



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: 03382

Interim Report

2012

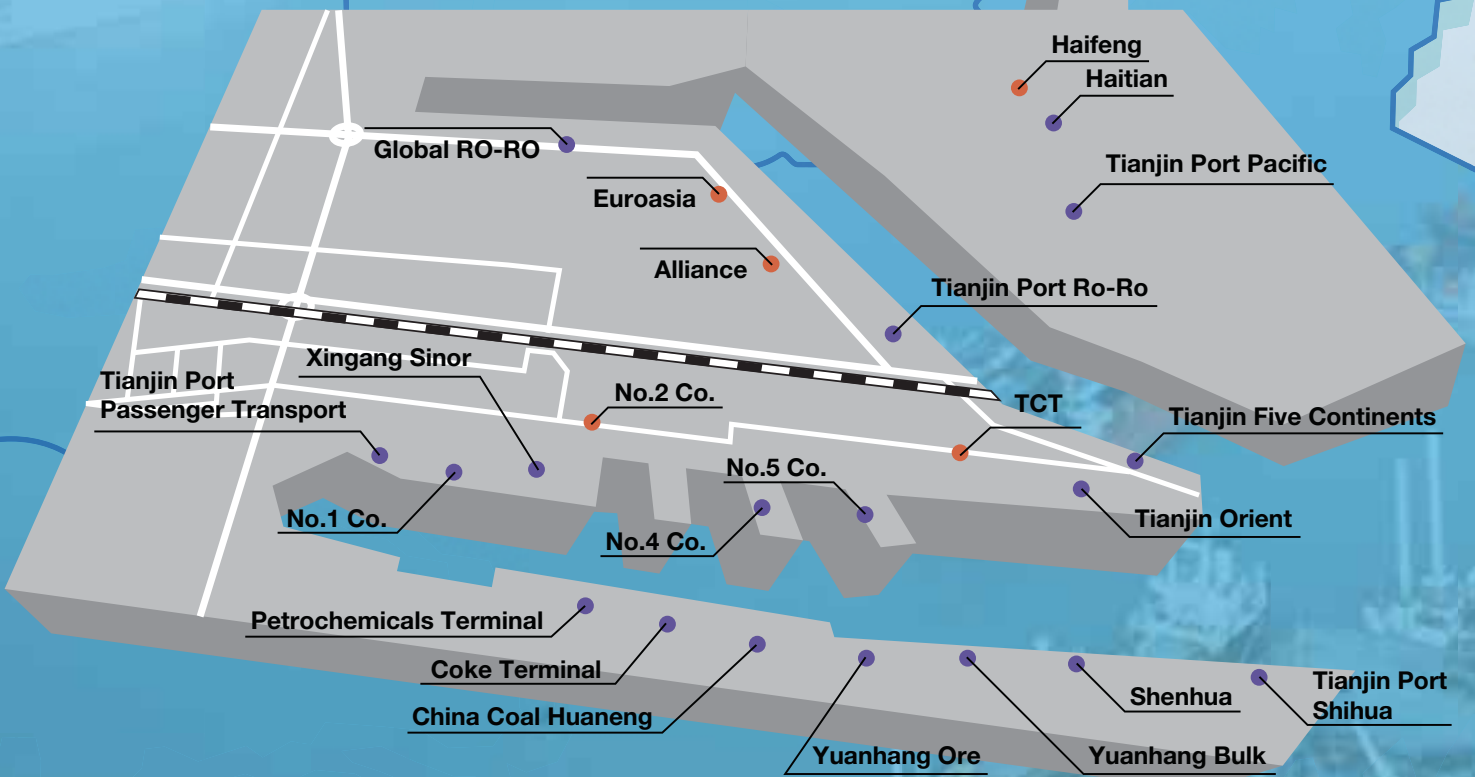
OPTIMISE STABLE
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Beijing ●

Tianjin ●



- Operated by Tianjin Port Development
- Operated by Tianjin Port Co

Corporate Profile

Tianjin Port Development Holdings Limited (the “Company”) was listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 24 May 2006 (Stock Code: 03382).

The Company, together with its subsidiaries (collectively known as the “Group”) first operated as a non-containerised cargo terminal at the port of Tianjin in 1968 and subsequently expanded into the container handling business in 1980. In February 2010, the Group completed the acquisition of 56.81% equity interest in Tianjin Port Holdings Co., Ltd. (“Tianjin Port Co”) and had become the largest single-location port operator listed in Hong Kong. Today, the Group is the leading port operator at the port of Tianjin and is principally engaged in container and non-containerised cargo handling businesses, sales business and port ancillary services businesses.

The port of Tianjin is at the prime geographical location situated at the centre of the Bohai Rim Region with vast hinterland, and is the logistics hub of Tianjin Binhai New Area. In the first half of 2012, the port of Tianjin was the third largest port in terms of total cargo throughput and the sixth in terms of total container throughput in China.

Under the “Twelfth Five-Year Plan”, the port of Tianjin will actively promote the development of Dongjiang Bonded Free Port to free trade port area, strive to become the core strategic enterprise in Tianjin City and benefit continuously from the future economic development in the hinterland of North and Northwest China.

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Financial Highlights

HK\$ million	For the six months ended	
	30 June	
	2012	2011
Total throughput		
Non-containerised cargo (million tonnes)	124.91	114.92
Container (million TEUs)	5.86	5.56
Revenue	8,015	7,501
Operating profit	1,099	1,114
Profit attributable to equity holders of the Company	371	370
Basic earnings per share (HK cents)	6.0	6.0
Net cash inflow from operations	1,179	1,510



Financial Highlights

HK\$ million	As at 30 June 2012	As at 31 December 2011
Equity attributable to equity holders of the Company	10,229	9,996
Non-controlling interests	10,484	10,012
Total equity	20,713	20,008
Total assets	34,174	33,563
Consolidated borrowings	9,454	9,961
Financial Ratios		
Gearing ratio (<i>Note</i>)	45.6%	49.8%
Current ratio	0.9	1.2
Net assets per share – book value (HK\$)	1.7	1.6

Note: Gearing ratio represents the ratio of consolidated borrowings to total equity.



Review of Operations and Results

INTERIM RESULTS

For the first half of 2012, the Group achieved a total cargo throughput of 188.74 million tonnes, an increase of 9.9% over the corresponding period of last year, of which container throughput rose by 5.4% to 5.86 million TEUs. During the period under review, profit attributable to the shareholders of the Company amounted to HK\$370.9 million.

The board of directors of the Company (the “Board”) is pleased to declare payment of an interim dividend of HK2.40 cents per share, representing a dividend payout ratio of approximately 40%.

REVIEW OF OPERATIONS

Revenue

The consolidated revenue for the first half of 2012 was HK\$8,014.8 million, representing an increase of 6.9% from the corresponding period of last year. An analysis of revenue by segment is as follows:

Type of business	Revenue			
	First half of 2012 HK\$ million	First half of 2011 HK\$ million	Amount of change HK\$ million	Percentage of change
Non-containerised cargo handling business	2,435.0	2,079.8	355.2	17.1%
Container handling business	916.4	846.3	70.1	8.3%
Sales business	3,471.5	3,533.8	-62.3	-1.8%
Other port ancillary services business	1,191.9	1,041.0	150.9	14.5%
Total	8,014.8	7,500.9	513.9	6.9%



Non-containerised Cargo Handling Business

In the first half of 2012, the Group achieved total non-containerised cargo throughput of 124.91 million tonnes, representing an increase of 8.7% from the corresponding period of last year, of which throughput of the subsidiary terminals grew by 1.7% whereas throughput of the jointly controlled and affiliated terminals increased by 67.7%.

