



Financial Statements

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TO THE BOARD OF DIRECTORS OF
TIANJIN PORT DEVELOPMENT HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

Introduction

We have been instructed by the Company to review the interim financial report of the Company set out on pages 25 to 38.

Respective responsibilities of directors and auditors

The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited requires the preparation of consolidated condensed interim financial information to be in compliance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on this interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Review work performed

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 June 2006.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 12 September 2006

Consolidated Income Statement

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For the six months ended 30 June 2006

	Notes	Unaudited	
		Six months ended 30 June	
		2006	2005
		HK\$'000	HK\$'000
Revenue	3	486,988	423,793
Business tax		(14,770)	(12,852)
Cost of sales		(221,105)	(199,283)
Gross profit		251,113	211,658
Other income	4	105,928	852
Administration expenses		(125,477)	(115,986)
Other operating expenses		(4,649)	(4,821)
Operating profit	5	226,915	91,703
Finance costs	6	(4,077)	(3,271)
Share of profits of associated companies		551	432
Profit before income tax		223,389	88,864
Income tax	7	(19,524)	(13,161)
Profit for the period		203,865	75,703
Attributable to:			
Equity holders of the Company		203,982	75,717
Minority interest		(117)	(14)
		203,865	75,703
Earnings per share	8		
– Basic		HK16 cents	HK7 cents
Dividends	9	–	–

The notes on pages 30 to 38 are an integral part of these consolidated financial statements.

	Note	Unaudited 30 June 2006 HK\$'000	Audited 31 December 2005 HK\$'000
ASSETS			
Non-current assets			
Land use rights	10	711,391	40,351
Property, plant and equipment	10	1,599,842	1,320,889
Interest in associated companies		20,586	18,571
Deferred income tax assets		4,835	4,788
Available-for-sale financial assets		16,344	16,706
Other long term assets		–	34,962
		2,352,998	1,436,267
Current assets			
Inventories		1,666	1,098
Trade and other receivables	11	98,787	79,524
Amounts due from related companies		9,438	12,555
Cash and cash equivalents		1,377,082	256,617
		1,486,973	349,794
Total assets		3,839,971	1,786,061
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	12	178,670	112,200
Other reserves		2,054,293	943,239
Retained earnings		600,829	370,886
		2,833,792	1,426,325
Minority interests		3,341	3,635
		2,837,133	1,429,960

Consolidated Balance Sheet

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As at 30 June 2006

	Note	Unaudited 30 June 2006 HK\$'000	Audited 31 December 2005 HK\$'000
LIABILITIES			
Non-current liabilities			
Borrowings, unsecured	13	30,426	28,846
		30,426	28,846
Current liabilities			
Other payables		181,439	82,225
Amounts due to related companies		602,567	130,301
Borrowings, unsecured	13	175,013	105,769
Current income tax liabilities		13,393	8,960
		972,412	327,255
		1,002,838	356,101
Total equity and liabilities		3,839,971	1,786,061
Net current assets		514,561	22,539
Total assets less current liabilities		2,867,559	1,458,806

The notes on pages 30 to 38 are an integral part of these consolidated financial statements.

28 Consolidated Statement of Changes in Equity

For the six months ended 30 June 2006

	Unaudited								
	Attributable to equity holders of the Company								
				Enterprise					
	Share Capital	Share Premium	Merger Reserve	Exchange Reserve	Reserve Fund	Expansion Fund	Retained Earnings	Minority Interest	Total
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Balance at 1 January 2005	112,200	-	820,962	-	48,071	25,692	294,921	3,326	1,305,172
Profit for the period	-	-	-	-	-	-	75,717	(14)	75,703
Dividends	-	-	-	-	-	-	-	(236)	(236)
Balance at 30 June 2005	112,200	-	820,962	-	48,071	25,692	370,638	3,076	1,380,639
Balance at 1 January 2006	112,200	-	820,962	27,204	62,245	32,828	370,886	3,635	1,429,960
Issues of shares	66,470	1,095,962	-	-	-	-	-	-	1,162,432
Profit for the period	-	-	-	-	-	-	203,982	(117)	203,865
Dividends	-	-	-	-	-	-	-	(212)	(212)
Adjustment to prior year dividends (Note 9)	-	-	-	-	-	-	25,961	-	25,961
Exchange rate adjustment	-	-	-	15,092	-	-	-	35	15,127
Balance at 30 June 2006	178,670	1,095,962	820,962	42,296	62,245	32,828	600,829	3,341	2,837,133

The notes on pages 30 to 38 are an integral part of these consolidated financial statements.

