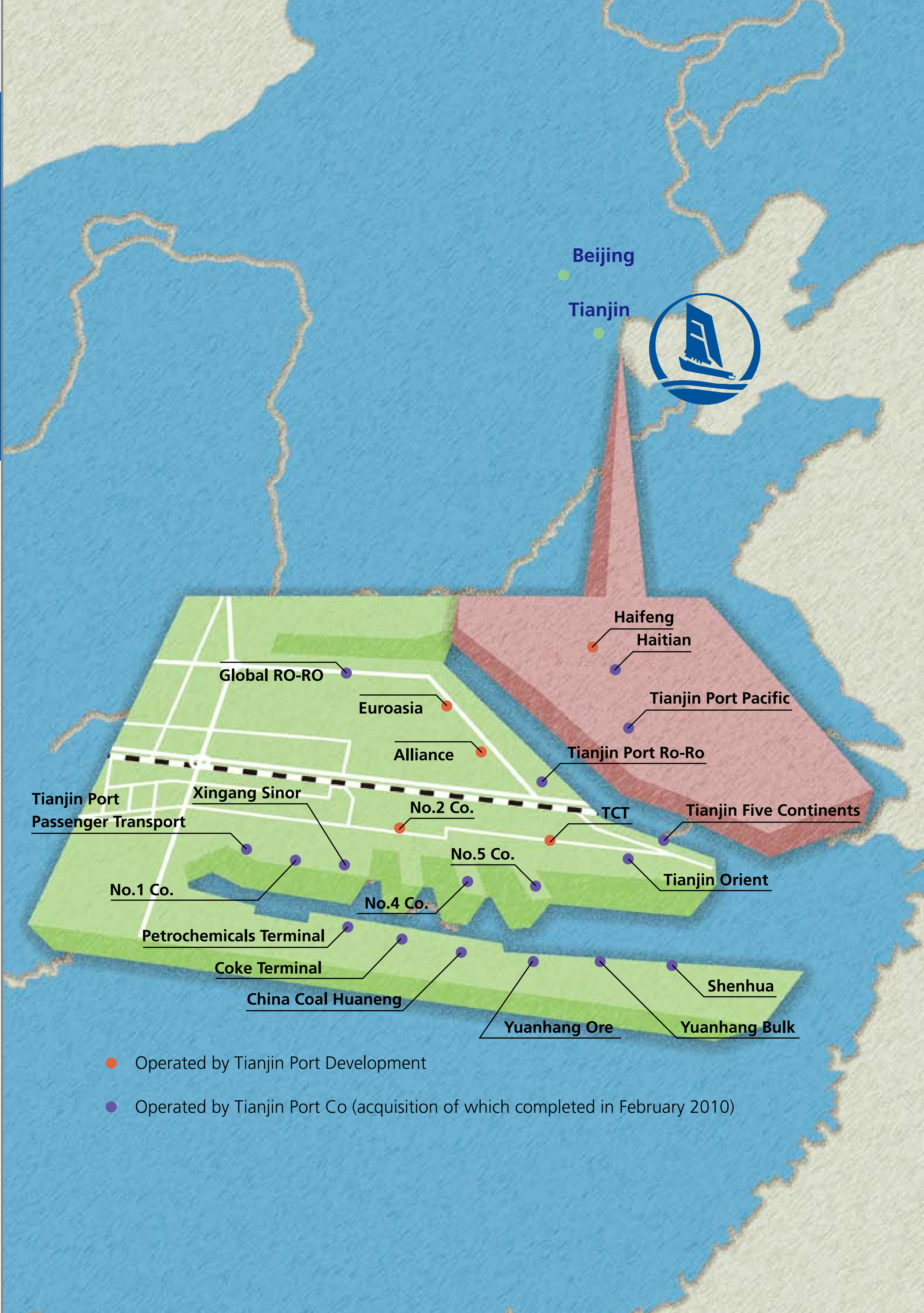
天津港發展控股有限公司
Tianjin Port Development Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 03382

Annual Report 2009



Beijing
Tianjin
Haifeng
Haitian
Global RO-RO
Euroasia
Tianjin Port Pacific
Alliance
Tianjin Port Ro-Ro
Tianjin Port
Passenger Transport
Xingang Sinor
No.2 Co.
TCT
Tianjin Five Continents
No.5 Co.
Tianjin Orient
No.1 Co.
No.4 Co.
Petrochemicals Terminal
Coke Terminal
China Coal Huaneng
Shenhua
Yuanhang Ore
Yuanhang Bulk
Operated by Tianjin Port Development
Operated by Tianjin Port Co (acquisition of which completed in February 2010)

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). The Company, together with its subsidiaries (collectively known as the "Group") first operated as a non-containerised cargo terminal at the port of Tianjin in 1968 and subsequently expanded into the container handling business in 1980. In February 2010, the Group completed the acquisition of 56.81% equity interest in Tianjin Port Holdings Co., Ltd., a dominant port operator at the port of Tianjin, which is listed on the Shanghai Stock Exchange. Today, the Group controls all commercially operating port cargo handling, logistics and auxiliary operation assets at the port of Tianjin and has become the largest single-location port operator listed in Hong Kong. Being the leading port operator at the port of Tianjin, the Group is principally engaged in non-containerised cargo handling business such as metal ore, coal, crude oil, steel products, and automobile, and container handling business as well as other port services. The Group has also invested in logistics warehouses in the Dongjiang Bonded Free Port of the port of Tianjin.

The port of Tianjin is at the prime geographical location situated at the juncture of the Beijing-Tianjin city belt and the centre of the Bohai Rim Region, and the vast hinterland covering 14 provinces, municipalities and autonomous regions including Beijing and Tianjin, and is the logistics hub of Tianjin Binhai New Area. In 2009, the port of Tianjin was the third largest port in China and the fifth largest port globally in terms of total throughput. During the same period, the port of Tianjin's total container throughput was the sixth in China, which placed it among the top eleven largest container ports in the world. Under the Eleventh Five-Year Plan of the Chinese government, Tianjin Binhai New Area was designated to become the third major driver of China's economic growth after Shenzhen and Shanghai and is expected to become the international shipping and logistic centre of the northern region of China. The port of Tianjin is well positioned to benefit from the future economic development of China's northern and northwestern hinterlands.

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 non-containerised cargo of No. 2 Co. were converted into one container berth, with a designed capacity of 320,000 TEUs.

2001

- Renovation of container terminal was completed with designed capacity raised to 1.6 million 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.
- Establishment of Euroasia with COSCO and APMT, a container terminal with quay length of 1,100 meters and designed capacity of 1.8 million TEUs.

2007

- Establishment of Haifeng in August 2007, the first logistics warehousing company in Dongjiang Bonded Free Port with a gross floor area of about 190,000 square meters.

2008

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

2009

- Signed agreement with Tianjin Port Group to acquire a 56.81% equity interest in Tianjin Port Co, an A-share listed port operator with throughput (including associates) of 4.5 million TEUs containers and 195.8 million tonnes non-containerised cargo for the year 2009.

HK$ million For the year ended 31 December	2005	2006	2007	2008	**2009**
Throughput					
Container (million TEUs)	2.05	2.49	2.76	2.77	**2.50**
Container (include Alliance) (million TEUs)	2.05	2.49	2.76	4.39	**4.24**
Non-containerised cargo (million tonnes)	18.3	16.6	13.0	13.1	**13.7**
Revenue	898	1,036	1,194	1,259	**1,403**
Operating profit/(loss)	174	348	290	223	**(4)**
Share of results of associates and jointly controlled entities	1	1	1	10	**(1)**
Profit/(loss) attributable to equity holders of the Company	147	304	240	130	**(48)**
Net cash inflow from operations	227	291	328	259	**60**
Basic earnings/(loss) per share (HK cents)	13	19.9	13.5	7.3	**(2.7)**

HK$ million As at 31 December	2005	2006	2007	2008	**2009**
Equity attributable to equity holders of the Company	1,426	2,998	3,390	3,614	**3,586**
Minority interests	4	4	4	5	**5**
Total equity	1,430	3,002	3,394	3,619	**3,591**
Total assets	1,786	3,527	3,907	4,903	**5,445**
Net assets per share (HK$) *(Note 1)*	1.3	1.7	1.9	2.0	**2.0**
Consolidated borrowings	135	120	390	1,140	**1,349**

Financial Ratio	2005	2006	2007	2008	**2009**
Gearing ratio *(Note 2)*	9.4%	4.0%	11.5%	31.5%	**37.6%**
Current ratio	1.1	1.9	4.8	5.4	**2.0**
Return on equity *(Note 3)*	10.8%	9.3%	7.5%	3.7%	**N/A**

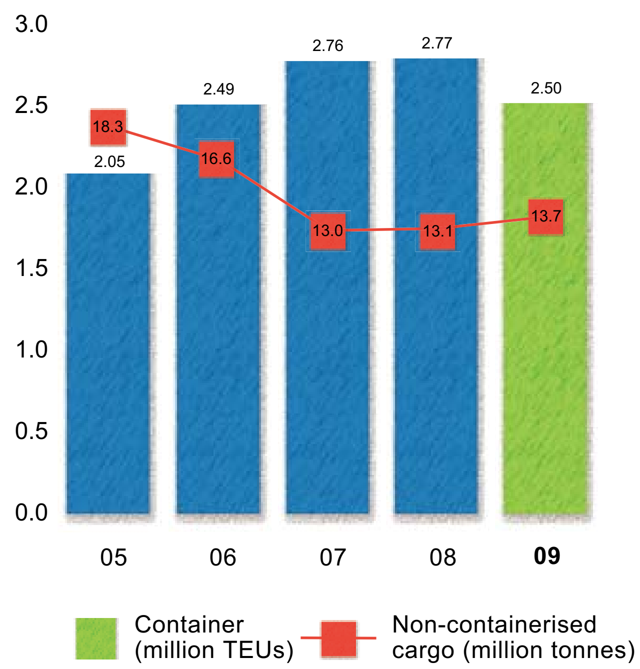
Notes:

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.

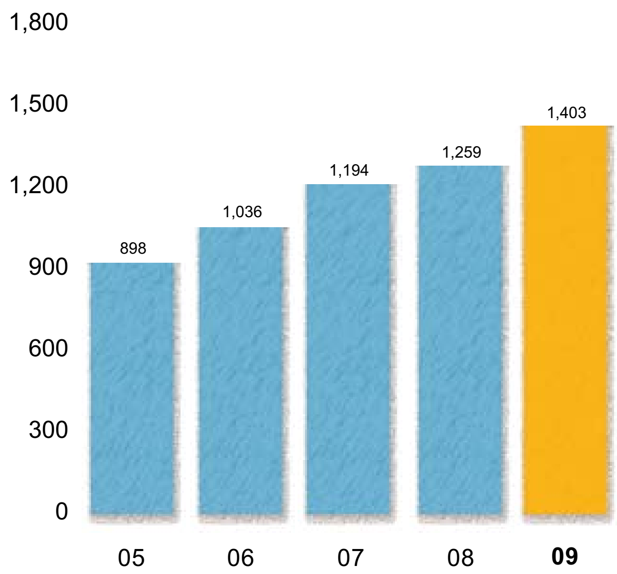
2. Gearing ratio represents the ratio of consolidated borrowings to total equity.

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.

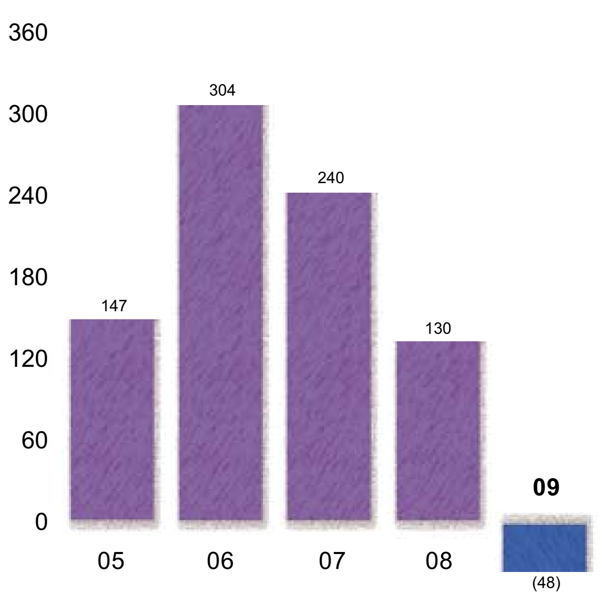
Throughput



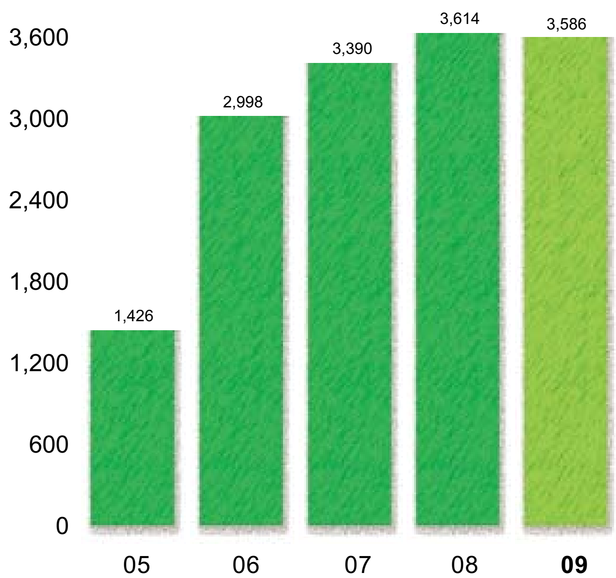
Revenue (HK$ million)



Profit/(loss) attributable to equity holders of the Company (HK$ million)



Equity attributable to equity holders of the Company (HK$ million)



"We are confident that the recent corporate restructuring would enable Tianjin Port Development to capitalise on the potential of the regional economic growth and bring better returns to shareholders in future by controlling all commercially operating port cargo handling, logistics and auxiliary operation assets at the port of Tianjin."

