天津發展控股有限公司

TIANJIN DEVELOPMENT HOLDINGS LIMITED

(Incorporated in Hong Kong SAR with limited liability under the Companies Ordinance)

(Stock code: 882)

(1) POSSIBLE MAJOR TRANSACTION IN RELATION TO THE PROPOSED SPIN-OFF AND SEPARATE LISTING OF TIANJIN PORT DEVELOPMENT HOLDINGS LIMITED ON THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED; (2) PROPOSED DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION; (3) CONNECTED TRANSACTIONS IN RELATION TO THE TERMINATIONS; AND (4) PROPOSED CONTINUING CONNECTED TRANSACTIONS

Financial adviser

Deloitte.
德勤

Deloitte & Touche Corporate Finance Ltd.

Reference is made to the announcement of the Company dated 12 September 2005 regarding the Proposed Spin-off.

Further to the Company's announcement on 12 September 2005, the Board is pleased to announce that the Proposed Spin-off will be effected by way of the Share Offer.

In preparation for the Proposed Spin-off, the Group will implement the Reorganisation. As part of the Reorganisation, Tianjin Port Development was incorporated by the Company in the Cayman Islands on 26 August 2005. Following the incorporation of Tianjin Port Development, a number of reorganisation steps have been taken and will be taken to transfer the container and non-containerised cargo handling businesses within the Group to Tianjin Port Development in preparation for the separate listing of the Tianjin Port Development Shares and to effect a rationalisation of the Group structure. The objective of the Reorganisation is to establish Tianjin Port Development as the holding company for the Group's interests in the container and non-containerised cargo handling companies.

It is currently expected that the Company's direct and indirect interest in the share capital of Tianjin Container and Tianjin Second Stevedoring will be diluted from the current level of 100% to approximately 66% immediately following completion of the Share Offer (assuming that the Over-Allotment Option is not exercised). Thus, it is currently expected that Tianjin Container and Tianjin Second Stevedoring will continue to remain as subsidiaries of the Company following the Proposed Spin-off.

The Proposed Spin-off is subject to certain conditions precedent as set out below and will constitute a possible major transaction as defined in Rule 14.06 of the Listing Rules and a material dilution of the Company's interest in Tianjin Port Development, a major subsidiary of the Company as defined under the Listing Rules. The Proposed Spin-off is conditional on, among other things, obtaining approvals from the Independent Shareholders on the resolution in respect of the Acquisition and the Terminations and that the Acquisition and the Terminations are part and parcel of, and conditional upon the Proposed Spin-off. In light of the above, it is considered that Tsinlien has a material interest in the Proposed Spin-off. As such, Tsinlien and its associates are required to abstain from voting at the Extraordinary General Meeting in relation to the Proposed Spin-off.

The register of members of the Company will be closed from 9:00 a.m. to 4:30 p.m. on 8 May 2006 (or such later date(s) as the Board may determine and announce) for the purpose of determining the entitlement of the Qualifying Shareholders to the Preferential Offer. No transfer of Shares will be registered during that period. In order to qualify for the Preferential Offer, all transfers of Shares must be lodged with the share registrar of the Company by no later than 4:30 p.m. on 4 May 2006 (or such later date as the Board may determine and announce).

The board of directors of Tianjin Container declared a special cash dividend of approximately RMB25 million (equivalent to approximately HK$24.0 million) on 3 March 2006. The declaration of dividend is considered a return of investment to the Company for its long-term support of the companies comprising the Tianjin Port Development Group. This special dividend is to be paid to the Company out of Tianjin Container's distributable reserves. Investors of Tianjin Port Development Shares in the Share Offer will not be entitled to this special dividend.

Prior to the listing of Tianjin Port Development, each of Tianjin Container and Tianjin Second Stevedoring will enter into the Sale and Purchase Agreements with, amongst others, Tianjin Port Group for the Acquisition and certain subsidiaries of the Tianjin Port Development Group will also enter into agreements with Tianjin Port Group to terminate the Historical Agreements and the Company will enter into the Deed of Termination with Tianjin Port Group to terminate the Pre-emptive Rights. Since the Stock Exchange has exercised its discretion under Rule 14A.06 of the Listing Rules to deem Tianjin Port Group as a connected person (as defined in the Listing Rules) of both the Company and Tianjin Port Development, the Acquisition and the Terminations are subject to the approval of the Independent Shareholders by way of poll at the Extraordinary General Meeting. Since the relevant percentage ratios (as defined under Chapter 14 of the Listing Rules) in respect of the Acquisition are more than 5% but less than 25%, the Acquisition will constitute a discloseable and connected transaction for the Company.

Each of Tianjin Container and Tianjin Second Stevedoring will also enter into service agreements with Tianjin Port Group for the Continuing Connected Transactions which will be subject to, among other things, the connected transactions requirements under Chapter 14A of the Listing Rules following the Proposed Spin-off.

A circular providing, among other things, details of the Proposed Spin-off and its effect on the Company, information on the Acquisition, the Terminations and the Continuing Connected Transactions, a letter of advice from an independent financial adviser, the financial information of the Group, together with a notice convening an Extraordinary General Meeting to approve, among other things, the Proposed Spin-off, the Acquisition, the Terminations and the Share Option Scheme will be despatched to the Shareholders on 22 April 2006.

Finally, the Board also wishes to announce that the last advance booking form submitted to the Stock Exchange on 1 April 2004 for an application for the listing of the shares in Coastal Rapid on the main board of the Stock Exchange has lapsed on 30 September 2004 and, for commercial reasons, the Company has no current intention to continue to pursue the spin-off of its toll road operations.

Investors are reminded that no final decision has been made by the Company yet as to whether and when the Proposed Spin-off and the Share Offer will be effected. There is also no assurance that the approval of the Listing Committee for the Proposed Spin-off and the listing of, and permission to deal in, the Tianjin Port Development Shares on the main board of the Stock Exchange will be granted. Further announcement(s) in relation to the Proposed Spin-off will be made by the Company if and when appropriate.

As the listing of the Tianjin Port Development Shares pursuant to the Proposed Spin-off and the Share Offer are subject to, among other things, the approval of the Listing Committee, the final decision of the Board, the Independent Shareholders and the board of directors of Tianjin Port Development, the Proposed Spin-off and the Share Offer may or may not materialise. Shareholders and other investors are reminded to exercise caution when dealing in the Shares.

INTRODUCTION

On 12 September 2005, the Board announced that, among other things, (i) the Company had submitted a formal application to the Stock Exchange for its approval for the Proposed Spin-off; (ii) an advance booking form for an application for the listing of, and permission to deal in, the Tianjin Port Development Shares in issue and to be issued under the Share Offer (including the Tianjin Port Development Shares to be issued upon the exercise of the options that may be granted under the Share Option Scheme of Tianjin Port Development to be approved by the Shareholders and the Over-allotment Option (if any)) on the main board of the Stock Exchange was also submitted to the Stock Exchange by Tianjin Port Development on 12 September 2005; and (iii) the Proposed Spin-off will be effected in compliance with PN15 and the relevant provisions of the Listing Rules.

Further to the Company's announcement on 12 September 2005, the Board wishes to announce that the Company intends to effect the Proposed Spin-off by way of the Share Offer.

Prior to the listing of Tianjin Port Development, each of Tianjin Container and Tianjin Second Stevedoring will enter into the Sale and Purchase Agreements with Tianjin Port Group in respect of the Acquisition and has entered into/will enter into agreements to terminate the Historical Agreements and various services agreements with Tianjin Port Group in respect of the Continuing Connected Transactions. The Company will also enter into the Deed of Termination with Tianjin Port Group to terminate the Pre-emptive Rights.

The Shares will continue to be listed on the main board of the Stock Exchange after the implementation of the Proposed Spin-off.

INFORMATION ON THE PROPOSED SPIN-OFF

Business of the Group and the Tianjin Port Development Group

The principal operations of the Group and its associated companies can be categorised into four sectors, namely, (i) infrastructure operations, (ii) utilities operations, (iii) consumer products operations and (iv) strategic and other investments. Infrastructure operations consist of container and non-containerised cargo handling operations, and toll road operations; utilities operations consist of supply of water, electricity and thermal power; consumer products operations consist of the production, sale and distribution of winery products and dairy products; and strategic and other investments include property development, investments in gas fuel operations, elevator and escalator operations and bio-pharmaceutical operations.

Tianjin Container and Tianjin Second Stevedoring, both of which will be wholly-owned subsidiaries of Tianjin Port Development upon completion of the Reorganisation, have always undertaken the container and non-containerised cargo handling businesses of the Group. Tianjin Container operates four container handling berths out of a total of thirteen container handling berths at the port of Tianjin, covering a total site area of 722,750.4 square metres and Tianjin Second Stevedoring operates nine berths. Two of the nine berths were converted into one single container berth and are equipped for the loading and unloading of containers and are dedicated to serving smaller container ships, six berths are equipped for handling general cargo, and one is equipped as a non-containerised grain handling terminal, covering a total site area of approximately 731,643.4 square metres.

