1,000,000	HK$8.04	19 December 2007	17 January 2008	24 May 2017
Nie Jiansheng	900,000	HK$8.04	19 December 2007	17 January 2008	24 May 2017
Dai Yan	900,000	HK$8.04	19 December 2007	17 January 2008	24 May 2017
Zheng Daoquan	900,000	HK$8.04	19 December 2007	17 January 2008	24 May 2017
Wang Jiandong	600,000	HK$8.04	19 December 2007	17 January 2008	24 May 2017
Bai Zhisheng	300,000	HK$8.04	19 December 2007	17 January 2008	24 May 2017
Zhang Wenli	300,000	HK$8.04	19 December 2007	17 January 2008	24 May 2017
Sun Zengyin	300,000	HK$8.04	19 December 2007	17 January 2008	24 May 2017
Cheung Wing Yui	500,000	HK$8.04	19 December 2007	17 January 2008	24 May 2017

Name of Tianjin Development Director	No. of Tianjin Development Shares over which options are exercisable	Exercise price	Grant date	Exercisable from	Exercisable until
Kwong Che Keung, Gordon	500,000	HK$8.04	19 December 2007	17 January 2008	24 May 2017
Lau Wai Kit	500,000	HK$8.04	19 December 2007	17 January 2008	24 May 2017
Cheng Hon Kwan	500,000	HK$8.04	19 December 2007	17 January 2008	24 May 2017

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

(b) Long position in shares of associated corporations of Tianjin Development

Tianjin Port Development

Name of Tianjin Development Director	Capacity	Nature of interest	No. of Tianjin Port Development Shares held	Approximate percentage of Tianjin Port Development Shares in issue as at the Latest Practicable Date
Wu Xuemin	Interest of spouse	Family interest	10,000	0.0006%

(c) Share options in associated corporations of Tianjin Development

(i) Tianjin Port Development

Name of Tianjin Development Director	No. of Tianjin Port Development 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
	400,000	HK$4.24	25 January 2008	25 July 2008	24 January 2018
Nie Jiansheng	2,100,000	HK$2.28	1 August 2006	1 February 2007	1 August 2016

(ii) Dynasty

Name of Tianjin Development Director	No. of Dynasty shares over which options are exercisable	Exercise price	Grant date	Exercisable from	Exercisable until
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 Tianjin Development Directors had exercised any share options in the above associated corporations of Tianjin Development.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Tianjin Development Directors, none of the Tianjin Development Directors and chief executive of Tianjin Development or their respective associates had any interest or short position in any shares, underlying shares or debentures of Tianjin Development or any associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to Tianjin Development 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 are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as contained in the Listing Rules, to be notified to Tianjin Development and the Stock Exchange.

3. SUBSTANTIAL SHAREHOLDERS

So far as was known to the Tianjin Development Directors or chief executive of Tianjin Development, as at the Latest Practicable Date, the following persons (other than a Tianjin Development Director or chief executive of Tianjin Development) or corporations had an interest or short position in the shares or underlying shares of Tianjin Development which would fall to be disclosed to Tianjin Development under Divisions 2 and 3 of Part XV of the SFO or was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Tianjin Development Group or in any options in respect of such capital:

(a) Interests in Tianjin Development

Name of Tianjin Development Shareholder	Capacity	No. of Tianjin Development Shares/ underlying Tianjin Development Shares held	Approximate percentage of issued share capital of Tianjin Development
Tsinlien *(Note 2)*	Interest of controlled corporations	570,039,143 (L)	53.40%
Blackrock, Inc.	Interest of controlled corporations	131,157,900 (L)	12.28%

Notes:

1. The letter "L" stands for the shareholder's long position in Tianjin Development Shares.

2. As at the Latest Practicable Date, Tianjin Investment Holdings Limited and Tsinlien Venture Capital Company Limited, both being wholly-owned subsidiaries of Tsinlien, held 568,017,143 Tianjin Development Shares and 2,022,000 Tianjin Development Shares respectively. By virtue of the SFO, Tsinlien is taken to have interest in all the Tianjin Development Shares held by Tianjin Investment Holdings Limited and Tsinlien Venture Capital Company Limited.

