天津港發展控股有限公司

Tianjin Port Development Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code：03382

ANNUAL REPORT 2008

Strength & Integrity

Corporate Profile

Tianjin Port Development Holdings Limited (the "Company") was listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 24 May 2006 (Stock Code: 03382) and is one of the dominant terminal operators in Tianjin, China.

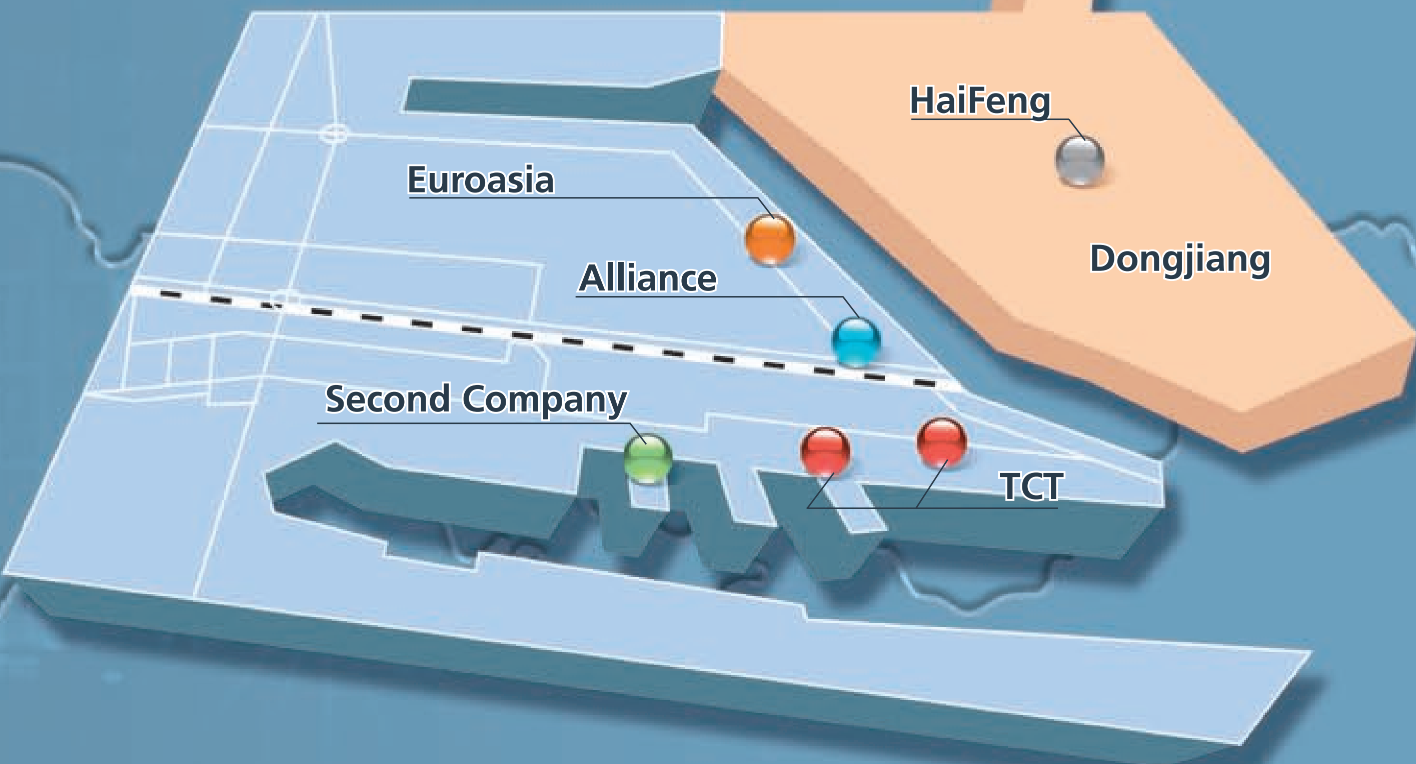
The Company, together with its subsidiaries (collectively known as the "Group") first operated as a bulk cargo terminal at the port of Tianjin in 1968. The Group later expanded into the container handling business in 1980. Today, the Group principally focuses on container handling operation at the port of Tianjin, providing its customers with high quality and efficient port services. Currently, the Group has equity interests at three chief container terminals, namely; the wholly-owned Tianjin Port Container Terminal Co., Ltd. ("TCT"), the 40% owned Tianjin Port Alliance International Container Terminal Co., Ltd. ("Alliance") and the 40% owned Tianjin Port Euroasia International Container Terminal Co., Ltd. ("Euroasia"). At full capacity, these operations can reach a total container handling capacity of over 6 million TEUs. The Group also involves in the bulk cargo handling business through its wholly owned subsidiary – Tianjin Harbour Second Stevedoring Co., Ltd. ("Second Company"). The Group also invested in a logistics park, through Tianjin Port Haifeng Bonded Logistics Co., Ltd. ("HaiFeng"), in the Dongjiang Bonded Free Port of the port of Tianjin. HaiFeng is expected to become a prominent part of the Group's business.

The port of Tianjin is strategically located at the locus of the Bohai Bay Rim, the logistics hub of Tianjin Binhai New District. In 2008, the port of Tianjin was the third largest in China in terms of total throughput. During the same period, the port of Tianjin's total container throughput was the sixth highest in China, placing it among the top fifteen largest ports in the world. Under the Eleventh Five-Year Plan of the Chinese central government, Tianjin Binhai New District has been included as part of the State's developmental strategy and is designated to become the third major driver of China's economic growth after Shenzhen and Shanghai. The area and neighboring regions will benefit from the development plans and see rapid and accelerated growth. Leveraging on the management's broad experience and a team of highly skilled and dedicated staff, the Group will continue to effectively capture the economic growth stimulated by the progressive development of China's northern and northwestern hinterlands.

	Container				Bulk	Logistics
	TCT	Alliance	Euroasia (Note 1)	Second Company		HaiFeng (Note 2)
Equity holding	100%	40%	40%	10%		51%
Terminal / land area (m²)	464,000	700,000	700,000	340,000		715,000
Quay length (m)	1,292	1,100	1,100	1,757		N/A
No. of berths	4	4	3	1	7	N/A
Design capacity (million TEUs / GFA m²)	1.6	1.7	1.8	0.3	N/A	484,000m²
Actual 2008 (million TEUs / million Tonnes / m²)	2.25	1.62	N/A	0.52 (TEUs)	13.1 (tonnes)	11,000m²

Notes:
(1) Still under construction
(2) Phase 1 commenced operation in April 2008

INTERNATIONAL NETWORK



- Busan, Inchon
- Long Beach, Los Angeles, Oakland
- Hamburg
- Rotterdam
- Kobe, Osaka, Yokohama
- Antwerp
- Barcelona
- Port Klang
- Singapore
- Jakarta
- Mumbai
- Port Said
- Dubai
- Hong Kong
- Balboa
- Melbourne
- Buenos Aires

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Financial Highlights

HK$ million For the year ended 31 December	2004	2005	2006	2007	**2008**
Throughput					
Container (million TEUs)	1.81	2.05	2.49	2.76	**2.77**
Container (include Alliance) (million TEUs)	1.81	2.05	2.49	2.76	**4.39**
Bulk cargo (million tonnes)	18.7	18.3	16.6	13.0	**13.1**
Revenue	800	898	1,036	1,194	**1,259**
Operating profit	100	174	348	290	**223**
Share of results of associates and jointly controlled entities	2	1	1	1	**10**
Profit attributable to equity holders of the Company	77	147	304	240	**130**
Net cash inflow from operations	164	227	291	328	**259**
Basic earnings per share (HK cents)	7	13	19.9	13.5	**7.3**

HK$ million As at 31 December	2004	2005	2006	2007	**2008**
Equity attributable to equity holders of the Company	1,302	1,426	2,998	3,390	**3,614**
Minority interests	3	4	4	4	**5**
Total equity	1,305	1,430	3,002	3,394	**3,619**
Total assets	1,555	1,786	3,527	3,907	**4,903**
Net assets per share of the Company *(Note 1)*					
Book value (HK$)	1.2	1.3	1.7	1.9	**2.0**
Consolidated borrowings	132	135	120	390	**1,140**

Financial Ratio

	2004	2005	2006	2007	**2008**
Gearing ratio *(Note 2)*	10.1%	9.4%	4.0%	11.5%	**31.5%**
Current ratio	1.2	1.1	1.9	4.8	**5.4**
Return on equity *(Note 3)*	6.1%	10.8%	9.3%	7.5%	**3.7%**

Notes:

1. Calculated by dividing the equity attributable to equity holders of the Company by number of issued shares of the Company as at balance sheet date.
2. Gearing ratio represents the ratio of consolidated borrowings to total equity.
3. Calculated by dividing profit attributable to equity holders of the Company (2006: excluding IPO interest income) by average equity attributable to equity holders of the Company.

Financial Highlights

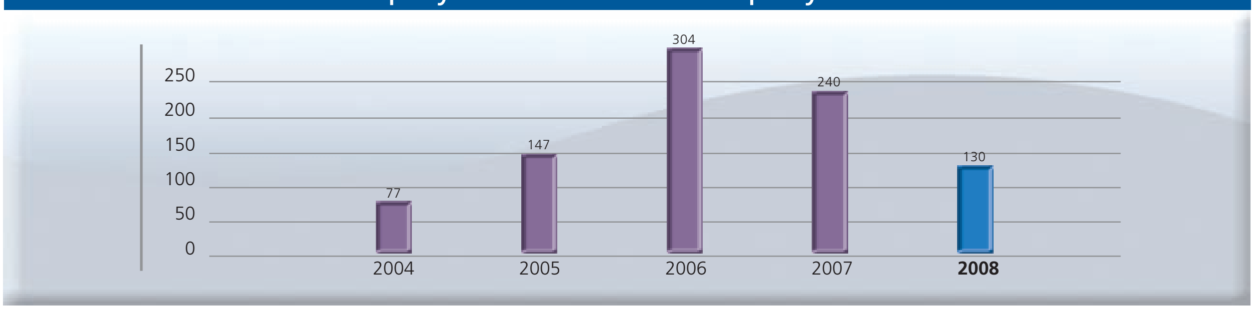
Throughput

Revenue

HK$ million

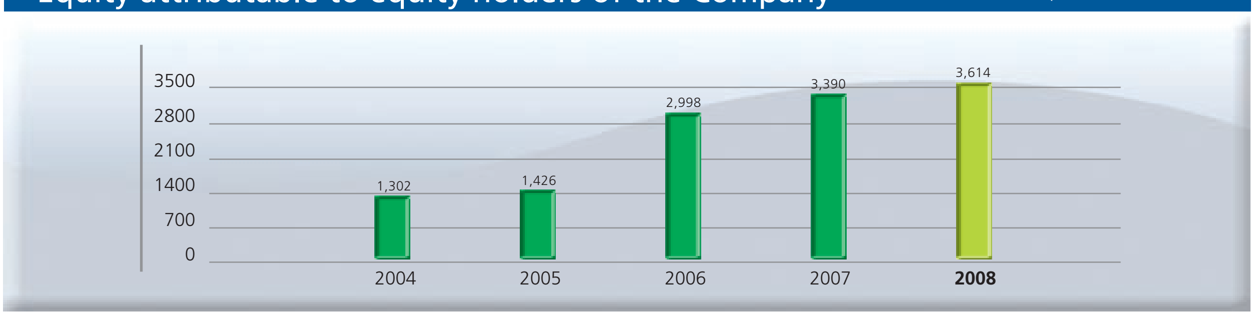
Profit attributable to equity holders of the Company

HK$ million



Equity attributable to equity holders of the Company

HK$ million



Milestones

1997

Tianjin Development was listed on the Main Board of the Stock Exchange. The business engaged by the Company was one of the principal businesses of Tianjin Development.

2002

- Started using advanced container terminal production and management software licensed from COSMOS N.V..
- Two berths originally designed for bulk cargo of Second Company were converted into one container berth, with a designed capacity of 320,000 TEUs.

2001

Renovation of container port was completed with designed capacity raised to 1.6 m TEUs, capable of docking and handling container vessels of 10,000 TEUs.

2004

- Installed a new operational system (3C2S) that linked computers, communications control system, global positioning system (GPS) and geographic information system (GIS).
- The second phase of grain terminal construction project was completed, increasing the grain storage capacity to 110,000 tonnes.

2006

- Successfully listed on the Main Board of the Stock Exchange in May 2006 and raised a total of HK$1.26 billion.
- Signed agreement with COSCO and APMT in Euroasia.

2007

- Establishment of HaiFeng in August 2007, the first logistics warehousing company in Dongjiang Bonded Free Port. The project will have a land area of about 715,000 square meters, and will be developed in several phases.

2008

- Completion of acqusition of 40% equity interest in Alliance, a container terminal in the port of Tianjin with quay length of 1,100 meters and designed capacity of 1.7 million TEUs.

Letter to Shareholders

As demonstrated by its resilient performance during the current difficult environment, we are confident that the port of Tianjin will be able to meet the challenges ahead by capitalizing on the growth potential of Bohai Bay Rim region and further enhancing its own competitive advantages. We are confident in the ability of the Company in further improving its earnings outlook and bringing best returns to its shareholders in long run

Dear Shareholders,

I am pleased to present the results of Tianjin Port Development Holdings Limited (the "Company") and its subsidiaries (the "Group") for 2008.

The year of 2008 is an unusual and extraordinary year. Tapped on China's strong economic growth, the port business recorded encouraging growth in the first half of the year. However, the stringent traffic controls and restrictions on industrial activities at Beijing neighborhood regions during the Beijing Olympic Games and the subsequent financial crisis which ravages the economies all over the world caused obvious slowdown in the growth of China's import and export trade in the second half of the year. The port business was also unfavourably affected during the same period. Despite the downturn of the global economy, the port of Tianjin still achieved 15.0% and 19.7% increase in total and container throughput respectively and ranked the third largest in terms of total throughput and sixth largest in terms of container throughput in China.

The Group's container business maintained healthy growth in 2008. Our market share of container throughput (including 40% owned Alliance) at the port of Tianjin increased to 51.7% as compared to 38.9% of previous year. However, faced with the slowdown of the economy in China triggered by the global financial and economic turmoil, the revenue of the Group did not meet the internal target anticipated by the management. In addition to the increase in operating cost, the overall performance of the Group in 2008 is unsatisfactory. During the year under review, the Group recorded profit attributable to shareholders of HK$130.3 million, representing a drop of 45.8% over last year. We expect the operating environment in 2009 will continue to give great challenges to the port business. Leveraged on the competitive advantages of the port of Tianjin, the Group will continue to optimise its business model and implement appropriate measures to weather this short term difficult situation.

The board of directors of the Company (the "Board ") does not recommend payment of a final dividend for the year ended 31 December 2008. The total dividend for this year is HK3.1 cents per share, which represents a payout ratio of approximately 42%.

On 16 March 2009, the Company entered into a sale and purchase agreement with Tianjin Port (Group) Co., Ltd. ("Tianjin Port Group"), pursuant to which the Company conditionally agreed to acquire a 56.81% stake in Tianjin Port Holdings Co., Ltd. ("Tianjin Port Co") from Tianjin Port Group. Tianjin Port Co and the Group are the two main terminal operators at the port of Tianjin with different business focuses. The Group focuses on container business whereas Tianjin Port Co focuses on bulk cargo business. After the acquisition, the Group will have a more diversified business structure and enhanced ability to withstand market risks. Moreover, the enlarged Group will be benefited from increase in scale of operations, improvement in resources integration and allocation, and enhancement of overall competitiveness. The acquisition is an important strategic landmark for the Group to participate in the emergence of the port of Tianjin to a world-class diversified port. We are confident that this strategic move will largely enhance the return of the Company and our shareholders as a whole in the long run.

Looking forward, we will continue our proven strategy of fostering opportunities for sustainable growth with the aim of enhancing return for our shareholders. Finally, I extend my thanks to the hard working and talented staff members for their effort and contribution in the past year, and to express our most sincere gratitude to our shareholders and business partners for your continued cooperation and support.

YU Rumin
Chairman
Hong Kong, 23 April 2009

PORT CONTAINER TERMINAL

Leading market presence at the port of Tianjin with total container handling capacity to reach over 6 million TEUs by 2010

Review of Operations and Results

RESULTS

For the year ended 31 December 2008, the Group's audited consolidated revenue amounted to approximately HK$1,259.0 million, representing an increase of 5.5% over the prior year. The profit attributable to the Company's shareholders amounted to approximately HK$130.3 million, representing a decrease of 45.8% over the prior year. Basic earnings per share, on a weighted average basis, were HK7.3 cents compared to HK13.5 cents of last year, amounting to a decrease of 45.9%.

The Group has continued its efforts to normalise its capital structure in order to lower the Group's weighted average cost of capital. As at the year end, the Group has total borrowings of HK$1,140.3 million. As a direct result of Renminbi appreciation against Hong Kong Dollar, the Group recorded an exchange gain of HK$40.3 million. The Group also enjoys lower finance costs by borrowing in Hong Kong Dollar ("HK$") or United States Dollar ("US$") rather than in Renminbi ("RMB").