Nature of terminal	Non-containerised cargo throughput			
	First half of 2012 million tonnes	First half of 2011 million tonnes	Amount of change million tonnes	Percentage of change
Subsidiary terminals	104.45	102.72	1.73	1.7%
Jointly controlled and affiliated terminals	20.46	12.20	8.26	67.7%
Total	124.91	114.92	9.99	8.7%

In terms of total throughput, metal ore handling grew by 17.8% to 43.94 million tonnes; crude oil handling increased by 90.4% to 10.30 million tonnes; automobiles handling increased by 19.5% to 12.69 million tonnes. Due to the weakened demand of coal as a result of the slowdown of the economic growth in China, throughput of coal handling slipped by 9.2% to 39.77 million tonnes.

On a consolidated basis, the blended average unit price of the non-containerised cargo handling business for the first half of 2012 was HK\$23.3 per tonne, an increase of HK\$3.1 or 15.3% from the corresponding period of last year. Revenue from the non-containerised cargo handling business amounted to HK\$2,435.0 million, an increase of 17.1% over the same period of last year.



Container Handling Business

Currently, the Group operates all the container handling businesses at the port of Tianjin. In the first half of 2012, the Group achieved total container throughput of 5.86 million TEUs, representing an increase of 5.4% from the corresponding period of last year, of which throughput of the subsidiary terminals grew by 1.9% and throughput of the jointly controlled and affiliated terminals increased by 9.1%.

Nature of terminal	First half of 2012 '000 TEUs	Container throughput		
		First half of 2011 '000 TEUs	Amount of change '000 TEUs	Percentage of change
Subsidiary terminals	2,934	2,878	56	1.9%
Jointly controlled and affiliated terminals	2,925	2,680	245	9.1%
Total	5,859	5,558	301	5.4%

In the first half of 2012, the consolidated blended average unit price was up by 6.2% to HK\$312.3 per TEU. The consolidated revenue from container handling business was HK\$916.4 million, up by 8.3% over the corresponding period of last year.



Sales Business

The Group's sales business mainly engaged in the supply of fuel to the inbound vessels and the sales of materials. In the first half of 2012, sales revenue declined by 1.8% to HK\$3,471.5 million as compared to the corresponding period of last year due to the decrease in the volume of fuel sold caused by the fluctuation of fuel oil prices and intensified market competition.

Other Port Ancillary Services Business

Other port ancillary services of the Group mainly include tugboat services, agency services and other services. The Group's throughput achieved persistent growth brought overall growth in the other port ancillary services segment. In the first half of 2012, tugboat services grew by 3.2% to 25,470 vessel calls; cargo agency grew by 0.1% to 42.35 million tonnes of cargoes; and tallying services grew by 14.1% to 55.56 million tonnes of cargoes. Shipping agency, on the other hand, decreased by 2.3% to 8,509 vessel calls. Revenue from other port ancillary services business was HK\$1,191.9 million, an increase of 14.5% over the same period of last year.

Costs

During the period under review, cost of sales amounted to HK\$5,970.7 million, representing an increase of 5.8% from the corresponding period of last year, primarily due to the increase of direct cost such as fuel, power and labour costs as a result of the growth in cargo throughput. Administrative expenses increased by 13.3% to HK\$857.6 million. Staff cost is the key component of the administrative expenses. The Group will continue to take effective measures in cost control and management. In addition to the maintaining of prudent human resources policies which include the outsourcing of its non-core functions so as to maintain an optimal labour force, the Group will carry out technology innovation and operational optimisation measures with an aim of reducing energy consumption and the operating costs of the Group as a whole.

Review of Operations and Results

OUTLOOK AND PROSPECTS

Despite the impact of the European debt crisis on the global economy and the slowing economic growth rate of China, the Group still maintained overall stable growth in the first half of 2012. As the economic outlook remains uncertain, the second half of 2012 is expected to be challenging. Being the largest integrated port in Northern China, Tianjin port will further expand its port function and develop itself into an international shipping and logistics centre in North China. By leveraging the advantage of the 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, Tianjin, Hebei and the Central and Western regions, the Group will seize the opportunity of development of the Tianjin Binhai New Area, continue to realign its business structure, improve its port functions, strengthen its market development in the hinterland and actively participate in the future development of port of Tianjin, with an aim to bring better returns to the shareholders of the Company.

FINANCIAL REVIEW

Capital Structure

The capital and reserves attributable to the equity holders of the Company as at 30 June 2012 was HK\$10,229.4 million.

As at 30 June 2012, the Company had an issued share capital of 6,158 million shares and the market capitalisation was HK\$5,542.2 million (at the closing market price of the Company's shares of HK\$0.9 per share on 30 June 2012).

Cash Flow

For the six months ended 30 June 2012, the net cash outflow of the Group amounted to HK\$353.7 million.

The net cash inflow from operating activities amounted to HK\$1,178.9 million, representing a decrease of 21.9% over the same period of last year.

The net cash outflow in investing activities amounted to HK\$1,045.1 million, mainly used for capital expenditure.

The net cash outflow in financing activities amounted to HK\$487.5 million which included payment of dividends and interest expenses of HK\$267.2 million, decrease of HK\$501.4 million in net borrowings and the remaining balance was capital contribution from the non-controlling shareholders of subsidiaries.

Review of Operations and Results

Liquidity and Financial Resources

As at 30 June 2012, the Group's cash and deposits were HK\$4,220.5 million (31 December 2011: HK\$4,575.2 million) and principally denominated in Renminbi ("RMB"). The Group's total borrowings as at 30 June 2012 were HK\$9,454.0 million (31 December 2011: HK\$9,960.8 million), with HK\$6,038.6 million repayable within one year, HK\$2,175.5 million repayable after one year and within five years and HK\$1,239.9 million repayable over five years. The borrowings of the Group are denominated in Hong Kong dollars ("HK\$"), US dollars ("US\$") and RMB and are mainly at floating interest rates.

During the period under review, the Group's interest expenses (including capitalised interest) amounted to HK\$199.7 million, representing an increase of 6.0% over the corresponding period of last year, mainly due to the increase in borrowing interest rates.

As at 30 June 2012, the gearing ratio (ratio of total borrowings to total equity) and current ratio (ratio of current assets to current liabilities) of the Group were 45.6% (31 December 2011: 49.8%) and 0.9 (31 December 2011: 1.2) respectively. As at 30 June 2012, none of the Group's assets were pledged.

Financial Management and Policy

The Group's head office in Hong Kong is responsible for the financial risk management and the finance department is responsible for the daily management of the Group. One of the major objectives of the Group's treasury is to manage its exposure to fluctuations in foreign currency exchange rates and interest rates. It is the Group's policy not to engage in speculative activities.

As at 30 June 2012, most of the Group's assets and liabilities were denominated in RMB except for certain HK\$ and US\$ bank borrowings. During the period under review, the Group recorded an exchange gain of HK\$1.6 million. The Group assesses its foreign exchange rates and interest rate risks exposure from time to time. During the period under review, no hedging arrangement was entered into in respect of foreign currency investment.

INTERIM DIVIDEND

The Board resolved to declare payment of an interim dividend of HK2.40 cents per share for the six months ended 30 June 2012.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 17 September 2012 to 19 September 2012, both days inclusive, during which period no share transfer will be effected. In order to qualify for the interim dividend, all the relevant share certificates and the transfer documents must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 14 September 2012. The interim dividend will be payable on or around 19 October 2012 to the shareholders whose names appear on the register of members of the Company on 19 September 2012.

Review of Operations and Results

SIGNIFICANT INVESTMENTS

As at 30 June 2012, significant planned capital expenditure or capital commitments of the Group are as follows:

1. Tianjin Port Yuanhang Bulk Cargo Terminal Co., Ltd., a subsidiary of the Group, invests in the depot expansion project of Tianjin Port Yuanhang Bulk Cargo Terminal. Total investment of the project amounts to RMB1.5 billion (equivalent to approximately HK\$1.8 billion). As at 30 June 2012, the total costs incurred were RMB302.0 million (equivalent to approximately HK\$370.5 million), of which RMB251.0 million (equivalent to approximately HK\$307.9 million) was paid.
2. Tianjin Port Yuanhang International Ore Terminal Co., Ltd., a subsidiary of the Group, invests in the construction project of specialised ore terminals at Tianjin Port Nanjiang berth no. 26. Total investment of the construction project amounts to RMB3.0 billion (equivalent to approximately HK\$3.7 billion). As at 30 June 2012, the total costs incurred and paid were RMB121.0 million (equivalent to approximately HK\$148.4 million).