Upon completion of the Proposed Spin-off, the Tianjin Port Development Group will be engaged in the provision of ports services including the loading and unloading of containerised and non-containerised cargo from shipping vessels, the stacking and warehousing of containers and cargo, as well as various ancillary services such as container repair and maintenance, container transportation and shipping agency services in the PRC, while the Remaining Group will continue to carry on their existing businesses, namely toll roads management and operation, property development and the supply of utilities, which are different and distinctive to the business carried on by the Tianjin Port Development Group in terms of nature of business, location of premises, utilisation of facilities and equipment and management as described in the paragraph below.

The Tianjin Port Development Group has not been reliant on the Group for financial assistance and will not share offices with the Remaining Group both in Hong Kong and Tianjin upon completion of the Proposed Spin-off. In respect of facilities and equipment, the Tianjin Port Development Group mainly uses berths, railway, portainers, transtainers, cranes and forklifts in the operations, which are not utilised by any members of the Remaining Group. In respect of day-to-day management, the management team, employees, offices, administrative functions and financial management of the Tianjin Port Development Group have been independent of the Remaining Group.

As the Stock Exchange has exercised its discretion to deem Tianjin Port Group as a connected person of both the Company and Tianjin Port Development pursuant to Rule 14A.06 of the Listing Rules, transactions that Tianjin Port Development enters into with Tianjin Port Group may, depending on the size of such transactions under Chapter 14 of the Listing Rules, require approval from the independent shareholders of Tianjin Port Development, as well as a separate approval from the Independent Shareholders. Therefore, notwithstanding that a transaction with Tianjin Port Group may have been approved by the independent shareholders of Tianjin Port Development, it may still be subject to approval by the Independent Shareholders. The Company will also abstain from voting at any shareholders' meetings of Tianjin Port Development to approve any connected transactions to be entered into between the Tianjin Port Development Group and Tianjin Port Group.

Directorship of the Group and the Tianjin Port Development Group

The Board currently comprises a total of 15 Directors. The board of Tianjin Port Development is expected to be comprised of nine directors. Save for Mr. Wang Guanghao and Mr. Nie Jiansheng, who have been appointed as non-executive director and executive director of Tianjin Port Development respectively, none of the directors, senior management and staff of the Tianjin Port Development Group have assumed any employment, role and function in any company which forms part of the Remaining Group.

The independence of the management of Tianjin Port Development will not be affected by the dual directorship of Messrs. Wang and Nie since the business of the Company and Tianjin Port Development will be managed by the Board comprising 15 Directors and the board of Tianjin Port Development comprising nine directors, respectively.

Further, as Tianjin Port Development will remain as a subsidiary of the Company following the completion of the Proposed Spin-off, the interests of Tianjin Port Development will be in alignment with those of the Group. By pursuing the interests of Tianjin Port Development, the aforesaid two Directors will also be acting in the best interests of the Group and the Shareholders.

Hence, despite the dual directorship of Messrs. Wang and Nie, the Company complies with the requirements of PN15 that the management and the directorship of the Company is independent from those of Tianjin Port Development. Mr. Wang will be mainly involved in the strategic planning of the Tianjin Port Development Group while Mr. Nie will be mainly involved in its corporate finance activities.

The Proposed Spin-off

The Company intends to effect the Proposed Spin-off by way of the Share Offer.

The final structure of the Share Offer will be decided by the Board and the board of directors of Tianjin Port Development. At present, it is expected that the Share Offer will comprise an offering of the Tianjin Port Development Shares to the public in Hong Kong for subscription as well as a placing of the Tianjin Port Development Shares with certain professional, institutional and other investors. The Share Offer will also include an offer of assured entitlements to Qualifying Shareholders to subscribe for the Tianjin Port Development Shares by way of preferred application under the Preferential Offer.

Pursuant to the Proposed Spin-off, a new issue of Tianjin Port Development Shares representing approximately 34% (taking no account of any Tianjin Port Development Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme) or approximately 37.2% (if the Over-allotment Option is exercised in full and taking no account of any Tianjin Port Development Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme) of the enlarged issued share capital of Tianjin Port Development will be offered under the Share Offer.

The new Tianjin Port Development Shares pursuant to the Share Offer will rank pari passu in all respects with the other Tianjin Port Development Shares then in issue and there is no restriction on the subsequent sale of such shares. The Shares will continue to be listed on the main board of the Stock Exchange after the implementation of the Proposed Spin-off.

Conditions Precedent

It is currently expected that the Proposed Spin-off will be conditional on, amongst other things, the following:

(i) conditional on obtaining approvals from the Independent Shareholders on the resolution to be proposed at the Extraordinary General Meeting in respect of the Acquisition and the Terminations as set out in (ii) below, the Independent Shareholders passing an ordinary resolution at the Extraordinary General Meeting approving, inter alia, the implementation of the Proposed Spin-off;

(ii) conditional on obtaining approvals from the Independent Shareholders on the resolution to be proposed at the Extraordinary General Meeting in respect of the Proposed Spin-off as set out in (i) above, the obtaining of the approvals by the Independent Shareholders at the Extraordinary General Meeting in respect of the Acquisition and the Terminations;

(iii) the Listing Committee granting approval for the Proposed Spin-off and/or the listing of, and permission to deal in, the Tianjin Port Development Shares in issue and to be issued pursuant to the Share Offer (including the Tianjin Port Development Shares to be issued upon the exercise of the options that may be granted under the Share Option Scheme and the Over-allotment Option (if any)) and compliance with the stock admission requirements of HKSCC; and

(iv) the obligations of the underwriters under the underwriting agreement(s) to be entered into between, among other things, Tianjin Port Development, the Company and the underwriters in respect of the Share Offer becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by or on behalf of the underwriters) and the underwriting agreement(s) not being terminated in accordance with its terms or otherwise, on or before the dates and times to be specified therein.

If any of these and other applicable conditions are not fulfilled or waived, if applicable, prior to the dates and times to be specified, the Proposed Spin-off will lapse, the Stock Exchange will be notified immediately and an announcement will be published by the Company and/or Tianjin Port Development as soon as practicable following such lapse.

The Reorganisation

(1) The Reorganisation

In preparation for the Proposed Spin-off, the Group will implement the Reorganisation. As part of the Reorganisation, Tianjin Port Development was incorporated by the Company in the Cayman Islands on 26 August 2005. Following the incorporation of Tianjin Port Development, a number of reorganisation steps have been taken and will be taken to transfer the container and non-containerised cargo handling businesses within the Group to Tianjin Port Development in preparation for the separate listing of the Tianjin Port Development Shares and to effect a rationalisation of the group structure. The objective of the Reorganisation is to establish Tianjin Port Development as the holding company for the Group's interests in the container and non-containerised cargo handling companies. Further details of the Reorganisation will be included in the Company's circular to its Shareholders which will be despatched on 22 April 2006.

(2) Business Allocation Undertakings and Terminations

(a) Background

In 1997, the Connected Transactions Agreement was entered into between, among others, the Company and Tianjin Port Authority to govern the Business Allocation Undertakings, the Pre-emptive Rights and certain other agreements between the parties. In July 2004, Tianjin Port Authority undertook a reorganisation in response to the policy announced by the State Council of the PRC on 23 November 2001, pursuant to which Tianjin Port Group was reorganised on 29 July 2004 to takeover all of the businesses previously owned and managed by Tianjin Port Authority, while Tianjin Port Authority's administrative functions were assumed by the Tianjin Communications Commission (the "TPA Reorganisation").

Upon the TPA Reorganisation, save for the Business Allocation Undertakings, the Connected Transactions Agreement and other agreements previously entered into between the Group and Tianjin Port Authority were subsequently assumed and performed by Tianjin Port Group and its subsidiaries and remained subsisting as at the date of this announcement. Such agreements include four lease agreements in respect of leasing of the Properties, one lease agreement in respect of certain port equipment and various service agreements for the collection of port administration fee, provision of container reconfiguration service, supporting and auxiliary services and inventory management and materials supplies (collectively the "Historical Agreements"). The validity, legality and enforceability of the Historical Agreements were not affected by the TPA Reorganisation.

(b) Business Allocation Undertakings

Certain business allocation undertakings (the "Business Allocation Undertakings") were given by Tianjin Port Authority at the time of listing of the Company pursuant to the Connected Transactions Agreement under which it agreed that, only and for so long as it retains the authority to allocate cargos at the port of Tianjin, it would ensure that certain minimum percentages of containerised and non-containerised cargos were allocated to the Group. In addition, the Business Allocation Undertakings were stated to cease to have effect when Tianjin Port Authority ceased to have administrative authority to allocate cargoes at the port of Tianjin (i.e. upon the TPA Reorganisation).

