Financing of China Port Development through Initial Public Offerings

by

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Abstract

With the globalization of world economy and the developing free trade, port companies as the hinge of shipping and land transportation are placed on a key position in world economy. Now, since China has been creating an even stronger influence on the world trade，China ports development holds the balance of world shipping industry.

Initial Public Offerings (IPOs), as an approach of raising capital for the port companies, strongly promoted the ports development. The purpose of this thesis is to analyze financing of China port development through IPOs. So first, through literature study, I got several financial methods of capital raising, including equity issues, debt issues, the public markets and found the reasons why the 15 China mainland ports raised money through going public. And then I described these ports companies in summary, calculated the size of proceeds of IPO raised by each port company and gave out the plans or future projects of these ports companies for further development. Finally I analyzed the key factors for a successful port IPO and classified the uses of the raised money for the development and operation of ports.

Considering self-conditions, making a good plan to raise money and before the saturation of port industry capital market and ports productivity, making reasonable use of the raised money is desirable.

【Key Word】 IPO; Financing; Port Development

국 문 초 록

세계화와 자유무역발전에 따라 항만회사는 해운과 육로를 연결시키는 중추역할로써 세계경제에서 차지하는 비중 또한 중요시되었다. 현재 중국은 세계무역에 커다란 영향력을 발휘하고 있으며 중국항만의 발전 또한 세계해운 산업에 큰 영향을 미치고 있다. 지금까지 항만개발에 소요되는 자금의 대부분은 정부재정에 의해 조달되었으나, 최근에 와서는 민간자본이 투입되고 있기도 하다.

이 논문은 최근 급격히 성장하는 중국경제에 부응하기 위해 항만개발의 중요성이 크게 대두되고 있는 점을 주목하여, 중국수출을 원활히 수행하기 위해 필요한 항만개발에 소요되는 자금조달에 대해 분석하고 있다. 특히 이 논문은 항만개발에 소요되는 자금조달을 위해 중국시장에서 주식발행을 통해 자금확보를 하고 있는 것을 분석하고 있다.

본 논문은 주로 중국항만운영기업의 IPO 현황을 분석하는 것이다. 중국대륙의 15 개 상장항만기업에 대한 분석을 통하여 상장항만회사의 자금모집규모, 이런 자금들이 어떻게 항만발전에 사용되었는가를 분석하였다. 더 한층 나아가서 항만 IPO 상장에 있어서 중요한 요인들을 분석하고 있다.

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Chapter 1: Introduction

1.1 Background

With the effective national macro-control policies, China’s economy is developing steadily. Under the drive of the fast-growing national economy, handling capacity of ports in China keeps a rapid growth.

With the positive advancement of development plan of the Chinese main ports, Shanghai and Hong Kong's stock market lead these harbors to go public in order to raise more capital for expanding.

Exactly speaking, recent years， in December, 2005 Xiamen Port； in April, 2006 Dalian Port； in June，2006 Shanghai International Port Group ； in October， 2006 Rizhao Port and this April Lianyungang Port and so on all raised capital through initial public offerings（IPOs）.

Moreover, the Chinese third container port Qingdao port is also planning to gather 500 million US dollars, and the fourth Ningbo Port plans to gather 3,000 million US dollars through initial public offerings. The two ports are ready to go public soon.

Up to October 2008, there are altogether 15 port companies have gone public: 12 ports listed on inland Stock Market (A), and 3 ports, i.e. Dalian, Xiamen and Tianjin port have been listed on Hong

Kong Stock Exchange (H). It is reasonable that the China port companies raise money by the means of initial public offerings. Because investors take enormous interest in public dope and the ports industry lasts out good return ratio, along with the requirements of main ports' expansion and newly exploitation.

As the best way to raise funds , the securities market is favorable for investing. Take Shanghai International Port Group (SIPG) for an example , in the following half a year in 2007, SIPG gained a great step achievement after going public, the taking was 1,250 million RMB with 300 million RMB profits, there is respective 13.6% and 18.3% growth compared to same period of the year before.

Through IPOs port companies raised more funds to expand shipping fields and enlarge ports construction. Specially , the ports establishments' privatization and internationalization may promote the transparency of ports operation and the stability of financial affairs, and finally boost up the competitive power to make further development in world shipping industry.

1.2 Objective

Initial Public Offerings (IPOs), as an approach of raising capital for the port companies , really strongly promoted the ports development.

In this thesis, I will briefly state the financial methods for companies to raise capital and the definition, activity and performance of IPO; the reasons why China port companies selected IPOs rather than other financial ways; the size of the capital the companies raised through IPOs and the place the money was invested or used for further development. And also I will compare the 15 listed ports and analyze what makes a successful IPO and the main uses of the raised money.

1.3 Structure

There are altogether five chapters in this thesis. Chapter 1 describes the background and the objectives of this thesis. Chapter 2 discusses the existing literature on methods of capital raising, going public and the Chinese government expenditure for port development. Chapter 3 researches financing and analysis of IPOs of the 15 listed port companies with data, tables and figures. Chapter 4 shows an integrated analysis and the last chapter is conclusion.

Chapter2.   Literature Review

2.1 Financial methods to raise capital

A number of papers have been published over the years dealing with the financial methods for firms to raise capital in order to further development.

Gozzi, Levine, Schmukler[1] summarized the patterns of capital raisings, including refinancing, equity issues, debt issues and listed company. And they also described the number and the size of international firms[2] which raised capital through these ways. The figures and table below show that.

Figure 1 shows the aggregate amount of capital raised abroad as a percentage of the total amount of capital raised by firms from developed and developing economies through security issues in public markets for different types of issues. Issues abroad are those carried out in a public market outside of the firm's home country. Economies are

[1] Juan Carlos Gozzi, Ross Levine, Sergio Schmukler, (2008), *Patterns of Capital Raisings*/ Policy Research Working Paper/ The World Bank.

This paper documents several new patterns associated with firms issuing securities in foreign markets that motivate the need for and help guide future research. Besides noting that these international capital raisings grew almost four-fold from 1991 to 2005, accounting for 35 percent of all capital raised through security issuances, the paper has three main findings. First, a large and growing fraction of capital raisings, especially debt issuances, occurs in international markets, but a very small number of firms accounts for the bulk of international capital raisings, highlighting the distributional implications of financial globalization. Second, changes in firm performance following equity and debt issuances in international markets are qualitatively similar to those following domestic issuances, suggesting that capital raisings abroad are not intrinsically different from domestic ones. Third, after firms start accessing international markets, they significantly increase the amount raised in domestic markets, suggesting that international and domestic markets are complements

[2] Include 23,336 firms, 58countries, 201,543 firm-year observations, 14,228 firms issued securities in public markets over the sample period according to SDC

classified as developed or developing based on income level in 2005. Developed economies correspond to high-income economies according to the World Bank classification. Developing economies correspond to low- and middle-income economies according to the World Bank classification. See Appendix Table 1 for a list of the economies included in each income group.

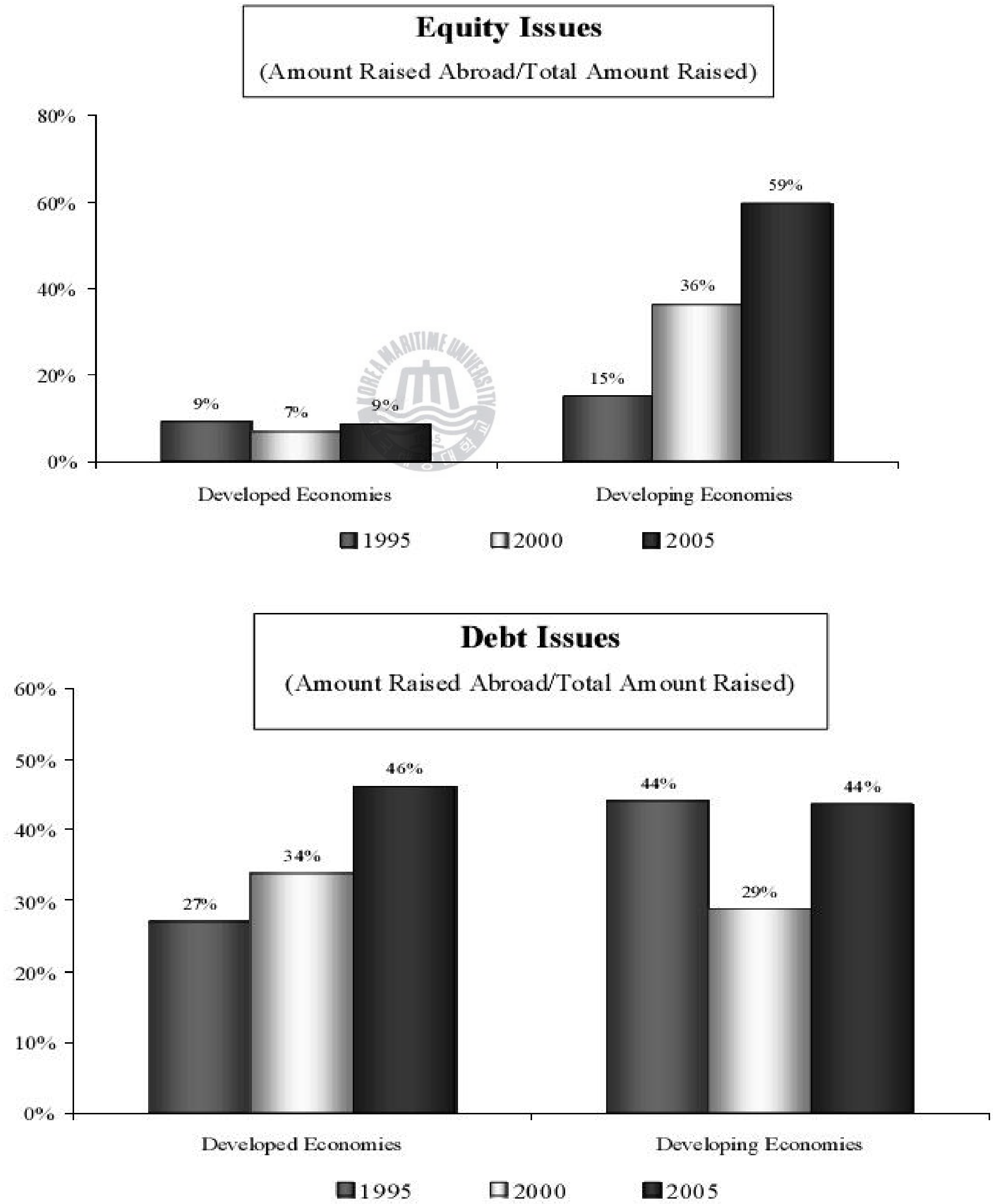

Figure 1: Degree of Internationalization of Capital Markets

Table 1: Total Amount of Capital Raised in Public Markets

Total Amount of Capital Raised in Public Markets

(Million U.S. dollars at 2005 Prices, 1991-2005)

