

## CORPORATE GOVERNANCE PRACTICES

The Board of Directors (the “Board”) and senior management of the Company are committed to maintaining high standards of corporate governance and believe that high standards of corporate governance are essential to the success of the Company and provide a practice enhancing greater accountability and transparency and meeting the expectations of all of the Group’s various stakeholders.

The Company has complied with the code provisions in the Code on Corporate Governance Practices (the “Code”) and has taken various actions to comply with the new requirements by compiling this Corporate Governance Report as part of the Company’s annual report and accounts for the year ended 31 December 2006. The current practices will be reviewed regularly to follow the latest practices in corporate governance.

The following sections set out how the principles in the Code have been complied with by the Company.

## DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules as the code for directors’ securities transactions (the “Model Code”). All the directors have confirmed their compliance with the required standards set out in the Model Code throughout the year ended 31 December 2006.

## BOARD OF DIRECTORS

### Composition of the Board

As at 31 December 2006, the Board comprised six executive directors, namely, Mr. Nie Jiansheng (vice chairman and

executive director), Mr. Zhang Jinming (managing director), Mr. Yu Rumin, Mr. Jiao Hongxun, Mr. Xue Lingsen and Mr. Yuan Baotong (Note 1), one non-executive director, Mr. Wang Guanghao (chairman) and three independent non-executive directors, namely Professor Japhet Sebastian Law, Mr. Kwan Hung Sang, Francis and Dr. Cheng Chi Pang, Leslie. Biographical details of the directors are set forth on page 17 to 20 of this report.

The Company has complied with Rules 3.10(1) and 3.10(2) of the Listing Rules regarding the appointment of sufficient number of independent non-executive directors who possess relevant professional qualifications or accounting or related financial management expertise. Pursuant to the requirement of Rule 3.13 of the Listing Rules, the Company received annual confirmation of independence from each of the three independent non-executive directors. The Board is of the view that all independent non-executive directors are independent within the definition of the Listing Rules.

*Note:*

1. Mr. Yuan resigned as executive director of the Company with effect on 31 December 2006.

Mr. Wang Guanghao and Mr. Nie Jiansheng held or continue to hold directorships or other management positions within the group comprising Tsinlien Group Company Limited (the ultimate controlling shareholder of Tianjin Development Holdings Limited (“Tianjin Development”), the holding company of the Company), its subsidiaries and joint venture companies. Save as described above, there is no other relationship (including financial, business, family or other material or relevant relationship(s)) among the directors and in particular, between Mr. Wang Guanghao, the chairman and Mr. Zhang Jinming, the managing director as at 31 December 2006.



## **BOARD OF DIRECTORS** *(Continued)*

### **The Board**

The Board oversees the Group's businesses, overall strategic directions and financial performances. It assumes responsibility for strategy formulation, corporate governance and performance monitoring. Daily operations and administration are delegated to the management where different divisional heads are responsible for different aspects of business. Moreover, the Board has also delegated day-to-day responsibility to the executive management and various responsibilities to the Remuneration Committee and the Audit Committee. Further details of these committees are set out below.

The Company usually convenes at least four regular Board meetings a year and meets more frequently as and when required. In 2006, four full board meetings were held in which all the board members directors attended all these meetings except for Mr. Yu and Mr. Kwan. Mr. Yu attended one meeting as there was only one regular board meeting held after his appointment on 24 November 2006 till the year end, while Mr. Kwan attended three meetings during the year.

Board minutes prepared and kept by the company secretary are sent to the directors for record and are open for inspection at any reasonable time on reasonable notice by any director.

All directors are supplied with comprehensive board papers and relevant materials within a reasonable period of time before the intended meeting date (usually no less than one week before the Board meeting), including business and financial reports covering the Group's principal business activities, financial highlights and operational review.

If so required, the directors are free to have access to the management for enquiries and to obtain further information so as to facilitate the decision-making process.

Every director and member have unrestricted access to the advice and services of the company secretary.

The directors are continually updated with legal and regulatory developments, business and market changes and development of the Company to facilitate the discharge of their responsibilities. In addition, the directors can obtain independent professional advice at the Company's expense in discharging their duties to the Company.

Non-executive director and independent non-executive directors have the same fiduciary duties and duties of care as executive directors. Non-executive director provide the Group with a wide range of knowledge and expertise. Independent non-executive directors also participate actively in board meetings, contribute to the development of strategies and policies and make sound judgement in various aspects. They will take lead when potential conflicts of interest arise. They are also members of various board committees and devote sufficient amount of time and attention to the affairs of the Company.