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 June 2012.

EVENTS AFTER BALANCE SHEET DATE

On 16 August 2012, Tianjin Port Development Finance Limited, a wholly-owned subsidiary of the Company as borrower (the "Borrower") and the Company as guarantor entered into a facility agreement with several financial institutions as lenders for a term loan facility of up to HK\$2,000 million. The loan facility is repayable in full on the date falling 36 months from the date of the agreement.

On 20 August 2012, the Borrower and the Company as guarantor entered into a facility agreement with a financial institution as lender for a term loan facility of up to HK\$800 million. The loan facility is repayable in full on 10 August 2015.

The above facilities are for general corporate funding requirements of the Group, including refinancing of existing term loans totalling HK\$2,600 million maturing on 9 December 2012 and 14 January 2013.

GOING CONCERN

The Group has net current liabilities of HK\$1,153.4 million as at 30 June 2012. Taking into account the cash and deposits, available facilities, expected generated funds from operations and new facilities to be obtained, the Company is confident that the Group will be able to meet its liabilities as and when they fall due in the foreseeable future.

On the basis of current financial projections and facilities available, the Group has adequate financial resources to continue its operation in the foreseeable future. Accordingly, the Group continues to prepare its financial statements on a going concern basis.

Review of Operations and Results

EMPLOYEES

As at 30 June 2012, the Group had approximately 11,500 employees. Remuneration packages are assessed in accordance with the nature of job duties, individual performance and market trends. The remuneration policies are also regularly reviewed by the Group. Incentives of the management's remuneration package are paid in form of cash bonuses as well as share options.

APPRECIATION

On behalf of the Board, I would like to express my gratitude to a team of dedicated staff for their unfailing service and to our shareholders for their continuous support to the Group.

By order of the Board

YU Rumin

Chairman

Hong Kong, 29 August 2012

Report on Review of Interim Financial Information



羅兵咸永道

To the board of directors of Tianjin Port Development Holdings Limited

(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 13 to 32, which comprises the interim condensed consolidated balance sheet of Tianjin Port Development Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2012 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review 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.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 29 August 2012

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Condensed Consolidated Income Statement

For the six months ended 30 June 2012

	Note	Unaudited Six months ended 30 June	
		2012 HK\$'000	2011 HK\$'000
Revenue	4	8,014,844	7,500,943
Business tax and surcharge		(150,758)	(153,239)
Cost of sales		<u>(5,970,734)</u>	<u>(5,644,979)</u>
Gross profit		1,893,352	1,702,725
Other income and gains	5	65,647	170,289
Administrative expenses		(857,614)	(757,248)
Other operating expenses		<u>(2,634)</u>	<u>(1,653)</u>
Finance costs	6	1,098,751	1,114,113
Share of results of associates		(198,722)	(188,369)
Share of results of jointly controlled entities		120,477	70,629
		<u>50,335</u>	<u>24,613</u>
Profit before income tax	7	1,070,841	1,020,986
Income tax	8	<u>(193,602)</u>	<u>(174,475)</u>
Profit for the period		<u>877,239</u>	<u>846,511</u>
Attributable to:			
Equity holders of the Company		370,949	370,468
Non-controlling interests		<u>506,290</u>	<u>476,043</u>
		<u>877,239</u>	<u>846,511</u>
Dividends			
Interim	9	<u>147,792</u>	<u>147,792</u>
Earnings per share			
Basic and diluted (HK cents)	10	<u>6.0</u>	<u>6.0</u>

The notes on pages 19 to 32 are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2012

	Unaudited	
	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Profit for the period	877,239	846,511
Other comprehensive income		
Fair value gain/(loss) on available-for-sale financial assets, net of tax	48,929	(35,180)
Exchange differences	(27,207)	429,018
Other comprehensive income for the period, net of tax	21,722	393,838
Total comprehensive income for the period	898,961	1,240,349
Total comprehensive income for the period attributable to:		
Equity holders of the Company	370,645	575,265
Non-controlling interests	528,316	665,084
	898,961	1,240,349

The notes on pages 19 to 32 are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Balance Sheet

As at 30 June 2012

	Note	Unaudited 30 June 2012 HK\$'000	Audited 31 December 2011 HK\$'000
ASSETS			
Non-current assets			
Land use rights		4,595,709	4,657,259
Property, plant and equipment	11	15,900,147	15,628,926
Intangible assets		28,037	32,667
Interests in associates		2,266,375	2,214,685
Interests in jointly controlled entities		2,123,263	2,178,853
Available-for-sale financial assets		443,104	359,233
Deferred income tax assets		129,331	121,034
		<u>25,485,966</u>	<u>25,192,657</u>
Current assets			
Inventories		383,725	474,194
Trade and other receivables	12	3,789,366	3,320,710
Short-term deposits		294,406	–
Cash and cash equivalents		4,220,455	4,575,156
		<u>8,687,952</u>	<u>8,370,060</u>
Total assets		<u>34,173,918</u>	<u>33,562,717</u>
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	13	615,800	615,800
Reserves	14	5,211,680	5,349,301
Retained earnings		4,401,875	4,030,926
		<u>10,229,355</u>	<u>9,996,027</u>
Non-controlling interests		<u>10,484,152</u>	<u>10,011,663</u>
Total equity		<u>20,713,507</u>	<u>20,007,690</u>

The notes on pages 19 to 32 are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Balance Sheet

As at 30 June 2012

	<i>Note</i>	Unaudited 30 June 2012 HK\$'000	Audited 31 December 2011 HK\$'000
LIABILITIES			
Non-current liabilities			
Borrowings	15	3,415,391	6,204,755
Deferred income tax liabilities		202,675	172,072
Other long-term liabilities		1,013	1,014
		3,619,079	6,377,841
Current liabilities			
Trade and other payables	16	3,715,615	3,371,459
Current income tax liabilities		87,114	49,696
Borrowings	15	6,038,603	3,756,031
		9,841,332	7,177,186
Total liabilities		13,460,411	13,555,027
Total equity and liabilities		34,173,918	33,562,717
Net current (liabilities)/assets		(1,153,380)	1,192,874
Total assets less current liabilities		24,332,586	26,385,531

The notes on pages 19 to 32 are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2012

	Unaudited					
	Attributable to equity holders of the Company				Non-controlling interests	Total
	Share capital	Reserves	Retained earnings	Total		
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Balance at 1 January 2011	615,800	4,998,668	3,550,425	9,164,893	9,044,911	18,209,804
Total comprehensive income for the period	-	204,797	370,468	575,265	665,084	1,240,349
Share-based compensation	-	1,050	-	1,050	-	1,050
Dividends paid	-	(119,465)	-	(119,465)	(325,668)	(445,133)
Disposal of interest in a subsidiary with loss of control	-	-	-	-	(704)	(704)
Balance at 30 June 2011	<u>615,800</u>	<u>5,085,050</u>	<u>3,920,893</u>	<u>9,621,743</u>	<u>9,383,623</u>	<u>19,005,366</u>
Balance at 1 January 2012	615,800	5,349,301	4,030,926	9,996,027	10,011,663	20,007,690
Total comprehensive income for the period	-	(304)	370,949	370,645	528,316	898,961
Dividends paid	-	(137,323)	-	(137,323)	(329,694)	(467,017)
Capital contribution from non-controlling interests of subsidiaries	-	-	-	-	281,067	281,067
Acquisition of additional interest in a subsidiary	-	6	-	6	(2,968)	(2,962)
Disposal of interests in subsidiaries with loss of control	-	-	-	-	(4,232)	(4,232)
Balance at 30 June 2012	<u>615,800</u>	<u>5,211,680</u>	<u>4,401,875</u>	<u>10,229,355</u>	<u>10,484,152</u>	<u>20,713,507</u>

The notes on pages 19 to 32 are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2012

	Unaudited Six months ended 30 June	
	2012 HK\$'000	2011 HK\$'000
Net cash from operating activities	1,178,916	1,510,440
Net cash used in investing activities	(1,045,083)	(462,767)
Net cash used in financing activities	(487,501)	(799,399)
Net (decrease)/increase in cash and cash equivalents	(353,668)	248,274
Cash and cash equivalents at 1 January	4,575,156	4,438,366
Effects of changes in exchange rates	(1,033)	128,570
Cash and cash equivalents at 30 June	4,220,455	4,815,210

The notes on pages 19 to 32 are an integral part of these condensed consolidated interim financial statements.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2012

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 Suite 3904-3907, 39/F., Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.