	Equity issues			
	Home	Abroad	Total	*% abroad*
Total	4,451,802	504,026	4,955,828	*10.2%*
Developed economies	4,030,500	341,953	4,372,453	*7.8%*
Developing economies	421,302	162,074	583,375	*27.8%*
	Debt issues			
	Home	Abroad	Total	*% abroad*
Total	12,843,684	6,932,260	19,775,944	*35.1%*
Developed economies	12,512,004	6,634,818	19,146,822	*34.7%*
Developing economies	331,679	297,442	629,122	*47.3%*
	Total			
	Home	Abroad	Total	*% abroad*
Total	17,295,486	7,436,287	24,731,772	*30.1%*
Developed economies	16,542,505	6,976,771	23,519,275	*29.7%*
Developing economies	752,981.0	459,516	1,212,497	*37.9%*

Firms with different conditions in different economies may select different patterns to raise capital.

And in this thesis, we will give emphasis to China port companies which raised capital. So now we turn to another paper related to port reform and port financial methods- *Principles of Financial Modeling, Engineering and Analysis.* [3] The research gave out the structure of debt and equity and quasi-equity.

Debt Structuring

Debt markets are highly diversified. Consequently, in complex transactions, debt is often broken down into several tranches (segments)

[3] The World Bank, 2001, Module5, in *World Bank Port Reform Tool Kit: Principles of financial modeling, engineering and analysis-understanding port finance and risk management from public and private perspectives/*

of different loans. The aim of structuring the project's debt consists of seeking the optimum finance conditions for each of these tranches to reflect the requirements of the project's various financial partners.

Table 2: Debt Structuring

Long-term Commercial Debt	The alternative to corporate financing: project finance.
Guaranteed Commercial Debt	Export Credits and Financial Credits with a Multilateral "Umbrella"
Bonded Debt	Bonded debt is a source of long-term financing that is currently enjoying widespread popularity, particularly in financing transport infrastructure

Structuring Equity and Quasi Equity

Equity is a financial resource that is flexible enough to earn its return over a variable and unspecific timeframe, without creating any risk of financial sanction by the equity holders. In other words, equity refers to financial resources placed under the control of the company and designed to cover the materialization of project risks in the first instance. There are many ways in which the public sector can become involved in port investments. And the equity invested includes:

Equity provided by the public sector.

Equity invested by the project's sponsors.

Equity invested by multilateral institutions.

Equity invested by bilateral institutions.

Special investment funds.

2.2 Definition of IPO

The first public equity issue that is made by a company is referred to as an initial public offering, IPO, or an unseasoned new issue. This issue occurs when a company decides to go public.[4]

An IPO is a first and one-time only sale of publicly tradable stock in a company that has previously been owned privately. An IPO is sometimes known as going public. Technically, an IPO is the offering to sell but virtually all IPOs result in all the stock offered being sold. IPOs are generally managed by companies that specialize in handling IPOs and have experience in determining what the likely IPO offering price should be. If the IPO manager determines that the stock will not sell at an offering price that is acceptable to the company, the application for an IPO is usually withdrawn until a better time. As soon as all shares of an IPO have been sold, the stock is now tradable through stock exchanges or specialists that trade in the stock and the stock price may go up or down.

2.3 Choosing to go public

Woojin Kim and Michael S. Weisbach [5] considered the question of whether raising capital was an important reason why firms go public.

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4 Stephen A. Ross, Randolph W. Westerfield, Bradford D. Jordan: *Fundamentals of Corporate Finance,* 2006,7th edition.

5 Woojin Kim, Michael S. Weisbach, (2005), *Do firms go public to raise capital?*

Using a sample of 16,958 initial public offerings from 38 countries between 1990 and 2003, they considered differences between firms that sell new, primary shares to the public, and existing secondary shares that previously belonged to insiders. The results suggest that the sale of primary shares is correlated with a number of factors associated with the firm's demand for capital. In particular, issuance of primary shares is correlated with higher increases of investment, higher repayment of debt and increases in cash, and more subsequent capital-raising through seasoned equity offers. 79% of all capital raised through IPOs in the sample is from the sale of primary shares.

What induces firms to go public? This question was also interpreted by Ritter and Welch (2002)[6]. In most cases, the primary answer is the desire to raise equity capital for the firm and create a public market where the founders and other shareholders can convert some of their paper wealth into cash at a future date. Non-financial reasons, such as increased publicity, play only a minor role for most firms: absent cash considerations, most entrepreneurs would rather just run their firms than concern themselves with the complex public market process. This still leaves the question of why IPOs are the best way for entrepreneurs to raise capital, and why these reasons are stronger in

[6] Jay Ritter, Ivo Welch, (2002), *A Review of IPO Activity, Pricing, and Allocations.* They pointed out the theory and evidence on IPO activity: why firms go public, why they reward first-day investors with considerable underpricing, how underwriters choose these first-day investors, and how IPOs perform in the long run.

some situations or times than others. The number of IPOs, appropriately scaled, varies widely across countries and widely across years (sometimes by a factor of 50 or more). For example, Gompers and Lerner (2001)[7] report that there were fewer U.S. IPOs from 1935-1959 than in 1969 alone, and La Porta, Lopez-de-Silanes, Shleifer, and Vishny (1997)[8] report wide differences in IPO activity across countries. Surprisingly, changes in capital gains tax policy are not important determinants of the differences over time. Ritter and Welch ulteriorly showed life cycle theories, market-timing theories, evidence and the changing composition of IPO issuers in details.

2.4 Effects of IPO

1. Access to Capital
2. Liquidity
3. Compensation
4. Prestige
5. Image
6. Publicity
7. Mergers & Acquisitions

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[7] Gompers, Paul, and Josh Lerner, (2001), *The really long-term performance of initial public offerings: The pre-Nasdaq evidence*, working paper , Harvard Business School.
[8] La Porta, Rafael, Florencio Lopez-de-Silanes, Andrei Shleifer, and Robert W. Vishny, (1997), *Legal determinants of external finance*, Journal of Finance 52, 1131-1150.

8. Exit Strategy

9. Future Capital

Given to the objective of this thesis, we will just consider the first effect of IPO--- access to capital.

By offering stock for sale to the public a company can access a substantial source of corporate funding. If a company needs to raise capital, it can sell stock(equity) or it can it issue bonds (debt securities). An initial equity offering can bring immediate proceeds to a company. These funds may be used for a variety of purposes including; growth and expansion, retiring existing debt, corporate marketing and development, acquisition capital and corporate diversity. Once public, a company's financing alternatives are increased. A publicly traded company can return to the public markets for additional capital via a bond or convertible bond issue or secondary equity offering. A public status can also provide favorable terms for alternative financing from public and private investors. Growing companies constantly need access to new capital. Going public is one way to obtain that capital, but it takes time and money -- quite a lot of both! Going public offers some strategic advantages:

Once public, firms can easily go back to the public markets to raise more cash. Typically, about a third of all IPO issuers return to the public market within 5 years to issue a "seasoned equity offering"[9]. Those that do return raise about three times as much capital in their seasoned equity offerings as they raised in their IPO.

2.5 **China Government Policies on port development**

Traditionally, the China main port companies were Chinese SOEs[10], and the funding came straight from the state budget. In 1984, China embarked on its transition from a centrally-planned socialist economy to a market-like economy.

Reforms of its state-owned enterprises were also initiated at about this time, with the result that many subsidiaries were cut or eliminated. Funding had to come from commercial banks in the form of loans，and the state-owned enterprises became responsible for their own management, profits and losses and future growth. Subsequently, the Shanghai and Shenzhen Stock Exchanges were officially set up in 1990 and 1991 respectively. Thus, there was opportunity and possibility for port companies to go public.