Consolidated operating margin (measured by operating profits divided by revenue) of the Group for the year (excluding exchange gain) was 14.5%, compared to 25.7% (excluding exchange loss) of last year. Despite the 10% tariff rise in container handling fees which has become effective since 1 January 2008, the drop in operating margin was the result of various factors. Firstly, the growth of the Group's throughput slowed down as a result of the global economy downturn. Secondly, higher proportion of domestic and empty boxes reduced the average container handling fee. Finally, cost increases due to general inflationary pressure and in particular the implementation of New Labour Contract Law in China, lowered the overall margins of the Group.

During the year, the Group made a strategic investment in 5% in the equity of Tianjin Binhai Teda Logistics (Group) Corporation Limited ("Teda Logistics") at a total cost of approximately HK$40 million. Teda Logistics, listed on the Growth Enterprise Market of the Stock Exchange (stock code: 08348), is a logistics services provider with good potential in Tianjin, which is consistent with the Group's strategy of exploring the development in logistics business at Tianjin. However, as affected by the financial tsunami in the second half of 2008, there was a substantial drop in the share price of Teda Logistics by the end of the year. Although the Group is confident to the future business of Teda Logistics, the Company is required to record a one-off provision for the reduction in fair value of Teda Logistics in accordance with the Hong Kong accounting standards. Accordingly, the Company made a provision of HK$25.3 million for the impairment. The provision for impairment losses has no effect on the cash flow of the Company.

DIVIDEND

The Board does not recommend payment of a final dividend for the year ended 31 December 2008 (2007: HK2.7 cents). Total dividend for the year amounts to HK3.1 cents (2007: HK5.4 cents) per share.

Review of Operations and Results

REVIEW OF OPERATIONS

The downturn in global economy as triggered by the financial crisis adversely affected China's economic growth and imports/exports trade. In 2008, China recorded a GDP growth of 9.0%, and total foreign trade value of US$2,561.6 billion, a year-on-year growth of 17.8%, with exports and imports continuing to grow at 17.2% and 18.5% respectively. The port of Tianjin, located in the locus of the Bohai Bay Rim, is well-positioned to tap into the economic growth of the country. In the year under review, the total throughput achieved by the port of Tianjin was 355.9 million tonnes, representing a year-on-year growth of 15.0%. This makes the port of Tianjin the largest in the Bohai Bay Rim and the third largest in the country (trailing just behind Shanghai and Ningbo). In terms of container volume, the throughput of port of Tianjin for the year was 8.5 million TEUs, representing a growth rate of 19.7% and making it the sixth largest container port in the country in this regard. The overall results of the port of Tianjin for the year implies that it is fairly resilient to the impact from the global economy in particular the slowdown of the growth in foreign trade in China, as compared with other ports in China. It also demonstrates that the port of Tianjin will be recovered at a much faster pace from the global economy crisis than any other major ports in China.

During the year under review, the Group's existing terminals (excluding Alliance) achieved a container throughput of 2.77 million TEUs and 13.1 million tonnes of bulk cargo, both were on par with last year.

A summary of the throughput of our existing terminals (excluding Alliance) by segment is as follows:

	2008	2007	2006	2005	2004
Throughput					
Container *(million TEUs)*	**2.77**	2.76	2.49	2.05	1.81
Bulk cargo *(million tonnes)*	**13.1**	13.0	16.6	18.3	18.7

Container Handling Business

During the year under review, the Group's wholly-owned berths, run by TCT and Second Company, recorded only a minimal growth in throughput volume at 2.77 million TEUs. The reason was due to the growth of the Group's throughput slowed down as a result of the global economy downturn.

The blended average unit price decreased 2.6% to HK$279.0 per TEU as compared to that of last year. Despite a tariff increase in container handling fee and the RMB appreciation during the year, the average unit price dropped as a result of a higher proportion of domestic and empty boxes due to the slowing imports/exports trade in China.

For Alliance, a joint venture in which the Group holds a 40% equity interest, it has 4 berths with a total quay length of 1,100 meters and a designed capacity of 1.7 million TEUs. The acquisition of Alliance was completed in January 2008. In terms of accounting treatment, the results of Alliance were reported as jointly controlled entity in the Group's consolidated financial statements. Alliance is a key contributor to the Group's container throughput. In the year of 2008, Alliance achieved about 1.62 million TEUs in volume and net profit of HK$34.9 million, of which the Group has a 40% stake.

REVIEW OF OPERATIONS *(Continued)*

Container Handling Business *(Continued)*

The Group's throughput, taking into account 100% of Alliance's volume, in the port of Tianjin during the year under review grew by 59% to 4.39 million TEUs. The market share was 51.7%, representing a tremendous growth of 12.8 percentage points compared to 2007.

On the horizon is Euroasia, a joint venture in which the Group holds a 40% equity interest. Its operating capacity will include 3 berths with a total quay length of 1,100 meters and a designed capacity of 1.8 million TEUs. The facilities of Euroasia is still under construction and is expected to commence operations by the end of 2009 or early 2010.

By 2010, the Group is expected to have a total capacity of over 6 million TEUs and maintain over 50% in the market share in the port of Tianjin.

Bulk Cargo Handling Business

During the year, the Group achieved a throughput volume of 13.1 million tonnes, which is on par with last year. However, the revenue for the year increased to HK$462.6 million, 19.8% above that of last year. The key driver was the encouraging volume growth in imported soya beans. In addition to the appreciation in RMB, the average unit price per tonne rise to HK$35.3, which is HK$5.6 or 18.9% higher than last year's average.

Steel handling remained the Group's flagship product in bulk cargo handling. However, the abolishment of the export rebate for certain steel products has negatively impacted the growth of our steel handling business. In the year under review, the Group recorded a drop in volume of 16.3% compared to last year. Benefitting from the increase in the average unit price, the revenue generated by steel handling was HK$234.4 million, representing a slight increase of 2.2% compared to prior year.

Aside from steel, grain is our other principal product in the bulk cargo handling business. In 2008, grain handling achieved strong growth of 88.6% in throughput volume over last year. The increase was triggered by strong domestic demand for importing soya bean due to lowering of import duties by the government since January 2008.

Logistics Business

HaiFeng, a 51% owned joint venture with the Mapletree Group ("Mapletree"), was established in August 2007 to develop a logistics warehouse in the Dongjiang Bonded Free Port. HaiFeng is the first company engaged in logistics warehousing project in Dongjiang Bonded Free Port. According to the latest blueprint, HaiFeng will have a land area of approximately 715,000 square meters, yielding a total Gross Floor Area ("GFA") of approximately 484,000 square meters or 37 blocks of warehouse space. The logistics park will be developed in several phases. Phase 1, with total investment of RMB750 million, of which RMB300 million was contributed by each of the joint venture partners as capital, entails the building of 10 warehouse blocks; including 4 single-storey warehouse blocks and 6 double-storey warehouse blocks with a combined GFA of about 191,000 square meters of warehouse space.

The construction of the 4 single-storey warehouses with GFA of about 46,000 square meters has been completed and operations commenced in April 2008. The rest of phase 1 is expected to commence operation by mid of 2009. For the year ended 31 December 2008, HaiFeng recorded revenue of HK$3.9 million and a net loss of HK$10.2 million, including one-off pre-operating expenses, which was equity accounted for as jointly controlled entity in the Group's consolidated financial statements.

We do not expect HaiFeng to have a significant impact on or contribution to the Group's results in the near term. However, given our market share of the logistics warehousing business in the Dongjiang Bonded Free Port, we expect HaiFeng to be a potential contributor to the Group in the expected future. The timing of Phases 2 to 4 of the project will be in line with the actual demand and development of the Dongjiang Bonded Free Port.

PROSPECTS

Acquisition of Tianjin Port Co

On 16 March 2009, the Company entered into a sale and purchase agreement with Tianjin Port Group, pursuant to which the Company conditionally agreed to acquire a 56.81% stake in Tianjin Port Co, a company listed on the Shanghai Stock Exchange, from Tianjin Port Group at a consideration of HK$10.96 billion.

Tianjin Port Co and the Group are the two main port terminal operators at the port of Tianjin with different business focuses. The Group focuses on container business whereas Tianjin Port Co focuses on bulk cargo business. After the acquisition, the enlarged portfolio of the Group will consist principally all the commercially operating assets within the port of Tianjin. This long term strategic integration will result to a significant increase in scale of operations, improvement in resource integration and allocation, and more centralised management and better coordination of project planning and construction, which would help to create meaningful synergies and strengthen the overall competitiveness of the Group. In addition, the acquisition will significantly increase the container business which is complemented by the significantly increased exposure to bulk cargo, resulting in a more diversified business structure for the Group.

The acquisition is an important landmark for the Group to participate in the emergence of the port of Tianjin to a world-class diversified port. We are confident that the acquisition will greatly enhance the competitiveness of the Company in the Bohai Bay Rim and in China, and thus enhance the overall return to the Company and the shareholders as a whole in the long run.

Tianjin Binhai New District

In 2006, under the Eleventh Five-Year Plan of the Chinese central government, Tianjin Binhai New District has been included as part of the State's developmental strategy and is designated to become the third major driver of China's economic growth alongside Shenzhen special zone and Pudong new district in Shanghai. According to the Plan, Tianjin is to be developed into an international shipping hub and logistics center for northern China.

The Plan will invest a total of RMB36.6 billion over the next few years to enhance the infrastructure of the port. It is anticipated that the container throughput will reach 12 million TEUs by 2010. At the same time, the Plan accelerates the enhancement of the transportation networks connecting Tianjin to its hinterland, which includes plans for the construction of new railroads and highways. The Plan will spark GDP and trade value growth in Tianjin and the neighboring region and subsequently spur further throughput growth in the port of Tianjin.

We are confident that our business strategies at the Binhai New District region will benefit, directly and indirectly, via the government's incentive policies to boost the economic growth within the Binhai New District. As one of the major operators at the port of Tianjin, the Group will endeavour to take advantage of any opportunities arising from the growth of the Binhai New District to continuously enhance value to our shareholders.

PROSPECTS *(Continued)*

Dongjiang Bonded Free Port

The establishment of the Dongjiang Port, located at the northeastern part of the port of Tianjin, was officially approved by the central government on 31 August 2006. The Dongjiang Port is planned to have 3 major zones; namely (1) port operation, (2) logistics processing and (3) integrated ancillary services. The Dongjiang Port is also expected to provide at least five major types of services covering; (1) container handling, (2) logistics, (3) business support services, (4) accommodations and (5) leisure and travel. The Dongjiang Bonded Free Port has an estimated area of about 10 square kilometers, was approved by the central government to establish as a bonded free port in the Dongjiang Port. Currently, it is the largest bonded free port in the country.

On 11 December 2007, the Dongjiang Bonded Free Port officially opened phase 1 of its development, mobilizing an area about 4 square kilometers that includes container terminals, logistics warehousing and integrated inspection and custom centre etc. HaiFeng, our investment with Mapletree in logistics warehousing, is located inside this area.

The Group is the longest established operator at the port of Tianjin. The Group primary focuses on its container handling business and possesses significant market share in this arena. From this vantage, we will leverage our experience and ability to negotiate for the best possible outcome in the development and planning stages of the Dongjiang Port. Besides our cargo handling business and logistics business, we will also actively explore the possibility of participating in other opportunities during the course of development of the Dongjiang Port. In addition, the Group will benefit directly and indirectly from future government incentives in the Dongjiang Port.

Strategic Cooperation with Joint Venture Partners

The Group has had three new joint ventures since our listing in May 2006, namely HaiFeng, Euroasia and Alliance. The joint venture partners include internationally renowned companies such as APMT, COSCO, OOCL, PSA and Mapletree. Management believes that, in the long run such broad partnerships will have a positive synergistic effect towards the Group's future development, both in terms of business growth and management expertise.

Cost Control

China recorded a Consumer Price Index growth of 5.9% in 2008. Moreover, additional costs arising from the implementation of the New Labour Contract Law in China imposed cost pressure to every company operating in China. The management is committed to monitor head count and control employee costs as well as other costs at an optimal level. As at the year end, the Group's headcount, excluding associates and jointly controlled entities, has been effectively lowered by 8% to 2,883 as compared to previous year.

We will continue our policy to re-engineer our human resources policies by increasing the proportion of outsourced labour. The Group had acquired an equity stake in two labour service providers, one specialising in bulk cargo handling and the other in container handling. This move enables the Group to secure a stable source of outsourced labour with high service quality and reliability while at the same time reducing the costs of hiring these workers directly.

FINANCIAL REVIEW

Cash Flow

The net cash inflow from operations during the year amounted to HK$259.1 million, 21.1% lower than last year. The decrease was due to the increase of operation cost and income tax paid for the year.

The net cash spending in investing activities amounted to HK$752.9 million. Out of which approximately HK$570.2 million was paid for the acquisition of 40% stake in Alliance, HK$40.0 million for the strategic investment in Teda Logistics, and HK$80.3 million for loan to a jointly controlled entity. The remainder was mainly used for general replacement and upgrading of facilities and equipment.

To facilitate the Group's expansion plans, the Group has arranged HK$1.2 billion banking facilities with several banks in Hong Kong. As at the end of year 2008, HK$1,140.3 million was utilised, and up to the date of this report, the facilities have been fully drawn.

During the year under review, the net cash inflow of the Group was HK$125.9 million (2007: net cash outflow HK$532.1 million).

Liquidity and Financial Resources

As at year end, the Group's cash on hand was HK$588.9 million, compared to HK$438.8 million at the end of last year. The Group's total borrowings at the year end increased to HK$1,140.3 million (up from HK$390.0 million at the end of last year), which represents a gearing ratio (total borrowings divided by total equity) of 31.5% (2007: 11.5%). All borrowings are denominated in HK$/US$ with a floating interest rate and repayable within 5 years. In addition, the current ratio (ratio of current assets to current liabilities) was 5.4 compared to 4.8 at the end of last year. At the year end date, all assets of the Group are free of any charge.

For day-to-day liquidity management, the Group maintains flexibility in funding by obtaining sufficient uncommitted short-term facilities from banks. Given the low gearing ratio, management will consider increasing the proportion of debt to equity if and when demand for additional funds arises. This may be done to lower the weighted average cost of capital of the Company, and hence, improve return to shareholders.

Financial Management and Policy

The financial risk management of the Group is the responsibility of the Group's treasury function at our head office in Hong Kong. One of the major objectives of the Group's treasury is to manage its exposure to fluctuations in foreign currency exchange rates and interest rates. It is the Group's policy not to engage in speculative activities.

As at the year end date, most of the Group's assets and liabilities were denominated in RMB, except for the bank borrowings of HK$1,140.3 million. Owing to appreciation of RMB, the Group recorded HK$40.3 million exchange gain during the year (2007: HK$16.3 million exchange loss). As at the year end date, the Group assessed its foreign exchange rate and interest rate risk exposure and has not entered into any hedging arrangements.

FINANCIAL REVIEW *(Continued)*

Capital Structure

At the end of the year under review, the capital and reserves attributable to the equity holders of the Company was HK$3,614.4 million. This represents an increase of HK$224.6 million, 6.6% higher compared to the end of last year. During the year, a final dividend for the year 2007 of HK$48.3 million and interim dividend for the year 2008 of HK$55.4 million were paid to shareholders of the Company.

The market capitalisation of the Company as at 31 December 2008 (the last trading day of the year) was HK$3,270.4 million (issued share capital: 1,787,100,000 shares at closing market price: HK$1.83 per share).

SIGNIFICANT INVESTMENTS

The Group has completed the acquisition of Alliance in January 2008. A consideration of RMB524.3 million was paid as agreed in the equity interest transfer agreement signed on 26 July 2007. There was no other significant investment in the year.

GOING CONCERN

On the basis of current financial projections and facilities available, the Group has adequate financial resources to continue its operation in the foreseeable future. For this reason, the going concern basis continues to be adopted in preparing financial statements.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 December 2008.

EMPLOYEES

As at 31 December 2008, the Group, excluding its associates and jointly controlled entities, had a staff size of approximately 2,883 (31 December 2007: 3,131). Remuneration packages are assessed in accordance with the nature of job duties, individual performance and market trends. Incentives in the management's remuneration package are paid in the form of cash bonuses in addition to share options.

APPRECIATION

On behalf of the Board, I would like to express my gratitude to a team of dedicated staff for their unfailing service and to our shareholders for their continuous support to the Company.

By order of the Board
ZHANG Jinming
Managing Director

Hong Kong, 23 April 2009

LOGISTICS

WAREHOUSING

A key logistics warehousing service provider engaging in the development of Dongjiang Port area

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance. The Board believes practising sound corporate governance can enhance transparency of the Company's business, ensuring the Company is accountable to and meet the expectations of shareholders and other stakeholders, and lead the Company to ultimate success.

