CIG
中國基建

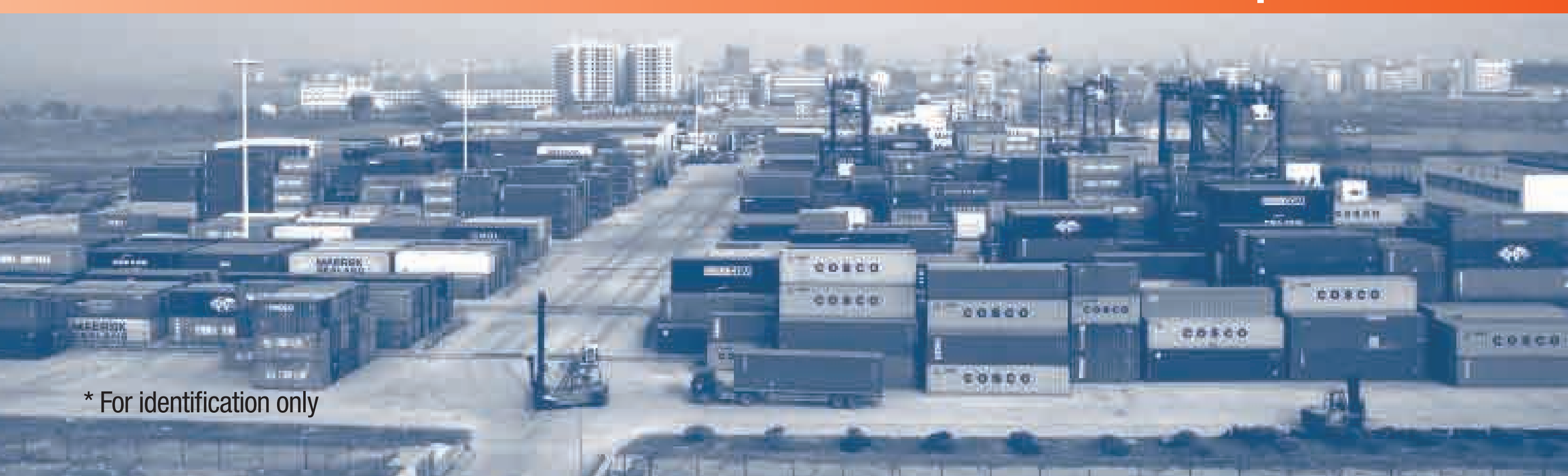
中國基建港口有限公司*

CIG Yangtze Ports PLC

(incorporated in the Cayman Islands with limited liability Stock Code: 8233)

UTILIZE THE GOLDEN WATERWAY ALONG YANGTZE RIVER TO DEVELOP THE BIGGEST HUB-PORT AND LOGISTICS BASE IN CENTRAL CHINA

Annual Report 2008



* For identification only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This report, for which the directors (the "Directors") of CIG Yangtze Ports PLC (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, (i) the information contained in this report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this report misleading; (iii) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

CORPORATE INFORMATION

DIRECTORS

Executive Director:
Mr. Chow Kwong Fai, Edward

Non-executive Directors:
Mr. Wong Yuet Leung, Frankie
Mr. Goh Pek Yang, Michael
Mr. Lee Jor Hung, Dannis

Independent Non-executive Directors:
Mr. Lee Kang Bor, Thomas
Dr. Wong Tin Yau, Kelvin
Mr. Fan Chun Wah, Andrew

AUDIT AND REMUNERATION COMMITTEE MEMBERS

Mr. Lee Kang Bor, Thomas, *FCCA, FCPA (Chairman)*
Dr. Wong Tin Yau, Kelvin
Mr. Fan Chun Wah, Andrew
Mr. Wong Yuet Leung, Frankie

AUTHORIZED REPRESENTATIVES

Mr. Chow Kwong Fai, Edward
Mr. Wong Wai Keung, Frederick

COMPANY SECRETARY

Mr. Wong Wai Keung, Frederick, *FCA, FCPA*

AUDITORS

Grant Thornton

LEGAL ADVISERS

Richards Butler
Maples and Calder
Jingtian & Gongcheng
Dewell & Partners

STOCK CODE

8233

CONTACT DETAILS

Phone: (852) 2868-0212
Fax: (852) 2868-0620
Email: cigyp@cigyangtzeports.com

PRINCIPAL BANKERS

Shanghai Pudong Development Bank
Wuhan Branch, PRC

Bank of Communications
Wuhan Branch, PRC

China Merchants Bank
Wuhan Branch, PRC

Agricultural Bank of China
Wuhan Branch, PRC

CITIC Ka Wah Bank Limited
Hong Kong

DBS Bank (Hong Kong) Limited
Hong Kong

HEAD OFFICE

2909A Bank of America Tower
12 Harcourt Road
Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Cayman) Ltd.
P.O. Box 705
Butterfield House
68 Fort Street
George Town
Grand Cayman
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

REGISTERED OFFICE

P.O. Box 309
GT Ugland House
South Church Street
George Town
Grand Cayman
Cayman Islands

COMPANY WEBSITE

www.cigyangtzeports.com

CHAIRMAN'S STATEMENT

On behalf of the Board, I am pleased to present the 2008 annual report of CIG Yangtze Ports PLC to our Shareholders.

REVIEW OF OPERATIONS AND RESULTS

Despite the global financial crisis and the resultant economic downturn, during 2008 the Group's 85% owned WIT Port in Wuhan handled a throughput of 160,037 containers (TEUs), a 17% increase on the 136,357 TEUs achieved in 2007. In terms of market share for the whole of Wuhan, the Group's share of container traffic is maintained at 34%. Our port also handled 139,384 tons of general cargo, a 170% increase.

The Group achieved turnover of HK$42.3 million, an increase of HK$8.8 million or 26% over 2007; EBITDA of HK$15.3 million, an increase of 444%; net loss attributable to shareholders of HK$10.5 million, a reduction on HK$16.3 million for 2007. The much improved performance is due to the increase in contributions by most of the business segments with continuing volume growth and subsidies granted to WIT by the Hubei and Wuhan governments as part of their plans to develop Wuhan into a major marine transportation hub of Central China.

On the port construction and development front, with the works on berths and stacking yards having been completed the Group in 2008 focused on the development of logistics and warehousing facilities to cater for growth in the logistics business segment.

Further expansion of the ports business saw Phase II of the WIT Port receiving project approval (立項) by the central government and the signing of a Heads of Agreement with the Wuhan Xinzhou District Government for the development of the Heavy Item Port to provide heavy and bulky cargo handling services adjacent to the existing berths of the WIT Port. Negotiations to further advance these projects are ongoing and the Board and management are also looking into project funding proposals including additional capital requirements. It is anticipated that these proposals will be tabled for Shareholders' consideration and approval in the near future.

FORWARD LOOKING OBSERVATIONS

The Board is pleased that the Group has continued to increase its revenue and EBITDA. Despite the global economic downturn and its related impact on the Chinese economy, the Board is optimistic that the continued concerted marketing efforts of management to expand our business activities will more than mitigate the downside impact of short term economic adjustments. Because of the strategic position that the Group has already taken it stands to immediately benefit from government policies to promote and stimulate internal trade within China.

Based on the above observations, the Directors have reasons to believe that 2009 will be another year of growth for the Group.

Chow Kwong Fai, Edward
Chairman

Hong Kong, 30 March 2009

VISION

- To become the first major container port in Central China providing modern and international standard port services.
- To become the biggest hub port in Central China with a total of 8 berths.
- To become a leading multi-function port and logistics services provider.

MISSION

- To increase volume and market share of container throughput, general cargo, agency and integrated logistics services.
- To enhance the value of the Group and returns to shareholders.
- To play a key role as a container hub port and a feeder port in the transportation of container cargo to and from Wuhan and ports along the Yangtze River corridor.
- To play a key role in building up container handling capability in Wuhan to 1,500,000 TEUs per annum by 2012, which is also a mission of the Wuhan Municipal Government under the 11th 5-year Plan.

STRATEGY

- To continue to develop the existing business of WIT.
- To continue to develop the integrated logistics and agency businesses in Wuhan.
- To develop Phase II of the WIT Port to bring the Group's annual designed handling capacity to 1,200,000 TEUs.
- To develop the Heavy Item Port capable of handling very large and heavy cargo weighing up to 600 tons per piece.

CORE VALUE

- Since 1996, founding shareholders and senior management have built up valuable relationships with government officials in Wuhan over the years.
- Experienced management in planning, construction and operation of international ports in the PRC.
- Strong and experienced Board:
  - in the ports and shipping business, both internationally and in the PRC.
  - advocating strong corporate governance practices of transparency, accountability and timely reporting.
- A business plan which mirrors the key themes of China's 11th 5-year Plan (中部崛起).

Strategy:
1,200,000 TEUs
Annual
Handling Capacity

Vision:
Multi-Function Port
and Logistics Services
Provider

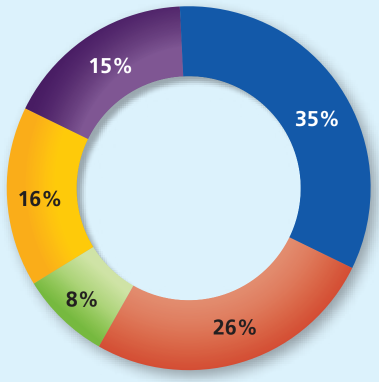
Mission:
Profitability and Value
to Shareholders

Vision:
Biggest Hub Port in
Central China

Core Value:
Core business in line
with the themes of
China's 11th 5-year
Plan (2006-2010)

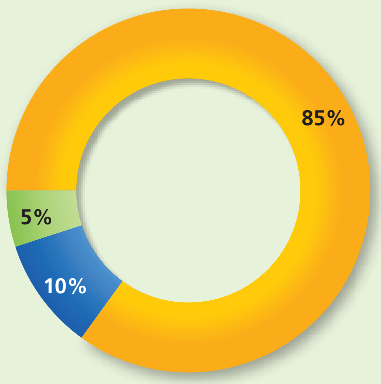
Core Value:
Strong and
Experienced
Management

SHAREHOLDING IN CIG YANGTZE PORTS PLC



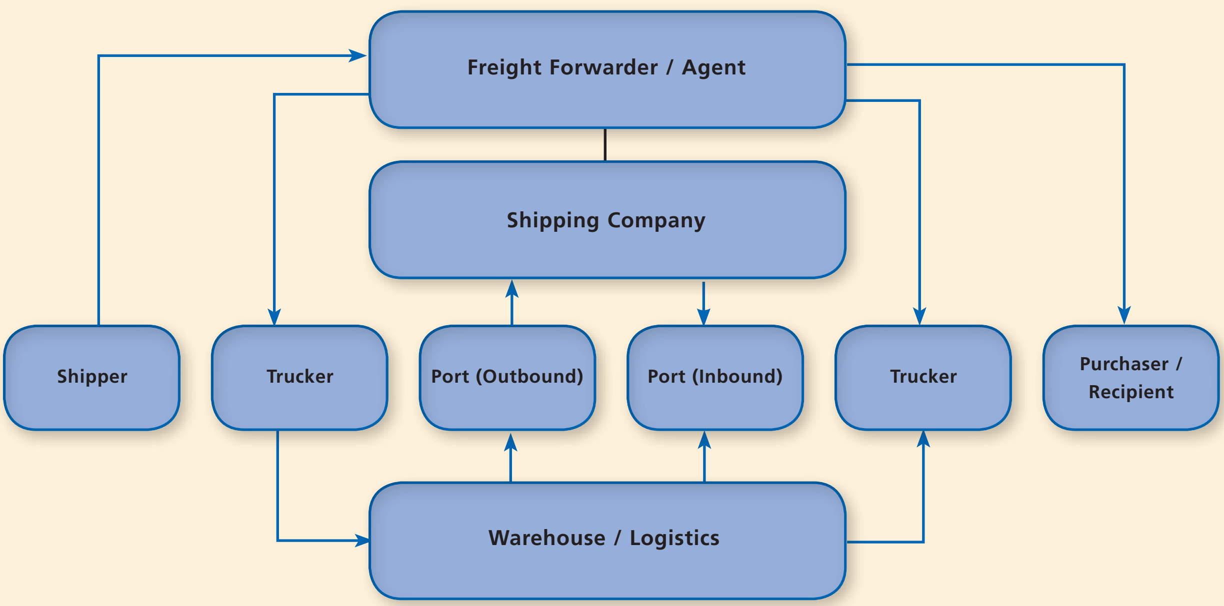
- Edward K.F. Chow
- Value Partners
- Shui On Group
- Mitsui O.S.K. Lines
- Others

SHAREHOLDING IN WIT PORT



- CIG Yangtze Ports PLC
- Wuhan Yangluo Development Co., Ltd.
- Wuhan Harbour Group Co., Ltd.

CIG'S BUSINESS MODEL



REVIEW HIGHLIGHTS

	Year ended 31 December	
	2008	2007
	HK$'000	*HK$'000*
Turnover	**42,304**	33,521
Cost of services rendered	**(19,213)**	(18,075)
Gross profit	**23,091**	15,446
Other income	**11,513**	5,091
General and administrative expenses	**(19,311)**	(17,727)
Operating Profit/EBITDA	**15,293**	2,810
Finance costs	**(15,929)**	(11,921)
EBTDA	**(636)**	(9,111)
Depreciation and amortisation	**(9,827)**	(8,135)
Loss for the year	**(10,463)**	(17,246)
Minority interest	**(53)**	963
Loss attributable to Shareholders	**(10,516)**	(16,283)

REVIEW OF OPERATIONS

OVERALL BUSINESS ENVIRONMENT

The Group's principal activities are investment in and the development, operation and management of container ports which are conducted through the WIT Port, which is 85% owned by the Group. As a deep water regional container hub port at the mid-stream of Yangtze River and a feeder port to the ports in Shanghai, the WIT Port plays an increasingly key role in the transportation of container cargo to and from Wuhan and surrounding areas along the Yangtze River corridor, including the upstream area of Chongqing and neighbouring provinces. This role is particularly important with the increase in container throughput brought about by the high economic growth in Central China region (中部崛起), a key theme of China's 11th 5-year Plan (2006-2010). The pivotal role which Wuhan and WIT Port plays is also a major feature of Wuhan Municipal Government's and the Hubei Provincial Government's 11th 5-year Plan. Under the Provincial and Municipal 5-year Plans, by 2012, Wuhan plans to build up its container cargo handling capacity of 1.5 million TEUs. Under the 5-year Plan, Wuhan will also become one of the four major regional logistics hubs in the whole of China. Commencing 2006, the Group began developing port related agency and integrated logistics businesses to increase its revenue sources.

Wuhan and Hubei Province respectively achieved GDP growth of 15.1% (15.6% in 2007) and 13.4% (14.5% in 2007) in 2008 while that of the whole of China grew by 9% (11.4% in 2007).

The strong and well established industrial base of Wuhan featuring operators in major industries including vehicle and engine manufacturers such as Nissan, Honda, Citreon, Renault and Cummins and LCD and electronics manufacturers such as Foxconn and TPV as well as those in the construction materials and farm products businesses have been and will continue to be the principal providers of Wuhan sourced container cargos to the WIT Port. As many of the manufacturing/assembly plants of these international companies are new, their planned production expansion will contribute to the growth in throughput at the WIT Port.