In the transportation area, the central government as, until recently, been the sole large provider of fund for capital investment, with local

[9] the term secondary is used to denote shares sold by insiders rather than by firms.
[10] SOE: State-Owned Enterprises, main forms in centrally-planned socialist economy.

governments contributing only a small portion as the balance. In the shipping sector, for example, prior to 1980, proposals for major vessel purchases had to be approved by relevant hierarchies of government organizations and, subject to this approval, the funding was provided by the central government. Starting from 1980, this system of centrally-allocated funds was replaced by a system based on loans from banks at preferential rates. More decision-making power was also delegated to companies and to local government, although a great deal of administrative red-tape remained. The subsequent establishment of mechanisms such as open bidding, investment regulating taxes and infrastructure construction funds has helped to diversify the sources of financing and has stimulated the enthusiasm of shipping companies to invest. However, the increasingly capital-intensive nature of shipping ., the artificially low freight rates set by the government, increased bunker prices and the new taxation system have all seriously restricted the ability of shipping companies to finance continued growth from internal sources. The recent elimination of commercial bank loans at preferential rates has also now made bank financing unattractive. While low-interest loans from the World Bank, the Asia Development Bank and the Japan Overseas Co-operative Funds have helped to alleviate some of these financial strains, they are far from sufficient. As a result, shipping companies have had to look elsewhere for alternative sources of financing.

A recent and increasingly important source of alternative financing for transportation companies in the Chinese mainland is public-listing on local and foreign stock exchanges.[11] Meanwhile, world shipping IPOs are clustered in two distinct time periods: the first during the period 1988-1989 and the second during the period 1993-1994. [12]

Challenges for China's Public Spending

Total official government spending amounted to 27% of GDP in 2004 but this may be an underestimate and a more realistic estimate may be over 30% of GDP. Official spending consists of two components: On budget spending – the expenditure included in the formal budgets of all government levels – which amounted to 20.3% of GDP and extra-budgetary accounts, mainly at the sub-national level, used to pay for social security and a variety of other purposes. Outlays in these areas were 3.3% and 3.4% of GDP, respectively, in 2004. There is, however, a large amount of off-budget spending by sub-national governments that is not officially recorded or sanctioned but which could be as high as 4% of GDP according to academic estimates. While such outlays cannot be precisely estimated, they would

[11] Cullinane and Gong (1996) *Mispricing of transportation in China.*
[12] Grammenos and Marcoulis (2002) *Shipping Initial Public Offerings: A Cross-Country Analysis.*

very likely bring China’s actual public spending to above 30% of GDP, a level below that of most OECD countries. Since these estimates were made GDP has been increased as a result of the economic census. All figures in this report show spending relative to pre-revision GDP but if the comparison were made relative to current estimates of GDP, total official spending would amount to 23% of GDP and total spending including off-budget expenditure would likely be above 26% of revised GDP.

In line with practice in most other countries, the government accounts do not include the accrual of contingent liabilities nor tax expenditures. In China's case, contingent liabilities have mainly stemmed from the government effectively acting as the guarantor of lending by banks. If all bad loans not covered by the banks themselves or by asset sales are eventually assumed by the government, there will be a significant increase in government interest payments. Tax expenditures, such as the foregone revenues from exemptions and other tax preferences given to foreign enterprises operating in China, are also significant.

With respect to carrying out spending and collecting revenues, the fiscal system has one of the highest degrees of decentralization in the world (Figure 2). However the decentralization of spending is very uneven across regions and this has led to serious problems in overall government spending. Moreover, while the administration of spending and taxation is decentralized to provinces and lower levels of government, local authorities are subject to extensive central direction of their spending and have few discretionary taxation powers.

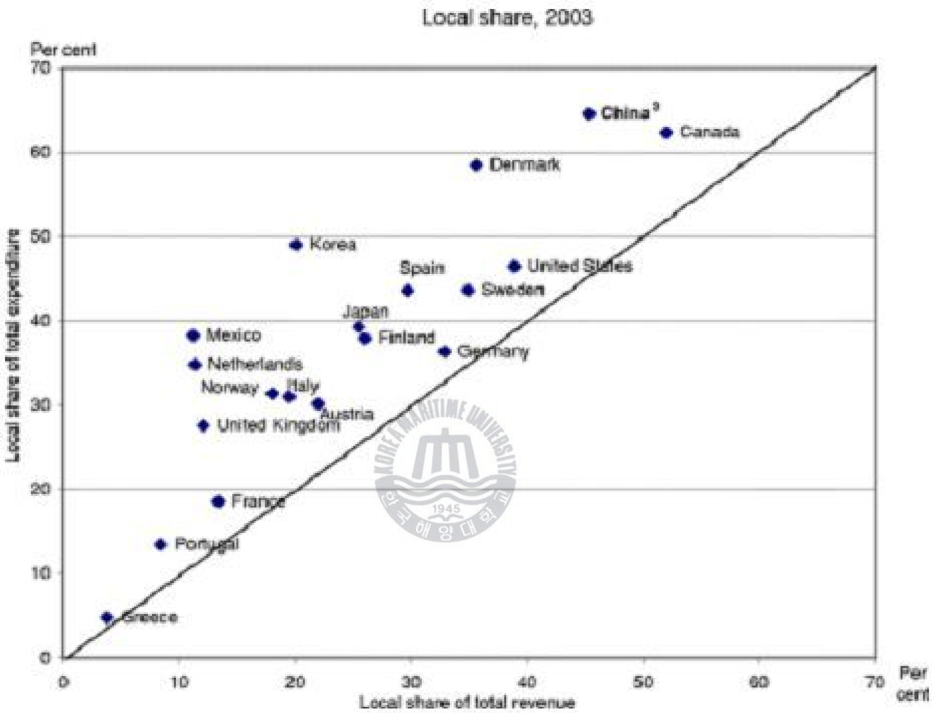

Figure 2: Government expenditure and revenue

1. Social security outlays are not included in the local spending but are included in total expenditure figures.

2. Chinese data include on-budget and extra-budgetary accounts and central government bond issues on behalf of local governments.

Source: Ministry of Finance of China and OECD, National Accounts Database. [13]

In order to insure the steady development of China port, China government enacted 《National coastal port development strategy》 and 《Yangtze River Delta, the Pearl River Delta and Bohai Bay region of the three coastal port construction plan》. The central government and local government must set up special funds for port construction. And also, land, tax and bank preferential policies were also published. On the other hand, the government made much effort in international and domestic public capital markets, encouraged enterprises inside or abroad to invest in China ports. It gave the port companies great opportunities to raise money from public capital markets for further development.

Since China port industry now plays more and more important role in world shipping industry. It urges the port companies to raise capital to strengthen its capability in handling container, cargo， logistical affairs and so on. So in order to further ports development, China Port companies' choosing IPOs is inevitable.

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13 Source: *http://www.oecd.org/ Accessed on 05/25/2006.*

Chapter 3. Financing of China port development

3.1 Geographical location of China Mainland ports

The map below shows main ports of China, including coastal ports and inland ports. The inland ports locate along to the Yangtze River, the Yellow River and the Pearl River.

3.2 China Ports which went public (listed ports)

Up to Oct. 2008, there are 15 ports has gone public in a certain stock exchange, include: Shanghai International Port Group(SIPG)、Shenzhen Chiwan Port、 Tianjin Port、 Rizhao Port、Yingkou Port、Jinzhou Port、Wuhu Port、 Lianyungang Port、 Chongqing Gangjiu、Xiamen Port、 Yunnan Free Trade Science &Tech、 Shenzhen Yantian Port、 Nanjing Port、 Beihai Port and Dalian Port.

12 Chinese port groups were listed on Chinese Stock Market, and 3 ports, i.e. Xiamen, Dalian and Tianjin port have been listed on Hong Kong Stock Exchange.

3.3 Financing and analysis of main listed ports companies.

3.3.1 Shanghai International Port Group

Shanghai International Port (Group) Co., Ltd. is principally engaged in loading and unloading of containers, as well as the provision of container-related services. The Company's main businesses include container terminals, non-container terminals, port-related logistics and port services, among others. During the year ended December 31, 2007, the Company handled approximately 353 million metric tons of cargos and 26.15 million twenty-foot equivalent units (TEUs) of containers. As of December 31, 2007, the Company had 39 major subsidiaries/associates.

Shanghai International Port (Group) Co, operator of the Chinese mainland's busiest port, listed on the Shanghai Stock Exchange. The China Securities Regulatory Commission reviewed SIPG's application to merge with its publicly traded unit, Shanghai Port Container Co, and seek its own listing on the Shanghai bourse. SIPG planned to issue 2.42 billion shares at 3.67 Yuan (46 US cents) each and offered 4.5 Yuan for every share in Shanghai Port Container held by other shareholders. It was offered shares at 28 times its forecast 2006 profit, the company said in its listing document. It expected to earn a profit of 2.75 billion Yuan that year.

Table 3: ***Summary of Shanghai International Port (Group) Co.***

Ticker:	**600018**	**Country:**	**CHINA**
Exchanges:	**SHG**	**Major Industry:**	**Miscellaneous**
Sub Industry:	**Service Organizations**	**Share price**	**3.67**
2007 Sales	**15,789,423,000** (Year Ending Jan 2008).	**Employees:**	**24,592**
Currency:	**Chinese（RMB）**	**Market Cap:**	**75,776,403,643**
Fiscal Yr Ends:	**December**	**Shares Outstanding:**	**20,990,693,530**

Table 4: IPO statistics of SIPG

Shanghai International Port Group	
IPO Time	**2006.10.26**
Actual issuing	**2.42 billion**
Issue price(per Share)	**3.67 Yuan**
Capital raised	**8.88billion Yuan**
Recent performance one week	**-5.50%**
Recent performance one year	**-61.30%**

Source: Corporate Information- The Winthrop Corporation

The share listing will provide wider funding channel for the group and secure the company's capital demand for its long-term development. To boost Shanghai's container handling capacity, making it attractive for international freight, SIPG needs secured funding channel to realize its long-term target to be an international hub.