The Company applied the principles of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange. In the opinion of the directors of the Company (the "Directors"), the Company had complied with all the code provisions of the Code throughout the year ended 31 December 2008.

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 (the "Model Code") as set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors. Having made specific enquiry with the Directors, all the Directors confirmed that they have complied with the required standards as set out in the Model Code during the year ended 31 December 2008.

BOARD OF DIRECTORS

The Board has a total of nine Directors, comprising of five executive Directors Mr. Yu Rumin (Chairman), Mr. Nie Jiansheng (Vice Chairman), Mr. Zhang Jinming (Managing Director), Mr. Xue Lingsen and Mr. Liu Qingshan (appointed on 23 April 2009 replacing Mr. Jiao Hongxun who resigned on the same day); one non-executive Director Mr. Wang Guanghao, and three independent non-executive Directors Mr. Kwan Hung Sang, Francis, Prof. Japhet Sebastian Law and Dr. Cheng Chi Pang, Leslie.

Mr. Yu has been the vice chairman and an executive director of Tianjin Development Holdings Limited ("Tianjin Development"), being a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO"), since November 1997 and was appointed as an acting chairman of Tianjin Development on 31 January 2008. Mr. Nie Jiansheng has been an executive director and deputy general manager of Tianjin Development since February 2004. He is also a director and deputy general manager of Tsinlien Group Company Limited ("Tsinlien"), being a substantial shareholder of the Company within the meaning of Part XV of the SFO. Mr. Wang Guanghao was the chairman and an executive director of Tianjin Development from June 1997 to September 2007, he was redesignated as a non-executive director on 21 September 2007 and subsequently resigned on 31 January 2008. Mr. Wang was the chairman and a director of Tsinlien from May 1996 to July 2007.

Save as disclosed above, there is no other relationship (including financial, business, family or other material or relevant relationship(s)) among members of the Board.

CORPORATE GOVERNANCE PRACTICES *(Continued)*

The Board held eight full Board meetings during the year ended 31 December 2008. The attendance of the respective Directors of the board meetings in 2008 are set out below:

Member of the Board	Number of meetings attended
Executive Directors	
Mr. YU Rumin	7
Mr. NIE Jiansheng	8
Mr. ZHANG Jinming	8
Mr. XUE Lingsen	8
Mr. LIU Qingshan (appointed on 23 April 2009)	–
Mr. JIAO Hongxun (resigned on 23 April 2009)	8
Non-executive Director	
Mr. WANG Guanghao	4
Independent Non-executive Directors	
Mr. KWAN Hung Sang, Francis	7
Prof. Japhet Sebastian LAW	6
Dr. CHENG Chi Pang, Leslie	7

The Board oversees the businesses, overall strategic directions, corporate governance, and operational and financial performances of the Group. Daily operations and administration of the Company are delegated to the management and supervised by the executive Directors.

The Company has complied with Rules 3.10(1) and 3.10(2) of the Listing Rules regarding the appointment of a sufficient number of independent non-executive Directors and an independent non-executive Director with appropriate 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.

CHAIRMAN AND MANAGING DIRECTOR

The roles of the chairman and managing director of the Company are segregated and the positions are held by separate individuals.

The chairman is responsible for the leading and effective operation of the Board in setting policies and business directions. The chairman ensures that the Board functions and discharges its responsibilities effectively, and that all key and appropriate issues are discussed by the Board in a timely manner.

Mr. Zhang Jinming is the managing director of the Company who provided leadership for effective running of the daily operation of the Group and implementation of approved strategies in pursuit of the overall commercial objectives.

NON-EXECUTIVE DIRECTORS

The non-executive Director is appointed for a specific term of three years. The independent non-executive Directors are appointed for a specific term of two years.

All Directors are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Articles of Association of the Company.

REMUNERATION OF DIRECTORS

Remuneration Committee

The remuneration committee of the Company (the "Remuneration Committee") comprises one executive Director, Mr. Nie Jiansheng, and two independent non-executive Directors, namely Mr. Kwan Hung Sang, Francis and Prof. Japhet Sebastian Law. Prof. Law is the chairman of the Remuneration Committee.

Written terms of reference of the Remuneration Committee have been adopted by the Board. The principle roles and functions of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure for remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration, determining the specific remuneration packages of all executive Directors and senior management, reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.

The Remuneration Committee held three meetings to discuss remuneration related matters during the year ended 31 December 2008. All members of the Remuneration Committee attended the meetings.

The Remuneration Committee performed the following work during the year ended 31 December 2008:

– assessed performance of executive Directors and approved the terms of executive Directors' service contracts.

– reviewed the remuneration policy for Directors and senior management.

– reviewed and recommended to the Board for approval the annual incentive bonus for Directors and senior management with reference to their performance and the operating results of the Group.

– reviewed and recommended to the Board for the change of personnel.

REMUNERATION OF DIRECTORS *(Continued)*

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 performance of the corporation and the individual employee during the year.

In order to attract, retain and motivate talented eligible staff, including the Directors, the Company has adopted a Share Option Scheme (as defined in the section headed “Share Option Scheme” in the Report of the Directors). The scheme enables eligible persons to obtain ownership interest in the Company and thus serves to motivate continual optimum contributions to the Group.

Details of the amount of Directors’ emoluments during the year ended 31 December 2008 are set out in Note 7 to the financial statements and details of the Share Option Scheme and grant of share options by the Company during the year are set out in the Report of the Directors and Note 21 to the financial statements.

NOMINATION OF DIRECTORS

The Company has not established a nomination committee. The roles and functions of the nomination committee are performed by the Board. The Board considers the suitability of a candidate to act as a Director on the basis of his or her qualification, experience and potential contribution to the Company.

AUDITORS’ REMUNERATION

For the year ended 31 December 2008, the remuneration paid to the auditors of the Company in respect of audit services was approximately HK$1,620,000 and non-audit services was approximately HK$646,000.

AUDIT COMMITTEE

The audit committee of the Company (the “Audit Committee”) comprises three independent non-executive Directors, namely Mr. Kwan Hung Sang, Francis, Prof. Japhet Sebastian Law and Dr. Cheng Chi Pang, Leslie. Dr. Cheng is the chairman of the Audit Committee.

Written terms of reference of the Audit Committee have been adopted by the Board. The principle roles and functions of the Audit Committee include making recommendations to the Board on the appointment and removal of external auditors and approvals of their terms of engagement, reviewing and monitoring external auditors’ independence and effectiveness of audit process, reviewing the financial information of the Group and overseeing the Group’s financial reporting system and internal control procedures.

The Audit Committee held two meetings during the year ended 31 December 2008. All members of the Audit Committee attended the meetings.

AUDIT COMMITTEE *(Continued)*

The Audit Committee performed the following work during the year ended 31 December 2008:

– reviewed the annual report for 2007 annual results and the interim report for 2008 interim results.

– reviewed the financial control, internal control and risk management systems of the Group.

– reviewed the auditors' audit findings.

– reviewed the auditors' remuneration.

FINANCIAL REPORTING

The Directors acknowledged their responsibility for preparing the financial statements for the year ended 31 December 2008. The statement by the auditors of the Company regarding their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 49 to 50.

INTERNAL CONTROL

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

The Board has conducted, through an external professional internal audit consultant, an annual review of the effectiveness of the system of internal control of the Group which covers all material controls, including financial, operational and compliance controls and risk management functions. The report of the review have been reviewed by the Audit Committee and discussed by the Audit Committee with the Board.

COMMUNICATION WITH SHAREHOLDERS

The Company values effective communication with the shareholders and investors. The Company has been proactive in promoting investor relations and communications by way of meetings, press conferences, presentations and company visits.

The Company maintains a regular dialogue with institutional investors and analysts. During the year, the Company actively participated in investor conferences organised by renowned investment banks, one-on-one meetings with institutional investors and analysts and local and overseas roadshows. The Company also organised port visits for fund managers and analysts to provide them with the opportunity to understand the port operations and the Group's business.

After interim and final results are announced, the Company will hold analyst presentations and press conferences. The Directors and senior management will be available at those meetings to answer questions regarding the Group's operational and financial performances.

The Board endeavours to maintain an on-going dialogue with shareholders. Shareholders are encouraged to attend annual general meeting and other general meetings of the Company and are invited to express their views and raise questions thereat. The respective chairman of the board, the audit and remuneration committees and the auditors of the Company will be available at the annual general meeting to respond to shareholders' questions. The chairman of independent board committee, the independent financial advisor and the legal advisor, as the case may be, will be available at the general meetings to respond to shareholders' questions in relation to proposed resolutions seeking approval at the meetings.

BULK CARGO CENTRE

Steel and grains are the two flagship products of the Group, representing 75% of its total bulk cargo throughput

Report of the Directors

The Directors have pleasure in presenting the annual report together with the audited financial statements of the Group for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and that of its principal subsidiaries are provision of port services. Particulars of its principal subsidiaries are set out in Note 32 to the financial statements.

An analysis of the Group's revenue by business segments for the year ended 31 December 2008 is set out in Note 3 to the financial statements.

RESULTS AND DIVIDENDS

Results of the Group for the year ended 31 December 2008 are set out in the consolidated income statement on page 51.

The Board does not recommend payment of a final dividend for the year ended 31 December 2008. Total dividend for the year amounts to HK3.1 cents (2007: HK5.4 cents) per share.

RESERVES

Reserves available for distribution to the shareholders of the Company as at 31 December 2008 amounted to HK$101,307,000 (2007: HK$84,612,000).

Movements in reserves of the Group and the Company during the year are set out in Note 22 to the financial statements.

MAJOR SUPPLIERS AND CUSTOMERS

The sales attributable to the Group's five largest customers combined was approximately 40% of the Group's sales for the year and the largest customer included therein accounted for approximately 15%.

The five largest suppliers of the Group combined accounted for approximately 25% of the Group's total purchases and the largest supplier included therein accounted for approximately 11%.

None of the Directors, their associates, or any shareholder of the Company, which to the knowledge of the Directors, owns more than 5% of the Company's issued share capital had interests in any of the Group's five largest customers or suppliers.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment of the Group and the Company during the year are set out in Note 13 to the financial statements.

SHARE CAPITAL

Movements in share capital of the Company are set out in Note 21 to the financial statements.

BORROWINGS

Particulars of borrowings of the Group as at 31 December 2008 are set out in Note 23 to the financial statements.

EVENTS AFTER BALANCE SHEET DATE

Details of significant event occurring after the balance sheet date are set out in Note 29 to the financial statements.

LOAN AGREEMENTS WITH SPECIFIC PERFORMANCE COVENANT

On 10 December 2007, Tianjin Port Development Finance Limited, a wholly-owned subsidiary of the Company as borrower (the "Borrower"), the Company as guarantor, entered into a facility agreement (the "1st Facility Agreement") with six financial institutions as lenders (the "1st Lenders"), pursuant to which a 5-year revolving/term loan facility in an aggregate amount of HK$1,000,000,000 is made available by the 1st Lenders to the Borrower. The 1st Facility Agreement includes a condition imposing specific performance obligations on Tianjin Development, the controlling shareholder of the Company. The loan facility is unsecured, interest bearing and repayable in full on the date falling sixty months from the date of the agreement.

On 4 September 2008, the Borrower, the Company as guarantor, entered into a facility agreement (the "2nd Facility Agreement") with a financial institution as lender (the "2nd Lender"), pursuant to which a 5-year revolving/term loan facility in an aggregate amount of HK$200,000,000 is made available by the 2nd Lender to the Borrower. The 2nd Facility Agreement includes a condition imposing specific performance obligations on Tianjin Development, the controlling shareholder of the Company. The loan facility is unsecured, interest bearing and repayable in full on the date falling sixty months from the date of the agreement.

In respect of the 1st Facility Agreement and 2nd Facility Agreement, it will be an event of default if Tianjin Development ceases to remain (directly or indirectly) as the single largest shareholder of the Borrower or the Company, or ceases to maintain shareholding interest of at least 35% (directly or indirectly) in the Borrower or the Company and in such event the 1st Lenders and the 2nd Lender may demand immediate repayment of the loans. Such obligation continues to exist as at the date of this annual report.

On 16 March 2009, the Company entered into a sale and purchase agreement with Tianjin Port Group, pursuant to which the Company conditionally agreed to acquire a 56.81% stake in Tianjin Port Co from Tianjin Port Group. Upon completion of the acquisition, Tianjin Development will cease to be the single largest shareholder of the Company. The Company is currently in negotiation with the 1st Lenders and the 2nd Lender for a waiver of the above condition under the 1st Facility Agreement and the 2nd Facility Agreement.

FIVE YEARS SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 98 to 99.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the laws of Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company had not redeemed any of its securities during the year. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's securities during the year.

SHARE OPTION SCHEME

By a written resolution passed by the sole shareholder of the Company on 26 April 2006, a share option scheme (the "Share Option Scheme") was approved and adopted by the Company. Subject to earlier termination by the Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption, i.e. 26 April 2006.

The purpose of the Share Option Scheme is to provide incentive and recognition to eligible persons for their contribution to the Group. The Board may offer to grant share options to any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries; any directors of the Company or any of its subsidiaries; any advisers, consultants, suppliers, customers and agents to the Company or any of its subsidiaries and such other persons who, in the sole opinion of the Board, will contribute or have contributed to the Group.

Unless approved by the shareholders of the Company in general meeting, the total number of shares in the Company (the "Shares") in respect of which share options may be granted (including Shares in respect of which share options, whether exercised or still outstanding, have already been granted) under the Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the total number of Shares in issue on the date on which the Shares commence listing on the Main Board of the Stock Exchange (the "Listing Date"). The maximum number of Shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the Shares in issue from time to time.

Unless approved by the shareholders of the Company in general meeting, the maximum entitlement of each participant (including exercised, outstanding and cancelled share options) in any 12-month period under the Share Option Scheme shall not exceed 1% of the number of Shares in issue on the offer date.

A total of 154,300,000 Shares are available for issue under the Share Option Scheme, representing approximately 8.6% of the issued share capital of the Company as at the date of this annual report.

HK$1 by way of consideration for the grant of an option is payable by the grantee to the Company on acceptance of the option within 30 days from the offer date.

The exercise period of the share options is determinable by the Directors and shall not exceed a period of 10 years commencing on the date upon which the option is deemed to be granted and accepted in accordance with the Share Option Scheme.

Unless otherwise determined by the Board, there is no minimum period for which an option must be held before it can be exercised.

SHARE OPTION SCHEME *(Continued)*

The exercise price in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the highest of (i) the closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange on the offer date; (ii) the average of the closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange for the five business days immediately preceding the offer date and (iii) the nominal value of a Share.

Details of the share options granted, exercised, lapsed and cancelled during the year ended 31 December 2008 are as follows:

	Date of grant	Exercise price HK$	As at 01/01/2008	Granted *(Note 1)*	Exercised	Lapsed	Cancelled	As at 31/12/2008	Exercise period
Directors									
Mr. Yu Rumin	03/02/2007	2.74	1,900,000	–	–	–	–	1,900,000	03/08/2007-03/02/2017
	25/01/2008	4.24	–	400,000	–	–	–	400,000	25/07/2008-24/01/2018
Mr. Nie Jiansheng	01/08/2006	2.28	2,100,000	–	–	–	–	2,100,000	01/02/2007-01/08/2016
Mr. Zhang Jinming	01/08/2006	2.28	2,000,000	–	–	–	–	2,000,000	01/02/2007-01/08/2016
Mr. Xue Lingsen	01/08/2006	2.28	1,100,000	–	–	–	–	1,100,000	01/02/2007-01/08/2016
Mr. Jiao Hongxun *(Note 3)*	01/08/2006	2.28	1,100,000	–	–	–	–	1,100,000	01/02/2007-01/08/2016
Mr. Wang Guanghao	01/08/2006	2.28	2,300,000	–	–	–	–	2,300,000	01/02/2007-01/08/2016
Mr. Kwan Hung Sang, Francis	25/01/2008	4.24	–	300,000	–	–	–	300,000	25/07/2008-24/01/2018
Prof. Japhet Sebastian Law	25/01/2008	4.24	–	300,000	–	–	–	300,000	25/07/2008-24/01/2018
Dr. Cheng Chi Pang, Leslie	25/01/2008	4.24	–	300,000	–	–	–	300,000	25/07/2008-24/01/2018
Employees	01/08/2006	2.28	1,400,000	–	–	–	–	1,400,000	01/02/2007-01/08/2016
	21/07/2008	3.45	–	1,000,000	–	–	–	1,000,000	21/01/2009-20/07/2018
Total			11,900,000	2,300,000	–	–	–	14,200,000	

Notes:

1. The closing price of the Shares immediately before 1,300,000 and 1,000,000 share options granted on 25 January 2008 and 21 July 2008 were HK$3.81 and HK$3.33 respectively.