3. As at the Latest Practicable Date, Mr. Wu Xuemin, Mr. Nie Jiansheng, Mr. Dai Yan and Mr. Zheng Daoquan, all being Tianjin Development Directors, are also directors of Tsinlien.

(b) Interests in other members of the Tianjin Development Group

Name of subsidiaries of Tianjin Development	Name of the other shareholders	Approximate percentage of issued share capital or registered capital of the subsidiaries
Tianjin Jin Zheng Transportation Development Co., Ltd.	Tianjin Eastern Outer Ring Road Co., Ltd.	16.07%
Tianjin Port Free Trade Zone Chang Hao International Trade Co., Ltd.* (天津港保稅區長昊國際貿易有限公司)	TEDA Inland & Marine Trade Freight Transportation Co., Ltd.* (天津開發區陸海貿易貨運有限公司)	10.00%
Tianjin Gangkai Container Service Co., Ltd.* (天津港凱集裝箱服務有限公司)	Sun Victory Enterprises Limited (新凱企業有限公司)	25.00%
Tianjin Tai Kang Industrial Co., Ltd.	Tianjin BENEFO Machinery & Electric Holding Group Ltd.	17.26%
Tianjin Gangjin Real Estate Development Co., Ltd.	Tianjin Eastern Outer Ring Road Co., Ltd.	16.07%
Tianjin Gangxin Container Logistics Co., Ltd.* (天津港鑫集裝箱物流有限公司)	Gold Prime Holdings Limited (金得集團有限公司)	25.00%
Tianjin Gangshi Container Service Co., Ltd.* (天津港獅集裝箱服務有限公司)	Sinotrans Container Shipping Company Limited (中外運集裝箱運輸有限公司)	20.00%
HaiFeng	Mapletree Tianjin Free Port Development (HKSAR) Limited	49.00%
Tianjin First Hotel Ltd.	Tianjin First Hotel* (天津市第一飯店)	25.00%

Save as disclosed above, as at the Latest Practicable Date, there was no person known to the Tianjin Development Directors who had an interest or short position in the shares and underlying shares of Tianjin Development which would fall to be disclosed to Tianjin Development and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, was directly or indirectly, interested in 10% or more of the nominal value of the issued share capital carrying rights to vote in all circumstances at general meeting of any other member of the Tianjin Development Group, or any options in respect of such capital.

4. TIANJIN DEVELOPMENT DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, no Tianjin Development Director has entered into any service contract with any member of the Tianjin Development Group which is not terminable within one year without payment of compensation (other than statutory compensation), and Tianjin Development does not intend to enter into any such service contracts with the Tianjin Development Directors.

5. LITIGATION

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

6. COMPETING INTEREST

Mr. Yu Rumin, the acting chairman and an executive director of Tianjin Development, is also the chairman of the Vendor, the chairman of the Target, which is currently a subsidiary of the Vendor, and the chairman and an executive director of Tianjin Port Development.

As the board of Tianjin Development is independent of the board of the Vendor (save for Mr. Yu Rumin, who is the chairman of the Vendor and is the only common director in Tianjin Development and the Vendor) and Mr. Yu Rumin has no control over the board of Tianjin Development, the Tianjin Development Group is capable of carrying on its businesses independently of the businesses of the Vendor.

Mr. Nie Jiansheng, an executive director of Tianjin Development, is also an executive director of Tianjin Port Development.

As the board of Tianjin Development is independent of the board of Tianjin Port Development (save for Mr. Yu Rumin and Mr. Nie Jiansheng, who are executive directors of Tianjin Port Development and the only common directors in both of these companies) and Mr. Yu Rumin and Mr. Nie Jiansheng have no control over the board of Tianjin Development, the Tianjin Development Group is capable of carrying on its business independently of the business of Tianjin Port Development.

As at the Latest Practicable Date, save as disclosed above and in so far as the Tianjin Development Directors are aware, none of the Tianjin Development 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 Tianjin Development Group.

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

As at the Latest Practicable Date, none of the Tianjin Development Directors had any direct or indirect interest in any asset which had been 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 Tianjin Development Group, since 31 December 2008, being the date to which the latest published audited financial statements of Tianjin Development were made up.