The condensed consolidated interim financial statements were approved by the board of directors of the Company (the “Board”) on 29 August 2012.

2. BASIS OF PREPARATION

The condensed consolidated interim financial statements have been 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 to the Rules Governing the Listing of Securities on the Stock Exchange.

The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2011 which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

As at 30 June 2012, the Group’s current liabilities exceeded its current assets by HK\$1,153 million. The Group’s ability to continue as a going concern depends on the financial resources available to the Group. Subsequent to the reporting period end, the Group entered into two facility agreements with several financial institutions as detailed in note 19. The directors of the Company believe that the Group is able to meet its liabilities as and when they fall due in the foreseeable future. Accordingly, the condensed consolidated interim financial statements have been prepared on a going concern basis.

3. SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2011, as described in those financial statements.

(a) The Group has adopted the following amendments for the accounting period beginning 1 January 2012:

HKAS 12 (Amendment)
HKFRS 7 (Amendment)

Income Taxes – Deferred Tax: Recovery of Underlying Assets
Financial Instruments: Disclosures – Transfers of Financial Assets

The adoption of these amendments has no significant impact on the results and financial position of the Group.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2012

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

- (b) The following standards, amendments and interpretation which have been issued and are not yet effective have not been early adopted by the Group:

<i>HKAS 1 (Amendment)</i>	<i>Amendments to HKAS 1 (Revised) Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income¹</i>
<i>HKAS 19 (2011)</i>	<i>Employee Benefits²</i>
<i>HKAS 27 (2011)</i>	<i>Separate Financial Statements²</i>
<i>HKAS 28 (2011)</i>	<i>Investments in Associates and Joint Ventures²</i>
<i>HKAS 32 (Amendment)</i>	<i>Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities³</i>
<i>HKFRS 7 (Amendment)</i>	<i>Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities²</i>
<i>HKFRS 9</i>	<i>Financial Instruments⁴</i>
<i>HKFRS 7 (Amendment) and HKFRS 9 (Amendment)</i>	<i>Financial Instruments: Disclosures – Mandatory Effective Date and Transition Disclosures⁴</i>
<i>HKFRS 10</i>	<i>Consolidated Financial Statements²</i>
<i>HKFRS 11</i>	<i>Joint Arrangements²</i>
<i>HKFRS 12</i>	<i>Disclosure of Interests in Other Entities²</i>
<i>HKFRS 13</i>	<i>Fair Value Measurement²</i>
<i>HK(IFRIC) – Int 20</i>	<i>Stripping Costs in the Production Phase of a Surface Mine²</i>

¹ Effective for annual periods beginning on or after 1 July 2012

² Effective for annual periods beginning on or after 1 January 2013

³ Effective for annual periods beginning on or after 1 January 2014

⁴ Effective for annual periods beginning on or after 1 January 2015

The Group is in the process of making an assessment of the impact of these standards, amendments and interpretation on the financial statements of the Group in the initial application.

4. SEGMENT INFORMATION

Segment information has been prepared in a manner consistent with the information which is regularly reviewed by the chief operating decision maker and used for the purposes of assessing the performance and allocating resources between segments.

Principal activities of the three reportable segments are as follows:

Cargo handling	– Provision of container handling and non-containerised cargo handling
Sales	– Supply of fuel and sales of materials
Other port ancillary services	– Tugboat services, agency services, tallying and other services

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2012

4. SEGMENT INFORMATION *(continued)*

The segment information for the reportable segments is as follows:

	Unaudited			Total HK\$'000
	Cargo handling HK\$'000	Sales HK\$'000	Other port ancillary services HK\$'000	
Six months ended 30 June 2012				
Total segment revenue	3,351,419	3,832,807	1,442,173	8,626,399
Inter-segment revenue	–	(361,257)	(250,298)	(611,555)
Revenue from external customers	<u>3,351,419</u>	<u>3,471,550</u>	<u>1,191,875</u>	<u>8,014,844</u>
Segment results	<u>1,586,985</u>	<u>(482)</u>	<u>457,607</u>	<u>2,044,110</u>
Business tax and surcharge				(150,758)
Other income and gains				65,647
Administrative expenses				(857,614)
Other operating expenses				(2,634)
Finance costs				(198,722)
Share of results of associates				120,477
Share of results of jointly controlled entities				50,335
Profit before income tax				<u>1,070,841</u>

	Unaudited			Total HK\$'000
	Cargo handling HK\$'000	Sales HK\$'000	Other port ancillary services HK\$'000	
Six months ended 30 June 2011				
Total segment revenue	2,926,117	3,919,585	1,273,539	8,119,241
Inter-segment revenue	–	(385,754)	(232,544)	(618,298)
Revenue from external customers	<u>2,926,117</u>	<u>3,533,831</u>	<u>1,040,995</u>	<u>7,500,943</u>
Segment results	<u>1,421,522</u>	<u>42,887</u>	<u>391,555</u>	<u>1,855,964</u>
Business tax and surcharge				(153,239)
Other income and gains				170,289
Administrative expenses				(757,248)
Other operating expenses				(1,653)
Finance costs				(188,369)
Share of results of associates				70,629
Share of results of jointly controlled entities				24,613
Profit before income tax				<u>1,020,986</u>

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2012

5. OTHER INCOME AND GAINS

	Unaudited Six months ended 30 June	
	2012 HK\$'000	2011 HK\$'000
Exchange gain, net	1,645	92,121
Interest income		
– from deposits	34,884	27,371
– from loan to a jointly controlled entity	1,973	2,206
Dividends from available-for-sale financial assets	2,579	4,309
Gain on disposal of property, plant and equipment	–	28,927
Government subsidies	22,732	12,236
Others	1,834	3,119
	65,647	170,289

6. FINANCE COSTS

	Unaudited Six months ended 30 June	
	2012 HK\$'000	2011 HK\$'000
Interest expense on borrowings	199,659	188,369
Less: Amount capitalised in construction in progress	(937)	–
	198,722	188,369

7. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	Unaudited Six months ended 30 June	
	2012 HK\$'000	2011 HK\$'000
Cost of goods sold	3,438,225	3,457,022
Depreciation of property, plant and equipment	446,269	424,667
Amortisation of prepaid lease payments	56,016	52,999
Amortisation of intangible assets	4,832	4,249
Loss on disposal of property, plant and equipment	1,240	–

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2012

8. INCOME TAX

	Unaudited Six months ended 30 June	
	2012 HK\$'000	2011 HK\$'000
PRC income tax		
– Current	189,235	149,449
– Deferred	4,367	25,026
	<u>193,602</u>	<u>174,475</u>

No Hong Kong profits tax has been provided for as the Group has no estimated assessable profits for the period (2011: nil).

Provision for the PRC income tax has been calculated based on the estimated assessable profit for the period at the prevailing income tax rates applicable to the subsidiaries located in the PRC.

