

## Notes to the Accounts

### 1. Principal accounting policies

The principal accounting policies adopted in the preparation of these consolidated accounts are set out below:

#### (a) Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The accounts are prepared under the historical cost convention.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1st January 2005.

For the year ended 31st December 2004, the Group has early adopted the following accounting standards that are believed to have the most material effect on the Group's accounts:

Hong Kong Financial Reporting Standard 3 (new "HKFRS 3")	Business Combination
Hong Kong Accounting Standard 36 (revised "HKAS 36")	Impairment of Assets
Hong Kong Accounting Standard 38 (revised "HKAS 38")	Intangible Assets

The key impact to the Group is as follows:

- amortisation of goodwill and negative goodwill ceased from 1st January 2004;
- accumulated amortisation and impairment have been eliminated against the cost of goodwill at 1st January 2004;
- negative goodwill has been derecognised and credited to equity;
- goodwill will be tested annually for impairment, as well as when there are indications of impairment; and
- goodwill which arose prior to 1st January 2001 and which has been taken into reserves, will not be recognised in the profit and loss account when the Group disposes of all or part of the business to which that goodwill relates or when a cash-generating unit to which the goodwill relates becomes impaired.

## Notes to the Accounts

### 1. Principal accounting policies (Cont'd)

#### (a) Basis of preparation (Cont'd)

All changes in the accounting policies have been made in accordance with the transitional provisions in the respective standards and have been applied prospectively. In particular, negative goodwill arising on acquisition has been derecognised in accordance with the transitional provisions of HKFRS 3, resulting in an increase in opening reserves of HK\$23,761,000, an increase in associated companies of HK\$28,718,000 and an increase in minority interests of HK\$4,957,000.

#### (b) Consolidation

The group accounts include the accounts of the Company and its subsidiaries made up to 31st December. The group accounts also include the Group's share of post acquisition profits less losses, and reserves, of its associated companies and jointly controlled entities.

The results of subsidiaries, associated companies and jointly controlled entities acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

#### (c) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiaries, associated companies or jointly controlled entities at the date of acquisition.

In accordance with HKFRS 3, goodwill arising on acquisition is retained at the carrying amount as a separate asset or, as applicable, included within investments in associated companies and joint ventures, and subject to impairment review annually and when there are indications that the carrying value may not be recoverable. If the cost of acquisition is less than the fair value of the Group's share of the net identifiable assets of the acquired company, the difference is recognised directly in the consolidated profit and loss account. For goodwill which arose before 1st January 2001 and which has been taken into reserves, it would not be recognised in the profit and loss account when the Group disposes of all or part of the business to which that goodwill relates or when a cash-generating unit to which the goodwill relates becomes impaired.

## Notes to the Accounts

### 1. Principal accounting policies (Cont'd)

#### (c) Goodwill (Cont'd)

Amortisation of goodwill, which was in previous years amortised over its estimated useful life, ceased on 31 December 2003, and the related accumulated amortisation and impairment were eliminated against the cost of goodwill at 1st January 2004.

The profit or loss on disposal of subsidiary company, associated company or jointly controlled entity is calculated by reference to the net assets at the date of disposal including the attributable amount of goodwill but does not include any attributable goodwill previously eliminated against reserves. In prior years, the aforesaid profit and loss on disposal included any goodwill or negative goodwill taken to reserves and was not previously charged or recognised in the consolidated profit and loss account.

#### (d) Subsidiaries

A company is a subsidiary if the Group controls more than half of the voting power, controls the composition of the board of directors or hold more than half of the issued share capital.

In the Company's balance sheet the investments in subsidiaries are stated at costs less provision for impairment losses, if necessary, for any permanent diminution in value. The results of subsidiaries are accounted for by the Company on the basis of dividend income.

#### (e) Associated companies

An associated company is a company, not being a subsidiary, in which an equity interest is held for the long term and significant influence is exercised in its management.

The consolidated profit and loss account includes the Group's share of results of associated companies for the year, and the consolidated balance sheet includes the Group's share of net assets of the associated companies.

#### (f) 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 has unilateral control over the economic activity.

The consolidated profit and loss account includes the Group's share of the results of jointly controlled entities for the year, and the consolidated balance sheet includes the Group's share of net assets of the jointly controlled entities.

## Notes to the Accounts

### 1. Principal accounting policies (Cont'd)

#### (f) Jointly controlled entities (Cont'd)

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

#### (g) Asset impairment

Assets that have an indefinite useful life are tested for impairment annually. Assets that are subject to depreciation and amortisation are reviewed to determine whether there is any indication that the carrying value of these assets may not be recoverable and have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Such impairment loss is recognised in the consolidated profit and loss account except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that asset, in which case it is treated as a revaluation decrease.

#### (h) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment loss, if any.

No depreciation is provided in respect of construction in progress. Land use rights outside Hong Kong are amortised over the periods of the respective leases. Depreciation of toll roads is calculated based on the pattern of the expected traffic flow throughout the period the Group expects to operate the toll roads.

Depreciation of other fixed assets is calculated to write off the cost of the assets less accumulated impairment losses and estimated residual values using a straight line method over their estimated useful lives as follows:

Leasehold land	over the unexpired lease term
Buildings	20–45 years
Improvements on leased berths	35 years
Plant and machinery	7–25 years
Leasehold improvement, furniture and equipment	5–10 years
Motor vehicles	5–12 years
Others	5 years

## Notes to the Accounts

### 1. Principal accounting policies (Cont'd)

#### (h) Fixed assets (Cont'd)

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group.

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account.

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

#### (i) Assets under leases

##### (i) *Finance leases*

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. Finance leases are capitalised at the inception of the lease at the fair value of the leased assets. Each lease payment is allocated between the capital and finance charges so as to achieve a constant rate on the capital balances outstanding. The corresponding rental obligations, net of finance charges, are included in long term liabilities. The finance charges are charged to the profit and loss account over the lease periods.

Assets held under finance leases are depreciated over the shorter of their estimated useful lives or the lease periods.

##### (ii) *Operating leases*

Leases where substantially all the risks and rewards of ownership of assets remain with the lessors are accounted for as operating leases and rentals payable net of any incentives received from the leasing company are charged to the profit and loss account evenly over the periods of the respective leases.

## Notes to the Accounts

### 1. Principal accounting policies (Cont'd)

#### (j) Investments

Investments held for the long term are stated at cost less provision for impairment losses, if any.

Short term investments are carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value are recognised in the profit and loss account. Profits or losses on disposal, representing the difference between the net sales proceeds and the carrying amounts, are recognised in the profit and loss account as they arise.

#### (k) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, calculated on a weighted average basis, comprises materials, direct labour and an appropriate portion of production overheads. Net realisable value is determined on the basis of anticipated sales proceed less estimated cost to completion and selling expenses.

#### (l) Properties under development held for sale

Properties under development held for sale are included under current assets and comprise land cost, construction costs and other direct costs attributable to such properties, less allowances for any foreseeable losses.

Such properties are sold in advance of completion, profit is recognised over the course of the development and is computed as proportion of the total estimated profit to completion; the proportion used being the lower of the proportion of the construction works completed and the proportion of sales proceeds received to total estimated sales proceeds.

Where purchasers fail to pay the balance of the purchase price on completion and the Group exercises its entitlement to resell the property, sales deposits received in advance of completion which are forfeited are credited to operating profit; and any profits recognised up to the date of completion are written back.

Properties completed and remain unsold as at year end are included in current assets and stated at the lower of cost and net realisable value.

## Notes to the Accounts

### 1. Principal accounting policies (Cont'd)

#### (m) Accounts receivable

Provision is made against accounts receivable to the extent they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

#### (n) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, cash investments with a maturity of three months or less from date of investment and bank overdrafts.

#### (o) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

#### (p) Employee benefits

##### (i) *Employee leave entitlement*

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

##### (ii) *Retirement scheme obligations*

Employees of the Group's PRC subsidiaries are members of 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 schemes. 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 staff's salary and are charged to the profit and loss account as incurred.

## Notes to the Accounts

### 1. Principal accounting policies (Cont'd)

#### (p) Employee benefits (Cont'd)

##### (iii) *Equity compensation benefits*

Share options are granted to directors and continuous contract employees. No compensation cost is recognised in the profit and loss account in connection with share options granted. When the share options are exercised, the proceeds received net of any transaction costs are credited to share capital (nominal value) and share premium.

#### (q) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred 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.

#### (r) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the accounts when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.



## Notes to the Accounts

### 1. Principal accounting policies (Cont'd)

#### (s) Related companies

Related companies represent former holding companies of the subsidiaries comprising the Group after the Group's restructuring and companies or entities controlled by these former holding companies and the existing holding companies, other than companies comprising the Group.

#### (t) Foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The balance sheet of subsidiaries, jointly controlled entities and associated companies expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss accounts are translated at an average rate. Exchange differences are dealt with as a movement in reserves.

#### (u) Revenue recognition

Sales of goods are recognised when goods are delivered to customers.

Toll revenues are recognised when services are rendered.

Port service income is recognised when services are rendered.

Sales of properties is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time the title has passed.

Sale of electricity and water is recognised based on meter readings.