As at the Latest Practicable Date, none of the Tianjin Development Directors is materially interested in any contract or arrangement which is significant in relation to the business of Tianjin Development Group.

8. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the members of the Tianjin Development Group within two years preceding the date of this circular and which are or may be material:

(a) the agreement dated 26 July 2007 between Tianjin Port Development and the Vendor pursuant to which Tianjin Port Development agreed to purchase and the Vendor agreed to sell a 40% equity interest in Tianjin Port Alliance for a consideration of RMB524,343,480;

(b) the agreement dated 27 July 2007 between Tianjin Development and Coastal Rapid Transit Company Limited ("CRT") pursuant to which Tianjin Development agreed to purchase and CRT agreed to sell the entire issued share capital in Dynamic Infrastructure Limited for a consideration of HK$1.00;

(c) the agreement dated 27 July 2007 among Tianjin Development, CRT and Starwell Holdings Limited ("Starwell") pursuant to which Tianjin Development agreed to purchase and CRT agreed to sell 40% of the issued share capital in Golden Horse Resources Limited ("Golden Horse") for a consideration of HK$1.00;

(d) the agreement dated 27 July 2007 between CRT and Starwell pursuant to which Starwell agreed to purchase and CRT agreed to sell 60% of the issued share capital in Golden Horse for a consideration of HK$1.00;

(e) the agreement dated 27 July 2007 between Tianjin Development and Starwell pursuant to which Tianjin Development agreed to purchase and Starwell agreed to sell 22% of the issued share capital in CRT for a consideration of HK$1.00;

(f) the agreement dated 27 July 2007 between Tianjin Development and Starwell pursuant to which Tianjin Development agreed to purchase and Starwell agreed to sell 50% of the issued share capital in Pearl Harbour Investment Limited for a consideration of HK$1.00;

(g) an agreement dated 28 July 2007 between Tianjin State-owned Land Resources and Housing Administration Bureau* (天津市國土資源和房屋管理局) ("Housing Administration Bureau") and Tianjin Gangjin Real Estate Development Co., Ltd. ("Tianjin Gangjin"), a 83.93% owned subsidiary of Tianjin Development, pursuant to which Housing Administration Bureau agreed to acquire and Tianjin Gangin agreed to sell the land use rights of a parcel of land located in Tianjin for a total consideration of RMB395,000,000;

(h) the agreement dated 2 December 2007 among Tianjin Tai Kang Industrial Co., Ltd. ("Tai Kang"), Tianjin Xin Hao Investment Development Limited* (天津市鑫皓投資發展有限公司) ("Xin Hao") and Tianjin Hua Ze Group Limited* (天津華澤(集團)有限公司) ("Hua Ze") pursuant to which the registered capital of Tianjin Tian Fa Heavy Electric Equipment Manufacturing Limited* (天津市天發重型水電設備製造有限公司) ("Tian Fa Equipment") was increased by RMB130,070,400 in which RMB41,400,000, RMB82,440,400 and RMB6,230,000 was contributed by Tai Kang, Xin Hao and Hua Ze respectively;

(i) the agreement dated 3 December 2007 between Championwin Limited ("Championwin") and Tsinlien pursuant to which Championwin agreed to acquire and Tsinlien agreed to dispose of the entire equity interests in, and all the shareholders' loan advanced by Tsinlien to, Tsinlien Realty Limited for a total consideration of HK$825 million;

(j) an agreement dated 4 December 2007 among Sungate Enterprises (H.K.) Limited ("Sungate"), Mr. Lam Po Hon ("Mr. Lam") and Loyal Right Limited ("Loyal Right"), an indirect wholly-owned subsidiary of Tianjin Development, pursuant to which Loyal Right agreed to acquire the entire equity interests in Lethia Limited ("Lethia"), being 300,000 issued shares of HK$1.00 each from Sungate and Mr. Lam for a total consideration of US$7,500,000;

