1. Group reorganisation and principal activities

The Company was incorporated in the Cayman Islands on 26 August 2005 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The principal address of the Company is Suites 3301-3302, One Exchange Square, 8 Connaught Place, Central, Hong Kong.

Pursuant to the reorganisation, as disclosed in the Company's prospectus dated 12 May 2006 (the "Prospectus"), prepared for the purpose of listing its shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Reorganisation"), the Company became the holding company of Ace Advantage Investments Limited ("Ace Advantage") and Shinesun Investments Limited ("Shinesun") on 8 May 2006.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are as stated in Note 32.

The Company together with its subsidiaries is hereafter collectively referred to as the Group.

The shares of the Company were listed on the Main Board of the Stock Exchange on 24 May 2006.

2. Basis of preparation and accounting policies

The Group resulting from the Reorganisation referred to in Note 1 above is regarded as a continuing entity. Accordingly, the consolidated financial statements have been prepared on the basis of merger accounting as if the Company had been the holding company of the companies comprising the group throughout the periods presented. In the opinion of the directors, the consolidated financial statements prepared on the above basis present more fairly the results, cash flows and state of affairs of the Group as a whole.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRS") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

2. Basis of preparation and accounting policies *(Continued)*

2.1 Basis of preparation *(Continued)*

Interpretations to existing standards that are not yet effective and have not been early adopted by the Group:

The following interpretations to existing standards have been published that are mandatory for accounting periods beginning on or after 1 May 2006 or later periods and that the Group has not early adopted:

HK(IFRIC) – Int 8	Scope of HKFRS 2
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment

The Group will apply HK(IFRIC) – Int 8 and HK(IFRIC) – Int 10 from 1 January 2007, but it is not expected to have any impact on the Group's accounts.

Interpretation to existing standards that are not yet effective and not relevant for the Group's operations:

The following interpretations to existing standards have been published that are mandatory for accounting periods beginning on or after 1 May 2006 or later periods but are not relevant for the Group's operations:

HK(IRFIC) – Int 7	Applying the Restatement Approach under HKAS 29, Financial Reporting in Hyperinflationary Economies
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC) – Int 12	Service Concession Arrangements

Standards, amendments and interpretations effective in 2006 and 2007 but not relevant for the Group's operations:

The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 January 2006 but are not relevant to the Group's operation:

Effective from 1 January 2006:

HKAS 19 (Amendment)	Employee Benefits
HKAS 21 (Amendment)	New Investment in Foreign Operation
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 and HKFRS 4 (Amendment)	Financial Guarantee Contracts
HK (IFRIC)-Int 4	Determining whether an Arrangement Contains a Lease
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS 1 (Amendment)	First-time Adoption of Financial Reporting Standards
HK (IFRIC) – Int 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK (IFRIC) – Int 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment

2. Basis of preparation and accounting policies *(Continued)*

2.1 Basis of preparation *(Continued)*

The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 January 2006 but are not relevant to the Group's operation: *(Continued)*

Effective from 1 January 2007:

HKFRS 7 and Amendment to HKAS 1	Financial Instruments: Disclosure, and a Complementary Amendment to HKAS 1, Presentation of Financial Statements – Capital Disclosures

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31 December.

(a) Subsidiaries

Subsidiaries are entities over which the Group has the power to govern their financial and operating policies and generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls an entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

(b) Transactions with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that is recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

2. Basis of preparation and accounting policies *(Continued)*

2.2 Consolidation (Continued)

(c) Associates

Associates are entities over which the Group has significant influence but not control and generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company and its subsidiaries in PRC is Renminbi. The consolidated financial statements are presented in Hong Kong Dollars.

The directors consider that presentation of these consolidated financial statements in Hong Kong Dollars will facilitate analysis of financial information of the Group.

2. Basis of preparation and accounting policies *(Continued)*

2.4 Foreign currency translation *(Continued)*

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Translation differences on non-monetary financial assets and liabilities, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

– assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

– income and expenses for each income statement are translated at average exchange rates; and

– all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2. Basis of preparation and accounting policies *(Continued)*

2.5 Property, plant and equipment

Buildings comprise mainly office premises and warehouses. All property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. Repairs and maintenance are expensed in the income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate costs to their residual values over their estimated useful lives, as follows:

– Buildings	25 – 40 years
– Port Facilities/Leased berth improvement	35 – 41 years
– Plant and machinery	8 – 35 years
– Leasehold improvement, furniture and equipment	5 – 10 years
– Motor vehicles	5 – 12 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are recognised within other (losses)/gains – net, in the income statement.

2.6 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation. They are tested at least annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffer an impairment are reviewed for possible reversal of the impairment at each balance sheet date.

2. Basis of preparation and accounting policies *(Continued)*

2.7 Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of investments are recognised on their trade-date, being the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. In case an investment does not have a quoted market price in an active market and its fair value cannot be reliably measured, it is carried at cost less any accumulated impairment loss. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains or losses from investment securities.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

2.8 Intangible assets

Goodwill represents the excess of the cost of an acquisition over the fair value of Group's share of the net identifiable assets of the acquired subsidiary or associate at date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

2.9 Inventories

Inventories represent consumable stocks stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method and represents purchase costs. Net realisable value is the estimated selling price in the ordinary course of business.

2. Basis of preparation and accounting policies *(Continued)*

2.10 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within administrative expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the income statement.

2.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

2.12 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.13 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 method. All borrowing costs are expensed as incurred.

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.

