天津港發展控股有限公司

Tianjin Port Development Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3382)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2007

- Consolidated revenue grew 18% to HK$572 million, earnings of HK$118 million, representing 11% yoy increase on ex. IPO interest income
- Container throughput increased 15% to 1.35 m TEUs
- Operating margin continues to improve, achieving *28.2% (IH06: *26.6%) on ex non-recurring items basis
- Logistics joint venture formed with Mapletree
- Bulk cargo handling business revenue grew 3% and average charges per tonne increased 29%
- Acquisition of 40% interest in Alliance International to be completed in 4Q 07
- All approvals have been obtained for Euroasia, progress is in line with original plan
- Interim dividend of HK2.7 cents, representing a payout ratio of 41%

* *Excluding one-off interest income from the IPO for 1H06 and non-recurring exchange loss due to HK$ deposits in 1H07.*

INTERIM RESULTS

The board of Directors (the "Board") of Tianjin Port Development Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2007 (the "Period"). The unaudited consolidated interim financial statements have been reviewed by the Company's Audit Committee and the Company's auditor, PricewaterhouseCoopers, 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.

CONSOLIDATED INCOME STATEMENT

		Unaudited	
		Six months ended 30 June	
		2007	2006
	Notes	***HK$'000***	*HK$'000*
Revenue	*3*	**572,418**	486,988
Business tax		**(17,471)**	(14,770)
Cost of sales		**(252,037)**	(221,105)
Gross profit		**302,910**	251,113
Other income	*4*	**14,669**	105,928
Administration expenses		**(145,800)**	(125,477)
Other operating expenses		**(28,186)**	(4,649)
Operating profit	*5*	**143,593**	226,915
Finance costs	*6*	**(1,963)**	(4,077)
Share of profits of associated companies		**570**	551
Profit before income tax		**142,200**	223,389
Income tax	*7*	**(24,215)**	(19,524)
Profit for the period		**117,985**	203,865
Attributable to:			
Equity holders of the Company		**117,839**	203,982
Minority interests		**146**	(117)
		117,985	203,865
Earnings per share	*8*		
– Basic		**HK6.6 cents**	HK16.2 cents
– Diluted		**HK6.6 cents**	HK16.2 cents
Dividends	*9*	**48,252**	–

CONSOLIDATED BALANCE SHEET

	Notes	Unaudited 30 June 2007 HK$'000	Audited 31 December 2006 HK$'000
ASSETS			
Non-current assets			
Land use rights		**745,266**	731,855
Property, plant and equipment		**1,764,033**	1,742,992
Interest in associated companies		**27,796**	25,950
Deferred income tax assets		**5,113**	4,960
Available-for-sale financial assets		**14,172**	13,748
		2,556,380	2,519,505
Current assets			
Inventories		**2,394**	1,976
Trade and other receivables	*10*	**141,216**	69,631
Amount due from related companies		**9,981**	9,682
Cash and cash equivalents		**692,002**	926,395
		845,593	1,007,684
Total assets		**3,401,973**	3,527,189
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**178,710**	178,670
Other reserves		**2,250,501**	2,153,431
Retained earnings		**742,855**	666,119
		3,172,066	2,998,220
Minority interests		**3,935**	3,788
Total equity		**3,176,001**	3,002,008
LIABILITIES			
Current liabilities			
Other payables		**99,135**	159,655
Amount due to related companies		**71,435**	237,332
Borrowings, unsecured		**41,068**	119,522
Current income tax liabilities		**14,334**	8,672
		225,972	525,181
Total equity and liabilities		**3,401,973**	3,527,189
Net current assets		**619,621**	482,503
Total assets less current liabilities		**3,176,001**	3,002,008

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.

2 Basis of preparation and accounting policies

The unaudited condensed consolidated income 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 Company's 2006 annual report.

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 annual financial statements for the year ended 31 December 2006, except that the Group adopted the following new/revised standards and interpretations that are effective for accounting periods beginning on or after 1 January 2007:

HKAS 1	Amendments to Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29, Financial Reporting in Hyperinflationary Economies
HK(IFRIC)-Int 8	Scope of HKFRS 2, Share-based Payment
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

The adoption of these new standards, amendments and interpretations do not have a significant impact on the Group's results and financial position. Full disclosure as required by HKAS 1 and HKFRS 7 will be disclosed in the year-end financial statements.