Dear Shareholders,

I am pleased to present the annual report of Tianjin Port Development Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year 2009.

2009 was a difficult year to the port operations in China. Impacted by the economic slowdown in major trading partners as a result of the global financial crisis, China's foreign trade was adversely affected. During the year 2009, China recorded total import and export trade value of US$2,207.2 billion, representing a year-on-year reduction of 13.9%. Facing the difficult operating environment, the Group recorded a recurring operating net profit of HK$17.2 million and after taking into account the project related expenses, recorded a loss attributable to shareholders of HK$47.8 million during the year under review, representing a loss per share of HK2.7 cents. The board of directors of the Company (the "Board") does not recommend payment of a final dividend for the year 2009.

In February 2010, the Group completed the acquisition of the 56.81% equity interest in Tianjin Port Holdings Co., Ltd. ("Tianjin Port Co"), which represented a milestone towards the integration of the Group and Tianjin Port Co, two separately listed port operators at the port of Tianjin. The Group focuses on container handling business whereas Tianjin Port Co focuses on non-containerised cargo handling business. After the acquisition, the Group controls all commercially operating port cargo handling, logistics and auxiliary operation assets within the port of Tianjin, which leads to a significant increase in the scale of the operation and results in an improved business structure and enhanced its overall competitiveness. In particular, the non-containerised cargo handling business is more related to China's domestic demand and imports, which effectively helps to mitigate the adverse impact of the global economic downturn and the decline in China's export trade. Moreover, the Group will be able, through further integration steps, to create meaningful synergies by improved resources integration and allocation, more centralised management and better coordination of project planning and construction. Currently, the port of Tianjin, being the world's fifth largest port in terms of total throughput, strives to become the container hub of Northeast Asia, the largest non-containerised cargo port in Northern China, the largest bonded free port and the largest comprehensive port in Bohai Bay Region in the future. The completion of the acquisition is an important strategic milestone for the Group to participate in the emergence of the port of Tianjin to a world-class comprehensive port.

In spite of the challenges ahead, our operating environment is expected to improve in the new year, due to the recovery of the global economy, China's continued strong economic growth and the resumption of its export growth in particular. We firmly believe that, by leveraging on the advantage of the port of Tianjin's prime geographical location at the juncture of the Beijing-Tianjin city belt and the centre of the Bohai Rim Region, and the vast hinterland covering 14 provinces, municipalities and autonomous regions including Beijing and Tianjin, the Group will be able to make full use of the opportunities generated by the opening and growth of Tianjin Binhai New Area; strengthen our market development in the hinterland; further integrate port cargo handling assets to create synergies and enhance the system and standards of our port services. We will also make effort to ensure the early completion of the acquisition project as committed by our relevant subsidiary. Looking forward, we are confident that the above measures coupled with improving management and operational efficiency will enable us to bring the best returns to our shareholders.

Finally, on behalf of the Board, I would like to thank our hardworking and talented staff members for their contribution and efforts made in the past year, and to express my most sincere gratitude to our shareholders and business partners for your continued cooperation and support.

Sincerely yours,

YU Rumin
Chairman

Hong Kong, 8 April 2010

CONTAINER TERMINAL

Substantial market presence at the port of Tianjin.

RESULTS OVERVIEW

For the year ended 31 December 2009, the Group achieved consolidated revenue of HK$1,402.8 million, of which HK$1,065.4 million, being the port cargo handling revenue which had dropped year-on-year by 15.4%, and HK$337.4 million, being the revenue from sales business which commenced in 2009. The Group recorded a recurring operating net profit of HK$17.2 million and after taking into account the project expenses in relation to the acquisition of Tianjin Port Co, incurred a loss attributable to the Company's shareholders of HK$47.8 million as compared to a profit of HK$130.3 million in the prior year. Basic loss per share, on a weighted average basis, was HK2.7 cents.

Consolidated operating profit margin (measured by dividing the recurring operating profit which excluded the project related expenses and exchange gain by revenue) of the Group for the year was 4.2%, compared to 14.5% of last year. The drop in the operating profit margin was due to various factors: first of all, a reduction in container throughput mainly due to drop in China's foreign trade. Secondly, the blended average unit price of the cargo handling business declined substantially due to a higher proportion of domestic and empty containers as a result of the decrease in China's foreign trade. Lastly, the Group commenced the sales business in early 2009. The profit margin of the sales business was much less than the cargo handling business, which resulted in a lower overall operating profit margin of the Group.

RESULTS OVERVIEW *(Continued)*

In 2009, the contribution from the Group's three jointly controlled entities was HK$764,000. Tianjin Port Alliance International Container Terminal Co., Ltd. ("Alliance") remained to be the key contributor among the jointly controlled entities with its share of net profit increasing 67.0% for the year. The increase was, however, substantially offset by the recognition of the pre-operating expenses and additional capital expenses of Tianjin Port Euroasia International Container Terminal Co., Ltd. ("Euroasia") and Tianjin Port Haifeng Bonded Logistics Co., Ltd. ("Haifeng").

The Group continued to adopt an efficient capital structure in order to lower the overall cost of capital of the Group. As at the end of the year, the Group has total borrowings of HK$1,349.3 million which were primarily denominated in Hong Kong dollars ("HK$") and US dollars ("US$"). Taking advantage of the lower interest rate of borrowings in these two currencies, the Group recorded a lower finance costs by 52.4% on a year-on-year basis.

During the year under review, the Group incurred project expenses in relation to the acquisition of Tianjin Port Co of approximately HK$65.0 million (details of which please refer to the section "Significant Investments" on page 15 of this report). The drop in operating profit margin, together with the accounting for the project related expenses and reduction in contribution from the jointly controlled entities, resulted in a loss attributable to shareholders in 2009 of HK$47.8 million.

DIVIDEND

The Board does not recommend payment of a final dividend for the year under review.

REVIEW OF OPERATIONS

In 2009, the economic recession worldwide as triggered by the global financial crisis continued to impact on China's economy and on the foreign trade of the country in particular. During the year under review, China's foreign trade value recorded a year-on-year decline of 13.9%, the first time reduction since China joined the World Trade Organisation in 2001. Despite a negative growth in foreign trade in 2009, the introduction of the proactive stimulating measures by major trading partners to cope with the contracting economy during the year softened the situation. The container throughput of the major ports in China for the year dropped by 5.8% to 120.8 million TEUs, a substantial improvement as compared to the decline of 11.0% during the first half of the year. The total throughput of the major ports was 6.9 billion tonnes, representing a year-on-year growth of 8.2% as compared to the 2.6% growth for the first half of the year. Amidst such challenging operating environment, the port of Tianjin continued to stand out as the third largest port in terms of total throughput in China.

The Group is principally engaged in two business segments, namely the provision of port cargo handling service and sales business. The port cargo handling operation includes the handling of containers and non-containerised cargoes.

REVIEW OF OPERATIONS *(Continued)*

In 2009, the container throughput of the Group's terminals (excluding jointly controlled terminals) declined by 9.7% to 2.5 million TEUs, whereas the non-containerised cargo throughput grew by 4.6% to 13.7 million tonnes. A summary of the throughput by segment is as follows:

	2005	2006	2007	2008	**2009**
Throughput					
Container *(million TEUs)*	2.05	2.49	2.76	2.77	**2.50**
Non-containerised cargo *(million tonnes)*	18.3	16.6	13.0	13.1	**13.7**

Container Handling Business

During the year under review, the Group's wholly-owned terminals, run by Tianjin Port Container Terminal Co., Ltd. ("TCT") and Tianjin Harbour Second Steveodoring Co., Ltd. ("No. 2 Co."), recorded a reduction in throughput volume by 9.7% to 2.5 million TEUs. Due to the economic recession in major overseas trade partners, the growth in domestic throughput as a result of the Chinese government's initiatives to encourage domestic consumption was more than offset by the drop in foreign trade throughput.

The blended average unit price decreased by 15.3% to HK$236.4 per TEU as compared to last year. The drop in blended average unit price was due to a higher proportion of domestic and empty containers as a result of the decline in China's import/export trade. The revenue of container handling business in 2009 dropped year-on-year by 23.5% to HK$591.3 million.

Alliance, a jointly controlled terminal of the Group, was a key contributor to the Group's container handling business. In 2009, Alliance achieved 1.7 million TEUs in throughput, representing an increase of 7.2% over last year. Its net profit increased by 67.0% to HK$58.3 million, of which the Group has a 40% stake. Alliance's operation focuses on handling domestic containers. Tapping Chinese government's massive economic stimulus plan, Alliance achieved an encouraging growth in business during the year.

Euroasia, a jointly controlled terminal of which the Group holds 40% equity interest commenced trial operation in 2010. The terminal has 3 berths with a total quay length of 1,100 meters and a designed capacity of 1.8 million TEUs. Upon the commencement of the operation of Euroasia, the Group's total capacity reaches 6 million TEUs per year (before taking into account the capacity of Tianjin Port Co, in which the Group acquired in February 2010).

Non-containerised Cargo Handling Business

In 2009, the Group achieved a throughput of 13.7 million tonnes, representing an increase of 4.6% over last year. Grain, steel and metal ore are the Group's principal non-containerised cargoes. During the year under review, the throughput of grain and metal ore handling increased by 38.6% and 5.2 times respectively as triggered by the strong domestic demand for such goods. Steel handling throughput, on the other hand, decreased year-on-year by 31.7% due to the weakened overseas demand as a results of the slowdown in global economy. The blended average unit price of non-containerised cargo handling business dropped by 7.1% as a result of the reduction in export steel handling. The revenue of non-containerised cargo handling business in 2009 was HK$450.7 million, representing a reduction of 2.6% as compared to the previous year.

REVIEW OF OPERATIONS *(Continued)*

Logistics Business

Haifeng, a 51% owned joint venture, possesses 10 warehouse blocks in which 4 single-storey warehouses had commenced operation in 2008. The construction of the remaining 6 double-storey warehouse blocks was completed and commenced operation in the second half of 2009. Haifeng has a total gross floor area of about 190,000 square meters of warehouse space and achieved an occupancy rate of about 11% at the end of the year.

During the year under review, Haifeng incurred a net loss of HK$28.7 million of which the Group's share was 51%. The increase in operating losses was the result of the recognition of additional capital expenses after the completion of the construction of all the warehouse blocks in the second half of the year. In its early years of operation, we do not expect Haifeng to have significant contribution to the Group's results. However, with the upcoming development of the Dongjiang Bonded Free Port, Haifeng is expected to be a potential contributor to the Group in the future.

Sales Business

Taking advantage of our strong relationship with the major steel and metal ore suppliers, the Group commenced its sales business in 2009 by providing material sourcing and solicitation services to customers. The sales business on one hand brings additional supply of cargoes, and on the other hand enhances our value-added services for the non-containerised cargo handling operation and secures the Group with an additional source of income. During the year under review, the sales business achieved a revenue of HK$337.4 million and made a profit of HK$8.2 million. Despite the slim profit margin, we believe that the sales business would supplement the non-containerised cargo handling operation and bring positive contribution to the Group as a whole in the long run.

During the year, the Group, jointly with various leading non-ferrous metal suppliers and logistic service providers, established a joint venture which engaged in the provision of the trading platform for metal products and related warehousing and logistics services. The joint venture is expected to enhance the Group's logistics and cargo handling business as a whole through strengthening the logistics network and channels from its hinterlands to the port of Tianjin.

Cost Control

The management is committed to control its operating costs at an optimal level. During the year under review, cost of sales and administrative expenses of the Group was HK$953.3 million and HK$450.3 million, representing a year-on-year increase of 38.2% and 23.9% respectively. The increase was primarily due to the inclusion of the direct costs of the sales business which commenced during the year and the recognition of the project expenses in relation to the acquisition of Tianjin Port Co. By excluding the direct costs of the sales business, the Group had in fact effectively managed to reduce its cost of port cargo handling operation by 9.5% as compared to the previous year. Whereas the rise in administrative expenses, which mainly attributable to the increase in insurance and welfare related expenses in pursuance to the revisions to the labour policies, was 6.0% after excluding the project related expenses.

REVIEW OF OPERATIONS *(Continued)*

Cost Control *(Continued)*

The Group will continue to actively take measures to control its operating costs. As at 31 December 2009, the Company and its subsidiaries had approximately 2,900 employees. The Group will maintain its human resources policies to outsource non-core operating functions and maintain an optimal number of labour force. In addition, the Group will carry out a number of facility improvement plans, including diesel to electricity transformation, with an aim to enhance the operating efficiency and reduce costs.

PROSPECTS

In February 2010, the Group completed the acquisition of the 56.81% equity interest in Tianjin Port Co in order to integrate the two separately listed port operators at the port of Tianjin. The Group focuses on container handling business whereas Tianjin Port Co focuses on non-containerised cargo handling business. After the acquisition, the portfolio of the Group will consists of all commercially operating port cargo handling, logistics and auxiliary operation assets within the port of Tianjin, which leads to a significant increase in the scale of the operation and enhances the Group's overall earning capacity. In 2009, Tianjin Port Co (including associates) achieved container handling and non-containerised cargo handling throughput of 4.5 million TEUs and 195.8 million tonnes respectively. The consolidated revenue of Tianjin Port Co was RMB9,776.1 million, out of which port cargo handling business contributed to RMB3,549.7 million and sales business contributed to RMB4,965.1 million respectively. Tianjin Port Co recorded a profit attributable to its equity holders of RMB643.7 million in 2009. It is expected that Tianjin Port Co will be able to produce better results and contribute significantly to the Group with the external operating environment improving in the coming year.