Government supplemental income is recognised on an accrual basis as set out in Note 1(w) below.

Rental, interest income and management fee income are recognised on an accruals basis.

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

## Notes to the Accounts

### 1. Principal accounting policies (Cont'd)

#### (v) Borrowing costs

Borrowing costs that are directly attributable to the construction of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalised as part of the cost of that asset. All other borrowing costs are charged to the profit and loss account in the year in which they are incurred.

#### (w) Government supplemental income

Government supplemental income represents assistance by local municipal government in the form of cash based on a fixed rate. Such income is recognised upon compliance with the conditions attached with them and that the income will be received.

#### (x) Segment reporting

In accordance with the Group's internal financial reporting the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format.

Unallocated items represent net corporate expenses or income. Segment assets consist primarily of goodwill, fixed assets, investments in associated companies and jointly controlled entities, properties under development for sale, completed properties held for sale, inventories, receivables and exclude amounts due from related companies and holding company, long term investments, short term investments, taxation recoverable and bank balances and cash. Segment liabilities consist of trade payables and other payables and accruals and exclude taxation payable, amounts due to related companies and holding company, minority interests and corporate borrowings. Capital expenditure comprises additions to fixed assets.

In respect of geographical segment reporting, sales are based on the country in which the Group's production or service facilities are located. Total assets and capital expenditure are where the assets are located.

## Notes to the Accounts

**2. Turnover and revenues**

The principal activity of the Company is investment holding. The Group is principally engaged in manufacturing and sale of winery products, provision of port services, operation of toll roads in Tianjin, sale of properties and supply of utilities.

Turnover is net of discounts and returns where applicable as follows:

	2004 HK\$'000	2003 HK\$'000
Manufacturing and sale of winery products	805,349	669,401
Provision of port services	775,552	702,005
Operation of toll roads	207,771	289,311
Sales of properties	243,833	199,262
Supply of utilities ( <i>Note</i> )	69,968	—
Trading in garments, chemical products and electrical components	—	67,398
	<b>2,102,473</b>	<b>1,927,377</b>

Other revenues comprises

Gain on deemed disposal of partial interest in a subsidiary	4,325	—
Unrealised and realised gain on short term investment	5,992	3,815
Gain on deemed and partial disposals of interest in an associated company	—	17,681
Gain on disposal of a jointly controlled entity	—	3,619
Interest income from bank deposits and others	19,985	11,899
Dividends from unlisted long term investments	295	411
Sundries	19,455	11,519
	<b>50,052</b>	<b>48,944</b>

## Notes to the Accounts

### 2. Turnover and revenues (Cont'd)

*Note:*

On 29th November 2004, the Group completed its acquisition of Tianjin TEDA Tsinlien Electric Power Company Limited ("Electricity Company") and Tianjin TEDA Tsinlien Water Supply Company Limited ("Water Company"). The Finance Bureau of Tianjin Economic and Technological Development Area ("TEDA") confirmed that it will grant the Electricity Company and Water Company government supplemental income calculated at RMB 0.02 per kWh of electricity supplied and RMB2 per tonne of water supplied to their respective customers in the TEDA for the five years to 31st December 2007.

Turnover generated from the supply of utilities includes about HK\$2 million and HK\$4.5 million of such income granted to the Electricity Company and Water Company since the date of acquisition of the respective companies to 31st December 2004.

### 3. Gain on disposal of Income Receiving Right

Pursuant to an agreement with the Tianjin Municipal Government in 1997, one of the Group's subsidiaries, Tianjin Jin Zheng Transportation Development Co., Ltd. ("Jinzheng"), was granted the exclusive right to operate, manage and maintain the Eastern Outer Ring Road in return for a fixed sum of income receivable annually from the Tianjin Government from 1997 to 2027 ("Income Receiving Right").

In 2004, Jinzheng disposed of its Income Receiving Right to Tianjin TEDA Investments Holding Co., Ltd. ("Tianjin TEDA") with effect from 1st January 2004 for a consideration of RMB750 million (approximately HK\$707 million) plus all interest payable in respect of an outstanding bank loan owed by Jinzheng. The consideration was satisfied in cash by Tianjin TEDA in February 2004 which was in turn used to repay the aforementioned bank loan of RMB750 million.

Subsequent to the disposal of its Income Receiving Right, Jinzheng will continue to receive toll fees based on the volume of traffic flow and a pre-determined formula in accordance with the Eastern Outer Ring Road Toll Collection Agency Agreement dated 20th August 2003 (Note 4(c)).

## Notes to the Accounts

## 4. Segment information

## (a) Primary reporting format — business segments

	Year ended 31st December 2004								
	Winery HK\$'000	Port services HK\$'000	Operation of toll roads HK\$'000	Property development HK\$'000	Supply of utilities HK\$'000	Elevator and escalator HK\$'000	Gas fuel supply HK\$'000	Others HK\$'000	Group HK\$'000
Turnover	805,349	775,552	207,771	243,833	69,968	—	—	—	2,102,473
Segment results	227,619	98,757	784,856	862	4,449	—	—	—	1,116,543
Gain on deemed disposal of partial interest in a subsidiary									4,325
Impairment charge on investment in an associated company							(120,000)		(120,000)
Interest income									19,985
Net corporate expenses									(40,433)
Operating profit before financing									980,420
Finance costs									(55,517)
Share of profits less losses of Associated companies	—	2,407	—	—	—	98,141	—	(1,545)	99,003
Jointly controlled entities	1,059	—	—	—	—	—	—	(3,040)	(1,981)
Profit before taxation									1,021,925
Taxation									(158,395)
Profit after taxation									863,530
Minority interests									(299,727)
Profit attributable to shareholders									563,803
Segment assets									
Goodwill	—	—	74,096	—	326,253	—	—	—	400,349
Fixed assets	250,006	1,256,179	3,216,365	325	451,455	—	—	46,925	5,221,255
Associated companies	—	28,626	—	—	—	279,976	38,261	28,736	375,599
Jointly controlled entities	11,418	—	—	—	—	—	—	82,318	93,736
Other assets	385,219	106,059	25,754	369,968	214,948	142,188	—	77,215	1,321,351
Unallocated assets									2,301,136
Consolidated total assets									9,713,426
Segment liabilities									
Minority interests	206,053	4,039	926,394	—	37,839	205,178	—	55,904	1,435,407
Other liabilities	298,406	40,759	60,093	30,415	135,405	9,329	—	24,214	598,621
Unallocated liabilities									2,453,162
Consolidated total liabilities									4,487,190
Capital expenditure	84,993	97,391	2,289	17	454,055	—	—	946	639,691
Depreciation	22,941	92,131	46,082	106	2,007	—	—	2,798	166,065

## Notes to the Accounts

## 4. Segment information (Cont'd)

## (a) Primary reporting format — business segments (Cont'd)

	Year ended 31st December 2003								
	Winery HK\$'000	Port services HK\$'000	Operation of toll roads HK\$'000	Property development HK\$'000	Trading HK\$'000	Elevator and escalator HK\$'000	Gas fuel supply HK\$'000	Others HK\$'000	Group HK\$'000
Turnover	669,401	702,005	289,311	199,262	67,398	—	—	—	1,927,377
Segment results	153,487	88,417	190,437	10,326	(26,172)	—	—	—	416,495
Gain on deemed and partial disposals of interest in an associated company									17,681
Interest income									11,899
Net corporate expenses									(82,480)
Operating profit before financing									363,595
Finance costs									(82,240)
Share of profits less losses of Associated companies	—	4,243	—	—	—	62,939	21,891	(2,118)	86,955
Jointly controlled entities	1,002	—	—	—	—	—	—	(5,523)	(4,521)
Profit before taxation									363,789
Taxation									(79,741)
Profit after taxation									284,048
Minority interests									(71,252)
Profit attributable to shareholders									212,796
Segment assets									
Goodwill	—	—	54,096	—	—	—	—	—	54,096
Fixed assets	189,889	1,257,134	3,284,039	27,875	—	—	—	41,758	4,800,695
Associated companies	—	28,588	—	—	—	173,774	156,007	891	359,260
Jointly controlled entities	10,359	—	—	—	—	—	—	85,260	95,619
Other assets	341,385	85,837	149,915	588,473	—	405,828	—	70,408	1,641,846
Unallocated assets									1,721,463
Consolidated total assets									8,672,979
Segment liabilities									
Minority interests	198,861	3,980	773,339	26,891	—	188,656	—	(4,705)	1,187,022
Other liabilities	245,376	43,304	82,246	92,274	—	3,943	—	24,513	491,656
Unallocated liabilities									3,006,574
Consolidated total liabilities									4,685,252
Capital expenditure	31,668	145,461	1,525,869	112	405	—	—	16,319	1,719,834
Depreciation	22,261	90,333	28,693	1,955	91	—	—	869	144,202
Impairment of fixed assets	—	—	—	—	—	—	—	5,698	5,698