The Group has not adopted the following new/revised standards and interpretations that have been issued but are not effective for 2007. The Group is in the process of assessing the impact of these changes and they do not expect these changes to have a significant impact on the Group's results and financial position.

HKAS 23 (Revised)	Borrowing Costs
HKFRS 8	Operating Segments
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements

3 Segment information and revenue

Provision of port services is the Group's only business segment throughout the period. All operating 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	
	2007	2006
	HK$'000	*HK$'000*
Container handling	**385,437**	307,313
Non-containerised goods stevedoring	**179,209**	173,486
Storage and agency fees	**7,772**	6,189
	572,418	486,988

4 Other income

	Unaudited Six months ended 30 June	
	2007	2006
	HK$'000	*HK$'000*
Interest income		
– from initial public offer deposits	**–**	97,574
– from bank deposits	**13,383**	6,060
Others	**1,286**	2,294
	14,669	105,928

5 Operating profit

	Unaudited	
	Six months ended 30 June	
	2007	2006
	HK$'000	*HK$'000*
Operating profit is stated after (crediting)/charging:		
Depreciation	**50,219**	40,492
Amortisation of lease payments on land use rights	**8,983**	3,129
Reversal of doubtful debts provision	**(3,312)**	(4,286)
Operating lease charges		
– related parties	**–**	10,412
– others	**13,504**	12,848
Functional currency translation losses	**18,003**	–

6 Finance costs

	Unaudited	
	Six months ended 30 June	
	2007	2006
	HK$'000	*HK$'000*
Interest expense on bank borrowings	**1,963**	4,077

7 Income tax

	Unaudited	
	Six months ended 30 June	
	2007	2006
	HK$'000	*HK$'000*
PRC enterprise income tax		
– Current	**24,215**	19,524

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 2006: 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.

The Group's two principal subsidiaries are currently subject to a concessionary enterprise income tax rate of 15%.

8 Earnings per share

	Unaudited Six months ended 30 June	
	2007	2006
	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	**117,839**	203,982

	2007	2006
Number of shares (thousands)		
Weighted average number of ordinary shares	**1,786,791**	1,257,239

The exercise of share options would have no material dilutive effect of earnings per share for the periods 30 June 2007 and 2006.

9 Dividends

	Unaudited Six months ended 30 June	
	2007	2006
	HK$'000	*HK$'000*
2006 final, paid, of HK2.3 cents per share	**41,103**	–
2007 interim, declared, of HK2.7 cents per share	**48,252**	–

At a meeting held on 19 September 2007, the directors declared an interim dividend of HK2.7 cents per ordinary share. This declared dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2007.

10 Trade and other receivables

In general, the Group grants a credit period of about 30 to 180 days to its customers. Included in trade and other receivables are trade receivables (net of provisions) of HK$124,231,000 (2006: HK$54,159,000) aged as follows:

	Unaudited 30 June 2007	Audited 31 December 2006
	HK$'000	*HK$'000*
0 to 30 days	**101,746**	53,327
31 to 90 days	**22,102**	832
91 to 180 days	**383**	–
	124,231	54,159

REVIEW OF OPERATIONS AND RESULTS

RESULTS

For the period ended 30 June 2007, the Group's unaudited consolidated revenue amounted to approximately HK$572.4 million representing an increase of 17.5% over the prior period. The profit attributable to the Group's shareholders amounted to approximately HK$117.8 million, representing an increase of 10.7% over the prior period on ex-IPO interest income basis. Basic earnings per share of the Group, on a weighted average basis, were HK6.6 cents compared to HK8.5 cents (on ex-IPO interest income basis) of the same period last year, amounting to a decrease of 22.4%. The decrease was due to the dilution effect as a result of the IPO in May last year.