Under the Eleventh Five-Year Plan of the Chinese government, the port of Tianjin was designated as the principal gateway to the hinterland of the northern and northwestern regions of China. It is anticipated that the container throughput at the port of Tianjin will reach 10 million TEUs by 2010. Furthermore, the acceleration of the development of the Tianjin Binhai New Area will further facilitate regional integration and improve the connectivity of the Tianjin Binhai New Area to the hinterland. Tianjin is set to become an international shipping and logistics centre in the North of China and act as the key driver to regional economic growth. The completion of the acquisition is an important strategic milestone for the Group to participate in the emergence of the port of Tianjin to a world-class comprehensive port.

FINANCIAL REVIEW

Cash Flow

The net cash inflow from operations during the year amounted to HK$60.0 million, 76.8% lower than last year. The decrease was due to the drop in operating profit for the year.

The net cash spending in investing activities amounted to HK$140.4 million. Out of which HK$83.7 million was capital expenditure and HK$60.7 million for a loan to a jointly controlled entity.

To finance the Group's general working capital requirement, the Group arranged several short-term banking facilities with banks in both China and Hong Kong. During the year, the Group drew additional HK$209.0 million from bank facilities.

During the year under review, the net cash inflow of the Group was HK$117.0 million (2008: HK$125.9 million).

Liquidity and Financial Resources

As at the end of the year, the Group had cash and bank balances of HK$707.5 million (principally denominated in Renminbi ("RMB")), representing an increase of 20.1% as compared to last year. The Group's total borrowings at the year end increased by 18.3% to HK$1,349.3 million, representing a gearing ratio (total borrowings divided by total equity) of 37.6%. The borrowings are denominated in HK$/US$/RMB with a floating interest rate. The current portion of the bank borrowings was HK$149.6 million and the remaining portion was repayable within 5 years. In addition, the current ratio (ratio of current assets to current liabilities) was 2.0 as compared to 5.4 at the end of last year. At the year end date, all assets of the Group are free of any charge.

In January 2010, the Group arranged a 3-year term loan facility of HK$1,600 million for financing the acquisition of Tianjin Port Co and general working capital. As at the date of this report, the loan facility was fully utilised.

For day-to-day liquidity management, the Group maintains flexibility in funding by obtaining sufficient 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, except for bank borrowings of HK$1,309.5 million, the Group's assets and liabilities were principally denominated in RMB. 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.

Capital Structure

At the end of the year under review, the capital and reserves attributable to the equity holders of the Company was HK$3,586.4 million, representing a decrease of 0.8% as compared to the end of last year.

The market capitalisation of the Company as at 31 December 2009 (the last trading day of the year) was HK$5,021.8 million (issued share capital: 1,787,100,000 shares at closing market price: HK$2.81 per share).

FINANCIAL REVIEW *(Continued)*

Capital Structure *(Continued)*

Pursuant to the ordinary resolution passed at the extraordinary general meeting of the Company held on 15 July 2009, the authorised capital of the Company increased from 5,000,000,000 shares to 12,000,000,000 shares by the creation of an additional 7,000,000,000 shares of HK$0.10 each, ranking pari passu in all respects with the existing shares.

In January 2010, the Company issued in aggregate 4,370,900,000 shares for the acquisition of a 56.81% interest in Tianjin Port Co (details of which please refer to the section “Significant Investments” as follows). As at the date of this report, the Company had 6,158,000,000 shares in issue.

SIGNIFICANT INVESTMENTS

On 16 March 2009, the Company and Grand Point Investment Limited (“Grand Point”), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Tianjin Port (Group) Co., Ltd. (“Tianjin Port Group”), pursuant to which the Company through Grand Point conditionally agrees to acquire a 56.81% interest in Tianjin Port Co from Tianjin Port Group for a total consideration of HK$10,961.1 million. The acquisition was completed in February 2010.

The total consideration was satisfied as to HK$6,890.8 million by the issuing of new shares of the Company to Tianjin Port Group, and the remaining HK$4,070.3 million was satisfied by cash. The cash portion of the acquisition was financed by the net proceeds of HK$2,626.8 million from placing of new shares of the Company and the remaining balance by bank borrowings.

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 2009.

EMPLOYEES

As at 31 December 2009, the Company and its subsidiaries had approximately 2,900 staffs. 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 our 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
Executive Director

Hong Kong, 8 April 2010

LOGISTICS WAREHOUSING

Key logistics warehousing service provider engaging in the development of Dongjiang port.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance. The Board recognises the practising of 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 on the Stock Exchange (the "Listing Rules"). 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 2009.

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 throughout the year ended 31 December 2009.

BOARD OF DIRECTORS

As at 31 December 2009, the Board consists of nine Directors, comprising five executive Directors namely Mr. Yu Rumin (Chairman), Mr. Zhang Jinming (Managing Director), Mr. Dai Yan, Mr. Xue Lingsen and Mr. Liu Qingshan; Mr. Wang Guanghao as an non-executive Director, and three independent non-executive Directors namely Mr. Kwan Hung Sang, Francis, Prof. Japhet Sebastian Law and Dr. Cheng Chi Pang, Leslie.

Mr. Yu is the acting 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"). Mr. Dai Yan is an executive director and the executive deputy general manager of Tianjin Development. He is also a director and executive 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.

The Board held seven full board meetings during the year ended 31 December 2009. The attendance of the respective Directors of the board meetings in 2009 are set out below:

Member of the Board	Number of meetings attended
Executive Directors	
Mr. YU Rumin	7
Mr. ZHANG Jinming	7
Mr. DAI Yan *(note 1)*	1
Mr. XUE Lingsen *(note 2)*	7
Mr. LIU Qingshan *(note 3)*	4
Mr. NIE Jiansheng *(note 4)*	5
Mr. JIAO Hongxun *(note 5)*	3
Non-executive Director	
Mr. WANG Guanghao *(note 6)*	4
Independent Non-executive Directors	
Mr. KWAN Hung Sang, Francis	7
Prof. Japhet Sebastian LAW	6
Dr. CHENG Chi Pang, Leslie	7

Notes:

1. Mr. Dai Yan was appointed as an executive Director on 1 September 2009.
2. Mr. Xue Lingsen resigned on 8 April 2010.
3. Mr. Liu Qingshan was appointed as an executive Director on 23 April 2009 and resigned on 8 April 2010.
4. Mr. Nie Jiansheng resigned on 1 September 2009.
5. Mr. Jiao Hongxun resigned on 23 April 2009.
6. Mr. Wang Guanghao resigned on 8 April 2010.

BOARD OF DIRECTORS *(Continued)*

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 three independent non-executive Directors are highly qualified professionals with extensive experiences in areas including accounting, finance and corporate management. The biographies of the Directors are set out under the section "Biography of Directors and Senior Management" in the Report of the Directors.

All independent non-executive Directors have confirmed to the Company their independence during the reporting period pursuant to the requirement of Rule 3.13 of the Listing Rules. The Board considers that all independent non-executive Directors to be independent within the definition of the Listing Rules.

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

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 of the Company is responsible for 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.

The managing director of the Company provides 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

As at the date of this report, the remuneration committee of the Company (the "Remuneration Committee") comprises one executive Director, Mr. Zhang Jinming, 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 2009. Mr. Zhang Jinming was appointed as a member of the Remuneration Committee on 1 September 2009 and thus only present at one of the meetings. Save as mentioned above, other members of the Remuneration Committee attended all the meetings.

The Remuneration Committee performed the following work during the year ended 31 December 2009:

– 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, bonus and pensions. Apart from basic salary, executive Directors and employees are eligible to receive discretionary bonus after 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 Directors' emoluments during the year ended 31 December 2009 are set out in Note 8 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 23 to the financial statements.

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 2009. All members of the Audit Committee attended the meetings.

The Audit Committee performed the following work during the year ended 31 December 2009:

- reviewed the report of the 2008 annual results and the report for the 2009 interim results.
- reviewed the financial control, internal control and risk management systems of the Group.
- reviewed the auditors' audit findings.
- reviewed the auditors' remuneration.

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 2009, the remuneration paid and payable to the auditors of the Company in respect of audit services was HK$1,300,000 and fees related to non-audit services amount to HK$8,516,100. The non-audit services were in relation to the acquisition of the 56.81% equity interest of Tianjin Port Co and tax advisory services.

FINANCIAL REPORTING

The Directors acknowledged their responsibility for preparing the financial statements for each financial year which give a true and fair view of the results and financial position of the Group. 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 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.

NON-CONTAINERISED CARGO BUSINESS

Steel, grains and metal ore are the flagship products of the Group, representing 84% of the total non-containerised cargo throughput.

The Directors have pleasure in presenting the annual report together with the audited financial statements of the Group for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of its principal subsidiaries, associates and jointly controlled entities are set out in Note 34 to the financial statements.

An analysis of the Group's performance by segments for the year ended 31 December 2009 is set out in Note 4 to the financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2009 are set out in the consolidated income statement on page 51.

The Board does not recommend payment of a dividend for the year ended 31 December 2009. (Total dividend for the year 2008: HK3.1 cents per share).

RESERVES

Reserves available for distribution to the shareholders of the Company as at 31 December 2009 amounted to HK$57,901,000 (2008: HK$101,307,000).

Movements in reserves of the Group and the Company during the year are set out in Note 24 to the financial statements.

MAJOR SUPPLIERS AND CUSTOMERS

The sales attributable to the Group's five largest customers combined was approximately 33% of the Group's sales for the year and the largest customer included therein accounted for approximately 8%.

The five largest suppliers of the Group combined accounted for approximately 37% of the Group's total purchases for the year and the largest supplier included therein accounted for approximately 14%.

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 14 to the financial statements.

SHARE CAPITAL

Movements in share capital of the Company are set out in Note 23 to the financial statements.

BORROWINGS

Particulars of borrowings of the Group as at 31 December 2009 are set out in Note 25 to the financial statements.

EVENTS AFTER BALANCE SHEET DATE

Details of significant events occurring after the balance sheet date are set out in Note 31 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 several 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. On 9 December 2009, the Borrower, the Company and the 1st Lenders entered into a letter agreement supplementing certain terms of the 1st Facility Agreement. The loan facility is unsecured, interest bearing and repayable in full on the date falling 60 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. On 9 December 2009, the Borrower, the Company and the 2nd Lender entered into a supplemental agreement supplementing certain terms of the 2nd Facility Agreement. The loan facility is unsecured, interest bearing and repayable in full on the date falling 60 months from the date of the agreement.

On 15 January 2010, the Borrower, the Company as guarantor, entered into a facility agreement (the "3rd Facility Agreement") with several financial institutions as lender (the "3rd Lenders"), pursuant to which a 3-year term loan facility in an aggregate amount of HK$1,600,000,000 is made available by the 3rd Lenders to the Borrower. The loan facility is unsecured, interest bearing and repayable in full on the date falling 36 months from the date of the agreement.

All the above facility agreements included a condition imposing specific performance obligations on Tianjin Port Group. It will be an event of default if at any time Tianjin Port Group, together with its subsidiaries cease to (1) have (directly or indirectly) the single largest shareholding interest in the Company in aggregate; or (2) hold no less than 35% (directly or indirectly) of the shareholding interest in the Company in aggregate. In such event (amongst other things) the loans under all the above facilities may immediately become payable on demand. Such obligation continues to exist as at the date of this annual report.

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 96 to 97.

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 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 151,400,000 Shares are available for issue under the Share Option Scheme, representing approximately 2.5% 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.

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.

SHARE OPTION SCHEME *(Continued)*

Details of the share options granted, exercised, lapsed and cancelled during the year ended 31 December 2009 are as follows:

	Date of grant	Exercise price HK$	As at 01/01/2009	Granted *(Note 1)*	Exercised	Lapsed	Cancelled	As at 31/12/2009	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 *(Note 2)*	01/08/2006	2.28	2,100,000	–	–	–	–	2,100,000	01/02/2007 -01/04/2010
Mr. Zhang Jinming	01/08/2006	2.28	2,000,000	–	–	–	–	2,000,000	01/02/2007 -01/08/2016
Mr. Dai Yan	01/09/2009	3.036	–	1,100,000	–	–	–	1,100,000	01/03/2010 -31/08/2019
Mr. Xue Lingsen *(Note 3)*	01/08/2006	2.28	1,100,000	–	–	–	–	1,100,000	01/02/2007 -01/08/2016
Mr. Jiao Hongxun *(Note 4)*	01/08/2006	2.28	1,100,000	–	–	(1,100,000)	–	–	–
Mr. Liu Qingshan *(Note 5)*	01/06/2009	2.53	–	1,100,000	–	–	–	1,100,000	01/12/2009 -31/05/2019
Mr. Wang Guanghao *(Note 6)*	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	–	–	(400,000)	–	1,000,000	01/02/2007 -01/08/2016
	21/07/2008	3.45	1,000,000	–	–	–	–	1,000,000	21/01/2009 -20/07/2018
	01/06/2009	2.53	–	700,000	–	–	–	700,000	01/12/2009 -31/05/2019
Total			14,200,000	2,900,000	–	(1,500,000)	–	15,600,000	

Notes:

1. The closing price of the Shares immediately before 1 June 2009 and 1 September 2009, the date on which the share options were granted, were HK$2.50 and HK$2.98 respectively. All share options granted are subject to a vesting period of six months from the date of grant.
2. Mr. Nie Jiansheng resigned on 1 September 2009.
3. Mr. Xue Lingsen resigned on 8 April 2010.
4. Mr. Jiao Hongxun resigned on 23 April 2009.
5. Mr. Liu Qingshan resigned on 8 April 2010.
6. Mr. Wang Guanghao resigned on 8 April 2010.