The Group's port-related business has continually evolved and developed during the eight years since its listing in 1997. With the increasingly competitive operating environment, the Group has over the years implemented various measures for developing direct relationships with its customers, including the establishment of its own marketing team, which currently comprises 20 employees, and implementation of marketing programs aimed at retaining premium customers. The Group is also committed to the improvement of its operating efficiency, capacity and service quality. The Group continuously improves its management and operational efficiency with enhanced turnaround and storage capability and strengthened logistics management by upgrading its existing equipment and installing sophisticated operational software. As a result, the Group's port-related business has experienced steady growth in both operational and financial performance and its reliance on business being allocated or referred to it by Tianjin Port Authority has steadily declined over the years.

Over time, the Business Allocation Undertakings became increasingly unimportant to the Group as a large number of the Group's key customers that were originally "allocated" to the Group continued their business relationships with the Group without formally going through a further process of "allocation" and notwithstanding that such customers have been free to transfer their businesses to other operators at the port of Tianjin at any time. In fact, as at 31 December 2005, Tianjin Container had maintained relationships of over five years' duration with four out of its five largest customers and Tianjin Second Stevedoring had maintained relationships of over five years' duration with three out of its five largest customers. The aggregate turnover from the five largest customers of Tianjin Container and Tianjin Second Stevedoring accounted for approximately, 29.54%, 24.24% and 31.82% of the total turnover of Tianjin Container and Tianjin Second Stevedoring for the three years ended 31 December 2005, respectively. Further, although the Business Allocation Undertakings ceased to have legal effect in July 2004, the cessation of the Business Allocation Undertakings has had no adverse effect on the operating and financial performances of the Tianjin Port Development Group, which is evident by the fact that the Tianjin Port Development Group still managed to increase its turnover and profit for the two years ended 31 December 2005.

Hence, since the listing of the Company in 1997, the business of Tianjin Container and Tianjin Second Stevedoring has gradually shifted from one that relied on both the coordination of customers by Tianjin Port Authority and the standard of service provided to customers, to one that relies solely on external commercial factors, including the standard of service provided to customers, as well as the Group's marketing and sales capabilities and, in respect of our non-containerised business, pricing of the services provided.

Details of the development of the businesses of Tianjin Container and Tianjin Second Stevedoring since the listing of the Company in 1997 have been disclosed in the "Management, Discussion and Analysis" sections of the annual reports of the Company issued each year since 1998 (the "Annual Reports") which have provided Shareholders with such information annually.

The Board would like to emphasise to the Shareholders that a breakdown of allocated and non-allocated business for each year would not be possible to collate since the Group has long-standing relationships with the majority of its customers, who account for the bulk of the Group's revenue from port operations, and the Group has continued to develop relationships with customers that were originally referred to it by Tianjin Port Authority.

As such, the disclosures in relation to the Business Allocation Undertakings in the "Connected Transactions" section in the Annual Reports only confirmed that the Group had "dealt with" or "handled" certain levels of throughput during the relevant financial years covered by those reports that were compared by way of percentage to the overall throughput at the port of Tianjin. Such disclosures do not specify that the volumes of business "handled" or "dealt with" by the Group were actually attributable to the Business Allocation Undertakings nor were they intended to indicate that the Company had sought to enforce or strictly rely upon the terms of the Business Allocation Undertakings.

As the business model of the port operations of the Tianjin Port Development Group has not been changed nor have its operations been affected in any way as a result of Tianjin Port Authority ceasing to have the authority to allocate the business in 2004, the Board is of the view that the conversion of Tianjin Port Authority in 2004 and the cessation of the Business Allocation Undertakings will not have any negative impact to the business, operations and/or financial position of the Group that would require the Company to issue an announcement under Rule 13.09 of the Listing Rules.

(c) *Terminations*

1. Historical Agreements

In order to reduce the level of reliance on Tianjin Port Group, the Tianjin Port Development Group has entered into/ will enter into agreements to terminate the Historical Agreements with Tianjin Port Group prior to the listing of Tianjin Port Development.

The Board considered that the termination of the Historical Agreements will not have any material adverse impact on the Group's operations as the Group has negotiated with Tianjin Port Group for the purchases of the Properties and the Port Equipment under the Sale and Purchase Agreements and will be entitled to use and occupy the Properties at nil consideration prior to the issuance of the new land use rights certificates of the Properties. In respect of the service agreements for container reconfiguration storage, inventory management and material supplies and supporting and auxiliary services, all of which were terminated on 31 March 2006, and the need for container reconfiguration storage and inventory management has been satisfied internally as Tianjin Port Development Group has upgraded its existing facilities by purchasing a new 90,000 square metres container stacking facility with a 10,000 square metres distribution warehouse in 2004. As for materials supplies, the materials supplied by Tianjin Port Group were miscellaneous in nature and the Tianjin Port Development Group has been able to source such materials from independent third party providers since the termination of the agreement on 31 March 2006. In respect of the supporting and auxiliary services, the Tianjin Port Development Group expects that such service needs can also be satisfied internally. Hence, the Directors believe that the termination of the Historical Agreements will not have any material adverse impact on the Group's operations.

2. Pre-emptive Rights

For the purpose of delineating the container and non-containerised cargo businesses from the Remaining Group, the Board is of the view that the following pre-emptive rights and options (the "Pre-emptive Rights") in respect of investments and facilities within the port of Tianjin granted by the Tianjin Port Authority to the Company under the Connected Transactions Agreement entered into in 1997, should be terminated before the listing of Tianjin Port Development:

(i) the right of first refusal to develop, operate and invest in any new container handling operations in the port of Tianjin;

(ii) the right of first refusal to develop, operate and invest in any new non-containerised cargo handling operation in the port of Tianjin (except the new coke terminal located at Nanjiang (南疆));

(iii) the right of first refusal to participate in any further capital investment of an amount of over US$5 million in any of 天津港第一港埠公司(Tianjin Harbour First Stevedoring Company*), 天津港第三港埠公司 (Tianjin Harbour Third Stevedoring Company*), 天津港第四港埠公司(Tianjin Harbour Fourth Stevedoring Company*), 天津港第五港埠公司(Tianjin Harbour Fifth Stevedoring Company*) and 天津港第六港埠公司(Tianjin Harbour Sixth Stevedoring Company*) (together referred to as the "Other Stevedoring Companies" hereinafter); and

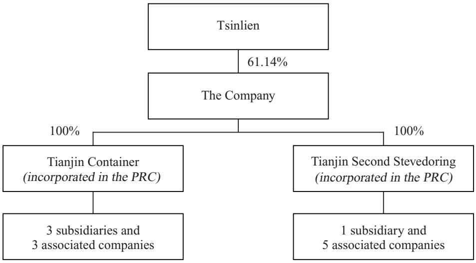
(iv) options to acquire any of the interest in any of the Other Stevedoring Companies and other stevedoring operation interests held from time to time by Tianjin Port Authority in the port of Tianjin, in the event Tianjin Port Authority ceases to have the authority to allocate non-containerised cargoes in the port of Tianjin.

The Board has considered an assignment of the Pre-emptive Rights to Tianjin Port Development. Based on the advice of the PRC lawyers to Tianjin Port Development in relation to the Share Offer, any assignment of the Pre-emptive Rights may not be enforceable under PRC law since any assignment of rights to be enforceable under PRC law requires the prior consent of the grantor (i.e. Tianjin Port Group). Tianjin Port Group has indicated that it is unable to give such consent. Hence, the Reorganisation also involves the entering into of the Deed of Termination between the Company and Tianjin Port Group.

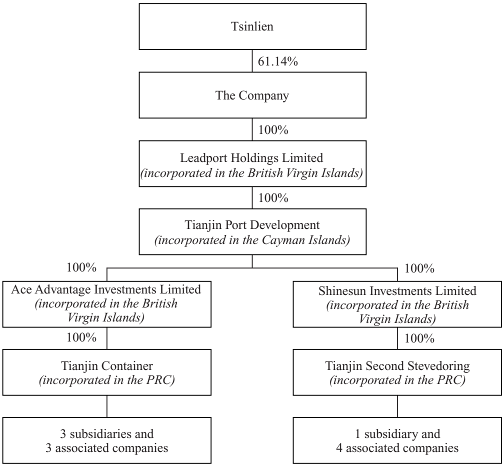
Given that the Company has never sought to exercise the Pre-emptive Rights since it was granted to them in 1997 and the growth strategy of the Tianjin Port Development Group will be based on its enhancement of existing facilities and investment in a new terminal facility, the termination of such rights would not deprive the Tianjin Port Development Group from an investment opportunity that it would otherwise have an interest in pursuing. As such, the Board believes that it would be reasonable for the Group to terminate the Pre-emptive Rights immediately prior to the listing of Tianjin Port Development and that the entry of the Deed of Termination will not have any adverse impact on the Group. As a result of entering into the Deed of Termination, the Pre-emptive Rights will no longer exist and the Group will cease to have any interest in businesses relating to container and non-containerised cargo handling (other than its interest in the Tianjin Port Development Group) following the listing of Tianjin Port Development.