9. DIVIDENDS

	Unaudited Six months ended 30 June	
	2012 HK\$'000	2011 HK\$'000
Paid 2011 final dividend: HK2.23 cents (2011: Paid 2010 final dividend of HK1.94 cents) per ordinary share	<u>137,323</u>	<u>119,465</u>
Declared 2012 interim dividend: HK2.40 cents (2011: HK2.40 cents) per ordinary share	<u>147,792</u>	<u>147,792</u>

The Board declared an interim dividend of HK2.40 cents per ordinary share for the six months ended 30 June 2012. These financial statements do not reflect this dividend payable.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2012

10. EARNINGS PER SHARE

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

	Unaudited Six months ended 30 June	
	2012 HK\$'000	2011 HK\$'000
Earnings		
Profit attributable to equity holders of the Company for the purposes of calculating basic and diluted earnings per share	370,949	370,468

	Unaudited Six months ended 30 June	
	2012	2011
Number of shares (thousands)		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	6,158,000	6,158,000
Effect of dilutive potential ordinary shares:		
– Share options	–	5
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	6,158,000	6,158,005

11. CAPITAL EXPENDITURE

During the six months ended 30 June 2012, the Group acquired property, plant and equipment amounting to HK\$744 million (30 June 2011: HK\$223 million).

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2012

12. TRADE AND OTHER RECEIVABLES

In general, the Group grants a credit period of about 30 to 180 days to its trade customers. Included in trade and other receivables of HK\$3,789 million (31 December 2011: HK\$3,321 million) are trade and bank notes receivables (net of provision for impairment) of HK\$3,194 million (31 December 2011: HK\$3,128 million), the ageing analysis of which is as follows:

	Unaudited 30 June 2012 HK\$'000	Audited 31 December 2011 HK\$'000
0 – 90 days	2,749,143	2,693,212
91 – 180 days	105,568	191,395
181 – 365 days	326,831	230,239
Over 365 days	12,641	12,932
	<u>3,194,183</u>	<u>3,127,778</u>

13. SHARE CAPITAL

Ordinary shares of HK\$0.10 each:

Authorised:

At 30 June 2012 and 31 December 2011

Issued and fully paid:

At 30 June 2012 and 31 December 2011

	Number of shares	HK\$
	<u>12,000,000,000</u>	<u>1,200,000,000</u>
	<u>6,158,000,000</u>	<u>615,800,000</u>

Share option

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	28 June 2012	29 April 2011	28 March 2011
Exercise price	HK\$0.896	HK\$1.828	HK\$1.904
Expected volatility	59%	61%	62%
Expected option life	5.1 & 7.3 years	5.1 years	4.3 years
Risk free interest rate	0.98%	2.56%	2.73%
Annual dividend yield	1.96%	1.20%	1.20%
Fair value	<u>HK\$0.37 & HK\$0.43</u>	<u>HK\$0.80</u>	<u>HK\$0.79</u>

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2012

13. SHARE CAPITAL (continued)

Share option (continued)

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 historical volatility of shares of the Company.

14. RESERVES

	Unaudited							Total HK\$'000
	Share premium HK\$'000 (Note i)	Merger reserve HK\$'000	Revaluation reserve HK\$'000	Employee share-based compensation reserve HK\$'000	Exchange reserve HK\$'000	Statutory reserves HK\$'000 (Note ii)	Other reserves HK\$'000	
Balance at 1 January 2011	12,111,909	(9,111,447)	104,787	17,232	863,173	734,166	278,848	4,998,668
Total comprehensive income for the period	-	-	(11,069)	-	215,866	-	-	204,797
Share-based compensation	-	-	-	1,050	-	-	-	1,050
Dividend paid	(119,465)	-	-	-	-	-	-	(119,465)
Balance at 30 June 2011	<u>11,992,444</u>	<u>(9,111,447)</u>	<u>93,718</u>	<u>18,282</u>	<u>1,079,039</u>	<u>734,166</u>	<u>278,848</u>	<u>5,085,050</u>
Balance at 1 January 2012	11,992,444	(9,111,447)	67,120	18,892	1,284,369	819,137	278,786	5,349,301
Total comprehensive income for the period	-	-	13,197	-	(13,501)	-	-	(304)
Dividend paid	(137,323)	-	-	-	-	-	-	(137,323)
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	6	6
Balance at 30 June 2012	<u>11,855,121</u>	<u>(9,111,447)</u>	<u>80,317</u>	<u>18,892</u>	<u>1,270,868</u>	<u>819,137</u>	<u>278,792</u>	<u>5,211,680</u>

Notes:

- i. Under the Companies Law of the Cayman Islands, the share premium account is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business of the Company.
- ii. In accordance with the PRC laws and regulations, companies established in the PRC are required to transfer a percentage of profit attributable to equity holders to reserves. The percentage of appropriation may be determined at the discretion of the board of directors of these companies. The reserves can be used to set off accumulated losses, capitalisation into capital and expansion of production.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2012

15. BORROWINGS

	Unaudited 30 June 2012 HK\$'000	Audited 31 December 2011 HK\$'000
(a) Unsecured borrowings:		
Non-current		
Long-term borrowings	3,415,391	6,204,755
Current		
Short-term borrowings	1,672,135	1,644,972
Current portion of long-term borrowings	4,366,468	2,111,059
	<u>6,038,603</u>	<u>3,756,031</u>
	<u>9,453,994</u>	<u>9,960,786</u>
(b) Repayable:		
Within 1 year	6,038,603	3,756,031
Between 1 and 2 years	512,083	3,506,612
Between 2 and 5 years	1,663,404	1,340,368
Over 5 years	1,239,904	1,357,775
	<u>9,453,994</u>	<u>9,960,786</u>
(c) Carrying amounts are denominated in the following currencies:		
Renminbi	5,459,967	5,932,192
HK dollars	3,166,726	3,026,726
US dollars	827,301	1,001,868
	<u>9,453,994</u>	<u>9,960,786</u>

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2012

16. TRADE AND OTHER PAYABLES

Included in trade and other payables of HK\$3,716 million (31 December 2011: HK\$3,371 million) are trade and bank notes payables of HK\$2,159 million (31 December 2011: HK\$2,406 million), the ageing analysis of which is as follows:

	Unaudited 30 June 2012 HK\$'000	Audited 31 December 2011 HK\$'000
0 – 90 days	1,745,410	2,090,175
91 – 180 days	237,574	175,238
181 – 365 days	149,311	72,171
Over 365 days	27,017	68,262
	<u>2,159,312</u>	<u>2,405,846</u>

17. COMMITMENTS

(a) Capital commitments

Contracted but not provided for

- Property, plant and equipment
- Formation of a subsidiary

	Unaudited 30 June 2012 HK\$'000	Audited 31 December 2011 HK\$'000
	2,193,913	290,572
	–	187,915
	<u>2,193,913</u>	<u>478,487</u>

Authorised but not contracted for

- Property, plant and equipment
- Formation of a subsidiary

	4,976,068	1,419,979
	93,842	93,957
	<u>5,069,910</u>	<u>1,513,936</u>

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2012

17. COMMITMENTS (continued)

(a) Capital commitments (continued)

In addition to the above, the following is the progress of other construction project investment plan:

On 18 August 2008, the board of Tianjin Port Holdings Co., Ltd. ("Tianjin Port Co"), a subsidiary of the Group, resolved that Tianjin Port Co will set up a joint venture company, Tianjin Port Shenghua International Container Terminal Co., Ltd. ("Shenghua International"), with Grand Asia International Shipping Ltd. and Terminal Link Tianjin Limited. Shenghua International will invest in the construction project of container terminals at Beigangchi berth no. 8-10. Total investment of the construction project amounted to approximately RMB4.20 billion. The joint venture will have a registered capital of RMB1.47 billion and Tianjin Port Co will hold a 60% equity interest in the joint venture. As at 30 June 2012, the formation of the joint venture and the preparatory work of the construction project are in progress.