Condensed Consolidated Cash Flow Statement

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For the six months ended 30 June 2006

	2006	Unaudited 2005
	HK\$'000	HK\$'000
Net cash generated from operating activities	139,047	114,279
Net cash used in investing activities	(152,995)	(64,898)
Net cash generated from/(used in) financing activities	1,131,093	(236)
Net increase in cash and cash equivalents	1,117,145	49,145
Cash and cash equivalents at 1 January	256,617	154,758
Exchange difference on cash and cash equivalents	3,320	–
Cash and cash equivalents at 30 June	1,377,082	203,903
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	1,377,082	203,903

The notes on pages 30 to 38 are an integral part of these consolidated financial statements.

1 Group reorganisation

The Company was incorporated in the Cayman Islands on 26 August 2005 as an exempted company with limited liability under the Companies Law of the Cayman Islands. Pursuant to the reorganisation, as disclosed in the Company's prospectus dated 12 May 2006 (the "Prospectus"), prepared for the purpose of listing its shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Reorganisation"), the Company became the holding Company of Ace Advantage Investments Limited ("Ace Advantage") and Shinesun Investments Limited ("Shinesun") on 8 May 2006.

The Company together with its subsidiaries is hereafter collectively referred to as the Group.

The shares of the Company were listed on the Main Board of the Stock Exchange on 24 May 2006. Details of movements in the Company's share capital are set out in note 12 to the unaudited condensed consolidated financial statements.

2 Basis of preparation and accounting policies

The unaudited condensed consolidated financial statements are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants and Appendix 16 of the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange.

The Group resulting from the Reorganisation referred to in Note 1 above is regarded as a continuing entity. Accordingly, the unaudited condensed consolidated financial statements have been prepared on the basis of merger accounting as if the Company had been the holding company of the companies comprising the Group throughout the periods presented. In the opinion of the Directors, the unaudited condensed consolidated financial statements prepared on the above basis present more fairly the results, cash flows and state of affairs of the Group as a whole.

The unaudited condensed interim consolidated financial statements should be read in conjunction with the Prospectus.

The accounting policies and methods of computation used in the preparation of the unaudited condensed interim consolidated financial statements are consistent with those used in the Prospectus, except that the Group adopted HKAS 19 (Amendment) – Employee Benefits, HKAS 39 (Amendment) – The Fair Value Option, HKAS 39 & HKFRS 4 (Amendment) – Financial Guarantee Contracts and HKFRS – Int 4 – Determining whether an Arrangement contains a Lease, as at 1 January 2006. These changes in accounting policies did not have a significant impact on the Group's results and financial position.

3 Segment information and revenue

Provision of port services is the Group's only business segment throughout the period. All assets, operations and customers of the Group for the period 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:

	Unaudited	
	Six months ended 30 June	
	2006	2005
	HK\$'000	HK\$'000
Container handling	307,313	253,348
Non-containerised goods stevedoring	173,486	164,016
Storage and agency fees	6,189	6,429
	<u>486,988</u>	<u>423,793</u>

4 Other income

	Unaudited	
	Six months ended 30 June	
	2006	2005
	HK\$'000	HK\$'000
Interest income		
– from initial public offer deposits	97,574	–
– from bank deposits	6,060	682
Dividend income	–	41
Others	2,294	129
	<u>105,928</u>	<u>852</u>

5 Operating profit

	Unaudited	
	Six months ended 30 June	
	2006	2005
	HK\$'000	HK\$'000
Operating profit is stated after charging:		
Depreciation	40,492	37,421
Amortisation of lease payments on land use rights	3,129	336
Reversal of bad debts provision	4,286	–
Rental expenses paid to:		
– related parties	10,412	15,262
– others	12,848	9,566

6 Finance costs

	Unaudited	
	Six months ended 30 June	
	2006	2005
	HK\$'000	HK\$'000
Interest expense:		
– bank loans and overdrafts	4,077	3,271

7 Income tax

	Unaudited	
	Six months ended 30 June	
	2006	2005
	HK\$'000	HK\$'000
PRC enterprise income tax		
– Current	19,524	13,161

No provision for Hong Kong profits tax has been made as the Group has no estimated assessable profit for the period (six months ended 30 June 2005: Nil). Provision for the PRC income tax has been made at the applicable rate of taxation on the estimated assessable profit for the period for each of the Group's subsidiaries.

On 6 November 1997, Tianjin Finance Bureau approved that the concessionary enterprise income tax rate of 15% applicable to the Group's two principal subsidiaries.

8 Earnings per share

Unaudited	
Six months ended 30 June	
2006	2005
HK\$'000	HK\$'000

The calculation of the basic earnings per share is based on the following data:

Earnings

Profit attributable to shareholders of the Company	203,982	75,717
	2006	2005

Number of shares (thousands)

Weighted average number of ordinary shares	1,257,239	1,122,000
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In determining the weighted average number of ordinary shares in issue, a total of 1,122,000,000 ordinary shares were deemed to be in issue since 1 January 2005 after taking into consideration of the effect of the issue of ordinary shares in respect of the Reorganisation as detailed in Note 12.