SHARE OPTION SCHEME *(Continued)*

Details of the value of share options granted under the Share Option Scheme during the year ended 31 December 2009 and the accounting policy adopted for the share options are set out in Note 23 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 2009 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. TIAN Changsong *(Vice Chairman)* (appointed on 8 April 2010)
Mr. LI Quanyong *(Managing Director)* (appointed on 8 April 2010)
Mr. ZHANG Jinming (redesignated as Deputy General Manager on 8 April 2010)
Mr. DAI Yan (appointed on 1 September 2009)
Mr. XUE Lingsen (resigned on 8 April 2010)
Mr. LIU Qingshan (appointed on 23 April 2009 and resigned on 8 April 2010)
Mr. NIE Jiansheng (resigned on 1 September 2009)
Mr. JIAO Hongxun (resigned on 23 April 2009)

Non-executive Director

Mr. WANG Guanghao (resigned on 8 April 2010)

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. Yu Rumin, Prof. Japhet Sebastian Law and Dr. Cheng Chi Pang, Leslie 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. Tian Changsong, Mr. Li Quanyong and Mr. Dai Yan 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 (于汝民先生)
Chairman

Aged 60, 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. 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 (Stock Code: 00882), a company whose shares are listed on the Main Board of the Stock Exchange, 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 (Stock Code: 600717), a non-wholly owned subsidiary of the Company whose shares are listed on the Shanghai Stock Exchange.

Mr. TIAN Changsong (田長松先生)

Vice Chairman

Aged 57, was appointed as the vice chairman of the Company and an executive Director on 8 April 2010. Mr. Tian holds a graduate and senior economist qualification. Mr. Tian was the assistant to the head of the Tianjin Port Authority from December 1994 to June 1995, and the deputy head of the Tianjin Port Authority from June 1995 to June 2004. He was the deputy chief executive officer of Tianjin Port Group from June 2004 to November 2007, and has been the chief executive officer since November 2007. Mr. Tian was elected as and has been the vice chairman of Tianjin Port Co, since December 2008.

Mr. Tian has over 30 years of experience at the port of Tianjin and has solid experience in port operation, corporate management and capital operation.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT *(Continued)*

Executive Directors *(Continued)*

Mr. LI Quanyong (李全勇先生)

Managing Director

Aged 48, was appointed as the managing director of the Company and an executive Director on 8 April 2010. Mr. Li possesses a master's degree in engineering and senior economist qualification, and has nearly 20 years of experience in operation management and capital operation in listed companies. Mr. Li was the company secretary and deputy general manager of Tianjin Port Co, from March 1992 to July 1998. He was a director, company secretary and the general manager of the securities department of Tianjin Port Co from August 1998 to January 2004. Mr. Li was appointed as a director and deputy chief executive officer in January 2004, and was the chief executive officer of the company from February 2007 to April 2010. Mr. Li has been a director of Tianjin Port Co since February 2007. Mr. Li also acts as the chief economist of Tianjin Port Group since January 2009.

Mr. ZHANG Jinming (張金明先生)

Aged 59, was appointed as an executive Director and managing director of the Company on 8 September 2005, and was redesignated as an executive Director and deputy general manager of the Company on 8 April 2010. He is also a member of the Remuneration Committee. Mr. Zhang assists in overseeing 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 University of Finance and Economics (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. He is also a non-executive director of Tianjin Binhai Teda Logistics (Group) Corporation Limited (Stock Code: 08348), a company whose shares are listed on the Growth Enterprise Market of the Stock Exchange.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT *(Continued)*

Executive Directors *(Continued)*

Mr. DAI Yan (戴延先生)

Aged 57, was appointed as an executive Director on 1 September 2009. Mr. Dai is a senior economist. He graduated from University of International Business and Economics (對外經濟貿易大學) in 1980. In 1998, he completed the professional course in law in the Party School of the Central Committee of C.P.C. and the postgraduate course of international trade in Tianjin University of Finance and Economics (天津財經大學), respectively. From 1988 to 2002, he acted as the deputy general manager of Tianjin Garments Import & Export Corporation; the deputy general manager of Tianjin Garments Associate Corporation; the director, deputy general manager and general manager of Tianjin Zhong Fu International Group Company Limited and acted as the director and deputy general manager of Tianjin Textile (Holdings) Group Limited. Mr. Dai is currently an executive director and the executive deputy general manager of Tianjin Development and a director and the executive deputy general manager of Tsinlien. Mr. Dai is also an executive director of Binhai Investment Company Limited (Stock Code: 08035), a company whose shares are listed on the Growth Enterprise Market of the Stock Exchange. Mr. Dai has solid experience in management for over 20 years.

Mr. XUE Lingsen (薛翎森先生)

Aged 54, 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. Xue has resigned as an executive Director on 8 April 2010.

Mr. LIU Qingshan (劉清山先生)

Aged 40, was appointed as an executive Director on 23 April 2009. Mr. Liu is responsible for the overall operation and management of No. 2 Co.. 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 No. 2 Co. in September 2001 and the general manager in September 2008. Mr. Liu has over 18 years of experience in the management and administration of stevedoring operation and other port related business.

Mr. Liu has resigned as an executive Director on 8 April 2010.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT *(Continued)*

Non-executive Director

Mr. WANG Guanghao (王廣浩先生)

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.

Mr. Wang has resigned as a non-executive Director on 8 April 2010.

Independent Non-executive Directors

Mr. KWAN Hung Sang, Francis (關雄生先生)

Aged 59, was appointed as an independent non-executive Director on 8 September 2005. He is also a member of the Audit Committee and the 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 and Foods for Beauty Enterprise Limited. These companies are engaged in the, production, distribution, sales and marketing of natural health food products. Mr. Kwan is also the Director of TTS Biotech (Holdings) Limited, which is in the process of developing exclusive natural health food products on therapy through skin.

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 (羅文鈺教授)

Aged 58, was appointed as an independent non-executive Director on 8 September 2005. He is also the chairman of the Remuneration Committee and a member of the 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) and Binhai Investment Company Limited (Stock Code: 08035), companies whose shares are listed on the Growth Enterprise Market of the Stock Exchange. Prof. Law 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 (鄭志鵬博士)

Aged 52, was appointed as an independent non-executive Director on 8 September 2005. He is also the chairman of the Audit Committee. Dr. Cheng obtained his Master's degree in Laws (Chinese and Comparative Law) from City University of Hong Kong in July 2009, and a 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 also 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.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT *(Continued)*

Independent Non-executive Directors *(Continued)*

Dr. CHENG Chi Pang, Leslie (鄭志鵬博士) *(Continued)*

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.

Senior Management

Mr. LIU Jicheng (劉繼成先生)

Aged 48, 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. Zhang Zengxin (張增新先生)

Aged 39, was appointed as a deputy general manager of the Company on 8 April 2010. Mr. Zhang graduated from Hefei University of Technology (合肥工業大學) in accounting, and holds a master's degree in professional accounting and China Qualified Senior Accountant qualification. Mr. Zhang has over 15 years of experience in accounting and financial management. He started his career at the port of Tianjin since 1995, held different position in the finance department of Tianjin Port Group. He was the manager of the planning and finance department of Tianjin Port Group from October 2006 to November 2009, and the assistant to the head of planning and finance department since December 2009.

Mr. WANG Xinqiang (王新強先生)

Aged 40, 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限公司) which he joined in July 1992 and became the deputy general manager in 2001.

Mr. Wang has resigned as a deputy general manager of the Company on 8 April 2010.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT *(Continued)*

Senior Management *(Continued)*

Mr. YAM Pui Hung Robert (任佩雄先生)

Aged 42, 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' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2009, 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. Zhang Jinming	Beneficial owner	–	2,000,000 (L)	0.11% (L)
Mr. Dai Yan	Beneficial owner	–	1,100,000 (L)	0.06% (L)
Mr. Xue Lingsen *(Note 2)*	Beneficial owner	–	1,100,000 (L)	0.06% (L)
Mr. Liu Qingshan *(Note 2)*	Beneficial owner	–	1,100,000 (L)	0.06% (L)
Mr. Wang Guanghao *(Note 2)*	Beneficial owner	–	2,300,000 (L)	0.13% (L)
Mr. Kwan Hung Sang, Francis	Beneficial owner	250,000 (L)	300,000 (L)	0.03% (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. Resigned on 8 April 2010.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(Continued)*

(ii) Associated Corporation – Tianjin Development

Name of Director	**Capacity**	**Number of shares**	**Number of underlying shares** *(Note 1)*	**Exercise price** *HK$*	*Note*	**Approximate percentage of issued share capital of Tianjin Development**
Mr. Yu Rumin	Beneficial owner	–	1,000,000 (L)	8.04	2	0.28%(L)
			2,000,000 (L)	5.75	3	
Mr. Dai Yan	Beneficial owner	–	900,000 (L)	8.04	2	0.22%(L)
			1,400,000 (L)	5.75	3	

(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 with exercisable period from 17 January 2008 to 24 May 2017.

3. The share options were granted on 16 December 2009 with exercisable period from 16 December 2009 to 24 May 2017.

Save as disclosed above, as at 31 December 2009, 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 OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 December 2009, 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	1,203,162,000 (L)	67.32% (L)
Tianjin Development *(Note 1)*	Interest of controlled corporations	1,203,312,000 (L)	67.33% (L)
Tsinlien *(Note 2)*	Interest of controlled corporations	1,215,562,000 (L)	68.02% (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 2009, 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 2009, Mr. Yu Rumin and Mr. Dai Yan were directors of Tianjin Development. As at 31 December 2009, Mr. Dai Yan was a director of Tsinlien.

Save as disclosed above, as at 31 December 2009, 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 its connected persons (including Tianjin Port Group and/or its associates) during the year ended 31 December 2009. The Stock Exchange has exercised its discretion under Rule 14A.06 of the Listing Rules to deem Tianjin Port Group and its associates as connected persons of the Company.

(A) Connected Transactions

Details of the connected transactions for the year ended 31 December 2009 are as follows:

1. Acquisition of 56.81% interest in Tianjin Port Co

On 16 March 2009, the Company and Grand Point, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Tianjin Port Group, pursuant to which the Company through Grand Point conditionally agreed to acquire a 56.81% interest in Tianjin Port Co, a company listed on the Shanghai Stock Exchange (stock code: 600717), from Tianjin Port Group for a total consideration of HK$10,961.1 million. The acquisition was completed on 4 February 2010.

Details of the above connected transaction were disclosed in the joint announcements of the Company and Tianjin Development dated 16 March 2009 and 5 February 2010, and the joint circular of the Company and Tianjin Development dated 19 June 2009.

2. Small-scale Construction

On 16 December 2009, TCT, an indirect wholly-owned subsidiary of the Company, entered into the small-scale construction agreement with 天津港灣電力工程有限公司 (Tianjin Port Electricity Project Co., Ltd.*), a wholly-owned subsidiary of Tianjin Port Group, relating to the construction project for a cash consideration of RMB2,950,000 (equivalent to approximately HK$3,352,000).

Details of the above connected transaction were disclosed in the announcement of the Company dated 16 December 2009.

3. Machinery Transfer

On 16 December 2009, No. 2 Co., an indirect wholly-owned subsidiary of the Company, entered into the Machinery Agreement with 天津港焦炭碼頭有限公司 (Tianjin Port Coke Terminal Co., Ltd.*), an indirect subsidiary of Tianjin Port Group, pursuant to which Tianjin Port Coke Terminal Co., Ltd. shall transfer two sets of machinery to No. 2 Co. at an aggregate cash consideration of RMB3,097,000 (equivalent to approximately HK$3,519,000).

Details of the above connected transaction were disclosed in the announcement of the Company dated 16 December 2009.

CONNECTED TRANSACTIONS *(Continued)*

(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) are in accordance with the pricing policies of the Group where transactions involve provisions of goods and services by the Group; (iii) have been entered into in accordance with the relevant agreement governing the transactions and (iv) have not exceed the relevant caps.