(k) the agreement dated 18 December 2007 between Tianjin Harbour Second Stevedoring Co., Ltd ("Second Company") and Tianjin Port Labour Exchange Service Centre* (天津港口職工交流服務中心), a wholly-owned subsidiary of the Vendor, pursuant to which the Second Company agreed to purchase and Tianjin Port Labour Exchange Service Centre agreed to sell a 33% equity interest in Tianjin Port Labour Services Co., Ltd* (天津益港勞務有限責任公司) for a consideration of RMB1,260,000;

(l) an agreement dated 4 January 2008 between Tianjin First Hotel* (天津市第一飯店) and Lethia, pursuant to which Tianjin First Hotel agreed to sell and Lethia agreed to acquire 25% equity interests in Tianjin First Hotel Ltd. for a consideration of RMB75,500,000;

(m) the agreement dated 29 February 2008 between Tai Kang and Tianjin Benefo Tejing Electric Co., Ltd.* (天津百利特精電氣股份有限公司) ("Benefo") pursuant to which the registered capital of Tian Fa Equipment was increased by RMB454,650,000 in which RMB154,650,000 and RMB300,000,000 was contributed by Tai Kang and Benefo respectively;

(n) the agreement dated 31 March 2008 among Tianjin Port Development, Tianjin Binhai Teda Logistics (Group) Corporation Limited (天津濱海泰達物流集團股份有限公司) ("Tianjin Binhai") and Guotai Junan Securities (Hong Kong) Limited, pursuant to which Tianjin Port Development agreed to subscribe for 20,000,000 shares in Tianjin Binhai at a price of not more than HK$2.1 per share;

(o) the agreement dated 16 July 2008 between HaiFeng and Tianjin Port Engineering Supervisory & Consultant Co., Ltd.* (天津港工程監理諮詢有限公司) ("Tianjin Port Project Consulting"), relating to the consulting service of the logistics warehouse construction project situated in Dongjiang Bonded Free Port provided by Tianjin Port Project Consulting for a cash consideration of RMB2,200,000;

(p) the agreement dated 16 July 2008 between HaiFeng and Tianjin Port Construction Company* (天津港建設公司) ("Tianjin Port Construction") relating to the project management service, which mainly includes project coordination, progress monitoring and completion verification services, provided by Tianjin Port Construction in relation to the logistics warehouse construction project situated in Dongjiang Bonded Free Port for a cash consideration of approximately RMB5,117,000;

(q) the agreement dated 16 July 2008 between HaiFeng and Tianjin Port Communication Project Co., Ltd.* (天津振港通信工程有限公司) ("Tianjin Port Communication") relating to the purchase, material supply, installation and testing of low voltage electricity system in relation to the logistics warehouse construction project situated in Dongjiang Bonded Free Port by Tianjin Port Communication for a cash consideration of approximately RMB2,998,000;

(r) the agreement dated 16 July 2008 between HaiFeng and Tianjin Port Electricity Project Co., Ltd.* (天津港灣電力工程有限公司) ("Tianjin Port Electricity") relating to the supply of electricity distribution system and the respective installation and testing services by Tianjin Port Electricity for a cash consideration of approximately RMB16,016,000;

(s) the agreement dated 28 April 2009 among Tianjin Port Development, Tianjin Binhai, Inner Mongolia Ordos Metallurgy Co., Ltd.* (內蒙古鄂爾多斯冶金有限責任公司), Tianjin Port Free Trade Zone Xingang International Trading Co., Ltd.* (天津港保稅區鑫港國際貿易有限公司), Jinzhong Wanbang Industrial Trading Co., Ltd.* (晉中萬邦工貿有限公司), Shangxi Yiwang Ferroalloy Co., Ltd.* (山西義望鐵合金有限責任公司), Langfang Xinda Ferroalloy Co., Ltd.* (廊坊鑫達鐵合金有限公司), Shanxi Yinguang Huasheng Meiye (Group) Co., Ltd. (山西銀光華盛鎂業股份有限公司), Fugu County Tongyuan Magnesium Co., Ltd.*

(府谷縣同源鎂業有限責任公司), and Qinghai Wutong (Group) Industry Co., Ltd.* (青海物通(集團)實業有限公司), pursuant to which Tianjin Port Development agreed to contribute RMB5,000,000 in relation to the establishment of a limited liability company in Tianjin, the PRC for the provision of metal products trading market and related warehousing and logistics services;

(t) the Sale and Purchase Agreement; and

(u) the Option Agreement.

9. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Tianjin Development Directors were not aware of any material adverse change in the financial or trading position of the Tianjin Development Group since 31 December 2008, being the date to which the latest published audited financial statements of Tianjin Development were made up.

10. EXPERTS

The qualifications of the experts who have given opinion in this circular are as follows:

Name	Qualification
Somerley	a corporation licensed by the SFC for carrying out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
PricewaterhouseCoopers	Certified Public Accountants

As at the Latest Practicable Date, each of Somerley and PricewaterhouseCoopers did not have any shareholding, direct or indirect, in any member of the Tianjin Development Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Tianjin Development Group.

As at the Latest Practicable Date, each of Somerley and PricewaterhouseCoopers did not have any direct or indirect interest in any assets which had been 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 Tianjin Development Group since 31 December 2008, being the date to which the latest published audited financial statements of Tianjin Development were made up.

Each of Somerley and PricewaterhouseCoopers has given and has not withdrawn its written consent to the issue of this circular with the inclusion in this circular of its letters or reports (as the case may be) and reference to its name in the form and context in which they appear.

11. GENERAL

(a) The registered office of Tianjin Development is at Suites 7-13, 36th Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.

(b) The share registrar and transfer office of Tianjin Development is Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(c) The company secretary of Tianjin Development is Mr. Tsang Wai Yip, Patrick who holds a bachelor's 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.

(d) In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at Suites 7-13, 36th Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong during normal business hours up to and including 3 July 2009:

(a) the Memorandum and Articles of Association of Tianjin Development;

(b) the Sale and Purchase Agreement;

(c) the accountant's report on the Tianjin Development Group and the related statement of adjustments from PricewaterhouseCoopers, the text of which is set out in Appendix II to this circular;

(d) the report on the unaudited pro forma financial information of the Remaining Tianjin Development Group from PricewaterhouseCoopers, the text of which is set out in Appendix VI to this circular;

(e) the letter from Somerley, the text of which is set out on pages 163 to 212 in this circular;

(f) the letter from the Tianjin Development Independent Board Committee, the text of which is set out on pages 161 to 162 in this circular;

(g) the written consent letters referred to in the paragraph headed "Experts" in this Appendix;

(h) the annual reports of Tianjin Development for each of the three financial years ended 31 December 2006, 2007 and 2008;

(i) each of the material contracts entered into by members of the Tianjin Development Group, as referred to in the paragraph headed "Material Contracts" in this Appendix; and

(j) this circular.

天津港發展控股有限公司
Tianjin Port Development Holdings Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 3382)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Tianjin Port Development Holdings Limited (the "Company") will be held at Harbour View Ballroom III, Level 4, Four Seasons Hotel Hong Kong, 8 Finance Street, Central, Hong Kong on Wednesday, 15 July 2009 at 3:00 p.m. for the purposes of considering and, if thought fit, passing, with or without modification, the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTION

"**THAT**

1. the authorised share capital of the Company be increased from HK$500,000,000 to HK$1,200,000,000 by the creation of an additional 7,000,000,000 shares of HK$0.10 each, which new shares shall rank pari passu in all respects with the existing shares in the capital of the Company;

2. conditional upon the passing of ordinary resolution 1 set out above (all capitalised terms not otherwise defined in this resolution shall have the same meanings as defined and described in the circular of the Company and Tianjin Development Holdings Limited dated 19 June 2009 (the "Circular"), a copy of which has been produced to the meeting and marked "A" and initialled by the chairman of the meeting for the purpose of identification):