2. All share options granted are subject to a vesting period of six months from the date of grant.

3. Mr. Jiao Hongxun resigned on 23 April 2009.

Details of the value of share options granted under the Share Option Scheme during the year ended 31 December 2008 and the accounting policy adopted for the share options are set out in Note 21 and Note 2 to the financial statements respectively.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Other than the Share Option Scheme, at no time during the year ended 31 December 2008 was the Company or any of its subsidiaries, a party to any arrangements to enable the Directors or any of their spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

DIRECTORS

The Directors during the year and up to the date of this report were:

Executive Directors
Mr. YU Rumin *(Chairman)*
Mr. NIE Jiansheng *(Vice Chairman)*
Mr. ZHANG Jinming *(Managing Director)*
Mr. XUE Lingsen
Mr. LIU Qingshan (appointed on 23 April 2009)
Mr. JIAO Hongxun (resigned on 23 April 2009)

Non-executive Director
Mr. WANG Guanghao

Independent Non-executive Directors
Mr. KWAN Hung Sang, Francis
Prof. Japhet Sebastian LAW
Dr. CHENG Chi Pang, Leslie

In accordance with Article 108 of the Articles of Association of the Company, Mr. Zhang Jinming and Mr. Xue Lingsen shall retire from office by rotation at the forthcoming annual general meeting. In accordance with Article 112 of the Articles of Association of the Company, Mr. Liu Qingshan shall retire from office at the forthcoming annual general meeting. The above retiring Directors, being eligible, will offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors and non-executive Director entered into a service contract for a specific term of three years. Each of these contracts may be terminated by the executive Directors and non-executive Director by giving not less than three months' notice in writing.

The independent non-executive Directors are appointed for a specific term of two years in accordance with their respective appointment letters.

Save as disclosed above, none of the Directors proposed for re-election at the forthcoming annual general meeting has entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTEREST IN CONTRACTS

There were no contracts of significance subsisting during or at the end of the year to which the Company or its holding company or any of its subsidiaries or fellow subsidiaries was a party and in which a Director had, either directly or indirectly, a material interest.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company or the Group were entered into or existed during the year.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. YU Rumin (于汝民)
Chairman

Aged 59, was appointed as an executive Director on 24 November 2006 and the chairman of the Company on 7 May 2007. Mr. Yu is responsible for the leadership and management of the Board. He graduated from Shanghai Haiyun College (上海海運學院) in 1975 and obtained a Master's degree in international transport engineering management.

Mr. Yu has extensive experience in port management for over 20 years. He was the assistant to the head of the Tianjin Port Authority from March 1986 to December 1988. He had been the deputy head of the Tianjin Port Authority since December 1988, the executive deputy head since July 1996 and the head of Tianjin Port Authority since June 2002. And he was the deputy head of the Regulatory Commission of Tianjin Port Tax Concession from July 1996 to June 2002. Subsequent to the reorganisation of Tianjin Port Authority in July 2004, he was the vice chairman and chief executive officer of Tianjin Port Group until November 2007. Mr. Yu is currently the chairman of Tianjin Port Group.

Mr. Yu has been the vice chairman and executive director of Tianjin Development since November 1997 and was appointed as an acting chairman of Tianjin Development on 31 January 2008. Mr. Yu is currently the chairman of Tianjin Port Co, a company whose shares are listed on the Shanghai Stock Exchange.

Mr. NIE Jiansheng (聶建生)
Vice Chairman

Aged 54, was appointed as a Director on 26 August 2005 and was designated as an executive Director and vice chairman of the Company on 8 September 2005. Mr. Nie is also a member of the Remuneration Committee. Mr. Nie oversees the development strategy of the Group. He graduated from the School of Politics at the Tianjin Normal College (天津師範學院) in 1980, majoring in economics and philosophy and completed a postgraduate course in international trade at the Tianjin Economics and Finance Institute (天津財經學院) in 1999.

Mr. Nie has over 10 years of experience in management and in particular in managing roles within government. Mr. Nie was the deputy department head of the Liaison department of the Foreign Affairs Office of the Tianjin Municipal People's Government from 1991 to 1992, the deputy head of the department of Foreign-invested Enterprises Management of the Tianjin Foreign Economic and Trade Commission from 1992 to 1996 and the head of the Tianjin Foreign Investment Enterprises Management Office and the general secretariat of the Foreign Investment Office of Tianjin Municipal People's Government from 1998 to 2001.

Mr. Nie has been an executive director and the deputy general manager of Tianjin Development since February 2004. He is also a director and deputy general manager of Tsinlien. Mr. Nie acted as an executive director of Dynasty Fine Wines Group Limited (Stock Code: 00828), a company whose shares are listed on the Main Board of the Stock Exchange, from August 2004 to January 2008.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT *(Continued)*

Executive Directors *(Continued)*

Mr. ZHANG Jinming (張金明)
Managing Director

Aged 58, was appointed as an executive Director and managing director of the Company on 8 September 2005. Mr. Zhang oversees the operation of the Group and the implementation of the approved strategies. He is a qualified senior accountant and completed a research and study course in foreign related economics at the Tianjin Economics and Finance University (天津財經大學) in 1992.

Mr. Zhang has over 30 years of experience in accounting and financial management. Mr. Zhang joined Tianjin Port Authority in 1974. He was the deputy head of the accounting department, the deputy head and subsequently the head of budgeting department of Tianjin Port Authority during the period from 1992 to 2004. Subsequent to the reorganisation of Tianjin Port Authority in July 2004, he remained in the position of the head of the budgeting department of Tianjin Port Group until May 2006. He was also the general manager of the budgeting department from July 1998 to July 2004 and a director from April 2001 to March 2006 of Tianjin Port Co.

Mr. XUE Lingsen (薛翎森)

Aged 53, was appointed as an executive Director on 8 September 2005. Mr. Xue is responsible for the overall operation and management of TCT. Mr. Xue graduated from the Tianjin Radio and TV University (天津廣播電視大學) in 1983, majoring in mechanics. He completed a professional course in industrial electronic automation at the Tianjin University (天津大學) in 1991. Mr. Xue joined the electro mechanic department of TCT as a chief engineer in 1983 and became the deputy department head in 1991. Mr. Xue was appointed as the assistant to the general manager of TCT in 1993 and held the position of deputy general manager from 1994 until 2003. Mr. Xue has been the general manager of TCT since January 2003. Mr. Xue has over 30 years of experience in the container handling and port business.

Mr. LIU Qingshan (劉清山)

Aged 39, was appointed as an executive Director on 23 April 2009. Mr. Liu is responsible for the overall operation and management of Second Company. Mr. Liu graduated from the Chongqing Jiaotong College (重慶交通學院) in 1992 and obtained a Master's degree in Mechatronic Engineering from the Shanghai Maritime University (上海海事大學). Mr. Liu started his career at the port of Tianjin since 1992. He was the officer of maintenance office and subsequently the head of the electro mechanic department of Tianjin Harbour Fourth Stevedoring Co., Ltd. (天津第四港埠有限公司) during the period from 1993 to 1999, and the head of mechanical department of Tianjin Port Coke Terminal Co., Ltd. (天津港焦碳碼頭有限公司) in July 1999. Mr. Liu was appointed as the deputy general manager of Second Company in September 2001 and the general manager in September 2008. Mr. Liu has over 17 years of experience in the management and administration of stevedoring operation and other port related business.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT *(Continued)*

Non-executive Director

Mr. WANG Guanghao (王廣浩)

Aged 70, was appointed as a Director on 26 August 2005 and was designated as a non-executive Director on 8 September 2005. Mr. Wang was the chairman of the Company from 26 April 2006 to 7 May 2007 and was re-designated as the vice chairman of the Company from 7 May 2007 to 31 December 2008. Mr. Wang graduated from the Tianjin Mechanical Engineering Institute (天津機電工業學院) in 1962. He is a senior engineer and has extensive experience in engineering and corporation management in both government and private sectors for over 30 years.

Mr. Wang was the chairman and director of Tsinlien from May 1996 to July 2007. Before joining Tsinlien in May 1996, he was the deputy manager of Tianjin Petrochemical Machinery and Industrial Company, the deputy commissioner of the Tianjin Mechanic and Industrial Bureau, the commissioner of Tianjin Quality and Technology Supervision Bureau, the deputy director of Tianjin Foreign Trade and Economic Commission and the director of the Foreign Investment Service Centre of the Tianjin Municipal People's Government.

Mr. Wang was the chairman and executive director of Tianjin Development from June 1997 to September 2007. He was re-designated as a non-executive director of Tianjin Development on 21 September 2007 and subsequently resigned on 31 January 2008.

Independent Non-executive Directors

Mr. KWAN Hung Sang, Francis (關雄生)

Aged 58, was appointed as an independent non-executive Director on 8 September 2005. He is also a member of Audit Committee and Remuneration Committee. Mr. Kwan obtained a management development certificate from the University of British Columbia in Canada in January 1989. He has over 38 years of experience in exchange operations, commercial banking, investment and risk management in Hong Kong and Canada. He has held senior positions in The Hong Kong Exchanges and Clearing Limited for almost 10 years including senior vice president, responsible for the integration programme office and group risk management division of The Hong Kong Exchanges and Clearing Limited and chief operation officer of The Hong Kong Futures Exchange Limited. Prior to that, he had also worked with a number of international banks and financial institutions. Mr. Kwan is currently the chairman of USP Enterprise Limited, Rise & Shine Enterprise Limited, Foods for Beauty Enterprise Limited and Hope Marketing Consultant Company Limited, the former three companies are engaging in the distribution of health products and the latter is engaging in the sales and marketing of natural health food products.

Mr. Kwan has been an independent non-executive director of Hembly International Holdings Limited (Stock Code: 03989) since June 2006, a company whose shares are listed on the Main Board of the Stock Exchange.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT *(Continued)*

Independent Non-executive Directors *(Continued)*

Prof. Japhet Sebastian LAW (羅文鈺)

Aged 57, was appointed as an independent non-executive Director on 8 September 2005. He is also the chairman of Remuneration Committee and a member of Audit Committee. Prof. Law obtained his Doctorate degree of Philosophy in mechanical/industrial engineering from the University of Texas at Austin in 1976. He joined the Chinese University of Hong Kong in 1986 and is currently a Professor in the Department of Decision Sciences and Managerial Economics. He was the Associate Dean and subsequently the Dean of the Faculty of Business Administration from 1993 until 2002. Prior to returning to Hong Kong, Prof. Law was the director of Operations Research at the Cullen College of Engineering and director of Graduate Studies in Industrial Engineering at the University of Houston, and was also involved with the U.S. Space Program in his career with McDonnell Douglas and Ford Aerospace in the United States. Prof. Law has consulted with various corporations in Hong Kong and overseas. He is also active in public services, having served as a member of the Provisional Regional Council of The Government of the HKSAR and various other committees, and is also active on the boards of profit, non-profit, and charitable organisations in Hong Kong and overseas.

Prof. Law is currently an independent non-executive director of Beijing Capital International Airport Company Limited (Stock Code: 00694), a company whose shares are listed on the Main Board of the Stock Exchange and Global Digital Creations Holdings Limited (Stock Code: 08271), a company whose shares are listed on the Growth Enterprise Market of the Stock Exchange. He was also an independent non-executive director of First China Financial Holdings Limited (Stock Code: 08123), a company whose shares are listed on the Growth Enterprise Market of the Stock Exchange, from June 2005 to October 2008.

Dr. CHENG Chi Pang, Leslie (鄭志鵬)

Aged 51, was appointed as an independent non-executive Director on 8 September 2005. He is also the chairman of Audit Committee. Dr. Cheng obtained his Doctorate Degree in Philosophy in Business Management and a Master's degree in business administration from Burkes University and Heriot-Watt University in the United Kingdom in 2003 and 1997 respectively. He obtained his bachelor's degree in business from Curtin University of Technology, Australia in 1992. Dr. Cheng is an associate member of the Hong Kong Institute of Certified Public Accountants, Institute of Chartered Accountants in England and Wales, the Australia Society of Certified Practising Accountants and the Taxation Institute of Hong Kong and a fellow member of the Hong Kong Institute of Directors. Dr. Cheng is a Certified Public Accountant practising in Hong Kong and has over 25 years of experience in auditing, business advisory and financial management.

Dr. Cheng is currently a senior partner of Leslie Cheng & Co. Certified Public Accountants and the chief executive officer of L&E Consultants Limited.

Dr. Cheng is currently a non-executive director of Wai Kee Holdings Limited (Stock Code: 00610) and Build King Holdings Limited (Stock Code: 00240) and an independent non-executive director of China Ting Group Holdings Limited (Stock Code: 03398), Nine Dragons Paper (Holdings) Limited (Stock Code: 02689) and Fortune Sun (China) Holdings Limited (Stock Code: 00352), companies whose shares are listed on the Main Board of the Stock Exchange.

Dr. Cheng was the chief executive officer and group financial controller of NWS Holdings Limited (Stock Code: 00659), a company whose shares are listed on the Main Board of the Stock Exchange, from February 2003 to March 2005 and a director of over 70 subsidiaries and associated companies of NWS Holdings Limited and New World Development Company Limited (Stock Code: 00017), a company whose shares are listed on the Main Board of the Stock Exchange, from March 1992 to March 2005.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT *(Continued)*

Senior Management

Mr. LIU Jicheng (劉繼成)

Aged 47, joined the Company as deputy general manager in July 2008. He has more than 20 years of Chinese government affairs, commercial and corporate experience. Mr. Liu graduated from Macquarie University, Australia, with a master's degree in business administration. Mr. Liu was also granted the Hong Kong Management Association Awards in marketing and strategic management by Macquarie University.

Prior to joining the Company, Mr. Liu was the deputy general manager of Dynasty Fine Wines Group Limited (Stock Code: 00828), a company whose shares are listed on the Main Board of the Stock Exchange, responsible for the daily management of the Hong Kong operation of the listed company, the group's strategic development, investor relations, and sales and marketing in Hong Kong and Macau.

Mr. WANG Xinqiang (王新強)

Aged 39, was appointed as a deputy general manager of the Company in November 2005. Mr. Wang graduated from the Tianjin Institute of Foreign Trade (天津對外貿易學院) in 1992 with a bachelor's degree in economics. He obtained a Master's degree of public administration from Tianjin University (天津大學) in March 2005. He also holds an intermediate economist certificate specialising in water transportation. Before joining the Group, Mr. Wang worked at China Ocean Shipping Agency Tianjin Limited (中國天津外輪代理有公司) which he joined in July 1992 and became the deputy general manager in 2001.

Mr. YAM Pui Hung Robert (任佩雄)

Aged 41, joined the Company in December 2008 as the chief financial officer and company secretary of the Company. Mr. Yam is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. He holds a bachelor's degree in accounting and has extensive experience in accounting, financial management and corporate finance. Prior to joining the Company, Mr. Yam held management position in several listed companies in Hong Kong and was responsible for their accounting, finance and company secretarial functions.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2008, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 of the Listing Rules on the Stock Exchange were as follows:

(i) The Company

Name of Director	Capacity	Number of Shares	Number of underlying shares *(Note 1)*	Approximate percentage of issued share capital of the Company
Mr. Yu Rumin	Beneficial owner	–	2,300,000 (L)	0.13% (L)
Mr. Nie Jiansheng	Beneficial owner	–	2,100,000 (L)	0.12% (L)
Mr. Zhang Jinming	Beneficial owner	–	2,000,000 (L)	0.11% (L)
Mr. Xue Lingsen	Beneficial owner	–	1,100,000 (L)	0.06% (L)
Mr. Jiao Hongxun *(Note 2)*	Beneficial owner	–	1,100,000 (L)	0.06% (L)
Mr. Wang Guanghao	Beneficial owner	–	2,300,000 (L)	0.13% (L)
Mr. Kwan Hung Sang, Francis	Beneficial owner	520,000 (L)	300,000 (L)	0.05% (L)
Prof. Japhet Sebastian Law	Beneficial owner	2,700,000 (L)	300,000 (L)	0.17% (L)
Dr. Cheng Chi Pang, Leslie	Beneficial owner	–	300,000 (L)	0.02% (L)

(L) denotes a long position

Notes:

1. The interests in underlying shares of unlisted equity derivatives of the Company represented interests in share options granted to the Directors to subscribe for Shares, further details of which are set out in the section headed "Share Option Scheme" above.

2. Mr. Jiao Hongxun resigned on 23 April 2009.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(Continued)*

(ii) Associated Corporation – Tianjin Development

Name of Director	Capacity	Number of shares	Number of underlying shares *(Note)*	Approximate percentage of issued share capital of Tianjin Development
Mr. Yu Rumin	Beneficial owner	–	1,000,000 (L)	0.09% (L)
Mr. Nie Jiansheng	Beneficial owner	–	900,000 (L)	0.08% (L)

(L) *denotes a long position*

Notes:

1. The interests in underlying shares of unlisted equity derivatives of Tianjin Development represented interests in share options granted to the Directors to subscribe for shares in Tianjin Development.