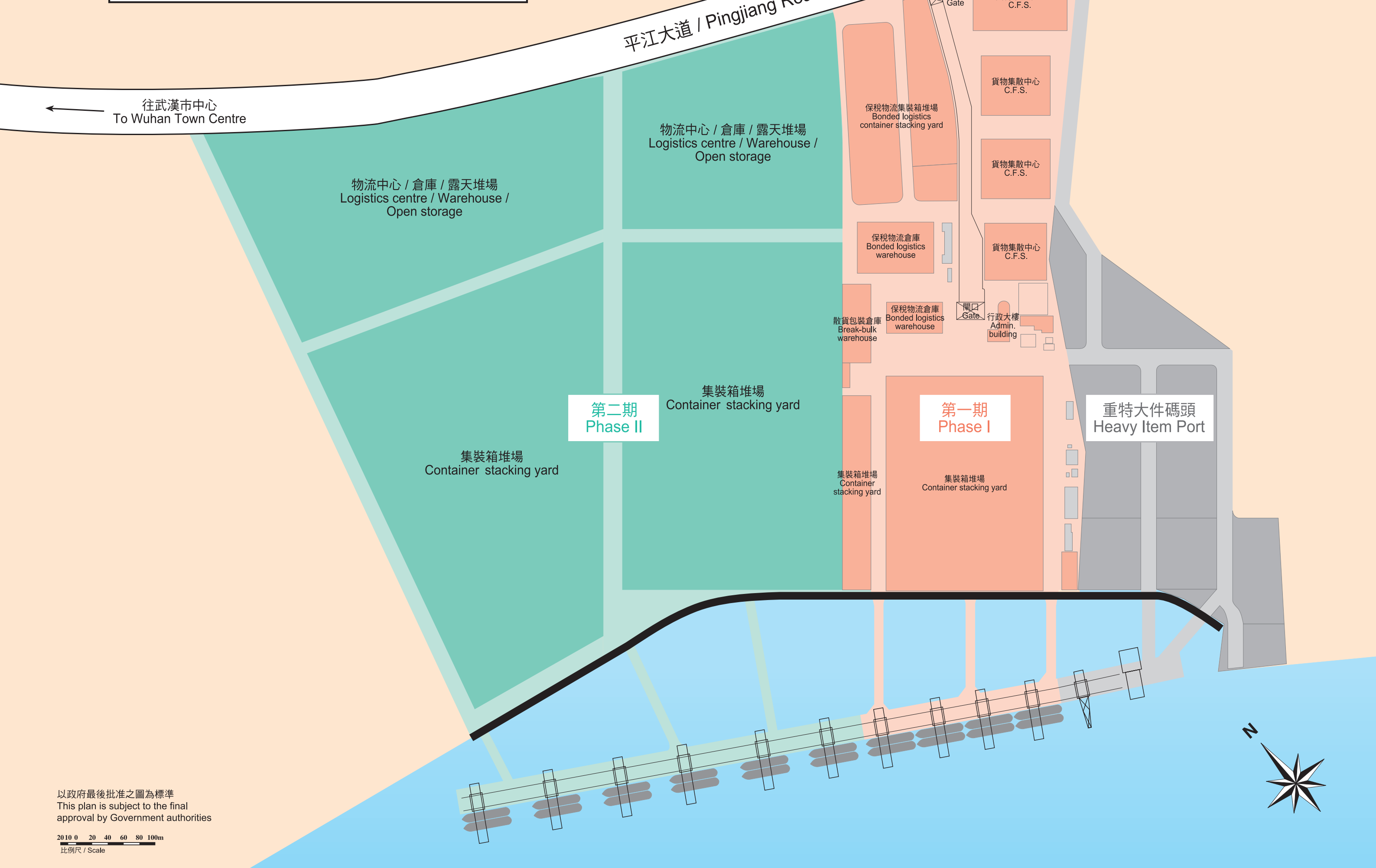
2008 also saw major companies like Wuhan Steel which is relocating many of its manufacturing facilities to the Yanglou District, where the WIT Port is located, and power transmission equipment manufacturers such as Siemens and Areva constructing their manufacturing plants in Yanglou.

2008 also saw the benefit of the opening of the Yanglou Bridge in December 2007, which links the north and south banks of the Yangtze River near the WIT Port with two exits. This bridge forms part of the Beijing-Zhuhai and Shanghai-Chengdu Highways, facilitating transshipment cargos calling at the WIT Port. Similarly, the Yanglou Bridge also links the Wuchang (武昌) District of Wuhan with Hankou (漢口) District, substantially cutting transportation time and distance from the industrial areas of Wuchang (武昌) to the WIT Port.

The transshipment services provided by WIT provide a more economic alternative to surrounding areas of Wuhan to ship container cargos using bigger ships carrying more containers to and from Shanghai and overseas as the inherent water-depth limitations along the up-stream regions of the Yangtze River precludes bigger ships from navigating directly from those areas to and from Shanghai. Surrounding areas which are serviced by WIT include Hunan, Guizhou, Chongqing, Sichuan, Shanxi, Henan, Hubei and Shaanxi Provinces.

With the development and growth of the container business on track, the Group has been developing its agency and integrated logistics businesses to expand its revenue sources. In this respect, with the designation of the WIT Port area as the distribution centre for imported fertilizers, WIT provides logistics services which include bonded warehousing, customs clearance, break-bulk and distribution under a co-operation agreement with fertilizer importers and distributors.

港區規劃示意圖
Master Plan of Port Area



	Phase I 2004 - 2008	Phase II 2009 - 2012	Heavy Item Port 2009 – 2010	Total
Designed Capacity:				
– Container Throughput (TEU)	400,000	800,000	100,000	1,300,000
– Heavy and Large Cargo (Tonnage each)			600	600
Number of Berths	2	4	2	8
Total Length of Berths (m)	270	540	160	970
Area of Container Stacking Yard (sq. m.)	72,000	180,000	70,000	322,000
Storage and Warehousing Area (Including General Cargo) (sq. m)	56,000	120,000		176,000
Land (mou)	320	780	130	1,230
CFS/Warehouse/Logistics Centre	6	10		16
Major Equipment:				
Container Handling – Quay Crane	3	6		9
– Multi-purpose Gantry Crane	1			1
– Rubber Tyred Gantry Crane	6	10		16
Heavy Item Handling – 600 Ton Crane			1	1
– 600 Ton Multi-axle Transporter			1	1
– 150 Ton Multi-axle Transporter			1	1

Total No. of Berths 2 + 4 + 2 = 8

BELOW IS A MORE DETAILED DESCRIPTION OF THE GROUP'S REVENUE SEGMENTS:

Container Throughput

The total throughput achieved by WIT for 2008 was 160,037 TEUs, an increase of 23,680 TEUs or 17% over that of 136,357 TEUs for 2007. Of the 160,037 TEUs handled in 2008, 45,451 TEUs or 28% (2007: 41%) and 114,586 TEUs or 72% (2007: 59%) were attributed to Wuhan sourced and transshipment cargos respectively. High ground transportation cost including toll charges for cargo to the port and the lack of government policy incentive to encourage cargo calling at our port have continued to affect the volume of Wuhan sourced/destined cargo for our port.

Of the 114,586 TEUs of transshipment cargo handled, 32,086 TEUs or 28% (2007: 18%) and 82,500 TEUs or 72% (2007: 82%) were attributable to Road-River (水陸中轉) and River-River (水水中轉) modes of transshipments respectively.

Principal customers of the Group are the major shipping companies which serve the Yangtze River corridor.

General Cargo

Throughput of general cargo for 2008 was 139,384 tons, an increase of 170% over 2007.

Agency & Logistics

The agency and logistics businesses continue to make important contributions to the revenue of the Group in 2008. Revenue from these sources accounted for 31% of turnover (2007: 39%).

Developing New Port & Logistics Facilities

Being a ports and logistics company operating in a high growth economy, the Group's strategy is twofold – expanding the volume of business on the operations side and constructing new facilities to cater for growth concurrently.

The implementation of this strategy, which will create enterprise and shareholder value in the long term, could only be achieved at the expense of short term profit due to higher depreciation and interest charges. During the past months, the Group and WIT have pressed ahead to negotiate future port expansion concessions and construct new container storage, logistics and warehousing facilities at the WIT Port to increase capacity to cater for growth.

Phase I of the WIT Port

WIT Phase I is completed and operational. Construction of additional bonded and warehousing facilities shall be undertaken as demand for integrated logistics services increases.

Post Phase I Developments

Phase II of WIT Port

The Group has, since the beginning of the WIT project, been granted the right of first refusal for the development of Phase II of the WIT Port by the PRC joint venture partners who are Wuhan government agencies. Pursuant to this and the importance given to the development of Wuhan into a major hub port and logistics base for the Central China region under the 11th 5-year Plan, the Group and its joint venture partners have been planning for the development of Phase II of the WIT Port. Since the signing of a Heads of Agreement in 2005 a supplemental agreement was signed in April 2007 to commission a development plan which has recently been approved by the central government.

Under the Heads of Agreement, the Group will take a 44% equity interest in the Phase II development with the rest of the interest to be taken up by the two PRC Joint Venture partners of WIT. The Phase II development will increase designed handling capacity by 800,000 TEUs, taking the overall annual container designed handling capacity of the WIT Port to 1,200,000 TEUs. Negotiations of the terms of the joint venture agreement are in progress. If the Board approves for the negotiated project to go ahead, the project will be tabled for shareholders' approval.

Heavy Item Port

On 1 August 2007, the Group entered into a non-legally binding heads of agreement with the Wuhan Xinzhou District Government to construct and operate a heavy item port (重特大件碼頭) (the "Heavy Item Port" or the "Project") to handle large and heavy cargo (up to 600 tonnes in weight) shipments to cater for the transportation needs of some major international power generation, transmission and distribution equipment manufacturers which have chosen to establish manufacturing plants in the Yanglou District of Wuhan, where the WIT Port is situated. The provision of a Heavy Item Port facility is part of the Wuhan Government's commitment to these world class manufacturers to attract them to establish manufacturing facilities in Wuhan. Our agreement and cooperation to build and operate this port will attract favourable incentives from government. The Heavy Item Port facility will be located adjacent to the WIT Port and will be managed by the same management team to achieve economies of scale. Total estimated capital expenditure is estimated to be around RMB150 million.

The Group has commissioned for the feasibility studies and preliminary designs to be included in the submission of the application for Government approval (立項) and had entered into a land procurement agreement with the government for the acquisition of 129 mou of land for the port in February 2008. Once the Board approves for the Project to go ahead, the Project will be tabled for shareholders' approval.

OPERATING RESULTS

TURNOVER

For 2008, the Group's turnover amounted to HK$42.3 million, representing an increase of HK$8.8 million or 26% over that of HK$33.5 million for 2007. The increase in turnover was mainly attributable to extra revenue from additional containers handled and higher average tariff rates achieved for the year under review. The reduction in revenue for agency income was due to the reduced import of fertilizers as a results of unstable supply and price control problems. The increase in integrated logistics services income reflected the increased demand for bonded warehousing services from manufacturers which have established their manufacturing plants in the Yanglou area where the WIT Port is situated.

In respect of revenue contributions for 2008, container handling services accounted for 62% (2007: 58%), integrated logistics services 18% (2007: 18%), agency income 13% (2007: 21%), and general and bulk cargo handling service 7% (2007: 3%) of total turnover.

CONTAINER VOLUME AND THROUGHPUT

The volume of throughput achieved for 2008 was 160,037 TEUs, an increase of 23,680 TEUs or 17% over that of 136,357 TEUs for 2007. These achievements reflected the combined achievements in marketing and business development of the management team of WIT and WIT's ability to handle transshipment cargo from neighbouring and upstream provinces of Wuhan. In terms of market share, the 2008 year saw the Group's share decreased marginally from 35% to 34% against an aggregate of 473,636 TEUs handled in 2008 for the whole of Wuhan.

TARIFF

From 1 January 2008, the Group has raised its tariff scale for Wuhan sourced containers by approximately 9% over that of 2007. However, overall scale remains below the recommended rates of the Ministry of Communication (MOC) and rates charged by other major ports in the PRC. The average tariff per TEU achieved in 2008 was HK$164 compared with HK$143 achieved in 2007.

TURNOVER AND REVENUE

	2008		2007		Increase/(Decrease)	
	HK$'000	**%**	HK$'000	%	HK$'000	%
Container handling	**26,249**	**62**	19,480	58	6,769	35
General and bulk cargo	**2,922**	**7**	1,035	3	1,887	182
Agency	**5,479**	**13**	6,939	21	(1,460)	(21)
Integrated logistics services	**7,654**	**18**	6,067	18	1,587	26
	42,304	**100**	33,521	100	8,783	

	2008	2007	Increase	
	TEUs	TEUs	TEUs	%
Container throughput	**160,037**	136,357	23,680	17
	Tons	Tons	Tons	%
General and bulk cargo	**139,384**	51,593	87,791	170

GROSS PROFIT AND GROSS PROFIT MARGIN

Gross profit for 2008 was HK$23.1 million, a significant improvement on the gross profit of HK$15.4 million in 2007. Gross profit margin for 2008 was 55%, a significant improvement on the 46% for 2007. This mainly reflected the increased contributions from the increase in volume of containers handled, higher average container tariff rates achieved and the continuing contributions from general and bulk cargo, the agency and integrated logistics services business segments.

LOSS FOR THE YEAR

Loss for the year amounted to HK$10.5 million, representing a reduction of HK$6.7 million or 39% over that of HK$17.2 million for the 2007 year. Loss attributable to shareholders amounted to HK$10.5 million, representing a reduction of HK$5.8 million or 36% over that of HK$16.3 million for the 2007 year. These were attributable to a combination of factors, including the increase in gross profit contributions and government subsidies received which were partly offset by the increase in general and administrative expenses as a result of the additional marketing and business development efforts to promote the WIT Port; the increase in finance costs as a result of increased capital expenditure and increase in interest rates and the increase in amortization charge.

Loss per share was HK cents 2.10, a substantial reduction compared with HK cents 3.53 for 2007.

EMPLOYEE INFORMATION

Number of Employees

A breakdown of the number of employees of the Group by function and by geographical location as at 31 December 2008 and 2007 is set out below:

	As at 31 December 2008			As at 31 December 2007		
	H.K.	**Wuhan**	**Total**	H.K.	Wuhan	Total
Operation	**–**	**121**	**121**	–	100	100
Project Planning and management	**2**	**6**	**8**	2	6	8
Corporate and business development	**–**	**13**	**13**	–	13	13
Finance	**3**	**9**	**12**	2	8	10
Engineering	**–**	**34**	**34**	–	30	30
Administration and Personnel	**4**	**20**	**24**	4	16	20
	9	**203**	**212**	8	173	181

Remuneration of Employees and Policies

The Group has maintained good relationships with its staff and has not experienced any major disruptions of its operations due to labour disputes. The Group participates in retirement insurance, medicare, unemployment insurance and housing funds according to the applicable laws and regulations of the PRC for its employees in the PRC and makes contributions to the Mandatory Provident Fund Scheme of Hong Kong for its employees in Hong Kong. The Group remunerates its employees in accordance with their work performance and experience. The Board has designated the duties of determining Directors' service contracts, the reviewing of Directors' and senior management's emoluments and the awarding of discretionary bonuses and share options of the Company to the Audit and Remuneration Committee.

Total remuneration together with pension contributions incurred for the year ended 31 December 2008 amounted to HK$15.3 million (2007: HK$12.4 million). The Directors received remuneration of HK$3.0 million during the year ended 31 December 2008 (2007: HK$2.7 million).

FINANCIAL POSITION AND GEARING RATIO

The Group finances its operations and capital expenditure with internal financial resources, long-term and short-term bank borrowings.

As at 31 December 2008, the Group had total outstanding bank borrowings of HK$199.5 million (RMB175 million) (2007: HK$192.6 million), which are provided by three PRC banks.

The Group had total cash and cash equivalents of HK$8.6 million as at 31 December 2008 (2007: HK$42.8 million) and consolidated net assets of HK$122.3 million (2007: HK$126.2 million).

During the year, the Group successfully re-negotiated short term due for repayment banking facilities into longer term borrowings resulting in a significant reduction in current portion of interest-bearing borrowings from HK$107.1 million as at 31 December 2007 to HK$28.6 million as at 31 December 2008. This has also resulted in the current ratio improving from 0.44 as at 31 December 2007 to 0.93 as at 31 December 2008.

As at 31 December 2008, the Group had a gearing ratio of approximately 1.9 (2007: 1.7). The calculation of the gearing ratio was based on total bank borrowings over equity attributable to shareholders of the Company as at 31 December 2008 and 2007 respectively.