Shanghai, the world's biggest cargo port and third-biggest container harbor, is speeding up investment in upgrading its port infrastructure and optimizing resources. The company will focus on investment in the Yangshan Deep-Water Port, which will largely strengthen Shanghai's capacity for international containers. In addition, it will heavily invest in container ports along the Yangtze River to nurture feeder ports for Shanghai.

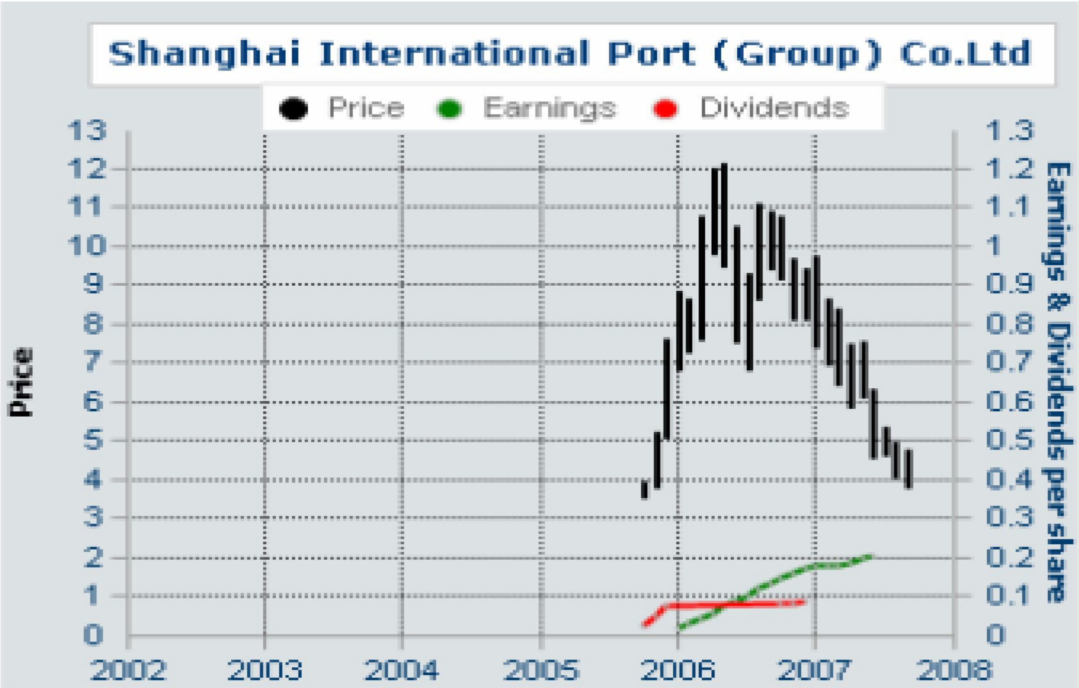

Figure 3: Price, Earnings & Dividends of SIPG

Source: http://finance.google.com

3.3.2 Tianjin Port Company Ltd

Tianjin Port Company Limited is principally engaged in the port handling, the warehousing and storage of cargo and the provision of freight forwarding and shipping brokerage services. Based in Tianjin, the People's Republic of China, the Company mainly handles bulk coke, coal, ore and containers. During the year ended December 31, 2007, the Company handled approximately 112 million metric tons of bulk cargo and 3.3 million twenty-foot equivalent units (TEUs) of containers, provided shipping brokerage services for 11,144 ships and freight forwarding services for approximately 34 million metric tons of cargo.

In 2007, approximately 79% and 11% of the Company's total revenue were derived from its port handling services and sale, respectively.

Table 5: Financial Statistics of Tianjin Port

Yr End 12/31	Revenue (HKD m)	Net Profit (HKD m)	EPS (HKD)	Change (Δ%)	PER (x)	DPS (HKD)	Yield (%)	ROE (%)
2006A	1,036	304	0.199	52.0	13.0	0.023	0.9	13.7
2007A	1,194	240	0.135	(32.6)	19.3	0.054	2.1	7.5
2008F	1,255	283	0.158	17.6	16.4	0.063	2.4	8.0
2009F	1,385	299	0.167	5.2	15.6	0.067	2.6	8.1
2010F	1,393	367	0.205	22.9	12.7	0.082	3.2	9.5

Shares Outstanding (m)		1,787.1	08 NBV per share (HK$)	2.1
Market Cap. (HK$ m)		4,628.6	08 P/B (x)	1.3
Major Shareholder	Tianjin Development	63.2%	08 Net gearing (%)	13.9
Free Float (%)		36.8	08 NAV (HK$)	3.3

Table 6: IPO statistics of Tianjin Port

Tianjin Port	
IPO Time	**1996.6.14**
Actual issuing	**26.07 million**
Issue price(per Share)	**1.40 Yuan**
Capital raised	**36.498million Yuan**
Recent performance one week	**5.50%**
Recent performance one year	**-87.30%**

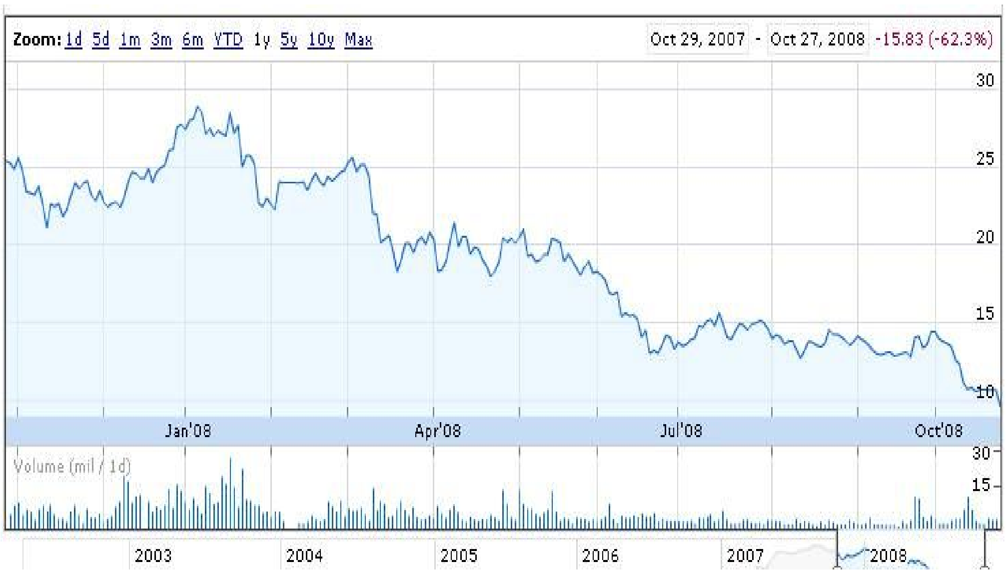

Figure 4: IPO performance of Tianjin Port

Tianjin Port Development Holdings Ltd, the operator of the Chinese mainland's fifth-largest port, announced a 3.6 billion Yuan (US$451 million) container terminal joint venture.

The port will join forces with leading international container conglomerate COSCO Pacific Ltd and Copenhagen-based AP Moeller-Maersk, the world's biggest shipping line, in the venture.

Tianjin Port Development, which was listed on May 24, said in a statement it will own 40 per cent of the venture, while the other two companies will each hold 30 per cent.

The venture, Tianjin Port Euro-Asia International Container Terminal Co Ltd, will have a registered capital of 1.26 billion Yuan (US$157.5 million), with 504 million Yuan (US$63 million) contributed by Tianjin Port.

Fuelled by China's rapidly expanding economy, container turnover volume delivered through China's ports, including Tianjin, has shot up in recent years.

Tianjin port currently owns two container terminals, with 13 berths. The throughput capacity of the terminals amounts to 4.8 million TEU (twenty-foot equivalent unit) at present. "We hope it could reach 10 million by 2010, with an expected annual increase of 20 per cent," said Wang Guanghao, chairman of Tianjin Port Development, during Tianjin Port's initial public offering (IPO) launch.

The Tianjin venture will invest, construct and operate a container-handling terminal in the Beigangchi area of the port. The terminal would have a total quay length of 1,100 meters with three container handling berths and a container stacking yard larger than 700,000 square meters.

Tianjin Port funded the investment from proceeds raised in its IPO, launched in May.

3.3.3 Dalian Port (PDA) Company Ltd

Dalian Port (PDA) Company Limited is engaged in the business of terminal operations. The Company and its subsidiaries are engaged in four business segments， include container multi-modal transportation, road transportation, shipping and the operation of container depots, warehouses, shipping agencies and cargo forwarders and a bonded logistics park. It also provides a range of additional port value-added services including the provision of terminal and related logistics services for oil products/liquefied chemicals; the provision of terminal and logistics services for containers; the provision of terminal and logistics services for automobiles, and the provision of port value-added services.

Dalian Port (PDA) Company Limited. The Group's principal activities are the provision of container loading and discharging services as well as storage services for crude oil, refined oil and through OTD, liquefied chemicals, various container logistics services including tugging, pilotage, tallying (through DOST and United Tallying) and IT Services.

Dalian Port Co., which launched its US$277 million Hong Kong initial public offering(IPO), planned to sell shares to long-term investors including Hutchison Whampoa Ltd., Singapore state-owned PSA International Pte Ltd. and China Shipping(Group) Co. The company planned to sell 840 million shares or 30 percent of its enlarged share capital, in a price range of HK$2.175(US$0.28) to HK$2.575 a share. The price range represents a price/earnings ratio between 12.6

and 14.9 times 2006 expected earnings, a more attractive valuation when compared with 19.4 times 2006 expected earnings for peer Xiamen International Port Co., which listed in December.