2. The share options were granted on 19 December 2007 and accepted by the Directors on 17 January 2008, with an exercise price of HK$8.04 and are exercisable from 17 January 2008 to 24 May 2017.

Save as disclosed above, as at 31 December 2008, none of the Directors or chief executive or their respective associates had or was deemed to have any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 December 2008, the following persons, other than the Directors or chief executive of the Company, who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of shareholder	Capacity	Number of Shares interested	Approximate percentage of issued share capital of the Company
Leadport Holdings Limited *(Note 1)*	Beneficial owner	1,171,658,000 (L)	65.56% (L)
Tianjin Development Holdings Limited ("Tianjin Development") *(Note 1)*	Interest of a controlled corporation	1,171,808,000 (L)	65.57% (L)
Tsinlien Group Company Limited ("Tsinlien") *(Note 2)*	Interest of controlled corporations	1,184,058,000 (L)	66.26% (L)

(L) denotes a long position

Notes:

1. Leadport Holdings Limited is a wholly-owned subsidiary of Tianjin Development. By virtue of the SFO, Tianjin Development is deemed to be interested in all the Shares held by Leadport Holdings Limited.

2. Tianjin Development is a subsidiary of Tianjin Investment Holdings Limited which in turn is a wholly-owned subsidiary of Tsinlien. As at 31 December 2008, Tianjin Investment Holdings Limited was directly interested in 12,250,000 Shares, representing approximately 0.69% of the issued share capital of the Company. Tsinlien Venture Capital Company Limited is a wholly-owned subsidiary of Tsinlien and a shareholder of Tianjin Development. By virtue of the SFO, Tsinlien is deemed to be interested in all the Shares held by each of Tianjin Development, Tianjin Investment Holdings Limited and Tsinlien Venture Capital Company Limited. As at 31 December 2008, Mr. Yu Rumin and Mr. Nie Jiansheng were directors of Tianjin Development. As at 31 December 2008, Mr. Nie Jiansheng was a director of Tsinlien.

Save as disclosed above, as at 31 December 2008, the Company had not been notified by any persons (other than the Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

CONNECTED TRANSACTIONS

The Company has entered into a number of connected transactions and continuing connected transactions with certain associates of Tianjin Port Group during the year ended 31 December 2008. The Stock Exchange has exercised its discretion under Rule 14A.06 of the Listing Rules to deem Tianjin Port Group and its associates as a connected person of the Company.

(A) Connected Transactions

Details of the connected transactions for the year ended 31 December 2008 are as follows:

1. **Acquisition of 40% Equity Interest in Alliance**

   On 26 July 2007, the Company and Tianjin Port Group entered into an equity interest transfer agreement, pursuant to which the Company has conditionally agreed to acquire 40% equity interest in Alliance from Tianjin Port Group at a consideration of RMB524,343,480 (equivalent to approximately HK$570,186,000). The transaction was completed in January 2008.

   Details of the above connected transaction were disclosed in the joint announcement of the Company and Tianjin Development dated 26 July 2007, the circular of the Company dated 16 August 2007 and the Annual Report of the Company for the year ended 31 December 2007.

2. **Acquisition of 33% of Equity Interest in Tianjin Port Labour**

   On 18 December 2007, Second Company, an indirect wholly-owned subsidiary of the Company, entered into an equity interest transfer agreement, with 天津港口職工交流服務中心 (Tianjin Port Labour Exchange Service Centre*), a wholly-owned subsidiary of Tianjin Port Group, pursuant to which Second Company agreed to acquire 33% equity interest in 天津益港勞務有限責任公司 (Tianjin Port Labour Services Company Limited*) (“Tianjin Port Labour”) at a cash consideration of RMB1,260,000 (equivalent to approximately HK$1,425,000). The transaction was completed in March 2008.

   Details of the above connected transaction were disclosed in the joint announcement of the Company and Tianjin Development dated 18 December 2007 and the Annual Report of the Company for the year ended 31 December 2007.

3. **Connected Transactions with HaiFeng**

   On 16 July 2008, HaiFeng a jointly controlled entity of the Company which is deemed to be a subsidiary of the Company under the Listing Rules by the Stock Exchange, entered into the following agreements:

   (a) ***Project Consulting Agreement***

   HaiFeng, entered into the Project Consulting Agreement with 天津港工程監理諮詢有限公司 (Tianjin Port Engineering Supervisory & Consultant Co., Ltd.*) (“Tianjin Port Project Consulting”), a wholly-owned subsidiary of Tianjin Port Group, relating to the consulting service of the logistics warehouse construction project situated in Tianjin Dongjiang Bonded Port Area for a cash consideration of RMB2,200,000 (equivalent to approximately HK$2,503,000).

CONNECTED TRANSACTIONS *(Continued)*

(A) Connected Transactions *(Continued)*

3. Connected Transactions with HaiFeng *(Continued)*

(b) Project Management Agreement

HaiFeng entered into the Project Management Agreement with 天津港建設公司 (Tianjin Port Construction Company*) ("Tianjin Port Construction"), a wholly-owned subsidiary of Tianjin Port Group, relating to the project management service, which mainly includes project coordination, progress monitoring and completion verification services, provided by Tianjin Port Construction in relation to the logistics warehouse construction project situated in Tianjin Dongjiang Bonded Port Area for a cash consideration of approximately RMB5,117,000 (equivalent to approximately HK$5,822,000).

(c) Low Voltage Electricity System Purchase Agreement

HaiFeng entered into the Low Voltage Electricity System Purchase Agreement with 天津振港通信工程有限公司 (Tianjin Port Communication Project Co., Ltd.*) ("Tianjin Port Communication"), a wholly-owned subsidiary of Tianjin Port Group, relating to the purchase, material supply, installation and testing of low voltage electricity system in relation to the logistics warehouse construction project situated in Tianjin Dongjiang Bonded Port Area for a cash consideration of approximately RMB2,998,000 (equivalent to approximately HK$3,411,000).

(d) Electricity Distribution System Purchase Agreement

HaiFeng entered into the Electricity Distribution System Purchase Agreement with 天津港灣電力工程有限公司 (Tianjin Port Electricity Project Co., Ltd.*) ("Tianjin Port Electricity"), a wholly-owned subsidiary of Tianjin Port Group, relating to the supply of electricity distribution system and the respective installation and testing services by Tianjin Port Electricity for a cash consideration of approximately RMB16,016,000 (equivalent to approximately HK$18,221,000).

Details of the above connected transactions were disclosed in the joint announcement of the Company and Tianjin Development dated 16 July 2008.

(B) Continuing Connected Transactions

The independent non-executive Directors have reviewed the continuing connected transactions and confirmed that the transactions have been entered into: (i) in the ordinary and usual course of business of the Company; (ii) on normal commercial terms and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

In accordance with paragraph 14A.38 of the Listing Rules, the Board engaged the auditors of the Company to perform certain factual finding procedures on the continuing connected transactions set out below on a sample basis in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have reported their factual findings for the selected samples based on the agreed procedures to the Board.

The auditors of the Company have confirmed that the continuing connected transactions (i) have received the approval of the Board; (ii) have been entered into in accordance with the relevant agreement governing the transactions and (iii) have not exceeded the relevant caps.

CONNECTED TRANSACTIONS *(Continued)*

(B) Continuing Connected Transactions *(Continued)*

Details of the continuing connected transactions for the year ended 31 December 2008 are as follows:

Non-exempt Continuing Connected Transactions

1. Water Supply Services

Date of agreement:	12 April 2007 ("Water Services Framework Agreement")
Parties:	(i) the Company; (ii) 天津港設施管理服務公司 (Tianjin Port Facilities Management Company*) (formerly known as 天津港修建工程公司 (Tianjin Port Construction and Engineering Company*) ("Tianjin Port Facilities"), a wholly-owned subsidiary of Tianjin Port Group
Term:	12 April 2007 to 31 December 2009 (extension on similar terms subject to mutual agreements)
Transactions involved:	Provision of water supply services by Tianjin Port Facilities to the Group
Annual cap for the year ended 31 December 2008:	RMB7,860,000 (equivalent to approximately HK$8,831,000)
Actual amount for the year ended 31 December 2008:	RMB4,786,000 (equivalent to approximately HK$5,377,000)

2. Communication Services

Date of agreement:	12 April 2007 ("Communications Services Framework Agreement")
Parties:	(i) the Company; (ii) 天津港通訊導航公司 (Tianjin Communications Navigation Company*) ("Tianjin Communications"), a wholly-owned subsidiary of Tianjin Port Group
Term:	12 April 2007 to 31 December 2009 (extension on similar terms subject to mutual agreements)
Transactions involved:	Provision of various communications services by Tianjin Communications to the Group
Annual cap for the year ended 31 December 2008:	RMB2,390,000 (equivalent to approximately HK$2,685,000)
Actual amount for the year ended 31 December 2008:	RMB998,000 (equivalent to approximately HK$1,121,000)

CONNECTED TRANSACTIONS *(Continued)*

(B) Continuing Connected Transactions *(Continued)*

Non-exempt Continuing Connected Transactions *(Continued)*

3. *Electricity Supply Services*

Date of agreement:	12 April 2007 ("Electricity Services Framework Agreement")
Parties:	(i) the Company; (ii) 天津港電力有限公司 (Tianjin Port Electricity Company Limited*) (formerly known as 天津港電力公司 (Tianjin Port Electricity Company*) ("Tianjin Port Electricity"), a wholly-owned subsidiary of Tianjin Port Group
Term:	12 April 2007 to 31 December 2009 (extension on similar terms subject to mutual agreements)
Transactions involved:	Provision of electricity supply services by Tianjin Port Electricity to the Group
Annual cap for the year ended 31 December 2008:	RMB46,100,000 (equivalent to approximately HK$51,798,000)
Actual amount for the year ended 31 December 2008:	RMB34,734,000 (equivalent to approximately HK$39,027,000)

4. *EDI Services*

Date of agreement:	12 April 2007 ("EDI Services Framework Agreement")
Parties:	(i) the Company; (ii) 天津港信息中心 (Tianjin Port Information Centre*) ("Tianjin Port Information"), a department under Tianjin Port Group
Term:	12 April 2007 to 31 December 2009 (extension on similar terms subject to mutual agreements)
Transactions involved:	Provision of services relating to electronic data information, software utility, computer maintenance and repair, electronic transmission and similar services by Tianjin Port Information to the Group
Annual cap for the year ended 31 December 2008:	RMB3,200,000 (equivalent to approximately HK$3,596,000)
Actual amount for the year ended 31 December 2008:	RMB1,835,000 (equivalent to approximately HK$2,062,000)

CONNECTED TRANSACTIONS *(Continued)*

(B) Continuing Connected Transactions *(Continued)*

Non-exempt Continuing Connected Transactions *(Continued)*

5. Container Reconfiguration Storage Services

Date of agreement:	12 April 2007 ("Container Reconfiguration Storage Services Framework Agreement")
Parties:	(i) the Company; (ii) 天津港集裝箱貨運有限公司 (Tianjin Port Container Freight Company Limited*), a 90.54% owned subsidiary of Tianjin Port Group as at the date of the agreement; (iii) 天津港股份有限公司儲運分公司 (Tianjin Port Limited Storage and Transportation Branch Company*), a subsidiary of Tianjin Port Group; (iv) 華韓（天津）貨箱有限公司 (Huahan (Tianjin) Container Company Limited*), an associate of Tianjin Port Group ((ii), (iii) and (iv), together the "Service Companies")
Term:	12 April 2007 to 31 December 2009 (extension on similar terms subject to mutual agreements)
Transactions involved:	Provision of stacking yards and warehouses located at Tianjin Port Area for temporary storage of containers by the Services Companies to the Group
Annual cap for the year ended 31 December 2008:	RMB30,060,000 (equivalent to approximately HK$33,775,000)
Actual amount for the year ended 31 December 2008:	RMB6,170,000 (equivalent to approximately HK$6,932,000)

CONNECTED TRANSACTIONS *(Continued)*

(B) Continuing Connected Transactions *(Continued)*

Revised/New Non-exempt Continuing Connected Transactions

1. Labour Services

Details of the revised/new continuing connected transactions entered in the year ended 31 December 2008 are as follows:

(a) Labour for bulk cargo handling business

Date of agreement:	12 March 2008 ("New Labour Services Framework Agreement")
Parties:	(i) the Company; (ii) Tianjin Port Labour, a 33% owned associate of Tianjin Port Group as at the date of agreement
Term:	12 March 2008 to 31 December 2010 (extension on similar terms subject to mutual agreements)
Transactions involved:	Provision of labour of various positions to perform various services by Tianjin Port Labour to the Group
Annual cap for the year ended 31 December 2008:	RMB67,430,000 (equivalent to approximately HK$75,764,000)
Actual amount for the year ended 31 December 2008:	RMB18,525,000 (equivalent to approximately HK$20,815,000)

The New Labour Services Framework Agreement superseded the labour services framework agreement of 12 April 2007 for the term commencing from 12 April 2007 and ending on 31 December 2009.

(b) Labour for container cargo handling business

Date of agreement:	12 March 2008 ("Shenggang Labour Services Framework Agreement")
Parties:	(i) the Company; (ii) 天津盛港集裝箱技術開發服務有限公司 (Tianjin ShengGang Container Technology Development & Services Co., Ltd.*) ("Tianjin Shenggang Container"), a 33% owned associate of Tianjin Port Group as at the date of agreement
Term:	12 March 2008 to 31 December 2010 (extension on similar terms subject to mutual agreements)
Transactions involved:	Provision of labour of various positions to perform various services by Tianjin Shenggang Container to the Group
Annual cap for the year ended 31 December 2008:	RMB31,370,000 (equivalent to approximately HK$35,247,000)
Actual amount for the year ended 31 December 2008:	RMB24,311,000 (equivalent to approximately HK$27,316,000)

CONNECTED TRANSACTIONS *(Continued)*

(B) Continuing Connected Transactions *(Continued)*

Revised/New Non-exempt Continuing Connected Transactions *(Continued)*

2. Integrated Services

On 4 December 2008, the Company and 天津港生活服務有限公司 (Tianjin Port Daily Life Services Company Limited*) (“Tianjin Port Daily Life Services”), a subsidiary of Tianjin Port Group, entered into an integrated services framework agreement in relation to the provision of integrated services include sanitary, catering, warehouse building management and general maintenance services by Tianjin Port Daily Life Services and its subsidiaries to the Group for a term commencing from 1 January 2009 to 31 December 2011, further details of which are set out in the joint announcement of the Company and Tianjin Development dated 4 December 2008 and the circular of the Company dated 23 December 2008.

Exempt Continuing Connected Transaction

During the year ended 31 December 2008, the Group had entered into the following continuing connected transaction which is exempt from the reporting, announcement and independent shareholders’ approval requirements under the Listing Rules, the disclosure of which is on a voluntary basis in order to enhance the transparency of the Group’s transactions with Tianjin Port Group:

Fee Collection Services

On 8 May 2006, each of TCT and Second Company entered into an agreement with Tianjin Port Group for a term from 8 May 2006 to 31 December 2008, pursuant to which TCT and Second Company agreed to collect various fees, including but not limited to port construction fees and port management fees, from their customers and forward the fees to Tianjin Port Group. No service fee will be paid by Tianjin Port Group to TCT and Second Company. For the year ended 31 December 2008, the fee collected on behalf of Tianjin Port Group amounted to RMB242,762,000 (equivalent to approximately HK$272,766,000).

RELATED PARTY TRANSACTIONS

The Group also entered into certain transactions with parties regarded as “related parties” under the applicable accounting standards. Details of these transactions are set out in Note 28 to the financial statements.

INTERESTS IN COMPETITORS

Mr. Yu Rumin is the chairman and a director of Tianjin Port Group, as well as the chairman and a director of Tianjin Port Co, which is a subsidiary of Tianjin Port Group. Tianjin Port Group operates the businesses of container and bulk cargo handling through its various subsidiaries and associated companies.

As the Board is independent of the board of Tianjin Port Group (save for Mr. Yu, who is the chairman and a director of Tianjin Port Group, is the only common director in both of these companies) and Mr. Yu has no control over the Board, the Group is capable of carrying on its businesses independently of the businesses of Tianjin Port Group.

Save as disclosed above and within the knowledge of the Directors, as at the date of this report, none of the Directors and their respective associates had any interest in a business which competes or may compete with the business of the Group.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company had complied with the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules throughout the year ended 31 December 2008. A report on the principal corporate governance practices adopted by the Company is set out on pages 20 to 25.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained during the year the amount of public float as required under the Listing Rules.

AUDITORS

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

On behalf of the Board
YU Rumin
Chairman

Hong Kong, 23 April 2009

If there is any inconsistency between the Chinese names of the PRC entities mentioned in this report and their English translations, the Chinese names shall prevail.