Owing to appreciation of RMB, the Group recorded HK$18.0 million exchange loss during the period (2006 interim: nil) in accordance with Hong Kong Financial Reporting Standards. The exchange loss arose from HKD cash deposits held during the period, mainly from IPO proceeds. The Group plans to utilize most of the remaining HKD cash balance in the upcoming months to pay up future investments or capital expenditures. Therefore the onetime exchange effect on HKD deposits due to appreciation of RMB is non-recurring and non-operational in nature.

The Group's encouraging performance was the result of enhanced handling efficiency, improved product mix and effective cost controls. The synergy of these internal improvements alongside the favorable external market environment of robust GDP growth and expanding trade volumes in China, especially in the Bohai region, have greatly benefited the Company.

DIVIDENDS

The Board has resolved to declare an interim dividend for the six months ended 30 June 2007 of HK2.7 cents (2006: nil).

CLOSURE OF REGISTER

The interim dividend will be payable on or near 1 November 2007 to shareholders whose names appear on the register of members of the Company on 17 October 2007. The register of members will be closed from 15 October to 17 October 2007, both days inclusive. In order to be eligible for the interim dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the share registers of the Company at 26/F Tesbury Centre 28 Queen's Road East, Wanchai, Hong Kong no later then 4:30 p.m. on 12 October 2007.

REVIEW OF OPERATIONS

China continues its rapid economic development in 2007, achieving a GDP growth of 11.5% in the first half of the year, which is among the highest in the world. The country's total foreign trade value in the first half of 2007 was USD981 billion, an increased of 23.3% over the same period last year. Tianjin port, located in the locus of the Bohai Rim, is well-positioned to tap into the economic growth of the country. Moreover, given the Eleventh Five Year Plan announced in early 2006, the port of Tianjin has unparalleled potential to develop into one of the major international shipping hubs and logistic centres of China, on par with the outstanding port facilities at Shenzhen and Shanghai Pudong. The Tianjin port's positive outlook is further strengthened by the central government's endorsement of the Dongjiang Tax Concession Area ("Dongjiang") in August 2006 to create the largest free trade zone in the country, located directly inside the port of Tianjin.

In the first half of the 2007, the total throughput achieved by Tianjin port was 157 million tonnes, representing a year-on-year growth of 22.9%. This makes Tianjin port the largest in the Bohai Rim and the forth largest port in the country, just after Shanghai, Ningbo and Guangzhou, in terms of total throughput. In terms of container handling, the total throughput in the period was 3.36 million TEUs, representing a year-on-year growth of 20.8%. Such healthy growth has allowed Tianjin port to remain the sixth largest container port in China in terms of container handling.

Under this macroeconomic environment, the Group achieved satisfactory results through organic growth of existing capacity. This was especially evident in regards to the Group's container handling business whose growth rate exceeded most other operators within the Tianjin port.

The Group's consolidated gross profit margin for the period was 52.9%, a marginal, but significant, increase of 1.3% over the same period last year. This positive result was achieved by actively shifting the product mix towards a higher proportion of high-margin products. During the period, container handling revenue accounted for 67.3% of total revenue compared to only 63.1% in the same period last year. Steel revenue increased drastically in the period, accounting for 63.4% of total non-containerised handling revenue (2006: 26.7%).

Consolidated operating margin of the Group in the period (excluding non-recurring exchange loss) was 28.2%, compared to 26.6% (excluding IPO interest income) in the prior period, the Group is maintaining its upward trend as expected. The constant improvements in overall operating profitability of the Group is the result of improved revenue structure, better economies of scale, improved operational efficiency and effective cost control measures. The management of the Group is dedicated to continually improving the operating margin of the Group. A summary of the throughput by segment is as follow:

	2003	2004	2005	2006	6/2006	**6/2007**
Throughput						
Container (thousand TEUs)	1,491	1,808	2,050	2,490	1,173	**1,353**
Non-container (million tonnes)	15.2	18.7	18.3	16.6	8.1	**6.5**

Container Handling Business

The Group currently operates five wholly-owned container handling berths with a total quay length of 1,590 meters and a designed annual container throughput capacity of roughly 1.92 million TEUs. With advanced equipment such as the Super-Panama class portainers, we are capable of handling the largest container vessels (whose capacities can range up to 10,000 TEUs). We estimate our portainers are currently capable of handling an average of 36 containers per hour, which is among the best in the region. This competitive rate makes the Group one of the most efficient port operators in Tianjin as well as in the PRC. The Group's total container handling capacity is expected to be well over 6 million TEUs by 2010, contingent upon (1) the acquisition of the 40% interest of Alliance International and (2) commencement of operations at the 40% owned Euroasia International.