2.14 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2. Basis of preparation and accounting policies *(Continued)*

2.15 Employee benefits

- *Retirement scheme obligation*

Employees of the Group's PRC subsidiaries are members of a state-managed employee pension scheme operated by the Tianjin Municipal People's Government which undertakes to assume the retirement benefit obligations of all existing and future retired employees. The Group has no further payment obligations once the contributions have been paid. In addition, the Company contributes to a mandatory provident fund scheme for all Hong Kong employees. All contributions are based on a certain percentage of the employee's salary and are charged to the income statement as incurred.

- *Share-based compensation*

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transactions costs are credited to share capital (nominal value) and share premium when the options are exercised.

2.16 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

2.17 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Group's activities. Revenue is shown, net of discounts and is recognised as follows:

(a) Sale of services

Sale of services is recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided.

(b) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

2. Basis of preparation and accounting policies *(Continued)*

2.17 Revenue recognition *(Continued)*

(c) Dividend income

Dividend income is recognised when the right to receive payment is established.

2.18 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the period of the lease.

2.19 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

3. Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of credit and market risk as follows. The Group's financial risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group does not use any derivative financial instruments to hedge for its risk exposures.

Majority of the Group's revenue and operating expenses are denominated in Renminbi, a currency not freely convertible into other currencies, except under certain circumstances. From 21 July 2005, the Renminbi was pegged to a basket of currencies. During the year, the Renminbi is appreciating against the USD dollar and HK dollar by approximately 3.5%. To the extent that the Renminbi appreciates against US and HK dollars, the results of our operations, which are presented in HK dollars, will increase, and to the extent that the Renminbi depreciates in value, our results of operations, as presented in HK dollars, will decrease.

(a) Credit risk

The Group has no significant concentrations of credit risk. The carrying amount of accounts receivable represents the Group's maximum exposure to credit risks in relation to its financial assets. The Group has policies in place to ensure that sale of services is made to customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers. The Group's historical experience in collection of trade and other receivables falls within the recorded allowances and the directors are of the opinion that adequate provision for uncollectible accounts receivable has been made in the consolidated accounts.

3. Financial risk management *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates and the Group has no significant interest-bearing assets. The Group's exposure to changes in interest rates is mainly attributable to its short term deposits. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk during the year ended 31 December 2006.

(c) Foreign exchange risk

The Group mainly operates in the PRC with most of the transactions settled in Renminbi and did not have significant exposure to foreign risk for the year ended 31 December 2006.

As at 31 December 2006, the Group has about HK$612 million denominated in currencies other than Renminbi. The conversion of these foreign currencies into Renminbi is subject to foreign exchange risk.

3.2 Fair value estimation

The carrying amounts of the Group's financial assets including cash and cash equivalents, trade and other receivable; and financial liabilities including short term borrowings and other payables, approximate their fair value due to their short maturities.

The face values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year, if any, are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

4. Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Note 25 contains information about the assumptions and their risk factors relating to fair value of share options granted.

5. Segment information and revenue

Provision of port services is the Group's only business segment throughout the year. All operating assets, operations and customers of the Group for the year are located in the PRC. Accordingly, no separate business or geographical segment information is presented.

The Group's revenue, all of which are related to port services, is analysed below:

	2006	2005
	HKD'000	*HKD'000*
Container handling	**663,454**	544,160
Non-containerised goods stevedoring	**359,988**	338,910
Storage and agency fees	**13,053**	15,153
	1,036,495	898,223

6. Operating profit

Operating profit is stated after (crediting)/charging:

	2006	2005
	HKD'000	*HKD'000*
Amortisation of lease payments on land use rights	**11,839**	747
Auditors' remuneration	**1,186**	112
Depreciation	**85,489**	76,267
Employee benefits *(Note 7)*	**348,775**	277,415
Net exchange loss	**6,520**	–
Reversal of doubtful debts provision	**(4,349)**	(1,151)
Operating lease charges		
– related parties	**10,545**	30,933
– others	**22,668**	18,793

7. Employee benefits

(a) Employee benefits (including directors' and senior management's emoluments)

Employee benefits are analysed as follow:

	2006	2005
	HKD'000	*HKD'000*
Wages and salaries	**230,301**	186,943
Social security costs	**86,892**	63,132
Contribution to retirement benefits scheme	**31,582**	27,340
	348,775	277,415

7. Employee benefits *(Continued)*

(a) Employee benefits (including directors' and senior management's emoluments) *(Continued)*

The employees of the Group's subsidiaries participate in various retirement benefit plans organised by the relevant municipal and provincial government under which the Group is required to make monthly defined contributions to these plans at a certain percentage of the employees' basic salary.

The Group has no other obligation for the payment of retirement and other post-retirement benefits of employees or retirees other than the contribution payment disclosed above.

(b) Emoluments for Directors and Five Highest Paid Individuals

Directors' emoluments

	2006	2005
	HKD'000	*HKD'000*
Fees	**4,167**	–
Salaries, allowances and other benefits	**3,137**	875
Share-based payments	**3,150**	–
Contributions to retirement benefits scheme	**173**	–
	10,627	875

The remuneration of the Directors for the year ended 31 December 2006 is set out below:

	Fees	Salary	Discretionary bonuses	Other benefits	Share-based payments	Employer contribution to pension scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive director							
Mr. Nie Jiansheng	933	–	390	–	834	47	2,204
Mr. Zhang Jinming	900	–	495	–	794	45	2,234
Mr. Yu Rumin	134	–	410	–	–	7	551
Mr. Xue Lingsen	240	558	230	–	436	12	1,476
Mr. Jiao Hongxun	240	411	230	–	436	12	1,329
Mr. Yuan Baotong	240	–	–	3	–	–	243
Non-executive director							
Mr. Wang Guanghao	1,000	–	410	–	650	50	2,110
Independent non-executive director							
Mr. Kwan Hung Sang, Francis	160	–	–	–	–	–	160
Prof. Law Japhet Sebastian	160	–	–	–	–	–	160
Dr. Cheng Chi Pang, Leslie	160	–	–	–	–	–	160