Effects of the Proposed Spin-off

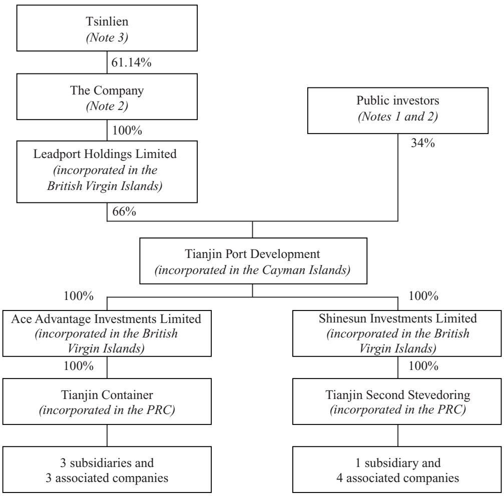
(i) The simplified shareholding structure of the Group and Tianjin Port Development Group immediately before the Reorganisation:



(ii) The simplified shareholding structure of the Group and the Tianjin Port Development Group immediately after the Reorganisation but prior to the Proposed Spin-off:



(iii) The simplified shareholding structure of the Group and the Tianjin Port Development Group immediately after the Proposed Spin-off (assuming that the Over-allotment Option is not exercised):



Notes:

1. Of the 34%, approximately 3.6% of the total issued share capital of Tianjin Port Development will be held by Qualifying Shareholders, assuming that all the Qualifying Shareholders have taken up their entitlements under the Preferential Offer and the Over-allotment Option is not exercised.
2. Assuming the Over-allotment Option is exercised in full, the Tianjin Port Development Shares to be offered under the Share Offer will represent approximately 37.2% of the enlarged issued share capital of Tianjin Port Development and the Company's interest in the enlarged issued share capital of Tianjin Port Development will be approximately 62.8%.
3. Assuming Tsinlien has taken up its entitlement under the Preferential Offer in full, Tsinlien would also be indirectly interested in approximately 68.2% of Tianjin Port Development, and the public float of Tianjin Port Development would be reduced to approximately 31.8% of its total issued share capital (assuming the Over-allotment Option is not exercised).

Intended use of proceeds

The principal reason for the Share Offer is to provide the Tianjin Port Development Group with the necessary funding for the implementation of its future plans to participate in the construction of a new container handling facility at the Beigangchi (北港池) area at the port of Tianjin to capture the potential of the growing throughput at the port.

The net proceeds of the Share Offer, after deducting underwriting fees and related expenses payable by Tianjin Port Development in relation to the Share Offer (assuming the Over-allotment Option is not exercised), are estimated to be approximately HK$809 million if the Offer Price as finally determined is HK$1.50 per share and HK$995 million if the Offer Price as finally determined is HK$1.83 per share. Assuming the Over-allotment Option is not exercised and an Offer Price of HK$1.665 per share, being the midpoint of the indicative Offer Price range of HK$1.50 per share to HK$1.83 per share, the net proceeds of the Share Offer are estimated to be approximately HK$902 million, which Tianjin Port Development presently intends to utilise as follows:

- approximately HK$577 million as its contribution to the registered capital of a proposed new container handling joint-venture to be formed with two international ports operators; and
- approximately HK$325 million to fund part of the acquisition cost of the Acquisition.

If the net proceeds of the Share Offer are HK$995 million (based on an Offer Price of HK$1.83 per share), being the high end of the indicative Offer Price range of HK$1.50 per share to HK$1.83 per share, Tianjin Port Development will receive an additional amount of approximately HK$92 million net proceeds, which Tianjin Port Development currently intends to use to complete the Acquisition. Other than the new container handling joint-venture and the Acquisition, Tianjin Port Development currently has no other specific plans for the application of the net proceeds from the Share Offer. Please also refer to the Prospectus for further details on the timing of the application of the net proceeds by Tianjin Port Development.

In the event that the Over-allotment Option is exercised in full, the net proceeds of the Share Offer will be increased by approximately HK$141 million (based on an Offer Price of HK$1.665 per share, being the midpoint of the indicative Offer Price range of HK$1.50 per share to HK$1.83 per share). Such additional net proceeds will be applied by Tianjin Port Development for funding part of the acquisition cost of the Acquisition.

To the extent that the net proceeds of the Share Offer are not immediately used for the above purposes, it is the present intention of the directors of Tianjin Port Development that such amount will be placed on short term deposits with banks and financial institutions in Hong Kong. Investment in any new facilities that Tianjin Port Development may decide to construct, other than the new container terminal facility, will be financed by internal cash flow generated from its operations.

REASONS AND BENEFITS OF THE PROPOSED SPIN-OFF

The Board considers the Proposed Spin-off commercially and strategically desirable, and is in the interest of the Shareholders, to obtain a separate listing of the Tianjin Port Development Group, which is also expected to create greater value for the Company and the Shareholders as a whole for the following reasons:

(1) the Proposed Spin-off will allow the Company and the Shareholders an opportunity to realise their investment in the Tianjin Port Development Group;

(2) the Proposed Spin-off will enable the Tianjin Port Development Group to build its identity as a separately listed group, which in turn will provide the Company an opportunity to focus on its own corporate finance opportunities and requirements and will enable the Tianjin Port Development Group to gain direct access to the capital markets for equity and/or debt financing to fund its existing operations and future expansion based on the current structure of the Share Offer, and will enable Tianjin Port Development to raise net proceeds of approximately HK$902 million (based on the midpoint of the indicative Offer Price range mentioned above) to fund its future plans;

(3) as a separately listed group, the Tianjin Port Development Group will be able to further build on its reputation, and the Company will in turn be able to benefit from the enhanced reputation of the Tianjin Port Development Group through its shareholding in Tianjin Port Development;

(4) the Proposed Spin-off will increase the operational and financial transparency of the Tianjin Port Development Group and provide investors, the investment market and rating agencies with greater clarity on the businesses and financial status of the Remaining Group and the Tianjin Port Development Group, and together such improvements will help to build investor confidence in the performance and management of both the Remaining Group and the Tianjin Port Development Group; and

(5) the stock performance of the Tianjin Port Development Group can serve as a separate benchmark for shareholders and the investing public to evaluate the performance of the management of the Tianjin Port Development Group which could in turn serve as an incentive for the management of the Tianjin Port Development Group to seek improvement and raise efficiency of the Tianjin Port Development Group on an ongoing basis.

In view of the above, the Board is of the view that, whilst recognising the short term financial effects of the Proposed Spin-off as discussed in the following paragraph, the Proposed Spin-off is a sound strategic option to foster the long-term growth and business objectives of Tianjin Port Development, and is consistent with the stated investment strategy of the Group.

THE PREFERENTIAL OFFER

Subject to the Stock Exchange granting listing of, and permission to deal in, the Tianjin Port Development Shares on the Stock Exchange, 61,200,000 Reserved Shares will be available for subscription by Qualifying Shareholders at the Offer Price under the Preferential Offer. Qualifying Shareholders will be entitled to subscribe on an assured basis at the Offer Price for an estimated one Reserved Share for every multiple of approximately 15.6258 existing Shares held by them on the Record Date, based on 956,297,052 Shares in issue as at the date of this announcement. Any Qualifying Shareholder holding less than 16 Shares (or such other number of existing Shares as may be the minimum specified by the Company as carrying the entitlement to subscribe for the Reserved Shares) will not be entitled to apply for the Reserved Shares on an assured basis.

As at the date of this announcement, Tsinlien, the controlling shareholder of the Company, is beneficially interested in 584,655,143 Shares and Dr. Wang Jiandong, an executive Director, is beneficially interested in 450,000 Shares. Each of Tsinlien and Dr. Wang Jiandong is currently expected to be entitled to subscribe for approximately 37,416,000 Tianjin Port Development Shares and 28,800 Tianjin Port Development Shares respectively under the Preferential Offer.

A blue application form, together with a copy of the Prospectus, will be despatched to each Qualifying Shareholder who is entitled to apply for the Reserved Shares. Qualifying Shareholders will be permitted to apply for a number of Reserved Shares which is less than, or equal to, their assured entitlements under the Preferential Offer. Where a Qualifying Shareholder applies for a number of Reserved Shares which is greater than his or her assured entitlement, his or her assured entitlement will be satisfied in full, subject as mentioned above, but the excess portion of such application will not be met. Qualifying Shareholders may, in addition to applying for Reserved Shares, also apply for Tianjin Port Development Shares under the Public Offer. Any assured entitlements not taken up by the Qualifying Shareholders will be allocated to the international placing under the Share Offer.