* *For identification purpose only*

Independent Auditor's Report

To the shareholders of Tianjin Port Development Holdings Limited
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Tianjin Port Development Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 51 to 97, which comprise the consolidated and company balance sheets as at 31 December 2008, and the consolidated income statement, the consolidated statement 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 the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true 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.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated 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 Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, 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 auditor considers internal control relevant to the entity's preparation and true 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 policies 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.

Independent Auditor's Report

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 profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 April 2009

Consolidated Income Statement

For the year ended 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
Revenue	*3*	**1,258,991**	1,193,777
Business tax		**(38,415)**	(36,347)
Cost of sales		**(689,691)**	(561,701)
Gross profit		**530,885**	595,729
Other income	*4*	**57,956**	35,615
Administrative expenses		**(363,600)**	(309,808)
Other operating expenses		**(2,675)**	(31,204)
		222,566	290,332
Provision for impairment losses on available-for-sale financial assets	*17*	**(25,253)**	–
Finance costs	*5*	**(26,529)**	(3,329)
Share of results of associates		**1,495**	790
Share of results of jointly controlled entities		**8,755**	–
Profit before income tax	*6*	**181,034**	287,793
Income tax	*8*	**(50,414)**	(47,151)
Profit for the year		**130,620**	240,642
Attributable to:			
Equity holders of the Company		**130,289**	240,394
Minority interests		**331**	248
		130,620	240,642
Dividends	*10*	**55,400**	96,504
Earnings per share	*11*		
– Basic *(HK cents)*		**7.3**	13.5
– Diluted *(HK cents)*		**7.3**	13.4

The notes on pages 57 to 97 are an integral part of these financial statements.

Consolidated Balance Sheet

As at 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
ASSETS			
Non-current assets			
Land use rights	*12*	792,437	768,696
Property, plant and equipment	*13*	1,842,794	1,802,656
Interests in associates	*15*	28,513	24,981
Interests in jointly controlled entities	*16*	1,430,037	704,467
Available-for-sale financial assets	*17*	20,873	5,744
Deferred income tax assets	*18*	9,410	8,899
		4,124,064	3,315,443
Current assets			
Inventories		5,295	4,852
Trade and other receivables	*19*	175,476	145,755
Amounts due from associates		2,552	2,590
Amounts due from jointly controlled entities		6,858	–
Cash and cash equivalents	*20*	588,866	438,754
		779,047	591,951
Total assets		4,903,111	3,907,394
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	*21*	178,710	178,710
Reserves	*22*	2,679,812	2,442,864
Retained earnings		755,896	768,224
		3,614,418	3,389,798
Minority interests		4,433	4,201
Total equity		3,618,851	3,393,999

The notes on pages 57 to 97 are an integral part of these financial statements.

	Note	2008 HK$'000	2007 HK$'000
LIABILITIES			
Non-current liabilities			
Borrowings	23	1,140,250	390,000
Current liabilities			
Trade and other payables	24	127,900	87,763
Amounts due to related companies		12,586	22,536
Current income tax liabilities		3,524	13,096
		144,010	123,395
Total liabilities		1,284,260	513,395
Total equity and liabilities		4,903,111	3,907,394
Net current assets		635,037	468,556
Total assets less current liabilities		4,759,101	3,783,999

YU Rumin
Director

ZHANG Jinming
Director

The notes on pages 57 to 97 are an integral part of these financial statements.

Balance Sheet

As at 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	1,805	2,515
Interests in subsidiaries	14	3,600,976	3,327,925
Interests in a jointly controlled entity	16	595,959	–
Available-for-sale financial assets	17	14,800	–
		4,213,540	3,330,440
Current assets			
Other receivables	19	2,243	3,195
Amounts due from subsidiaries	14	191,143	126,268
Cash and cash equivalents	20	4,555	20,758
		197,941	150,221
Total assets		4,411,481	3,480,661
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	21	178,710	178,710
Reserves	22	3,003,898	2,815,205
Retained earnings		101,307	84,612
		3,283,915	3,078,527
Current liabilities			
Other payables	24	18,164	16,257
Amount due to a subsidiary	14	1,109,402	385,877
		1,127,566	402,134
Total equity and liabilities		4,411,481	3,480,661
Net current liabilities		(929,625)	(251,913)
Total assets less current liabilities		3,283,915	3,078,527

YU Rumin
Director

ZHANG Jinming
Director

The notes on pages 57 to 97 are an integral part of these financial statement.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2008

	Attributable to equity holders of the Company				
	Share capital HK$'000	**Reserves** HK$'000	**Retained earnings** HK$'000	**Minority interests** HK$'000	**Total** HK$'000
Balance at 1 January 2007	178,670	2,153,431	666,119	3,788	3,002,008
Exchange differences	–	236,703	–	300	237,003
Profit for the year	–	–	240,394	248	240,642
Issue of shares upon exercise of share option	40	872	–	–	912
Transfers	–	48,934	(48,934)	–	–
Dividends paid	–	–	(89,355)	(135)	(89,490)
Share-based compensation	–	2,924	–	–	2,924
Balance at 31 December 2007	178,710	2,442,864	768,224	4,201	3,393,999
Exchange differences	–	195,940	–	291	196,231
Profit for the year	–	–	130,289	331	130,620
Transfers	–	38,965	(38,965)	–	–
Dividends paid	–	–	(103,652)	–	(103,652)
Share-based compensation	–	2,043	–	–	2,043
Acquisition of additional interests in a subsidiary	–	–	–	(390)	(390)
Balance at 31 December 2008	178,710	2,679,812	755,896	4,433	3,618,851

The notes on pages 57 to 97 are an integral part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
Cash flows from operating activities			
Cash generated from operations	*25*	320,289	376,933
PRC Income tax paid		(61,195)	(48,750)
Net cash generated from operating activities		259,094	328,183
Cash flows from investing activities			
Purchase of property, plant and equipment		(75,138)	(364,350)
Purchase of available-for-sale financial assets		(40,053)	(345)
Acquisition of a jointly controlled entity		(570,186)	–
Acquisition of an associate		(1,425)	–
Acquisition of additional interests in a subsidiary		(390)	–
Investments in an associate		–	(890)
Investments in jointly controlled entities		–	(704,467)
Loan to a jointly controlled entity		(80,346)	–
Proceeds from disposal of property, plant and equipment		830	715
Proceeds from disposal of an associate		–	1,778
Proceeds from disposal of available-for-sale financial assets		–	20,229
Interest received		13,057	20,373
Dividends received from associates		781	725
Net cash used in investing activities		(752,870)	(1,026,232)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		–	912
Proceeds from borrowings		815,880	497,901
Repayments of borrowings		(65,630)	(236,571)
Interest paid		(26,971)	(6,774)
Dividends paid to equity holders		(103,652)	(89,355)
Dividends paid to minority interests		–	(135)
Net cash from financing activities		619,627	165,978
Net increase/(decrease) in cash and cash equivalents		125,851	(532,071)
Cash and cash equivalents at 1 January		438,754	926,395
Effects of changes in exchange rates		24,261	44,430
Cash and cash equivalents at 31 December representing bank balances and cash		588,866	438,754

The notes on pages 57 to 97 are an integral part of these financial statements.

1. GENERAL INFORMATION

The Company is incorporated in the Cayman Islands as an exempted company with limited liability and is listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its principal address is Suites 3301-3302, 33/F., One Exchange Square, 8 Connaught Place, Central, Hong Kong.

The principal activity of the Company is investment holding and the activities of its principal subsidiaries, associates and jointly controlled entities are disclosed in Note 32.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and have been prepared under the historical cost convention, except for certain financial assets which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The area involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 31.

The following amendments and interpretations are mandatory for the financial year ended 31 December 2008:

HKAS 39 & HKFRS 7 (Amendments)	*Financial Instruments: Recognition and Measurement & Financial Instruments: Disclosures – Reclassification of Financial Assets*
HK(IFRIC) – Int 11	*HKFRS 2 – Group and Treasury Share Transactions*
HK(IFRIC) – Int 12	*Service Concession Arrangements*
HK(IFRIC) – Int 14	*HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

The adoption of these amendments and interpretations had no significant impact on the results and financial position of the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

The following standards, amendments and interpretations to the existing standards have been issued but not yet effective for the financial year ended 31 December 2008 and have not been early adopted by the Group:

HKFRS (Amendments)	*Improvements to HKFRS (effective from 1 January 2009 unless otherwise specified)*
HKAS 1 (Revised)	*Presentation of Financial Statements (effective from 1 January 2009)*
HKAS 23 (Revised)	*Borrowing Costs (effective from 1 January 2009)*
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements (effective from 1 July 2009)*
HKAS 32 & HKAS 1 (Amendments)	*Financial Instruments: Presentation & Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation (effective from 1 January 2009)*
HKAS 39 (Amendment)	*Financial Instruments: Recognition and Measurement – Eligible Hedged Items (effective from 1 July 2009)*
HKFRS 1 & HKAS 27 (Amendments)	*First-time Adoption of HKFRS & Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (effective from 1 January 2009)*
HKFRS 1 (Revised)	*First-time Adoption of HKFRS (effective from 1 July 2009)*
HKFRS 2 (Amendments)	*Share-based Payment – Vesting Conditions and Cancellations (effective from 1 January 2009)*
HKFRS 3 (Revised)	*Business Combinations (effective from 1 July 2009)*
HKFRS 7 (Amendments)	*Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments (effective from 1 January 2009)*
HKFRS 8	*Operating Segments (effective from 1 January 2009)*
HK(IFRIC) – Int 13	*Customer Loyalty Programmes (effective from 1 July 2008)*
HK(IFRIC) – Int 15	*Agreements for the Construction of Real Estate (effective from 1 January 2009)*
HK(IFRIC) – Int 16	*Hedges of a Net Investment in a Foreign Operation (effective from 1 October 2008)*
HK(IFRIC) – Int 17	*Distributions of Non-cash Assets to Owners (effective from 1 July 2009)*
HK(IFRIC) – Int 18	*Transfer of Assets from Customers (effective from 1 July 2009)*
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	*Reassessment of Embedded Derivatives & Financial Instruments: Recognition and Measurement – Embedded Derivatives (effective for annual periods ending on or after 30 June 2009)*

The Group is in the process of making an assessment of the impact of these standards, amendments and interpretations on the financial statements of the Group in the initial application.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 the financial and operating policies 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 another 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. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses (Note 2.6). The results of subsidiaries are accounted for 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 are recorded in the consolidated 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Consolidation *(Continued)*

(c) Associates

Associates are all 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. Interests in associates are incorporated in the consolidated financial statements using the equity method of accounting and are initially recognised at cost. The Group's interests 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 interests 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 interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(d) Jointly controlled entities

A jointly controlled entity is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties having unilateral control over the economic activity of the jointly controlled entity. Interests in jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting and are initially recognised at cost.

The Group's share of the post-acquisition results in jointly controlled entities are 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 a jointly controlled entity equals or exceeds its interests in the jointly controlled entity, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entity. Accounting policies of jointly controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 the People's Republic of China ("PRC") is Renminbi ("RMB"). 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.

(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.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security, and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in the income statement, and other changes in the carrying amount are recognised in equity.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.4 Foreign currency translation *(Continued)*

(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.

2.5 Property, plant and equipment

Buildings comprise mainly office premises and warehouses. All property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated 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 charged to 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	35 – 41 years
–	Plant and machinery	8 – 35 years
–	Leasehold improvement, furniture and equipment	5 – 10 years
–	Motor vehicles	5 – 12 years

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.5 Property, plant and equipment *(Continued)*

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 in the income statement.

2.6 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets 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 other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each balance sheet date.

2.7 Financial assets

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale. The classification depends on the purposes for which the financial assets were acquired. Management determine the classification of its financial assets at initial recognition.

Regular purchases and sales of financial assets are recognised on the trade-date – 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 not carried at fair value through profit or loss. Financial assets 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.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as 'trade and other receivables' (Notes 2.9), 'Amounts due from associates', 'Amounts due from jointly controlled entities', 'Amounts due from subsidiaries' and 'cash and cash equivalents' (Note 2.10) in the balance sheet.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.7 Financial assets *(Continued)*

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. Available-for-sale financial assets are subsequently carried at fair value.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in the income statement; translation differences on non-monetary securities are recognised in equity. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in equity.

When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement.

Dividends on available-for-sale equity instruments are recognised in the income statement when the Group's right to receive payments is established.

The fair value of the quoted financial assets is based on current bid prices. If the market for a financial asset is not active (and for unquoted equity instruments), the Group established fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and reply as little as possible on entity-specific inputs.

For available-for-sale equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are carried at cost less any accumulated impairment loss at balance sheet date.

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 as 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. Impairment testing of trade receivables is described in Note 2.9.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.8 Inventories

Inventories mainly comprises of consumable stock and are 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.

2.9 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 original effective interest rate. 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. 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 to the income statement.

2.10 Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits with banks held at call or with maturities three months or less.

2.11 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.

2.12 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.

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.

2.13 Trade payables

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.14 Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the 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.

2.15 Employee benefits

(a) Pension obligations

The employees of the Group's subsidiaries in the PRC 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's obligation is to make the required contributions under the scheme. The Group has no further payment obligation once the contributions have been paid.

In addition, the Group also contributes to a mandatory provident fund scheme for all Hong Kong employees. All these contributions are based on a certain percentage of the employee's salary and are charged to the income statement as incurred.

(b) 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 transaction 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.17 Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary holder of the guarantee (i.e. the holder) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are initially recognised at their fair values, and subsequently measured at the higher of (i) the amount initially recognised less accumulated amortisation; and (ii) the amount required to be settled by the guarantor in respect of the financial guarantee contracts at the balance sheet date.

2.18 Revenue recognition

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

(a) Sale of services

Sale of services is recognised in the 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.

(c) Dividend income

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

2.19 Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

2.20 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.

2.21 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. REVENUE AND SEGMENT INFORMATION

Provision of port services is the Group's only business segment throughout the year and all of its assets, operations and customers 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:

	2008 HK$'000	2007 HK$'000
Container handling	773,211	790,960
Bulk cargo handling	462,570	386,198
Storage and agency fees	23,210	16,619
	1,258,991	1,193,777

4. OTHER INCOME

	2008 HK$'000	2007 HK$'000
Exchange gain	40,284	–
Interest income		
– from bank deposits	13,057	20,373
– from loan to a jointly controlled entity	3,572	–
Gain on disposal of available-for-sale financial assets	–	10,429
Gain on disposal of an associate	–	139
Others	1,043	4,674
	57,956	35,615

5. FINANCE COSTS

	2008 HK$'000	2007 HK$'000
Interest expense on bank borrowings wholly repayable within five years	26,529	3,329

6. PROFIT BEFORE INCOME TAX

Profit before income tax is stated after (crediting)/charging:

	2008 HK$'000	2007 HK$'000
Employee benefit expense, including directors' emoluments *(Note 7)*	470,626	394,684
Depreciation of property, plant and equipment	114,837	102,995
Amortisation of prepaid lease payments	20,194	18,468
Operating lease charges	9,029	7,931
Loss on disposal of property, plant and equipment	2,300	14,680
Auditors' remuneration	1,400	1,330
Exchange loss	–	16,314
Reversal of provision of impairment on trade receivables	–	(5,812)

7. EMPLOYEE BENEFIT EXPENSE

	2008 HK$'000	2007 HK$'000
Wages and salaries, social security costs and other benefits	413,180	347,977
Share-based payment	2,043	2,924
Employer's contribution to pension schemes	55,403	43,783
	470,626	394,684

(a) Directors' emoluments

	2008 HK$'000	2007 HK$'000
Fees	7,817	6,990
Salaries, share-based payment and other benefits	4,486	6,665
Employer's contribution to pension schemes	482	422
	12,785	14,077

7. EMPLOYEE BENEFIT EXPENSE *(Continued)*

(a) Directors' emoluments *(Continued)*

The remuneration of the directors is set out below:

	For the year ended 31 December 2008				
Name of director	**Fees**	**Salaries, share-based payment and other benefits**	**Discretionary bonus**	**Employer's contribution to pension schemes**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Executive directors					
Mr. Yu Rumin	1,600	346	400	110	2,456
Mr. Nie Jiansheng	1,540	–	370	105	2,015
Mr. Zhang Jinming	1,485	90	340	99	2,014
Mr. Xue Lingsen	396	786	200	35	1,417
Mr. Jiao Hongxun *(Note)*	396	596	200	35	1,227
Non-executive director					
Mr. Wang Guanghao	1,500	–	300	98	1,898
Independent non-executive directors					
Mr. Kwan Hung Sang, Francis	300	286	–	–	586
Prof. Japhet Sebastian Law	300	286	–	–	586
Dr. Cheng Chi Pang, Leslie	300	286	–	–	586
	7,817	2,676	1,810	482	12,785

7. EMPLOYEE BENEFIT EXPENSE *(Continued)*

(a) Directors' emoluments *(Continued)*

	For the year ended 31 December 2007				
Name of director	Fees	Salaries, share-based payment and other benefits	Discretionary bonus	Employer's contribution to pension schemes	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors					
Mr. Yu Rumin	1,300	1,045	600	85	3,030
Mr. Nie Jiansheng	1,400	442	550	90	2,482
Mr. Zhang Jinming	1,350	442	500	92	2,384
Mr. Xue Lingsen	360	952	300	30	1,642
Mr. Jiao Hongxun *(Note)*	360	746	300	30	1,436
Non-executive director					
Mr. Wang Guanghao	1,500	338	450	95	2,383
Independent non-executive directors					
Mr. Kwan Hung Sang, Francis	240	–	–	–	240
Prof. Japhet Sebastian Law	240	–	–	–	240
Dr. Cheng Chi Pang, Leslie	240	–	–	–	240
	6,990	3,965	2,700	422	14,077

Note: Mr. Jiao Hongxun resigned on 23 April 2009.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include five (2007: five) directors whose emoluments are reflected in the analysis presented above.