(b) Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Unaudited 30 June 2012 HK\$'000	Audited 31 December 2011 HK\$'000
Within one year	140,424	105,942
In the second to fifth year inclusive	231,247	229,353
More than five years	654,590	679,221
	1,026,261	1,014,516

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2012

18. SIGNIFICANT RELATED PARTY TRANSACTIONS

In addition to those mentioned elsewhere in the condensed consolidated interim 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 related parties of the Group

		Unaudited Six months ended 30 June	
		2012 HK\$'000	2011 HK\$'000
(1)	With Tianjin Port (Group) Co., Ltd. (“Tianjin Port Group”) and fellow subsidiaries:		
	Sales of goods and services	76,648	19,446
	Purchases of goods and services	264,541	261,010
	Expenses paid for rental of land, property, plant and equipment	72,071	78,604
	Acquisition of property, plant and equipment	12,549	13,228
(2)	With associates:		
	Sales of goods and services	52,379	36,483
	Purchases of goods and services	312,336	253,037
	Expenses paid for rental of property, plant and equipment	8,122	9,002
	Income received for rental of property, plant and equipment	16,102	12,738
	Interest income	24,622	7,344
	Interest expenses	74,292	56,112
	Investments in associates	27,049	601
(3)	With jointly controlled entities:		
	Sales of goods and services	34,894	46,997
	Purchases of goods and services	77,086	66,205
	Interest income	1,973	2,206
	Investment in a jointly controlled entity	43,793	–

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2012

18. SIGNIFICANT RELATED PARTY TRANSACTIONS *(continued)*

(b) Balances with related parties of the Group

	Unaudited 30 June 2012 HK\$'000	Audited 31 December 2011 HK\$'000
(1) With Tianjin Port Group and fellow subsidiaries:		
Trade and other receivables	56,313	52,704
Trade and other payables	217,275	67,368
	<hr/>	<hr/>
(2) With associates:		
Trade and other receivables	25,247	16,153
Trade and other payables	12,915	13,525
Deposits <i>(Note i)</i>	2,388,624	2,226,846
Borrowings <i>(Note ii)</i>	2,401,251	2,200,319
	<hr/>	<hr/>
(3) With jointly controlled entities:		
Trade and other receivables	34,237	37,267
Trade and other payables	11,247	8,855
Loan to a jointly controlled entity <i>(Note iii)</i>	141,176	141,579
Borrowings <i>(Note iv)</i>	6,133	6,141
	<hr/>	<hr/>

Notes:

- i. Deposits placed with Tianjin Port Finance Co., Ltd. ("Tianjin Port Finance"), a 48% owned associate of the Group, carry interests at prevailing market rates.
- ii. Borrowings from Tianjin Port Finance are unsecured, bear interests at market rates ranging from 5.7% to 6.2% per annum and are repayable within 5 years.
- iii. The loan is unsecured, interest bearing at LIBOR plus 1.5% per annum and repayable in 2013.
- iv. Borrowings from Vopak Nanjiang Petrochemical Terminal Tianjin Company Limited are unsecured, bear interests at prevailing market rates and are repayable in 2012.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2012

18. SIGNIFICANT RELATED PARTY TRANSACTIONS *(continued)*

(c) Transactions and balances with other state-owned entities in the PRC

The Group operates in an economic environment currently predominated by enterprises directly or indirectly owned or controlled by the PRC government (hereinafter collectively referred to as “state-owned entities”). The directors of the Company consider those state-owned entities are independent third parties so far as the Group’s business transactions with them are concerned.

The ultimate holding company, Tianjin Port Group, is a state-owned entity whilst most of the associates and jointly controlled entities of the Group are also owned or controlled by the PRC government, the transactions and balances of which are disclosed in note (a) and (b) above.

In addition to those disclosed above, as at 30 June 2012, majority of the Group’s cash and deposits and borrowings held by subsidiaries in the PRC are with state-owned banks and financial institutions.

In accordance with HKAS 24 (Revised), certain transactions with other state-owned entities in the PRC, which are individually or collectively not significant, are exempted from disclosure. The Group is of the opinion that it has provided, in the best of its knowledge, adequate and appropriate disclosure of related party transactions in the condensed consolidated interim financial statements.

19. EVENTS AFTER BALANCE SHEET DATE

On 16 August 2012, Tianjin Port Development Finance Limited, a wholly-owned subsidiary of the Company as borrower (the “Borrower”) and the Company as guarantor entered into a facility agreement with several financial institutions as lenders for a term loan facility of up to HK\$2,000 million. The loan facility is repayable in full on the date falling 36 months from the date of the agreement.

On 20 August 2012, the Borrower and the Company as guarantor entered into a facility agreement with a financial institution as lender for a term loan facility of up to HK\$800 million. The loan facility is repayable in full on 10 August 2015.

The above facilities are for the general corporate funding requirements of the Group, including refinancing of existing term loans totalling HK\$2,600 million maturing on 9 December 2012 and 14 January 2013.

SHARE OPTION SCHEME

By a written resolution passed by the sole shareholder of the Company on 26 April 2006, a share option scheme (the “Share Option Scheme”) was approved and adopted by the Company. Subject to earlier termination by the Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption, i.e. 26 April 2006.

Movements of the share options granted under the Share Option Scheme during the six months ended 30 June 2012 are as follows:

	Date of grant	Exercise price HK\$	As at 01/01/2012	Granted (Note 1)	Exercised	Lapsed	Cancelled	As at 30/06/2012	Exercise period
Directors									
Mr. Yu Rumin	03/02/2007	2.74	1,900,000	-	-	-	-	1,900,000	03/08/2007 – 03/02/2017
	25/01/2008	4.24	400,000	-	-	-	-	400,000	25/07/2008 – 24/01/2018
	28/06/2012	0.896	-	1,150,000	-	-	-	1,150,000	28/12/2012 – 27/06/2022
Mr. Tian Changsong	08/04/2010	2.34	2,200,000	-	-	-	-	2,200,000	08/10/2010 – 07/04/2020
	28/06/2012	0.896	-	1,100,000	-	-	-	1,100,000	28/12/2012 – 27/06/2022
Mr. Li Quanyong	08/04/2010	2.34	2,100,000	-	-	-	-	2,100,000	08/10/2010 – 07/04/2020
	28/06/2012	0.896	-	1,050,000	-	-	-	1,050,000	28/12/2012 – 27/06/2022
Mr. Wang Rui	15/10/2010	1.846	1,000,000	-	-	-	-	1,000,000	15/04/2011 – 14/10/2020
	28/03/2011	1.904	1,000,000	-	-	-	-	1,000,000	28/09/2011 – 27/03/2021
	28/06/2012	0.896	-	1,000,000	-	-	-	1,000,000	28/12/2012 – 27/06/2022
Mr. Dai Yan	01/09/2009	3.036	1,100,000	-	-	-	-	1,100,000	01/03/2010 – 31/08/2019
	28/06/2012	0.896	-	550,000	-	-	-	550,000	28/12/2012 – 27/06/2022
Mr. Kwan Hung Sang, Francis (Note 2)	25/01/2008	4.24	300,000	-	-	(300,000)	-	-	25/07/2008 – 24/01/2018
Prof. Japhet Sebastian Law	25/01/2008	4.24	300,000	-	-	-	-	300,000	25/07/2008 – 24/01/2018
	28/06/2012	0.896	-	150,000	-	-	-	150,000	28/12/2012 – 27/06/2022
Dr. Cheng Chi Pang, Leslie	25/01/2008	4.24	300,000	-	-	-	-	300,000	25/07/2008 – 24/01/2018
	28/06/2012	0.896	-	150,000	-	-	-	150,000	28/12/2012 – 27/06/2022
Mr. Zhang Weidong (Note 3)	28/06/2012	0.896	-	450,000	-	-	-	450,000	28/12/2012 – 27/06/2022
Employees									
	08/04/2010	2.34	1,000,000	-	-	-	-	1,000,000	08/10/2010 – 07/04/2020
	29/04/2011	1.828	700,000	-	-	-	-	700,000	29/10/2011 – 28/04/2021
	28/06/2012	0.896	-	1,900,000	-	-	-	1,900,000	28/12/2012 – 27/06/2022
Total			12,300,000	7,500,000	-	(300,000)	-	19,500,000	

Other Information

SHARE OPTION SCHEME *(continued)*

Notes:

1. The closing price of the shares of the Company (the “Shares”) immediately before 28 June 2012, the date on which the share options were granted, was HK\$0.88 per share. All share options granted are subject to a vesting period of six months from the date of grant.
2. Mr. Kwan Hung Sang, Francis resigned on 5 April 2012.
3. Mr. Zhang Weidong was appointed on 28 June 2012.