Details of the continuing connected transactions for the year ended 31 December 2009 are as follows:

Non-exempt Continuing Connected Transactions

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")

CONNECTED TRANSACTIONS *(Continued)*

(B) Continuing Connected Transactions *(Continued)*

Non-exempt Continuing Connected Transactions *(Continued)*

Container Reconfiguration Storage Services *(Continued)*

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 the port of Tianjin for temporary storage of containers by the Services Companies to the Group
Annual cap for the year ended 31 December 2009:	RMB35,480,000
Actual amount for the year ended 31 December 2009:	RMB958,000 (equivalent to approximately HK$1,086,000)

New Non-exempt Continuing Connected Transactions

1. Property lease

Date of agreement:	15 June 2009 ("Property lease framework agreement")
Parties:	(i) the Company; (ii) Tianjin Port Group
Term:	15 June 2009 to 31 December 2011
Transactions involved:	Lease of various freight yards, warehouses, office buildings and port facilities in the Tianjin Binhai New Area from Tianjin Port Group and/or its associates to the Group
Annual cap for the year ended 31 December 2009:	RMB47,381,000
Actual amount for the year ended 31 December 2009:	RMB1,321,000 (equivalent to approximately HK$1,499,000)

CONNECTED TRANSACTIONS *(Continued)*

(B) Continuing Connected Transactions *(Continued)*

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

2. Integrated services

Date of agreement:	15 June 2009 ("Integrated services framework agreement")
Parties:	(i) the Company; (ii) Tianjin Port Group
Term:	15 June 2009 to 31 December 2011
Transactions involved:	Provision of utilities and supporting services by Tianjin Port Group and/or its associates to the Group
Annual cap for the year ended 31 December 2009:	RMB837,665,000
Actual amount for the year ended 31 December 2009:	RMB119,942,000 (equivalent to approximately HK$136,096,000)

3. Procurement

Date of agreement:	15 June 2009 ("Procurement framework agreement")
Parties:	(i) the Company; (ii) Tianjin Port Group
Term:	15 June 2009 to 31 December 2011
Transactions involved:	Purchase of products including port machinery, equipment and working tools by the Group from Tianjin Port Group and/or its associates
Annual cap for the year ended 31 December 2009:	RMB70,288,000
Actual amount for the year ended 31 December 2009:	Nil

CONNECTED TRANSACTIONS *(Continued)*

(B) Continuing Connected Transactions *(Continued)*

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

4. China Coal cargo handling services

Date of agreement:	15 June 2009 ("China Coal cargo handling services framework agreement")
Parties:	(i) the Company; (ii) China Coal Energy Company Limited ("China Coal")
Term:	15 June 2009 to 31 December 2011
Transactions involved:	Provision of cargo handling services by the Group to China Coal and/or its associates
Annual cap for the year ended 31 December 2009:	RMB69,312,000
Actual amount for the year ended 31 December 2009:	Nil

5. Sales

Date of agreement:	15 June 2009 ("Sales framework agreement")
Parties:	(i) the Company; (ii) Tianjin Port Group
Term:	15 June 2009 to 31 December 2011
Transactions involved:	Sale of materials including spare parts, fuel and lubricant products, and construction materials by the Group to Tianjin Port Group and/or its associates
Annual cap for the year ended 31 December 2009:	RMB20,364,000
Actual amount for the year ended 31 December 2009:	Nil

CONNECTED TRANSACTIONS *(Continued)*

(B) Continuing Connected Transactions *(Continued)*

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

6. *Freight yard and warehousing lease*

Date of agreement:	15 June 2009 ("Freight yard and warehousing lease framework agreement")
Parties:	(i) the Company; (ii) Tianjin Port Group
Term:	15 June 2009 to 31 December 2011
Transactions involved:	Lease of various freight yards and warehouses in the Tianjin Binhai New Area from the Group to Tianjin Port Group and/or its associates
Annual cap for the year ended 31 December 2009:	RMB3,495,000
Actual amount for the year ended 31 December 2009:	RMB355,000 (equivalent to approximately HK$403,000)

7. *Cargo reconfiguration and storage services*

Date of agreement:	15 June 2009 ("Cargo reconfiguration and storage services framework agreement")
Parties:	(i) the Company; (ii) Tianjin Port Group
Term:	15 June 2009 to 31 December 2011
Transactions involved:	Provision of cargo reconfiguration and storage services by the Group to Tianjin Port Group and/or its associates
Annual cap for the year ended 31 December 2009:	RMB10,917,000
Actual amount for the year ended 31 December 2009:	RMB401,000 (equivalent to approximately HK$455,000)

CONNECTED TRANSACTIONS *(Continued)*

(B) Continuing Connected Transactions *(Continued)*

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

8. DP World secondment

Date of agreement:	15 June 2009 ("DP World secondment framework agreement")
Parties:	(i) the Company; (ii) DP World New World (Tianjin) HK Limited ("DP World")
Term:	15 June 2009 to 31 December 2011
Transactions involved:	Provision of management staff by DP World and/or its associates to the Group
Annual cap for the year ended 31 December 2009:	RMB1,109,000
Actual amount for the year ended 31 December 2009:	Nil

Details of the above new non-exempt continuing connected transactions were disclosed in the announcement of the Company dated 15 June 2009 and the joint circular of the Company and Tianjin Development dated 19 June 2009.

Exempt Continuing Connected Transaction

During the year ended 31 December 2009, the Group had entered into the following continuing connected transaction which is exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of 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 1 January 2009, each of TCT and No. 2 Co. entered into a supplemental agreement with Tianjin Port Group based on the same terms as the original agreement signed on 8 May 2006 for an extended term from 1 January 2009 to 31 December 2011, pursuant to which TCT and No. 2 Co. 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 No. 2 Co.. For the year ended 31 December 2009, the fee collected on behalf of Tianjin Port Group amounted to RMB216,849,000 (equivalent to approximately HK$246,056,000).

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 30 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 non-containerised 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 the above companies and the Company) 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, 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 throughout the year ended 31 December 2009.

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 2009. A report on the principal corporate governance practices adopted by the Company is set out on pages 16 to 23.

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

PricewaterhouseCoopers is appointed as the Group's auditor. The financial statements set out in this annual report were prepared in accordance with Hong Kong Financial Reporting Standards and have been audited by PricewaterhouseCoopers.

On behalf of the Board
YU Rumin
Chairman

Hong Kong, 8 April 2010

** The English names of the PRC incorporated entities are for identification purposes only.*

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 95, which comprise the consolidated and company balance sheets as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows 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.

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 2009 and of the Group's loss 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, 8 April 2010

For the year ended 31 December 2009

	Note	2009 HK$'000	2008 HK$'000
Revenue	3	**1,402,780**	1,258,991
Business tax		**(32,647)**	(38,415)
Cost of sales		**(953,254)**	(689,691)
Gross profit		**416,879**	530,885
Other income	5	**29,966**	57,956
Administrative expenses		**(450,323)**	(363,600)
Other operating expenses		**(894)**	(2,675)
		(4,372)	222,566
Provision for impairment losses on available-for-sale financial assets		**–**	(25,253)
Finance costs	6	**(12,623)**	(26,529)
Share of results of associates		**(1,549)**	1,495
Share of results of jointly controlled entities		**764**	8,755
(Loss)/profit before income tax	7	**(17,780)**	181,034
Income tax	9	**(29,929)**	(50,414)
(Loss)/profit for the year		**(47,709)**	130,620
Attributable to:			
Equity holders of the Company		**(47,814)**	130,289
Minority interests		**105**	331
		(47,709)	130,620
Dividends	11	**–**	55,400
(Loss)/earnings per share	12		
– Basic and diluted *(HK cents)*		**(2.7)**	7.3

The notes on pages 58 to 95 are an integral part of these financial statements.

For the year ended 31 December 2009

	2009 HK$'000	2008 HK$'000
(Loss)/profit for the year	**(47,709)**	130,620
Other comprehensive income		
Fair value gain on available-for-sale financial assets	**9,800**	–
Exchange difference	**7,379**	196,231
Other comprehensive income for the year	**17,179**	196,231
Total comprehensive (loss)/income for the year	**(30,530)**	326,851
Total comprehensive (loss)/income attributable to:		
Equity holders of the Company	**(30,644)**	326,229
Minority interests	**114**	622
	(30,530)	326,851

The notes on pages 58 to 95 are an integral part of these financial statements.

As at 31 December 2009

	Note	2009 HK$'000	2008 HK$'000
ASSETS			
Non-current assets			
Land use rights	*13*	**773,588**	792,437
Property, plant and equipment	*14*	**1,813,182**	1,842,794
Interests in jointly controlled entities	*17*	**1,494,323**	1,430,037
Interests in associates	*16*	**25,936**	28,513
Available-for-sale financial assets	*18*	**42,046**	20,873
Deferred income tax assets	*19*	**9,429**	9,410
		4,158,504	4,124,064
Current assets			
Inventories	*20*	**145,297**	5,295
Trade and other receivables	*21*	**390,762**	175,476
Amounts due from associates		**29,419**	2,552
Amounts due from jointly controlled entities		**13,318**	6,858
Cash and cash equivalents	*22*	**707,492**	588,866
		1,286,288	779,047
Total assets		**5,444,792**	4,903,111
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	*23*	**178,710**	178,710
Reserves	*24*	**2,711,785**	2,679,812
Retained earnings		**695,875**	755,896
		3,586,370	3,614,418
Minority interests		**4,405**	4,433
Total equity		**3,590,775**	3,618,851

The notes on pages 58 to 95 are an integral part of these financial statements.

As at 31 December 2009

	Note	2009 HK$'000	2008 HK$'000
LIABILITIES			
Non-current liabilities			
Borrowings	25	1,199,693	1,140,250
Deferred income tax liabilities	19	11,709	–
		1,211,402	1,140,250
Current liabilities			
Trade and other payables	26	459,144	127,900
Amounts due to related companies		26,661	12,586
Current income tax liabilities		7,226	3,524
Borrowings	25	149,584	–
		642,615	144,010
Total liabilities		1,854,017	1,284,260
Total equity and liabilities		5,444,792	4,903,111
Net current assets		643,673	635,037
Total assets less current liabilities		4,802,177	4,759,101

YU Rumin
Director

ZHANG Jinming
Director

The notes on pages 58 to 95 are an integral part of these financial statements.

As at 31 December 2009

	Note	2009 HK$'000	2008 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	1,084	1,805
Interests in subsidiaries	15	3,670,279	3,600,976
Interests in a jointly controlled entity	17	597,177	595,959
Available-for-sale financial assets	18	30,281	14,800
		4,298,821	4,213,540
Current assets			
Other receivables	21	1,959	2,243
Amounts due from subsidiaries	15	235,609	191,143
Cash and cash equivalents	22	54,236	4,555
		291,804	197,941
Total assets		4,590,625	4,411,481
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	23	178,710	178,710
Reserves	24	3,022,928	3,003,898
Retained earnings		57,901	101,307
		3,259,539	3,283,915
Current liabilities			
Other payables	26	62,201	18,164
Amount due to a subsidiary	15	1,268,885	1,109,402
		1,331,086	1,127,566
Total equity and liabilities		4,590,625	4,411,481
Net current liabilities		(1,039,282)	(929,625)
Total assets less current liabilities		3,259,539	3,283,915

YU Rumin
Director

ZHANG Jinming
Director

The notes on pages 58 to 95 are an integral part of these financial statement.

For the year ended 31 December 2009

	Attributable to equity holders of the Company					
	Share capital HK$'000	Reserves HK$'000	Retained earnings HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 1 January 2008	178,710	2,442,864	768,224	3,389,798	4,201	3,393,999
Comprehensive income						
Profit for the year	–	–	130,289	130,289	331	130,620
Other comprehensive income						
Exchange differences	–	195,940	–	195,940	291	196,231
Total comprehensive income for the year	–	195,940	130,289	326,229	622	326,851
Transfers	–	38,965	(38,965)	–	–	–
Share-based compensation	–	2,043	–	2,043	–	2,043
Dividends paid	–	–	(103,652)	(103,652)	–	(103,652)
Acquisition of additional interests in a subsidiary	–	–	–	–	(390)	(390)
At 31 December 2008	178,710	2,679,812	755,896	3,614,418	4,433	3,618,851
Comprehensive loss						
Loss for the year	–	–	(47,814)	(47,814)	105	(47,709)
Other comprehensive income						
Fair value gain on available-for-sale financial assets	–	9,800	–	9,800	–	9,800
Exchange differences	–	7,370	–	7,370	9	7,379
Total comprehensive loss for the year	–	17,170	(47,814)	(30,644)	114	(30,530)
Transfers	–	12,207	(12,207)	–	–	–
Share-based compensation	–	2,596	–	2,596	–	2,596
Deemed acquisition of additional interests in a subsidiary	–	–	–	–	(142)	(142)
At 31 December 2009	178,710	2,711,785	695,875	3,586,370	4,405	3,590,775

The notes on pages 58 to 95 are an integral part of these financial statements.

For the year ended 31 December 2009

	Note	2009 HK$'000	2008 HK$'000
Cash flows from operating activities			
Cash generated from operations	27	74,576	320,289
PRC Income tax paid		(14,563)	(61,195)
Net cash generated from operating activities		60,013	259,094
Cash flows from investing activities			
Purchase of property, plant and equipment		(83,716)	(75,138)
Purchase of available-for-sale financial assets		(11,361)	(40,053)
Acquisition of a jointly controlled entity		–	(570,186)
Acquisition of an associate		–	(1,425)
Acquisition of additional interests in a subsidiary		–	(390)
Loan to a jointly controlled entity		(60,710)	(80,346)
Proceeds from disposal of property, plant and equipment		1,421	830
Interest received		12,847	13,057
Dividends received from associates		1,084	781
Net cash used in investing activities		(140,435)	(752,870)
Cash flows from financing activities			
Proceeds from borrowings		209,011	815,880
Repayments of borrowings		–	(65,630)
Interest paid		(11,555)	(26,971)
Dividends paid to equity holders of the Company		–	(103,652)
Net cash from financing activities		197,456	619,627
Net increase in cash and cash equivalents		117,034	125,851
Cash and cash equivalents at 1 January		588,866	438,754
Effects of changes in exchange rates		1,592	24,261
Cash and cash equivalents at 31 December representing bank balances and cash		707,492	588,866

The notes on pages 58 to 95 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. Its principal address is Suite 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 34.

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 33.

(i) The following standards, amendments and interpretations are mandatory for the accounting periods beginning 1 January 2009:

HKFRS (Amendments)	*Improvements to HKFRS issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009*
HKFRS (Amendments)	*Improvements to HKFRS issued in 2009, in relation to the amendment to paragraph 80 of HKAS 39*
HKAS 1 (Revised)	*Presentation of Financial Statements*
HKAS 23 (Revised)	*Borrowing Costs*
HKAS 32 & HKAS 1 (Amendments)	*Financial Instruments: Presentation & Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*
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*
HKFRS 2 (Amendments)	*Share-based Payment – Vesting Conditions and Cancellations*
HKFRS 7 (Amendments)	*Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*
HKFRS 8	*Operating Segments*
HK(IFRIC) – Int 13	*Customer Loyalty Programmes*
HK(IFRIC) – Int 15	*Agreements for the Construction of Real Estate*
HK(IFRIC) – Int 16	*Hedges of a Net Investment in a Foreign Operation*
HK(IFRIC) – Int 18	*Transfer of Assets from Customers*
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	*Reassessment of Embedded Derivatives & Financial Instruments: Recognition and Measurement – Embedded Derivatives*

The adoption of these standards, 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)*

(ii) The following amendment that are not yet effective have been early adopted by the Group:

The Group has early adopted HKAS 24 (Revised), Related Party Disclosures which is effective for annual periods beginning on or after 1 January 2011. The early adoption of HKAS 24 (Revised) had no significant impact of the results and financial position of the Group.