7. Employee benefits *(Continued)*

(b) *Emoluments for Directors and Five Highest Paid Individuals* *(Continued)*

Directors' emoluments (Continued)

The remuneration of the Directors for the year ended 31 December 2005 is set out below:

	Fees	Salary	Discretionary bonuses	Other benefits	Share-based payments	Employer contribution to pension scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive director							
Mr. Xue Lingsen	–	521	–	–	–	–	521
Mr. Yuan Baotong	–	354	–	–	–	–	354

No emolument was paid by the Group to any of other directors for the year ended 31 December 2005 except for the above.

Senior management's emoluments

The five highest paid individuals included four directors for the year ended 31 December 2006 (2005: two) whose emoluments are reflected above. The emoluments payable to the remaining one (2005: three) individual(s) during the year are summarised as follows:

	2006	2005
	HKD'000	*HKD'000*
Salaries and allowances	**1,434**	1,122
Share-based payments	**283**	–
Contributions to retirement benefits scheme	**45**	–
	1,762	1,122

The emoluments fell within the following bands:

	Number of individuals	
	2006	2005
Emolument bands		
HK$Nil – HK$1,000,000	**–**	3
HK$1,500,000 – HK$2,000,000	**1**	–
	1	3

7. Employee benefits *(Continued)*

(b) Emoluments for Directors and Five Highest Paid Individuals *(Continued)*

Senior management's emoluments (Continued)

No emolument was paid by the Group to any of the directors or the five highest paid individuals as an inducement to join the Group or upon joining the Group or as compensation for loss of office for the year ended 31 December 2006 (2005: Nil).

8. Other income

	2006	2005
	HKD'000	*HKD'000*
Interest income		
– from initial public offer deposits	**97,335**	–
– from bank deposits	**20,271**	2,542
Others	**5,471**	923
	123,077	3,465

9. Finance costs

	2006	2005
	HKD'000	*HKD'000*
Interest expense on bank borrowings	**8,199**	7,095

10. Income tax

No provision for Hong Kong profits tax has been made as the Group has no estimated assessable profits in Hong Kong. Provision for the PRC income tax has been made at the applicable rate of taxation on the estimated assessable profit for the year for each of the Group's subsidiaries.

On 6 November 1997, the Tianjin Finance Bureau approved that the Group's two principal subsidiaries be subject to a concessionary enterprise income tax rate of 15%.

The enterprise income tax rates of the Group's other subsidiaries range from 15% to 33%.

	2006	2005
	HKD'000	*HKD'000*
PRC enterprise income tax:		
– Current	**36,938**	25,056

10. Income tax *(Continued)*

The tax charge on the Group's profit differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of each of the consolidated companies as follows:

	2006	2005
	HKD'000	*HKD'000*
Profit before income tax	**341,211**	172,821
Calculated at weighted average tax rates	**53,291**	25,295
Non-taxable income	**(21,837)**	(2,171)
Non-tax deductible expenses	**5,484**	1,932
Tax charge	**36,938**	25,056

11. Earnings per share

The calculation of the basic earnings per share is based on the following data:

	2006	2005
	HK$'000	*HK$'000*
Earnings		
Profit attributable to shareholders of the Company	**304,037**	147,275

	2006	2005
Number of shares (thousands)		
Weighted average number of ordinary shares	**1,524,145**	1,122,000

In determining the weighted average number of ordinary share in issue, a total of 1,122,000,000 ordinary shares outstanding in 2006 to were deemed to be in issue since 1 January 2005 after taking into consideration of the effect of the issue of ordinary shares in respect of the Reorganisation as detailed in Note 1.

Diluted earnings per share in 2006 is calculated by adjusting the weighted average number of ordinary shares outstanding in 2006 to assume conversion of all share options. A calculation is made in order to determine the number of shares that could have been acquired at fair value based on the monetary value of the subscription rights attached to share options. The number of shares calculated as above is compared with the number of shares of 218,000 (2005: Nil) that would have been issued assuming the exercise of the share options. The dilution effect in 2006 is not material.

12. Profit attributable to equity holders of the Company

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK$74,059,000 (2005: loss of HK$426,000).

13. Dividends

Dividends declared by subsidiaries prior to the Reorganisation were approximately HK$50 million for the year ended 31 December 2005. The aforesaid dividend for the year ended 31 December 2005 was subsequently adjusted to RMB25 million (equivalent to approximately HK$24 million) on 3 March 2006. Such dividends are attributable to the then shareholders of the subsidiaries prior to the Reorganisation.

At a meeting held on 18 April 2007 the Directors proposed a final dividend of HK2.3 cents per ordinary share. This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2007.

14. Land use rights

The Group's interests in land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

	2006	2005
	HKD'000	*HKD'000*
At 1 January	**40,351**	–
Additions	**702,109**	41,105
Amortisation of prepaid operating lease payments	**(11,839)**	(747)
Exchange difference	**1,234**	(7)
At 31 December	**731,855**	40,351

All of the land use rights are located in Tianjin, the PRC and are held under lease terms ranging from 41 to 50 years.

The Group is in the process of applying for the land use right certificates in respect of the land use rights acquired during 2006. The Directors consider that the title of the land use rights will be obtained in due course upon the settlement of the remaining installments in May 2007 (Note 23(iii)) with no additional cost to the Group.