EXCHANGE RATE RISKS

The Group's reporting currency is the Hong Kong dollar. Hence, the Group's exposure to foreign currency exchange rates relates primarily to the Group's operations in Wuhan which are conducted in Renminbi.

For the year ended 31 December 2008, the Group generated revenue solely in Renminbi, its loans are in Renminbi and incurred costs mainly in Renminbi and Hong Kong dollars. The Directors consider that the impact on foreign exchange exposure of the Group to be minimal.

SIGNIFICANT INVESTMENTS

Save as disclosed elsewhere in this Report, the Group did not hold any significant investment as at 31 December 2008.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Save as disclosed elsewhere in this Report, the Group did not make any material acquisitions or disposals of subsidiaries or affiliated companies during 31 December 2008.

CAPITAL COMMITMENTS

As at 31 December 2008, the Group had capital commitment in respect of the construction of port facilities contracted for but not provided for amounting to approximately HK$6,478,000 (2007: HK$824,000) and capital contribution to a subsidiary amounted to HK$4,834,000 (2007: Nil).

CONTINGENT LIABILITIES

As of the date of this Report and as at 31 December 2008, the Board is not aware of any material contingent liabilities.

PLEDGE OF ASSETS

The Group has pledged port facilities, land use rights and bank deposits owned by WIT with an aggregate net book value of approximately HK$152,163,000 (2007: HK$148,137,000), HK$8,756,000 (2007: HK$8,424,000) and Nil (2007: HK$3,896,000) respectively to secure bank loans granted to WIT.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed elsewhere in this Report, the Group does not plan to have any other material investments or acquisition of material capital assets.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Utilize the Golden Waterway along Yangtze River to develop the Biggest Hub-port and Logistics Base in Central China


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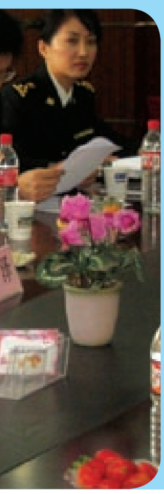

1. Chairman greets Madame Huang Dan Hua, Vice Chairman of SASAC and Dr. Wei Jia Fu, Chairman of Cosco Group at Expo Central China 2008

2. Port visit by Mr. Luo Qing Quan, Party Secretary of Hubei Province

3. Port visit by Mr. Tian Cheng Zhong, Vice Governor of Hubei Province and Wuhan Xinzhou Government Officials

4. Port visit by Mr. Ruan Cheng Fa, Mayor of Wuhan

5. Chairman greets Mr. Zhao Jian Cai, Mayor of Zhengzhou City at Expo Central China 2008

6. Chairman greets Mr. Yue Yong, Deputy Mayor of Wuhan City at Expo Central China 2008

7. Port visit by Mr. He Li, Director General of the Department of Trade, China Customs

8. Port visit by Mr. He Shu Kun, Director of Wuhan Customs

9. Port visit by Representatives of Areva Group of France

DIRECTORS

The Company has one executive Director, three non-executive Directors and three independent non-executive Directors. Their details are set out below:

EXECUTIVE DIRECTOR

Mr. Chow Kwong Fai, Edward (周光暉), *JP, BA, FCA, FCPA, FHKIoD*, aged 56, is the founder of the Group, the chairman of the Company and a chartered accountant. Mr. Chow has extensive knowledge and experience in infrastructure development in China and Thailand, including the planning and managing of a mass transit system project in Bangkok. He is a past president of the Hong Kong Institute of Certified Public Accountants, a past chairman of the Professional Accountants in Business Committee of the International Federation of Accountants and a past deputy chairman of the Hong Kong Institute of Directors. Currently, he serves as an expert advisor of the Accounting Standards Committee of the Ministry of Finance, PRC, a core member of the OECD/World Bank Asian Corporate Governance Roundtable and a vice chairman of the Business and Professionals Federation of Hong Kong. He is also a member of The Ninth Chinese People's Political Consultative Conference of Zhejiang Province and an Election Committee member of the Hong Kong Special Administrative Region. In business, Mr. Chow serves as an independent director and chairman of the audit committee of COSCO Pacific Limited, a Hang Seng Index company; an independent director and chairman of the connected transactions committee of China Merchants Bank Co., Ltd., listed on the stock exchanges of Hong Kong and Shanghai and an independent director and chairman of the audit committee of Melco China Resorts (Holding) Limited, a company listed on the Toronto Stock Exchange. On 1 July 2008, Mr. Chow was appointed a Justice of Peace by the Chief Executive of the Hong Kong Special Administrative Region.

NON-EXECUTIVE DIRECTORS

Mr. Wong Yuet Leung, Frankie (黃月良), aged 60, joined the Group and took office as a Director in November 2003. Mr. Wong is currently the chief executive officer of Shui On Construction and Materials Limited and an independent non-executive director of Solomon Systech (International) Limited, both companies being listed on The Stock Exchange of Hong Kong Limited, as well as non-executive directors of China Central Properties Limited and Walcom Group Limited, both companies being listed on the AIM Board of London Stock Exchange. He was also a non-executive director of Cosmedia Group Holdings Limited, a company which had been listed on the AIM Board of London Stock Exchange since 2006 but delisted in December 2008. He graduated with a Bachelor of Science (Economics) degree and a Master of Arts degree from the London School of Economics and Political Science and the University of Lancaster respectively.

Mr. Lee Jor Hung Dannis (李佐雄), *BBS*, aged 54, is the Chairman of DL Brokerage Limited with over 25 years of experience in the financial industry and took office as a Director in September 2005. Mr. Lee holds a Bachelor degree in Business Administration and Commerce and a Master Degree in Business Administration, and is a fellow member of the Hong Kong Institute of Directors and Hong Kong Securities Institute. Mr. Lee is a former independent non-executive director of Hong Kong Exchanges and Clearing Limited (2000 to 2006), a member of the Process Review Panel of the Securities and Futures Commission, a member of the Disciplinary Panel A of the Hong Kong Institute of Certified Public Accountants, a member of the Barristers Disciplinary Tribural Panel and also the Permanent Honourable President and a former Chairman of the Hong Kong Stockbrokers Association. Mr. Lee is also a former director of the Hong Kong Securities Institute (2003 to 2008), a former member of the Advisory Committee to the Securities and Futures Commission and the Council of The Stock Exchange of Hong Kong Limited (1991 to 1997 and Vice Chairman 1994/1995) and a former director of Hong Kong Securities Clearing Company Limited (1992 to 1997 and Vice Chairman 1995 to 1997).

Mr. Goh Pek Yang, Michael (吳伯炎), aged 59, joined the Group as a Director in November 2005 and is the Managing Director of MOL (Asia) Limited, which serves as the Asia/Oceania Regional Headquarter for Mitsui O.S.K. Lines of Japan. Mr. Goh's responsibilities include trade management, operations, business development and administration for some 30 countries in the Asia/Oceania region. Mr. Goh is a member of the Executive Committee of the Liner Division of Mitsui O.S.K. Lines and the Vice-President and a member of the Board of Directors of MOL (China) Ltd. Mr. Goh has more than 30 years of extensive knowledge and experience in global shipping and transportation business. He began his career in the shipping industry in 1969 and has held key positions in the U.S., Singapore and Hong Kong. Prior to joining MOL in 2002 as Chief Operating Officer, Mr. Goh was CEO of Transpacific Lines Ltd in Hong Kong, an Executive Director of FHTK Holdings in Singapore and an Executive Vice President of Worldwide Logistics at American President Lines Ltd, a company owned by Neptune Orient Lines Ltd in Singapore. Mr. Goh earned a Master of Science Degree in Management from the Graduate School of Business at Stanford University in California, USA.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Wong Tin Yau, Kelvin (黃天祐), aged 48, took office as an independent non-executive Director in September 2005. He is an executive director and deputy managing director and the chairman of the corporate governance committee and member of the executive committee of COSCO Pacific Limited ("COSCO"), a company listed on the Stock Exchange. Dr. Wong is a deputy chairman, chairman of the corporate governance committee and fellow member of The Hong Kong Institute of Directors, council advisor and immediate past chairman of the Hong Kong Chinese Orchestra Limited, a member of the China Trade Advisory Committee of the Hong Kong Trade Development Council, a former member of the Auditing and Assurance Standards Committee of the Hong Kong Institute of Certified Public Accountants, a member of the OECD/World Bank Asian Corporate Governance Roundtable, a member of Main Board and GEM Listing Committee of the Stock Exchange, a member of The Board of Review (Inland Revenue Ordinance) and board director of Business Environment Council. He obtained his Master of Business Administration degree from Andrews University in Michigan, the USA in 1992 and his Doctor of Business of Administration from The Hong Kong Polytechnic University in 2007. He is an associate member of the Chartered Institute of Bankers, a member of the Hong Kong Securities Institute, a member of the Chartered Institute of Marketing and a member of the National Investor Relations Institute in the USA. He has more than 24 years of working experience in management, banking and securities industries. Currently, Dr. Wong is an independent non-executive director and chairman of the audit committee of China Metal International Holdings Inc., a former independent non-executive director and chairman of the Audit Committee of Tradelink Electronic Commerce Limited and an independent non-executive director of I.T Limited, all of these companies are listed on the Stock Exchange. Dr. Wong held various senior positions in several listed companies in Hong Kong before he joined COSCO in July 1996. He is responsible for the overall management, strategic planning, financial management, and investor relations of COSCO.

Mr. Lee Kang Bor, Thomas (李鏡波), aged 55, took office as an independent non-executive Director in September 2005. He graduated from Hong Kong Polytechnic University (formerly Hong Kong Polytechnic) with a higher diploma in Accountancy in 1976. He received his Bachelor and Master of Laws degrees from the University of London in 1988 and 1990 respectively. Mr. Lee is a fellow member of the Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants (UK) and was called to the degree of an Utter Barrister of the Honourable Society of Lincoln's Inn in 1990. Mr. Lee was president of the Council of the Taxation Institute of Hong Kong from 1999 to 2002 and is Deputy President of Asia Oceania Tax Consultants' Association. Mr. Lee is the managing director of Thomas Lee & Partners Limited, International Tax, Trust and Business Advisors. Mr. Lee is also an independent non-executive director and chairman of the audit committee of the board of directors of Man Sang International Limited and an independent non-executive director of Sparkle Roll Group Limited, the shares of both named companies are listed on the Stock Exchange.

Mr. Fan Chun Wah, Andrew (范駿華), *LL.B, B.B.A., ACCA, CPA,* aged 30, took office as an independent non-executive Director in February 2009. He holds a bachelor's degree in business administration (accounting and finance) from the University of Hong Kong and a bachelor's degree in law from the University of London. He is a practicing CPA under the name of C. W. Fan & Co. and prior to that, he was a vice president of Citigroup in Hong Kong and a manager at PricewaterhouseCoopers, Hong Kong. Mr. Fan is a member of both the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and served on the administrative and finance committee, the mainland and international affairs committee and the small and medium practitioners committee of the HKICPA in 2007. Mr. Fan is a member of the Tenth Chinese People's Political Consultative Conference of Zhejiang Province (中國人民政治協商會議第十屆浙江省委員會), a standing member of the Tenth Shanghai United Youth Association (第十屆上海市青年聯合會), a member of the Ninth Shanghai United Young Association (第九屆上海市青年聯合會), an executive director of the Hong Kong United Youth Association, an executive director of the Zhejiang Overseas Association (浙江海外聯誼會) and an executive director of the Ningbo Overseas Association (寧波海外聯誼會).

AUDIT AND REMUNERATION COMMITTEE

The Audit and Remuneration Committee comprises the following four Directors, majority of whom are independent non-executive Directors and all of whom are non-executive Directors:

Mr. Lee Kang Bor, Thomas *(Chairman)*
Dr. Wong Tin Yau, Kelvin
Mr. Fan Chun Wah, Andrew
Mr. Wong Yuet Leung, Frankie

SENIOR MANAGEMENT

HEAD OFFICE

Mr. Wong Wai Keung, Frederick (黃煒強), is the chief financial officer of the Group since January 2001 and the company secretary of the Company overseeing the corporate and finance division of the Group. He is a fellow member of both the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants, and holds a master degree in electronic commerce. Mr. Wong has over 25 years of accounting, finance, tax, corporate finance and company secretarial experience.

Mr. Shen Guang Ping (沈光平), is the Group's project director in the PRC and is responsible for the negotiation, planning and project management of the Group's development and new projects. Mr. Shen is a civil engineer by profession and holds a MBA degree. Mr. Shen worked in the Shaoxing Municipal Government for 30 years, including holding positions of Director of the Construction Bureau, Director of the Tourism Bureau and as Chairman of the Shaoxing Tourism Group. Mr. Shen has extensive experience in the planning and construction of industrial parks and urban, infrastructure and tourism facilities.

Mr. Ng Wai Kin, Simon (吳煒堅), is vice president of the business development division of the Group. He holds a degree of bachelor of Business major in accounting. He joined the Group in October 1996 and has been responsible for business development and project co-ordination of the Group.

Mr. Chan Yiu Fai, Louis (陳耀輝), is Finance Manager of the Group. He is a fellow member of the Association of Chartered Certified Accountants, an associate member of the Hong Kong Institute of Certified Public Accountants and holds a degree of Bachelor of Arts (Hons) in Accountancy. He joined the Group in January 2008 and is responsible for the accounting, finance and taxation matters of the Group. He has over 10 years of experience in the areas of accounting, auditing and taxation (including over six years of experience in the areas of accounting, taxation and office administration in the PRC).

WUHAN

Mr. Xie Bing Mu (謝炳木), has been the general manager of WIT since November 2003 and a director of WIT since January 2004. He completed the professional studies in 工企管 (business administration) at 福建廣播電視大學 (Fujian Broadcasting University) in 1986 and is a qualified accountant in the PRC. Mr. Xie joined the Group in March 2001. Prior to joining the Group, Mr. Xie had worked at an international port company and container terminal company in the PRC.

Mr. Liu Shou Liang (劉守樑), is a deputy general manager of WIT since April 1998 and is in charge of the engineering department of WIT. He is a senior engineer and graduated from 武漢建築材料工業學院 (Wuhan Industrial Institute of Building Materials) and holds a bachelor degree in engineering. Mr. Liu has over 20 years of experience in the development and management of ports in the PRC.

Mr. Li Zhong Jie (李中杰), is the chief controller of operations of WIT and has been a director of WIT since November 2003. He completed high secondary motor vehicle professional studies (高中汽車專業班) at 廈門市交通職業中學 (Xiamen Transportation Technical Secondary School) and diploma of finance at Chinese Central Radio & TV University (中央廣播電視大學). Mr. Li joined the Group in March 1999 and is responsible for the operations and agency service department of WIT. He has over 9 years of experience in international container port and terminal port and logistics operations in the PRC.

Mr. Huang Jing (黃競), is the deputy general manager of WIT since May 2003, the company secretary of WIT since December 2005 and is in charge of all office administrative and human resources matters of WIT. He graduated from 中南財經大學 (Zhongnan University of Finance and Economy) and holds a bachelor degree in economics. Mr. Huang joined the Group in February 1998 and has 8 years of experience in financial management and office administration in the PRC.

Mr. Cai Xi Ming (蔡曦明), is the chief accountant of WIT and in charge of all finance and accounting matters of WIT. He obtained a MBA degree (工商管理碩士學位) from the Zhongnan University of Economics and Law (中南財經政法大學) in the PRC and is a qualified accountant in the PRC. Mr. Cai joined the Group in July 2000. Mr. Cai has extensive experience in finance, accounting and enterprise management.

Mr. Sun Ji Hung (孫繼紅), is the Group's project manager in the PRC and is responsible for the planning, development and management of the Group's new projects. He obtained his bachelor degree in executive management (行政管理) from the Wuhan University (武漢大學) and has over 10 years of experience in planning and management of logistics businesses. Prior to joining our Group, Mr. Sun was a member of the senior management team managing and operating a major logistics park occupying a 400 mou site in Wuhan.