Shareholders should note that assured entitlements to Reserved Shares may not represent a multiple of a full board lot of 2,000 Tianjin Port Development Shares and will be rounded down to the closest whole number if required, and that dealings in odd lots of the Tianjin Port Development Shares may be at a price below their prevailing market price.

Entitlements to the Reserved Shares will not be transferable and there will be no trading in nil paid entitlements on the Stock Exchange. Any Tianjin Port Development Shares issued pursuant to the Preferential Offer will be deemed fully paid, ranking pari passu in all respects with other Tianjin Port Development Shares then in issue.

CLOSURE OF REGISTER

The register of members of the Company will be closed from 9:00 a.m. to 4:30 p.m. on 8 May 2006 (or such later date(s) as the Board may determine and announce) for the purpose of determining the entitlement of the Qualifying Shareholders to the Preferential Offer. No transfer of Shares may be registered during that period. In order to qualify for the Preferential Offer, all transfers of Shares must be lodged with the share registrar of the Company by no later than 4:30 p.m. on 4 May 2006 (or such later date as the Board may determine and announce).

THE ACQUISITION

The Properties

Prior to the listing of Tianjin Port Development, each of Tianjin Container and Tianjin Second Stevedoring will enter into an agreement with Tianjin Port Group and the Tianjin Land Bureau and an agreement with Tianjin Port Group in relation to the acquisition of the Properties. The original lease agreements entered into between each of Tianjin Container and Tianjin Second Stevedoring and Tianjin Port Group in 1997 would also be terminated with effect on the effective date of the agreements in relation to the Acquisition. Details of the Properties are summarised below:

a) a parcel of land with an aggregate area of 1,365,007.9 square metres located at the Beijiang area of the port of Tianjin; and

b) two berths, railways and storage space in respect of a total quay length of 3,046 metres of the port of Tianjin, together with ancillary facilities including railways totaling 7,783 metres long and a warehouse and storage space of 224,754 square metres in size, located at the port of Tianjin.

The Port Equipment

Prior to the listing of Tianjin Port Development, Tianjin Container will enter into an agreement with Tianjin Port Group in relation to the acquisition of the Port Equipment, which includes 2 portainers and 1 transtainer.

The Sale and Purchase Agreements will take immediate effect upon signing by the parties involved.

Consideration

The Properties

The aggregate consideration for the Acquisition of the Properties will be RMB894 million (equivalent to approximately HK$860 million), which will be payable by the Tianjin Port Development Group and is based on the independent valuation reports dated 28 February 2006 issued by Tianjin XinHua Certified Public Accountants Ltd. Co. (天津市新華有限責任會計師事務所) and 天津市嘉德房地產價格評估諮詢有限公司 (Tianjin Jiade Properties Appraisal & Consulting Limited*), which is a qualified domestic appraisal firm certified by the Tianjin Land Bureau, and has been confirmed by the Tianjin Land Bureau. According to the valuation report issued by Vigers Appraisal & Consulting Limited, the aggregate amount of the market values of the Properties was approximately RMB897 million (or equivalent to approximately HK$862.5 million) as at 28 February 2006.

Of the total consideration, RMB136.6 million (equivalent to approximately HK$131.4 million) will be payable in two installments to the Tianjin Land Bureau. The first installment of RMB27.3 million (equivalent to approximately HK$26.3 million) will be settled within ten days from the date of signing of the agreement and the second installment of RMB109.3 million (equivalent to approximately HK$105.1 million, is currently expected to be settled within 60 days from the date of signing of the agreement. The land use rights are expected to be registered in the name of the Tianjin Port Development Group after the Tianjin Port Development Group settles the second installment to the Tianjin Land Bureau. The remaining RMB757.4 million (equivalent to approximately HK$728.3 million, is payable in three installments to Tianjin Port Group. The first installment of RMB151.5 million (equivalent to approximately HK$145.7 million) will be settled in full within ten days from the date of signing of the agreement and the second installment of RMB378.7 million (equivalent to approximately HK$364.1 million) is currently expected to be settled by 31 December 2006 and the third payment of RMB227.2 million (equivalent to approximately HK$218.5 million) is expected to be settled by 31 May 2007. The Tianjin Port Development Group will settle the payment of the first installment to the Tianjin Land Bureau and the payment of the first installment to Tianjin Port Group by way of bank loans in the amount of HK$70 million and its internal cash flows for the remaining balance and intends to fund the remaining installment to Tianjin Port Group and the Tianjin Land Bureau by using part of the proceeds from the Share Offer.

The Port Equipment

The consideration for the acquisition of the Port Equipment will be approximately RMB31.1 million (equivalent to approximately HK$29.9 million) and will be payable by the Tianjin Port Development Group within two days from the date of signing of the agreement. The consideration is based on an independent valuation of the value of the Port Equipment and will be funded by Tianjin Port Development Group's internal resources.

Reasons for the Acquisition

The Properties are fundamental to Tianjin Port Development Group's operations because the two berths and various ancillary buildings and warehouses from which the Tianjin Port Development Group derives substantially all of its revenues, are situated on this piece of land. The railways are important to the business of the Tianjin Port Development Group in order to transport container and non-containerised cargoes efficiently to the berths and the pier operated by the Tianjin Port Development Group, and the warehouse and other storage facilities are important to the business of the Tianjin Port Development Group as they are the principal facilities from which the Tianjin Port Development Group provides its container and non-containerised cargo handling services to its customers. The Port Equipment forms part of the Tianjin Port Development Group's facilities and equipment that are currently used in its operations.

The Directors believe that the Acquisition can assist to reduce Tianjin Port Development's level of reliance on Tianjin Port Group and assist to further delineate its business from that of Tianjin Port Group. The Directors are of the view that the consideration for the Acquisition is fair and reasonable as it was based on an independent valuation and is subject to normal commercial terms and is therefore in the interests of the Group and the Shareholders as a whole.

CONTINUING CONNECTED TRANSACTIONS

The Stock Exchange has exercised its discretion under Rule 14A.06 of the Listing Rules to deem Tianjin Port Group as a connected person (as defined in the Listing Rules) of both the Company and Tianjin Port Development. As such, the agreements set out below will be subject to the connected transactions requirements under Chapter 14A of the Listing Rules following the Proposed Spin-off.

Fee Collection Services

Each of Tianjin Container and Tianjin Second Stevedoring will enter into an agreement with Tianjin Port Group pursuant to which they will agree to collect various fees, including but not limited to port construction fees and port management fees (the "Port Fees"), from their customers and forward them to Tianjin Port Group in accordance with relevant PRC regulations. No service fees will be paid by Tianjin Port Group to Tianjin Container or Tianjin Second Stevedoring for the Fee Collection Services. The agreements are for terms ending on 31 December 2008. Notwithstanding the fact that no service fees will be paid by Tianjin Port Group to the Group for the Fee Collection Services, the Directors (including the independent non-executive Directors) are of the view that the agreements were negotiated on an arm's length basis and their terms represent normal commercial terms as such practice is consistent with those of all other port operators at the port of Tianjin in compliance with the relevant PRC laws and regulations. The Port Fees collected by Tianjin Container and Tianjin Second Stevedoring from their customers on behalf of Tianjin Port Group are determined by reference to PRC laws and regulations relating to the charging and collection of port fees.

In estimating the annual caps for the Water Supply Services, Communications Services and Electricity Supply Services to be consumed by the Tianjin Development Group, the general assumptions are that the usage of each of such services by the Tianjin Port Development Group will grow at the same pace for each of the three years ending 31 December 2008 and will increase in line with the growth of the Tianjin Port Development Group's throughput and turnover for the same period with the exceptions for Water Supply Services in 2006 and Electricity Supply Services in 2007, both of which are further explained in the following paragraphs.

Water Supply Services

Each of Tianjin Container and Tianjin Second Stevedoring will enter into an agreement with Tianjin Port Construction and Engineering Company, a wholly-owned subsidiary of Tianjin Port Group, pursuant to which Tianjin Port Construction and Engineering will agree to supply water to Tianjin Container and Tianjin Second Stevedoring and their subsidiaries nominated by them from time to time. The agreements are for terms ending on 31 December 2008. The agreements were negotiated on an arm's length basis and their terms represent normal commercial terms. The fees to be charged by Tianjin Port Construction and Engineering Company in relation to the Water Supply Services are determined according to the usage by Tianjin Port Development Group and the prices prescribed by the PRC government.

For the three years ended 31 December 2005, the fees charged by Tianjin Port Construction and Engineering Company in relation to the Water Supply Services amounted to approximately RMB3.7 million, RMB3.3 million and RMB3.8 million, respectively (equivalent to approximately HK$3.5 million, HK$3.1 million and HK$3.6 million, respectively).