15. Property, plant and equipment

(a) GROUP

	Buildings	Leased berth improvement	Port facilities	Plant and machinery	Leasehold improvement, furniture and equipment	Motor vehicles	Construction in progress	Total
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
Cost								
At 1 January 2005	275,742	365,926	–	952,567	38,023	17,982	34,118	1,684,358
Additions	–	–	–	9	7,420	–	110,671	118,100
Transfers	5,738	4,583	–	73,455	38	77	(83,891)	–
Disposals	(3,897)	–	–	(8,641)	(951)	(1,092)	–	(14,581)
Exchange difference	5,462	7,248	–	18,867	752	356	677	33,362
At 1 January 2006	283,045	377,757	–	1,036,257	45,282	17,323	61,575	1,821,239
Additions	31,225	–	–	–	4,609	2,187	435,721	473,742
Transfers	157,669	(377,757)	611,081	106,759	1,157	43	(498,952)	–
Disposals	(14,845)	–	(696)	(1,320)	(871)	(2,824)	–	(20,556)
Exchange difference	11,461	–	14,579	34,811	1,623	621	2,208	65,303
At 31 December 2006	468,555	–	624,964	1,176,507	51,800	17,350	552	2,339,728
Accumulated depreciation								
At 1 January 2005	59,674	35,597	–	308,592	10,974	7,168	–	422,005
Charge for the year	9,354	10,554	–	50,531	4,388	1,440	–	76,267
Disposals	(1,058)	–	–	(4,672)	(636)	(650)	–	(7,016)
Exchange difference	1,273	807	–	6,599	259	156	–	9,094
At 1 January 2006	69,243	46,958	–	361,050	14,985	8,114	–	500,350
Transfers	17,359	(46,958)	59,342	(29,743)	–	–	–	–
Charge for the year	13,080	–	12,132	52,768	5,927	1,582	–	85,489
Disposals	(5,450)	–	(151)	(896)	(726)	(1,354)	–	(8,577)
Exchange difference	3,340	–	2,345	12,826	643	320	–	19,474
At 31 December 2006	97,572	–	73,668	396,005	20,829	8,662	–	596,736
Net book value								
At 31 December 2005	213,802	330,799	–	675,207	30,297	9,209	61,575	1,320,889
At 31 December 2006	370,983	–	551,296	780,502	30,971	8,688	552	1,742,992

15. Property, plant and equipment *(Continued)*

(b) COMPANY

	Leasehold improvement, furniture and equipment	Motor vehicles	Total
	HKD'000	*HKD'000*	*HKD'000*
Cost			
At 1 January 2005	–	–	–
Additions	1,295	–	1,295
At 1 January 2006	1,295	–	1,295
Additions	818	1,624	2,442
Exchange difference	45	–	45
At 31 December 2006	2,158	1,624	3,782
Accumulated depreciation			
At 1 January 2005 and 2006	–	–	–
Charge for the year	624	214	838
Exchange difference	10	4	14
At 31 December 2006	634	218	852
Net book value			
At 31 December 2005	1,295	–	1,295
At 31 December 2006	1,524	1,406	2,930

16. Interest in subsidiaries

	COMPANY	
	2006	2005
	HKD'000	*HKD'000*
Unlisted shares, at cost	**1,587,238**	–
Amounts due from subsidiaries	**750,471**	–
	2,337,709	–

Amounts due from subsidiaries are unsecured, interest free and have no fixed repayment terms. Details of subsidiaries are set out in Note 32(a).

17. Interest in associated companies

	GROUP	
	2006	2005
	HKD'000	*HKD'000*
Beginning of the year	**18,571**	19,450
Increase in investment	**6,602**	–
Share of associated companies' results		
– profit less losses before taxation	**1,434**	1,443
– taxation	**(451)**	(423)
Dividends received	**(1,714)**	(1,042)
Increase/(decrease) in amounts due from associated companies	**853**	(1,242)
Exchange difference	**655**	385
End of the year	**25,950**	18,571

The Group's interest in its associated companies, all of which are unlisted, are stated in Note 32(b). None of the associated companies individually would materially affect the results and net assets of the Group.

18. Deferred income tax assets

Movements of the deferred income tax account, which is principally in relation to provision for assets realisable more than 12 months after the respective balance sheet date, are as follows:

	GROUP	
	2006	2005
	HKD'000	*HKD'000*
Beginning of the year	**4,788**	4,695
Exchange difference	**172**	93
End of the year	**4,960**	4,788

19. Available-for-sale financial assets

	GROUP	
	2006	2005
	HKD'000	*HKD'000*
Available-for-sale financial assets, at cost	**13,748**	16,706

The available-for-sale financial assets are principally equity interest in certain unlisted entities established and operating in the PRC. These entities are mainly engaged in the provision of a variety of services ancillary to the Group's principal operations such as container temporary storage services, shipping agency services and training services.

19. Available-for-sale financial assets *(Continued)*

These unlisted equity investments are not stated at fair value but at cost less any accumulated impairment losses, because they do not have a quoted market price in an active market and their fair values cannot be reliably measured. The range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed.