Mr. Tang Yao Dong (湯耀東), is the Group's senior engineer and is responsible for the planning, development and construction of the Group's new projects. He completed the industrial and residential construction studies (工業及民用建設課程) at the China First Metallurgical Employees University (中國一治職工大學). Mr. Tang is a qualified senior engineer, supervisory engineer and senior construction engineer recognised in the PRC and has over 17 years of project planning, development and construction experience.

INTRODUCTION

The Board has always believed in the importance of corporate governance and the accountability and transparency of its management. The Company has been in compliance with a high standard of corporate governance practices and the Board takes seriously their duty to implement good corporate governance practices to ensure their duties are discharged in a transparent and accountable manner. The Board believes that by running the business in a way which is responsible to its shareholders and of high level of integrity, the long-term benefit of the Group and the shareholders as a whole would be achieved and safeguarded.

CORPORATE GOVERNANCE PRACTICES

Throughout the year ended 31 December 2008 (the "2008 Year"), except for Mr. Chow Kwong Fai, Edward who had served as both the chairman of the Board and the chief executive officer of the Company, the Company has complied with the code of provisions in the Code of Corporate Governance Practices (the "Code") as set out in Appendix 15 of the GEM Listing Rules (see section on chairman and chief executive officer). The Board and the senior management of the Group have seriously appraised the Code and reviewed the practices of the Group to ensure full compliance of the Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Group adopted the required standard of dealings set out in rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding directors' securities transactions in securities of the Company. Upon the Company's specific enquiry, each Director had confirmed that during the year ended 31 December 2008, the required standard of dealings had been fully complied with and there was no incident of non-compliance.

THE BOARD OF DIRECTORS

The Board, which currently comprises seven Directors, is primarily responsible for formulating the business strategy, reviewing and monitoring the business performance of the Group, approving the financial statements and annual budgets as well as directing and supervising the management of the Company. Execution of operational matters and the powers thereof are delegated to management by the Board with clear directions.

The Board comprises an executive Director and chairman, namely Mr. Chow Kwong Fai, Edward; three non-executive Directors, namely Mr. Wong Yuet Leung, Frankie, Mr. Lee Jor Hung, Dannis and Mr. Goh Pek Yang, Michael and three independent non-executive Directors, namely Mr. Lee Kang Bor, Thomas, Dr. Wong Tin Yau, Kelvin and Mr. Fan Chun Wah, Andrew (Appointed on 28 February 2009). Non-executive Directors currently represent six-sevenths of the Board. Independent non-executive Directors currently represent three-sevenths of the Board.

During the 2008 Year, there were in total six Board meetings held and the attendance record of the Directors is set out below:

Members of the Board	Number of meetings Held	Number of meetings Attended	Attendance percentage
CHAIRMAN AND EXECUTIVE DIRECTOR			
Mr. Chow Kwong Fai, Edward	6	6	100%
NON-EXECUTIVE DIRECTOR			
Mr. Wong Yuet Leung, Frankie	6	4	67%
Mr. Lee Jor Hung, Dannis	6	6	100%
Mr. Goh Pek Yang, Michael	6	6	100%
INDEPENDENT NON-EXECUTIVE DIRECTOR			
Mr. Lee Kang Bor, Thomas	6	6	100%
Dr. Wong Tin Yau, Kelvin	6	6	100%
Mr. Leung Kwong Ho, Edmund (Resigned on 28 February 2009)	6	6	100%

In full compliance with Rules 5.05(1) and (2) of the GEM Listing Rules, the Company has appointed three independent non-executive Directors, at least one of whom has appropriate professional accounting qualifications. The Group has received from each independent non-executive Director an annual confirmation of his independence, and the Group considers such directors to be independent in accordance with each and every guideline set out in rule 5.09 of the GEM Listing Rules.

Mr. Chow Kwong Fai, Edward and Dr. Wong Tin Yau, Kelvin are respectively an independent non-executive Director and deputy managing director of COSCO Pacific Limited, a company which shares are listed on the Stock Exchange. Yangtze Ventures II Limited, a substantial shareholder of the Company, is an investment fund majority held by Shui On Construction and Materials Limited, a company which shares are listed on the Stock Exchange and its chief executive officer is Mr. Wong Yuet Leung, Frankie. Save for the above, there is no other financial, business, family or other material relationship among the members of the Board.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

During the 2008 Year, Mr. Chow Kwong Fai, Edward served as both the chairman of the Board and the chief executive officer of the Company. While the Board is aware that it is a recommended best practice to split the role of the Chairman and the chief executive, in view of the small size of the Group and the fact that the Group's core business is straight forward and is carried out singularly by its subsidiary, WIT, and the fact that the general manager (de facto chief executive) of WIT is a separate person, there is no necessity to appoint a chief executive at the Company level or at the Group level. Save for the above deviation, the Company was in full compliance with the Code during the 2008 Year.

NON-EXECUTIVE DIRECTORS AND RE-ELECTION

According to Article 114 of the Company's Articles of Association (the "Articles"), all Directors appointed to fill a causal vacancy should be subject to re-election by shareholders at the first general meeting after their appointment. According to Article 130 of the Articles, one-third of the Directors shall retire from office by rotation and are subject to re-election at annual general meeting at least once every three years.

THE AUDIT AND REMUNERATION COMMITTEE

The Directors are aware that it is good practice for listed companies to establish an audit committee and a remuneration committee in accordance with the Code. However, having taken into account of the small size of the Company and the fact that members for both committees would most likely be the same, the Board considers it more efficient to have these two committees combined into one committee (the "Audit and Remuneration Committee"). The Audit and Remuneration Committee comprises Mr. Lee Kang Bor, Thomas (Chairman), Dr. Wong Tin Yau, Kelvin, Mr. Leung Kwong Ho, Edmund (Resigned on 28 February 2009), Mr. Fan Chun Wah, Andrew (Appointed on 28 February 2009) and Mr. Wong Yuet Leung, Frankie, the majority of whom are independent non-executive Directors of the Company. The primary duties of Audit and Remuneration Committee include the following:

1. THE FUNCTIONS OF AN AUDIT COMMITTEE

The primary duties of the "audit committee function" of the Audit and Remuneration Committee include the review of financial statements, financial reporting process and the internal control and risk management systems of the Group as well as the appointment of auditors. During the 2008 Year, the Audit and Remuneration Committee has reviewed the first-quarterly, the half-yearly, third-quarterly and the annual results as well as the effectiveness of the systems of internal control (the "Systems of Internal Control") of the Group which covers financial, operational and compliance controls and risk management functions. The Audit and Remuneration Committee has liaised with the Directors, senior management and the qualified accountant as well as reviewed the "Report to the Audit Committee" from and discussed with the auditors on the audit and internal control related issues of the Group. The Committee also made an on-site visit to the Group's principal operating subsidiary, Wuhan International Container Transshipment Company Limited ("WIT") in Wuhan and carried out on-site inspections and held discussions with management and Wuhan government officials.

During the 2008 Year, management of the Company had conducted an internal audit on the systems of internal control of WIT to ensure compliance with procedures laid down by the Company and the board of directors of WIT and a review of the overall systems of internal control and risk management functions of the Group. The findings of this review which is in the form of an "Internal Audit Report" was reviewed by the Committee. Further details of these are set out in the section headed "Internal Control" contained in this report.

2. THE FUNCTIONS OF A REMUNERATION COMMITTEE

The primary duties of the "remuneration committee function" of the Audit and Remuneration Committee include the review and determination of Directors' service contracts, the salaries of the Directors and the award of discretionary bonus and share options of the Company.

The Company has adopted full disclosure of remunerations of Directors with disclosure by name, amount and type in note 8 to the financial statements on pages 58 and 59 of the Report.

The Company has a share option scheme and certain options were granted during the 2008 Year. (Refer to note 29 to the financial statements for more details.)

3. AUDITORS' REMUNERATION

Remuneration in respect of audit services provided by the auditors to the Group for the 2008 Year is HK$360,000. The auditors did not provide any other services to the Group in 2008.

The Audit and Remuneration Committee held in total four meetings during the 2008 Year to review the financial results, systems of internal control and risk management and remuneration policy and levels of the Group. The attendance record of members of the Audit and Remuneration Committee is summarized as below:

	Number of meetings		**Attendance**
Members of the Audit and Remuneration Committee	**Held**	**Attended**	**percentage**
Mr. Lee Kang Bor, Thomas *(Chairman)*	4	4	100%
Dr. Wong Tin Yau, Kelvin	4	4	100%
Mr. Leung Kwong Ho, Edmund (Resigned on 28 February 2009)	4	4	100%
Mr. Wong Yuet Leung, Frankie	4	3	75%

NOMINATION OF DIRECTORS

For the purpose of nomination of directors, as the Company finds it not necessary to establish a separate nomination committee, therefore the task of nomination of Directors is vested with the Board of the Company. The Board reviews (i) the structure, size and composition (including the skills, knowledge and experience) of Board members on a regular basis and make recommendation regarding any proposed changes; (ii) identifies individuals suitably qualified to become board members; (iii) assesses the independence of independent non-executive directors; and (iv) makes recommendations on relevant matters relating to the appointment and re-appointment of directors and succession planning for directors.

INTERNAL CONTROL

The Board is responsible for maintaining sound and effective systems of internal control to safeguard the Group's assets and shareholders' interests, as well as reviewing the effectiveness of such systems of internal control. The Systems of Internal Control, which include a well-established organizational structure with clearly defined lines of responsibility and authority, are designed to manage, rather than eliminate, risks of failure in achieving the Group's business objectives and to provide reasonable, but not absolute, assurance against material misstatement or loss.

For the 2008 Year, the Board has, through the Audit and Remuneration Committee with the assistance of head office management, conducted a risk-and-control-based approach review of the Group's Systems of Internal Control, including without limitations, financial controls, operational controls, compliance controls and risk management functions. Summaries of head office management's review findings and control weaknesses identified, if any, and recommendations for improvement, where applicable, are reviewed by the Audit and Remuneration Committee. The head office management monitors the follow-up actions agreed upon in response to its recommendations and report back to the Audit and Remuneration Committee.

The Board is of the view that the Systems of Internal Control and risk management are effective and there are no irregularities, improprieties, fraud or other deficiencies that suggest material deficiency in the effectiveness of the Group's Systems of Internal Control.

SHAREHOLDER VALUE

The Board and senior management recognize their responsibility to represent the interests of all shareholders and to maximize shareholder value and have made the following commitments to the Groups' shareholders:

- Continuing effort to maintain long-term stability and growth in shareholder value and return on investment;
- Responsible planning, construction and operation of the Group's core businesses;
- Responsible management of the Group's investment and business risks; and
- True, fair, in depth and timely disclosure of the financial position and operating performance of the Group.

SHAREHOLDER RIGHTS AND RELATIONS

The Company believes that shareholders' rights should be well respected and protected. The Company endeavors to maintain good communications with shareholders on its performance through quarterly results announcements, interim and annual reports and AGMs, so that they may make an informed assessment of their investments and the exercise of their rights as shareholders. The Group also encourages shareholders' participation through general meetings or other means.

Shareholders or investors can enquire or make comments by putting their views to the Company or the Audit and Remuneration Committee by the following means:

Telephone no.:	(852) 2868-0212
Fax no.:	(852) 2868-0620
By post:	2909A, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong
Email:	cigyp@cigyangtzeports.com

The board (the "Board") of directors (the "Directors") submits herewith the report of the Board together with the audited financial statements of the Company for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES

The principal activities of the Company during the year was investment holding and those of the subsidiaries are set out in note 26 to the financial statements.

RESULTS

The results of the Group for the year ended 31 December 2008 and the state of affairs of the Company and of the Group at that date are set out on pages 40 and 41 of the financial statements.

DIVIDEND, APPROPRIATIONS AND RESERVES

The Directors do not recommend the payment of a dividend for 2008.

Details of movements in reserves of the Company and of the Group during the year are set out in the Statements of Changes in Equity.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, services provided to the Group's five largest customers accounted for 54.5% of total turnover of the Group with services provided to the largest customer included therein accounted for 16.4% of total turnover of the Group. Purchases from the Group's five largest suppliers accounted for 59.0% of the total purchases of the Group for the year and purchases from the largest supplier included therein accounted for 30.2% of total purchases of the Group for the year.

None of the Directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had beneficial interest in the Group's five largest customers and suppliers.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association or the Companies Law (Revised) of the Cayman Islands.

REMUNERATION POLICY

The remuneration policy of the employees of the Group is set out on the basis of their merit, qualifications and experience. The remuneration of the Directors are decided, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to Directors and eligible employees. Details of the scheme are set out in note 29 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment during the year are set out in note 15 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 24 to the financial statements.

DIRECTORS

The Directors who held office during the financial year and as at the date of this report were:

EXECUTIVE DIRECTOR:

Mr. Chow Kwong Fai, Edward

NON-EXECUTIVE DIRECTORS:

Mr. Wong Yuet Leung, Frankie
Mr. Lee Jor Hung, Dannis
Mr. Goh Pek Yang, Michael

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Mr. Lee Kang Bor, Thomas
Dr. Wong Tin Yau, Kelvin
Mr. Leung Kwong Ho, Edmund (Resigned on 28 February 2009)
Mr. Fan Chun Wah, Andrew (Appointed on 28 February 2009)

In accordance with Article 130 of the Company's Articles of Association, at each annual general meeting one-third of the Directors for the time being shall retire from office by rotation and a retiring Director shall be eligible for re-election.

DIRECTORS' SERVICE CONTRACTS

The executive Director, Mr. Chow Kwong Fai, Edward entered into a service contract with the Company for a fixed term of two years commencing 16 September 2005, the date of listing and is renewable for successive terms of one year each. The service contract can be terminated by either the Company or Mr. Chow giving each other notice of not less than six months.

Each of the non-executive Directors and independent non-executive Directors has entered into a service contract with the Company for a period commencing from 5 May 2008 until the Company's annual general meeting in 2009.

Apart from the foregoing, no director standing for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable within one year without payment other than statutory compensations.

Each of the independent non-executive Directors has confirmed his independence to the Company pursuant to Rule 5.09 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") and the Company considers the independent non-executive Directors to be independent.

DIRECTORS AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors of the Company and senior management of the Group are set out on pages 18 to 21 of the Report.

DIRECTORS' INTEREST IN CONTRACTS

Save as disclosed in the Report, no other contracts of significance in relation to the Group's business to which the Company, its holding company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONNECTED TRANSACTIONS

Save as disclosed in the Report, no other connected transactions as defined under the GEM Listing Rules had taken place during the year.

REMUNERATION OF DIRECTORS AND THE HIGHEST PAID EMPLOYEES

Details of the remuneration of Directors and the highest paid employees of the Group are respectively set out in notes 8 and 9 to the financial statements.

DIRECTORS', CHIEF EXECUTIVES' INTERESTS IN SHARES AND SHORT POSITIONS IN THE SHARES OF THE COMPANY (THE "SHARE(S)")

The interests or short positions of the Directors and chief executives of the Company in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part V of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or (b) to be entered into the register required to be kept therein, pursuant to section 352 of the SFO, or (c) to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rules 5.46 to 5.68 of the GEM Listing Rules, are as follows:

LONG AND SHORT POSITIONS IN SHARES

		As at 31 December 2008	
Name of Director	**Capacity**	**No. of Shares** *(Note 1)*	**Approximate percentage of total no. of Shares in issue**
Chow Kwong Fai, Edward	Interest by attribution *(note 2)*	174,977,592 (L)	34.89%
		61,000,000 (S)	12.16%
Lee Jor Hung, Dannis	Interest by attribution *(note 3)*	5,025,055 (L)	1.00%

LONG AND SHORT POSITIONS IN SHARES *(Continued)*

Notes:

1. The letter "L" denotes a long position whilst the letter "S" denotes a short position.

2. The 174,977,592 (L) Shares are held as to 111,966,195 Shares by Unbeatable Holdings Limited, 35,710,197 Shares by Chow Holdings Limited and 27,301,200 Shares by CIG China Holdings Limited, each being a company in respect of which Mr. Chow Kwong Fai, Edward is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of that company. The 61,000,000 (S) Shares are held by Unbeatable Holdings Limited.

