天津發展控股有限公司
TIANJIN DEVELOPMENT HOLDINGS LIMITED

ANNUAL REPORT 2009

Stock Code: 882

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Yu Rumin *(Acting Chairman)*
Mr. Wu Xuemin *(General Manager)*
Mr. Dai Yan
Mr. Zheng Daoquan
Dr. Wang Jiandong
Mr. Bai Zhisheng
Mr. Zhang Wenli
Mr. Sun Zengyin
Dr. Gong Jing
Mr. Wang Zhiyong

Non-executive Directors

Mr. Cheung Wing Yui
Dr. Eliza Chan Ching Har
Dr. Cheng Hon Kwan*
Mr. Kwong Che Keung, Gordon*
Mr. Mak Kwai Wing*

(Independent Non-executive Directors)*

COMPANY SECRETARY

Mr. Tuen Kong, Simon

AUTHORISED REPRESENTATIVES

Mr. Wu Xuemin
Mr. Tuen Kong, Simon

INDEPENDENT AUDITOR

PricewaterhouseCoopers

SOLICITORS

Woo, Kwan, Lee & Lo

REGISTERED OFFICE

Suites 3607-13
36/F, China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong
Telephone: (852) 2162 8888
Fax: (852) 2311 0896

SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

The Stock Exchange of Hong Kong 882

PRINCIPAL BANKERS

The Hongkong & Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited
Rabobank International, Hong Kong Branch
Citic Ka Wah Bank
Credit Agricole

Key Business Structure

Tianjin Development Holdings Limited

Infrastructure

Tianjin Port (3382.HK)

Toll roads

Utilities

Electricity

Water

Heat and thermal power

Commercial Properties

Hyatt Regency Tianjin

Courtyard by Marriott HK

Strategic and Other Investments

Dynasty Fine Wines (828.HK)

Elevator and escalator

Key Business Structure

INFRASTRUCTURE

Operations/ Investments	Share-holding	Company Name	Principal Activities
Port Services	67.33%	Tianjin Port Development Holdings Limited	Provision of port services in the port of Tianjin
Toll Roads	83.93%	Tianjin Jin Zheng Transportation Development Co., Ltd.	Operation of Eastern Outer Ring Road
	24%	Tianjin Mass Transit (Group) Development Co., Ltd.	Operation of Jinbin Expressway
	6.62%	14 equity joint ventures in the PRC	Operation of Tang Jin Expressway

UTILITIES

Operations/ Investments	Share-holding	Company Name	Principal Activities
Electricity	94.36%	Tianjin TEDA Tsinlien Electric Power Co., Ltd.	Distribution of electricity in TEDA
Water	91.41%	Tianjin TEDA Tsinlien Water Supply Co., Ltd.	Distribution of water in TEDA
Heat and Thermal Power	90.94%	Tianjin TEDA Tsinlien Heat & Power Co., Ltd.	Distribution of steam in TEDA

COMMERCIAL PROPERTIES

Operations/ Investments	Share-holding	Company Name	Principal Activities
Hotels	100%	Tsinlien Realty Limited	Operation of Courtyard by Marriott Hong Kong
	75%	Tianjin First Hotel Ltd.	Operation of Hyatt Regency Tianjin Hotel

STRATEGIC AND OTHER INVESTMENTS

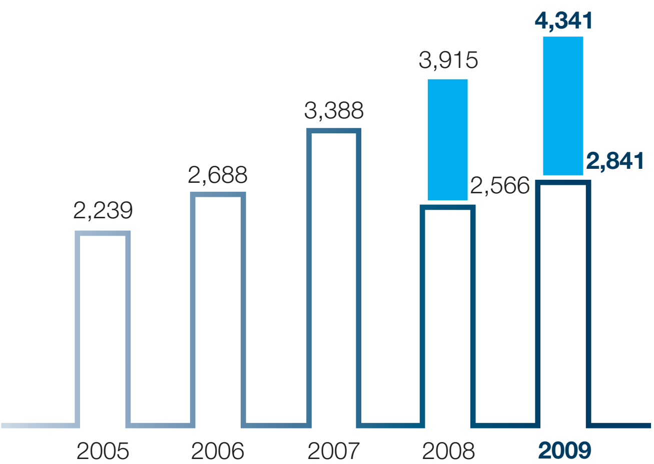
Operations/ Investments	Share-holding	Company Name	Principal Activities
Winery	44.82%	Dynasty Fine Wines Group Limited	Manufacture and sale of winery products
Elevator & Escalator	16.55%	Otis Elevator (China) Investment Company Limited	Manufacture and sale of elevator and escalator

Note: The above percentages represent effective percentage of equity interest in respective companies or group of companies.