20. Other long-term assets

	GROUP	
	2006	2005
	HKD'000	*HKD'000*
Prepayments for purchase of plant and equipment	**–**	34,962

21. Inventories

	GROUP	
	2006	2005
	HKD'000	*HKD'000*
Consumable stocks	**1,976**	1,098

22. Trade and other receivables

	GROUP		COMPANY	
	2006	2005	**2006**	2005
	HKD'000	*HKD'000*	***HKD'000***	*HKD'000*
Trade receivables	**61,044**	77,617	**–**	–
Provision for doubtful receivables	**(6,885)**	(10,972)	**–**	–
Trade receivables – net	**54,159**	66,645	**–**	–
Other receivables	**15,472**	12,879	**4,139**	1,222
	69,631	79,524	**4,139**	1,222

22. Trade and other receivables *(Continued)*

In general, the Group grants a credit period of about 30 to 90 days to its customers. The ageing analysis of the net trade receivables is as follows:

	2006 HKD'000	2005 HKD'000
0 – 30 days	**53,327**	53,366
31 – 90 days	**832**	13,279
	54,159	66,645

No significant loss was recognised by the Group for the years for impairment of trade and other receivables.

23. Amounts due from/to related companies

	GROUP 2006 HKD'000	GROUP 2005 HKD'000
Due from:		
Amounts due from Tianjin Development Holdings Limited ("Tianjin Development")	**–**	3,210
Amounts due from other related companies:		
– Yuhao Xingda International Trade (Tianjin) Co. Limited ("Yuhao") *(note(i))*	**33,065**	31,921
– Provision for doubtful receivables *(note(i))*	**(33,065)**	(31,921)
	–	–
– Others *(note(ii))*	**9,682**	9,345
	9,682	12,555
Due to:		
Dividends payable to Tianjin Development	**–**	122,562
Amounts due to other related companies *(note(iii))*	**237,332**	7,739
	237,332	130,301

23. Amounts due from/to related companies *(Continued)*

Notes:

i. Yuhao was a subsidiary of a 40% owned associated company of the Group. The provision for doubtful receivables is in respect of non-trade balance due from Yuhao fully provided for in prior years.

ii. The balances are principally trade in nature and will be settled on normal trade settlement terms.

iii. Included in the balance are amounts totaling HK$226 million representing balance payment on acquisition of land use rights, berths and railways from Tianjin Port (Group) Co., Ltd.. The amounts are interest free, unsecured and will be settled in May 2007.

24. Cash and cash equivalents

	GROUP		**COMPANY**	
	2006	2005	**2006**	2005
	HKD'000	*HKD'000*	***HKD'000***	*HKD'000*
Cash in hand and bank deposits	**926,395**	256,617	**510,259**	–

The carrying amounts of the cash and bank balances of the Group and of the Company are denominated in the following currencies.

	GROUP		**COMPANY**	
	2006	2005	**2006**	2005
	HKD'000	*HKD'000*	***HKD'000***	*HKD'000*
Renminbi	**314,686**	256,617	**–**	–
Hong Kong Dollars	**611,709**	–	**510,259**	–
	926,395	256,617	**510,259**	–

The conversion of Renminbi denominated balances into foreign currencies and remittance out of the PRC is subject to the rules and regulations of foreign exchange controls promulgated by the PRC government.

The effective interest rate ranges from 0.7% and 4.0% per annum (2005: 0.7% to 1.8%) for these deposits which have an average maturity of 90 days.

25. Share capital

	Number of shares	HK$
Authorised:		
On 26 August 2005, HK$1.00 each *(note (i))*	50,000	50,000
On 26 April 2006, subdivided into HK$0.10 each *(note (ii))*	500,000	50,000
Increase on 26 April 2006 *(note (ii))*	4,999,500,000	499,950,000
At 31 December 2006	5,000,000,000	500,000,000
Issued and fully paid up:		
On 26 August 2005 *(note (i))*	1	1
On 26 April 2006, subdivided into HK$0.10 each *(note (ii))*	10	1
On 8 May 2006 *(note (iii))*	1,121,999,990	112,199,999
Proforma share capital at 31 December 2005	1,122,000,000	112,200,000
Issue of new shares *(note (iv))*	664,700,000	66,470,000
At 31 December 2006	1,786,700,000	178,670,000

Notes:

i. The Company was incorporated on 26 August 2005 with an authorised share capital of HK$50,000 divided into 50,000 ordinary shares of HK$1.00 each. One share with par value of HK$1.00 of the Company was issued to Leadport Holdings Limited ("Leadport Holdings") as subscriber share.

ii. Pursuant to written resolutions of the then sole shareholders of the Company passed on 26 April 2006, the issued and unissued share capital of HK$1.00 each was subdivided into 10 shares of HK$0.10 each and the authorised share capital of the Company was increased from HK$50,000 to HK$500,000,000 by the creation of an additional 4,999,500,000 ordinary shares of HK$0.10 each ranking pari passu in all respects with the existing share.

iii. On 8 May 2006, as part of the Reorganisation, the Company issued 1,121,999,990 ordinary shares of HK$0.10 each to Leadport Holdings as part of a share swap transaction to acquire the entire issued share capital of Ace Advantage and Shinesun.

iv. On 24 May 2006 and 2 June 2006, 578,000,000 ordinary shares of HK$0.10 each were issued to the public and 86,700,000 ordinary shares of HK$0.10 each were issued upon the exercise of the over allotment options, both at a price of HK$1.88 per share, therefore the total issue of 664,700,000 shares raised HK$1,250 million share proceeds. These shares rank pari passu with the then existing shares.

25. Share capital *(Continued)*

Share options scheme

Pursuant to the written resolutions passed by the sole shareholder of the Company on 26 April 2006, a share option scheme (the “Scheme”) was approved and adopted.

Under the Scheme, the directors may, at their discretion, grant to any eligible person as defined under the Scheme to take up options to subscribe for shares of the Company at a subscription price to be determined by the directors pursuant to the relevant Listing Rules. The maximum number of shares issuable upon the exercise of all outstanding options to be granted under the Scheme must not, in aggregate, exceed 30% of the total number of shares in issue from time to time. The total number of shares in respect of which options may be granted under the Scheme and any other share options schemes of the Company shall not exceed 178,670,000 shares, being 10% of the total number of shares in issue as at the date of listing of the Company’s shares, unless separate approval is obtained.