Based on Tianjin Port Development's estimate of its expected water consumption for the three years ending 31 December 2008, it is expected that the Tianjin Port Development Group's water consumption will increase by approximately 32%, 14% and 14% for the three years ending 31 December 2008 which is in line with the growth of Tianjin Port Development Group's throughput and turnover for the three years ending 31 December 2008 estimated with reference to the historical and expected growth in throughput levels. However, the proposed annual cap in respect of water consumption in 2006 will be slightly higher as a higher environmental standard has been adopted in relation to the Tianjin Port Development Group's coal handling business which increases its water consumption. As it is expected that the Tianjin Port Development Group's coal handling business will be closed down by the end of 2006, the proposed annual caps in respect of water consumption for the two years ending 31 December 2008 will be comparatively smaller. In light of the above, the proposed annual caps in respect of fees payable by the Tianjin Port Development Group for the supply of water is expected not to exceed:

(i) RMB5.0 million (equivalent to approximately HK$4.8 million) for the year ending 31 December 2006;

(ii) RMB5.7 million (equivalent to approximately HK$5.5 million) for the year ending 31 December 2007; and

(iii) RMB6.5 million (equivalent to approximately HK$6.2 million) for the year ending 31 December 2008.

Communications Services

Each of Tianjin Container and Tianjin Second Stevedoring will enter into an agreement with Tianjin Communications Navigation Company, a wholly-owned subsidiary of Tianjin Port Group, pursuant to which Tianjin Communications Navigation Company will agree to provide communications services to Tianjin Container and Tianjin Second Stevedoring and their subsidiaries nominated by them from time to time. The agreements are for terms ending on 31 December 2008. The agreements were negotiated on an arm's length basis and their terms represent normal commercial terms. The fees to be charged by Tianjin Communications Navigation Company in relation to the Communications Services are determined according to the usage by the Tianjin Port Development Group and the prices prescribed by the PRC government.

For the three years ended 31 December 2005, the fees charged by Tianjin Communications Navigation Company in relation to the Communications Services amounted to approximately RMB0.9 million, RMB0.8 million and RMB1.0 million respectively (equivalent to approximately HK$0.9 million, HK$0.8 million and HK$1.0 million, respectively).

Based on Tianjin Port Development's estimate of its expected communications usage for the three years ending 31 December 2008, it is expected that the Tianjin Port Development Group's communications usage will increase by approximately 20%, 20% and 20% for the three years ending 31 December 2008 which is in line with the growth of Tianjin Port Development Group's throughput and turnover for the three years ending 31 December 2008 estimated with reference to the historical and expected growth in throughput levels. In light of the above, proposed annual caps in respect of fees payable by the Tianjin Port Development Group for the provision of communications services is expected not to exceed:

(i) RMB1.3 million (equivalent to approximately HK$1.2 million) for the year ending 31 December 2006;

(ii) RMB1.5 million (equivalent to approximately HK$1.4 million) for the year ending 31 December 2007; and

(iii) RMB1.8 million (equivalent to approximately HK$1.7 million) for the year ending 31 December 2008.

Electricity Supply Services

Each of Tianjin Container and Tianjin Second Stevedoring will enter into an agreement with Tianjin Port Electricity Company, a wholly-owned subsidiary of Tianjin Port Group, pursuant to which Tianjin Port Electricity will agree to supply electricity to Tianjin Container and Tianjin Second Stevedoring and their subsidiaries nominated by them from time to time. The agreements will be for terms ending on 31 December 2008. The agreements were negotiated on an arm's length basis and their terms represent normal commercial terms. The fees to be charged by Tianjin Port Electricity for the supply of electricity are determined according to the usage by Tianjin Port Development Group and the prices prescribed by the PRC government.

For the three years ended 31 December 2005, the fees charged by Tianjin Port Electricity in relation to the Electricity Services amounted to approximately RMB19.1 million, RMB22.6 million and RMB23.8 million respectively (equivalent to approximately HK$18.0 million, HK$21.3 million and HK$22.7 million, respectively).

Based on Tianjin Port Development's estimate of its expected electricity consumption for the three years ending 31 December 2008, it is expected that the Tianjin Port Development Group's electricity consumption will increase by approximately 20%, 26% and 22% for the three years ending 31 December 2008 which is in line with the growth of Tianjin Port Development Group's throughput and turnover for the three years ending 31 December 2008 estimated with reference to the historical and expected growth in throughput levels. The proposed annual cap in respect of electricity consumption in 2007 will be slightly higher as Tianjin Port Development expects that the two new portainers to be purchased by the Tianjin Port Development Group by the end of 2006 will be in full operation in early 2007. In light of the above, the proposed annual caps in respect of fees payable by Tianjin Port Development Group for the supply of electricity is expected not to exceed:

(i) RMB28.6 million (equivalent to approximately HK$27.5 million) for the year ending 31 December 2006;

(ii) RMB36.0 million (equivalent to approximately HK$34.6 million) for the year ending 31 December 2007; and

(iv) RMB43.9 million (equivalent to approximately HK$42.2 million) for the year ending 31 December 2008.

Reasons for the Continuing Connected Transactions

The Tianjin Port Development Group intends to formalise the electricity, water and communication fees payable under the existing port administration fee collection agreements and the port administration fee collection agreements in compliance with the PRC rules and regulations. The Directors are of the view that it is necessary to enter into new agreements to govern the Continuing Connected Transactions in order to provide certainty of the terms of the Continuing Connected Transactions, which have been and will be carried out on an ongoing basis in the ordinary and usual course of business of the Group and the Tianjin Port Development Group and in order to ensure compliance with the PRC rules and regulations and the Listing Rules.

The Directors (including the independent non-executive Directors) are of the opinion that the Continuing Connected Transactions will be entered into and carried out in the ordinary and usual course of business of the Group and on normal commercial terms which are fair and reasonable so far as the interests of the Shareholders are concerned.

FINANCIAL EFFECTS OF THE PROPOSED SPIN-OFF AND THE ACQUISITION

Net assets

The audited consolidated net assets of the Group were approximately HK$5,226.2 million and approximately HK$5,841.3 million as at 31 December 2004 and 31 December 2005 respectively. The unaudited net assets of the Tianjin Port Development Group as at 31 December 2004 and 31 December 2005 were approximately HK$1,301.8 million and approximately HK$1,426.3 million respectively.

The Board expects that the Company will recognise a gain resulting from its deemed disposal of Tianjin Container and Tianjin Second Stevedoring upon completion of the Proposed Spin-off and the Share Offer. Based on the unaudited net assets of the Tianjin Port Development Group as at 31 December 2005, the estimated net proceeds of approximately HK$902 million from the Share Offer, and the current proposed structure of the Share Offer, the amount of such gain is estimated to be approximately HK$101.5 million if the Over-allotment Option is not exercised, or approximately HK$114.7 million if the Over-allotment Option is exercised in full, and represents the difference between the estimated amount of net assets of Tianjin Port Development to be diluted immediately following the Share Offer and the Company's indirect interest in the net proceeds receivable by Tianjin Port Development under the Share Offer. However, the actual amount of such gain may differ from the estimated figure as mentioned above depending on the actual pricing and structure of the Share Offer. Assuming the Proposed Spin-off is completed by the end of December 2006, such gain will be recognised in the results of the Company for the year ending 31 December 2006. The net assets of the Group will therefore, among other things, be affected by the same amount of such gain.

The PRC legal advisers to Tianjin Port Development in relation to the Share Offer have confirmed that the pricing of the shares of Tianjin Port Development and the Proposed Spin-off do not breach any applicable rules and regulations in the PRC.

Immediately following the completion of the Proposed Spin-off and the Share Offer, the Company's interest, in Tianjin Container and Tianjin Second Stevedoring, through Tianjin Port Development, will be diluted from 100% to approximately 66% (taking no account of any Tianjin Port Development Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme). Thus, it is currently expected that Tianjin Container and Tianjin Second Stevedoring will continue to remain as subsidiaries of the Company following the Proposed Spin-off and the Share Offer.

The Acquisition will have no impact on the Group's net asset value as the increase of non-current assets will be offset by a decrease in cash and an increase of bank borrowings to be obtained to finance the Acquisition.

Earnings

The effect of the Share Offer and the Proposed Spin-off on the future earnings of the Group will depend on, among other matters, the return generated from the proceeds raised from the Share Offer as well as the growth of the business operations of the Tianjin Port Development Group.

Following the implementation of the Proposed Spin-off and the Share Offer, the Group's earnings contribution from the Tianjin Port Development Group will be reduced as the Company's interest in Tianjin Port Development Group will be diluted from 100% to approximately 66% (taking no account of any Tianjin Port Development Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme). Should the Over-allotment Option be exercised in full, the Company's interest in Tianjin Port Development Group will be further diluted to approximately 62.8% following the implementation of the Proposed Spin-off and the Share Offer.