Despite zero capacity growth for the period, the Group's container-handling business still maintained high organic growth at 15.3% in terms of throughput volume, achieving a total throughput volume of 1.35 million TEUs. This growth was the result of two driving factors: (1) the compelling growth at the port of Tianjin during the first half of 2007 coupled to (2) the new policy on export tax refund announced by the government which positively impacted growth of export trade volume prior to 30 June 2007. The container handling business showed 15.3% growth in throughput resulting in an increase in revenue to HK$385.4 million and a 36.0% growth in gross profit. The average unit price increased 6.9% to HK$285 per TEUs compared to the average unit price in 2006. The change was primarily driven by the increase in the ratio of outbound to inbound boxes and appreciation of RMB in the period.

Our market share in Tianjin port for the period was 40.3%, representing an anticipated small drop from 42% market share in the same period last year. However, we are confident our market share will substantially increase upon acquisition of Alliance International, commencement of operations at Euroasia International and by further streamlining the efficiency at existing terminals in the short to medium term.

Non-containerised Cargo Handling Business

Currently, the Group operates its non-containerised handling business in seven wholly-owned deep-water berths with a total quay length of 1,459 metres. The largest berths can dock vessels of over 70,000 deadweight tonnes, making us the largest single bulk cargo company (in terms of berthing capacity) at the port of Tianjin. The principal types of non-containerised cargo we handle are steel, grains, and other general cargo.

As of January 2007, we completely divested from our coal handling business due to environmental reasons. The significant drop in throughput in the period under review represents the relocation process. Our strategy to cope with the cessation of the coal handling business is to improve our product mix, push toward higher unit prices, accelerate the introduction of potential products and maintain our dominant position in the steel and grain sectors. Our strategy to date has been very effective in improving the overall profitability of our non-containerised cargo handling business.

During the period under review, the Group achieved a throughput volume of 6.5 million tonnes, representing a 20.0% decrease compared to same period last year. However, the revenue for the period under review reached HK$179 million, 3.3% above that of same period last year. The average unit price per tonne was HK$27.7 compared to HK$21.7 in the previous year, representing an increased average unit price of HK$6.0 or 27.6%. These encouraging results reflect the Group's ability to mitigate the impact of the cessation of the coal business.

One of the Group's long term goals is to develop steel into a flagship product. To this end, we established the Steel Distribution Centre in August 2006 and partnered with influential steel distributors in the region. The centre is the first and only steel logistics company within the Tianjin port. The Group achieved a record breaking steel handling volume of 4.4 million tonnes, representing a growth of 137% compared to the same period last year. The outstanding performance was partly the result of significant growth in production output and export volume of steel in the region, but more importantly due to our management's efforts in establishing the Steel Distribution Centre in 2006. The Group also spent roughly HK$20 million to expand facilities in order to increase our steel handling capacity.

Beside steel, grain is our other principal product in the bulk cargo business. However, due to significant drop in import of soya beans in the period, we handled only 0.6 million tonnes of grain, representing a sharp decrease of 51.9% compare to first half of last year. The dissatisfactory result was due to two main factors which discouraged soya bean imports: a good soya bean harvest in the country and the government's temporary incentive for using local soya beans. We expect the situation will improve when the government's temporary policy terminates. Since we have the exclusive grain cargo handling facilities in the Tianjin port, we will continue to attract new grain imports through a variety of marketing mechanisms.

PROSPECTS

The Eleventh Five Year Plan

The vibrant growth of the Chinese economy in the past two decades has significantly boosted the development of major ports in the country. The favourable market conditions have largely driven the success of major ports around the Pearl River Delta, Yangtze River Delta and Bohai Bay Areas. In March 2006, the PRC government announced its Eleventh Five Year Plan (the "Plan") under which the Binhai New District was included in the State's development strategies. The Binhai New District was designated as the third pole of the PRC's economic growth. Alongside Shenzhen to the south and Shanghai to the middle, the port of Tianjin is to be developed into an international shipping hub and logistics center for northern China.