While the list of strategic investors hasn't been finalized, they should be limited to about three. Hutchison, PSA and China Shipping were all planning to buy into the IPO but declined to specify the size of their intended stakes. Dalian Port has an overallotment option to expand the size of the deal by 15 percent if demand is strong, the person said, adding the company plans to issue dividends with a payout ratio of about 40 percent.

Table 7: IPO statistics of Dalian Port

Dalian Port	
IPO Time	**2006.4.28**
Actual issuing	**0.84 billion**
Issue price(per Share)	**2.575 HKD**
Capital raised	**2.163billion HKD**
Recent performance one week	**-23.10%**
Recent performance one year	**-80.00%**

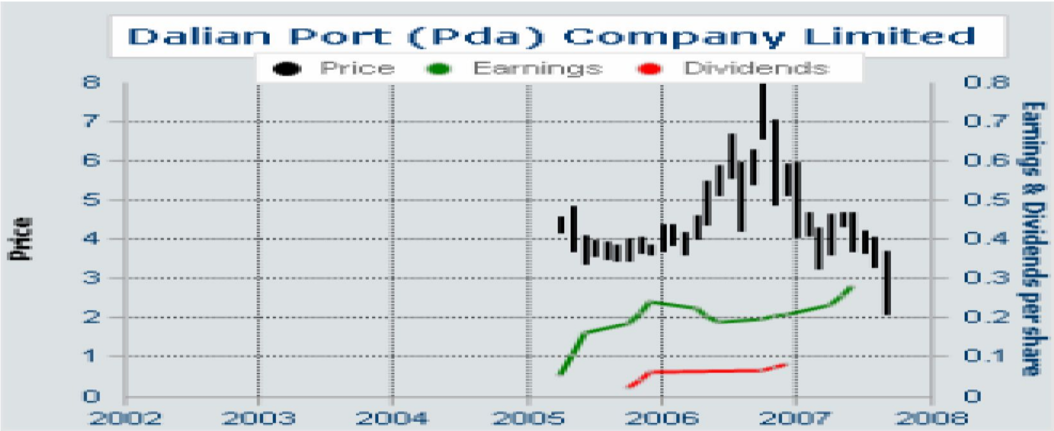

Figure 5: Price, Earnings & Dividends of Dalian Port

Dalian Port Co Ltd, which operates the mainland's second-largest oil port, is pondering a domestic stock listing as early as 2009 to fund a capacity and business expansion. The firm, which serves Petro China's giant but aging Daqing oilfield in the country's frigid northeast, plans to build 12 more crude-oil storage tanks around its port at Dalian, Liaoning province, with a collective capacity of up to 1.2 million tons. The firm, which projected a 20 percent leap in the amount of container cargo it handles in 2008, needs about 1 billion Yuan ($140 million) just to fund that storage-capacity expansion over 2008 and 2009.Chinese oil demand is expected to expand 4 to 5 percent in 2008 as the world's second-biggest energy consumer guzzles up crude to fuel its rip-roaring economy. The country still needs to import about half of the crude oil it needs. Rival Ningbo Port Group - based in the country's top oil shipping destination of Ningbo - is also considering an A-share listing that could raise as much as $2 billion, as Chinese firms shoot for domestic listings despite speculation that regulators are now hesitant to flood weakening markets with new issues.

Analysts say Dalian Port's earnings are more resilient than its listed rivals - which include Tianjin Port and Shanghai International Port - to a US recession because of a heavier reliance on oil than consumer goods. Dalian Port company which listed in the middle of 2006 and is now trading 86 percent above its IPO price of HK$2.58 - would side-step a potential hit to global shipping.

South Korea and Europe are the company's major container markets. Shipments to the United States accounted for about 9 percent of its total in 2007, Citigroup reckoned. Dalian holds a pivotal position as an import terminal for crude oil from the Middle East - from where China sources the bulk of its imported oil - and as an export destination from Daqing, one of the country's oldest oilfields.

And the firm may benefit from Beijing's plan to revitalize the economy of Northeast China. Located at the entrance to Bohai Bay and the sole gateway for China's icy northeastern provinces of Liaoning, Heilongjiang and Jilin, it plans to eventually operate 18 container berths with a designed capacity of 10 million TEUs (twenty-foot equivalent units).

3.3.4 Xiamen International Port Co., Ltd

Xiamen International Port Co., Ltd. The Groups' principal activities are container loading and unloading and storage for international and domestic trade, bulk/general cargo loading and unloading for international and domestic trade and ancillary value-added port services, including shipping, agency, tallying, tugboat berthing and unberthing and port-related logistics in Xiamen. The Group also engages in the manufacturing and selling of building materials.

On Apr. 29, 1999, Xiamen Port was listed on Shanghai Stock Exchange. And on Dec. 19th, 2005, Xiamen International Port Co., Ltd. was successfully listed in Hong Kong, becoming China's first listed company overseas and with full entitlement to port stocks alone. It also became the first listed state-owned enterprise in Xiamen City. In its initial public offering (IPO) with a total of 858 million H shares, the company planned to raise 1 billion to 1.2 billion Hong Kong dollars (128 million to 153 million US dollars) from the stock market.

Of the total, 772.2 million H-shares are made through the global offer and 85.8 million H-shares were offered to the public in Hong Kong for subscription.

The stock was traded between 1.18 Hong Kong dollars and 1.42 Hong Kong dollars. The capital raised on the stock market is expected to be used for the building of three new berths and loan repayment.

Table 8: IPO statistics of Xiamen Port

Xiamen Port	
IPO Time	**1999.4.29**
Actual issuing	**95 million**
Issue price(per Share)	**5.53 Yuan**
Capital raised	**525.35million Yuan**
Recent performance one week	**-26.10%**
Recent performance one year	**-83.70%**

Table 9: Financial Statistics of Xiamen Port

Unit: (RMB)

	At the end of reporting period	At the end of last year	Increase/ (decrease) (%)
Total assets	3,424,146,341.98	3,464,349,993.06	-1.16%
Owner's equity (or Shareholders' interests)	1,451,096,332.22	1,425,050,425.06	1.83%
Net assets per share	2.73	2.68	1.87%
	Reporting period	**Corresponding period of last year**	**Increase/ (decrease) (%)**
Net profit	26,045,907.16	25,756,984.38	1.12%
Net cash flows from operating activities	23,763,638.49	-22,225,384.82	206.92%
Net cash flows from operating activities per share	0.04	-0.04	206.92%
Basic earnings per share	0.05	0.05	0.00%
Diluted earnings per share	0.05	0.05	0.00%
Return on net assets	1.79%	1.90%	-0.11%
Return on net assets (after extraordinary gains/(losses))	2.07%	1.95%	0.12%

Meanwhile, Xiamen Port is also actively carrying out joint venture cooperation to leverage development. On one side, it is focused on promoting joint ventures with Maersk on the 1st Phase of Songyu Port Area, with a foreign investment of RMB 840 million; on the other hand, it has joined hands with HWL in construction on the Haicang Port Berth One, with investment from Hong Kong mounting to US$ 350 million.

Close attention will be placed on internal mechanisms for upgrading port function and improving port services. Xiamen Port has fulfilled the following: Having emphasized three logistics chains between foreign and domestic trade container transport as well as groceries shipping, the integration is to grow into a strategic storage and distribution system based on the existing port logistics operations; It has promoted the logistics distribution, bonded processing, port trade and other business, nurturing the portside services sector; It has explored a marketing system with producers, traders, terminal owners as well as banks working together as a port resources distribution centre; It has innovated ways of operating, setting up a port industry chain coordinating terminal handling, agents, warehousing, logistics and distribution, and port trade.

In this series of measures, Xiamen Port has progressively enhanced its overall competitiveness. As the central authorities and Fujian Province have planned, by 2010, Xiamen Port will develop into a regional power in the west Pacific coast as well as a world class container hub to handle more than 100 million tons of general goods and over 10 million TEU annually.

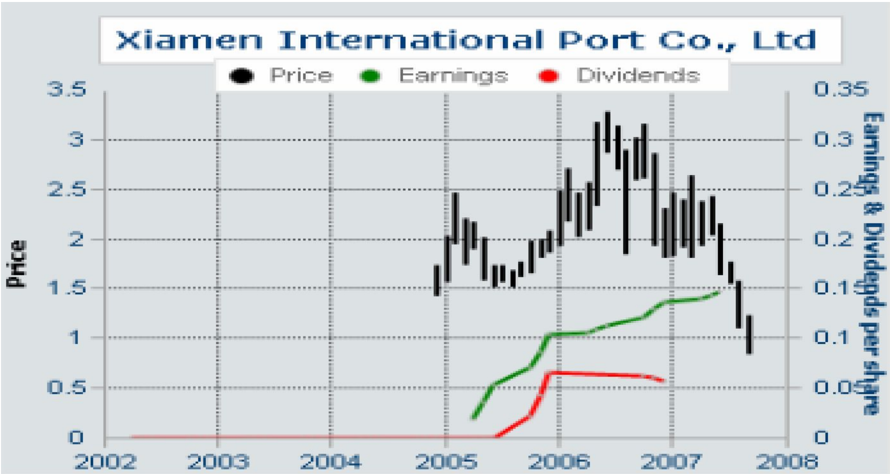

Figure 6: Price, Earnings & Dividends of Xiamen Port

3.3.5 Shenzhen Chiwan Wharf Holdings Ltd

Shenzhen Chiwan Wharf Holdings Limited is principally engaged in the handling, storage, transportation and other related services of containers and bulk cargo, as well as land transportation, tug boat services and shipping brokerage services in Chiwan Wharf, Shenzhen, Guangdong Province, China. During the year ended December 31, 2007, the Company handled approximately 58.9 million metric tons of cargo. In 2007, the container and bulk cargo handling business accounted for approximately 89% of the Company's total revenue. As of December 31, 2007, the Company had eight major subsidiaries/associates. The Company is headquartered in Shenzhen, Guangdong Province, China

Table 10: IPO statistics of Shenzhen Chiwan Port

Shenzhen Chiwan Port	
IPO Time	**1993.5.5**
Actual issuing	**46 million**
Issue price(per Share)	**3.10 Yuan**
Capital raised	**269.8million Yuan**
Recent performance one week	**-9.00%**
Recent performance one year	**-64.70%**

Shenzhen Chiwan Wharf Holdings Limited announced that it has entered into an agreement with Dongguan Humen Port Management Committee to set up a subsidiary in Mayong Port for the construction and operation of four berths with a capacity of 50,000 metric tons of bulk/general cargoes and container yards. The subsidiary will be engaged in the construction and operation of public wharves with an area of 600,000 square meters, as well as the provision of warehousing and cargo transportation services. The Company will invest approximately 1.15 billion in the project, including RMB 283 million as coastline use charges to Dongguan Humen Port Management Committee.