Financial Highlights

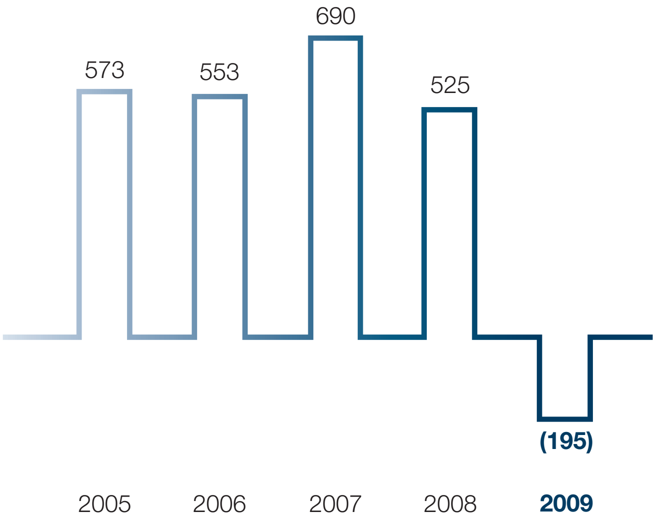
Turnover HK$ million

(for the year ended 31 December)



Profit/(loss) Attributable to Equity Holders HK$ million

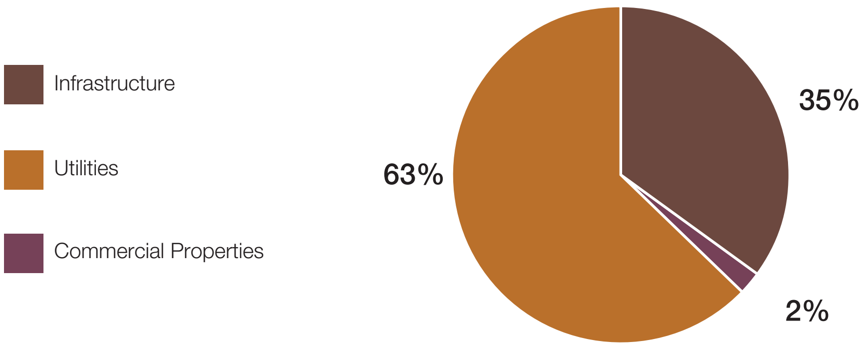
(for the year ended 31 December)



Results of operation of toll roads and port services are separately presented from the continuing operations. The results prior to 2008 have not been restated.

Turnover by Activities

(for the year ended 31 December 2009)



Financial Highlights

SEGMENTAL ANALYSIS BY OPERATIONS

Turnover

	Year ended 31 December		
	2009 HK$ million	2008 HK$ million	Changes (%)
Port Services#	1,370	1,221	12
Toll Roads#	130	128	1
Utilities	2,755	2,463	12
Commercial Properties	86	103	-17
	4,341	3,915	11

Turnover from the operation of toll roads and port services is separately presented from the continuing operations since actions had been initiated prior to year end to dispose of the interest in toll roads, while a reorganisation of port services had been committed, upon completion of which, the Group's interest in port services was diluted to 21%.

(Loss)/profit Attributable to Equity Holders

	Year ended 31 December		
	2009 HK$ million	2008 HK$ million	Changes (%)
Port Services#	(32)	81	-139
Toll Roads#	(541)	40	-1,453
Utilities	155	156	-1
Commercial Properties	(27)	74	-136
Winery	70	64	9
Elevator and Escalator	219	152	44
Corporate and others	(39)	(42)	-7
	(195)	525	-137

(Loss)/profit attributable to equity holders of the operation of toll roads and port services is separately presented from the continuing operations since actions had been initiated prior to year end to dispose of the interest in toll roads, while a reorganisation of port services had been committed, upon completion of which, the Group's interest in port services was diluted to 21%.