### **Directors' Appointment, Re-election and Removal**

Pursuant to Article 108 (a) of the Company's Articles of Association, one-third of the directors for the time being shall retire from office by rotation at each annual general meeting ("AGM"). The directors to retire in every year shall be those appointed by the Board during the year and those who have been longest in office since their last election or re-election. Any director appointed to fill a casual vacancy is subject to re-election at the next AGM following their appointment. The new director shall not be taken into account in determining the number of directors who are to retire by rotation at that AGM.

The non-executive director and the independent non-executive directors of the Company are appointed for a specific term of three years and two years respectively, but they are subject to retirement by rotation and re-election at the AGM of the Company at least one every three years pursuant to Article 108 of the Company's Articles of Association.

## BOARD OF DIRECTORS *(Continued)*

### Directors' Appointment, Re-election and Removal *(Continued)*

The Company has not established a nomination committee. According to Article 112 of the Company's Articles of Association, the Board has the power from time to time and at any time to appoint any person as a director either to fill a casual vacancy or as an additional director. In assessing nomination of new director, the Board will take into consideration the nominee's qualification, experience and potential contribution to the Company.

Mr. Yu Rumin was appointed as an executive director of the Company on 24 November 2006 by a board resolution passed by all Directors.

Apart from the appointment of Mr. Yu, the Board did not appoint any other Directors during the year. The terms of appointment of the newly-appointed Director, including remuneration, are substantially the same as the other executive directors.

## DIVISION OF RESPONSIBILITIES

During the financial year ended 31 December 2006, the Board has appointed a chairman who is responsible for the leadership and effective running of the Board in respect of establishing policies and business directions. The chairman ensures that the Board functions effectively and discharges its responsibilities, and that all key and appropriate issues are discussed by the Board in a timely manner.

The Board also comprises three independent non-executive directors who bring in strong independent judgement, knowledge and experience. In addition, each executive director is delegated individual responsibility to monitor and oversee operations of a specific area, and to implement strategies and policies that are set by the Board. As noted below, all members of the Audit Committee and a majority of the Remuneration Committee members are independent non-executive directors. This structure ensures a sufficient balance of power and authority as well as segregation of power exists within the Group.

During the financial year ended 31 December 2006, Mr. Wang Guanghao as chairman led the Board and ensured all directors were properly briefed on issues to be discussed at board meetings. Mr. Zhang Jinming as managing director also provided leadership for effective running of the Company's business and implementation of approved strategies for achieving the overall commercial objectives.

## REMUNERATION OF DIRECTORS

### Remuneration Committee

The Remuneration Committee has been formed during the financial year ended 31 December 2006. The chairman of the Remuneration Committee is Professor Japhet Sebastian Law, and the other members comprise Mr. Nie Jiansheng, and Mr. Kwan Hung Sang, Francis. Independent non-executive directors constitute the majority of the committee. Its terms of reference are summarised as follows:-

1. To make recommendations to the Board on the Company's policy and structure for all remuneration of the directors of the Company and senior management of the Group and on the establishment of a formal and transparent procedure for developing policy on such remuneration for the Company;
2. To have the delegated responsibility to determine the specific remuneration packages of all executive directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of non-executive directors and independent non-executive directors. The remuneration committee should consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration;



## REMUNERATION OF DIRECTORS *(Continued)*

### Remuneration Committee *(Continued)*

3. To review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;
4. To review and approve the compensation payable to executive directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company;
5. To review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate; and
6. To ensure that no director or any of his associates is involved in deciding his own remuneration.

In 2006, two meetings were held, with all members attended, to discuss and approve the remuneration package for the year and the share options issued to the directors and senior management.

The terms of reference of the Remuneration Committee are available from the company secretary at any time within office hours.

### Remuneration package for Directors and senior management

The remuneration package for the directors and senior management comprises basic salary, annual bonus and pensions. Apart from basic salary, executive directors and

employees are eligible to receive an annual bonus taking into account factors such as market conditions as well as corporate and individual's performance during the year.

In order to attract, retain and motivate talented eligible staff, including the directors, the Company has adopted a Share Option Scheme. The scheme enables eligible persons to obtain ownership interest in the Company and thus serves as a motivation for them to optimize their continual contributions to the Group.

Details of the amount of directors' emoluments during the year ended 31 December 2006 are set out in note 7(b) to the accounts and details of the Share Option Scheme and grant of options by the Company during the year are set out in Report of the Directors and note 25 to the accounts.

## ACCOUNTABILITY AND AUDIT

The Board acknowledges its responsibility to prepare the accounts for the financial year ended 31 December 2006 which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. In preparing the accounts for the year ended 31 December 2006, the generally accepted accounting standards in Hong Kong, Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards have been adopted, suitable accounting policies have been used and applied consistently, whereas reasonable and prudent judgements and estimates have been made.