On 1 August 2006, 9,700,000 share options were granted to directors, other than the independent non-executive directors, of the Company and 1,800,000 share options were granted to employees of the Group. The options are exercisable at a price of HK$2.28 per share at anytime between 1 February 2007 and 1 August 2016. During 2006, no share options were exercised, lapsed or cancelled by the directors or employees. Subsequent to the year ended, 1,100,000 share options were cancelled.

The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Based on the share option valuation report prepared by Vigers Appraisal & Consulting Limited (“Vigers”) on 15 December 2006, the fair market value of options granted to directors and employees at date of grant determined using the Binomial valuation model was between HK$0.4296 and HK$0.5956 per option. On the basis, HK$3.8 million was taken to employee share-based compensation reserve (Note 26).

The significant inputs into the model were share price of HK$2.25 per share, at the grant date, exercise price of HK$2.28 per option, standard deviation of expected share price returns of 32.4%, expected life of options between 2 and 10 years, expected dividend pay out rate of 40% and annual risk-free interest rate between 4.235% and 4.607%. According to Vigers’ report, the volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices over the last several months since listing on the Stock Exchange.

26. Other reserves

(a) GROUP

	Merger reserve HKD'000 (Note (i))	Share premium HKD'000	Employee share-based compensation reserve HKD'000	Exchange reserve HKD'000	Statutory reserve HKD'000 (Note (ii))	Total HKD'000
At 1 January 2005	820,962	–	–	–	73,763	894,725
Appropriation from net profit	–	–	–	–	21,310	21,310
Exchange difference	–	–	–	27,204	–	27,204
At 31 December 2005	820,962	–	–	27,204	95,073	943,239
Issues of shares, net of share issue expenses	–	1,095,962	–	–	–	1,095,962
Appropriation from net profit	–	–	–	–	34,912	34,912
Share based compensation	–	–	3,786	–	–	3,786
Exchange difference	–	–	–	75,532	–	75,532
At 31 December 2006	820,962	1,095,962	3,786	102,736	129,985	2,153,431

Notes:

i. Merger reserve represents the difference between the nominal value of the shares of the subsidiaries that had been acquired and the nominal value of the Company's shares issued in exchange therefore pursuant to the Reorganisation.

ii. According to the Articles of Association of each of the Group's subsidiaries established in the PRC, a percentage of net profit as reported in the PRC statutory accounts may be appropriated to reserve fund and enterprise expansion reserve. The percentage of appropriation is determined at the discretion of the board of directors of the respective subsidiaries. The reserve fund can be used to set off accumulated losses whilst the enterprise expansion reserve can be used for expansion of production facilities or increase in capital.

(b) COMPANY

	Capital reserve HKD'000	Share premium HKD'000	Employee share-based compensation reserve HKD'000	Exchange reserve HKD'000	Total HKD'000
At 1 January 2005	–	–	–	–	–
Exchange difference	–	–	–	(4)	(4)
At 31 December 2005	–	–	–	(4)	(4)
Issue of shares, net of share issue expenses	–	1,095,962	–	–	1,095,962
Share based compensation	–	–	3,786	–	3,786
Reserve arising from reorganisation	1,450,909	–	–	–	1,450,909
Exchange difference	–	–	–	43,444	43,444
At 31 December 2006	1,450,909	1,095,962	3,786	43,440	2,594,097

The capital reserve of the Company represents the excess of consolidated values of subsidiaries acquired over the nominal value of the share of the Company issued in exchange thereof as a result of the Reorganisation.

27. Borrowings

	GROUP	
	2006	2005
	HKD'000	*HKD'000*
Bank borrowings, unsecured:		
Non-current	**–**	28,846
Current	**119,522**	105,769
	119,522	134,615

The maturity of bank borrowings is as follows:

	GROUP	
	2006	2005
	HKD'000	*HKD'000*
Within 1 year	**119,522**	105,769
Between 1 and 2 years	**–**	28,846
	119,522	134,615

All bank borrowings are denominated in Renminbi and the effective interest rates at the balance sheet dates were as follows:

	2006	2005
	%	*%*
Effective interest rates	**5.1**	4.2

The carrying amounts of all bank borrowings approximated their estimated fair values.

28. Other payables

	GROUP		COMPANY	
	2006	2005	**2006**	2005
	HKD'000	*HKD'000*	***HKD'000***	*HKD'000*
Other taxes payable	**3,176**	4,170	**–**	–
Notes payable	**–**	21,451	**–**	–
Construction fee payable	**135,032**	38,312	**–**	–
Other non-trade payables	**21,447**	18,292	**8,637**	2,947
	159,655	82,225	**8,637**	2,947

Other non-trade payables comprised advances from customers and miscellaneous accruals.