(iii) The following standards, amendments and interpretations which have been issued and are not yet effective have not been early adopted by the Group:

HKFRS (Amendments)	*Improvements to HKFRS issued in 2008 for the amendment to HKFRS 5*
HKFRS (Amendments)	*Improvements to HKFRS issued in 2009*
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*
HKAS 32 (Amendment)	*Financial Instruments: Presentation – Classification of Rights Issues*
HKAS 39 (Amendment)	*Financial Instruments: Recognition and Measurement – Eligible Hedged Items*
HKFRS 1 (Revised)	*First-time adoption of HKFRS*
HKFRS 1 (Amendments)	*First-time adoption of HKFRS – Additional Exemptions for First-time Adopters*
HKFRS 1 (Amendments)	*First-time adoption of HKFRS – Limited Exemptions from Comparative HKFRS 7 Disclosures for First-time Adopters*
HKFRS 2 (Amendments)	*Share-based Payment – Group Cash-settled Share-based Payment Transactions*
HKFRS 3 (Revised)	*Business Combinations*
HKFRS 9	*Financial Instruments*
HK Int 4 (Amendment)	*Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases*
HK(IFRIC) – Int 14 (Amendment)	*HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – Prepayments of a Minimum Funding Requirement*
HK(IFRIC) – Int 17	*Distributions of Non-cash Assets to Owners*
HK(IFRIC) – Int 19	*Extinguishing Financial Liabilities with Equity Instruments*

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.

2.2 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 all 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.

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

2.2 Consolidation *(Continued)*

(a) Subsidiaries *(Continued)*

Common control acquisitions:

For common control combination, the consolidated financial statements incorporate the financial entities of the combining entities or businesses as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party. The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in consideration of goodwill or excess of acquirer's interest in the net fair value of acquirer's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated income statement includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where there is a shorter period, regardless of the date of the common control combination.

The consolidated financial statements are presented as if the entities or business had been combined at the previous balance sheet date or when they first came under common control, whichever is shorter.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting is recognised as an expense in the year in which it is incurred.

Other acquisitions:

The purchase method of accounting is used to account for the acquisition of subsidiaries except for those under common control 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 2.7). The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

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

2.2 Consolidation *(Continued)*

(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 and 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.

(c) Associates

Associates are all entities over which the Group has significant influence but not control, 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 interest in associates includes goodwill identified on acquisition, net of any accumulated impairment loss (Note 2.7).

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

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. 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 interest in jointly controlled entities includes goodwill identified on acquisition, net of any accumulated impairment loss (Note 2.7).

The Group's share of the post-acquisition results in jointly controlled entities is recognised in the consolidated 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 interest 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 (Note 2.7). 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

Operating segments are reported in a manner consistent with the information used for the purposes of assessing the performance and allocating resources between segments.

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 (the "PRC") is Renminbi ("RMB"). The financial statements are presented in Hong Kong dollars ("HK$").

(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 the income statement 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.

(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 (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

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

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

2.4 Foreign currency translation *(Continued)*

(c) Group companies *(Continued)*

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 Land use rights

The upfront prepayments made for land use rights are expensed in the income statement on a straight line basis over the period of the lease.

2.6 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 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

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 (Note 2.7).

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are recognised in the income statement.

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

2.7 Impairment of interests in subsidiaries, associates, jointly controlled entities and 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.

Impairment testing of the interests in subsidiaries, associates or jointly controlled entities is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary, associate or jointly controlled entity in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.8 Financial assets

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale. The classification depends on the purpose 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 2.11), 'amounts due from associates', 'amounts due from jointly controlled entities', 'amounts due from subsidiaries' and 'cash and cash equivalents' (Note 2.12) in the balance sheet. Loans and receivables are subsequently measured at amortised cost using the effective interest method.

(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 the investment matures or management intends to dispose of it 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 other comprehensive income. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

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

2.8 Financial assets *(Continued)*

(b) Available-for-sale financial assets *(Continued)*

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 reserve payments is established.

2.9 Impairment of financial assets

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.

(a) Assets carried at amortised cost

A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the income statement.

(b) Assets classified as available-for-sale

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 also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement) is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

2.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method and represents purchase costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.11 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.

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

2.12 Cash and cash equivalents

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

2.13 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.

2.14 Trade payables

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

2.15 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.

2.16 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company's subsidiaries, associates and jointly controlled entities operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

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

2.17 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 payments

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (option) of the Group. 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 is determined by reference to the fair value of the options granted:

– including any market performance conditions;

– excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and

– excluding the impact of any non-vesting conditions.

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The cash subscribed for the shares issued when the options are exercised is credited to share capital (nominal value) and share premium, net of any directly attributable transaction costs.

2.18 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.

2.19 Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make payment when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks and financial institutions on behalf of subsidiaries to secure bank facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. Subsequent to initial recognition, the company's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees recognised in accordance with HKAS 18, and the best estimate of the amount required to settle the guarantee.

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

2.20 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 value-added tax and 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) Sale of goods

Sale of goods is recognised in the period when the goods are delivered and title has passed.

(c) Interest income

Interest income is recognised using the effective interest method.

(d) Dividend income

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

2.21 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.

2.22 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 charged to the income statement on a straight-line basis over the period of the lease.

2.23 Dividend distribution

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

3. REVENUE

	2009 HK$'000	2008 HK$'000
Container handling	591,301	773,211
Non-containerised cargo handling	450,654	462,570
Storage and agency fees	23,376	23,210
Port cargo handling	1,065,331	1,258,991
Sales	337,449	–
	1,402,780	1,258,991

4. SEGMENT INFORMATION

Segment information has been prepared in a manner consistent with the information used for the purposes of assessing the performance and allocating resources between segments.

The Group has two reportable segments: port cargo handling and sales. The port cargo handling segment is related to container and non-containerised cargo handling and related services. The sales segment is related to sale of materials.

The segment revenue is from external customers and derived in the PRC.

The segment information for the reportable segments is as follows:

	Port cargo handling		Sales		Total	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Segment revenue	**1,065,331**	1,258,991	**337,449**	–	**1,402,780**	1,258,991
Profit before income tax for reportable segment	**79,478**	225,498	**8,224**	–	**87,702**	225,498
Unallocated income/(expenses):						
– Other income					**2,416**	40,608
– Head office and corporate expenses					**(96,548)**	(33,678)
– Provision for impairment losses on available-for-sale financial assets					**–**	(25,253)
– Finance costs					**(11,350)**	(26,141)
(Loss)/profit before income tax					**(17,780)**	181,034
Other information for reportable segments:						
Depreciation and amortisation	**(136,502)**	(133,748)	**–**	–	**(136,502)**	(133,748)
Interest income	**20,053**	16,305	**–**	–	**20,053**	16,305
Finance costs	**(1,273)**	(388)	**–**	–	**(1,273)**	(388)
Share of results of associates	**(1,549)**	1,495	**–**	–	**(1,549)**	1,495
Share of results of jointly controlled entities	**764**	8,755	**–**	–	**764**	8,755
Segment assets	**4,978,343**	4,871,003	**376,463**	–	**5,354,806**	4,871,003
Unallocated assets:						
– Available-for-sale financial assets					**24,600**	14,800
– Head office and corporate assets					**65,386**	17,308
Total assets					**5,444,792**	4,903,111
Other information for reportable segments:						
Interests in jointly controlled entities	**1,494,323**	1,430,037	**–**	–	**1,494,323**	1,430,037
Interests in associates	**25,936**	28,513	**–**	–	**25,936**	28,513
Additions to non-current assets (other than financial instruments and deferred income tax assets)	**81,295**	628,132	**–**	–	**81,295**	628,132

For the year ended 31 December 2009

5. OTHER INCOME

	2009 HK$'000	2008 HK$'000
Exchange gain	2,088	40,284
Interest income		
– from bank deposits	12,847	13,057
– from loan to a jointly controlled entity	7,208	3,572
Reversal of provision of impairment on trade receivables	217	–
Others	7,606	1,043
	29,966	57,956

6. FINANCE COSTS

	2009 HK$'000	2008 HK$'000
Interest expense on bank borrowings wholly repayable within five years	12,623	26,529

7. (LOSS)/PROFIT BEFORE INCOME TAX

(Loss)/profit before income tax is stated after charging:

	2009 HK$'000	2008 HK$'000
Auditors' remuneration	1,200	1,270
Employee benefit expense, including directors' emoluments *(Note 8)*	448,002	470,626
Cost of goods sold	329,225	–
Depreciation of property, plant and equipment	116,906	114,837
Amortisation of prepaid lease payments	20,444	20,194
Loss on disposal of property, plant and equipment	451	2,300
Operating lease payments	5,576	9,029

8. EMPLOYEE BENEFIT EXPENSE

	2009 HK$'000	2008 HK$'000
Wages and salaries, social security costs and other benefits	379,486	413,180
Share-based payment	2,596	2,043
Employer's contribution to pension schemes	65,920	55,403
	448,002	470,626

8. EMPLOYEE BENEFIT EXPENSE *(Continued)*

(a) Directors' emoluments

	For the year ended 31 December 2009				
Name of director	**Fees HK$'000**	**Salaries, share-based payment and other benefits HK$'000**	**Discretionary bonus HK$'000**	**Employer's contribution to pension schemes HK$'000**	**Total HK$'000**
Executive directors					
Mr. Yu Rumin	1,600	–	720	100	2,420
Mr. Nie Jiansheng *(Note i)*	1,027	–	434	70	1,531
Mr. Zhang Jinming	1,485	55	500	91	2,131
Mr. Dai Yan *(Note ii)*	132	800	84	7	1,023
Mr. Xue Lingsen *(Note iii)*	396	439	150	29	1,014
Mr. Liu Qingshan *(Note iv)*	273	1,673	150	14	2,110
Mr. Jiao Hongxun *(Note v)*	124	71	20	16	231
Non-executive director					
Mr. Wang Guanghao *(Note vi)*	600	–	200	30	830
Independent non-executive directors					
Mr. Kwan Hung Sang, Francis	300	90	–	–	390
Prof. Japhet Sebastian Law	300	90	–	–	390
Dr. Cheng Chi Pang, Leslie	300	90	–	–	390
	6,537	3,308	2,258	357	12,460

8. EMPLOYEE BENEFIT EXPENSE *(Continued)*

(a) Directors' emoluments *(Continued)*

	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 *(Note i)*	1,540	–	370	105	2,015
Mr. Zhang Jinming	1,485	90	340	99	2,014
Mr. Xue Lingsen *(Note iii)*	396	786	200	35	1,417
Mr. Jiao Hongxun *(Note v)*	396	596	200	35	1,227
Non-executive director					
Mr. Wang Guanghao *(Note vi)*	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

Notes:

i. Mr. Nie Jiansheng resigned on 1 September 2009.

ii. Mr. Dai Yan was appointed on 1 September 2009.

iii. Mr. Xue Lingsen resigned on 8 April 2010.

iv. Mr. Liu Qingshan was appointed on 23 April 2009 and resigned on 8 April 2010.

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

vi. Mr. Wang Guanghao resigned on 8 April 2010.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2008: five) directors whose emoluments are reflected in the analysis presented above. The emoluments in respect of the remaining two individuals are as follows:

	2009
	HK$'000
Salaries, share-based payment and other benefits	**2,885**
Discretionary bonus	**550**
Employer's contribution to pension schemes	**117**
	3,552

8. EMPLOYEE BENEFIT EXPENSE *(Continued)*

(b) Five highest paid individuals *(Continued)*

	2009 No. of individuals
The emoluments fell within the following band:	
HK$1,500,001 – HK$2,000,000	2

9. INCOME TAX

	2009 HK$'000	2008 HK$'000
PRC income tax		
Current tax		
– provision for the year	17,876	46,911
– underprovision in prior years	359	3,503
	18,235	50,414
Deferred tax	11,694	–
	29,929	50,414

No Hong Kong profits tax has been provided for as the Group has no estimated assessable profits for the year (2008: 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.

The Group's two principal subsidiaries are currently subject to income tax at a rate of 20% (2008: 18%). The income tax rates of the Group's other subsidiaries range from 20% to 25% (2008: 18% to 25%).

The income tax on the Group's (loss)/profit before income tax differs from the theoretical amount that would arise using the weighted average income tax rate applicable to the Group's entities as follows:

	2009 HK$'000	2008 HK$'000
(Loss)/profit before income tax	(17,780)	181,034
Calculated at weighted average tax rate	(4,323)	30,879
Income not subject to income tax	(336)	(435)
Expenses not deductible for tax purposes	2,449	10,196
Tax loss not recognised	20,086	6,271
Witholding tax on undistributed profits of PRC subsidiaries	11,694	–
Underprovision in prior years	359	3,503
Income tax	29,929	50,414

10. (LOSS)/PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The loss attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK$43,406,000 (2008: profit of HK$120,347,000).

11. DIVIDENDS

	2009 HK$'000	2008 HK$'000
Paid interim dividend: nil (2008: HK 3.1 cents) per ordinary share	–	55,400

No final dividend was proposed in respect of the year ended 31 December 2009 (2008: nil).