Diluted earning per share is not presented as there are no dilutive potential shares in issue during the period.

9 Dividends

Combined dividends declared by subsidiaries were approximately HK\$50 million for the year ended 31 December 2005. The aforesaid dividend for the year ended 31 December 2005 was subsequently adjusted to RMB25 million (equivalent to approximately HK\$24 million) on 3 March 2006.

The Board does not recommend the payment of dividend in respect of the six months ended 30 June 2006 (six months ended 30 June 2005: nil).

10 Capital expenditure

During the six months ended 30 June 2006, the Group acquired plant and equipment and land use rights amounted to HK\$985,017,000 (30 June 2005: HK\$63,585,000) and disposed of plant and equipment amounted to HK\$4,396,000 (30 June 2005: HK\$5,681,000).

The Group is in the process of applying for the land use right certificates in respect of the land use rights acquired. The Directors consider that the title of the land use rights will be obtained in due course upon the settlement of the remaining installments by June 2007 with no additional cost to the Group.

11 Trade and other receivables

In general, the Group grants a credit period of about 30 to 90 days to its customers. Included in trade and other receivables are trade receivables (net of provisions) of HK\$78,935,000 (2005: HK\$66,645,000) and the ageing analysis of which is as follows:

	Unaudited 30 June 2006 HK\$'000	Audited 31 December 2005 HK\$'000
0 to 30 days	68,758	53,366
31 to 90 days	9,277	13,279
91 to 180 days	141	–
Over 180 days	759	–
	<u>78,935</u>	<u>66,645</u>

12 Share capital

	Number of shares	HK\$
Authorised		
On 26 August 2005, HK\$1.00 each (note(i))	50,000	50,000
On 26 April 2006, subdivided into HK\$0.1 each (note (ii))	500,000	50,000
Increase on 26 April 2006 (note(ii))	4,999,500,000	499,950,000
At 30 June 2006	<u>5,000,000,000</u>	<u>500,000,000</u>
Issued and fully paid up		
On 26 August 2005 (note(i))	1	1
On 26 April 2006, subdivided into HK\$0.1 each (note (ii))	10	1
On 8 May 2006 (note (iii))	1,121,999,990	112,199,999
Proforma share capital at 31 December 2005	1,122,000,000	112,200,000
Issue of new shares (note (iv))	664,700,000	66,470,000
At 30 June 2006	<u>1,786,700,000</u>	<u>178,670,000</u>

12 Share capital (continued)

Notes:

- (i) The Company was incorporated on 26 August 2005, with an authorised share capital of HK\$50,000 divided into 50,000 ordinary shares of HK\$1.00 each. One share with par value of HK\$1.00 of the Company was issued to Leadport Holdings Limited ("Leadport Holdings").
- (ii) Pursuant to written resolutions of the then sole shareholder of the Company passed on 26 April 2006, the issued and unissued share capital of HK\$1.00 each was subdivided into 10 shares of HK\$0.1 each and the authorised share capital of the Company was increased from HK\$50,000 to HK\$500,000,000 by the creation of an additional 4,999,500,000 ordinary shares of HK\$0.10 each ranking pari passu in all respects with the existing share.
- (iii) On 8 May 2006, as part of the Reorganisation, the Company issued 1,121,999,990 ordinary shares of HK\$0.10 each to Leadport Holdings as part of a share swap transaction to acquire the entire issued share capital of Ace Advantage and Shinesun.
- (iv) On 24 May 2006 and 2 Jun 2006, 578,000,000 ordinary shares of HK\$0.10 each were issued to the public and 86,700,000 ordinary shares of HK\$0.10 each were issued upon the exercise of the over allotment options, both at a price of HK\$1.88 per share, therefore the total issue of 664,700,000 shares raised HK\$1,250 million share proceeds. These shares rank pari passu with the then existing shares.

13 Borrowings

The maturity of bank borrowings is as follows:

	Unaudited 30 June 2006 HK\$'000	Audited 31 December 2005 HK\$'000
Within 1 year	175,013	105,769
Between 1 and 2 years	30,426	28,846
	205,439	134,615

14 Operating lease commitments

At 30 June 2006, the Group had total future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Unaudited 30 June 2006 HK\$'000	Audited 31 December 2005 HK\$'000
Not later than 1 year	2,155	33,363
Later than 1 year and not later than 5 years	2,873	133,676
Later than 5 years	–	539,371
	5,028	706,410

The original land use rights, berths, railways and equipment lease agreements were terminated on 8 May 2006 upon the purchase of the subjects of the lease agreements by the Group on the same date.