## Notes to the Accounts

## 4. Segment information (Cont'd)

## (b) Secondary report format — geographical segments

	Turnover HK\$'000	Segment results HK\$'000	Total assets HK\$'000	Capital expenditure HK\$'000
2004				
PRC mainland	2,102,473	1,116,543	9,594,932	639,115
Hong Kong	—	—	118,494	576
	<b>2,102,473</b>	<b>1,116,543</b>	<b>9,713,426</b>	<b>639,691</b>
2003				
PRC mainland	1,859,979	442,667	8,246,835	1,719,429
Hong Kong	67,398	(26,172)	426,144	405
	<b>1,927,377</b>	<b>416,495</b>	<b>8,672,979</b>	<b>1,719,834</b>

- (c) Pursuant to an approval (Jin Zheng Fa [2003] No. 52) dated 30th May 2003 issued by the Tianjin Municipal People's Government, the direct collection of tolls by all toll stations situated within the urban area of Tianjin City, including the Eastern Outer Ring Road, was terminated with effect from 1st June 2003. In its place, the Tianjin City Indebted Road Construction and Toll Collection Office (the "City Toll Collection Office") takes up the responsibility of collecting toll payments from road users. Based on a pre-determined formula in accordance with the Eastern Outer Ring Road Toll Collection Agency Agreement dated 20th August 2003 the City Toll Collection Office shall then pay the relevant toll fees to Jinzheng. The City Toll Collection Office charges a toll collection management fee which is equal to 5% of the aggregate toll revenue receivable by the Group in return.
- (d) The Group disposed of its entire interests in certain subsidiaries, which engaged in trading operations in Hong Kong, to Tsinlien Group Company Limited for a cash consideration of HK\$2 in 2003.

## Notes to the Accounts

**5. Operating profit before financing**

	2004 HK\$'000	2003 HK\$'000
Operating profit before financing is stated after (crediting)/charging:		
Cost of inventories and completed properties held for sale sold	372,565	457,653
Staff cost (including directors' emoluments)		
Wages and salaries	290,273	253,126
Retirement benefit costs	36,180	29,641
Auditors' remuneration	2,820	2,730
Exchange gain	(241)	(38)
Depreciation	166,065	144,202
Net loss on disposal of fixed assets	22,444	10,084
Operating lease expense on		
Land and buildings	15,152	18,276
Berths, railway and storage space	20,221	19,258
Plant and equipment	7,633	9,258
Impairment of land and building	—	5,698
Provision for bad and doubtful debts	6,627	66,418
Provision for obsolete inventories	1,116	626
Impairment of goodwill on acquisition of a subsidiary	—	1,469
Loss on disposal of subsidiaries	—	3,758
Management fee paid to Tianjin Jinbin Expressway Management Company Limited	12,368	—
Toll collection management fee	7,776	5,063

**6. Finance costs**

	2004 HK\$'000	2003 HK\$'000
Interest on bank and other loans wholly repayable within five years, net of interest subsidies of HK\$31,680,000 (2003: Nil)	51,598	79,953
Interest on convertible bonds	3,919	4,571
	55,517	84,524
Less: Interest capitalised in properties under development	—	(2,284)
	55,517	82,240



## Notes to the Accounts

## 7. Taxation

The amount of taxation charged to the consolidated profit and loss account represents:

	2004 HK\$'000	2003 HK\$'000
Current taxation		
PRC income tax	135,322	66,032
Under provisions in prior years	3,154	662
Deferred taxation relating to the origination and reversal of temporary differences ( <i>Note 30</i> )	(1,320)	5,439
	<b>137,156</b>	72,133
Share of PRC income tax attributable to		
Jointly controlled entities	—	(383)
Associated companies	21,239	7,991
	<b>158,395</b>	79,741

Hong Kong profits tax has been provided at the rate of 17.5% on the estimated taxable profit for the year (2003: 17.5%). Provision for the PRC income tax has been made at the applicable rate of taxation on the estimated assessable profit for the year for each of the Group's subsidiaries and associates.

Rates applicable to principle subsidiaries and associates:

On 6th November 1997, the Tianjin Finance Bureau approved that with effect from the listing of the Company, the income tax rate applicable to Tianjin Harbour Second Stevedoring Co., Ltd. and Tianjin Port Container Terminal Co., Ltd. is 15% and remained effective as at year ended 2004.

On 12th November 1997, the State Tax Bureau approved that Tianjin Tai Kang Industrial Co., Ltd. ("Taikang") and Tianjin Heavenly Palace Winery Co., Ltd. ("Heavenly Palace") be exempted from income tax for two years starting from the first year of profit generation, followed by a 50% reduction for the next three years. The applicable tax rate of Taikang and Heavenly Palace for the current year is 30% and 33% respectively.

## Notes to the Accounts

## 7. Taxation (Cont'd)

Pursuant to an approval document issued by the State Tax Bureau of Tianjin Economic and Technological Development Area (the "State Tax Bureau"), Jinzheng is entitled to an exemption from the PRC enterprise income tax for two years commencing from its first profit-making year of operation and thereafter, Jinzheng is entitled to a 50% relief from the PRC enterprise income tax for the following three years. The reduced tax rate for the relief period is 7.5%. After the expiry of the tax relief period, Jinzheng is subject to an income tax rate of 15%, being the preferential tax rate applicable. Pursuant to the same document, the State Tax Bureau has confirmed that the first profit-making year of Jinzheng is the year of 2000.

Pursuant to the relevant laws and regulations in the PRC, Tianjin Mass Transit (Group) Development Co., Ltd. and its subsidiaries ("MTD Group") is exempted from income tax for two years starting from the first year of profit generation and thereafter, MTD Group is entitled to a 50% relief from the PRC enterprise income tax for the following three years. The reduced tax rate for the relief period is 7.5%. After the expiry of the tax relief period, MTD Group is subject to an income tax rate of 15%, being the preferential tax rate applicable.

Electricity Company and Water Company are exempted from income tax for the two years starting from 2001 followed by a 50% reduction for the next three years.

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the applicable tax rate, being the weighted average of rates prevailing in the territory in which the Group's principal subsidiaries operate, as follows:

	2004 HK\$'000	2003 HK\$'000
Profit before taxation	<b>1,021,925</b>	363,789
Calculated at applicable tax rates	<b>173,587</b>	83,116
Income of subsidiaries under tax reduction	<b>(57,647)</b>	(18,125)
Income not subject to taxation	<b>(4,921)</b>	(21,337)
Expenses not deductible for taxation purposes	<b>33,742</b>	33,282
Utilisation of previously unrecognised tax losses	<b>(104)</b>	(1,255)
Tax losses not recognised	<b>13,738</b>	4,060
Taxation charge	<b>158,395</b>	79,741

## Notes to the Accounts

### 8. Profit attributable to shareholders

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of a loss of HK\$38,770,000 (2003: profit of HK\$292,037,000).

### 9. Dividends

	2004 HK\$'000	2003 HK\$'000
2004 final dividends, proposed, of 3.4 HK cents (2003: final, paid, of 3.9 HK cents per share)	<b>30,956</b>	26,822
2004 interim, paid, of 4.6 HK cents (2003: 3.8 HK cents) per share	<b>31,636</b>	25,804
	<b>62,592</b>	52,626

At a meeting held on 21st April 2005 the directors proposed a final dividend of 3.4 HK cents per ordinary share. This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained earnings for the year ending 31st December 2005.

### 10. Earnings per share

The calculation of the basic earnings per share was based on profit attributable to shareholders of HK\$563,803,000 (2003: HK\$212,796,000) and the weighted average number of 703,339,858 ordinary shares in issue (2003: 678,771,278 shares) during the year.

The share options have no material dilutive effect on basic earnings per share for the years ended 31st December 2003 and 2004.

## Notes to the Accounts

## 11. Emoluments of directors and senior management

## (a) Directors' emoluments

	2004 HK\$'000	2003 HK\$'000
Fees	3,905	5,120
Salaries and other emoluments	1,674	1,533
	<b>5,579</b>	<b>6,653</b>
	<b>Number of individuals</b>	
	2004	2003
Emolument bands (HK\$)		
Nil-1,000,000	14	14
1,000,001-1,500,000	2	2
	<b>16</b>	<b>16</b>

Remuneration paid to independent non-executive directors for the year represents fees amounting to HK\$900,000 (2003: HK\$900,000). During the year, none of the directors had waived their directors' fees (2003: Nil).

## (b) Senior management emoluments

Details of the emoluments paid to the five individuals, including 3 directors (2003: 3 directors), whose emoluments were the highest in the Group are as follows:

	2004 HK\$'000	2003 HK\$'000
Fees	2,498	2,444
Salaries and other emoluments	3,147	3,233
	<b>5,645</b>	<b>5,677</b>

## Notes to the Accounts

## 11. Emoluments of directors and senior management (Cont'd)

## (b) Senior management emoluments (Cont'd)

	Number of individuals	
	2004	2003
Emolument bands (HK\$)		
Nil-1,000,000	2	3
1,000,001-1,500,000	3	2
	<b>5</b>	<b>5</b>

During the year, no emoluments were paid by the Group to the five highest paid individuals, including directors, as an inducement to join or upon joining the Group or as compensation for loss of office (2003: Nil).