12. (LOSS)/EARNINGS PER SHARE

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

	2009 HK$'000	2008 HK$'000
(Loss)/earnings		
(Loss)/profit attributable to equity holders of the Company	(47,814)	130,289
Number of shares (thousands)		
Weighted average number of ordinary shares for calculating basic (loss)/ earnings per share	1,787,100	1,787,100

The calculation of diluted loss per share for the year ended 31 December 2009 does not include the adjustment for the dilutive potential ordinary shares for share options as this would result in a decrease in loss per share.

For the year ended 31 December 2008, the diluted earnings per share is based on the profit attributable to equity holders of the Company of HK$130,289,000 and the weighted average number of 1,789,861,000 ordinary shares after adjusting for the number of dilutive potential ordinary shares for share options. The exercise of share options would have no material dilutive effect to earnings per share.

13. LAND USE RIGHTS

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

	2009 HK$'000	2008 HK$'000
Group		
At 1 January	792,437	768,696
Exchange differences	1,595	43,935
Amortisation of prepaid lease payments	(20,444)	(20,194)
Net book values		
At 31 December	773,588	792,437

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

14. 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 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 1 January 2009	542,137	706,927	1,384,369	74,618	15,372	5,317	2,728,740
Exchange differences	1,109	1,446	2,830	155	30	11	5,581
Additions	6,675	20,818	52,086	1,522	189	4,384	85,674
Disposals	(84)	–	(10,685)	(146)	(1,471)	–	(12,386)
Transfers	–	–	5,328	–	–	(5,328)	–
At 31 December 2009	549,837	729,191	1,433,928	76,149	14,120	4,384	2,807,609
Accumulated depreciation							
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 1 January 2009	137,397	112,000	591,755	35,947	8,847	–	885,946
Exchange differences	303	248	1,303	216	19	–	2,089
Charge for the year	17,990	15,581	73,657	8,381	1,297	–	116,906
Disposals	(32)	–	(9,119)	(125)	(1,238)	–	(10,514)
At 31 December 2009	155,658	127,829	657,596	44,419	8,925	–	994,427
Net book values							
At 31 December 2008	404,740	594,927	792,614	38,671	6,525	5,317	1,842,794
At 31 December 2009	394,179	601,362	776,332	31,730	5,195	4,384	1,813,182

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

	Leasehold improvements, furniture and equipment	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000
Company			
Cost			
At 1 January 2008	2,814	1,748	4,562
Exchange differences	161	100	261
Additions	3	541	544
Disposal	–	(411)	(411)
At 1 January 2009	2,978	1,978	4,956
Exchange differences	6	4	10
Additions	25	–	25
Disposal	(75)	–	(75)
At 31 December 2009	2,934	1,982	4,916
Accumulated depreciation			
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)
At 1 January 2009	2,381	770	3,151
Exchange differences	5	2	7
Charge for the year	376	357	733
Disposal	(59)	–	(59)
At 31 December 2009	2,703	1,129	3,832
Net book values			
At 31 December 2008	597	1,208	1,805
At 31 December 2009	231	853	1,084

15. SUBSIDIARIES

	2009 HK$'000	2008 HK$'000
Company		
Non-current assets		
Unlisted shares, at cost	1,810,484	1,806,789
Amounts due from subsidiaries	1,859,795	1,794,187
	3,670,279	3,600,976
Current assets		
Amounts due from subsidiaries	235,609	191,143
Current liabilities		
Amount due to a subsidiary	(1,268,885)	(1,109,402)

Amounts due from/(to) subsidiaries are unsecured, interest free and have no fixed repayment terms. Particulars of principal subsidiaries are set out in Note 34(a).

16. INTERESTS IN ASSOCIATES

	2009 HK$'000	2008 HK$'000
Group		
Share of net assets	25,936	28,513

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

	2009 HK$'000	2008 HK$'000
Total assets	44,327	48,180
Total liabilities	(18,391)	(19,667)
Net assets	25,936	28,513
Revenue	54,968	63,655
Share of results	(1,549)	1,495

Particulars of principal associates are set out in Note 34(b).

17. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Share of net assets	**1,353,215**	1,349,691	**597,177**	595,959
Loan to a jointly controlled entity *(Note)*	**141,108**	80,346	**–**	–
	1,494,323	1,430,037	**597,177**	595,959

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

	2009	2008
	HK$'000	HK$'000
Assets		
Non-current assets	**3,042,515**	2,665,376
Current assets	**82,603**	62,407
	3,125,118	2,727,783
Liabilities		
Non-current liabilities	**(1,238,952)**	(703,233)
Current liabilities	**(532,951)**	(674,859)
	(1,771,903)	(1,378,092)
Net assets	**1,353,215**	1,349,691
Revenue	**175,857**	160,920
Expenses	**(175,093)**	(152,165)
Share of results	**764**	8,755

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

Particulars of jointly controlled entities are set out in Note 34(c).

Note: The loan is unsecured, interest bearing at LIBOR plus 1.5% and repayable in 2013.

18. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Available-for-sale financial assets comprise:				
Equity securities listed in Hong Kong *(Note i)*	**24,600**	14,800	**24,600**	14,800
Unlisted equity investments *(Note ii)*	**17,446**	6,073	**5,681**	–
	42,046	20,873	**30,281**	14,800

Notes:

i. The fair value of the listed equity securities is based on quoted market price.

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 their fair values cannot be reliably measured.

19. DEFERRED INCOME TAX

Deferred income tax assets

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

	2009	2008
	HK$'000	HK$'000
Group		
At 1 January	**9,410**	8,899
Exchange differences	**19**	511
At 31 December	**9,429**	9,410

The Group had unrecognised tax losses of approximately HK$148 million (2008: HK$35 million) available to offset future profits. No deferred income tax asset has been recognised in respect of such losses. Losses amounting to approximately HK$5 million and HK$20 million will expire in 2013 and 2014 respectively. Other losses may be carried forward indefinitely.

Deferred income tax liabilities

Movements of the deferred income liabilities, which is realisable more than 12 months after the respective balance sheet date and principally in relation to withholding tax on undistributed profits of PRC subsidiaries, is as follows:

	2009	2008
	HK$'000	HK$'000
Group		
At 1 January	**–**	–
Charged to income statement	**11,694**	–
Exchange differences	**15**	–
At 31 December	**11,709**	–

For the year ended 31 December 2009

20. INVENTORIES

	2009 HK$'000	2008 HK$'000
Group		
Trading merchandise	140,679	–
Consumable materials	4,618	5,295
	145,297	5,295

The cost of inventories recognised as expense and included in cost of sales amounted to HK$369,911,000 (2008: HK$46,606,000)

21. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
Trade receivables	109,589	100,258	–	–
Less: Provision for impairment	(1,243)	(1,458)	–	–
	108,346	98,800	–	–
Notes receivables	22,461	–	–	–
Trade and notes receivables, net	130,807	98,800	–	–
Other receivables	35,532	19,885	1,959	2,243
Prepayment	224,423	56,791	–	–
	390,762	175,476	1,959	2,243

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

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 and notes receivables (net of provision of impairment) is as follows:

	2009 HK$'000	2008 HK$'000
0 – 30 days	108,346	78,694
31 – 90 days	22,461	20,106
At 31 December	130,807	98,800

21. TRADE AND OTHER RECEIVABLES *(Continued)*

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

	2009 HK$'000	2008 HK$'000
Over 6 months	1,243	1,458

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

	2009 HK$'000	2008 HK$'000
At 1 January	1,458	1,378
Exchange differences	2	80
Reversal of provision	(217)	–
At 31 December	1,243	1,458

22. CASH AND CASH EQUIVALENTS

	Group		Company	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
Cash at bank and in hand	707,492	588,866	54,236	4,555

The effective interest rates on bank deposits ranged from 0.4% to 4.4% (2008: 0.4% to 4.4%).

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

	Group		Company	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
Renminbi	653,181	584,259	–	–
HK dollars	54,311	4,607	54,236	4,555
	707,492	588,866	54,236	4,555

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.

23. SHARE CAPITAL

	2009 Number of shares	2009 HK$	2008 Number of shares	2008 HK$
Ordinary shares of HK$0.10 each:				
Authorised:				
At 1 January	5,000,000,000	500,000,000	5,000,000,000	500,000,000
Increased in authorised share capital	7,000,000,000	700,000,000	–	–
At 31 December	12,000,000,000	1,200,000,000	5,000,000,000	500,000,000
Issued and fully paid:				
At 1 January and 31 December	1,787,100,000	178,710,000	1,787,100,000	178,710,000

Pursuant to the ordinary resolution passed at the extraordinary general meeting of the Company held on 15 July 2009, the authorised capital of the Company increased from 5,000,000,000 shares to 12,000,000,000 shares by the creation of an additional 7,000,000,000 shares of HK$0.10 each, ranking pari passu in all respects with the existing shares.

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:

	2009 Average exercise price HK$	2009 Share options ’000	2008 Average exercise price HK$	2008 Share options ’000
At 1 January	2.60	14,200	2.35	11,900
Granted	2.72	2,900	3.90	2,300
Lapsed	2.28	(1,500)		–
At 31 December	2.66	15,600	2.60	14,200
Exercisable at 31 December		14,500		13,200

23. SHARE CAPITAL *(Continued)*

Share option *(Continued)*

(b) Share options at the balance sheet date and their remaining contractual lives are as follows:

	2009		2008	
	Remaining contractual life No. of years	Share options '000	Remaining contractual life No. of years	Share options '000
Exercise price				
HK$2.28	6.59	6,400	7.59	10,000
HK$2.28	0.25	2,100		–
HK$2.74	7.10	1,900	8.10	1,900
HK$4.24	8.07	1,300	9.07	1,300
HK$3.45	8.56	1,000	9.56	1,000
HK$2.53	9.42	1,800		–
HK$3.036	9.67	1,100		–
At 31 December		15,600		14,200

(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	1 September 2009	1 June 2009	21 July 2008	25 January 2008
Exercise price	HK$3.036	HK$2.53	HK$3.45	HK$4.24
Expected volatility	49%	64%	43%	41%
Expected option life	5.0 years	4.5 & 3.5 years	3.8 years	1.9 & 1.7 years
Risk free interest rate	2.33%	2.715%	3.685%	1.527%
Dividend yield (semi-annual)	1.21%	0.613%	0.783%	0.47%
Fair value	HK$1.02	HK$1.08 & HK$0.87	HK$0.99	HK$0.86 & HK$0.79

The Binomial model requires input of certain subjective assumptions 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.

Option agreement

On 15 June 2009, the Company granted Leadport Holdings Limited a right to subscribe for new shares of the Company, details of which has been disclosed in Note 28(c) to the financial statements.

24. RESERVES

	Share premium HK$'000	Merger reserve HK$'000	Revaluation 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 2008	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
Fair value gain on available-for-sale financial assets	–	–	9,800	–	–	–	9,800
Exchange differences	–	–	–	–	7,370	–	7,370
Transfer	–	–	–	–	–	12,207	12,207
Share-based compensation	–	–	–	2,596	–	–	2,596
At 31 December 2009	1,096,834	820,962	9,800	11,349	542,749	230,091	2,711,785

	Share premium HK$'000	Capital reserve HK$'000	Revaluation reserve HK$'000	Employee share-based compensation reserve HK$'000	Exchange reserve HK$'000	Total HK$'000
Company						
At 1 January 2008	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
Fair value gain on available-for-sale financial assets	–	–	9,800	–	–	9,800
Exchange differences	–	–	–	–	6,634	6,634
Share-based compensation	–	–	–	2,596	–	2,596
At 31 December 2009	1,096,834	1,450,909	9,800	11,349	454,036	3,022,928

25. BORROWINGS

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

		2009 HK$'000	2008 HK$'000
(a)	Balance at 31 December:		
	Non-current	**1,199,693**	1,140,250
	Current	**149,584**	–
		1,349,277	1,140,250
(b)	Repayable:		
	Within 1 year or on demand	**149,584**	–
	Between 2 to 5 years	**1,199,693**	1,140,250
		1,349,277	1,140,250
(c)	Carrying amounts are denominated in following currencies:		
	US dollars	**83,987**	23,250
	Renminbi	**39,764**	–
	HK dollars	**1,225,526**	1,117,000
		1,349,277	1,140,250
(d)	Effective interest rates at 31 December:		
	US dollars	**1.5%**	2.0%
	Renminbi	**4.4%**	–
	HK dollars	**0.7%**	0.9%

All bank borrowings are exposed to interest-rate changes and the contractual repricing dates are within 6 months or less (2008: 6 months or less).

The carrying amounts of bank borrowings approximate their fair values.