Details of the value of share options granted under the Share Option Scheme during the six months ended 30 June 2012 are set out in Note 13 to the condensed consolidated interim financial statements.

DIRECTORS’ RIGHT TO ACQUIRE SHARES OR DEBENTURES

Other than the Share Option Scheme, at no time during the six months ended 30 June 2012 was the Company or any of its subsidiaries, a party to any arrangements to enable the directors of the Company (the “Directors”) or any of their spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

DIRECTORS’ INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2012, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) were as follows:

Name of Director	Capacity	Number of Shares	Number of underlying shares <i>(Note)</i>	Approximate percentage of issued share capital of the Company
Mr. Yu Rumin	Beneficial owner	–	3,450,000 (L)	0.06% (L)
Mr. Tian Changsong	Beneficial owner	–	3,300,000 (L)	0.05% (L)
Mr. Li Quanyong	Beneficial owner	–	3,150,000 (L)	0.05% (L)
Mr. Wang Rui	Beneficial owner	–	3,000,000 (L)	0.05% (L)
Mr. Dai Yan	Beneficial owner	–	1,650,000 (L)	0.03% (L)
Prof. Japhet Sebastian Law	Beneficial owner	2,700,000 (L)	450,000 (L)	0.05% (L)
Dr. Cheng Chi Pang, Leslie	Beneficial owner	–	450,000 (L)	0.01% (L)
Mr. Zhang Weidong	Beneficial owner	–	450,000 (L)	0.01% (L)

(L) denotes a long position

Note: The interests in underlying shares of unlisted equity derivatives of the Company represented interests in share options granted to the Directors to subscribe for Shares, further details of which are set out in the section headed “Share Option Scheme” above.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(continued)*

Save as disclosed above, as at 30 June 2012, none of the Directors or chief executive or their respective associates had or was deemed to have any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

INTERESTS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 30 June 2012, the following persons, other than the Directors or chief executive of the Company, had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of shareholder	Capacity	Number of Shares interested	Approximate percentage of issued share capital of the Company
Tianjin Port Overseas Holding Limited <i>(Note 1)</i>	Beneficial owner	3,294,530,000 (L)	53.5% (L)
Tianjin Port (Group) Co., Ltd. ("Tianjin Port Group") <i>(Note 1)</i>	Interest of a controlled corporation	3,294,530,000 (L)	53.5% (L)
Leadport Holdings Limited <i>(Note 2)</i>	Beneficial owner	1,293,030,000 (L)	21.0% (L)
Tianjin Development Holdings Limited ("Tianjin Development") <i>(Note 2)</i>	Interest of controlled corporations	1,293,180,000 (L)	21.0% (L)
Tsinlien Group Company Limited ("Tsinlien") <i>(Note 3)</i>	Interest of controlled corporations	1,303,010,000 (L)	21.2% (L)

(L) denotes a long position

Notes:

- Tianjin Port Overseas Holding Limited is a wholly-owned subsidiary of Tianjin Port Group. By virtue of the SFO, Tianjin Port Group is deemed to be interested in all the Shares held by Tianjin Port Overseas Holding Limited.
- Leadport Holdings Limited is a wholly-owned subsidiary of Tianjin Development. By virtue of the SFO, Tianjin Development is deemed to be interested in all the Shares held by Leadport Holdings Limited.
- Tianjin Development is a subsidiary of Tianjin Investment Holdings Limited which in turn is a wholly-owned subsidiary of Tsinlien. As at 30 June 2012, Tianjin Investment Holdings Limited and Tsinlien Investment Limited were directly interested in 6,820,000 Shares and 3,010,000 Shares respectively, representing an aggregate of approximately 0.2% of the issued share capital of the Company. Tsinlien Investment Limited is a wholly-owned subsidiary of Tsinlien. By virtue of the SFO, Tsinlien is deemed to be interested in all the Shares held by each of Tianjin Development, Tianjin Investment Holdings Limited and Tsinlien Investment Limited. As at 30 June 2012, Mr. Yu Rumin and Mr. Dai Yan were directors of Tianjin Development.

Save as disclosed above, as at 30 June 2012, the Company had not been notified by any persons, other than the Directors or chief executive of the Company, who had interests or short positions in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Other Information

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company had not redeemed any of its securities during the six months ended 30 June 2012. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's securities during the six months ended 30 June 2012.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES AND CORPORATE GOVERNANCE CODE

The Company had complied with all the code provisions of the Code on Corporate Governance Practices during the period from 1 January 2012 to 31 March 2012 and the Corporate Governance Code (the "CG Code") during the period from 1 April 2012 to 30 June 2012 as set out in Appendix 14 of the Listing Rules, except for the following deviations:

1. Mr. Kwan Hung Sang, Francis ("Mr. Kwan") resigned as an independent non-executive Director, the chairman and a member of the nomination committee, a member of the audit committee and a member of the remuneration committee of the Company on 5 April 2012 due to his personal commitments which required more of his dedication. Following the resignation of Mr. Kwan, the number of independent non-executive Directors and audit committee members of the Company has fallen below the minimum number required by Rule 3.10(1) and Rule 3.21 of the Listing Rules, and the number of independent non-executive Directors of remuneration committee of the Company has fallen below a majority required by Rule 3.25 of the Listing Rules. The chairman position of the nomination committee of the Company has vacated and the number of independent non-executive Directors of the nomination committee of the Company has fallen below a majority required by code provision A.5.1 of the CG Code. Following the appointment of Mr. Zhang Weidong as an independent non-executive Director, the chairman and a member of the nomination committee, a member of the audit committee and a member of the remuneration committee of the Company with effect from 28 June 2012, the Company has complied with the relevant Listing Rules and code provision A.5.1 of the CG Code and filled in the vacancy on the same date.
2. In respect of code provision A.6.7 of the CG Code, an independent non-executive Director was not in a position to attend the annual general meeting of the Company held on 31 May 2012 due to an overseas commitment.

UPDATE ON DIRECTORS' INFORMATION

Prof. Japhet Sebastian Law, an independent non-executive Director was appointed as an independent non-executive director of Regal Hotels International Holdings Limited (Stock Code: 00078), a company listed on the main board of the Stock Exchange on 18 June 2012 and an independent non-executive director of Tianjin Binhai Teda Logistics (Group) Corporation Limited (Stock Code: 08348), a company listed on the Growth Enterprise Market of the Stock Exchange on 13 August 2012. Prof. Law has retired from the Chinese University of Hong Kong from 1 August 2012.

DIRECTORS' SECURITIES TRANSACTIONS

The Company had adopted the Model Code as its code of conduct regarding securities transactions by the Directors. Having made specific enquiry with the Directors, all the Directors confirmed that they have complied with the required standards as set out in the Model Code throughout the six months ended 30 June 2012.

LOAN AGREEMENTS WITH SPECIFIC PERFORMANCE COVENANT

On 10 December 2007, Tianjin Port Development Finance Limited, a wholly-owned subsidiary of the Company as borrower (the “Borrower”) and the Company as guarantor entered into a facility agreement (the “1st Facility Agreement”) with several financial institutions as lenders (the “1st Lenders”), pursuant to which a revolving/term loan facility in an aggregate amount of HK\$1,000,000,000 is made available by the 1st Lenders to the Borrower. The loan facility is unsecured, interest bearing and repayable in full on the date falling 60 months from the date of the 1st Facility Agreement.

On 4 September 2008, the Borrower and the Company as guarantor entered into a facility agreement (the “2nd Facility Agreement”) with a financial institution as lender (the “2nd Lender”), pursuant to which a revolving/term loan facility in an aggregate amount of HK\$200,000,000 is made available by the 2nd Lender to the Borrower. The loan facility is unsecured, interest bearing and repayable in full on the date falling 60 months from the date of the 2nd Facility Agreement.