## 12. Goodwill

	2004	2003
	HK\$'000	HK\$'000
At 1st January	54,096	—
Acquisition of subsidiaries (Note 34(d))	346,253	55,565
Impairment charge	—	(1,469)
At 31st December	<b>400,349</b>	54,096

## Notes to the Accounts

## 13. Fixed assets

## Group

	Land and buildings	Toll roads	Improvement on leased berths	Plant and machinery	Leasehold improvement, furniture and equipment	Motor vehicles	Construction in progress	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Cost</b>									
At 1st January 2004	398,089	3,542,990	365,489	1,056,788	32,297	57,422	50,732	48,918	5,552,725
Additions	2,365	238	—	3,116	477	7,043	168,930	3,747	185,916
Acquisition of subsidiaries (Note 34(d))	179,739	—	—	254,940	12,258	6,838	—	—	453,775
Deemed disposal of a subsidiary (Note 34(e))	—	—	—	—	—	—	—	(807)	(807)
Transfers upon completion	45,154	—	437	57,417	1,155	290	(104,453)	—	—
Disposals	(39,891)	(18,375)	—	(11,177)	(788)	(3,615)	—	(2,302)	(76,148)
At 31st December 2004	585,456	3,524,853	365,926	1,361,084	45,399	67,978	115,209	49,556	6,115,461
<b>Accumulated depreciation and impairment</b>									
At 1st January 2004	85,684	264,977	22,540	313,391	5,471	28,269	—	31,698	752,030
Charge for the year	14,524	44,501	10,692	82,200	3,846	5,409	—	4,893	166,065
Deemed disposal of a subsidiary (Note 34(e))	—	—	—	—	—	—	—	(477)	(477)
Disposals	(7,971)	(1,972)	—	(7,877)	(657)	(2,958)	—	(1,977)	(23,412)
At 31st December 2004	92,237	307,506	33,232	387,714	8,660	30,720	—	34,137	894,206
<b>Net book value</b>									
At 31st December 2004	493,219	3,217,347	332,694	973,370	36,739	37,258	115,209	15,419	5,221,255
At 31st December 2003	312,405	3,278,013	342,949	743,397	26,826	29,153	50,732	17,220	4,800,695

## Notes to the Accounts

## 13. Fixed assets (Cont'd)

## Company

	<b>Leasehold land</b>	<b>Leasehold improvement, furniture and equipment</b>	<b>Motor vehicles</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost				
At 1st January 2004	33,920	2,373	2,540	38,833
Additions	—	163	—	163
Disposals	(33,920)	—	—	(33,920)
At 31st December 2004	—	2,536	2,540	5,076
Accumulated depreciation and impairment				
At 1st January 2004	6,461	1,112	2,487	10,060
Charge for the year	—	246	53	299
Disposals	(6,461)	—	—	(6,461)
At 31st December 2004	—	1,358	2,540	3,898
Net book value				
At 31st December 2004	—	1,178	—	1,178
At 31st December 2003	27,459	1,261	53	28,773

## Notes to the Accounts

**13. Fixed assets (Cont'd)**

The cost of the Group's and the Company's property interests comprises:

	<b>Group</b>		<b>Company</b>	
	<b>2004</b>	2003	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
Properties held in the PRC				
Medium term leases	<b>585,456</b>	398,089	—	33,920
Toll roads in PRC				
Medium term leases	<b>3,524,853</b>	3,542,990	—	—
	<b>4,110,309</b>	3,941,079	—	33,920

**14. Subsidiaries**

	<b>Company</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Unlisted shares, at cost	<b>3,926,787</b>	3,518,323
Amounts due from subsidiaries	<b>1,694,140</b>	1,140,587
Amounts due to subsidiaries	<b>(134,687)</b>	(142,555)
	<b>5,486,240</b>	4,516,355

Details of principal subsidiaries, which in the directors' opinion, materially affect the results or net assets of the Group at 31st December 2004 are set out in note 39.



## Notes to the Accounts

## 15. Associated companies

	Group		Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Group's share of net assets				
— Listed shares in Hong Kong of Wah Sang Gas Holdings Limited	158,261	156,007	—	—
— Other unlisted shares	310,087	199,306	—	—
	<b>468,348</b>	355,313	—	—
Amounts due to associated companies	(1,882)	(1,882)	—	—
Amounts due from associated companies	29,133	5,829	4,000	4,000
Impairment of investment in an associated company ( <i>Note 15(b)(i)</i> )	(120,000)	—	—	—
	<b>375,599</b>	359,260	<b>4,000</b>	4,000
Market value of listed shares ( <i>Note 15(b)(i)</i> )	N/A	414,624	—	—

- (a) Details of principal associated companies, which in the directors' opinion, materially affect the results or net assets of the Group at 31st December 2004 are set out in note 40.

## Notes to the Accounts

## 15. Associated companies (Cont'd)

(b) The summary of the financial information of each of the material associated companies, Wah Sang Gas Holdings Limited ("Wah Sang") and Otis Elevator (China) Investment Company Limited ("Otis China") are as follows:

## (i) Wah Sang

	2003			
	For the three months ended 31st March HK\$'000	For the three months ended 30th June HK\$'000	Aggregate for six months ended 30th June HK\$'000	For the three months ended 30th September HK\$'000
Turnover	120,709	231,755	352,464	272,445
Operating profit before taxation	24,840	71,143	95,983	91,598
Profit after taxation	20,312	66,874	87,186	83,000
Minority interests	1,431	(1,529)	(98)	(1,594)
Profits attributable to shareholders	21,743	65,345	87,088	81,406
Share of profit after taxation attributable to the Group			19,882	18,585
Share of profit after taxation attributable to and equity accounted for by the Group			19,882	

*Note:*

Wah Sang is listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and has its financial year end date on 31st March. It is required to publish results quarterly.

## Notes to the Accounts

## 15. Associated companies (Cont'd)

(i) *Wah Sang (Cont'd)*

On 19th December 2003, Wah Sang announced that it is under enquiry by the Securities and Futures Commission ("SFC") pursuant to section 179 of the Securities and Futures Ordinance. On 13th February 2004, Wah Sang announced that the release of its results to third quarter ended 31st December 2003 was delayed to 31st March 2004. This was further delayed to end of April 2004. On 6th April 2004, the SFC directed that trading in the shares of Wah Sang be suspended until further notice. To date of this report, the status quo on the results announcement and share suspension remains unchanged.

For the preparation of the Group's accounts for the year ended 31st December 2003, the Group had equity accounted for its share of the profit of Wah Sang for the six months ended 30th June 2003 amounting to HK\$19,882,000. Because Wah Sang was not able to release its financial information for the six months ended 31st December 2003, there existed uncertainty as to the operating results of Wah Sang for the year ended 31st December 2003. As a result, the directors of the Company considered it appropriate not to equity account for any of the results of Wah Sang for the six months ended 31st December 2003 until audited financial statements of Wah Sang are available. Similarly, the share of net assets of Wah Sang included in the Group's consolidated balance sheet as at 31st December 2003 was based on the results of Wah Sang up to 30th June 2003 amounting to HK\$156,007,000, analysed as follows:

	2003 HK\$'000
<hr/>	
Assets and liabilities	
Fixed assets	961,636
Current assets	404,206
Current liabilities	(394,408)
Long term liabilities	(240,951)
Minority interests	(28,944)
	<hr/>
Wah Sang's net assets at 30th June 2003	701,539
	<hr/>
Share of net assets attributable to the Group representing the Group's carrying value of investment in Wah Sang at 31st December 2003	156,007
	<hr/>

## Notes to the Accounts

## 15. Associated companies (Cont'd)

(i) *Wah Sang (Cont'd)*

For the preparation of the Group's accounts for the year ended 31st December 2004, Wah Sang has yet to release any up-to-date financial information and the trading of its shares remains suspended. The audit of Wah Sang's accounts for each of the two years ended 31st March 2004 and 2005 is currently being carried out by their auditors together with an investigation report which are not yet finalised. Although Wah Sang is continuing its business operations and the directors of the Company expect it to apply for a resumption of trading of its shares as soon as practicable, the directors of the Company are taking a cautious view that this may not happen in the near term. Accordingly the directors of the Company consider it prudent to set aside at this stage a provision of HK\$120 million for the probable impairment in value of the Group's investment in Wah Sang.

(ii) *Otis China*

	2004 HK\$'000	2003 HK\$'000
Turnover	5,101,773	2,688,237
Operating profit before taxation	564,233	236,413
Profit after taxation	460,943	222,015
Minority interests	(73,526)	(10,109)
Profits attributable to shareholders	387,417	211,906
Share of profit after taxation attributable to the Group	64,110	47,819
Assets and liabilities		
Fixed assets	529,808	502,270
Other long term assets	201,310	192,206
Current assets	3,267,980	2,757,661
Current liabilities	(2,741,982)	(2,577,645)
Minority interests	(130,884)	(135,678)
Net assets	1,126,232	738,814
Share of net assets attributable to the Group	231,652	143,781

## Notes to the Accounts

## 16. Jointly controlled entities

	<b>Group</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Group's share of net assets	<b>93,587</b>	95,568
Amounts due to the Group	<b>149</b>	51
	<b>93,736</b>	95,619

Details of jointly controlled entities are set out in note 41.