The Plan indicates that over the next few years, a total investment of RMB36.6 billion will be spent on enhancing the infrastructure of the port. The port of Tianjin will have a navigation channel for 250,000 tonne vessels, expected to be completed by year's end. It is anticipated that container throughputs will reach 12 million TEUs by 2010. At the same time, the Plan accelerates the enhancement of the transportation networks connecting Tianjin to its hinterland, which includes plans for the construction of new railroads and highways. The Plan will spark robust GDP and trade values growth in the region and subsequently spur further throughput growth in the port area.

Dongjiang Port

The Dongjiang Tax Concession Area (the "Dongjiang Port"), located in the northern part of Tianjin port, was officially approved by the central government on 31 August 2006. Once completed, the Dongjiang Port, with estimate total area of 33 square km, will be the largest free tax concession area in China. The Dongjiang Port is planned to have three major zones; namely (1) terminal operation, (2) logistics processing and (3) integrated ancillary service. The Dongjiang Port is also expected to provide at least five major types of services, covering (1) container handling, (2) logistics, (3) business support service, (4) accommodation and (5) leisure and travel. According to the master development plan of the Dongjiang Port, an estimated area of about 10 square km in the central part of the peninsula will be designated to provide port logistics services.

The Group is the longest established operator in the port of Tianjin and possesses significant market share, especially in the container handling business. We will leverage our experience and seniority to negotiate for the best possible outcome in the development and planning stages of the Dongjiang Port. Beside our traditional cargo handing business, we are actively exploring the possibility of entering the port logistics business. Our long term strategic goal is to integrate container handling and port logistics as drivers of future growth.

Establishment of Logistics Joint Venture

On 6 August 2007, the Group, through a wholly owned subsidiary, entered into a joint venture agreement with a subsidiary of the Mapletree Investment Pte Ltd ("Mapletree"), a leading real estate and logistics business operator based in Singapore. The joint venture established Tianjin Port Gangfeng Bonded Logistics Co. Ltd ("Gangfeng") with the intent of developing a logistics park in the Dongjiang Port. The total investment into Gangfeng is RMB750 million in which RMB300 million will be contributed by joint venture partners as capital. The Group owns 51% of Gangfeng while Mapletree owns the remainder.

The logistics park will have a land area of approximately 643,000 square metres, yielding a total Gross Floor Area ("GFA") of approximately 577,000 square metres. The logistics park will be developed in several phases. Phase 1 will yield a total GFA of about 191,000 square metres of warehouse space, targeted for completion between end 2007 and first quarter 2008. The establishment of Gangfeng marks another milestone for the Group and is a crucial step towards our long term development.

Acquisition of Alliance International

The Group entered into a conditional agreement with Tianjin Port Group to acquire a 40% equity interest in Alliance International on 26 July 2007. OOCL, APMT and PSA each hold a 20% interest in Alliance International. Alliance International was established in 2005, with current registered and paid up capital and total investment of USD160 million and USD400 million respectively. The Group's consideration of HK$535 million for the 40% equity stake represents only a 8.5% premium to the audited HK$1,233 million net asset value of Alliance International, determined with reference to an independent valuation report as at 30 April 2007. The completion of the acquisition of Alliance International is conditional on the independent shareholders' approval.

Alliance International owns and operates a container terminal in Beigangchi area at the port of Tianjin with 4 berths, a total quay length of 1,100 meter and a designed handling capacity of 1.7 million TEUs. The construction has been completed and the terminal commenced operations in early 2007.

The Group's long term strategy has always focused on further developing container terminal operations and to increase its market share in the port of Tianjin. Following the Alliance International acquisition, the Group's capacity instantly expanded by another 1.7 million TEUs. Given the Group's existing facilities, the formation of Euroasia International and completion of the acquisition of Alliance International, the Group's total handling capacity will exceed 6 million TEUs by 2010, 140% greater than the actual annual throughput of the Group in 2006. The substantial increase in capacity will strengthen the economies of scale and enhance operating margin; both working together to improve overall profitability.