15 Capital commitments

	Unaudited 30 June 2006 HK\$'000	Audited 31 December 2005 HK\$'000
Contracted but not provided for:		
– Improvements on plant and machinery	173,615	87,813

16 Related party transactions

The Group is controlled by Tsinlien Group Company Limited, the ultimate holding company. The parent of the ultimate holding company is a state-owned enterprise ("SOE"). All SOEs and their subsidiaries, directly or indirectly controlled by the PRC government are also deemed as related to the Group.

There are business activities of the Group which are conducted with SOEs. The Group has established procedures to determine, to the extent possible, the identification of the ownership structure of its customers and suppliers as to whether they are SOEs. Management believes that all material related party balances and transactions have been adequately disclosed.

The following are significant related party transactions and balances as at six months ended 30 June 2006 and during the six months then ended:

Other than mentioned elsewhere in this report, the following are the significant related party transactions during the periods, all of which are continuing related party transactions which, in the opinion of the Directors, were conducted in the normal course of the Group's business:

(a) Associated companies

	Unaudited Six months ended 30 June 2006 HK\$'000	2005 HK\$'000
Non-containerised cargo stevedoring income received from associated companies (note (i))	18,237	32,278
Wharf cargo handling service charges paid to associated companies (note (ii))	5,969	6,761

	Unaudited 30 June 2006 HK\$'000	Audited 31 December 2005 HK\$'000
Amounts due from associated companies (note (i))	2,712	2,299
Amounts due to associated companies (note (iii))	–	1,091

Notes:

- (i) Non-containerised cargo stevedoring income is calculated based on contracted unit price and volume of goods handled.
- (ii) Wharf cargo handling service charges are calculated based on contracted monthly/annual rates.

16 Related party transactions (continued)

(b) State-owned enterprises

	Unaudited	
	Six months ended 30 June	
	2006	2005
	HK\$'000	HK\$'000
(i) Transactions with state-owned enterprises		
<i>Income</i>		
Container handling and non-containerised stevedoring income	359,921	312,459
Interest income	811	682
<i>Expenses</i>		
Interest expenses	3,971	3,271
Rental		
– Berths, railway and storage spaces	6,907	10,089
– Land	2,198	3,218
– Equipment	1,307	1,955
Service fees for port related supporting services and auxiliary services	7,500	14,707
Temporary storage fees	4,399	5,851
Purchases	908	26,171
Water supply	2,073	1,723
Provision of communication services	576	434
Electricity supply	11,957	10,498
	Unaudited	Audited
	30 June 2006	31 December 2005
	HK\$'000	HK\$'000
(ii) Balances with state-owned enterprises		
<i>Assets</i>		
Trade receivables	45,611	26,126
Deposits with state-owned banks	112,130	256,617
Amount due from related companies	9,438	12,555
<i>Liabilities</i>		
Amount due to related parties	602,567	130,301
Loans obtained from state-owned banks	203,883	134,615
(iii) Acquisition from a state-owned enterprise		
Land use rights	663,165	–
Berths and railways	204,905	–

17 Subsequent event

- (a) On 26 July 2006, Tianjin Port Development International Limited ("Tianjin Port Development International"), a directly wholly-owned subsidiary of the Company, entered into an agreement ("WFOE Agreement") with COSCO Ports (Tianjin North Basin) Limited ("COSCO Ports") and APM Terminals Tianjin Company Limited ("APMT") for the formation of a wholly-foreign owned enterprise ("WFOE") in the PRC. Tianjin Port Development International, COSCO Ports and APMT will be interested in 40%, 30% and 30% of the equity interest in the WFOE respectively.

The WFOE will have a registered capital of RMB1,260 million (equivalent to approximately HK\$1,223 million), which will be contributed by the joint venture parties in accordance with their respective proportional equity interest in the WFOE, and a total investment amount of RMB3,600 million (equivalent to approximately HK\$3,495 million). Accordingly, Tianjin Port Development International's share of the investment in the WFOE is RMB504 million (equivalent to approximately HK\$489 million) to the registered capital of the WFOE, representing 40% of the registered capital of the WFOE.

Details of this transaction are set out in the announcement issued by the Company dated 26 July 2006.

- (b) On 1 August 2006, 9,700,000 share options were granted to Directors, other than the independent non-executive Directors, of the Company and 1,800,000 share options were granted to employees of the Group. The options are exercisable at a price of HK\$2.28 per share at anytime between 1 February 2007 and 1 August 2016.

18 Approval of interim financial statements

The interim financial statements was approved by the Board on 12 September 2006.