3. These Shares are registered in the name of Ramwealth Company Limited, a company in respect of which Mr. Lee Jor Hung, Dannis is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of that company.

SHARE OPTION SCHEME

Pursuant to the share option scheme of the Company, certain Directors were granted share options to subscribe for Shares and details of the Directors' interests in share options are set out in the section headed "Share Option Scheme" of this report.

Save as disclosed above, as at 31 December 2008, none of the Directors had any other interests or short positions in the Shares, underlying shares and derivatives of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part V of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or the Model Code or which were required to be entered into the register required to be kept under section 352 of the SFO.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

So far as was known to the Directors, as at 31 December 2008, the persons (not being Directors or chief executives of the Company) whose interests in shares of the Company which were notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register to be kept under section 336 of the SFO, or who were interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Group were as follows:

LONG AND SHORT POSITIONS IN SHARES

Substantial shareholders

Name	Capacity	Number of Shares	Approximate percentage of holding
Unbeatable Holdings Limited *(note 2)*	Beneficial owner	111,966,195 (L) 61,000,000 (S)	22.33% 12.16%
Harbour Master Limited *(note 3)*	Beneficial owner	140,356,183 (L)	27.98%
The Yangtze Ventures II Limited *(note 3)*	Interest by attribution	140,356,183 (L)	27.98%
Goldcrest Development Limited *(note 4)*	Interest by attribution	140,356,183 (L)	27.98%
Shui On Construction and Materials Limited *(note 5)*	Interest by attribution	140,356,183 (L)	27.98%
Shui On Company Limited *(note 6)*	Interest by attribution	140,356,183 (L)	27.98%
Bosrich Holdings Inc. *(note 7)*	Interest by attribution	140,356,183 (L)	27.98%
HSBC International Trustee Limited *(note 8)*	Interest by attribution	140,356,183 (L)	27.98%
Lo Hong Sui, Vincent *(note 9)*	Interest by attribution	140,356,183 (L)	27.98%
Chu, Loletta *(note 9)*	Interest by attribution	140,356,183 (L)	27.98%
Mitsui O.S.K. Lines, Ltd. *(note 10)*	Interest by attribution	41,382,000 (L)	8.25%

LONG AND SHORT POSITIONS IN SHARES *(Continued)*

Substantial shareholders

Name	Capacity	Number of Shares	Approximate percentage of holding
MOL (Asia) Limited *(note 10)*	Beneficial owner	41,382,000 (L)	8.25%
Chow Holdings Limited *(note 2)*	Beneficial owner	35,710,197 (L)	7.12%
Spinnaker Capital Limited *(note 11)*	Investment manager	30,368,893 (L)	6.06%
Spinnaker Asset Management – SAM Limited *(note 11)*	Investment manager	30,368,893 (L)	6.06%
Deutsche Bank Aktiengesellschaft	Security interest	28,948,893 (L)	5.77%
CIG China Holdings Limited *(note 2)*	Beneficial owner	27,301,200 (L)	5.44%
Value Partners China Hedge Fund Master Fund Limited *(note 12)*	Beneficial owner	31,204,800 (L)	6.22%
Value Partners Asia Fund, LLC *(note 12)*	Beneficial owner	32,889,497 (L)	6.55%
Value Partners Limited *(note 12)*	Investment manager	83,581,897 (L)	16.66%
Value Partners Group Limited *(note 13)*	Interest by attribution	83,581,897 (L)	16.66%
Cheah Capital Management Limited *(note 14)*	Interest by attribution	83,581,897 (L)	16.66%
Cheah Company Limited *(note 15)*	Interest by attribution	83,581,897 (L)	16.66%
Hang Seng Bank Trustee International Limited *(note 16)*	Interest by attribution	83,581,897 (L)	16.66%
Cheah Cheng Hye *(note 16)*	Interest by attribution	83,581,897 (L)	16.66%
To Hau Yin *(note 16)*	Interest by attribution	83,581,897 (L)	16.66%

Notes:

1. The letter "L" denotes a long position whilst the letter "S" denotes a short position.

2. Mr. Chow Kwong Fai, Edward is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of each of Unbeatable Holdings Limited, Chow Holdings Limited and CIG China Holdings Limited.

LONG AND SHORT POSITIONS IN SHARES *(Continued)*

Substantial shareholders

3. The Yangtze Ventures II Limited is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of Harbour Master Limited.

4. Goldcrest Development Limited is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of The Yangtze Ventures II Limited.

5. Shui On Construction and Materials Limited is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of Goldcrest Development Limited.

6. Shui On Company Limited is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of Shui On Construction and Materials Limited.

7. Bosrich Holdings Inc. is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of Shui On Company Limited.

8. HSBC International Trustee Limited is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of Bosrich Holdings Inc.

9. Mr. Lo Hong Sui, Vincent is interested in the shares of Bosrich Holdings Inc. held by HSBC International Trustee Limited. Ms. Chu, Loletta is interested in the Shares by virtue of her being the spouse of Mr. Lo.

10. Mitsui O.S.K. Lines, Ltd. is entitled to exercise or control the exercise of one-third or more of the voting power at general meeting of MOL (Asia) Ltd.

11. Spinnaker Capital Limited and Spinnaker Asset Management–SAM Limited are investment managers and each of them is deemed to be interested in the Shares held by Spinnaker Global Emerging Markets Fund Limited, Spinnaker Global Opportunity Fund Limited and Spinnaker Global Strategic Fund Limited, which holds 3.52%, 1.57% and 0.97% of the share capital of the Company respectively.

12. Value Partners Limited is an investment manager and it is deemed to be interested in the Shares held by Value Partners Asia Fund, LLC, Value Partners China Hedge Fund Master Fund Limited and Value Partners China Greenchip Fund Limited, which respectively holds 6.55%, 6.22% and 3.89% of the share capital of the Company.

13. Value Partners Group Limited is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of Value Partners Limited.

14. Cheah Capital Management Limited is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of Value Partners Group Limited.

15. Cheah Company Limited is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of Cheah Capital Management Limited.

16. Hang Seng Bank Trustee International Limited, as trustee for a discretionary trust, the discretionary objects of which include Mr. Cheah Cheng Hye and certain members of his family, is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of Cheah Company Limited. For the purpose of the SFO, Mr. Cheah Cheng Hye and Ms. To Hau Yin are respectively interested in the Shares by virtue of Mr. Cheah being the founder of the trust and Ms. To being the spouse of Mr. Cheah.

SHARE OPTION SCHEME

Pursuant to the resolution passed by the shareholders of the Company on 2 September 2005, a share option scheme (the "Share Option Scheme") which provided for, subject to certain terms and conditions, the granting of a maximum of 34,537,974 Shares, representing 10% of the total number of Shares in issue of 345,379,747 as of the listing date following the placement and public offer of Shares by the Company upon listing on GEM. During the year ended 31 December 2008, the Board resolved to grant share options under the Share Option Scheme on 27 March 2008 and 10 November 2008, details of which are set out in note 29 to the financial statements.

The movements in the share options of the Company during the year ended 31 December 2008 are set out as follows:

			Number of options					
Name or category of eligible participants	**Date of grant**	**Exercise price per Share** *HK$*	**As at 1.1.2008**	**Granted during the year** *(Note a)*	**Exercised during the year**	**Lapsed or cancelled during the year**	**As at 31.12.2008**	**Period during which option outstanding as at 31.12.2008 are exercisable**
Directors								
Mr. Chow Kwong Fai, Edward	27.3.2008	0.57	–	450,000	–	(450,000)	–	(c)
	10.11.2008	0.13	–	450,000	–	–	450,000	(d)
Wong Yuet Leung, Frankie	27.3.2008	0.57	–	450,000	–	(450,000)	–	(c)
	10.11.2008	0.13	–	450,000	–	–	450,000	(d)
Lee Jor Hung, Dannis	27.3.2008	0.57	–	450,000	–	(450,000)	–	(c)
	10.11.2008	0.13	–	450,000	–	–	450,000	(d)
Goh Pek Yang, Michael	27.3.2008	0.57	–	450,000	–	(450,000)	–	(c)
	10.11.2008	0.13	–	450,000	–	–	450,000	(d)
Lee Kang Bor, Thomas	27.3.2008	0.57	–	450,000	–	(450,000)	–	(c)
	10.11.2008	0.13	–	450,000	–	–	450,000	(d)
Wong Tin Yau, Kelvin	27.3.2008	0.57	–	450,000	–	(450,000)	–	(c)
	10.11.2008	0.13	–	450,000	–	–	450,000	(d)
Leung Kwong Ho, Edmund	27.3.2008	0.57	–	450,000	–	(450,000)	–	(c)
(Note b)	10.11.2008	0.13	–	450,000	–	–	450,000	(d)
Sub-total			–	6,300,000	–	(3,150,000)	3,150,000	
Employees (in aggregate)	27.3.2008	0.57	–	7,400,000	–	(7,400,000)	–	(c)
	10.11.2008	0.13	–	7,700,000	–	(300,000)	7,400,000	(d)
Sub-total			–	15,100,000	–	(7,700,000)	7,400,000	
Total			**–**	**21,400,000**	**–**	**(10,850,000)**	**10,550,000**	

Notes:

(a) The closing prices of the Company's shares preceeding the dates on which the options were granted on 27 March 2008 and 10 November 2008 were HK$0.63 and HK$0.13 respectively.

(b) Mr. Leung Kwong Ho, Edmund resigned as an independent non-executive Director of the Company with effect from 28 February 2009. Upon his resignation, all options granted to Mr. Leung under the Share Option Scheme became lapsed and no longer exercisable.

(c) 50% exercisable between 28 March 2009 and 27 March 2010, both dates inclusive; 50% exercisable between 28 March 2010 and 27 March 2011, both dates inclusive.

(d) 50% exercisable between 10 April 2010 and 9 April 2011, both dates inclusive; 50% exercisable between 10 April 2011 and 9 November 2011, both dates inclusive.

(e) Details of other terms and performance conditions of the share options granted are set out in note 29 to the financial statements.

COMPETING INTERESTS

During the year ended and as at 31 December 2008, save as disclosed in the 2006 half year results announcement of the Company of Mr. Edward Chow's interest in the Logistics Project, none of the other Directors, the management shareholders, the significant shareholders or the substantial shareholders of the Company as defined in the GEM Listing Rules had any interest in a business which competes or may compete with the business of the Group.

ADVANCE TO ENTITY

According to rules 17.15 to 17.22 of the GEM Listing Rules, a disclosure obligation arises where the relevant advance to an entity from the Group exceeds 8% of the Group's consolidated total assets or the market capitalization of the Company, whichever is the lower. As at 31 December 2008, no advances had been made to any entity which exceeded 8% of the Group's consolidated total assets or market capitalization of the Company.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

For the year ended 31 December 2008, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

For the year ended 31 December 2008, the Company had adopted a code of conduct regarding securities transactions by directors ("Code of Conduct") on terms no less stringent than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules ("Required Standard of Dealings"). The Company has also made specific enquiry of all Directors and is not aware of any non-compliance with the Required Standard of Dealings and the Code of Conduct.

CONFIRMATION OF INDEPENDENCE BY INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company confirms that it has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and considers, based on the confirmations received, the independent non-executive Directors to be independent.

AUDIT AND REMUNERATION COMMITTEE

The Company has established an audit and remuneration committee (the "Audit and Remuneration Committee") with written terms of reference modeled on the Guide to the Establishment of an Audit Committee published by the Hong Kong Society of Accountants (now known as the Hong Kong Institute of Certified Public Accountants) and in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules. During the year ended 31 December 2008, the Audit and Remuneration Committee comprised three independent non-executive Directors, namely Mr. Lee Kang Bor, Thomas (Chairman), Dr. Wong Tin Yau, Kelvin and Mr. Leung Kwong Ho, Edmund (resigned on 28 February 2009) and one non-executive Director, Mr. Wong Yuet Leung, Frankie. Following the resignation of Mr. Leung, Mr. Fan Chun Wah, Andrew, who was appointed as an independent non-executive Director of the Company on 28 February 2009, was also appointed as a member of the Audit and Remuneration Committee with effect from 28 February 2009. The primary duties of the Audit and Remuneration Committee include reviewing the financial reporting process, the system of internal control and risk management of the Group, the appointment of auditors and the determination of executive Director's service contract, the review of Directors' and senior management's emoluments and the award of discretionary bonuses and share options of the Company.

The Audit and Remuneration Committee has reviewed the results of the Group for the year ended 31 December 2008 and its members visited the WIT Port in Wuhan to review the operations and meet with the management of WIT during the year.

AUDITORS

A resolution to re-appoint the retiring auditors, Grant Thornton, is to be proposed at the forthcoming annual general meeting.

On behalf of the Board

Chow Kwong Fai, Edward
Chairman

Hong Kong, 30 March 2009

Grant Thornton
均富

Member of Grant Thornton International Ltd

To the members of
CIG Yangtze Ports PLC
(incorporated in the Cayman Islands with limited liability)

We have audited the accompanying consolidated financial statements of CIG Yangtze Ports PLC (the "Company") set out on pages 40 to 79, which comprise the consolidated and company balance sheets as at 31 December 2008, and consolidated income statement, the consolidated and company statements of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

Grant Thornton
均富

AUDITORS' RESPONSIBILITY *(Continued)*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting polices used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008 and of the Group's loss and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Grant Thornton
Certified Public Accountants
13th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

30 March 2009

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
Turnover	5	**42,304**	33,521
Cost of services rendered		**(19,213)**	(18,075)
Gross profit		**23,091**	15,446
Other income	6	**11,513**	5,091
Other operating expenses		**(5,785)**	(4,808)
General and administrative expenses		**(23,353)**	(21,054)
Finance costs	10	**(15,929)**	(11,921)
Loss before taxation	7	**(10,463)**	(17,246)
Taxation	11	**–**	–
Loss for the year		**(10,463)**	(17,246)
Attributable to:			
Shareholders of the Company	12	**(10,516)**	(16,283)
Minority interest		**53**	(963)
		(10,463)	(17,246)
			(restated)
Loss per share – Basic	13	**HK2.10 cents**	HK3.53 cents
Dividend	14	**–**	–

CONSOLIDATED BALANCE SHEET

As at 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	**282,755**	263,581
Land use rights	16	**8,756**	8,424
Construction in progress	17	**4,518**	7,271
		296,029	279,276
Current assets			
Inventories	18	**933**	779
Account receivables	19	**11,252**	7,393
Prepayments, deposits and other receivables		**2,727**	2,438
Government subsidy receivables	20	**11,115**	–
Cash and cash equivalents	21	**8,611**	42,795
		34,638	53,405
Current liabilities			
Accrued expenses and other payables	22	**8,728**	13,711
Current portion of interest-bearing borrowings	23	**28,566**	107,066
		37,294	120,777
Net current liabilities		**(2,656)**	(67,372)
Total assets less current liabilities		**293,373**	211,904
Non-current liabilities			
Long-term interest-bearing borrowings	23	**(171,028)**	(85,694)
NET ASSETS		**122,345**	126,210
Capital and reserves			
Share capital	24	**50,149**	45,590
Reserves	25	**56,544**	65,972
Equity attributable to shareholders of the Company		**106,693**	111,562
Minority interest		**15,652**	14,648
TOTAL EQUITY		**122,345**	126,210

Approved and authorised for issue by the Board of Directors on 30 March 2009

Director *Director*

BALANCE SHEET
As at 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Interest in subsidiaries	*26*	**50,897**	50,897
Current assets			
Prepayments, deposits and other receivables		**150**	150
Due from a subsidiary	*26*	**94,176**	94,176
		94,326	94,326
Current liabilities			
Accrued expenses and other payables		**413**	255
Due to a subsidiary	*27*	**5,806**	4,099
		6,219	4,354
Net current assets		**88,107**	89,972
NET ASSETS		**139,004**	140,869
Capital and reserves			
Share capital	*24*	**50,149**	45,590
Reserves	*25*	**88,855**	95,279
TOTAL EQUITY		**139,004**	140,869