Chairman's Statement

OVERVIEW OF 2009 ANNUAL RESULTS

The audited consolidated loss attributable to shareholders of Tianjin Development Holdings Limited for the year ended 31 December 2009 was approximately HK$195,000,000. If excluding the one-off impairment loss in respect of the operation of toll roads, there would have been a profit of approximately HK$389,000,000. Without taking account of the one-off deferred tax credit of approximately HK$105,000,000, profit attributable to shareholders for the previous year would have been HK$420,000,000. A final dividend was not recommended by the Board, thus the total dividend per share for the year was the interim dividend of HK$5.2 cents.

STRATEGIC DEVELOPMENT

The major development strategies of the Company in the near future will be to restructure its businesses, and to expand through merger and acquisition. The Company will also focus on businesses with sustainable development potential.

At the end of 2009, the Tianjin municipal government announced the withdrawal of Tianjin City Indebted Road Construction for Vehicle-Passage Toll Collection effective from 1 January 2010. As the performance of the toll road operation was not satisfactory in the previous years, the aim to divest the toll road operation remained unchanged. Although the divestment of the Eastern Outer Ring Road was not completed in 2009, it is expected that such divestment would be completed within 2010, with continuing efforts made by the Company and support from the municipal government.

Progressive divestment of non-core businesses and the increase of cash in hand would enable the Company to further optimize its asset structure and to progressively become a holding company with prominent assets.

Utility operations continued to achieve a healthy growth. With sound operation, the Company captured the opportunities brought forward by the robust growth of the Tianjin City and Binhai New District during the year, laying a good foundation for its sustainable development.

Port services were affected by the global economic downturn, and the foreign trade throughput showed a sharp decline. With the improvement of the global economy, as well as the completion of the acquisition of Tianjin Port Holdings Co., Ltd., a company listed on the Shanghai Stock Exchange, by Tianjin Port Development Holdings Limited (please refer to Events after the Balance Sheet Date for details), the synergy of which will soon be reflected. Despite the fact that the Company has reduced its shareholding, the resulting economies of scale and the better balanced resources allocation will bring benefits to the Company.

Hotel operations achieved stable growth. Courtyard by Marriott Hong Kong is positioned as an ideal lodge for business individuals and leisure travellers. The average occupancy rate was approximately 75%. Hyatt Regency Tianjin Hotel in Tianjin suspended operation in mid-July and preliminary work of renovation was carried out during the year.

CORPORATE GOVERNANCE

Sound corporate governance is one of the crucial factors leading to the sustainable development of the Company. The Company has highly valued on the establishment of corporate governance practices and proper implementation of the guidelines set out in the Code of Best Practice with a view to improve its disclosure of information and transparency.

During the year, the Company maintained sufficient communication with the investors and had shared with them the future development strategies and directions of the Company.

INTERNAL CONTROL

During the year, the Company continued to engage external audit firm/consultancy firm to review the effectiveness of its internal control and risk management systems, so as to ensure the interests of shareholders are being protected. The review covered areas regarding finance, operation, compliance and risk management.

EVENTS AFTER THE BALANCE SHEET DATE

On 4 February 2010, the acquisition of 56.81% interest in Tianjin Port Holdings Co., Ltd., a company listed on the Shanghai Stock Exchange, by Tianjin Port Development Holdings Limited was completed.

OUTLOOK

Looking ahead for 2010, the development and situation of major economies around the world are not optimistic. The Company will also have to face various challenges. However, with the various economic stimulus policies and measures implemented by the central government, there will be driving effects on the economic development of China. The Company will actively participate in the restructuring of state-owned assets in Tianjin city, and capture the opportunity to adjust its business progressively in order to place emphasis on its core business under the support of the Tianjin municipal government and the parent company, with a view to achieving a steady growth of business and generating better return for the shareholders.

Due to the uncertainties of the global economy, the Company will adhere to its prudent financial discipline and strive to implement its development strategies successfully. Looking ahead, the Company is well-equipped to face various challenges in the market.

I would like to take this opportunity to express our gratitude to all the members of the Board, the management, and employees for their persevering efforts, and to our shareholders for their support and trust.