Shenzhen Chiwan Wharf Holdings Limited announced detailed terms of its share merger reform. According to the terms, holders of tradable shares will be compensated 1.2 non-tradable shares and eight put warrants for every 10 tradable shares they hold. The sole holder of non-tradable shares will contribute 10,261,680 non-tradable shares and 68,411,200 put warrants for the above compensation. The put warrants have a validity period of 12 months and an exercise price of RMB 13 per share. The Company will adopt the standard locking period stated by the regulator for its share merger reform

Shenzhen Chiwan Wharf Holdings Limited announced that its Board of Directors has approved the proposal to increase an investment of RMB 40.5 million in an associated company (Company A), in which the Company indirectly hold a 30% stake. Other shareholders of the Company A will also increase investment with a proportion the same as their current holdings in the Company A. After the transaction, the registered capital of the Company A will be increased from RMB 200 million to RMB 335 million, and the Company will still indirectly hold a 30% stake in the Company A.

3.3.6 Shenzhen Yantian Port Holdings Co. Ltd

Shenzhen Yantian Port Holdings Co., Ltd is principally engaged in the development and operation of ports, the handling and transportation of cargos, as well as the construction and operation of port supporting facilities, among others. During the year ended December 31, 2007, the Company obtained approximately 57% and 23% of its total revenue from the road transportation business and the port handling business, respectively. As of December 31, 2007, the Company had four major subsidiaries and seven major associates.

Yantian Port, a national priority project, is an important composition of Shenzhen's strategy of "Prosper and Develop City by Port". Based on overall planning, Yantian Port consists of eastern, central and western port areas with a total of more than 3,010,000-ton level or above berths upon completion. At the moment, there are a total of 9 50,000 to 100,000-ton level container berths under operation. A global leading container port, Yantian Port achieved 6.48 million TEU in 2004,which is of great importance for Shenzhen Port as a whole to rank the second nationwide and fourth worldwide. Under the guidance of Shenzhen municipal leader, the municipal-owned Shenzhen Yantian Port Group Company Limited, through assets and business reorganization, single-handedly set up Shenzhen Yantian Port Holdings Co., Ltd. on July 21, 1997, aiming to make full use of capital market and accelerate port construction and development.

Shenzhen Yantian Port Holdings Co., Ltd. was listed in Shenzhen Stock Exchange (SSE) as A-share on July 28, 1997.

Table 11: IPO statistics of Shenzhen Yantian Port

Shenzhen Yantian Port	
IPO Time	**1997.7.2**
Actual issuing	**125 million**
Issue price(per Share)	**5.31 Yuan**
Capital raised	**632.34million Yuan**
Recent performance one week	**-3.70%**
Recent performance one year	**-74.40%**

Shenzhen Yantian Port Holdings Co. Ltd. will team up with Hutchison Whampoa Yantian Port Investment Co. Ltd. in constructing the western section terminal of the Port of Yantian, one of the fastest growing ports in southern China. Three new 50,000-tonnage container berths are to be built, and an old one is to be enlarged, announced the Shenzhen-listed port and transportation operator on September 1, 2008. The terminal is designed with an annual throughput of 1.8 million TEUs. The project's total investment amounts to about CNY 3.838 billion. CNY 873 million will be inputted into their joint venture Shenzhen Yantian West Port Terminals Ltd. to build and operate the terminal. Yantian Port will contribute CNY 470 million, and Hutchison

Whampoa's port investment unit CNY 873 million. CNY 2.495 billion will come from bank loans.

3.3.7 Rizhao Port Co., Ltd

Rizhao Port Co., Ltd. is principally engaged in the port loading and unloading, cargo warehousing and transshipping services for bulk cargoes such as coal, iron ores and cement. During the year ended December 31, 2007, the Company achieved a throughput of 89.92 million metric tons of cargoes, including 14.94 million metric tons of coal, 65.67 million metric tons of iron ores and 4.01 million metric tons of cement. It is also involved in the port management. As of December 31, 2007, the Company had three subsidiaries and one associate.

Rizhao Port plans to raise CNY1.15 billion in an initial public offering on the Shanghai Stock Exchange in October. Rizhao is a seaport located in Shandong province, mainly specialized in the import of iron ore and the export of coal. It will be the first IPO were the price setting of the shares will be determined by the bidding method, following the introduction of new rules by the China Securities Regulatory Commission (CSRC). The port needs CNY821 million to build a new iron ore dock and CNY860 million to expand coal export facilities. Rizhao is China's fourth largest coal handling port.

Table 12: IPO statistics of Rizhao Port

Rizhao Port	
IPO Time	**2006.10.17**
Actual issuing	**230 million**
Issue price(per Share)	**4.70 Yuan**
Capital raised	**1，081million Yuan**
Recent performance one week	**-9.50%**
Recent performance one year	**-13.70%**

China's 4th largest port for handling coal, Rizhao Port plans to sell 230 million Yuan denominated shares to help fund expansion to exploit China’s rising demand for coal and iron ore. The proceeds will be used to fund an iron ore dock construction project costing 821 million Yuan and an 860 million Yuan coal export project.

The share sale would represent as much as 37% of the firm's enlarged share capital. China Merchants Securities is the underwriter for the share sale. Rizhao Port is 86% owned by the state owned Rizhao Port Group and has total coal loading capacity of 35 million tons with 3 docks and iron ore loading capacity of more than 50 million tons with 6 docks. Rizhao Port's public offering follows that of Daqin Railway, as China's rising coal demand spurs growth at both companies.

3.3.8 Jiangsu Lianyungang Port Co., Ltd

Jiangsu Lianyungang Port Co., Ltd is a China-based company operating licensed and unlicensed business in ports. The Company's licensed operations include the operation of ports and other ports equipment; the loading, unloading and warehousing of cargoes, and the provision of ports services. Its unlicensed operations consist of the leasing and repairing of the machines, facilities and equipment in ports; industrial investment; the production, installing and repairing of machinery and electronic equipment; the production and sale of tackles and riggings, and the packaging of bulk cargoes.

Jiangsu Lianyungang Port Co., Ltd. announced that 120 million shares of common stock in the Company from its initial public offering (IPO) would start trading on the Shanghai Stock Exchange .

Jiangsu Lianyungang Port Group's A-shares began trading on the Shanghai Stock Exchange on Thursday, April 26. Lianyungang Port raised RMB722.16 million by selling 150 million A-shares at RMB4.98 apiece. The shares closed at RMB14.31, a frenzied 187.35% first-day gain. Thursday's closing price represents a PE multiple of 79.5x 2006 diluted earnings. This is yet another example of a domestic stock market gone wild. As mentioned in earlier newsletters, Chinese nationals need more outlets in which to invest their growing wealth. As China’s stock markets head toward ever higher valuations, we should brace for a potential correction. Lianyungang is located in the northernmost part of Jiangsu province on China’s east coast.

Table 13: IPO statistics of Lianyungang Port

Lianyungang Port	
IPO Time	**2007.4.26**
Actual issuing	**150 million**
Issue price(per Share)	**4.98 Yuan**
Capital raised	**747million Yuan**
Recent performance one week	**0.00%**
Recent performance one year	**-61.60%**

Jiangsu Lianyungang Port Co., Ltd. announced that the Company will invest RMB 29.76 million to transform a workboat wharf to a rolling cargo wharf. The investment will increase its passenger transport capacity of 100,000 passengers a year and container handling capacity of 40,000 containers a year. The Company will engage Shanghai Certified Public Accountants as the auditor of the Company.

Jiangsu Lianyungang Port Co., Ltd announced that the Company and COSCO Shipyard Group Co., Ltd will form a joint venture with a registered capital of RMB 180 million, in which the Company will invest RMB 72 million and hold a 40% stake. The new entity will be engaged in ship businesses.

3.3.9 Jinzhou Port Co., Ltd.

Jinzhou Port Co., Ltd. is principally engaged in the provision of cargo handling, storage and shipping services. The Company operates its port businesses through three segments: petroleum and chemical products transportation, container transportation and general cargo transportation. The Company provides the loading/unloading and storage services for coal, fertilizers, cereals, steels, cements, nonferrous metals, stones and others as its general cargo transportation business. During the year ended December 31, 2007, the Company's container handling capacity was approximately 450000 twenty-foot equivalent units (TEUs). In 2007, loading and unloading business contributed approximately 84% of the Company's total revenue.