Approved and authorised for issue by the Board of Directors on 30 March 2009

Director

Director

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
Cash flows from operating activities			
Loss before taxation		**(10,463)**	(17,246)
Adjustments for:			
Depreciation and amortisation		**9,827**	8,135
Loss on disposal of financial assets at fair value through profit or loss		**170**	878
Loss on disposal of property, plant and equipment		**94**	20
Bank interest income		**(251)**	(436)
Finance costs		**15,929**	11,921
Dividend income		**–**	(418)
Share-based payment transactions		**234**	–
Operating profit before working capital changes		**15,540**	2,854
Account receivables		**(3,375)**	(1,692)
Prepayments, deposits and other receivables		**(192)**	(1,138)
Government subsidy receivables		**(11,115)**	–
Inventories		**(103)**	(152)
Accrued expenses and other payables		**(5,717)**	(12,664)
Due to related companies		**–**	(200)
Cash used in operation		**(4,962)**	(12,992)
Interest paid		**(15,929)**	(11,921)
Net cash used in operating activities		**(20,891)**	(24,913)
Cash flows from investing activities			
Interest received		**251**	436
Dividend received		**–**	418
Purchase of property, plant and equipment		**(2,657)**	(5,245)
Purchase of financial assets at fair value through profit or loss		**(3,297)**	(22,561)
Payment for construction in progress		**(6,818)**	(6,784)
Proceeds from disposal of property, plant and equipment		**67**	185
Proceeds from disposal of financial assets at fair value through profit or loss		**3,127**	21,683
Net cash used in investing activities		**(9,327)**	(11,868)
Cash flows from financing activities			
Repayment of advances from a shareholder		**–**	(1,636)
Payment of share issuing expenses		**(29)**	(144)
Repayment of obligations under finance lease		**(66)**	(66)
Drawdown of bank loans		**102,600**	32,100
Repayment of bank loans		**(108,300)**	–
Capital contribution from minority interest of non-wholly owned subsidiary		**–**	3,158
Net proceeds from issue of shares		**–**	44,830
Net cash (used in)/from financing activities		**(5,795)**	78,242
Net (decrease) increase in cash and cash equivalents		**(36,013)**	41,461
Exchange differences		**1,829**	448
Cash and cash equivalents at beginning of year		**42,795**	886
Cash and cash equivalents at end of year	*21*	**8,611**	42,795

STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2008

The Group

	Attributable to shareholders of the Company							
	Share capital *HK$'000*	Share premium *HK$'000*	Share-based payment reserve *HK$'000*	Foreign exchange reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*	Minority interest *HK$'000*	Total equity *HK$'000*
At 1 January 2007	37,992	66,101	–	4,876	(30,737)	78,232	11,584	89,816
Net income recognised directly to equity								
– Exchange differences on consolidation	–	–	–	4,927	–	4,927	869	5,796
Loss for the year	–	–	–	–	(16,283)	(16,283)	(963)	(17,246)
Total recognised income (expenses) for the year	–	–	–	4,927	(16,283)	(11,356)	(94)	(11,450)
Capital contribution from minority interest of non-wholly owned subsidiary	–	–	–	–	–	–	3,158	3,158
Issue of shares	7,598	37,232	–	–	–	44,830	–	44,830
Share issuing expenses	–	(144)	–	–	–	(144)	–	(144)
	7,598	37,088	–	–	–	44,686	3,158	47,844
At 31 December 2007 and 1 January 2008	45,590	103,189	–	9,803	(47,020)	111,562	14,648	126,210
Net income recognised directly to equity								
– Exchange differences on consolidation	–	–	–	5,442	–	5,442	951	6,393
Loss for the year	–	–	–	–	(10,516)	(10,516)	53	(10,463)
Total recognised income (expenses) for the year	–	–	–	5,442	(10,516)	(5,074)	1,004	(4,070)
Bonus issue of shares	4,559	(4,559)	–	–	–	–	–	–
Share issuing expenses	–	(29)	–	–	–	(29)	–	(29)
Share-based payment transactions	–	–	234	–	–	234	–	234
	4,559	(4,588)	234	–	–	205	–	205
At 31 December 2008	**50,149**	**98,601**	**234**	**15,245**	**(57,536)**	**106,693**	**15,652**	**122,345**

The Company

	Share capital	Share premium	Share-based payment reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2007	37,992	66,101	–	(5,046)	99,047
Issue of shares	7,598	37,232	–	–	44,830
Share issuing expenses	–	(144)	–	–	(144)
Loss for the year	–	–	–	(2,864)	(2,864)
At 31 December 2007 and 1 January 2008	45,590	103,189	–	(7,910)	140,869
Bonus issue of shares	4,559	(4,559)	–	–	–
Share issuing expenses	–	(29)	–	–	(29)
Share-based payment transactions	–	–	234	–	234
Loss for the year	–	–	–	(2,070)	(2,070)
At 31 December 2008	**50,149**	**98,601**	**234**	**(9,980)**	**139,004**

1. GENERAL INFORMATION

CIG Yangtze Ports PLC is a limited liability company incorporated in the Cayman Islands. The Company's registered office is located at GT Ugland House, South Church Street, George Town, Grand Cayman, the Cayman Islands. The principal place of business of the Company is 2909A, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong. The Company's shares are listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activity of the Company is investment holding and the principal activities of Wuhan International Container Transshipment Company Limited ("WIT"), the major operating subsidiary, are port construction and operation.

2. ADOPTION OF NEW OR AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

In the current year, the Group has applied for the first time the IFRIC Interpretation 11: IFRS 2 – Group and Treasury Share Transactions issued by the International Accounting Standards Board ("IASB"), which is relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2008. The adoption of this New Interpretation had no material impact on how the results and financial positions of the Group and the Company for the current and prior periods have been prepared and presented. Accordingly, no prior period adjustment is required.

The Group has not early adopted the Standards or Interpretations that have been issued but are not yet effective. The directors of the Company are currently assessing the impact of these IFRSs but are not yet in a position to state whether they would have material financial impact on the Group's financial statements.

3. PRINCIPAL ACCOUNTING POLICIES

3.1 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the IFRSs, which collective term includes all applicable individual International Financial Reporting Standards and Interpretations approved by the IASB and all applicable individual International Accounting Standards and Interpretations as originated by the Board of the International Accounting Standards Committee and adopted by the IASB.

3.2 BASIS OF MEASUREMENT

The measurement basis used in the preparation of these financial statements is historical cost.

3.3 BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries (the "Group") make up to 31 December, each year. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, until the date such control ceases.

All intercompany transactions and balances within the Group are eliminated on consolidation.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

3.4 SUBSIDIARIES

A company is a subsidiary of the Company if the Company, directly or indirectly, holds more than 50% of the issued voting capital of the investee company, or if the Company is in a position to appoint the majority of the members of the board of directors and/or is able to govern the financial and operating policies of the investee company under a statute or agreement among the shareholders or equity holders.

In the Company's balance sheet, subsidiaries are carried at cost less any impairment losses. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the balance sheet date.

3.5 MINORITY INTEREST

Minority interest represents the portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned by the Group and are not the Group's financial liabilities.

Minority interest is presented in the consolidated balance sheet within equity, separately from the equity attributable to the equity holders of the Company. Profit or loss attributable to the minority interest is presented separately in the consolidated income statement as an allocation of the Group's results. Where losses applicable to the minority exceeds the minority interest in the subsidiary's equity, the excess and further losses applicable to the minority are allocated against the minority interest to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. Otherwise, the losses are charged against the Group's interests. If the subsidiary subsequently reports profits, such profits are allocated to the minority interest only after the minority's share of losses previously absorbed by the Group has been recovered.

3.6 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to the income statement during the year in which they are incurred.

Depreciation of property, plant and equipment is provided on the following bases to write off the cost of each asset over the following estimated useful lives:

Port facilities – foundation works	Over the remaining joint venture period, straight line method
– others	Units of production method
Terminal equipments	5-20 years, straight line method
Furniture and equipments	1-5 years, straight line method
Motor vehicles	5 years, straight line method
Leasehold improvements	Shorter of unexpired lease or useful lives

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

3.6 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

When assets are sold or retired, their costs and accumulated depreciation and impairment are eliminated from the balance sheet and any gain or loss resulting from their disposals, being the difference between the net disposal proceeds and the carrying amount, is dealt with in the income statement.

Assets held under finance leases are depreciated over the shorter of their expected useful lives or the terms of the leases.

3.7 CONSTRUCTION IN PROGRESS

Construction in progress represents port facilities and terminal equipment under construction and is stated at cost less impairment loss. Cost includes cost of construction, plant and equipment and other direct costs (such as borrowing costs which include interest charges and exchange differences arising from foreign currency borrowings used to finance the port project during the construction year, to the extent these are regarded as an adjustment to interest charges).

No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and put into operational use at which time they will be transferred to property, plant and equipment.

3.8 LAND USE RIGHTS

Land use rights represent amounts paid for the acquisition of the rights to use land located in the PRC for periods of 50 years. Land use rights are recognised as prepayments for operating leases and amortised to income statement over the lease terms.

3.9 IMPAIRMENT OF NON-FINANCIAL ASSETS

Property, plant and equipment, land use rights, construction in progress and investment in subsidiaries are reviewed for impairment at each balance sheet date and whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction less the costs of disposal. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit.

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

A reversal of impairment loss is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior years. Reversal of impairment loss is recognised as income immediately.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

3.10 FINANCIAL ASSETS

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the assets expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

At each balance sheet date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

The Group's financial assets mainly comprise loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

Impairment of financial assets

At each balance sheet date, financial assets are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

(a) significant financial difficulty of the debtor;

(b) a breach of contract, such as a default or delinquency in interest or principal payments;

(c) it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

(d) significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

3.10 FINANCIAL ASSETS *(Continued)*

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the Group and, national or local economic conditions that correlate with defaults on the assets in the Group.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in the income statement of the period in which the impairment occurs.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in the income statement of the period in which the reversal occurs.

3.11 FINANCIAL LIABILITIES

The Group's financial liabilities include accruals and other payables, bank loans, and financing leases liabilities. All financial liabilities except for derivatives are recognised initially at their fair value and subsequently measured at amortised cost, using effective interest rate method. They are included in balance sheet line items as accrued expenses and other payables or borrowings under current or non current liabilities.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised as an expense in finance costs in the income statement.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or has expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in the income statement.

Finance lease liabilities

Finance lease liabilities are measured at initial value less the capital element of lease repayments.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

3.11 FINANCIAL LIABILITIES *(Continued)*

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Other payables

Other payables are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

3.12 CASH AND CASH EQUIVALENTS

For the purpose of the cash flow statement, cash and cash equivalents comprises cash on hand, on demand deposits and short-term, highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value.

3.13 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated cost necessary to make the sales.

3.14 SHARE CAPITAL

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent that they are incremental costs directly attributable to the equity transaction.

3.15 GOVERNMENT SUBSIDIES

Subsidies from government are recognised at their fair value where there is a reasonable assurance that the subsidies will be received and that the Group will comply with all attached conditions. Government subsidies relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

3.16 REVENUE RECOGNITION

Revenue comprises the fair value of services rendered is recognised when it is probable that the economic benefits will flow to the Group and when the revenue and costs, if applicable, can be measured reliably and on the following bases:

Cargo handling and related service fees are recognised when services are rendered.

Interest income from financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

3.17 FOREIGN CURRENCY TRANSLATION

The financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the balance sheet date retranslation of monetary assets and liabilities are recognised in the income statement.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

In the consolidated financial statements, all individual financial statement of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted in to Hong Kong dollars. Asset and liabilities have been translated into Hong Kong dollars at the closing rates at the balance sheet date. Income and expenses have been converted into the Hong Kong dollars at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been dealt with separately in the foreign exchange reserve in equity.

Other exchange differences arising from the translation of the net investment in foreign entities are taken to shareholders' entity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

3.18 BORROWING COSTS

Borrowing costs are expensed as incurred except when they are directly attributable to the construction or acquisition of qualifying assets that necessarily take a substantial period of time to prepare for its intended use. Such borrowing costs are capitalised as part of the cost of that property or equipment until the asset is ready for its intended use.

3.19 LEASES

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases.

Subsequent accounting for assets held under finance lease agreements corresponds to those applied to comparable acquired assets. The corresponding finance lease liability is reduced by lease payments less finance charges.

Finance charges implicit in the lease payments are charged to the income statement over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

Operating lease charges as the lessee

Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating lease. Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to the income statement on a straight line basis over the lease terms except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rental are charged to the income statement in the accounting period in which they are incurred.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

3.20 EMPLOYEE BENEFITS

Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries or the maximum mandatory contributions as required by the MPF Scheme and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

Payments made to state-managed retirement benefit schemes are dealt in the same manner as payments to defined contribution plans, as the Group's obligations under the schemes are similar to those arising in a defined contribution retirement benefit plan, and are charged as expenses as they fall due.

3.21 SHARE-BASED EMPLOYEE COMPENSATION

The Group operates equity-settled share-based compensation plans to remunerate its employees and directors and in exchange for goods or services rendered. All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the share options awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions.

All share-based compensation is ultimately recognised as an expense in income statement with a corresponding credit to share-based payment reserve, net of deferred tax where applicable at the grant date. If vesting periods or other vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, and if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment to expense recognised in prior periods is made if fewer share options ultimately are exercised than originally vested.

At the time when the share options are exercised, the amount previously recognised in share-based payment reserve will be transferred to share premium. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in share-based payment reserve will be transferred to accumulated losses.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

3.22 TAXATION

The charge for current income tax is based on the results for the year as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss, it is not accounted for.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

3.23 RELATED PARTIES

A party is related to the Group if

(a) directly, or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Group; or has an interest in the Group that gives it significant influence over the Group; or has joint control over the Group;

(b) the party is an associate of the Group;

(c) the party is a joint venture in which the Group is a venturer;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

3.24 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Impairment of trade and other receivables

Impairment of trade and other receivables of the Group is determined based on the evaluation by management of the collectability of the trade and other receivables. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including assessing the current creditworthiness and the past collection history of each customer. If the financial conditions of these customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance would be required.

Impairment of assets

Port facilities, terminal equipments and construction in progress are reviewed for possible impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Determination as to whether and how much an asset is impaired involves management estimates on uncertain matters, such as the amount of tariffs which may have changed, the throughput capacity of the WIT Port, etc. The impairment reviews and calculations are based on assumptions that are consistent with the Group's business plan.

4. SEGMENTAL INFORMATION

All of the Group's turnover and contribution to loss from operating activities were derived from its principal activities of port operations in the People's Republic of China ("PRC"). Hence, no segmental information is presented.

5. TURNOVER

	2008 ***HK$'000***	2007 *HK$'000*
Container handling service	**26,249**	19,480
General and bulk cargo handling service	**2,922**	1,035
Agency income	**5,479**	6,939
Integrated logistics services	**7,654**	6,067
	42,304	33,521

6. OTHER INCOME

	2008	2007
	HK$'000	*HK$'000*
Bank interest income	**251**	436
Dividend income	**–**	418
Net loss on financial assets at fair value through profit or loss	**(170)**	(878)
Sundry income	**317**	150
Government subsidies	**11,115**	4,965
	11,513	5,091

Government subsidies are in respect of the subsidies granted by the Hubei Provincial and Wuhan Municipal governments to WIT.

7. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging the following:

	2008	2007
	HK$'000	*HK$'000*
Staff costs (including directors' emoluments)		
– Salaries and allowances	**14,574**	11,986
– Share-based payment transactions	**234**	–
– Pension contributions	**516**	417
	15,324	12,403
Auditors' remuneration	**360**	399
Depreciation		
– owned assets	**9,550**	7,871
– leased assets	**59**	59
Amortisation of prepaid lease payment for land use rights	**218**	205
Loss on disposal of property, plant and equipment	**94**	20
Operating lease rental	**1,127**	695
Net loss on financial assets at fair value through profit or loss	**170**	878
Net foreign exchange losses	**241**	223

8. DIRECTORS' REMUNERATION

Directors' remunerations for the year, disclosed pursuant to the GEM Listing Rules and Section 161 of the Hong Kong Companies Ordinance, are as follows:

	Number of directors	
	2008	2007
Executive directors	**1**	1
Non-executive directors	**3**	4
Independent non-executive directors	**3**	3
	7	8

Details of directors' emoluments for the year ended 31 December 2008 were:

Name of director	Title	Fee	Salaries, allowances and benefits in kind	Share-based payment transactions	Pension contribution	Total
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Chow Kwong Fai, Edward	Executive director	**140**	**1,951**	**3**	**12**	**2,106**
Wong Yuet Leung, Frankie	Non-executive director	**146**	**–**	**3**	**–**	**149**
Lee Jor Hung, Dannis	Non-executive director	**140**	**–**	**3**	**–**	**143**
Goh Pek Yang, Michael	Non-executive director	**140**	**–**	**3**	**–**	**143**
Wong Tin Yau, Kelvin	Independent non-executive director	**146**	**–**	**3**	**–**	**149**
Lee Kang Bor, Thomas	Independent non-executive director	**146**	**–**	**3**	**–**	**149**
Leung Kwong Ho, Edmund	Independent non-executive director	**146**	**–**	**–**	**–**	**146**
		1,004	**1,951**	**18**	**12**	**2,985**

8. DIRECTORS' REMUNERATION *(Continued)*

Details of directors' emoluments for the year ended 31 December 2007 were:

Name of director	Title	Fee	Salaries, allowances and benefits in kind	Pension contribution	Total
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Chow Kwong Fai, Edward	Executive director	123	1,800	12	1,935
Zhao Cong, Richard	Non-executive director	–	–	–	–
Wong Yuet Leung, Frankie	Non-executive director	120	–	–	120
Lee Jor Hung, Dannis	Non-executive director	120	–	–	120
Goh Pek Yang, Michael	Non-executive director	120	–	–	120
Wong Tin Yau, Kelvin	Independent non-executive director	120	–	–	120
Lee Kang Bor, Thomas	Independent non-executive director	120	–	–	120
Leung Kwong Ho, Edmund	Independent non-executive director	120	–	–	120
		843	1,800	12	2,655

There was no arrangement under which a director waived or agreed to waive any emoluments during the current and the prior year.

9. FIVE HIGHEST PAID INDIVIDUALS

The five individuals whose emoluments were the highest in the Group for the year include one director (2007: one director) whose emoluments are reflected in the analysis presented in note 8 above. The emoluments payable to the remaining four (2007: four) individuals during the year were as follows:

	2008	2007
	HK$'000	*HK$'000*
Salaries and allowances	**1,971**	2,083
Share-based payment transactions	**40**	–
Pension contributions	**33**	36
	2,044	2,119

The remuneration of each of the non-director, highest paid employees for the years ended 31 December 2008 and 2007 fell within the band of Nil to HK$1,000,000.

10. FINANCE COSTS

	2008	2007
	HK$'000	*HK$'000*
Interests on bank loans wholly repayable within 5 years	**15,917**	11,792
Interests on advances from a shareholder	**–**	116
Finance charges on obligations under finance lease	**12**	13
	15,929	11,921

11. TAXATION

In accordance with the relevant income tax laws applicable to Sino-foreign joint ventures in the PRC engaging in port and dock construction with year which exceeds 15 years and upon approval by the tax bureau, WIT is entitled to exemption from PRC enterprise income tax for five years (the "5-Year Exemption Entitlement") and a 50% reduction for five years thereafter (the "5-Year 50% Tax Reduction Entitlement"). The 5-Year Exemption Entitlement, which commenced on 1 January 2008, will end on 31 December 2012 irrespective of whether WIT is profit-making during this period and the 5-Year 50% Tax Reduction Entitlement will commence from 1 January 2013 to 31 December 2017 and tax payable will be charged at 12.5%.

During the year, WIT did not have any profit which was subject to taxation.

No provision for Hong Kong Profits Tax has been made as the Company and its subsidiaries which are subject to Hong Kong Profits Tax incurred a loss for taxation purpose for the year.

11. TAXATION *(Continued)*

Reconciliation between tax expense and accounting loss at applicable tax rate:

	2008 **HK$'000**	2007 HK$'000
Loss before taxation	**(10,463)**	(17,246)
Income tax at applicable tax rate of 18% (2007: 15%)	**(1,883)**	(2,587)
Non-deductible expenses	**419**	207
Tax exempt revenue	**(4)**	(414)
Unrecognised tax losses	**1,697**	3,299
Unrecognised temporary differences	**(180)**	(171)
Difference in tax rate	**154**	(334)
Others	**(203)**	–
Tax expense for the year	**–**	–

The Group has not recognised deferred tax assets in respect of tax losses of HK$72,719,000 (2007: HK$60,085,000). Under the current tax legislation, tax losses of HK$40,923,000 (2007: HK$38,577,000) can be carried forward for five years since the year the loss is incurred, tax losses of HK$31,796,000 (2007: HK$21,508,000) have no expiry date under the current tax legislation. All tax losses are subject to the agreement from the relevant tax bureau.

12. LOSS FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The loss for the year ended 31 December 2008 attributable to shareholders of the Company dealt with in the financial statements of the Company was HK$2,070,000 (2007: HK$2,864,000).

13. LOSS PER SHARE

The calculation of basic loss per share for the year is based on the loss for the year attributable to shareholders of the Company of HK$10,516,000 (2007: HK$16,283,000), and the weighted average number of 501,491,386 (2007: 461,417,874) ordinary shares in issue during the year.

The number of shares for the purpose of calculating basic loss per share for year ended 31 December 2007 has been adjusted to reflect the bonus issue of shares during the year.

No diluted earnings per share has been presented because the only potential dilutive shares are those of the share options granted under the Share Option Scheme but the conditions for the exercise of such options have not yet been met during the year. Details of the share options granted and the Share Option Scheme are set out in the Section headed "Share Option Scheme" in note 29 to the financial statements.

14. DIVIDEND

The directors do not recommend the payment of a dividend for the year (2007: Bonus issue of shares on the basis of one bonus share for every ten existing shares held in lieu of a cash dividend).

15. PROPERTY, PLANT AND EQUIPMENT

	Port facilities	Terminal equipment	Furniture and equipment	Motor vehicles	Leasehold improvements	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Net book value						
At 1 January 2008	225,794	35,361	1,424	915	87	263,581
Exchange differences on consolidation	13,792	2,313	88	47	–	16,240
Additions	262	1,023	446	822	104	2,657
Transferred from construction in progress	8,284	1,763	–	–	–	10,047
Disposals	–	(34)	(33)	(94)	–	(161)
Depreciation	(5,470)	(3,007)	(555)	(547)	(30)	(9,609)
Net book value						
At 31 December 2008	**242,662**	**37,419**	**1,370**	**1,143**	**161**	**282,755**
At 31 December 2008						
Cost	258,596	50,192	3,743	2,837	194	315,562
Accumulated depreciation	(15,934)	(12,773)	(2,373)	(1,694)	(33)	(32,807)
Net book value	**242,662**	**37,419**	**1,370**	**1,143**	**161**	**282,755**

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Port facilities	Terminal equipment	Furniture and equipment	Motor vehicles	Leasehold improvements	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Net book value						
At 1 January 2007	212,709	34,030	1,547	1,179	–	249,465
Exchange differences on consolidation	13,823	2,382	104	65	–	16,374
Additions	3,389	1,420	272	74	90	5,245
Transferred from construction in progress	230	402	–	–	–	632
Disposals	–	(199)	(6)	–	–	(205)
Depreciation	(4,357)	(2,674)	(493)	(403)	(3)	(7,930)
Net book value						
At 31 December 2007	225,794	35,361	1,424	915	87	263,581
At 31 December 2007						
Cost	235,660	44,551	3,389	2,053	90	285,743
Accumulated depreciation	(9,866)	(9,190)	(1,965)	(1,138)	(3)	(22,162)
Net book value	225,794	35,361	1,424	915	87	263,581

Property, plant and equipment of WIT with an aggregate net book value at the balance sheet date of HK$152,163,000 (2007: HK$148,137,000) were pledged to secure bank loans granted to WIT.

Motor vehicle with net book value of HK$136,000 (2007: HK$195,000) is held under finance lease.

16. LAND USE RIGHTS

	2008 **HK$'000**	2007 *HK$'000*
Net book value at beginning of year	**8,424**	8,065
Exchange differences on consolidation	**550**	564
Amortisation	**(218)**	(205)
Net book value at end of year	**8,756**	8,424
At balance sheet date		
Cost	**9,741**	9,143
Accumulated amortisation	**(985)**	(719)
Net book value	**8,756**	8,424

Land use rights of WIT with an aggregate net book value at the balance sheet date of HK$8,756,000 (2007: HK$8,424,000) were pledged to secure bank loans granted to WIT.

17. CONSTRUCTION IN PROGRESS

	2008 **HK$'000**	2007 *HK$'000*
At cost		
At beginning of year	**7,271**	1,046
Exchange differences on consolidation	**476**	73
Additions	**6,818**	6,784
Transferred to property, plant and equipment	**(10,047)**	(632)
At balance sheet date	**4,518**	7,271

18. INVENTORIES

	2008 **HK$'000**	2007 *HK$'000*
Consumables, at cost	**933**	779

19. ACCOUNT RECEIVABLES

An aging analysis of account receivables at the balance sheet date, based on invoice dates, is as follows:

	2008	2007
	HK$'000	*HK$'000*
Within 30 days	**5,578**	2,726
31 – 60 days	**3,218**	2,110
61 – 90 days	**1,598**	1,517
Over 90 days	**858**	1,040
	11,252	7,393

The Group allows a credit period of 60 days to 90 days to its trade customers. All of the Group's account receivables have been reviewed for indicators of impairment and no impairment has been recognised on account receivables for the two years ended 31 December 2008 and 2007.

The aging of account receivables that are neither individually nor collectively considered to be impaired are as follows:

	2008	2007
	HK$'000	*HK$'000*
Not past due	**10,189**	5,450
1 to 90 days past due	**1,063**	1,668
Over 90 days past due	**–**	275
	11,252	7,393

Account receivables that are not past due related to a wide range of customers for whom there was no recent history of default.

Account receivables that are past due but not impaired related to a number of independent customers that have good track records with the Group. Based on past experience, management believes that no provision for impairment is necessary in respect of these receivables as there have not been any significant changes in credit qualities of or any recent history of defaults from these customers, hence considered these receivables to be recoverable. The Group does not hold any collateral over these balances.

20. GOVERNMENT SUBSIDY RECEIVABLES

These are subsidies granted by the Hubei Provincial and Wuhan Municipal governments to WIT. HK$5,084,400 of such subsidies has been received since 31 December 2008.

21. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprises of bank balances and cash of HK$8,611,000 (2007: HK$26,415,000), pledged deposit of Nil (2007: HK$3,896,000), time deposits of Nil (2007: HK$6,170,000) and proceeds from disposal of financial assets of Nil (2007: HK$6,314,000). Bank balances earn interest at floating rates based on daily bank deposit rates.

22. ACCRUED EXPENSES AND OTHER PAYABLES

	2008	2007
	HK$'000	*HK$'000*
Payables to contractors and equipment suppliers	**1,784**	8,052
Accrued expenses and other payables	**6,944**	5,659
	8,728	13,711

An aging analysis of accrued expenses and other payables as at the balance sheet date, based on the invoice dates, is as follows:

	2008	2007
	HK$'000	*HK$'000*
Within 30 days	**4,494**	5,106
31 – 60 days	**569**	1,253
61 – 90 days	**289**	508
91 – 180 days	**65**	436
Over 180 days	**3,311**	6,408
	8,728	13,711

Included in the over 180 days balance of HK$3,311,000 is an amount of HK$2,590,000 relating to retentions on the construction of port and related facilities of WIT.

23. INTEREST-BEARING BORROWINGS

	2008 **HK$'000**	2007 *HK$'000*
Bank loans		
Unsecured	**68,400**	64,200
Secured	**131,100**	128,400
	199,500	192,600
Obligations under finance lease	**94**	160
	199,594	192,760
Current portion	**28,566**	107,066
Non-current portion	**171,028**	85,694
	199,594	192,760

BANK LOANS

	2008 **HK$'000**	2007 *HK$'000*
Amount repayable:		
Within one year	**28,500**	107,000
Within the second year	**79,800**	10,700
Within the third year	**91,200**	74,900
	199,500	192,600

The unsecured bank loan of HK$68,400,000 (RMB60,000,000) (2007: HK$64,200,000 (RMB60,000,000)), which is granted to WIT, is supported by a corporate guarantee for a maximum sum of HK$75,240,000 (RMB66,000,000) provided by the Company to the bank. Details of securities provided to banks for secured bank loans are set out in note 33 to the financial statements. All bank loans are interest-bearing in the range of 5.94% to 8.69% per annum.

After 31 December 2008, the Group procured an additional banking facility of HK$11,400,000 (RMB10,000,000) from a PRC bank.

23. INTEREST-BEARING BORROWINGS *(Continued)*

OBLIGATIONS UNDER FINANCE LEASE

	Minimum lease payments		Present value of minimum lease payments	
	2008	2007	**2008**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amount payable:				
Within one year	**79**	79	**66**	66
In the second to fifth years inclusive	**33**	111	**28**	94
	112	190	**94**	160
Future finance charges	**(18)**	(30)	**–**	–
Present value of lease obligations	**94**	160	**94**	160

24. SHARE CAPITAL

	2008		2007	
	Number of shares	***HK$'000***	Number of shares	*HK$'000*
Authorised:				
Ordinary shares of HK$0.1 each	**2,000,000,000**	**200,000**	2,000,000,000	200,000
Issued and fully paid:				
At beginning of year	**455,901,260**	**45,590**	379,917,717	37,992
Issue of shares	**–**	**–**	75,983,543	7,598
Bonus issue of shares	**45,590,126**	**4,559**	–	–
At balance sheet date	**501,491,386**	**50,149**	455,901,260	45,590

At the annual general meeting of the shareholders ("Shareholders") of the Company held on 5 May 2008, Shareholders approved the resolution for a one for ten bonus issue of shares (the "Bonus Share Issue") in lieu of cash dividend. Following approval for listing of the new shares under the Bonus Share Issue, a total of 45,590,126 shares were issued at par to Shareholders, taking the total number of shares of the Company in issue to 501,491,386 shares. These shares rank pari passu with the existing shares in all respects.

25. RESERVES

Details of movements in reserves of the Group and the Company for the current and the prior year are disclosed in the statements of changes in equity on pages 44 and 45.

SHARE PREMIUM

The application of share premium account is governed by the Companies Law of the Cayman Islands. Share premium of the Company is distributable to shareholders subject to the provision of the Company's Memorandum and Articles of Association.

EXCHANGE RESERVES

The exchange reserves comprise all foreign exchange differences arising from the translation of the financial statements of foreign operations. These reserves are dealt with in accordance with the policies set out in note 3.17 to the financial statements.

DISTRIBUTABLE EARNINGS

The statutory financial statements of the Company's principal subsidiary in the PRC, WIT is prepared under generally accepted accounting principles in the PRC which differ from International Financial Reporting Standards. Any dividends paid by WIT will be based on profits as reported in its statutory financial statements. Accordingly, distributable retained earnings would be limited to the amounts of available retained earnings as recorded in the statutory financial statements of WIT.

At 31 December 2008, WIT did not have any distributable earnings.

As 31 December 2008, in the opinion of the directors, the aggregate amount of reserves available for distribution to the equity shareholders of the Company was HK$88,621,000 (2007: HK$95,279,000).

OTHER RESERVES

In accordance with the relevant laws and regulations for Sino-foreign equity joint venture enterprises, WIT, being a joint venture established in the PRC, must maintain statutory reserves for specific purposes, which include a general reserve fund, an enterprise expansion fund and a staff welfare and incentive bonus fund. The board of directors of WIT will determine on an annual basis the amount of the annual appropriations to statutory reserves.