For the three years ended 31 December 2005, the Group's audited profit before tax were approximately HK$363.8 million, approximately HK$1,000.7 million and approximately HK$697.9 million respectively; whereas the audited profit attributable to equity holders of the Company were approximately HK$212.8 million, approximately HK$563.8 million and approximately HK$573.2 million respectively.

For the three years ended 31 December 2005, Tianjin Port Development Group's unaudited profit before tax amounted to approximately HK$81.7 million, approximately HK$93.3 million and approximately HK$172.8 million respectively; whereas the unaudited profit attributable to equity holders of Tianjin Port Development amounted to approximately HK$69.7 million, approximately HK$77.5 million and approximately HK$147.3 million respectively.

Upon completion of the Proposed Spin-off, Tianjin Port Development will remain as a subsidiary of the Company. Accordingly, the financial results of Tianjin Port Development will be consolidated into those of the Remaining Group.

The acquisition of the Properties will have no material impact on the Group's earnings as the account of savings on rental expenses is expected to exceed the sum of the increase in depreciation and the increase in interest expenses on the additional bank borrowings used to finance the acquisition over the expected life of the Properties.

SHARE OPTION SCHEME

The Share Option Scheme constitutes a share option scheme governed by Chapter 17 of the Listing Rules.

The purpose of the Share Option Scheme is to provide an incentive and/or reward to eligible persons for their contribution to, and continuing efforts to promote the interests of Tianjin Port Development Group. On each grant of options, the board of directors of Tianjin Port Development will specify the subscription price to the options and, where necessary, seek the approval of shareholders of Tianjin Port Development in general meeting.

The Share Option Scheme is conditional upon (1) the passing of an ordinary resolution approving the adoption of the Share Option Scheme by the sole shareholder of Tianjin Port Development; (2) the approval of the Share Option Scheme by the Shareholders at the Extraordinary General Meeting; (3) the Listing Committee granting approval of listing of, and permission to deal in, (a) any Tianjin Port Development Shares in issue and to be issued as will be mentioned in the Prospectus; and (b) the Tianjin Port Development Shares which may fall to be issued pursuant to the exercise of options granted under the Share Option Scheme; (4) the commencement of dealings in the Tianjin Port Development Shares on the Stock Exchange; and (5) the obligations of the underwriters under the underwriting agreements becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by the underwriters) and not being terminated in accordance with the terms of such agreements or otherwise.

LISTING RULES IMPLICATIONS

The Stock Exchange has exercised its discretion under Rule 14A.06 of the Listing Rules to deem Tianjin Port Group as a connected person (as defined in the Listing Rules) of both the Company and Tianjin Port Development.

The Proposed Spin-off

The Proposed Spin-off will constitute a possible major transaction as defined in Rule 14.06 of the Listing Rules. Since Tianjin Port Development would be a "major subsidiary" of the Company as defined under the Listing Rules and the Company's interest in Tianjin Port Development would be diluted by more than 5% upon completion of the Proposed Spin-off, the Proposed Spin-off will also constitute a material dilution for the Company. The Proposed Spin-off is conditional on, among other things, obtaining approvals from the Independent Shareholders on the resolution in respect of the Acquisition and the Terminations and that the Acquisition and the Terminations are part and parcel of, and conditional upon the Proposed Spin-off. In light of the above, it is considered that Tsinlien has a material interest in the Proposed Spin-off. As such, Tsinlien and its associates are required to abstain from voting at the Extraordinary General Meeting in relation to the Proposed Spin-off.

The Terminations

As Tianjin Port Group is deemed to be a connected person to the Company, the Terminations constitute connected transactions to the Company and will be subject to the approval of the Independent Shareholders by way of poll at the Extraordinary General Meeting.

The Acquisition

Since the Stock Exchange has exercised its discretion under Rule 14A.06 of the Listing Rules to deem Tianjin Port Group as a connected person to the Company and Tianjin Port Development and the relevant percentage ratios (as defined under Chapter 14 of the Listing Rules) in respect of the Acquisition are more than 5% but less than 25%, the Acquisition will constitute a discloseable and connected transaction for the Company and will be subject to the approval of the Independent Shareholders by way of poll at the Extraordinary General Meeting.

Continuing Connected Transactions

The Fee Collection Services will constitute a de minimus continuing connected transaction for the Company under Rule 14A.33(3) of the Listing Rules after the Proposed Spin-off and will be exempted from the reporting, announcement and independent shareholders' approval requirements set out in Chapter 14A of the Listing Rules..

Based on the aggregate amount of the estimated considerations payable by the Tianjin Port Development Group for the Water Supply Services, the Communications Services and the Electricity Supply Services for the year ending 31 December 2008, the relevant percentage ratios (as defined in the Listing Rules) in respect of the Company for such Continuing Connected Transactions are less than 2.5%, all of which will be exempted from the independent shareholders' approval requirement but will be subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules.

SPECIAL DIVIDEND

The board of directors of Tianjin Container declared a special cash dividend of approximately RMB25 million (equivalent to approximately HK$24.0 million) on 3 March 2006. The declaration of dividend is considered a return of investment to the Company for its long-term support of the companies comprising the Tianjin Port Development Group. This special dividend is to be paid to the Company out of Tianjin Container's distributable reserves. Investors of Tianjin Port Development Shares in the Share Offer will not be entitled to this special dividend.

INFORMATION ON SPIN-OFF OF TOLL ROAD OPERATIONS

The Board also wishes to announce that the last advance booking form submitted to the Stock Exchange on 1 April 2004 for an application for the listing of the shares in Coastal Rapid on the main board of the Stock Exchange has lapsed on 30 September 2004 and for commercial reasons, the Company has no current intention to continue to pursue the spin-off of its toll road operations.

GENERAL

Shareholders should note that the decisions of the Board and the board of directors of Tianjin Port Development to proceed with the Proposed Spin-off and Share Offer are dependent, inter alia, on market conditions during the period leading up to the proposed Share Offer. Furthermore, there can be no assurance that the approval for the Proposed Spin-off and/or the listing of, and permission to deal in, the Tianjin Port Development Shares on the main board of the Stock Exchange will be granted by the Listing Committee.

The Company will make a further announcement in relation to the Proposed Spin-off and the Share Offer if and when appropriate. A circular providing, among other things, details of the Proposed Spin-off and its effect on the Company, information of the Acquisition, the Terminations and the Continuing Connected Transactions, details of the Share Option Scheme, a letter of advice from an independent financial adviser, the financial information of the Group, together with a notice convening the Extraordinary General Meeting to approve, among other things, the Proposed Spin-off, the Acquisition and the Terminations will be despatched to the Shareholders on 22 April 2006.

As the listing of the Tianjin Port Development Shares pursuant to the Proposed Spin-off and the Share Offer is subject to, among other things, the approval of the Listing Committee, the final decision of the Board, the Independent Shareholders and the board of directors of Tianjin Port Development, the Proposed Spin-off and the Share Offer may or may not materialise. Shareholders and other investors are reminded to exercise caution when dealing in the Shares.