Situated in the west of the Bohai sea gulf in Liaoning Province, Jinzhou Port was listed on the Shanghai Securities Exchange Share B on May, 1998,then in June, 1999,it successfully listed on share A in the Shanghai Securities Exchange. From 1986 to 2004, Jinzhou Port invested over billions of RMB in the construction of port infrastructure facilities in nice port areas, It has 13 berths. The annual handling capacity is 2385 million tons. In 2004, the cargo throughput reached at 4500 million tons.

Table 14: IPO statistics of Jinzhou Port

Jinzhou Port	
IPO Time	**1999.4.29**
Actual issuing	**60 million**
Issue price(per Share)	**4.05 Yuan**
Capital raised	**243million Yuan**
Recent performance one week	**-7.40%**
Recent performance one year	**-64.80%**

By the end of 2004, 39 renowned ship owners both at home and abroad have launched hundreds of international container liner routes. Jinzhou Port will continue its fast development in container berths according to the increasing of importing and exporting in the east north area of china. Based on our effort, Jinzhou will be the core freight transportation Center in east north china.

Jinzhou Port Co., Ltd. announced that its Board of Directors has approved the proposal to increase its investment in its joint venture, together with its partner. The Company will contribute 40% of the total increased investment. After the transaction, the above-mentioned joint venture has a registered capital of RMB 268 million, and the Company will still hold a 40% stake in its joint venture.

3.3.10 Yingkou Port Liability Co., Ltd

Yingkou Port Liability Co., Ltd principally provides cargo loading, unloading, storage and transportation services in Yingkou port, which is located in Yingkou, Liaoning Province, China. The Company mainly handles metallic ores, non-metallic ores, iron and steel, petroleum and related products, coal and foodstuffs. It also handles containers, oil products and liquefied chemical products. During the year ended December 31, 2007, the Company obtained approximately 100% of its total revenue from its cargo loading and unloading business. In 2007, the Company handled approximately 46.4 million metric tons of cargos.

It was listed in January 2002 in the Shenzhen Stock Exchange. Its development has since hit a fast track. The port was reportedly planning to complete its listing after three to five placements.

Although it will take a long time to realize, having the parent company list in its entirety or to regularly inject quality assets into its subsidiaries - to avoid competition between the listed arm and the rest of the group

Table 15: IPO statistics of Yingkou Port

Yingkou Port	
IPO Time	**2002.1.31**
Actual issuing	**100 million**
Issue price(per Share)	**5.90 Yuan**
Capital raised	**590million Yuan**
Recent performance one week	**2.50%**
Recent performance one year	**-56.30%**

The port announced that they do not worried about funds any longer. They would use the proceeds to construct deep berths, especially to enhance container throughput volume.

3.3.11 Wuhu Port Storage & Transportation Co., Ltd

Wuhu Port Storage &Transportation Co., Ltd is principally engaged in the provision of port loading/unloading, storage and transshipping services for large amount bulk cargo as well as the port loading/unloading, logistics, delivery and multi-mode transportation services for international containers. The Company offers logistics services of various cargoes, such as coal, container, steels, cement and metallic ores. The Company operates its businesses mainly in Wuhu

Port area, Anhui Province, China. As of December 31, 2007, the Company had two associates.

Wuhu Port Storage & Transportation Co. announced that it will set up a wholly owned subsidiary, a Wuhu-based investment company. The new entity will have a registered capital of RMB 10 million and will be principally engaged in investment, planning, wealth management and consultation. The Company also announced that it will invest RMB 196.20 million in phase I of a container terminal project in Wuhu Port. The project will have an operational capacity of 100,000 twenty-foot equivalent unit.

Table 16: IPO statistics of Wuhu Port

Wuhu Port	
IPO Time	**2003.3.28**
Actual issuing	**45 million**
Issue price(per Share)	**7.08 Yuan**
Capital raised	**318.6million Yuan**
Recent performance one week	**2.40%**
Recent performance one year	**2.40%**

3.3.12 Yunnan Free Trade Science & Tech Co., Ltd

Yunnan Free Trade Science and Technology Co., Ltd is principally engaged in warehousing and transportation businesses. During the year ended December 31, 2007, the Company obtained approximately 97% of its total revenue from warehousing and transportation businesses. As of December 31, 2007, the Company had five Zhangjiagang-based subsidiaries.

Table17: IPO statistics of Yunnan Free Trade Science & Tech.

Yunnan Free Trade Science & Tech	
IPO Time	**1997.3.6**
Actual issuing	**15.78 million**
Issue price(per Share)	**3.75 Yuan**
Capital raised	**59.175million Yuan**
Recent performance one week	**-5.60%**
Recent performance one year	**-39.80%**

3.3.13 Beihai Port Co., Ltd

Beihai Port Co., Ltd. is principally engaged in loading and unloading, warehousing, ocean shipping agency, domestic trading, export and other businesses. During the year ended December 31, 2007, the Company obtained approximately 76% of its total revenue from its loading, unloading and warehousing businesses. In 2007, the Company handled 5.02 million metric tons of cargos. As of December 31, 2007, the Company had three major subsidiaries/associates.

Table 18: IPO statistics of Beihai Port

Beihai Port	
IPO Time	**1995.11.2**
Actual issuing	**20 million**
Issue price(per Share)	**1.00 Yuan**
Capital raised	**20million Yuan**
Recent performance one week	**0.30%**
Recent performance one year	**-49.30%**

Shenzhen-listed Beihai Port Co. Ltd. announced that it would issue 288 million shares to its parent company, Guangxi Beibu Gulf International Prot Group, at RMB 7.71 per share, to fund its acquisition of port assets from the latter worth RMB 2.22 billion.

3.3.14 Chongqing Gangjiu Co., Ltd

Chongqing Gangjiu Co., Ltd. is principally engaged in cargo handling services, cargo/passenger transportation services and the distribution of commodities. During the year ended December 31, 2007, cargo handling services and the distribution of commodities contributed approximately 60% and 30% of the Company's total revenue, respectively. In 2007, the Company handled approximately 10.3 million metric tons of cargo, 351,454 twenty-foot equivalent units (TEUs) of containers, served approximately 0.52 million passengers, as well as loaded and unloaded approximately 6.7 million metric tons of cargo.

Chongqing's port authority is the first to act. In July 2000, its listing
vehicle Chongqing Gangjiu made its debut on the Shanghai Stock Exchange.

Table 19: IPO statistics of Chongqing Gangjiu Co., Ltd

Chongqing Gangjiu Co., Ltd	
IPO Time	**2000.7.31**
Actual issuing	**86 million**
Issue price(per Share)	**6.18 Yuan**
Capital raised	**531.48million Yuan**
Recent performance one week	**-3.90%**
Recent performance one year	**-47.20%**

Chongqing Gangjiu Co., Ltd announced that the Company and Chongqing Port Logistics Group have jointly increased investment of RMB 70 million in Chongqing International Container Wharf Co., Ltd. Upon completion of the investment, the registered capital of the Chongqing International Container Wharf Co., Ltd. will be RMB 294 million, including RMB 147 million contributed by the Company with shareholding remaining as 50% and RMB 142.2 million injected by Chongqing Port Logistics Group with shareholding increase from

47.86% to 48.37%.

3.3.15 Nanjing Port Co., Ltd

Nanjing Port Co., Ltd. is principally engaged in the provision of port-related handling and storage services for crude oil, finished oil and liquid chemical products. The chemical products that are handled and stored by the Company include sulfuric acid, ethylene alcohols, paraxylenes, cyclohexanones, styrenes, liquid alkalis, phosphoric acid, asphaltums and syrups, among others. During the year ended December 31, 2007, the Company handled approximately 10.01 million metric tons of cargos, including approximately 2.1 million metric tons of chemical materials, 5.81 million metric tons of crude oil and 1.16 million metric tons of finished oil products. As of December 31, 2007, the Company had one major subsidiary and three associates.

Table 20: IPO statistics of Nanjing Port

Nanjing Port	
IPO Time	**2005.3.25**
Actual issuing	**30.8 million**
Issue price(per Share)	**7.42 Yuan**
Capital raised	**228.536million Yuan**
Recent performance one week	**1.60%**
Recent performance one year	**-72.00%**

Chapter 4: Integrated Analysis of 15 ports

4.1 What brings a port a successful IPO?

In an IPO, the type of security, the pricing and the timing are very important factors. Through Table 21 we know that the 15 ports mentioned above issued at a proper price and time and raised capital within expectation. And here we will consider that: **What are the keys to a successful IPO, or what brings a port a successful IPO?**

No matter what kind the companies are, it's sure that the same procedure to go public is required. With the same procedure, how to launch a successful IPO, we must turn back to the analysis of the ports mentioned above to find the intercommunity. Here in this thesis, I've got several steps to ports IPO success.

Choosing the Perfect Time

Before even plunging into the intricacies of the pre-IPO arrangements, choosing the ideal time to go public is of core importance. The timing of going public is very crucial in the pre-IPO process. One should look into many aspects before the plunge-like looking into the prevailing market sentiment. A port should be at a level where they can confidently proclaim that their expansion plans and investments in the future will be a success. However, some experts differ, saying ports should lunge for the IPO opportunity when they are confident that they have a strong corporate structure and market credibility on the basis of which they can woo the public.