Yu Rumin
Acting Chairman

9 April 2010, Hong Kong

Management Discussion and Analysis

REVIEW OF OPERATIONS

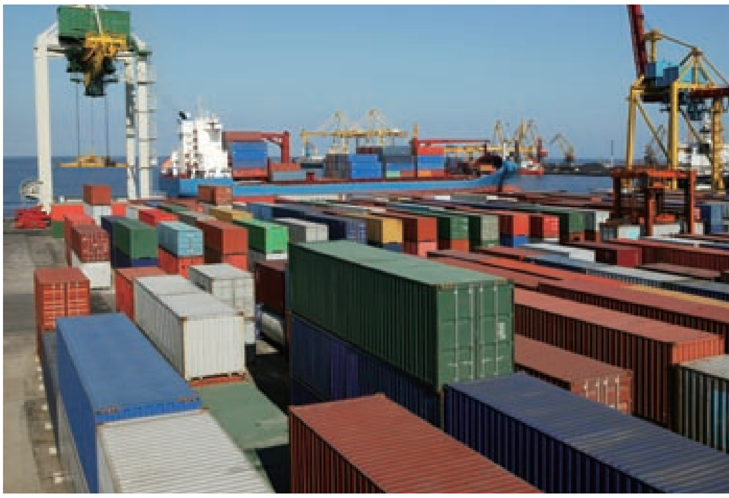
Infrastructure

Port Services

The revenue of Tianjin Port Development Holdings Limited ("TPD") (stock code: 3382) has increased by 12% to approximately HK$1,370.1 million in 2009. Loss for the year of approximately HK$47.7 million was recorded after taking account of the professional fee and other expenses in relation to the acquisition of 56.81% equity interest in Tianjin Port Holdings Co., Ltd. ("TPH"), as compared to a profit of approximately HK$155.9 million (excluding an impairment loss of available-for-sale financial assets of approximately HK$25.3 million) for 2008.

TPD's wholly-owned terminals recorded a decline in container throughput of 10% to 2,501,000 TEUs in 2009. 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. Due to a higher proportion of domestic and empty boxes as a result of the decline in China's import and export trade, the blended average unit price decreased.

Tianjin Port Alliance International Container Terminal Co., Ltd. ("Alliance"), a 40% joint venture of TPD, continues to be a key contributor to TPD's container handling business. During 2009, Alliance has handled 1,738,000 TEUs, achieving a growth of 7%. 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. After taking account of Alliance's total container volume, TPD's market share in the port of Tianjin was 49%.



Total throughput of non-containerised cargoes has increased by 5% to 13.7 million tonnes in 2009. During the year under review, the throughput of grain and iron ore handling increased by 39% and 5.2 times respectively as triggered by the strong domestic demand for such imports. Steel handling throughput, on the other hand, decreased year-on-year by 32% due to the weakening overseas demand as a results of the slowdown in global economy.

Taking advantage of strong relationship with the major steel and iron ore suppliers, TPD has commenced its sales business in 2009 by providing material sourcing and solicitation services to the potential customers. The sales arrangement on one hand enhances the value-added services for the non-containerised cargo handling operation and, on the other hand, secures the Group with an additional source of income. In 2009, the sales business achieved a turnover 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 TPD as a whole in the long run.

Management Discussion and Analysis

In February 2010, TPD completed the acquisition of the 56.81% equity interest in TPH in order to integrate the two separately listed port operators at the port of Tianjin. After the acquisition, the portfolio of TPD will consist of all commercially operating port cargo handling assets within the port of Tianjin, which leads to a significant increase in the scale of the operation and enhances TPD's overall earning capacity. TPD ceased to be the subsidiary of the Group and became an associate of the Group where the share of results and net assets of TPD would be equity accounted for in the Group's financial statements in 2010 accordingly.

Although TPD ceased to be the subsidiary of the Group, the Group is able to benefit from the improved performance of TPD as a result of the potential synergies and the improved overall competitiveness created through better resource integration and allocation, centralized management and planning, and a more diversified business structure.

Toll Roads

Actions had been initiated prior to the end of 2008 to dispose of the Group's interest in Tianjin Jin Zheng Transportation Development Co., Ltd. ("Jinzheng"), which operates Eastern Outer Ring Road ("EORR") in Tianjin. Due to unexpected prolonged negotiation with the relevant parties, the transaction is expected to be completed in 2010.