29. Cash generated from operations

	2006	2005
	HKD'000	*HKD'000*
Profit before income tax	**341,211**	172,821
Adjustments for:		
– Amortisation of prepaid operating lease	**11,839**	747
– Depreciation	**85,489**	76,267
– Share of profit of associated companies	**(983)**	(1,020)
– Loss on disposal of property, plant and equipment *(note(i))*	**11,323**	6,550
– Loss on disposal of an associated company	**–**	(4,986)
– Loss on disposal of available-for-sale financial assets	**(333)**	–
– Interest income	**(117,606)**	(2,542)
– Interest expenses	**8,199**	7,095
– Exchange loss	**6,520**	–
– Share-based payment	**3,786**	–
Changes in working capital:		
– Inventories	**(878)**	22
– Trade and other receivables	**10,479**	(11,749)
– Amounts due from related companies	**2,873**	3,542
– Other payables	**(28,832)**	4,731
– Amounts due to related companies	**3,248**	5,509
Cash generated from operations	**336,335**	256,987

Note:

(i) Proceeds from disposal of property, plant and equipment comprise:

	2006	2005
	HKD'000	*HKD'000*
Proceeds from disposal	**656**	944
Less: Net book value	**(11,979)**	(7,565)
Exchange difference	**–**	71
Loss on disposal	**(11,323)**	(6,550)

30. Commitments

Capital commitments

Commitments at the balance sheet date but not yet incurred are summarised as follows:

	GROUP		COMPANY	
	2006	2005	**2006**	2005
	HKD'000	*HKD'000*	***HKD'000***	*HKD'000*
Contracted but not provided for *(note i)*	**504,838**	87,813	**–**	–
Authorised but not contracted for	**–**	–	**–**	–

Note:

i The capital commitment of RMB504 million as at 31 December 2006 is in respect of the Group's capital contribution to be injected into a joint venture.

Operating lease commitments

The future aggregate minimum lease payments under non-cancelable operating leases are as follows:

	GROUP		COMPANY	
	2006	2005	**2006**	2005
	HKD'000	*HKD'000*	***HKD'000***	*HKD'000*
Not later than 1 year	**2,155**	33,363	**2,155**	2,155
Later than 1 year and not later than 5 years	**1,795**	133,676	**1,795**	3,950
Later than 5 years	**–**	539,371	**–**	–
	3,950	706,410	**3,950**	6,105

31. Related-party transactions

The Group is controlled by Tsinlien Group Company Limited, the ultimate holding company. The parent of the ultimate holding company is a state-owned enterprise ("SOE"). All SOEs and their subsidiaries, directly or indirectly controlled by the PRC government are also deemed as related to the Group.

There are business activities of the Group which are conducted with SOEs. The Group has established procedures to determine, to the extent possible, the identification of the ownership structure of its customers and suppliers as to whether they are SOEs. Management believes that all material related party balances and transactions have been adequately disclosed.

Other than mentioned elsewhere in this report, the following are the significant related party transactions and balances during the years, all of which are continuing related party transactions which, in the opinion of the directors, were conducted in the normal course of the Group's business.

(a) Associated companies

	2006	2005
	HKD'000	*HKD'000*
Non-containerised cargo stevedoring income received from associated companies *(note (i))*	**37,901**	58,572
Wharf cargo handling service charges paid to associated companies *(note (ii))*	**13,669**	12,697
Amounts due from associated companies	**2,103**	2,299
Amounts due to associated companies	**–**	1,091

Notes:

i. Non-containerised cargo stevedoring income is calculated based on contracted unit price and volume of goods handled.

ii. Wharf cargo handling service charges are calculated based on contracted monthly/annual rates.

31. Related-party transactions *(Continued)*

(b) SOE

(i) Transactions with SOEs:

	2006	2005
	HKD'000	*HKD'000*
Income		
Container handling and non-containerised stevedoring income	**424,241**	449,378
Interest income *(note (i))*	**2,062**	2,542
Expenses		
Dredging fees paid	**6,491**	2,817
Interest expense *(note (ii))*	**8,043**	7,095
Rental *(Note 6)*		
– Berths, railway and storage spaces *(note (iii))*	**6,995**	20,426
– Land *(note (iv))*	**2,226**	6,620
– Equipment *(note (v))*	**1,324**	3,887
	10,545	30,933
Temporary storage fees *(note (vi))*	**5,241**	22,918
Service fees for port related supporting services and auxiliary services *(note (vii))*	**7,595**	29,853
Purchase of inventories *(note (viii))*	**920**	60,846
Utility charges:		
– Water	**4,741**	3,600
– Electricity	**25,631**	22,700
– Communication	**853**	1,000

(ii) Balances with SOEs:

	2006	2005
	HKD'000	*HKD'000*
Assets		
Trade receivables	**42,770**	26,126
Amounts due from related companies	**9,682**	12,555
Deposits with state-owned banks	**314,571**	256,617
Liabilities		
Amounts due to related companies	**237,332**	130,301
Loans obtained from state-owned banks	**119,522**	134,615

Nature and terms of amounts due from and to related companies have been disclosed in Note 23.

31. Related-party transactions *(Continued)*

(b) SOE (Continued)

(iii) Acquisition from SOEs:

	2006	2005
	HKD'000	*HKD'000*
Land use rights	**680,339**	–
Berths and railways	**210,211**	–
Other assets	**35,345**	–

Notes:

i. Interest income is calculated based on deposit rates offered by state-owned banks.

ii. Interest expense is calculated based on borrowing rates stated in loan agreements entered into with state-owned banks.

iii. The rental for berths, railway and storage spaces was contracted with Tianjin Port Authority (predecessor of Tianjin Port (Group) Co., Ltd.) ("TPA") for a term of 20 years effective October 1997 subject to an increment of 5% every 3 years throughout the lease. Such agreements had been terminated on 8 May 2006.

iv. The rental for land was contracted at a fixed annual rental with TPA under two lease agreements effective October 1997 and June 2002 for a term of 20 years and 10 years respectively. Such agreements had been terminated on 8 May 2006.

v. The rental for equipment, including forklifts, tow tractors and loading cranes, was contracted with TPA for a term of 20 years effective October 1997 subject to an increment of 5% every 3 years throughout the lease. Such agreement had been terminated on 8 May 2006.

vi. The rental for temporary storage was contracted with two subsidiaries of TPA for a term of 18 months effective August 2004 at a fixed rate of RMB180 each for a 20-feet container and RMB270 each for a 40-feet container. Such agreement had been terminated on 31 March 2006.

vii. The service fee for supporting and auxiliary services was contracted with a subsidiary of TPA at a fixed rate subject to annual revision. Such agreements had been terminated on 31 March 2006.

viii. Purchase of inventories through a subsidiary of TPA was contracted for a term of 5 years from 2000 at certain fixed percentage mark-up plus a fixed annual service charge. Such agreements had been terminated on 31 March 2006.