8. INCOME TAX

	2008 HK$'000	2007 HK$'000
PRC income tax		
– Current tax	46,911	50,580
– Underprovision in prior years	3,503	–
	50,414	50,580
Deferred tax	–	(3,429)
	50,414	47,151

No Hong Kong profits tax has been provided for as the Group has no estimated assessable profits for the year (2007: nil).

Provision for the PRC income tax has been calculated based on the estimated assessable profit for the year at the prevailing income tax rates.

On 16 March 2007, the National People's Congress approved the PRC Corporate Income Tax Law (the "New CIT Law") which revised the corporate income tax rate to 25% progressively with effect from 1 January 2008.

Under the New CIT Law, the Group's two principal subsidiaries are currently subjected to income tax rate at 18% (2007: 15%). The income tax rates of the Group's other subsidiaries range from 18% to 25% (2007: 15% to 33%).

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

	2008 HK$'000	2007 HK$'000
Profit before income tax	181,034	287,793
Calculated at weighted average tax rate	30,879	48,047
Income not subject to income tax	(435)	(7,777)
Expenses not deductible for tax purposes	16,467	10,310
Underprovision in prior years	3,503	–
Deferred tax credit due to changes in corporate income tax rate	–	(3,429)
Income tax	50,414	47,151

9. 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$120,347,000 (2007: HK$100,334,000).

10. DIVIDENDS

	2008 HK$'000	2007 HK$'000
Paid interim dividend of HK 3.1 cents (2007: HK 2.7 cents) per ordinary share	55,400	48,252
Proposed final dividend: nil (2007: HK 2.7 cents) per ordinary share	–	48,252
	55,400	96,504

No final dividend was proposed in respect of the year ended 31 December 2008.

11. EARNINGS PER SHARE

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

	2008 HK$'000	2007 HK$'000
Earnings		
Profit attributable to equity holders of the Company	130,289	240,394

	2008	2007
Number of shares (thousands)		
Weighted average number of ordinary shares for calculating basic earnings per share	1,787,100	1,786,946
Effect of dilutive potential ordinary shares:		
– Share options	2,761	6,708
Weighted average number of ordinary shares for calculating diluted earnings per share	1,789,861	1,793,654

12. LAND USE RIGHTS

The Group's interests in land use rights represent prepaid lease payments analysed as follows:

	2008 HK$'000	2007 HK$'000
Group		
At 1 January	768,696	731,855
Exchange differences	43,935	55,309
Amortisation of prepaid lease payments	(20,194)	(18,468)
Net book values		
At 31 December	792,437	768,696

All 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 the title documents of certain land use rights with carrying value of approximately RMB660 million. The directors believe that the title documents will be obtained in due course without significant additional costs.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Port facilities HK$'000	Plant and machinery HK$'000	Leasehold improvements, furniture and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Group							
Cost							
At 1 January 2007	468,555	624,964	1,176,507	51,800	17,350	552	2,339,728
Exchange differences	35,862	47,833	90,046	3,964	1,328	42	179,075
Additions	2,543	6,670	28,101	9,919	470	1,438	49,141
Disposals	(17,364)	(4,534)	(4,496)	(697)	(2,105)	–	(29,196)
Transfers	52	–	–	542	–	(594)	–
At 1 January 2008	489,648	674,933	1,290,158	65,528	17,043	1,438	2,538,748
Exchange differences	28,102	38,737	74,045	3,761	978	83	145,706
Additions	21,309	351	20,421	8,622	551	4,433	55,687
Disposals	(3,976)	(40)	(892)	(3,293)	(3,200)	–	(11,401)
Transfers	7,054	(7,054)	637	–	–	(637)	–
At 31 December 2008	542,137	706,927	1,384,369	74,618	15,372	5,317	2,728,740
Accumulated depreciation							
At 1 January 2007	97,572	73,668	396,005	20,829	8,662	–	596,736
Exchange differences	8,078	6,170	32,783	1,848	723	–	49,602
Charge for the year	15,985	13,937	64,839	6,653	1,581	–	102,995
Disposals	(5,884)	(2,217)	(2,707)	(612)	(1,821)	–	(13,241)
At 1 January 2008	115,751	91,558	490,920	28,718	9,145	–	736,092
Exchange differences	6,800	5,390	28,834	1,726	538	–	43,288
Charge for the year	17,253	15,063	72,632	8,463	1,426	–	114,837
Disposals	(2,407)	(11)	(631)	(2,960)	(2,262)	–	(8,271)
At 31 December 2008	137,397	112,000	591,755	35,947	8,847	–	885,946
Net book values							
At 31 December 2007	373,897	583,375	799,238	36,810	7,898	1,438	1,802,656
At 31 December 2008	404,740	594,927	792,614	38,671	6,525	5,317	1,842,794

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

	Leasehold improvements, furniture and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Company			
Cost			
At 1 January 2007	2,158	1,624	3,782
Exchange differences	166	124	290
Additions	490	–	490
At 1 January 2008	2,814	1,748	4,562
Exchange differences	161	100	261
Additions	3	541	544
Disposal	–	(411)	(411)
	2,978	1,978	4,956
Accumulated depreciation			
At 1 January 2007	634	218	852
Exchange differences	79	29	108
Charge for the year	768	319	1,087
At 1 January 2008	1,481	566	2,047
Exchange differences	92	36	128
Charge for the year	808	332	1,140
Disposal	–	(164)	(164)
	2,381	770	3,151
Net book values			
At 31 December 2007	1,333	1,182	2,515
At 31 December 2008	597	1,208	1,805

14. SUBSIDIARIES

	2008 HK$'000	2007 HK$'000
Company		
Non-current assets		
Unlisted shares, at cost	1,806,789	1,708,721
Amounts due from subsidiaries	1,794,187	1,619,204
	3,600,976	3,327,925
Current assets		
Amounts due from subsidiaries	191,143	126,268
Current liabilities		
Amount due to a subsidiary	(1,109,402)	(385,877)

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

15. INTERESTS IN ASSOCIATES

	2008 HK$'000	2007 HK$'000
Group		
Share of net assets	28,513	24,981

The Group's share of assets, liabilities, revenue and results of the Group's associates are as follows:

	2008 HK$'000	2007 HK$'000
Total assets	48,180	32,337
Total liabilities	(19,667)	(7,356)
Net assets	28,513	24,981
Revenue	63,655	33,319
Share of results	1,495	790

Particulars of principal associates are set out in Note 32(b).

16. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	Group		Company	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
Share of net assets *(Note i)*	1,349,691	704,467	595,959	–
Loan to a jointly controlled entity *(Note ii)*	80,346	–	–	–
	1,430,037	704,467	595,959	–

The Group's share of assets, liabilities, revenue, expenses and results of the Group's jointly controlled entities are as follows:

	2008 HK$'000	2007 HK$'000
Assets		
Non-current assets	2,665,376	703,999
Current assets	62,407	123,574
	2,727,783	827,573
Liabilities		
Non-current liabilities	(703,233)	–
Current liabilities	(674,859)	(123,106)
	(1,378,092)	(123,106)
Net assets	1,349,691	704,467
Revenue	160,920	–
Expenses	(152,165)	–
Share of results	8,755	–

Notes:

i. On 26 July 2007, the Company entered into a conditional equity interest transfer agreement with Tianjin Port (Group) Co., Ltd. ("Tianjin Port Group") to acquire a 40% equity interest in Tianjin Port Alliance International Container Terminal Co., Ltd. ("Alliance") for a consideration of RMB524,343,000. During the year, all the conditions of the agreement were fulfilled and the acquisition was completed. The Group's 40% interest in Alliance is accounted as an investment in a jointly controlled entity.

ii. The loan is unsecured, interest bearing at LIBOR+1.5% and repayable in 2013.

16. INTERESTS IN JOINTLY CONTROLLED ENTITIES *(Continued)*

As at 31 December 2008, the Group had equity interest in three entities operating in Tianjin, the PRC. Although the Group holds 51% equity interest in one and 40% in the other two, no investors in these entities have unilateral control of their respective economic activities, resulting in joint control over these entities by the respective investors.

There are no contingent liabilities relating to the Group's interests in jointly controlled entities and jointly controlled entities themselves do not have any contingent liabilities.

Particulars of jointly controlled entities are set out in Note 32(c).

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Available-for-sale financial assets comprise:				
Equity securities listed in Hong Kong *(Note i)*	**14,800**	–	**14,800**	–
Unlisted equity investments *(Note ii)*	**6,073**	5,744	**–**	–
	20,873	5,744	**14,800**	–

Notes:

i. During the year, the Company acquired listed shares at a cost of approximately HK$40 million. Based on the market price as at 31 December 2008, the Company has recorded an impairment loss of approximately HK$25 million to the income statement.

ii. The unlisted equity investments are stated at cost less any accumulated impairment losses rather than fair value as they do not have quoted market prices in an active market and hence their fair values cannot be reliably measured.

18. DEFERRED INCOME TAX ASSETS

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

	2008 HK$'000	2007 HK$'000
Group		
At 1 January	8,899	4,960
Exchange differences	511	510
Effect of changes in tax rate *(Note 8)*	–	3,429
At 31 December	9,410	8,899

Deferred income tax liabilities of approximately RMB 8 million have not been recognised for the withholding tax that would be payable on the undistributed profits of of certain subsidiaries in the PRC amounting to approximately RMB154 million as the directors considered that the timing of the reversal of the temporary differences can be controlled and such temporary differences will not be reversed in the foreseeable future.

19. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
Trade receivables	100,258	126,764	–	–
Less: Provision for impairment	(1,458)	(1,378)	–	–
Trade receivables, net	98,800	125,386	–	–
Other receivables	19,885	20,369	2,243	3,195
Prepayment	56,791	–	–	–
	175,476	145,755	2,243	3,195

The carrying amounts of trade and other receivables approximate their fair values and are mainly denominated in Renminbi.

19. TRADE AND OTHER RECEIVABLES *(Continued)*

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

	2008 HK$'000	2007 HK$'000
0 – 30 days	78,694	113,596
31 – 90 days	20,106	11,790
At 31 December	98,800	125,386

The ageing analysis of the Group's trade receivables that are impaired are as follows:

	2008 HK$'000	2007 HK$'000
Over 6 months	1,458	1,378

Movements on the provision for impairment of the Group's trade receivables are as follows:

	2008 HK$'000	2007 HK$'000
At 1 January	1,378	6,885
Exchange differences	80	305
Reversal of provision	–	(5,812)
At 31 December	1,458	1,378

20. CASH AND CASH EQUIVALENTS

	Group		Company	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
Cash at bank and in hand	588,866	438,754	4,555	20,758

The effective interest rates on bank deposits ranged from 0.4% to 4.4% (2007: 0.7% to 5.2%).

The carrying amounts of cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
Renminbi	584,259	415,475	–	–
HK dollars	4,607	23,279	4,555	20,758
	588,866	438,754	4,555	20,758

The maximum exposure to credit risk at the reporting date is the fair value of each class of bank deposits mentioned above.

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

21. SHARE CAPITAL

	Number of shares	HK$
Ordinary shares of HK$0.10 each:		
Authorised:		
At 31 December 2007 and 31 December 2008	5,000,000,000	500,000,000
Issued and fully paid:		
At 31 December 2007 and 31 December 2008	1,787,100,000	178,710,000

21. SHARE CAPITAL *(Continued)*

Share option

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 of the Company 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 of the Company 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 option schemes of the Company shall not exceed 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. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

(a) Movements in share options and their related weighted average exercise price are as follows:

	2008		2007	
	Average exercise price HK$	Share options '000	Average exercise price HK$	Share options '000
At 1 January	2.35	11,900	2.28	11,500
Granted	3.90	2,300	2.74	1,900
Exercised		–	2.28	(400)
Cancelled		–	2.28	(1,100)
At 31 December	2.60	14,200	2.35	11,900
Exercisable at 31 December		13,200		11,900

The weighted average share price on the dates which the share options are exercised in 2007 was HK$5.95.

21. SHARE CAPITAL *(Continued)*

Share option *(Continued)*

(b) Share options at the end of the year and their remaining contractual lives are as follows:

	2008		2007	
	Remaining contractual life No. of years	Share options '000	Remaining contractual life No. of years	Share options '000
Exercise price				
HK$2.28	7.59	10,000	8.59	10,000
HK$2.74	8.10	1,900	9.10	1,900
HK$4.24	9.07	1,300		–
HK$3.45	9.56	1,000		–
At 31 December	7.93	14,200	8.68	11,900

(c) The fair value of share options determined at the date of grant using the Binomial model and the significant inputs are as follows:

Date of grant	21 July 2008	25 January 2008	3 February 2007
Exercise price	HK$3.45	HK$4.24	HK$2.74
Expected volatility	43%	41%	34%
Expected option life	3.8 years	1.9 & 1.7 years	2 years
Risk free interest rate	3.685%	1.527%	4.06%
Dividend pay out ratio	40%	40%	40%
Fair value	HK$0.99	HK$0.86 & HK$0.79	HK$0.54

The Binomial model requires input of certain subjective assumptions thus the fair value calculated varies with different assumptions.

The expected volatility measured at the standard deviation is based on statistical analysis of the volatility of shares of companies in similar industry.

22. RESERVES

	Share premium HK$'000	Merger reserve HK$'000	Employee share-based compensation reserve HK$'000	Exchange reserve HK$'000	Statutory reserve HK$'000	Total HK$'000
Group						
At 1 January 2007	1,095,962	820,962	3,786	102,736	129,985	2,153,431
Exchange differences	–	–	–	236,703	–	236,703
Issue of shares upon exercise of share options	872	–	–	–	–	872
Transfer	–	–	–	–	48,934	48,934
Share-based compensation	–	–	2,924	–	–	2,924
At 31 December 2007	1,096,834	820,962	6,710	339,439	178,919	2,442,864
Exchange differences	–	–	–	195,940	–	195,940
Transfer	–	–	–	–	38,965	38,965
Share-based compensation	–	–	2,043	–	–	2,043
At 31 December 2008	1,096,834	820,962	8,753	535,379	217,884	2,679,812

	Share premium HK$'000	Capital reserve HK$'000	Employee share-based compensation reserve HK$'000	Exchange reserve HK$'000	Total HK$'000
Company					
At 1 January 2007	1,095,962	1,450,909	3,786	43,440	2,594,097
Exchange differences	–	–	–	217,312	217,312
Issue of shares upon exercise of share options	872	–	–	–	872
Share-based compensation	–	–	2,924	–	2,924
At 31 December 2007	1,096,834	1,450,909	6,710	260,752	2,815,205
Exchange differences	–	–	–	186,650	186,650
Share-based compensation	–	–	2,043	–	2,043
At 31 December 2008	1,096,834	1,450,909	8,753	447,402	3,003,898

23. BORROWINGS

Details of the Group's non-current unsecured bank borrowings are as follows:

		2008 HK$'000	2007 HK$'000
(a)	Balance at 31 December	1,140,250	390,000
(b)	Maturity between 2 and 5 years	1,140,250	390,000
(c)	Carrying amounts are denominated in following currencies:		
	US dollars	23,250	–
	HK dollars	1,117,000	390,000
		1,140,250	390,000
(d)	Effective interest rates at 31 December:		
	US dollars	2.0%	–
	HK dollars	0.9%	4.1%

All bank borrowings are exposed to interest-rate changes and the contractual repricing dates are within 6 months or less (2007: 6 months or less).

The carrying amounts of bank borrowings approximate their fair values.

24. TRADE AND OTHER PAYABLES

	Group		Company	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
Trade payables	56,791	–	–	–
Construction fee payables	26,719	46,170	–	–
Other non-trade payables	44,390	41,593	18,164	16,257
	127,900	87,763	18,164	16,257

As at 31 December 2008, the trade payables are all aged less than 3 months.

The carrying amounts of trade and other payables approximate their fair values.