Construction of Euroasia International

The Company entered into an agreement with COSCO Ports and APMT in July 2006 to build a new container terminal in the Beigangchi area. Euroasia International terminal is planned to have three berths with a total quay length of 1,100 metres and a design capacity of 1.8 million TEUs. The target completion date is late 2008 or early 2009. All the major approvals by the government have been obtained and the overall progress of the project is satisfactory and in line with the original plan and timetable.

Given the proximity of the location of Alliance International with Euroasia International, the management believes that it will be able to better utilize the quay lengths of the two terminals and therefore enhance the combined handling capacity.

Strategic Cooperation with Joint Venture Partners

The Group will have three new joint ventures since our listing in May of last year, namely Gangfeng, Euroasia International and Alliance International (which include internationally renowned companies such as APMT, COSCO, OOCL, PSA, and Mapletree). The management believes that such broad partnerships will have a positive synergistic effect towards the Group's future development, both in terms of business growth and management expertise.

Enhancement of Existing Terminals

Besides building new terminals, the Group is committed to continually improving the operating efficiency of existing terminals. We acquired two new Super-Panama portainers in May 2006, which became fully operational in December 2006. We anticipate organic throughput growth of the container handling business (excluding the Alliance International and Euroasia International) to maintain double-digit growth at least through 2009.

On the non-containerised cargo business side, we are dedicated to continually improving our product structure to achieve higher per tonne unit price and larger profit margins. The steel distribution centre became operational in late 2006 and will steadily increase our market share of the steel business in the port as a whole. Given our competitive edge on import grains, we will continue our marketing and sales activities to boost throughput volume.

Cost Control

We are committed to maintaining costs and expenses, particularly salaries and wages, at a reasonable level, yet competitive level. We will proceed cautiously in head count changes and no increase in head count is expected in the near future aside from those required to staff new projects. We are actively exploring the possibility of transferring experienced staff members to new projects and investments in the future. This will benefit the Group two-fold by (1) reducing the number of new recruits and (2) expediting the ramp up process of the new terminals. Moreover, we are re-engineering our human resource policies by increasing the portion of outsourced labor to replace retired staff.

FINANCIAL REVIEW

Cash Flow

The net cash inflow from operations during the period amounted to HK$157.0 million, 12.9 % higher than the same period last year. The increase was attributed to improved revenue and operating margins offset by a net increase in working capital mainly as a result of extending the credit period to a few select customers.

Non-operation spending amounted to HK$400.9 million, largely attributed to capital expenditure and loan repayment. Approximately HK$192.8 million was used for payments for the acquisition of land and berths at existing terminals. Approximately HK$82.1 million was used to repay short term bank borrowings in order to optimize the use of cash on hand.

The IPO proceeds, netting underwriting commission and professional fees, were approximately HK$1.16 billion. Since the IPO to the period end date, approximately HK$845.3 million has been used for the acquisition of land and berths at existing terminals. The remaining HK$300 million is intended to be used as capital injection in Euroasia International.

During the period, the net cash outflow of the Group was HK$243.9 million (2006: net cash inflow of HK$1,117.1 million).

Liquidity and Financial Resources

As at period end, the Group's cash on hand was lowered to HK$692.0 million, compared to HK$926.4 million at the beginning of the year. The Group's total borrowings (all from banks) at the period end has been reduced to HK$41.1 million (beginning of the year: HK$119.5 million), which represents a gearing ratio (total borrowings divided by total equity) of only 1.3%. All borrowings are denominated in RMB with a fixed interest rate and repayable within one year. In addition, the current ratio (ratio of current assets to current liabilities) was 3.74 compared to 1.92 at the beginning of the year. At period end date, all assets of the Group are free of any charge. The Group has no other committed borrowing facilities.

For day-to-day liquidity management, the Group maintains flexibility in funding by obtaining sufficient uncommitted short-term facilities from banks. Given the low gearing ratio and committed expansion plans, such as acquisition of Alliance International, the management is considering the possibility of increasing the proportion of bank borrowings to shareholders' equity. This is done in order to lower the weighted average cost of capital of the Company, and hence, improve return to shareholders.