   (a) the Sale and Purchase Agreement, Option Agreement and the Proposed Transaction, and all transactions contemplated in, and in connection with, the Sale and Purchase Agreement and the Option Agreement be and are hereby approved, ratified and confirmed, and that any one director of the Company or any other person authorised by the board of directors of the Company from time to time be and is hereby authorised for and on behalf of the Company to execute all such other documents and agreements and do such acts or things as he or she may in his or her absolute discretion consider to be necessary, desirable, appropriate or expedient to implement or give effect to the Sale and Purchase Agreement, the Option Agreement and the transactions contemplated under or incidental to, ancillary to or in connection with the matters contemplated under the Sale and Purchase Agreement and the Option Agreement, including agreeing and making any modifications, amendments, waivers, variations or extensions of the Sale and Purchase Agreement and the Option Agreement and the transactions contemplated under the Sale and Purchase Agreement and the Option Agreement; and

(b) any one or more of the directors of the Company be and is hereby specifically authorised to allot and issue up to an aggregate of 4,812.9 million shares in the Company for the Proposed Share Issue, and to take all steps necessary or expedient in its opinion to implement and give effect to the allotment and issue of shares in the Company under the Proposed Share Issue;

3. conditional upon the passing of ordinary resolutions 1 and 2 set out above (all capitalised terms not otherwise defined in this resolution shall have the same meanings as defined and described in the Circular), the Property Lease Framework Agreement and the transactions contemplated under the Property Lease Framework Agreement be and are hereby approved, ratified and confirmed, and the annual caps as disclosed in the Circular in respect of the transactions contemplated under the Property Lease Framework Agreement be and are hereby approved, and any director of the Company be and is hereby authorised to do all acts and things and execute all documents which may in his opinion be necessary, desirable or expedient to implement and give effect to any of the matters relating to, or incidental to, the Property Lease Framework Agreement;

4. conditional upon the passing of ordinary resolutions 1 and 2 set out above (all capitalised terms not otherwise defined in this resolution shall have the same meanings as defined and described in the Circular), the Integrated Services Framework Agreement and the transactions contemplated under the Integrated Services Framework Agreement be and are hereby approved, ratified and confirmed, and the annual caps as disclosed in the Circular in respect of the transactions contemplated under the Integrated Services Framework Agreement be and are hereby approved, and any director of the Company be and is hereby authorised to do all acts and things and execute all documents which may in his opinion be necessary, desirable or expedient to implement and give effect to any of the matters relating to, or incidental to, the Integrated Services Framework Agreement;

5. conditional upon the passing of ordinary resolutions 1 and 2 set out above (all capitalised terms not otherwise defined in this resolution shall have the same meanings as defined and described in the Circular), the Procurement Framework Agreement and the transactions contemplated under the Procurement Framework Agreement be and are hereby approved, ratified and confirmed, and the annual caps as disclosed in the Circular in respect of the transactions contemplated under the Procurement Framework Agreement be and are hereby approved, and any director of the Company be and is hereby authorised to do all acts and things and execute all documents which may in his opinion be necessary, desirable or expedient to implement and give effect to any of the matters relating to, or incidental to, the Procurement Framework Agreement;

6. conditional upon the passing of ordinary resolutions 1 and 2 set out above (all capitalised terms not otherwise defined in this resolution shall have the same meanings as defined and described in the Circular), the China Coal Cargo Handling Services Framework Agreement and the transactions contemplated under

the China Coal Cargo Handling Services Framework Agreement be and are hereby approved, ratified and confirmed, and the annual caps as disclosed in the Circular in respect of the transactions contemplated under the China Coal Cargo Handling Services Framework Agreement be and are hereby approved, and any director of the Company be and is hereby authorised to do all acts and things and execute all documents which may in his opinion be necessary, desirable or expedient to implement and give effect to any of the matters relating to, or incidental to, the China Coal Cargo Handling Services Framework Agreement; and

7. conditional upon the passing of ordinary resolutions 1 and 2 set out above (all capitalised terms not otherwise defined in this resolution shall have the same meanings as defined and described in the Circular), the Financial Services Framework Agreement and the transactions contemplated under the Financial Services Framework Agreement be and are hereby approved, ratified and confirmed, and the annual caps as disclosed in the Circular in respect of the transactions contemplated under the Financial Services Framework Agreement be and are hereby approved, and any director of the Company be and is hereby authorised to do all acts and things and execute all documents which may in his opinion be necessary, desirable or expedient to implement and give effect to any of the matters relating to, or incidental to, the Financial Services Framework Agreement.