## 17. Long term investments

	<b>Group</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Unlisted investments, at cost	<b>120,418</b>	102,575
Loans to investee companies	<b>68,207</b>	68,245
	<b>188,625</b>	170,820

Long term investments included HK\$81.9 million (2003: HK\$81.9 million) representing the Group's investment in fourteen joint ventures which build, operate and manage Tang Jin Expressway in each of which the Group holds a 6.62% equity interest. The loans to these investee companies are unsecured, interest free and have no fixed repayment terms.

## Notes to the Accounts

**18. Properties under development held for sale**

	<b>Group</b>	
	<b>2004</b>	<b>2003</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Land costs	<b>347,813</b>	347,813

Land costs of HK\$347.8 million (2003: HK\$347.8 million) represents the investment in a parcel of land located in Tianjin. The land use right will expire on 13th February 2052.

**19. Completed properties held for sale**

All completed properties are situated in PRC mainland. As at 31st December 2004, there is no property held for sale which have been pledged as securities for banking facilities granted to the Group (2003: HK\$69,847,000).

**20. Inventories**

	<b>Group</b>	
	<b>2004</b>	<b>2003</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Raw materials	<b>96,813</b>	67,986
Work in progress	<b>24,475</b>	10,071
Finished goods	<b>119,796</b>	109,468
Consumable stocks	<b>21,244</b>	16,903
	<b>262,328</b>	204,428

## Notes to the Accounts

**21. Amounts due from/(to) the ultimate holding company**

The balances are unsecured, interest free and have no fixed repayment terms.

**22. Amounts due from/(to) related companies**

	<b>Group</b>	
	2004 HK\$'000	2003 HK\$'000
Amounts due from related companies ( <i>Note a</i> )	<b>85,733</b>	53,194
Amounts due to related companies ( <i>Note a</i> )	<b>(37,770)</b>	(32,900)
Construction costs payable to a minority shareholder ( <i>Note b</i> )	<b>(90,100)</b>	(90,138)
Amounts due to a minority shareholder ( <i>Note a</i> )	<b>(20,545)</b>	—
	<b>(148,415)</b>	(123,038)

*Notes:*

- (a) Amounts receivable and payable and amounts due to a minority shareholder are unsecured, interest free and have no fixed repayment terms.
- (b) Amounts payable to Eastern Outer Ring Road Company Limited relate to the construction costs of a toll road owned by the Group.

## Notes to the Accounts

**23. Trade receivables**

The aging analysis of the Group's trade receivables (net of provisions) are as follows:

	<b>Group</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Within 30 days	<b>294,467</b>	260,181
30 to 90 days	<b>40,350</b>	30,275
91 to 180 days	<b>15,021</b>	720
Over 180 days	<b>36,608</b>	13,170
	<b>386,446</b>	304,346

The various group companies have different credit policies dependent on the requirements of the markets and the businesses which they operate. In general, credit terms of 90 days are given to customers.

Trade receivables due within 30 days include government supplemental income receivable from the Finance Bureau of TEDA as referred to in Note 2 to the accounts.

**24. Short term investments**

	<b>Group</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Designated deposits	<b>9,524</b>	58,429
Listed shares in Hong Kong	<b>9,239</b>	—
Listed shares and unit trusts in PRC mainland	<b>43,548</b>	—
	<b>62,311</b>	58,429
Market values of listed shares	<b>52,787</b>	—

The designated deposits were placed with securities companies in PRC mainland as trust deposits for investment purposes. Such deposits are redeemable within one year from date of placement.



## Notes to the Accounts

## 25. Bank balances and cash

	Group		Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Restricted bank balances	—	14,658	—	—
Unrestricted bank balances	1,751,930	1,316,129	60,909	367,799
Deposits with other financial institutions	204,379	108,207	—	—
	<b>1,956,309</b>	1,438,994	<b>60,909</b>	367,799

The restricted balances as at 31st December 2003 were pledged as securities for certain bank loans and were released upon repayment of the bank loans during the year.

## 26. Trade payables

The aging analysis of the Group's trade payables are as follows:

	Group	
	2004 HK\$'000	2003 HK\$'000
Below 30 days	44,137	15,046
30 to 90 days	337	47
91 to 180 days	1,870	—
Over 180 days	1,782	2,381
	<b>48,126</b>	17,474

## Notes to the Accounts

## 27. Share capital

	2004	2003
	HK\$'000	HK\$'000
Authorised:		
3,000,000,000 shares of HK\$0.10 each	<b>300,000</b>	300,000
Issued and fully paid:		
At beginning of the year	<b>68,485</b>	67,775
Issue of shares ( <i>Note a</i> )	<b>22,271</b>	130
Conversion of convertible bonds ( <i>Note b</i> )	<b>290</b>	580
At the end of the year	<b>91,046</b>	68,485

*Notes:*

- (a) On 6th December 2004, 222,707,143 shares were allotted to Tianjin Investment Holdings Limited at HK\$3.15 per share as partial consideration for the acquisition of two subsidiaries in the PRC mainland.

On 6th and 9th October 2003, 500,000 and 800,000 shares options were exercised by employees respectively. The exercise price was HK\$2.204 each and was settled in full by cash.

- (b) As detailed in note 29, the Group has convertible bonds listed on the Luxembourg Stock Exchange. On 30th January 2004, a bondholder exercised their option to convert the bonds into shares of the Company by subscribing for 2,899,628 shares (2003: 5,799,256 shares) of the Company at HK\$2.69 each.

The shares issued during the year arising from (a) and (b) above rank pari passu with the existing shares.

- (c) The Company has a share option scheme (the "Scheme") approved in an extraordinary general meeting on 22nd November 1997 under which the directors may, at their discretion and within 10 years from the approval date, invite any employees or executive directors of the Group to take up options to subscribe for shares in the Company subject to the terms and conditions stipulated in the Scheme. The Company operates the Scheme for the purpose of promoting additional commitment and dedication to the long term objectives of the Group by the participants. The grant will expire on 21st November 2007 or an earlier date as determined by the board of directors. The cash consideration payable for each grant is HK\$1.

## Notes to the Accounts

## 27. Share capital (Cont'd)

Notes: (Cont'd)

- (c) Prior to 1st September 2001, the subscription price is determined by the directors and shall be the higher of nominal value of the Company's share and a price not less than 80% of the market price immediately before the options are granted. The maximum number of shares issued to each employee or director in respect of which options may be granted shall not exceed 25% of the total shares in issue or to be issued under the Scheme. On 1st September 2001 when the amendments to the Listing Rules were effective, the subscription price shall be the higher of the closing price on the date of grant and the average closing price for the five business days immediately preceding the date of grant. The maximum number of shares issued and to be issued upon exercise of the options granted to each employee or director shall not exceed 1% of the total shares in issue in any 12-month period. Shares options granted since 1st September 2001 shall comply with the prevailing Listing Rules.
- (d) Movements in the number of share options outstanding during the year are as follows:

	<b>Number of options</b>	
	<b>2004</b>	2003
At the beginning of the year	<b>21,036,000</b>	28,668,000
Granted ( <i>Note (i)</i> )	<b>96,900,000</b>	—
Exercised ( <i>Note (ii)</i> )	—	(1,300,000)
Lapsed ( <i>Note (iii)</i> )	<b>(11,336,000)</b>	(6,332,000)
Cancelled ( <i>Note (iv)</i> )	<b>(9,500,000)</b>	—
At the end of the year ( <i>Note (v)</i> )	<b>97,100,000</b>	21,036,000

- (i) On 15th January 2004, the Company granted 90,000,000 share options to Deltaway Inc., an independent third party, to subscribe for shares of the Company at HK\$4.1 per share. The option is exercisable for a period of one year from the date of approval obtained from the Stock Exchange. The consideration for the grant of the option is HK\$2,400,000. In addition, 6,900,000 share options were granted to directors and employees of the Group on 23rd December 2004 at the exercise price of HK\$3.10 per share and expiring on 21st November 2007.