In 2009, EORR achieved toll revenue of approximately HK$129.5 million and profit for the year before impairment loss of approximately HK$51.7 million, representing an increase of 1% and 6% respectively over last year. The increase in profit for the year was attributed to the absence of provision for depreciation for EORR according to the accounting standard governing the treatment of assets held for sale, netting off the increase in repair and maintenance expenses for EORR.

The average daily traffic flow on EORR has improved by 1% to 19,716 vehicles during the year.

Management Discussion and Analysis

The decrease in import and export of Tianjin had an impact on the Jinbin Expressway connecting to the port of Tianjin as the number of large vehicles traveling on it has decreased. As a result, the average daily traffic flow has decreased by 8% to 31,706 vehicles and toll revenue of approximately HK$124.9 million was generated.

The interest in associates relating to the Jinbin Expressway has been presented as held for sale as action had been initiated prior to the end of 2009 to dispose of this investment. The transaction is expected to be completed in 2010.

On 18 December 2008, the State Council promulgated the "Notice on Implementing Reforms on Prices of Refined Products and Tax" (Guo Fa No: [2008] 37) for the establishment of an improved pricing mechanism of finished oil and standardization of traffic tax rates policy, facilitation of energy-saving and reduction of emission and reconstruction, maintenance of social equity, compliance of law in raising fund for the maintenance and construction of traffic infrastructure. In order to conform to such national policy on the reform of fuel oil rates, the Tianjin Road Construction and Vehicle Passing Levy Office promulgated the "Notice of Suspension of Levy on Tianjin Road Construction and Vehicle Passing Fee" on 31 December 2009 which took effect on 1 January 2010.

On 31 March 2010, the Company received the following instruction from the Tianjin municipal government "Response to the application on the treatment of the equity interests in the Eastern Outer Ring Road and the Jinbin Expressway" (Jinzhengbanhan [2010] No. 13) in respect of the Group's holding and participation in EORR and the Jinbin Expressway:

- EORR: Tianjin municipal government shall coordinate the relevant company for acquisition of 83.93% equity interest in EORR held by the Group.
- Jinbin Expressway: Tianjin municipal government shall arrange the relevant party for the refund of the Group's original investment.

In view of the above, management has proactively discussed the implementation details with the relevant government authorities.

With reference to the above instruction from Tianjin municipal government and based on the ongoing discussions with the relevant government authorities, there is consensus on the basis for selling price determination in principle, management has accordingly determined the fair value less cost to sell of the associated assets held for sale, and an impairment totaling HK$649,000,000 has been made on the carrying values of the respective toll road projects.

Utilities

The Group's utility businesses are mainly operating in the Tianjin Economic-Technological Development Area ("TEDA"), supplying electricity, water, heat and thermal power to industrial, commercial and residential sectors.

Management Discussion and Analysis

Electricity Operation

Tianjin TEDA Tsinlien Electric Power Co., Ltd. ("Electricity Company") is principally engaged in the supply of electricity in the TEDA. It also provides services in relation to maintenance of power supply equipment and electric power related technological consulting. Currently, the installed capacity of electricity transmission of Electricity Company is approximately 528,680 kVA.

In 2009, the Group's electricity operation reported revenue of approximately HK$1,668.5 million and profit for the year of approximately HK$75.7 million, representing an increase of 7% and a decrease of 7% respectively over last year. The decrease in profit for the year was mainly attributable to the deterioration of gross profit margin and no one-off gain on waiver of interest on loans from a minority shareholder in 2009. The total quantity of electricity sold for the year was approximately 2,225,271,000 kWh, representing an increase of 1% over last year.

Water Operation

Tianjin TEDA Tsinlien Water Supply Co., Ltd. ("Water Company") is principally engaged in the supply of tap water in the TEDA. It is also engaged in installation and maintenance of water pipes, tap water related technological consulting, and retail and wholesale of water pipes and related parts. The daily water supply capacity of the Water Company is approximately 400,000 tonnes.

In 2009, the Group's water operation reported revenue of approximately HK$319.3 million and profit for the year of approximately HK$56.4 million, representing an increase of 3% and a decrease of 19% respectively over last year. The total quantity of water sold for the year was approximately 45,358,000 tonnes, representing an increase of 1% over last year. The decrease in profit for the year was primarily due to the increase in the purchase cost of water in 2009 and no recurrence in 2009 of an one-off reversal of over-accrued expenses.