During the year, WIT did not generate any profits for appropriations to these statutory reserves.

26. INTEREST IN SUBSIDIARIES

	2008	2007
	HK$'000	*HK$'000*
Unlisted shares, at cost	**50,897**	50,897
Due from a subsidiary	**94,176**	94,176
	145,073	145,073

Details of the Company's subsidiaries are set out below:

Name	**Place of incorporation/ registration and operation**	**Nominal value of issued/registered capital**	**Percentage of nominal value of issued/registered capital attributable to the Company**		**Principal activities**
			Direct	**Indirect**	
CIG Port Holdings Limited	The British Virgin Islands ("BVI")	US$12,000 Ordinary	100%	–	Investment holding
Wuhan Investment Holdings Limited	BVI	US$100 Ordinary	100%	–	Dormant
CIG Yangtze Corporate and Project Finance Limited	Hong Kong	HK$100 Ordinary	100%	–	Provision of treasury, general and administrative services to Group companies
Wuhan International Container Transshipment Co. Ltd.	The PRC	RMB130,000,000 Registered capital	–	85%	Port construction and operations
CIG Wuhan Multipurpose Port Limited	The PRC	RMB5,000,000 Registered capital	–	100%	Port construction and operations
Wuhan Yangluo Customs Clearance Services Company Limited	The PRC	RMB1,500,000 Registered capital	–	85%	Provision of customs clearance services

The amount due from a subsidiary is unsecured, interest-free and has no fixed repayment terms.

27. DUE TO A SUBSIDIARY

The amount due to a subsidiary is unsecured, interest-free and has no fixed repayment terms.

28. PENSION SCHEME

All of the full time employees of WIT are entitled to an annual pension equal to their basic salaries at their retirement dates. The PRC government is responsible for the pension liabilities payable to the retired staff. WIT has agreed to make annual contributions to the state-sponsored retirement plan at a rate of 20% of the employees' salaries or 3 times the average salaries of the local community, whichever is the lower.

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries or the maximum mandatory contributions as required by the MPF Scheme and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

Contributions to the state-sponsored retirement plan and MPF Scheme during the year were approximately HK$428,000 (2007: HK$337,000) and HK$88,000 (2007: HK$80,000) respectively.

29. SHARE OPTION SCHEME

Pursuant to the resolution passed by the shareholders of the Company on 2 September 2005, a share option scheme (the "Share Option Scheme") which provided for, subject to certain terms and conditions, the granting of a maximum of 34,537,974 Shares, representing 10% of the total number of Shares in issue of 345,379,747 as of the listing date following the placement and public offer of shares by the Company upon listing on GEM. During the year ended 31 December 2008, the Board resolved to grant share options under the Share Option Scheme on 27 March 2008 and 10 November 2008, details of which are set out below:

29. SHARE OPTION SCHEME *(Continued)*

(A) OPTIONS GRANTED ON 27 MARCH 2008

On 27 March 2008, options to subscribe for an aggregate of 10,550,000 Shares (the "March 2008 Share Options") were granted to all directors and certain employees of the Group under the Share Option Scheme. Principal terms and conditions on the exercise of the options granted are as follows:

General conditions applicable to all option holders

(i) The subscription price (the "Subscription Price" or the "Exercise Price") for shares to be allotted on exercise of the options granted was at HK$0.63 per share (excluding brokerage and Stock Exchange transaction levy, if applicable, and subject to potential adjustment in the event of alteration of the Company's capital structure);

(ii) No options may be exercised for the period of twelve months from the date of grant of 27 March 2008 (the "Grant Date") and that not more than 50% of the options may be exercised for the period of twelve months immediately thereafter and that all options shall lapse on the third anniversary of the Grant Date; and

(iii) The right to exercise the options was conditional upon the option holder is an employee of the Group or a director or an alternate director of any company within the Group on the date of exercise of the option.

Specific condition applicable to the Chairman and other employees of the Group

The right to exercise the option was conditional upon the board confirming to these option holders that WIT has achieved the target of generating a net profit for the year ended 31 December 2008.

As a result of the issuance of the bonus shares (the "Bonus Share Issue") pursuant to the approval by the shareholders at the annual general meeting of the Company on 5 May 2008, the original Subscription Price of HK$0.63 was adjusted to HK$0.57 per share accordingly as stipulated under the terms of the Share Option Scheme. Details of the Bonus Share Issue are set out in note 24 to the financial statements.

29. SHARE OPTION SCHEME *(Continued)*

(B) OPTIONS GRANTED ON 10 NOVEMBER 2008

On 10 November 2008, options to subscribe for an aggregate of 10,850,000 shares (the "November 2008 Share Options") were granted to all directors and certain employees of the Group under the Share Option Scheme. For the holders of the March 2008 Share Options, the granting of such options was conditional upon the surrendering of all rights and entitlements conferred to them as option holders under the March 2008 Share Options (the "Rights to the Options"). With all holders of the March 2008 Share Options elected to surrender their Rights to the Options, the March 2008 Share Options were cancelled in full and the November Share Options were granted out in full. Principal terms and conditions on the exercise of the options granted were as follows:

General conditions applicable to all option holders

(i) The subscription price (the "Subscription Price" or the "Exercise Price") for shares to be allotted on exercise of the options granted is at HK$0.13 per share (excluding brokerage and Stock Exchange transaction levy, if applicable, and subject to potential adjustment in the event of alteration of the Company's capital structure);

(ii) No options may be exercised for the period between the date of grant of 10 November 2008 (the "Option Grant Date") and 9 April 2010, both dates inclusive and that not more than 50% of the options may be exercised for the period of twelve months immediately thereafter and that all options shall lapse on the third anniversary of the Option Grant Date; and

(iii) The right to exercise the options is conditional upon the option holder is an employee of the Group or a director or an alternate director of any company within the Group on the date of exercise of the option.

Specific condition applicable to the Chairman and other Employees of the Group

The right to exercise the option is conditional upon the Board confirming to these option holders that WIT has achieved the target of generating a net profit for the year ending 31 December 2009.

29. SHARE OPTION SCHEME *(Continued)*

The movements in the share options of the Company during the year ended 31 December 2008 were set out as follows:

			No of options					
Eligible participants	Grant date	Exercise price per share	As at 1 January 2008	Granted during the year	Exercised during the year	Lapsed or cancelled during the year	As at 31 December 2008	Period during which option outstanding as at 31 December 2008 are exercisable
Directors	27 March 2008	HK$0.57	–	3,150,000	–	(3,150,000)	–	(c)
	10 November 2008	HK$0.13	–	3,150,000	–	–	3,150,000	(d)
Employees	27 March 2008	HK$0.57	–	7,400,000	–	(7,400,000)	–	(c)
	10 November 2008	HK$0.13	–	7,700,000	–	(300,000)	7,400,000	(d)
				21,400,000	–	(10,850,000)	10,550,000	

Notes:

(a) The closing prices of the Company's shares proceeding the dates on which the options were granted on 27 March 2008 and 10 November 2008 were HK$0.63 and HK$0.13 respectively.

(b) Mr. Leung Kwong Ho, Edmund resigned as an independent non-executive director of the Company with effect from 28 February 2009. Upon his resignation, all options granted to Mr. Leung under the Share Option Scheme became lapsed and no longer exercisable.

(c) 50% exercisable between 28 March 2009 and 27 March 2010, both dates inclusive; 50% exercisable between 28 March 2010 and 27 March 2011, both dates inclusive.

(d) 50% exercisable between 10 April 2010 and 9 April 2011, both dates inclusive; 50% exercisable between 10 April 2011 and 9 November 2011, both dates inclusive.

(e) The fair value of options granted during the year was determined using the Black-Scholes valuation model. The fair value calculation has taken into account the volatility rate of the Company's share prices of 95% and the risk-free interest rate of 1.16%. The volatility rate of the Company's share prices has been determined by reference to the average volatility rate of the Company's share prices at monthly intervals since listing.

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group principally finances its operations through entity, operating cash flows and financial instruments including cash and cash equivalents, bank loans and finance lease, trade receivables, government subsidy receivables and other receivables and payables. Bank loans, finance leases and payables and accruals are classified as financial liabilities measured at amortised cost. Trade receivables, government subsidies receivables, other receivables and cash and cash equivalents are classified as loans and receivables.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The board of directors generally adopts conservative strategies on its risk management and limits the Group's exposure to these risks to a minimum. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

INTEREST RATE RISK

As disclosed in note 23 to the financial statements, as at 31 December 2008, the Group has total interest-bearing borrowings of HK$199,594,000 (2007: HK$192,760,000) of which HK$11,494,000 (2007: HK$32,260,000) bears interest at fixed rate and HK$188,100,000 (2007: HK$160,500,000) bears interest at variable rates ("Variable Interest Rate Borrowings").

The Group's interest rate risk arises from its Variable Interest Rate Borrowings with interest rates which are variable and subject to adjustments in line with the movements in applicable lending rates of the People's Bank of China. The Group has not hedged against such a risk as it does not see the benefit in so doing.

Based on the balance of Variable Interest Rate Borrowings as at 31 December 2008, it is estimated that should there be a general increase/decrease of 50 basis points in lending rates of the People's Bank of China with all other variables being held constant, this would have the effect of decreasing/increasing the Group's loss for the year ended 31 December 2008 and accumulated losses as at 31 December 2008 by approximately HK$940,000 (2007: HK$800,000).

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(Continued)

LIQUIDITY RISK

Liquidity risk refers to the risk in which the Group is unable to meet its short-term obligations. Liquidity risk is managed by matching the payment and receipt cycles and short term obligations are refinanced as necessary. The Groups' operations are financed mainly through equity, operating cash flows and bank loans and finance leases.

An analysis of financial liabilities of the Group based on contractual maturity is as follows:

	Within 1 year	Between 1 and 2 years	Between 2 to 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2008				
Accrued expenses and other payables	**8,728**	**–**	**–**	**8,728**
Bank loans	**28,500**	**86,422**	**104,746**	**219,668**
Obligations under finance lease	**79**	**33**	**–**	**112**
	37,307	**86,455**	**104,746**	**228,508**
At 31 December 2007				
Accrued expenses and other payables	13,711	–	–	13,711
Bank loans	107,000	12,420	89,747	209,167
Obligations under finance lease	79	79	32	190
	120,790	12,499	89,779	223,068

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(Continued)

FOREIGN CURRENCY RISK

The Group's reporting currency is the Hong Kong dollar. The Group's exposure to foreign currency risk relates primarily to the operations of it's principal subsidiary, WIT in Wuhan, which are conducted in Renminbi.

The following table sets out the Group's exposure at the balance sheet date to currency risk arising from assets and liabilities denominated in Renminbi.

	2008	2007
	RMB'000	*RMB'000*
Account receivables	**9,751**	6,826
Prepayments, deposits and other debtors	**1,537**	1,381
Government subsidy receivables	**9,750**	–
Bank balances and cash	**7,464**	14,202
Accrued expenses and other payables	**(6,621)**	(8,916)
Bank loans	**(175,000)**	(180,000)
Overall net exposure	**(153,119)**	(166,507)

Based on the overall net exposure of RMB153,119,000 (2007: RMB166,507,000) as at 31 December 2008, it is estimated that should Renminbi weakened/strengthened by 5% against the Hong Kong dollar with all other variables being held constant, the Group's reserve as at 31 December 2008 would have been increased/decreased by approximately RMB7,656,000 (2007: RMB8,325,000).

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(Continued)

CREDIT RISK

The Group's credit risk arises from the risk that its customers may default on their obligations to pay the amounts due to the Group, resulting in a loss to the Group.

The Group's maximum exposure to credit risk on recognised financial assets is limited to their carrying amounts at the balance sheet date.

	2008	2007
	HK$'000	*HK$'000*
Account receivables	**11,252**	7,393
Deposits and other debtors	**1,717**	1,186
Government subsidy receivables	**11,115**	–
Cash and cash equivalents	**8,611**	42,795
	32,695	51,374

The Group allows a credit period of 60 days to 90 days to its customers; in extending credit terms to customers the Group will carefully assess creditworthiness and financial standing of each individual customer. Management will also closely monitor all outstanding debts and reviews their collectability periodically. As at 31 December 2008, total account receivables of the Group was HK$11,252,000, of which the five largest customers of the Group accounted for 44% (2007: 57%) of such balance.

FAIR VALUES

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2008 and 2007.

31. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may issue new shares, quasi-equity or other equity related instruments or sell assets to reduce debt.

As at 31 December 2008, the Group had a gearing ratio of approximately 1.9 (2007: 1.7). The calculation of the gearing ratio was based on total bank borrowings over equity attributable to shareholders of the Company as at 31 December 2008.

32. COMMITMENTS

(i) Commitments payable under non-cancellable operating leases of land and buildings:

	2008	2007
	HK$'000	*HK$'000*
Within one year	**1,291**	1,127
In the second to fifth year inclusive	**978**	2,064
	2,269	3,191

(ii) Contracted but not provided for capital commitments in respect of:

	2008	2007
	HK$'000	*HK$'000*
Capital contribution to a subsidiary	**4,834**	–
Construction of port facilities	**6,478**	824
	11,312	824

33. PLEDGE OF ASSETS

The Group has pledged port facilities, land use rights and bank deposits owned by WIT with an aggregate net book value of approximately HK$152,163,000 (2007: HK$148,137,000), HK$8,756,000 (2007: HK$8,424,000) and Nil (2007: HK$3,896,000) respectively to secure bank loans granted to WIT.

34. CONTINGENT LIABILITIES

As at 31 December 2008, the Group did not have any significant contingent liabilities.

35. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to current year's presentation.

36. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 30 March 2009.

FINANCIAL SUMMARY

	For the year ended 31 December				
	2004	2005	2006	2007	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Turnover	2,726	8,863	16,122	33,521	**42,304**
Cost of services rendered	(2,554)	(4,219)	(6,888)	(18,075)	**(19,213)**
Gross profit	172	4,644	9,234	15,446	**23,091**
Other income	197	274	556	5,091	**11,513**
General and administrative expenses	(6,148)	(7,580)	(15,050)	(17,727)	**(19,311)**
Operating profit (loss)/EBITDA	(5,779)	(2,662)	(5,260)	2,810	**15,293**
Finance costs	(2,656)	(5,930)	(5,140)	(11,921)	**(15,929)**
EBTDA	(8,435)	(8,592)	(10,400)	(9,111)	**(636)**
Depreciation and amortisation	(3,267)	(4,580)	(5,628)	(8,135)	**(9,827)**
Loss for the year	(11,702)	(13,172)	(16,028)	(17,246)	**(10,463)**
Attributable to:					
Shareholders of the Company	(7,300)	(11,584)	(14,985)	(16,283)	**(10,516)**
Minority interest	(4,402)	(1,588)	(1,043)	(963)	**53**
	(11,702)	(13,172)	(16,028)	(17,246)	**(10,463)**

	As at 31 December				
	2004	2005	2006	2007	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
ASSETS AND LIABILITIES					
Non-current assets	142,655	213,033	258,576	279,276	**296,029**
Current assets	8,786	27,988	8,052	53,405	**34,638**
Current liabilities	(10,605)	(22,917)	(26,652)	(120,777)	**(37,294)**
Net current assets (liabilities)	(1,819)	5,071	(18,600)	(67,372)	**(2,656)**
Non-current liabilities	(56,075)	(115,385)	(150,160)	(85,694)	**(171,028)**
Total equity	84,761	102,719	89,816	126,210	**122,345**

Notes:

(1) The Company was incorporated in the Cayman Islands on 17 January 2003 and became the holding company of the Group with effect from 16 June 2004.

(2) The results of the Group for the year ended 31 December 2004 and its assets and liabilities as at 31 December 2004 which had been prepared on a combined basis were extracted from the Company's prospectus dated 6 September 2005, which also set out the details of the basis of presentation adopted. The results of the Group for the four years ended 31 December 2008 and its assets and liabilities as at 31 December 2008, 31 December 2007, 31 December 2006 and 31 December 2005 are set out in the respective year's annual reports.