DEFINITIONS

"ABN AMRO Rothschild"	ABN AMRO Rothschild (being the unincorporated equity or capital markets joint venture between ABN AMRO Bank N.V., Hong Kong Branch and N M Rothschild & Sons (Hong Kong) Limited, each trading as ABN AMRO Rothschild), acting as the joint bookrunner and joint lead manager of the Share Offer and ABN AMRO Bank N.V., Hong Kong Branch is licensed by the SFC to conduct type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities as defined under the SFO and N M Rothschild & Sons (Hong Kong) Limited is licensed by the SFC to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO.
"Acquisition"	the proposed acquisition of the Properties and the Port Equipment by the Tianjin Port Development Group as contemplated under the Sale and Purchase Agreements
"Board"	the board of Directors
"Business Allocation Undertakings"	the undertakings given by Tianjin Port Authority pursuant to the Connected Transactions Agreement, which are further described in the paragraph headed "Business Allocation Undertakings" under "The Reorganisaion" section of this announcement
"CLSA Limited" or "Global Coordinator"	CLSA Limited, a licensed corporation under the SFO, authorised to conduct Types 1 and 4 regulated activities under the SFO
"Coastal Rapid"	Coastal Rapid Transit Company Limited, an exempted company incorporated in the Cayman Islands on 14 January 2003 with limited liability. It is currently a 78% owned subsidiary of the Company principally engaged in the construction, development, operation, management of and toll collection on toll roads and toll expressway and related businesses
"Communications Services"	the provision of communications services by Tianjin Communications Navigation Company (天津港通信導航公司) to the Tianjin Port Development Group
"Company"	Tianjin Development Holdings Limited, a company incorporated in Hong Kong with limited liability on 9 May 1997 and the shares of which are listed on the main board of the Stock Exchange and which will become the indirect controlling shareholder of Tianjin Port Development upon completion of the Share Offer
"Connected Transactions Agreement"	the agreement entered into between, among others, the Company and Tianjin Port Authority on 1 December 1997 in respect of various connected transactions including the leasing of the land use rights, pier, railway, warehouse and storage facilities at the port of Tianjin, the provision of utilities services such as electricity, water and communications, the Business Allocation Undertakings as well as the Pre-emptive Rights. Full details of the Connected Transactions Agreement are set out in the prospectus of the Company dated 2 December 1997
"Continuing Connected Transactions"	the Fee Collection Services, Water Supply Services, Communications Services and Electricity Supply Services
"Deed of Termination"	the deed of termination to be entered into between the Company and Tianjin Port Group
"Director(s)"	the director(s) of the Company
"Electricity Supply Services"	the supply of electricity by Tianjin Port Electricity Company (天津港電力公司) to the Tianjin Port Development Group
"Extraordinary General Meeting"	the extraordinary general meeting of the Company to be held at Kennedy Room, 7/F, Conrad Hotel, 88 Queensway, Hong Kong on 8 May, 2006 at 9:30 a.m.
"Fee Collection Services"	the collection of various fees, including but not limited to port construction fees and port management fees by each of Tianjin Container and Tianjin Second Stevedoring, from their customers on behalf of, and for forwarding to, Tianjin Port Group
"Group"	the Company and its subsidiaries, including the Tianjin Port Development Group
"Historical Agreements"	the agreements entered into between the Group and Tianjin Port Authority in 1997 in relation to the leasing of the Properties and certain port equipment and various services including the collection of port administration fee, provision of container reconfiguration storage, supporting and auxiliary services and inventory management and materials supplies
"HK$" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Shareholders"	Shareholders other than Tsinlien and its associates
"International Underwriters"	the underwriters of the international placing and the Preferential Offer as mentioned in the Prospectus
"Joint Bookrunners" or "Joint Lead Managers"	CLSA Limited and ABN AMRO Rothschild

"Listing Committee"	the listing sub-committee of the board of directors of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Offer Price"	the final price per Tianjin Port Development Share fixed at a HK$ amount (exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee) at which the Tianjin Port Development Shares are to be subscribed for and issued pursuant to the Share Offer, as described in the Prospectus
"Over-allotment Option"	the option to be granted by Tianjin Port Development to the International Underwriters under the underwriting agreement relating to the Share Offer pursuant to which Tianjin Port Development may be required to allot and issue up to an aggregate of 86,700,000 additional Tianjin Port Development Shares at the Offer Price to cover over-allocations in connection with the Share Offer
"PN15"	practice note 15 of the Listing Rules
"Port Equipment"	2 portainers and 1 transtainer being used by the Tianjin Port Development Group
"PRC"	the People's Republic of China, except where the context otherwise requires, geographical references in this announcement to the PRC or China exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Pre-emptive Rights"	certain pre-emptive rights and options granted by Tianjin Port Authority to the Company under the Connected Transactions Agreement, details of which are set out in the sub-paragraph headed "(2)(d) Termination of Pre-emptive Rights" under the section headed "The Reorganisation"
"Preferential Offer"	the proposed preferential offer to the Qualifying Shareholders for subscription of the Reserved Shares at the Offer Price, on and subject to the terms and conditions as described in the Prospectus
"Properties"	certain land use rights, two berths, railways and storage space located at the port of Tianjin, further details of which are set out under the section headed "The Acquisition"
"Prospectus"	the prospectus proposed to be issued by Tianjin Port Development in relation to the Share Offer
"Proposed Spin-off"	the proposed Reorganisation and separate listing of the Tianjin Port Development Shares on the main board of the Stock Exchange
"Public Offer"	the offer of Tianjin Port Development Shares for subscription by the public in Hong Kong at the Offer Price under the Share Offer
"Qualifying Shareholders"	registered holders of the Shares, in or outside Hong Kong, whose names appear on the register of members of the Company at the close of business on the Record Date
"Record Date"	8 May 2006, the date for ascertaining the Qualifying Shareholders who will be entitled to subscribe for the Tianjin Port Development Shares on an assured basis under the Share Offer
"Remaining Group"	the Group, excluding the Tianjin Port Development Group
"Reorganisation"	the reorganisation of the Group in preparation for the listing of the Tianjin Port Development Shares
"Reserved Shares"	61,200,000 Tianjin Port Development Shares, representing approximately 3.6% of the enlarged share capital of Tianjin Port Development upon the completion of the Share Offer (assuming the Over-allotment Option is not exercised), subject to adjustment, being offered pursuant to the Preferential Offer
"RMB" or "Renminbi"	Renminbi Yuan, the lawful currency of the PRC
"Sale and Purchase Agreements"	the sale and purchase agreements to be entered into between (i) each of Tianjin Container and Tianjin Second Stevedoring with Tianjin Port Group and Tianjin Land Bureau; (ii) each of Tianjin Container and Tianjin Second Stevedoring with Tianjin Port Group; and (iii) Tianjin Container and Tianjin Port Group, in relation to the Acquisition
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) of HK$0.10 each in the capital of the Company
"Share Offer"	the offer of Tianjin Port Development Shares to the public in Hong Kong and other investors for subscription, the preferential offer of the Tianjin Port Development Shares to Qualifying Shareholders pursuant to the assured entitlements and the placing of the Tianjin Port Development Shares with certain professional, institutional and other investors, in connection with the Proposed Spin-off
"Shareholder(s)"	the shareholder(s) of the Company
"Share Option Scheme"	the share option scheme proposed to be conditionally adopted by Tianjin Port Development
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Terminations"	the termination of the Historical Agreements and the Pre-emptive Rights
"Tianjin Container"	Tianjin Port Container Terminal Co., Limited (天津集裝箱碼頭有限公司), a company incorporated in the PRC in April 1980 as a state-owned enterprise and converted into a foreign-owned enterprise on 25 October 1997. It is currently a wholly-owned subsidiary of the Company
"Tianjin Government"	Tianjin Municipal Government of the PRC
"Tianjin Land Bureau"	Bureau of Land Resources and Housing Management of Tianjin Municipality (天津市國土資源和房屋管理局)

"Tianjin Port Authority"	the former government regulatory body of the port of Tianjin and, prior to the reorganisation of Tianjin Port Group as a wholly owned company in July 2004, the then owner and operator of the businesses now owned by Tianjin Port Group
"Tianjin Port Development"	Tianjin Port Development Holdings Limited, a company incorporated under the laws of the Cayman Islands with limited liability on 26 August 2005 which is expected to indirectly hold the entire equity interest in each of Tianjin Container and Tianjin Second Stevedoring after the Reorganisation
"Tianjin Port Development Group"	the group of companies proposed to be formed by way of Tianjin Port Holdings Development Limited acquiring the entire equity interest in each of Tianjin Container and Tianjin Second Stevedoring
"Tianjin Port Development Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of Tianjin Port Development
"Tianjin Port Group"	Tianjin Port (Group) Co., Ltd. (天津港(集團)有限公司), an entity reorganised as a wholly-state owned company in the PRC on 29 July 2004 and the holding company of the businesses owned and operated by the former Tianjin Port Authority
"Tianjin Second Stevedoring"	Tianjin Harbour Second Stevedoring Co., Limited (天津港第二港埠有限公司), a state-owned company which was converted into a foreign-owned enterprise on 25 October 1997. It is currently a wholly-owned subsidiary of the Company
"TPA Reorganisation"	the reorganisation of Tianjin Port Authority in July 2004, which is more particularly described in the paragraph headed "(a) Background" of paragraph (2) "Business Allocation Undertakings and Terminations" under the section headed "The Reorganisation"
"Tsinlien"	Tsinlien Group Company Limited, a company incorporated in Hong Kong with limited liability on 19 October 1979 which is controlled by the Tianjin Government of the PRC and the controlling shareholder of the Company
"Water Supply Services"	the supply of water by Tianjin Port Construction and Engineering Company (天津港修建工程公司) to the Tianjin Port Development Group
"%"	percentage

By order of the Board
Tianjin Development Holdings Limited
Wang Guanghao
Chairman

Hong Kong SAR, 20 April 2006

As at the date of this announcement, the Board consists of Mr. Wang Guanghao, Dr. Ren Xuefeng, Mr. Yu Rumin, Dr. Zhang Hongru, Mr. Nie Jiansheng, Dr. Wang Jiandong, Mr. Bai Zhisheng, Mr. Zhang Wenli, Mr. Sun Zengyin and Dr. Pang Jinhua as executive Directors, Mr. Ye Disheng and Mr. Cheung Wing Yui as non-executive Directors and Mr. Kwong Che Keung, Gordon, Mr. Lau Wai Kit and Dr. Cheng Hon Kwan as independent non-executive Directors.

* *For identification purpose only*

Please also refer to the published version of this announcement in The Standard.