## Notes to the Accounts

## 27. Share capital (Cont'd)

Notes: (Cont'd)

- (ii) No option was exercised in 2004. Options exercised on 6th and 9th October 2003 resulted in 500,000 and 800,000 shares being issued at HK\$2.204 for both exercises, yielding net proceeds as follows:

	2004 HK\$'000	2003 HK\$'000
Ordinary share capital — at par	—	130
Share premium	—	2,736
Proceeds	—	2,866

- (iii) Following the resignation of a director, Mr. Chen Zihe, on 30th December 2003, 6,332,000 share options lapsed on 10th January 2004. A further 5,004,000 share options expired on 17th March 2004.
- (iv) Following a director's meeting held on 23rd December 2004, 9,500,000 share options granted on 17th April 1998 was cancelled.
- (v) Share options outstanding at the end of the year have the following terms:

Expiry date	Exercise price HK\$	Number of options		Vested percentages	
		2004	2003	2004	2003
Third party					
15th January 2006	4.10	90,000,000	—	100%	N/A
Directors					
17th March 2004	3.34	—	9,336,000	N/A	100%
21st November 2007	6.136	—	11,500,000	N/A	100%
21st November 2007	3.10	6,400,000	—	100%	N/A
Continuous contract employees					
21st November 2007	2.204	200,000	200,000	100%	100%
21st November 2007	3.10	500,000	—	100%	N/A
		97,100,000	21,036,000		

## Notes to the Accounts

## 28. Reserves

## Group

	Capital reserve	Share premium	General reserve	Goodwill reserve	Statutory reserves	Exchange reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January 2003	11,642	3,542,741	48,760	(847,843)	146,174	10,640	550,133	3,462,247
Issue of shares	—	17,756	—	—	—	—	—	17,756
Exchange differences	—	—	—	—	—	1,172	—	1,172
Transfers	—	—	18,334	—	19,755	—	(38,089)	—
Profit for the year	—	—	—	—	—	—	212,796	212,796
Dividends	—	—	—	—	—	—	(48,170)	(48,170)
Released on disposal of partial interest in an associated company	—	—	—	268,421	—	—	—	268,421
Released upon disposal of subsidiaries	1,028	—	—	3,992	—	—	—	5,020
At 31st December 2003	12,670	3,560,497	67,094	(575,430)	165,929	11,812	676,670	3,919,242
Derecognition of negative goodwill in an associated company ( <i>Note 1(a)</i> )	—	—	—	—	—	—	23,761	23,761
Issue of shares	—	686,767	—	—	—	—	—	686,767
Exchange differences	—	—	—	—	—	(38)	—	(38)
Transfers	—	—	9,901	—	16,985	—	(26,886)	—
Profit for the year	—	—	—	—	—	—	563,803	563,803
Dividends	—	—	—	—	—	—	(58,458)	(58,458)
Released on deemed disposal of interest in a subsidiary	—	—	—	—	—	113	—	113
At 31st December 2004	12,670	4,247,264	76,995	(575,430)	182,914	11,887	1,178,890	5,135,190

## Notes to the Accounts

## 28. Reserves (Cont'd)

## Group (Cont'd)

- (a) Goodwill attributable to associated companies amounts to HK\$466,814,000 (2003: HK\$510,157,000). Retained profits and accumulated losses attributable to associated companies and jointly controlled entities amounts to HK\$202,355,000 (2003: HK\$101,824,000) and HK\$3,722,000 (2003: HK\$3,433,000), respectively. All other reserves of the Group are dealt with in the accounts of the Company and its subsidiaries.
- (b) Statutory reserves and general reserves are reserves required by the relevant PRC laws applicable to the Group's subsidiaries and cannot be used for distribution in the form of cash dividends.

## Company

	Share premium HK\$'000	Retained profit HK\$'000	Total HK\$'000
At 1st January 2003	3,542,741	209,843	3,752,584
Issue of shares	17,756	—	17,756
Profit for the year	—	292,037	292,037
Dividends	—	(48,170)	(48,170)
At 31st December 2003	3,560,497	453,710	4,014,207
Issue of shares	686,767	—	686,767
Loss for the year	—	(38,770)	(38,770)
Dividends	—	(58,458)	(58,458)
At 31st December 2004	4,247,264	356,482	4,603,746

The Company's reserve available for distribution to shareholders as at 31st December 2004 is represented by the retained profits of HK\$356,482,000 (2003: HK\$453,710,000).

## Notes to the Accounts

## 29. Long term liabilities

	Group		Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Bank loans:				
Secured ( <i>Note a</i> )	589,289	1,324,722	—	—
Unsecured ( <i>Note a</i> )	1,138,888	1,246,844	858,000	858,000
Convertible bonds ( <i>Note b</i> )	132,600	140,400	—	—
Loans from a minority shareholder of subsidiaries ( <i>Note c</i> )	192,493	—	—	—
	<b>2,053,270</b>	2,711,966	<b>858,000</b>	858,000
Less: Amounts due within one year included under current liabilities	(388,973)	(660,475)	—	—
Amounts due after one year	<b>1,664,297</b>	2,051,491	<b>858,000</b>	858,000
The maturity of the Group's long term liabilities is as follows:				
Bank loans				
Within one year	256,373	660,475	—	—
In the second year	57,279	407,230	—	—
In the third to fifth years inclusive	1,037,851	1,049,401	858,000	858,000
After the fifth year	376,674	454,460	—	—
	<b>1,728,177</b>	2,571,566	<b>858,000</b>	858,000
Convertible bonds				
Within one year	132,600	—	—	—
In the second year	—	140,400	—	—
	<b>132,600</b>	140,400	—	—
	<b>1,860,777</b>	2,711,966	<b>858,000</b>	858,000

## Notes to the Accounts

### 29. Long term liabilities (Cont'd)

*Notes:*

- (a) The secured bank loans were secured by cash received from toll collection of toll roads and equity interests in certain subsidiaries of the Group.

Unsecured bank loans include, approximately HK\$151,000,000 (RMB160,000,000) was guaranteed by Tianjin Economic and Technological Development Investment Co., Ltd., a minority shareholder of certain subsidiaries. Of the HK\$151,000,000, HK\$9,000,000 (RMB10,000,000) is included in the short term loans.

- (b) On 18th April 2002, the Group issued US\$20,000,000 convertible bonds which are listed on the Luxembourg Stock Exchange and carry interest at 3% per annum payable semi-annually in arrears. Each bondholder has the option to convert the bonds into shares of the Company of HK\$0.10 each at a conversion price of HK\$2.69 per share, subject to adjustment, at any time from 18th April 2003 to 11th April 2005.

Unless previously purchased and cancelled, redeemed or converted, the bonds will be redeemed at 106.39% of their principal amount plus accrued interest on 18th April 2005.

During the year, US\$1,000,000 bonds were converted into 2,899,628 (2003: 5,799,256 shares) ordinary shares of HK\$0.10 each of the Company.

Up to the expiry of the convertible bonds, there is no further conversion of the bonds and the outstanding balance has been redeemed in full.

- (c) The loans from a minority shareholder of subsidiaries are unsecured, carrying interest at 6.4% per annum and not repayable within one year.



## Notes to the Accounts

## 30. Deferred taxation

Deferred taxation is calculated in full on temporary differences under the liability method using prevailing tax rate of the relevant subsidiaries.

The movement on the deferred tax liabilities account in respect of accelerated tax depreciation is as follows:

<b>Deferred tax liabilities</b>	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
At 1st January	<b>65,662</b>	10,123
Acquisition of subsidiaries ( <i>Note 34(d)</i> )	—	50,100
Deferred taxation charged to profit and loss account ( <i>Note 7</i> )	<b>2,233</b>	5,439
At 31st December	<b>67,895</b>	65,662

The movement on the deferred tax assets account in respect of provision for doubtful debts is as follows:

<b>Deferred tax assets</b>	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
At 1st January	—	—
Acquisition of subsidiaries ( <i>Note 34(d)</i> )	<b>4,603</b>	—
Deferred taxation credited to profit and loss account ( <i>Note 7</i> )	<b>3,553</b>	—
At 31st December	<b>8,156</b>	—

The amounts shown in the balance sheet include the following:

Deferred tax assets to be recovered after 12 months	<b>8,156</b>	—
Deferred tax liabilities to be settled after 12 months	<b>67,895</b>	65,662

## Notes to the Accounts

## 31. Operating lease commitments

At 31st December 2004, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Group		Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Land and buildings				
Not later than one year	12,668	7,232	491	636
Later than one year and not later than five years	48,748	26,541	33	295
Later than five years	234,214	57,482	—	—
	<b>295,630</b>	91,255	<b>524</b>	931
Equipment, berths, railway				
Not later than one year	21,279	20,221	—	—
Later than one year and not later than five years	84,656	83,008	—	—
Later than five years	182,396	203,736	—	—
	<b>288,331</b>	306,965	—	—
Plant and machinery				
Not later than one year	5,760	3,723	—	—
Later than one year and not later than five years	18,118	14,893	—	—
Later than five years	29,167	32,891	—	—
	<b>53,045</b>	51,507	—	—
	<b>637,006</b>	449,727	<b>524</b>	931

## Notes to the Accounts

## 32. Capital commitments

	Group		Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Authorised but not contracted for in respect of				
Improvements on plant and machineries	13,584	2,860	—	—
Land and buildings	103,252	—	—	—
	<b>116,836</b>	<b>2,860</b>	<b>—</b>	<b>—</b>
Contracted but not provided for in respect of				
Land and buildings	3,229	—	—	—
Improvements on leased berths	—	24,212	—	—
Improvements on plant and machineries	67,054	25,597	—	—
Tang Jin Expressway	17,773	27,910	—	—
Others	815	864	—	—
	<b>88,871</b>	<b>78,583</b>	<b>—</b>	<b>—</b>

## 33. Contingent liabilities

	Group		Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Guarantees given to banks in respect of banking facilities extended to				
— Subsidiaries	—	—	84,858	1,138,040
— A jointly controlled entity	18,857	18,857	—	—
— A third party	—	15,344	—	—