On 15 January 2010, the Borrower and the Company as guarantor entered into a facility agreement (the “3rd Facility Agreement”) with several financial institutions as lenders (the “3rd Lenders”), pursuant to which a term loan facility in an aggregate amount of HK\$1,600,000,000 is made available by the 3rd Lenders to the Borrower. The loan facility is unsecured, interest bearing and repayable in full on the date falling 36 months from the date of the 3rd Facility Agreement.

On 16 August 2012, the Borrower and the Company as guarantor entered into a facility agreement (the “4th Facility Agreement”) with several financial institutions as lenders (the “4th Lenders”), pursuant to which a term loan facility in an aggregate amount of HK\$2,000,000,000 is made available by the 4th Lenders to the Borrower. The loan facility is unsecured, interest bearing and repayable in full on the date falling 36 months from the date of the 4th Facility Agreement.

On 20 August 2012, the Borrower and the Company as guarantor entered into a facility agreement (the “5th Facility Agreement”) with a financial institution as lender (the “5th Lender”), pursuant to which a term loan facility in an aggregate amount of HK\$800,000,000 is made available by the 5th Lender to the Borrower. The loan facility is unsecured, interest bearing and repayable in full on 10 August 2015.

The 1st Facility Agreement (as supplemented by an agreement dated 9 December 2009), 2nd Facility Agreement (as supplemented by an agreement dated 9 December 2009), 3rd Facility Agreement, 4th Facility Agreement and 5th Facility Agreement include a condition imposing specific performance obligations on Tianjin Port Group, the Company’s controlling shareholder. If Tianjin Port Group ceases to (1) have (directly or indirectly) the single largest shareholding interest in the Company in aggregate, or (2) hold no less than 35% (directly or indirectly) of the shareholding interest in the Company in aggregate, the 1st Lenders, 2nd Lender, 3rd Lenders, 4th Lenders and 5th Lender may demand immediate repayment of the loans. Such obligation continues to exist as at the date of this report.

REVIEW OF INTERIM RESULTS

The condensed consolidated interim financial statements for the six months ended 30 June 2012 have not been audited but have been reviewed by the independent auditor of the Company in accordance with Hong Kong Standard on Review Engagement 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”, issued by the Hong Kong Institute of Certified Public Accountants. The audit committee of the Company has reviewed the interim report for the six months ended 30 June 2012.

Financial Summary

CONSOLIDATED INCOME STATEMENT

	For the year ended 31 December					For the six months ended 30 June	
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000 (Note)	2010 HK\$'000	2011 HK\$'000	2011 HK\$'000	2012 HK\$'000
Revenue	1,193,777	1,258,991	12,507,534	15,052,720	16,547,695	7,500,943	8,014,844
Business tax and surcharge	(36,347)	(38,415)	(236,578)	(267,696)	(319,811)	(153,239)	(150,758)
Cost of sales	(561,701)	(689,691)	(9,434,508)	(11,576,885)	(12,704,778)	(5,644,979)	(5,970,734)
Gross profit	595,729	530,885	2,836,448	3,208,139	3,523,106	1,702,725	1,893,352
Other income and gains	35,615	57,956	129,515	204,618	353,881	170,289	65,647
Administrative expenses	(309,808)	(363,600)	(1,602,132)	(1,568,180)	(1,775,372)	(757,248)	(857,614)
Other operating expenses	(31,204)	(2,675)	(2,084)	(9,142)	(13,855)	(1,653)	(2,634)
	290,332	222,566	1,361,747	1,835,435	2,087,760	1,114,113	1,098,751
Provision for impairment losses on available-for-sale financial assets	-	(25,253)	-	-	-	-	-
Finance costs	(3,329)	(26,529)	(315,878)	(367,464)	(380,573)	(188,369)	(198,722)
Share of results of associates	790	1,495	78,616	118,593	173,750	70,629	120,477
Share of results of jointly controlled entities	-	8,755	16,678	(4,315)	55,177	24,613	50,335
Profit before income tax	287,793	181,034	1,141,163	1,582,249	1,936,114	1,020,986	1,070,841
Income tax	(47,151)	(50,414)	(229,388)	(283,672)	(308,157)	(174,475)	(193,602)
Profit for the year/period	240,642	130,620	911,775	1,298,577	1,627,957	846,511	877,239
Attributable to:							
Equity holders of the Company	240,394	130,289	370,383	570,586	713,264	370,468	370,949
Non-controlling interests	248	331	541,392	727,991	914,693	476,043	506,290
	240,642	130,620	911,775	1,298,577	1,627,957	846,511	877,239

CONSOLIDATED BALANCE SHEET

	As at 31 December					As at 30 June
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000 (Note)	2010 HK\$'000	2011 HK\$'000	2012 HK\$'000
Land use rights	768,696	792,437	4,312,788	4,436,395	4,657,259	4,595,709
Property, plant and equipment	1,802,656	1,842,794	14,800,738	14,949,153	15,628,926	15,900,147
Intangible assets	–	–	23,230	30,198	32,667	28,037
Interests in associates	24,981	28,513	1,680,024	1,797,348	2,214,685	2,266,375
Interests in jointly controlled entities	704,467	1,430,037	1,630,301	1,660,189	2,178,853	2,123,263
Available-for-sale financial assets	5,744	20,873	450,051	483,050	359,233	443,104
Deferred income tax assets	8,899	9,410	106,682	109,123	121,034	129,331
Net current assets/(liabilities)	468,556	635,037	1,317,708	2,917,748	1,192,874	(1,153,380)
Employment of capital	3,783,999	4,759,101	24,321,522	26,383,204	26,385,531	24,332,586
Share capital	178,710	178,710	178,710	615,800	615,800	615,800
Reserves	2,442,864	2,679,812	6,471,687	4,998,668	5,349,301	5,211,680
Retained earnings	768,224	755,896	3,162,309	3,550,425	4,030,926	4,401,875
Shareholders' funds	3,389,798	3,614,418	9,812,706	9,164,893	9,996,027	10,229,355
Non-controlling interests	4,201	4,433	8,381,136	9,044,911	10,011,663	10,484,152
Long term liabilities	390,000	1,140,250	6,127,680	8,173,400	6,377,841	3,619,079
Capital employed	3,783,999	4,759,101	24,321,522	26,383,204	26,385,531	24,332,586

Note: The financial information of the Group for the year ended 31 December 2009 and as at 31 December 2009 have been restated on the basis that the structure and business activities of the Group immediately after the acquisition of Tianjin Port Co completed in 2010 had been in existence throughout the year presented. The financial information of the Group prior to 2009 is not restated.

Corporate Information

EXECUTIVE DIRECTORS

Mr. YU Rumin (*Chairman*)
Mr. TIAN Changsong (*Vice Chairman*)
Mr. LI Quanyong (*Managing Director*)[△]
Mr. WANG Rui⁺
Mr. DAI Yan

INDEPENDENT NON-EXECUTIVE DIRECTORS

Prof. Japhet Sebastian LAW^{*+}
Dr. CHENG Chi Pang, Leslie^{*△}
Mr. ZHANG Weidong^{*+△}

CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY

Mdm. CHAN Yeuk Kwan, Winnie

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

PRINCIPAL LEGAL ADVISORS

Woo Kwan Lee & Lo, as to Hong Kong law
Appleby, as to Cayman Islands law

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Bank of Communications Co., Ltd.
China Development Bank
DBS Bank Ltd.
The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
Nanyang Commercial Bank, Limited

PRINCIPAL SHARE REGISTRAR

Appleby Trust (Cayman) Ltd.
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⁺ Members of Remuneration Committee, Prof. Law is the chairman of the committee

^{*} Members of Audit Committee, Dr. Cheng is the chairman of the committee

[△] Members of Nomination Committee, Mr. Zhang is the chairman of the committee

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