In January 2007, the Board had reviewed the financial projections of the Group in respect of the year 2007. On the basis of this review, the Board considers that the Group has adequate resources to continue in operational existence for foreseeable future and is not aware of any material uncertainties relating to conditions or events which may cast significant doubt over the Group's ability to continue as a going concern. Accordingly, the Board considers that it is appropriate to adopt the going concern basis in preparing the accounts.

## ACCOUNTABILITY AND AUDIT *(Continued)*

### Internal Controls

The Board bears the overall responsibility for maintaining sound and effective internal control system of the Group. The Group's internal control framework covers (i) the setting of a defined management structure with limits of authority and clear lines of accountability; and (ii) the establishment of regular reporting of financial information, in particular, tracking of deviations from budgets and targets.

The relevant executive directors and senior management have been delegated with respective level of authorities. Yearly budgets of the Company are reviewed and approved by the Board. The relevant executive directors and senior management have specific responsibility for monitoring the performance, conduct and operations of each subsidiary within the Group by reviewing the differences between actual results and yearly budgets.

Monthly financial report have been provided to the executive directors. This helps the Board and the Group's management to monitor the Group's business operations and to plan on a prudent and timely basis. Other regular and ad hoc reports will also be prepared for the Board and its committees, to ensure that directors are supplied with all the information they require in a timely and appropriate manner.

During the year, the Board has conducted, through an external professional internal audit consultant, a review, as decided by the management of the Group and the Chairman of the Audit Committee, on the Group's internal control procedures, which covers all material controls, including financial, operational, compliance and risk management functions. The report of the review, written by the professional internal audit consultant, have

been discussed and approved by both the Audit Committee and the Board on 11 April 2007 and 18 April 2007 respectively. Internal control review meetings were held to discuss findings by external professional internal audit consultant and follow up actions by management, between the managing director, deputy general manager, chief financial officer and other relevant personnel. The Group has no in-house internal audit function in the year under review and is exploring to establish such in the future.

### AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors of the Company, namely, Dr. Cheng Chi Pang, Leslie, Professor Japhet Sebastian Law and Mr. Kwan Hung Sang, Francis. Dr. Cheng is the chairman of the Audit Committee who has relevant professional qualifications and experience in financial matters. The Audit Committee of the Company has its own written terms of reference. The Audit Committee is responsible for assisting the Board in discharging its responsibilities of monitoring the integrity of the Group's financial reporting process, the accounts and reports of the Company, the effectiveness of the Group's system of internal controls, as well as arrangements with external auditors. The Audit Committee reports its findings and makes recommendations to the Board in board meetings.

During the year ended 31 December 2006, the Audit Committee met once, with all members attended, together with certain executive directors, deputy general manager and chief financial officer as well as with the external auditors, to discuss the draft interim accounts for the period ended 30 June 2006 of the Group, focusing on main areas of judgment, consistency of and changes in accounting policies and adequacy of information disclosure prior to recommending them to the Board for approval.



## **AUDIT COMMITTEE** *(Continued)*

The terms of reference of the Audit Committee are available from the Company Secretary at any time within office hour.

## **AUDITORS' REMUNERATION**

During the year ended 31 December 2006, the remuneration paid or payable to the auditors in respect of audit services provided by the auditors of the Group were approximately HK\$1.2 million.

## **COMMUNICATION WITH SHAREHOLDERS**

The Company values effective communication with the investment community and advocates clear disclosure and transparent reporting. To achieve this, the Company pursues a proactive policy of promoting investor relations and communications. The main purpose is to enable investors to have access, on a fair and timely basis, to information that is reasonably required for making the best investment decisions.

Analyst presentations are held biannually following the release of interim and final results announcements. Our executive directors and senior management are available at these presentations to answer questions regarding the Group's operational and financial performances.

To foster a closer relationship with shareholders and potential investors, the Company participated in numerous one-on-one meetings, investor conferences and road shows throughout the year. Since our listing on the Hong Kong Stock Exchange, the Company has organised a number of port visits, including a large scale investor tour in October 2006. These events provided opportunities for analysts and fund managers to have a thorough understanding of our port operations. The Company also encourages all shareholders to attend the annual general meeting at which members of the board and external auditors will be present. It provides a platform for shareholders to exchange views with the Board.

Investors and the public can have access to up-to-date corporate information of the Company through our corporate website of [www.tianjinportdev.com](http://www.tianjinportdev.com) where information on the Company's financial performance and latest corporate developments can be obtained.

The Board and senior management recognise the importance of their responsibility to represent the interests of all shareholders and to maximise shareholder value. AGM is a valuable forum for the board to communicate directly with the shareholders. An AGM circular is distributed which accompanies the despatch of this Annual Report to shareholders at least 21 days before the AGM and will be included with the notice to shareholders of any future AGM. It sets out the procedures for demanding and conducting a poll and other relevant information of the proposed resolution.