## Notes to the Accounts

## 34. Notes to the consolidated cash flow statement

## (a) Reconciliation of operating profit before financing to net cash inflow from operations

	2004 HK\$'000	2003 HK\$'000
Operating profit before financing	980,420	363,595
Interest income	(19,985)	(11,899)
Depreciation	166,065	144,202
Impairment charge	—	5,698
Goodwill written off	—	1,469
Net loss on disposal of fixed assets	22,444	10,084
Loss on disposal of subsidiaries	—	3,758
Unrealised gain on short term investments	(5,119)	—
Impairment charge on investment in an associated company	120,000	—
Gain on deemed disposal of a subsidiary	(4,325)	—
Gain on deemed and partial disposals of interest in an associated company	—	(17,681)
Operating profit before working capital changes	1,259,500	499,226
Increase in inventories	(58,036)	(7,177)
Decrease/(increase) in trade receivables	122,225	(102,868)
(Increase)/decrease in other receivables, deposits and prepayments	(123,681)	43,879
Decrease in trade payables	(23,085)	(50,654)
(Decrease)/increase in other payables and accruals	(45,254)	22,264
Decrease in completed properties held for sale	201,300	64,325
(Increase)/decrease in short term investments	(3,882)	4,456
Decrease in net amounts due from ultimate holding company	3,951	4,913
Decrease in amount due to a fellow subsidiary	—	(28,286)
(Decrease)/increase in net balances due to related companies	(16,815)	33,233
Exchange differences	75	1,172
Net cash inflow generated from operations	1,316,298	484,483

## Notes to the Accounts

## 34. Notes to the consolidated cash flow statement (Cont'd)

## (b) Analysis of changes in financing during the year

	Dividend payable	Share capital including premium	Minority interests	Restricted bank balances	Bank loans and convertible bonds	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January 2003	—	3,610,516	570,370	(16,844)	1,766,088	5,930,130
Dividends	48,170	—	—	—	—	48,170
Net cash inflows/(outflows) from financing	(48,170)	—	—	2,186	291,291	245,307
Share of profits and reserves attributable to minority shareholders	—	—	71,252	—	—	71,252
Dividends to minority shareholders	—	—	(38,274)	—	—	(38,274)
Acquisition of subsidiaries (Note 34(d))	—	—	584,368	—	744,390	1,328,758
Minority interest released upon disposal of subsidiaries (Note 34(e))	—	—	(694)	—	—	(694)
Issue of shares	—	2,866	—	—	—	2,866
Conversion of bonds	—	15,600	—	—	(15,600)	—
At 31st December 2003	—	3,628,982	1,187,022	(14,658)	2,786,169	7,587,515
Derecognition of negative goodwill	—	—	4,957	—	—	4,957
Dividends	58,458	—	—	—	—	58,458
Net cash inflows/(outflows) from financing	(58,458)	—	—	14,658	(840,182)	(883,982)
Share of profits and reserves attributable to minority shareholders	—	—	299,727	—	—	299,727
Dividends to minority shareholders	—	—	(75,841)	—	—	(75,841)
Deemed disposal of a subsidiary	—	—	—	—	(2,452)	(2,452)
Acquisition of subsidiaries (Note 34(d))	—	—	14,562	—	—	14,562
Minority interest released upon deemed disposal of a subsidiary (Note 34(e))	—	—	4,980	—	—	4,980
Issue of shares	—	701,528	—	—	—	701,528
Conversion of bonds	—	7,800	—	—	(7,800)	—
At 31st December 2004	—	4,338,310	1,435,407	—	1,935,735	7,709,452

## Notes to the Accounts

## 34. Notes to the consolidated cash flow statement (Cont'd)

## (c) Major non-cash transaction

During the year, US\$1,000,000 convertible bonds were converted into 2,899,628 ordinary shares of HK\$0.10 each of the Company.

On 20th September 2004, the Group entered into a conditional sale and purchase agreement with Tsinlien to acquire 94.4% in Electricity Company and 91.4% in Water Company. The acquisitions are satisfied by cash consideration of HK\$160 million, as included in total cash consideration on acquisition of subsidiaries, and issue of 222,707,143 number of the Company's shares. The acquisition was completed on 29th November 2004.

## (d) Acquisition of subsidiaries

	2004 HK\$'000	2003 HK\$'000
Net assets acquired		
Long term investments	1,121	—
Deferred tax assets (Note 30)	4,603	—
Fixed assets (Note 13)	453,775	1,532,789
Inventories	137	4,225
Trade receivables	205,565	—
Other receivables, deposits and prepayment	2,647	16,642
Bank balances and cash	305,845	6,989
Amounts due from related companies	36,301	—
Trade payables	(54,002)	(177)
Other payables and accruals	(129,109)	(57,486)
Amounts due to related companies	(45,954)	—
Bank loans (Note 34(b))	—	(744,390)
Deferred tax liabilities (Note 30)	—	(50,100)
Tax payable	(1,594)	—
Minority interests (Note 34(b))	(14,562)	(584,368)
Loans from a minority shareholder	(192,493)	—
	<b>572,280</b>	<b>124,124</b>
Goodwill on acquisition (Note 12)	<b>346,253</b>	<b>55,565</b>
	<b>918,533</b>	<b>179,689</b>

## Notes to the Accounts

## 34. Notes to the consolidated cash flow statement (Cont'd)

## (d) Acquisition of subsidiaries (Cont'd)

	2004 HK\$'000	2003 HK\$'000
Less: interest already held by the Group		
— Convertible preference shares	—	(160,623)
	<b>918,533</b>	19,066
Satisfied by:		
Cash consideration ( <i>Note 34(c)</i> )	197,005	19,066
Allotment of shares	701,528	—
Prepayment	20,000	—
Convertible preference shares	—	160,623
	<b>918,533</b>	179,689
Analysis of net cash inflow/(outflow) in respect of acquisition subsidiaries:		
Cash consideration	(197,005)	(19,066)
Bank balances and cash on hand acquired	305,845	6,989
Net cash inflow/(outflow) in respect of the acquisition of subsidiaries	<b>108,840</b>	(12,077)

## Notes to the Accounts

## 34. Notes to the consolidated cash flow statement (Cont'd)

## (e) Deemed disposal of a subsidiary/disposal of subsidiaries

	2004 HK\$'000	2003 HK\$'000
Net assets/(liabilities) disposed		
Fixed assets ( <i>Note 13</i> )	330	868
Inventories	273	3,686
Trade receivables	1,240	29,736
Other receivables, deposits and prepayment	352	3,715
Bank balances and cash	5,536	7,464
Trade payables	(265)	(26,534)
Other payables and accruals	(1,411)	(5,599)
Short term bank loans and overdrafts repayable within three months from date of advance	—	(13,878)
Short term bank loan repayable after three months from date of advance	(2,452)	—
Taxation payable	(15)	(26)
Amount due to a related company	(6,131)	—
Minority interests ( <i>Note 34(b)</i> )	4,980	(694)
	<b>2,437</b>	<b>(1,262)</b>
Goodwill and capital reserves released upon disposal	—	5,020
Gain/(loss) on disposal of a subsidiary/subsidiaries	4,325	(3,758)
	<b>6,762</b>	<b>—</b>
Satisfied by:		
Cash consideration	—	—
Investment in an associated company	(990)	—
Amount due from an associated company	7,752	—
	<b>6,762</b>	<b>—</b>
Analysis of net cash (outflow)/inflow in respect of disposal of subsidiaries:		
Bank balances and cash disposed	(5,536)	(7,464)
Short term bank loans and overdrafts repayable within three months from date of advance disposed	—	13,878
Net cash (outflow)/inflow in respect of the disposal of subsidiaries	<b>(5,536)</b>	<b>6,414</b>



## Notes to the Accounts

## 35. Related party transactions

The following is a summary of significant related party transactions during the year which in the opinion of the directors are carried out in the normal course of the Group's business:

	2004 HK\$'000	2003 HK\$'000
Transactions with Tianjin Port Authority and its associates		
Service fees paid for supporting services and auxiliary services (note b)	29,243	29,304
Purchase of inventories (note b)	52,900	41,525
Rental for berths, railway and storage space (note a)	20,221	19,258
Rental for land (note a)	6,554	6,554
Rental for equipment (note a)	3,910	3,723
Temporary storage fee (note b)	14,280	—
Transactions with Tianjin Agricultural Cultivation Group Company and its associates		
Packaging services (note a)	29,554	27,267
Purchase of unprocessed wine (note a)	11,524	13,647
Purchase of packaging materials (note a)	22,083	16,844
Rental for electricity transformation station (note b)	2,037	2,037
Transaction with Tianjin Engineering Bureau		
Management fee paid (note a)	—	32,900
Transactions with Tsinlien Group Company Limited and its associates		
Acquisition of subsidiaries (note b)	898,533	—
Rental on land and buildings (note a)	4,440	5,789
Interest expense (note c)	—	1,541
Management fee paid (note a)	919	1,164
Transactions with Tianjin Mechanical and Electrical Holding Company and its associates		
Acquisition of a subsidiary (note b)	—	19,065

## Notes:

- (a) These transactions were conducted in accordance with agreements entered into at the time of the restructuring in preparation for listing of the Company's shares on the Stock Exchange in late 1997.
- (b) These transactions were conducted in accordance with agreements entered into subsequent to the listing as referred to (a) above.
- (c) Interest expense was calculated at rate of 6.11% per annum on the outstanding loan balance.