25. CASH FLOWS FROM OPERATING ACTIVITIES

	2008 HK$'000	2007 HK$'000
Profit before income tax	181,034	287,793
Adjustments for:		
– Interest income	(16,629)	(20,373)
– Finance costs	26,529	3,329
– Share of results of associates	(1,495)	(790)
– Share of results of jointly controlled entities	(8,755)	–
– Gain on disposal of an associate	–	(139)
– Gain on disposal of available-for-sale financial assets	–	(10,429)
– Provision for impairment losses on available-for-sale financial assets	25,253	–
– Loss on disposal of property, plant and equipment	2,300	14,680
– Amortisation	20,194	18,468
– Depreciation	114,837	102,995
– Share-based payment	2,043	2,924
– Exchange difference	(40,284)	16,314
Changes in working capital:		
– Inventories	(443)	(2,876)
– Trade and other receivables	(31,358)	(72,005)
– Amounts due from associates	38	(487)
– Amounts due from related companies	–	9,682
– Trade and other payables	56,975	16,296
– Amounts due to related companies	(9,950)	11,551
Cash generated from operations	320,289	376,933

26. COMMITMENTS

(a) Capital commitments

	2008 HK$'000	2007 HK$'000
Group		
Contracted but not provided for		
– Property, plant and equipment	26,827	3,247
– Investment in a jointly controlled entity	–	562,226
	26,827	565,473
Authorised but not contracted for		
– Property, plant and equipment	–	12,569

(b) Operating lease commitments

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

	Group		Company	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
Within one year	5,536	2,239	4,683	1,795
In the second to fifth year inclusive	8,585	407	8,585	–
	14,121	2,646	13,268	1,795

(c) Other commitments

	2008 HK$'000	2007 HK$'000
Group		
Loan to a jointly controlled entity	64,222	–

27. FINANCIAL GUARANTEE

The Company has given guarantee of HK$1,200,000,000 for one of its wholly-owned subsidiaries in respect of its banking facilities. As at 31 December 2008, HK$1,140,250,000 of the banking facilities has been drawn by the subsidiary (2007: HK$390,000,000).

28. SIGNIFICANT RELATED-PARTY TRANSACTIONS

The ultimate holding company of the Group is Tsinlien Group Company Limited, a company which is ultimately controlled by the PRC government and hence a state-owned enterprise. In accordance with HKAS 24, "Related Party Disclosures" issued by the Hong Kong Institute of Certified Public Accountants, state-owned enterprises and their subsidiaries, directly and indirectly controlled by the PRC government are also deemed as related parties of the Group ("other state-owned enterprises").

There are business activities of the Group which are conducted with other state-owned enterprises. For the purposes of the related parties disclosure in accordance with HKAS 24, the Group has established procedures to determine, to the extent practicable, the identification of the ownership structure of its customers and suppliers as to whether they are state-owned enterprises. Nevertheless, management believes that all material related party transactions and balances have been adequately disclosed.

In addition to those mentioned elsewhere in the financial statements, the following are the significant related party transactions entered into in the normal course of business between the Group and its related parties:

(a) Transactions with associates of the Group

	2008 HK$'000	2007 HK$'000
Bulk cargo handling income received from associates	65,065	43,597
Wharf cargo handling service charges paid to associates	24,486	20,529
Labour services paid to associates	48,024	–

(b) Balances with associates and jointly controlled entities of the Group

The amounts due from associates and jointly controlled entities as included in the consolidated balance sheet are unsecured, interest free and repayable on demand.

28. SIGNIFICANT RELATED-PARTY TRANSACTIONS *(Continued)*

(c) Transactions with other state-owned enterprises

	2008 HK$'000	2007 HK$'000
Income		
Container and bulk cargo handling income	330,549	374,575
Interest income	12,736	3,579
Expenses		
Electricity supply services	38,521	27,365
Container reconfiguration storage services	6,932	8,420
Water supply services	5,377	4,868
Labour services	–	4,695
Communication services	1,100	1,156
EDI services	2,052	1,348
Dredging fees paid	6,870	2,555
Interest expenses	388	2,407
Acquisition		
Interests in an associate	1,425	–
Interests in a jointly controlled entity	570,186	–
Disposal		
Interests in an associate	–	1,778

(d) Balances with other state-owned enterprises

	2008 HK$'000	2007 HK$'000
Assets		
Trade receivables	64,290	96,587
Deposits with state-owned banks	584,052	415,317
Liabilities		
Amounts due to related companies	12,586	22,536

The amounts due to related companies are unsecured, interest free, repayable on demand and denominated in Renminbi.

(e) Key management compensation

The key management of the Group comprises solely the directors of the Company, details of their remuneration are disclosed in Note 7.

29. EVENTS AFTER BALANCE SHEET DATE

On 16 March 2009, the Company, its wholly-owned subsidiary Grand Point Investment Limited ("Grand Point") and Tianjin Port Group entered into a sale and purchase agreement, pursuant to which the Company, through its wholly-owned subsidiary Grand Point, conditionally agreed to acquire from Tianjin Port Group its 56.81% interest in the registered share capital of Tianjin Port Holdings Co., Ltd., which is listed on the Shanghai Stock Exchange (stock code: 600717) for a total consideration of HK$10,961 million (the "Proposed Acquisition").

The Proposed Acquisition constitutes a very substantial acquisition and connected transaction for the Company subject to the approval of the independent shareholders of the Company.

30. FINANCIAL RISK MANAGEMENT

30.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow interest rate risk and price risk), credit risk, and liquidity risk. 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. As at 31 December 2008, the Group does not use any derivative financial instruments to hedge against its financial risk exposures.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and recognised assets or liabilities are denominated in currency that is not the functional currency of the entity.

The operations and customers of the Group's subsidiaries are located in the PRC with most of the operating assets and transactions denominated and settled in Renminbi.

At 31 December 2008, if Renminbi had weakened/strengthened by 5% against non-functional currency, with all other variables held constant, profit for the year and equity would have been approximately HK$52 million lower/higher, mainly as a result of foreign exchange losses/gains on translation of the outstanding non-functional currency denominated monetary items including bank deposits, receivables, payables and bank borrowings of the Group (2007: HK$18 million lower/higher, mainly as a result of foreign exchange losses/gains). Profit and equity are more sensitive to the movement in 2008 than 2007 because of the relatively larger non-functional currency denominated monetary items held by the Group in 2008.

30. FINANCIAL RISK MANAGEMENT *(Continued)*

30.1 Financial risk factors *(Continued)*

(a) Market risk *(Continued)*

(ii) Cash flow interest rate risk

As the Group has no significant interest-bearing assets and liabilities, other than loan to a jointly controlled entity, bank deposits and borrowings, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

During 2007 and 2008, all the Group's borrowings were at variable rate which exposes the Group to cash flow interest rate risk.

(iii) Price risk

The Group is exposed to equity securities price risk because certain of the Group's investments are classified as available-for-sale financial assets which are required to be stated at fair values.

(b) Credit risk

Credit risk arises from cash and cash equivalents, and credit exposures to trade customers, including outstanding trade receivables. The carrying amounts of these balances substantially represent the Group's maximum exposure to credit risk at the reporting date. The credit risk for cash and cash equivalents is limited because majority of its bank deposits are placed with high credit rating banks in Hong Kong and top tier state-owned/listed banks in the PRC. For trade customers, the Group has no significant concentrations of credit risk. The Group assesses the credit quality of the customer, taking into account its financial position, past settlement history and trading relationships. The utilisation of credit limits is regularly monitored.

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and availability of funding from an adequate amount of committed credit facilities. The Group maintains flexibility in funding by keeping credit lines available.

Management monitors the Group's liquidity reserve which comprises undrawn borrowing facility and cash and cash equivalents.

30. FINANCIAL RISK MANAGEMENT *(Continued)*

30.1 Financial risk factors *(Continued)*

(c) Liquidity risk *(Continued)*

The Group's financial liabilities are analysed into relevant maturity groupings based on the remaining period at the respective balance sheet dates to the contractual maturity dates, using the contractual undiscounted cash flows, as follows:

	Less than 1 year HK$'000	**Between 2 and 5 years** HK$'000
Group		
At 31 December 2008		
Trade and other payables	127,900	–
Amounts due to related companies	12,586	–
Borrowings	–	1,140,250
	140,486	1,140,250
At 31 December 2007		
Trade and other payables	87,763	–
Amounts due to related companies	22,536	–
Borrowings	–	390,000
	110,299	390,000

30.2 Capital risk 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.

The capital structure of the Group consists of borrowings, cash and cash equivalents and equity attributable to equity holders of the Company.

The Group monitors the capital structure using the gearing ratio (consolidated total borrowings to total equity). The Group's gearing ratio at 31 December 2008 was 31.5% (2007: 11.5%).

Management reviews the capital structure on a regular basis and considers the cost of capital and the risks associated with each class of capital. In order to maintain or balance the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares, issue of new debts and redemption of existing debts.

30. FINANCIAL RISK MANAGEMENT *(Continued)*

30.3 Fair value estimation

The carrying amounts of the Group's financial assets including cash and cash equivalents, trade and other receivables, amounts due from associates and jointly controlled entities; and financial liabilities including trade and other payables and amounts due to related companies, are assumed to approximate their fair values. The fair values of long-term bank borrowings approximates their carrying values because they are contracted at variable market rates throughout the period of the loan.

31. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT

Estimates and judgements 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.

32. PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

(a) The following are principal subsidiaries in which the Company has direct and indirect interest at 31 December 2008:

Name	Date of incorporation	Issued share capital	Interest held (%)	Principal activities
Incorporated in the British Virgin Islands and directly held:				
Ace Advantage Investments Limited	26 July 2005	US$100	100	Investment holding
Shinesun Investments Limited	5 July 2005	US$100	100	Investment holding
High Reach Investments Limited	10 May 2006	US$100	100	Investment holding
Tianjin Port Development International Limited	30 June 2006	US$1	100	Investment holding
Win Many Investments Limited	16 May 2007	US$1	100	Investment holding
Tianjin Port Development Finance Limited	23 October 2007	US$1	100	Group treasury

32. PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES *(Continued)*

(a) The following are principal subsidiaries in which the Company has direct and indirect interest at 31 December 2008: *(Continued)*

Name	Date of incorporation	Issued share capital	Interest held (%)	Principal activities
Incorporated in Hong Kong and indirectly held:				
Champion Sky Enterprises Limited	4 December 2007	HK$2	100	Investment holding
Well Light Enterprises Limited	4 December 2007	HK$2	100	Investment holding
Incorporated and operating in the PRC and indirectly held:				
Tianjin Port Container Terminal Co., Ltd.*	25 October 1997	RMB 1,021,230,000	100	Container transportation and storage services
Tianjin Harbour Second Stevedoring Co., Ltd.*	25 October 1997	RMB 815,180,100	100	Bulk cargo handling and storage services
Tianjin Gangshi Container Service Co., Ltd.**	9 October 1998	US$200,000	80	Cargo and container handling services
Tianjin Port Free Trade Zone Chang Hao International Trade Co., Ltd.***	22 November 1999	RMB 1,000,000	90	Shipping agency service
Tianjin Gangkai Container Service Co., Ltd.**	31 May 2000	US$200,000	75	Cargo transportation and container handling and trucking services
Tianjin Gangxin Container Logistics Co., Ltd.**	23 November 2004	US$200,000	75	Container transhipment and stevedoring services

32. PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES *(Continued)*

(b) The following are principal associates at 31 December 2008, all of which are unlisted, incorporated and operating in the PRC:

Name	Date of incorporation	Issued share capital	Interest held (%)	Principal activities
Tianjin Japan Container Service Co., Ltd.	29 July 1985	US$ 1,132,000	40	Freight forwarding agency service
Tianjin Jin Hai Enterprise Co., Ltd.	15 December 1992	US$ 1,500,000	41	Shipping agency service
Tianjin Port Labour Services Co., Ltd.	10 December 1999	RMB 3,000,000	33	Labour service
Tianjin ShengGang Container Technology Development & Services Co., Ltd.	7 December 2004	RMB 3,000,000	33	Labour service
Tianjin Port Steel Logistics Co., Ltd.	27 July 2006	RMB 17,000,000	39	Steel storage, logistics service

(c) The following are jointly controlled entities at 31 December 2008, all of which are unlisted, incorporated and operating in the PRC:

Name	Date of incorporation	Issued share capital	Interest held (%)	Principal activities
Tianjin Port Alliance International Container Terminal Co., Ltd.	30 March 2005	US$ 160,000,000	40	Container and cargo handling services
Tianjin Port Haifeng Bonded Logistics Co., Ltd.	28 August 2007	RMB 300,000,000	51	Logistics related services
Tianjin Port Euroasia International Container Terminal Co., Ltd.	4 September 2007	RMB 1,260,000,000	40	Container and cargo handling services, (pre-operating as at 31 Dec 2008)

Notes:

* Wholly-foreign owned enterprise
** Sino-foreign joint venture
*** Limited liability company

33. ULTIMATE HOLDING COMPANY

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

34. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 23 April 2009.

Five Years Summary

CONSOLIDATED INCOME STATEMENT

	2004 HK$'000	2005 HK$'000	2006 HK$'000	2007 HK$'000	**2008** **HK$'000**
Revenue	799,837	898,223	1,036,495	1,193,777	**1,258,991**
Business tax	(24,237)	(27,295)	(31,494)	(36,347)	**(38,415)**
Cost of sales	(431,624)	(448,891)	(484,163)	(561,701)	**(689,691)**
Gross profit	343,976	422,037	520,838	595,729	**530,885**
Other income	1,586	3,465	123,077	35,615	**57,956**
Administrative expenses	(239,344)	(242,916)	(277,812)	(309,808)	**(363,600)**
Other operating expenses	(6,266)	(8,676)	(17,676)	(31,204)	**(2,675)**
	99,952	173,910	348,427	290,332	**222,566**
Provision for impairment losses on available-for-sale financial assets	–	–	–	–	**(25,253)**
Finance costs	(8,912)	(7,095)	(8,199)	(3,329)	**(26,529)**
Share of results of associates	2,226	1,020	983	790	**1,495**
Share of results of jointly controlled entities	–	–	–	–	**8,755**
Gain on disposal of associates	–	4,986	–	–	**–**
Profit before income tax	93,266	172,821	341,211	287,793	**181,034**
Income tax	(15,412)	(25,056)	(36,938)	(47,151)	**(50,414)**
Profit for the year	77,854	147,765	304,273	240,642	**130,620**
Attributable to:					
Equity holders of the Company	77,465	147,275	304,037	240,394	**130,289**
Minority interests	389	490	236	248	**331**
	77,854	147,765	304,273	240,642	**130,620**

CONSOLIDATED BALANCE SHEET

	2004 HK$'000	2005 HK$'000	2006 HK$'000	2007 HK$'000	2008 HK$'000
Land use rights	–	40,351	731,855	768,696	**792,437**
Property, plant and equipment	1,262,353	1,320,889	1,742,992	1,802,656	**1,842,794**
Interest in associates	19,450	18,571	23,847	24,981	**28,513**
Interest in jointly controlled entities	–	–	–	704,467	**1,430,037**
Available-for-sale financial assets	16,381	16,706	13,748	5,744	**20,873**
Deferred income tax asset	4,695	4,788	4,960	8,899	**9,410**
Other long term assets	14,154	34,962	–	–	**–**
Net current assets	44,711	22,539	484,606	468,556	**635,037**
Employment of capital	1,361,744	1,458,806	3,002,008	3,783,999	**4,759,101**
Share capital	112,200	112,200	178,670	178,710	**178,710**
Reserves	894,725	943,239	2,153,431	2,442,864	**2,679,812**
Retained earnings	294,921	370,886	666,119	768,224	**755,896**
Shareholders funds	1,301,846	1,426,325	2,998,220	3,389,798	**3,614,418**
Minority interests	3,326	3,635	3,788	4,201	**4,433**
Long term liabilities	56,572	28,846	–	390,000	**1,140,250**
Capital employed	1,361,744	1,458,806	3,002,008	3,783,999	**4,759,101**

The financial summary of the Group for the year ended 31 December 2004, 2005 and 2006 have been prepared on the basis that the structure and business activities of the Group immediately after a reorganisation took place in May 2006 had been in existence throughout the years presented.

Corporate Information

EXECUTIVE DIRECTORS

Mr. YU Rumin *(Chairman)*
Mr. NIE Jiansheng *(Vice Chairman)*[+]
Mr. ZHANG Jinming *(Managing Director)*
Mr. XUE Lingsen
Mr. LIU Qingshan

NON-EXECUTIVE DIRECTOR

Mr. WANG Guanghao

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. KWAN Hung Sang, Francis[*+]
Prof. Japhet Sebastian LAW[*+]
Dr. CHENG Chi Pang, Leslie[*]

CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY

Mr. YAM Pui Hung, Robert

AUDITORS

PricewaterhouseCoopers
Certified Public Accountants

PRINCIPAL LEGAL ADVISORS

Woo Kwan Lee & Lo, as to Hong Kong law
Appleby, as to Cayman Islands law

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