Pursuant to a supplemental agreement dated 25 August 2005, the rental arrangements mentioned in (iii), (iv) and (v) above were assumed by Tianjin Port (Group) Co., Ltd.

In addition, the Group had transactions with Tianjin Port (Group) Co., Ltd for the provision of water, electricity and communication services, all of which are carried out at standard terms that are available to the general public within the Tianjin Port (Group) Co., Ltd.

31. Related-party transactions *(Continued)*

(c) Key management compensation:

	2006	2005
	HKD'000	*HKD'000*
Fees	**3,687**	–
Salaries and other emoluments	**8,222**	875
	11,909	875

32. Principal subsidiaries and associates

(a) The following is a list of subsidiaries that the Company has direct and indirect interests at 31 December 2006, each of which is a limited liability company:

Name	**Date of incorporation/ establishment and kind of legal entity**	**Issued/ registered and full paid share capital**	**Interest held** *(%)*	**Principal activities**
Incorporated in the British Virgin Islands and directly held:				
Ace Advantage	26 July 2005, limited liability company	USD 100	100	Investment holding
Shinesun	5 July 2005, limited liability company	USD 100	100	Investment holding
High Reach Investments Limited	10 May 2006, limited liability company	USD 100	100	Investment holding
Tianjin Port Development International Limited	30 June 2006, limited liability company	USD 1	100	Investment holding
Established and operating in the PRC and indirectly held:				
Tianjin Port Container Terminal Co., Ltd. ("Tianjin Container")	25 October 1997, wholly foreign-owned enterprise	RMB 672,890,000	100	Container transportation and storage services
Tianjin Harbour Second Stevedoring Co., Ltd. ("Tianjin Second Stevedoring")	25 October 1997, wholly foreign-owned enterprise	RMB 436,821,700	100	Non-containerised goods stevedoring and storage services

32. Principal subsidiaries and associates *(Continued)*

(a) The following is a list of subsidiaries that the Company has direct and indirect interests at 31 December 2006, each of which is a limited liability company: *(Continued)*

Name	Date of incorporation/ establishment and kind of legal entity	Issued/ registered and full paid share capital	Interest held (%)	Principal activities
Established and operating in the PRC and held by Tianjin Container and Tianjin Second Stevedoring:				
Tianjin Gangkai Container Service Co., Ltd.	31 May 2000, sino-foreign joint venture	USD 200,000	75	Cargo transportation and container handling and trucking services
Tianjin Gangshi Container Service Co., Ltd.	9 October 1998, sino-foreign joint venture	USD 200,000	55	Cargo and container handling services
Tianjin Gangxin Container Logistics Co., Ltd.	23 November 2004, sino-foreign joint venture	USD 200,000	75	Container transhipment and stevedoring services
Tianjin Port Free Trade Zone Chang Hao International Trade Co., Ltd.	22 November 1999, limited liability company	RMB 1,000,000	90	Shipping agency service

(b) The following is a list of associated companies at 31 December 2006, each of which is a limited liability company established and operating in the PRC:

Name	Date of incorporation/ establishment	Issued/registered and full paid share capital	Interest held (%)	Principal activities
Tianjin Jin Hai Enterprise Company Ltd.	15 December 1992	USD 1,500,000	41	Shipping agency service
Tianjin Japan Container Service Co., Ltd.	29 July 1985	USD 1,132,000	40	Freight forwarding agency service
Tianjin Jinli International Container Freight Agency Ltd.	14 July 1992	USD 500,000	50	Shipping agency service
Tianjin Port Green Channel Fruit & Vegetable Logistics Co., Ltd.	23 December 2003	RMB 4,000,000	30	Shipping agency service

32. Principal subsidiaries and associates *(Continued)*

(b) The following is a list of associated companies at 31 December 2006, each of which is a limited liability company established and operating in the PRC: *(Continued)*

Name	Date of incorporation/ establishment	Issued/registered and full paid share capital	Interest held *(%)*	Principal activities
Tianjin Lian Tong Shipping Co., Ltd.	18 March 1993	USD 300,000	35	Shipping agency service
Tianjin Economic and Technology Development Area Lian Xing Trade Corporation	17 January 1990	RMB 1,000,000	40	Shipping agency service
Tianjin ShengGang Container Technology Development & Services Co., Ltd.	7 December 2004	RMB 500,000	32	Wharf cargo handling service
Tianjin Port Steel Logistics Co., Ltd	27 July 2006	RMB 17,000,000	39	Steel storage, logistics services

33. Holding company

The Directors of the Company consider Tsinlien Group Company Limited, a company incorporated in Hong Kong, as the ultimate holding company.

34. Subsequent events

On 3 February 2007, 1,900,000 share options were granted to Directors other than the independent non-executive directors of the Company. The options are exercisable at a price of HK$2.74 per share at anytime between 3 August 2007 and 3 February 2017.

35. Approval of accounts

The accounts were approved by the board of Directors on 18 April 2007.