By order of the Board
Tianjin Port Development Holdings Limited
Yu Rumin
Chairman

Hong Kong, 19 June 2009

Notes:

1. Any member of the Company entitled to attend and vote at the meeting (or any adjourned meeting thereof) is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company.

2. To be valid, the form of proxy together with any power of attorney or other authority (if any) under which it is signed, or a certified copy of that power or authority, must be deposited at the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjourned meeting.

3. Completion and return of the form of proxy will not preclude members from attending and voting in person at the meeting or at any adjourned meeting (as the case may be) should they so wish, and in such event, the form of proxy shall be deemed to be revoked.

4. Where there are joint registered holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she was solely entitled, but if more than one of such joint holders are present at the meeting, whether in person or by proxy, the joint registered holder present whose name stands first on the register of members in respect of the shares shall be accepted to the exclusion of the votes of the other registered holders.

5. As at the date of this notice, the executive directors of the Company are Mr. Yu Rumin, Mr. Nie Jiansheng, Mr. Zhang Jinming, Mr. Xue Lingsen and Mr. Liu Qingshan, the non-executive director of the Company is Mr. Wang Guanghao and the independent non-executive directors of the Company are Mr. Kwan Hung Sang, Francis, Professor Japhet Sebastian Law and Dr. Cheng Chi Pang, Leslie.

天津發展控股有限公司
TIANJIN DEVELOPMENT HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability under the Companies Ordinance)
(Stock code: 882)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Tianjin Development Holdings Limited (the "Company") will be held at Harbour View Ballroom II, Level 4, Four Seasons Hotel Hong Kong, 8 Finance Street, Central, Hong Kong on Wednesday, 15 July 2009 at 4:00 p.m. for the purpose of considering and, if thought fit, passing with or without modification, the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT**, subject to the Option Agreement as defined and described in the circular of the Company and Tianjin Port Development Holdings Limited dated 19 June 2009 (the "Circular", a copy of which has been produced to the meeting and marked "A" and initialled by the chairman of the meeting for the purpose of identification) having become unconditional, the Sale and Purchase Agreement and the Proposed Transaction (each as defined and described in the Circular) be and are hereby approved, and the issue of shares by Tianjin Port Development Holdings Limited under the Proposed Share Issue be and is hereby approved as a deemed disposal by the Company for the purposes of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and that the directors of the Company be and are hereby authorised to do all such acts and things and execute all such documents as they shall in their absolute discretion consider necessary or desirable to give effect to and in connection with, and the arrangements contemplated under, the Sale and Purchase Agreement and the Proposed Transaction."

By order of the Board
Tianjin Development Holdings Limited
Yu Rumin
Acting Chairman

Hong Kong, 19 June 2009

Notes:

1. Any member of the Company entitled to attend and vote at the meeting (or any adjourned meeting thereof) is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company.

2. To be valid, the form of proxy together with any power of attorney or other authority (if any) under which it is signed, or a certified copy of that power 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 holding the meeting or any adjourned meeting.

3. Completion and return of the form of proxy will not preclude members from attending and voting in person at the meeting or at any adjourned meeting (as the case may be) should they so wish, and in such event, the form of proxy shall be deemed to be revoked.

4. Where there are joint registered holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she was solely entitled, but if more than one of such joint holders are present at the meeting, whether in person or by proxy, the joint registered holder present whose name stands first on the register of members in respect of the shares shall be accepted to the exclusion of the votes of the other registered holders.

5. As at the date of this notice, the executive directors of the Company are Mr. Yu Rumin, Mr Wu Xuemin, Mr. Nie Jiansheng, Mr. Dai Yan, Mr. Zheng Daoquan, Dr. Wang Jiandong, Mr. Bai Zhisheng, Mr. Zhang Wenli, Mr. Sun Zengyin and Mr. Gong Jing; the non-executive director of the Company is Mr. Cheung Wing Yui and the independent non-executive directors of the Company are Mr. Kwong Che Keung, Gordon, Mr. Lau Wai Kit and Dr. Cheng Hon Kwan.

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