Financial Management and Policy

The financial risk management of the Group is the responsibility of the Group's treasury function at the head office in Hong Kong. One of the major objectives of the Group's treasury policies is to manage its exposure to fluctuations in foreign currency exchange rates. It is the Group's policy not to engage in speculative activities.

As at the period end date, most of the Group's assets and liabilities were denominated in RMB, except for the HKD cash deposits of approximately HK$374.6 million. Owing to appreciation of RMB, the Group recorded HK$18.0 million exchange loss during the period (2006 interim: nil), based on Hong Kong Financial Reporting Standards. The exchange loss arose from HKD cash deposits held during the period. To mitigate the exchange rate risk of potential RMB appreciation, the Group remitted, in aggregate, HK$845.3 million to repay the installments of the land and berths earlier in for the period from July 2006 to June 2007. This arrangement significantly reduced the potential exchange loss resulting from the appreciation of RMB. The Group plans to utilize the remaining HKD cash balance, mainly from IPO proceeds, in the coming months to pay up future investments or capital expenditures. The onetime exchange effect on HKD deposits due to appreciation of RMB is non-recurring and non-operational in nature. As at the period end date, the Group assessed its foreign exchange rate risk exposure and has not entered into any forex hedging arrangements.

Capital Structure

At the end of the period under review, the capital and reserves attributable to the equity holders of the Company was HK$3,172.1 million, representing an increase of HK$173.9 million or 5.8% compared to the end of last year. During the period, a final dividend for the year 2006 of HK$41.1 million was paid to shareholders of the Company.

The market capitalisation of the Company as at 29 June 2007 (the last trading day in period) was HK$10,026 million (issued share capital: 1,787,100,000 shares at closing market price: HK$5.61 per share).

SIGNIFICANT INVESTMENTS

During the period and subsequent to the reporting date, the Group has the following significant investments:

1. **Acquisition of Alliance International**

   For details of the transaction, please refer to the section "Prospect" under the same heading within this report.

2. **Establishment of Logistics Joint Venture**

   For details of the transaction, please refer to the section "Prospect" under the same heading within this report.

GOING CONCERN

On the basis of current financial projections and facilities available, the Group has adequate financial resources to continue its operation in the foreseeable future. For this reason, the going concern basis continues to be adopted in preparing financial statements.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 June 2007.

EMPLOYEES

As at 30 June 2007, the Group, excluding its associated companies, had a staff size of approximately 3,054 (2006: 3,195). Remuneration packages are assessed in accordance to the nature of job duties, individual performance and market trends. Incentives in the management's remuneration package are paid in the form of cash bonuses in addition to share options.

PURCHASES, SALE ON REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2007.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining a sound and effective system of corporate governance, a monitoring framework to ensure transparency and accountability in its operational processes, management processes, and decision-making processes. These measures are designed to protect and enhance shareholders' interest.

The Company has complied with the Code on Corporate Governance Practices set out in Appendix 14 to the Rules Governing The Listing of Securities on the Stock Exchange during the six months ended 30 June 2007.

The interim financial report of the Group for the six months ended 30 June 2007 has been reviewed by the audit committee.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to Listing Rules as the code of conduct regarding securities transactions by the Directors (the "Code"). Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Code during the six months period ended 30 June 2007.

PUBLICATION OF INTERIM RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE

The interim results of the Company for the six months ended 30 June 2007 containing all the information required by Appendix 16 of the Listing Rules will be dispatched to the shareholders of the Company and published on the website of the Stock Exchange in due course.

APPRECIATION

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

By order of the Board
YU Rumin
Chairman

Hong Kong, 19 September 2007

As at the date of this announcement, the Board consists of Mr. Yu Rumin, Mr. Nie Jiansheng, Mr. Zhang Jinming, Mr. Xue Lingsen and Mr. Jiao Hongxun as executive directors; Mr. Wang Guanghao as non-executive director; Mr. Kwan Hung Sang, Francis, Professor Japhet Sebastian Law and Dr. Cheng Chi Pang, Leslie as independent non-executive directors.