Usually, ports venture into an IPO on the advice and guidance of their merchant bankers, who are in tune with the market movements and preferences. In the 1980's and early 1990's when branding and marketing were non-existent, liquidity in the market, behavior of the secondary market and merchant bankers' advice were instrumental in deciding the right time for the IPO. Briefly, a port should have a healthy financial position, timing and marketing. Wrong timing can have serious repercussions.

Take Shanghai International Port Group for example. During 2006, SIPG as a whole was preparing for market listing. There was already a listed company (Shanghai Port Container Co. Ltd.), which has, after listing in 2001, gathered a majority of quality assets and most logistics enterprises within SIPG. However, this listed company is growing complex in terms of its internal industrial structure, which is increasingly contradictory to the Group's overall industrial layout as well as industrial division of labor. Consequently, SIPG started on a plan targeted at listing itself as a whole. In Oct. 2006, by way of equity exchange and a merger with Shanghai Port Container Co. Ltd., SIPG was wholly listed on the A-share market, with the new listed company appearing as SIPG, sharpened the city's attractiveness as an international shipping hub.

Choosing the Right Team (accountant/pricing)

Forming the right team is essential before going for an IPO. Apart from the Chief Executive Officer (CEO) or the Chairman, the main members are the Chief Financial Officer (CFO), Chief Operating Officer (COO), the Company Secretary, the auditors, professional merchant bankers, and the Chief Information Officer (CIO) in the current age of information and legal advisors. It is very important for the board of directors involved in the venture to have a progressive outlook. Only an intelligent team can contribute to the success of the venture.

Zeroing in on the right CFO is crucial. Experts in the field opine that the CFO should be a veteran with not just a sound financial knowledge of the market and the trend of IPO. The CFO required when the company is at its growth stage is different from the CFO needed for an IPO, where he should have good networking and market contacts. It gives the port an edge in the market. A merchant banker works out the logistics of the company, but it is the CFO who actually markets the IPO.

Apart from the CFO and the Company Secretary, choosing appropriate auditors makes a world of difference. Unlike other members of the team who just look at the port's financial figures, the auditor has the additional job of assessing whether the entire accounting system is in order, is transparent and analyzing whether the numbers and projections as shown in the Excel sheet are realistic and practical. In fact, one should employ auditors at least one or two years before the IPO is launched.

When the company goes public, it must make a note of disclosures about the company operations and past records. It can't afford to make any observations which are incorrect or not backed by strong evidence. You should have a team who can strategies and can plan the inflow and outflow of resources and money and also can be in charge of the pricing of IPO.

The 15 listed ports were state-owned before but now are all related to a certain accountant office. According to the expected year earnings and profits, the auditors, bankers and accountant offices fixed a certain price or a price range for IPO which represents a price/profit ratio.

Inside these IPO cases, the first day returns of all ports showed positive, which reveals a successful IPO.

Definite Goals and Purposes

A port should be focused and clear about the purpose of the IPO. Usually, the purpose behind ports making an IPO is to accumulate funds and finances for expansion and investments and above all woo the investors and consolidate as a brand. This requires a purely corporate structure. Ports should keep in mind that IPOs help in hedging the risk factor.

SIPG recently went public primarily as a whole because they have plans to expand and upgrade the infrastructure and optimize the resources, aiming to be the world biggest cargo and container harbor. The other ports, considering the location, the size and the product species, have their own plans to be a certain product center or shipping center of a certain area. Keeping this in mind, the valuations which the company wishes to command will depend on the future goals and projects of the company, and the management team. Unless the management is fully sure of the ultimate goals, the company will not be able to come up with a high valuation for the proposed issue of shares. If the port is not sure as to the goal and purpose for an IPO, then they are standing on a rickety step.

Choosing the Right Merchant Bankers (underwriters)

The primary role of a merchant banker should be to act as a bridge between the organizations and the investors. Firstly, the merchant banker should have a brand image in the market. It should have sound knowledge of the market since there are very few China ports going in for an IPO. A merchant banker should have the capability and the experience to handle a large-scale IPO.

If a port had to go in for an IPO, It would choose a merchant banker on whom it has complete trust, who can meet the objectives and above all who is well-versed with the structure and composition of the ports. A banker will have to understand the vision and mission of the organization for going in for an IPO. Apart from being a link between the organization and the investors, a banker also has to generate interest and build up the confidence of the investors. IPO is new to the sector. Many financial investors are not aware of the nitty-gritty of this sector. A merchant banker's job is to arrest the attention of the investors.

Capital Restructuring

Ports should decide on the ways to deploy their capital, namely ports restructuring. Ports should be clear about the debt and equity ratio. This boils down to setting the ideal Debt-Equity Ratio. Ports have to work out their ratio according to the cash and the growth rate, so that they can accordingly structure their profits. With more debt they will have to pay more interest and if you have more interest then the profitability will come down. The listed ports mainly invested raised money in port construction or set up a company to invest in other companies, also made a good capital restructuring.

Also when it comes to capital restructuring, a port should be focused and clear about the proportion of the management and the stakes they are willing to dilute to the public.

Creating Investor Interest

Confidence building and generating investor interest should be on the priority list for a port.

A port must project an image of transparency and good governance to the investors. A company is accountable to its investors, which is why when they go public they have to disclose company projections—past, present and future prospects. The ports cannot afford to incur the wrath of the investors, as they can be unforgiving if the ports do not live up to their expectations. It requires the port to establish itself as a brand and prove its credibility in the market. It might go against the philosophies and policy of many ports, but only brand equity will help them to climb the ladder corporate. An investor should be aware of the existence of a port and be confident that they are investing in a name which will yield the promised fruits.

To the investors, the ports have being considered as a good field to invest for their steadily developing trend and increasing profits. So it is also a key to IPO success.

4.2 Classifying the uses of the raised money

Because of the difference in geographic location, product species, port character, port size and capacity etc., according to own development plan, the listed ports made different uses of the money raised, as below:

- Investment in port construction and operation , in order to strengthen the capacity in handling cargos and containers and boost up the throughput volume.
  Including: SIPG, Dalian Port, Tianjin Port, Shenzhen Chiwan Port, Shenzhen Yantian Port, Yingkou Port, Beihai Port, Lianyungang Port, Xiamen Port Jinzhou Port.
- Build to be a certain product center, just like oil, coal, iron ore,

chemical products and so on. Thus it will be more competitive in a certain field.

Including: Rizhao Port, Nanjing Port.

- Cooperate with other ports or shipping companies, even to complete M&A.

  Including: Tianjin Port, Dalian Port.

- Set up an investment company engaging in investment, planning, wealth management and consultation.

  Including: Chongqing Gangjiu, Wuhu Port.

Table 21: The size and uses of the raised money

PORT NAME	RAISED MONEY	USES OF THE MONEY
SIPG	**8.88billion Yuan**	**upgrade its port infrastructure and optimizing resources; invest in Yangshan Deep-Water port and Yangtze River triangle**
Dalian Port	**2.163 billion HKD**	**build 12 more crude-oil storage tanks;**
Xiamen Port	**525.35 million Yuan**	**develop into a regional power in the west Pacific coast as well as a world class container hub**

Tianjin Port	36.498 million Yuan	join forces with leading international container conglomerate; invest, construct and operate a container-handling terminal
Rizhao Port	1,081 million Yuan	exploit China's rising demand for coal and iron ore
Shenzhen Chiwan Port	269.8 million Yuan	set up a subsidiary in Mayong Port for the construction and operation
Shenzhen Yantian Port	632.3million Yuan	construct the western section terminal
Jinzhou Port	243million Yuan	build the core freight transportation Center in east north china
Yingkou Port	590million Yuan	construct deep berths
Lianyungang Port	747million Yuan	transform a workboat wharf to a rolling cargo wharf
Chongqing Gangjiu	531.5million Yuan	invest in Chongqing International Container Wharf Co., Ltd.
Yunnan Free Trade & Tech	59.175million Yuan	
Nanjing Port	228.5million Yuan	invest to be crude oil, finished oil and liquid chemical products center
Wuhu Port	319million Yuan	set up a Wuhu-based investment company
Beihai Port	20million Yuan	fund its acquisition of port assets

Chapter 5 : Conclusion

Nowadays, port industry is in a very good prospect. The ports as the link of shipping and land transportation strongly promote the development of economy. With the globalization of world economy and the developing world free trade, port industry now is in a splitting progress.

In the whole year of 2007, the cargo throughput of China ports amounted to 6.41 billion tons, and the container throughput reached 114 million TEU. In the same year, the passenger throughput of the ports increased to 206 million people. The cargo throughput and container throughput of Chinas ports have remained first among the world's nations for four years. China has accounted for nearly 1/4 of the world's container throughput. It already has 14 large-scale ports, with a throughput of at least a hundred million tons.

Strong import and export trade has increased the demand for coastal ports, leading to significantly higher investment in coastal port construction than that of inland river ports, and larger construction projects on coastal ports.

In addition, beside self-development, China has over 1000 ports, including coastal ports and inland river ports. For regionally reasons, port and port interact and compete each other. Requiring for more capital is the same problem faced by China ports. However, the listed ports which were mentioned in this thesis have gathered large amount of fund through Initial Public Offerings (IPOs). And the listing shows experience for other ports to go public. It would be a trend.

Under the policy of WTO, in pouring of foreign capitals is reasonable and on a high speed. Many foreign companies are interested in investing in China ports. It ensures sufficient funds.

But, as we analyzed, not all IPOs will be successful, port companies must consider the key factors to reach a success through IPOs. Meanwhile, before the saturation of port industry capital market and ports productivity, making reasonable use of the funds gathered through initial public offerings is desirable.

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