26. TRADE AND OTHER PAYABLES

	Group		Company	
	2009	2008	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000
Trade payables	8,362	–	–	–
Notes payables	291,157	56,791	–	–
Trade and notes payables	299,519	56,791	–	–
Construction fee payables	28,734	26,719	–	–
Deposits from customers	42,251	–	–	–
Other non-trade payables	88,640	44,390	62,201	18,164
	459,144	127,900	62,201	18,164

The ageing analysis of the Group's trade and notes payables is as follows:

	2009	2008
	HK$'000	HK$'000
0 – 30 days	60,305	56,791
31 – 90 days	140,877	–
Over 90 days	98,337	–
At 31 December	299,519	56,791

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

27. CASH FLOWS FROM OPERATING ACTIVITIES

	2009 HK$'000	2008 HK$'000
(Loss)/profit before income tax	**(17,780)**	181,034
Adjustments for:		
– Interest income	**(20,055)**	(16,629)
– Finance costs	**12,623**	26,529
– Share of results of associates	**1,549**	(1,495)
– Share of results of jointly controlled entities	**(764)**	(8,755)
– Provision for impairment losses on available-for-sale financial assets	**–**	25,253
– Loss on disposal of property, plant and equipment	**451**	2,300
– Reversal of provision of impairment of trade receivables	**(217)**	–
– Amortisation	**20,444**	20,194
– Depreciation	**116,906**	114,837
– Share-based payment	**2,596**	2,043
– Exchange difference	**(2,088)**	(40,284)
Changes in working capital:		
– Inventories	**(140,002)**	(443)
– Trade and other receivables	**(216,061)**	(31,358)
– Amounts due from associates	**(26,867)**	38
– Trade and other payables	**329,766**	56,975
– Amounts due to related companies	**14,075**	(9,950)
Cash generated from operations	**74,576**	320,289

28. COMMITMENTS

(a) Capital commitments

	2009 HK$'000	2008 HK$'000
Group		
Contracted but not provided for		
– Property, plant and equipment	**7,909**	26,827

28. COMMITMENTS *(Continued)*

(b) Operating lease commitments

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

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**4,872**	5,536	**4,683**	4,683
In the second to fifth year inclusive	**3,902**	8,585	**3,902**	8,585
	8,774	14,121	**8,585**	13,268

(c) Acquisition of Tianjin Port Holdings Co., Ltd.

On 16 March 2009, the Company, its wholly-owned subsidiary Grand Point Investment Limited ("Grand Point") and Tianjin Port (Group) Co., Ltd. ("Tianjin Port Group") entered into a sale and purchase agreement ("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. ("Tianjin Port Co"), which is listed on the Shanghai Stock Exchange (stock code: 600717) for a total consideration of HK$10,961 million (the "Acquisition").

The total consideration of HK$10,961 million shall be satisfied as to approximately HK$7,031 million by the issue of new shares of the Company and as to approximately HK$3,930 million by cash (subject to adjustment). The cash consideration shall be financed with internal resources, bank borrowings and proceeds from the issue of the Company's shares through private placing.

On 15 June 2009, the Company, Tianjin Development Holdings Limited ("Tianjin Development"), a substantial shareholder of the Company, and Leadport Holdings Limited ("Leadport"), a wholly-owned subsidiary of Tianjin Development, entered into the option agreement ("Option Agreement"), pursuant to which the Company granted Leadport a right to subscribe for new shares of the Company at the same time as the private placing mentioned in the preceding paragraph.

At the extraordinary general meeting held on 15 July 2009, the Sale and Purchase Agreement, the Option Agreement and the Acquisition were approved by the independent shareholders of the Company. As at 14 December 2009, the Company received all the material approvals from the PRC authorities for the Acquisition.

The Acquisition was completed on 4 February 2010 (Note 31).

29. FINANCIAL GUARANTEE

As at 31 December 2009, the Company has given guarantee of HK$1,450,000,000 for one of its wholly-owned subsidiaries in respect of its banking facilities, of which HK$1,310,000,000 has been utilised (2008: HK$1,140,250,000).

30. 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. The Group operates in an economic environment currently predominated by entities directly or indirectly owned or controlled by the PRC government ("state-owned entities"), there are business activities of the Group which are conducted with other state-owned entities.

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

	2009 HK$'000	2008 HK$'000
Income		
Non-containerised cargo handling income	90,857	65,065
Labour services	14,968	–
Expenses		
Wharf cargo handling service charges	3,732	24,486
Labour services	48,741	48,024

(b) Transactions with other state-owned entities

	2009 HK$'000	2008 HK$'000
Expenses		
Integrated services	85,218	47,050
Cargo reconfiguration storage services	1,086	6,932

(c) Balances with related parties

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

(d) Key management compensation

The key management of the Group comprises solely the directors of the Company, details of their remuneration are disclosed in Note 8.

31. EVENTS AFTER BALANCE SHEET DATE

The Acquisition (Note 28(c)) of 56.81% interest in the registered share capital of Tianjin Port Co was completed on 4 February 2010. Details of the acquisition are set out in the announcement and circular of the Company dated 16 March 2009 and 19 June 2009 respectively.

The total consideration of HK$10,961 million was satisfied as to HK$6,891 million by the issue of 3,294,530,000 shares of the Company and as to HK$4,070 million by cash to the wholly-owned subsidiary of Tianjin Port Group.

As to the settlement of the cash portion of the total consideration, the Company has arranged the following:

– The issue and allotment of an aggregate of 1,076,370,000 shares of the Company at a price of HK$2.50 per share raising a net proceeds of HK$2,627 million. Details of which are set out in the announcements of the Company dated 13 and 20 January 2010; and

– On 15 January 2010, Tianjin Port Development Finance Limited, a wholly-owned subsidiary of the Company as borrower, the Company as guarantor and several financial institutions as lenders entered into a 36-month term loan facility agreement of HK$1,600 million. Part of the facility was to finance the Acquisition. Details of the facility are set out in the announcement of the Company dated 15 January 2010.

Upon completion of the Acquisition, the Company ceased to be a subsidiary of Tianjin Development and Tianjin Port Group became the largest ultimate shareholder of the Company.

The Acquisition will be accounted for as a common control combination for which the Company will apply the principles of merger accounting in preparing the consolidated financial statements of the Group for the year ending 31 December 2010 as if the enlarged group structure had been in existence throughout the year. Comparative figures as at 31 December 2009 and for the year then ended will also be re-presented on the same basis.

The Company is currently assessing the assets and liabilities of Tianjin Port Co in accordance with HKFRS. The assets and liabilities of Tianjin Port Co and the unaudited pro forma financial information of Tianjin Port Co and the Company were set out in Appendix III and Appendix V respectively of the circular of the Company dated 19 June 2009.

32. FINANCIAL RISK MANAGEMENT

32.1 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 2009, 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 2009, if Renminbi had weakened/strengthened by 5% against non-functional currency, with all other variables held constant, the Group's loss for the year would have been approximately HK$57 million higher/lower, 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 (2008: the Group's profit for the year would have been approximately HK$52 million lower/higher, mainly as a result of foreign exchange losses/gains). Result is more sensitive to the movement in 2009 than 2008 because of the relatively larger non-functional currency denominated monetary items held by the Group in 2009.

(ii) Interest rate risk

The Group's interest rate risk arises primarily from loan to jointly controlled entity, bank deposits and bank borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. The Group's loan to jointly controlled entity and bank borrowings are issued at variable rates.

At 31 December 2009, if interest rate has been 50 basis points higher/lower with all other variables held constant, the Group's loss for the year would have been approximately HK$7 million higher/lower, mainly as a result of higher/lower interest expense on bank borrowings (2008: the Group's profit for the year would have been approximately HK$6 million lower/higher, mainly as a result of higher/lower interest expense on bank borrowings).

(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.

At 31 December 2009, if the price of the listed equity investment had been 10% higher/lower with all other variables held constant, the Group's equity would increase/decrease by HK$2 million (2008: increase/decrease HK$1 million) as a result of changes in fair value for the listed equity investments classified as available-for-sale.

32. FINANCIAL RISK MANAGEMENT *(Continued)*

32.1 Financial risk factors *(Continued)*

(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 balance sheet 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.

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

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000
Group			
At 31 December 2009			
Trade and other payables	**459,144**	**–**	**–**
Amounts due to related companies	**26,661**	**–**	**–**
Borrowings	**159,318**	**8,593**	**1,210,176**
	645,123	**8,593**	**1,210,176**
At 31 December 2008			
Trade and other payables	127,900	–	–
Amounts due to related companies	12,586	–	–
Borrowings	10,116	10,116	1,161,797
	150,602	10,116	1,161,797

32. FINANCIAL RISK MANAGEMENT *(Continued)*

32.2 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 Group monitors capital structure using the gearing ratio (consolidated total borrowings to total equity). The Group's gearing ratio at 31 December 2009 was 37.6% (2008: 31.5%).

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.

32.3 Fair value estimation

Effective 1 January 2009, the Group adopted the amendment to HKFRS 7 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

– Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

– Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

– Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

At 31 December 2009, the financial instrument measured in fair value of the Group is the listed equity securities, which is classified as available-for-sale and measured by the quoted price, and included in level 1.

33. 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.

34. 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 2009:

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
Incorporated in Hong Kong and directly held:				
Grand Point Investment Limited	10 March 2009	HK$1	100	Investment holding
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. ("TCT") *	25 October 1997	RMB 1,021,230,000	100	Container transportation and storage services
Tianjin Harbour Second Stevedoring Co., Ltd. ("No. 2 Co.") *	25 October 1997	RMB 815,180,100	100	Non-containerised cargo handling and storage services
Held by TCT and No. 2 Co.:				
Tianjin Gangshi Container Service Co., Ltd. **	9 October 1998	US$450,000	91	Cargo and container handling services
Tianjin Port Free Trade Zone Chang Hao Steel 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

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

(b) The following are principal associates at 31 December 2009, 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 Port Steel Logistics Co., Ltd.	27 July 2006	RMB 17,000,000	39	Steel storage, logistics service
Tianjin ShengGang Container Technology Development & Services Co., Ltd.	7 December 2004	RMB 3,000,000	33	Labour service

(c) The following are jointly controlled entities at 31 December 2009, 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 (Trial operation commenced in 2010)

None of the investors in the above entities have unilateral control of their respective economic activities, resulting in joint control over these entities by the respective investors.

Notes:

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

35. ULTIMATE HOLDING COMPANY

The directors of the Company consider Tsinlien Group Company Limited, a company incorporated in Hong Kong, as the ultimate holding company during the year ended 31 December 2009 and 2008.

36. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 8 April 2010.

CONSOLIDATED INCOME STATEMENT

	2005	2006	2007	2008	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	898,223	1,036,495	1,193,777	1,258,991	1,402,780
Business tax	(27,295)	(31,494)	(36,347)	(38,415)	(32,647)
Cost of sales	(448,891)	(484,163)	(561,701)	(689,691)	(953,254)
Gross profit	422,037	520,838	595,729	530,885	416,879
Other income	3,465	123,077	35,615	57,956	29,966
Administrative expenses	(242,916)	(277,812)	(309,808)	(363,600)	(450,323)
Other operating expenses	(8,676)	(17,676)	(31,204)	(2,675)	(894)
	173,910	348,427	290,332	222,566	(4,372)
Provision for impairment losses on available-for-sale financial assets	–	–	–	(25,253)	–
Finance costs	(7,095)	(8,199)	(3,329)	(26,529)	(12,623)
Share of results of associates	1,020	983	790	1,495	(1,549)
Share of results of jointly controlled entities	–	–	–	8,755	764
Gain on disposal of associates	4,986	–	–	–	–
Profit/(loss) before income tax	172,821	341,211	287,793	181,034	(17,780)
Income tax	(25,056)	(36,938)	(47,151)	(50,414)	(29,929)
Profit/(loss) for the year	147,765	304,273	240,642	130,620	(47,709)
Attributable to:					
Equity holders of the Company	147,275	304,037	240,394	130,289	(47,814)
Minority interests	490	236	248	331	105
	147,765	304,273	240,642	130,620	(47,709)

CONSOLIDATED BALANCE SHEET

	2005 HK$'000	2006 HK$'000	2007 HK$'000	2008 HK$'000	**2009** **HK$'000**
Land use rights	40,351	731,855	768,696	792,437	**773,588**
Property, plant and equipment	1,320,889	1,742,992	1,802,656	1,842,794	**1,813,182**
Interest in jointly controlled entities	–	–	704,467	1,430,037	**1,494,323**
Interest in associates	18,571	23,847	24,981	28,513	**25,936**
Available-for-sale financial assets	16,706	13,748	5,744	20,873	**42,046**
Deferred income tax assets	4,788	4,960	8,899	9,410	**9,429**
Other long term assets	34,962	–	–	–	**–**
Net current assets	22,539	484,606	468,556	635,037	**643,673**
Employment of capital	1,458,806	3,002,008	3,783,999	4,759,101	**4,802,177**
Share capital	112,200	178,670	178,710	178,710	**178,710**
Reserves	943,239	2,153,431	2,442,864	2,679,812	**2,711,785**
Retained earnings	370,886	666,119	768,224	755,896	**695,875**
Shareholders funds	1,426,325	2,998,220	3,389,798	3,614,418	**3,586,370**
Minority interests	3,635	3,788	4,201	4,433	**4,405**
Long term liabilities	28,846	–	390,000	1,140,250	**1,211,402**
Capital employed	1,458,806	3,002,008	3,783,999	4,759,101	**4,802,177**

The financial summary of the Group for the year ended 31 December 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.

EXECUTIVE DIRECTORS

Mr. YU Rumin *(Chairman)*
Mr. TIAN Changsong *(Vice Chairman)*
Mr. LI Quanyong *(Managing Director)*
Mr. ZHANG Jinming+
Mr. DAI Yan

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

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

PRINCIPAL LEGAL ADVISORS

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

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
China Development Bank
DBS Bank Ltd.
The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
Nanyang Commercial Bank, Limited

PRINCIPAL SHARE REGISTRAR

Appleby Trust (Cayman) Ltd.
Clifton House, 75 Fort Street,
P.O. Box 1350, Grand Cayman, KY1-1108,
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited
26/F., Tesbury Centre, 28 Queen's Road East,
Wanchai, Hong Kong

REGISTERED OFFICE

Clifton House, 75 Fort Street,
P.O. Box 1350, Grand Cayman, KY1-1108,
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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8 Connaught Place, Central, Hong Kong

INVESTOR RELATIONS

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STOCK CODE

Hong Kong Stock Exchange: 03382

\+ Members of the Remuneration Committee, Prof. Law is the chairman of the committee
* Members of the Audit Committee, Dr. Cheng is the chairman of the committee

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