## Notes to the Accounts

### 36. Subsequent events

On 13th January 2005, Dynasty Fine Wines Group Limited ("Dynasty"), a subsidiary owned as to 62% by the Group, completed a reorganisation. Pursuant to the reorganisation, the interests in Sino-French Joint Venture Dynasty Winery Ltd. were transferred to Dynasty by its respective shareholders.

On 26th January 2005, the shares of Dynasty were listed on the Main Board of the Stock Exchange and the Group's interest in Dynasty was diluted from 62% to 44.8%.

### 37. Ultimate holding company

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

### 38. Approval of accounts

The accounts were approved by the board of directors on 21st April 2005.

## Notes to the Accounts

## 39. Principal subsidiaries

	Principal activities	Issued and paid up capital/ registered capital	Percentage of effective equity interest held	
			2004	2003
<u>Established and operating in the People's Republic of China</u>				
Sino-French Joint-Venture Dynasty Winery Ltd.	Manufacturing and sales of winery products	RMB174,389,000	<b>62</b> <i>(note a)</i>	61.9 <i>(note a)</i>
Tianjin Harbour Second Stevedoring Co., Ltd.	Provision of stevedoring and storage services	RMB356,821,655	<b>100</b>	100
Tianjin Heavenly Palace Winery Co., Ltd.	Investment holding	RMB353,730,400	<b>100</b>	100
Tianjin Port Container Terminal Co., Ltd.	Provision of containers transportation and storage services	RMB632,890,096	<b>100</b>	100
Tianjin Tai Kang Industrial Co., Ltd.	Investment holding	RMB1,030,269,400	<b>82.74</b>	82.74
Tianjin Gang Ning Real Estate Development Co., Ltd.	Properties investment	RMB50,000,000	<b>100</b>	51
Tianjin Tianyang Grape Extracting Co., Ltd.	Manufacturing and sales of winery products	RMB66,532,000	<b>60</b> <i>(note a)</i>	60 <i>(note a)</i>
Tianjin Development Assets Management Co., Ltd.	Investment holding	RMB32,076,000	<b>100</b>	100
Tianjin Airfreight Port Equipment Manufacturing Co., Ltd.	Development and manufacturing of ground support aero-equipment	RMB29,220,000	<b>57.26</b> <i>(note a)</i>	57.26 <i>(note a)</i>

## Notes to the Accounts

## 39. Principal subsidiaries (Cont'd)

	Principal activities	Issued and paid up capital/ registered capital	Percentage of effective equity interest held	
			2004	2003
Tianjin Jin Zheng Transportation Development Co., Ltd.	Operating and management of Eastern Outer Ring Road	RMB1,104,596,200	<b>65.47</b> <i>(note a)</i> <b>(note d)</b> <b>67.60</b> <i>(note c)</i>	65.47 <i>(note a)</i> <i>(note d)</i> 67.60 <i>(note c)</i>
Tianjin Mass Transit (Group) Development Co., Ltd.	Operating and management of Jinbin Expressway	US\$11,992,000	<b>46.8</b> <i>(note a)</i> <b>(note d)</b>	46.8 <i>(note a)</i> <i>(note d)</i>
Tianjin Mass Transit Development 2 Co., Ltd.	Operating and management of Jinbin Expressway	US\$11,012,000	<b>46.8</b> <i>(note a)</i> <b>(note d)</b>	46.8 <i>(note a)</i> <i>(note d)</i>
Tianjin Mass Transit Development 3 Co., Ltd.	Operating and management of Jinbin Expressway	US\$10,976,000	<b>46.8</b> <i>(note a)</i> <b>(note d)</b>	46.8 <i>(note a)</i> <i>(note d)</i>
Tianjin Mass Transit Development 4 Co., Ltd.	Operating and management of Jinbin Expressway	US\$10,996,000	<b>46.8</b> <i>(note a)</i> <b>(note d)</b>	46.8 <i>(note a)</i> <i>(note d)</i>
Tianjin Mass Transit Development 5 Co., Ltd.	Operating and management of Jinbin Expressway	US\$11,020,000	<b>46.8</b> <i>(note a)</i> <b>(note d)</b>	46.8 <i>(note a)</i> <i>(note d)</i>
Tianjin TEDA Tsinlien Electric Power Company Limited	Supply of electricity	RMB314,342,450	<b>94.4</b> <i>(note a)</i>	—
Tianjin TEDA Tsinlien Water Supply Company Limited	Supply of water	RMB163,512,339	<b>91.4</b> <i>(note a)</i>	—

## Notes to the Accounts

## 39. Principal subsidiaries (Cont'd)

Principal activities		Issued and paid up capital/ registered capital	Percentage of effective equity interest held	
			2004	2003
<u>Established in British Virgin Islands and operating in Hong Kong</u>				
Dynamic Infrastructure Limited	Investment holding	US\$5	78 <i>(note a)</i> <i>(note d)</i>	78 <i>(note a)</i> <i>(note d)</i>
Team Resources Limited	Investment holding	US\$1	78 <i>(note a)</i> <i>(note d)</i>	78 <i>(note a)</i> <i>(note d)</i>
Golden Horse Resources Limited	Investment holding	US\$10,000	78 <i>(note a)</i> <i>(note d)</i>	78 <i>(note a)</i> <i>(note d)</i>
China Mass Transit Development Co., Ltd.	Investment holding	US\$100	78 <i>(note a)</i> <i>(note d)</i>	78 <i>(note a)</i> <i>(note d)</i>
Famous Ever Group Limited	Investment holding	US\$1	100	—
Grand Spirit Holdings Limited	Investment holding	US\$200	62	—
<u>Established in Cayman Islands and operating in Hong Kong</u>				
Coastal Rapid Transit Company Limited	Investment holding	HK\$84,000,000	78 <i>(note d)</i>	78 <i>(note d)</i>
Dynasty Fine Wines Group Limited	Investment holding	HK\$10	62 <i>(note a)</i>	—

## Notes:

- (a) Indirectly held by the Company
- (b) Represents equity interest in the paid up capital of the subsidiary
- (c) Represents profit sharing ratio in the subsidiary
- (d) Subsidiaries are not audited by PricewaterhouseCoopers

## Notes to the Accounts

## 40. Principal associated companies

	Principal activities	Issued and paid up capital/ registered capital	Percentage of effective equity interest held	
			2004	2003
<u>Established and operating in the People's Republic of China</u>				
China Tianjin Otis Elevator Co., Ltd.	Manufacturing and sales of elevators and escalators	US\$26,300,000	<b>16.55</b> <i>(note a)</i>	16.55 <i>(note a)</i>
Guangzhou Otis Elevator Co., Ltd.	Manufacturing and sales of elevators and escalators	US\$12,000,000	<b>16.22</b> <i>(note a)</i>	16.22 <i>(note a)</i>
Otis Elevator (China) Investment Company Limited	Investment holding	US\$79,625,000	<b>16.55</b> <i>(note a)</i>	16.55 <i>(note a)</i>
Hangzhou Xizi Otis Elevator Co., Ltd.	Manufacturing and sales of elevators and escalators	US\$15,000,000	<b>13.24</b> <i>(note a)</i>	13.24 <i>(note a)</i>
Walfen (Tianjin) Pharmaceutical Co., Ltd.	Research and development of bio- pharmaceutical products	RMB14,200,000	<b>27</b> <i>(note a)</i>	51 <i>(note a)</i>

## Notes to the Accounts

## 40. Principal associated companies (Cont'd)

Principal activities	Issued and paid up capital/ registered capital	Percentage of effective equity interest held	
		2004	2003
<u>Established in British Virgin Islands and operating in Hong Kong</u>			
Pearl Harbour Investment Limited	Investment holding US\$2	50	50
<u>Incorporated in Bermuda, operating in and shares listed in Hong Kong</u>			
Wah Sang Gas Holdings Limited	Investment holding HK\$21,770,000	22.79 <i>(note a)</i>	22.67 <i>(note a)</i>
<u>Established and operating in Hong Kong</u>			
China Walfen Medical Limited	Investment holding HK\$1,000	27 <i>(note a)</i>	51 <i>(note a)</i>

Note:

(a) The associated companies are indirectly held by the Company.

## Notes to the Accounts

## 41. Jointly controlled entities

	Principal activities	Issued and paid up capital/ registered capital	Percentage of effective equity interest held	
			2004	2003
<u>Established and operating in the People's Republic of China</u>				
Tianjin Haihe Dairy Company Limited	Manufacturing and sale of dairy products	RMB200,000,000	<b>40</b> <i>(note a)</i>	40 <i>(note a)</i>
Ning Xia Tiangong Yuma Winery Co., Ltd.	Manufacturing of unprocessed wine	RMB40,000,000	<b>25</b> <i>(note a)</i>	25 <i>(note a)</i>
Tianjin Jingfa Investment Company Limited	Investment holding	RMB70,000,000	<b>21.43</b> <i>(note a)</i>	21.43 <i>(note a)</i>

*Note:*

(a) The jointly controlled entities are indirectly held by the Company.