

Chairman's Statement

Profit and dividend for the year

I am pleased to present the 2005 annual report of the Group. The audited consolidated profit attributable to equity holders of the Company and earnings per share for the year ended 31st December 2005 were HK\$573,169,000 and HK62.9 cents respectively, representing respective increase of 2% and decrease of 22% over prior year. The board of directors propose the payment of a final dividend of HK4.0 cents per share at the forthcoming annual general meeting. Together with the interim dividend of HK4.6 cents per share, the total dividend for 2005 will amount to HK8.6 cents per share, representing 8% increase as compared to 2004.

Strategic Development

In January 2005, Dynasty was spun off on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The initial public offering of Dynasty was well received among institutional and public investors and approximately HK\$776 million has been raised. This was an important step for Dynasty to further its business development in the fast growing China wine market.

As another step of our strategic development, an application for the separate listing of the port operation on the Main Board of the Stock Exchange has been submitted. The Board believes that the proposed spin-off will not only accelerate the expansion of the port business, but also establish a higher profile as a separate listed entity with the ability to access the debt and equity capital markets to finance its long term development. In addition, the separate listing will allow the port business to achieve its valuation potential



which in turn will be beneficial to the Company and its shareholders as a whole.

To further strengthen our core businesses, the Group has entered into an agreement to acquire a thermal power supply business in January 2006. The Group bought approximately 90.9421% equity interest in Tianjin TEDA Tsinlien Heat & Power Co., Ltd. at a consideration of \$380 million. Similar to the Electricity Company and the Water Company, it is also located at the Tianjin Economic-Technological Development Area, which is one of the fastest growing economic and development zones in the Chinese Mainland. The transaction was completed in April 2006 and the Heat Company will start to contribute to the results of the Group during 2006.

Corporate Governance

Sound corporate governance practices are crucial to the smooth, effective and transparent operation of a company and its ability to attract investment, protect rights of shareholders and stakeholders, and enhance shareholder value. Tianjin Development Holdings Limited



is committed to high standards of corporate governance with a view to being transparent, open and accountable to our shareholders.

On 1st January 2005, the Code of Best Practices contained in appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules") was replaced by the Code on Corporate Governance Practices ("the Code"). The Company adopted all the code provisions in the Code as its own code on corporate governance practices.

In future, the Group will continue to review its corporate governance practices from time to time and uphold the corporate governance to the highest standard.

Outlook

The 11th Five-Year Plan

The blueprint of national economic and social development for the 2006-2010 period has been approved by the annual session of the National People's Congress (NPC). Following the strategic development of Shenzhen in the 80's and Shanghai Pudong in the 90's, Tianjin is to be built as a third economic powerhouse in the coastal areas in the north. Tianjin is positioned as the northern international hub port, international logistics centre, northern air transportation base and modernised manufacturing and research base.

Tianjin Binhai New Area & Bohai Rim Region

The development of Binhai New Area (BNA), or the new coastal area, of Tianjin, has been written into China's new five-year plan. The BNA, among the others, including Tianjin Economic and Technological Development Area, Tianjin Port, Free Trade Zone and administrative districts of Tanggu, Hangu and Dagang, covers 2,200 sq km and its coastline stretches 153 km. A traditional economic center in the country's north and a major sea access for the northern provinces, the development of Tianjin will not only boost the growth of Bohai Rim Region but also that of the northern region. As Tianjin will be built as the new economic powerhouse, the northern region will have a

promising prospect in its economic exchanges with northeast Asian countries as well.

Prospect for the Group

According to the 11th Five-Year Plan, the development of Tianjin BNA is a distinctive part of the overall national development strategy. As such, BNA will definitely become the future economic hub of Tianjin. The Group will continue to focus on its core businesses, in other words, infrastructure and utility businesses. In particular, the Group will expand the existing operations and actively seek for investment opportunities in Bohai Rim Region.

Given the strategic focus on Tianjin by the central government, the Group will leverage on its advantage and is posed to benefit from the accelerating business activities.

Appreciation

The Company has seen some changes to the Board recently. In January 2006, Mr. He Xiuheng, after serving as an Executive Director for over 8 years, retired from the Board and Mr. Bai Zhisheng was appointed as Executive Director on the same day. Mr. Yang Liheng, who has also served the Company for over 8 years, retired from the Board and Mr. Zhang Wenli was appointed as Executive Director on 20th March 2006.

On behalf of the Board of Directors, I would like to express our sincere thanks for the contributions of Mr. He Xiuheng and Mr. Yang Liheng and extend a warm welcome to Mr. Bai Zhisheng and Mr. Zhang Wenli. I would also like to take this opportunity to express our gratitude to a team of dedicated employees for their outstanding performance and to our shareholders for their strong support.

Wang Guanghao

Chairman

Hong Kong SAR, 20th April 2006