Heat and Thermal Power Operation

Tianjin TEDA Tsinlien Heat & Power Co., Ltd. ("Heat & Power Company") is principally engaged in the distribution of steam and heating for industrial, commercial and residential purposes within the TEDA. The Heat & Power Company has currently made a connection to a total of approximately 300 kilometers steam transmission pipelines and more than 60 processing stations in the TEDA, with a daily distribution capacity reaching 22,200 tonnes of steam.

In 2009, the Group's heat and thermal power operation reported revenue of approximately HK$767.0 million and profit for the year of approximately HK$34.7 million, representing increase of 28% and 101% respectively over last year. The surge in the profit for the current period was driven by additional demand from new industrial customers and the improvement of gross profit margin. The total quantity of steam sold for 2009 was approximately 3,365,000 tonnes, representing an increase of 14% over last year.

Locating at the TEDA with a planned site area of 33 square kilometers in the east area and 48 square kilometers in the west area, Electricity Company, Water Company and Heat & Power Company have been benefiting from the prosperous growth in consumption in TEDA. Leveraging on their well-established supply network, management expertise and customer base, the Group believes that the utility operations will continue to be one of the growth drivers.

Management Discussion and Analysis

Commercial Properties

Courtyard by Marriott Hong Kong ("Courtyard")

In late March 2008, the Group completed the acquisition of Courtyard, a 4-star hotel with 245 guest rooms situated in a prime location on the Hong Kong Island. It is positioned as an ideal lodge for business individuals and leisure travelers. It commenced its operation in April 2008.

In 2009, Courtyard reported revenue of approximately HK$62.6 million and loss for the year of approximately HK$3.2 million. Although the local hospitality market was deeply affected by the financial turmoil since the fourth quarter of 2008, Courtyard has achieved satisfactory results in 2009, generating a positive operating profit before depreciation and amortisation. The average occupancy rate for the year was approximately 75%.

Hyatt Regency Tianjin Hotel ("Hyatt")

The Group completed the acquisition of a total of 75% interest in Hyatt in March 2008. Hyatt is a 5-star hotel with 428 guest rooms situated in a prime location in the city centre of Tianjin. Hyatt was closed in mid-July 2009 preparing for a major renovation.

In 2009, Hyatt reported revenue of approximately HK$23.8 million and loss of approximately HK$31.5 million. The average occupancy rate for the period ended 15 July 2009 was approximately 31%.

Strategic and Other Investments

Winery

During the year under review, sales volume of Dynasty Fine Wines Group Limited ("Dynasty") (stock code: 828) increased by 4% to approximately 57.4 million bottles in 2009. Red wine accounted for approximately 83% of total sales revenue. The revenue and profit attributable to the equity holders of Dynasty amounted to approximately HK$1,482.5 million and HK$156.1 million respectively, representing increase of 9% and 9% over last year. The increase in financial results in 2009 was mainly attributable to increase in sales volume and effective control of distribution costs.

Dynasty contributed to the Group a profit of approximately HK$70.0 million in 2009, representing an increase of 9%.

Elevator and Escalator

Otis Elevator (China) Investment Company Limited ("Otis China"), an associate of the Group, has recorded continuous satisfactory results during the year. The revenue of Otis China for 2009 amounted to approximately HK$12,100.5 million, representing a 5% increase over 2008.

In 2009, the profit contribution of the elevator and escalator operation (after minority interests) amounted to approximately HK$219.3 million, representing a 44% increase over last year. The satisfactory performance was contributed by the revenue growth driven by the recovery of infrastructure and property markets and the improvement of gross profit margin driven by the decrease in material purchase cost. The Group believes that the investment in Otis China will continue to bring in satisfactory earnings in the future.

Investment in Binhai Investment Company Limited ("Binhai Investment") (formerly known as Wah Sang Gas Holdings Limited)

The trading of the shares of Binhai Investment (stock code: 8035) resumed on 12 May 2009. Following the completion of the restructuring of Binhai Investment, the Group's interest in Binhai Investment was diluted from approximately 22.79% to approximately 8.28% on 12 June 2009. With the loss of significant influence over Binhai Investment, Binhai Investment was no longer an associate of the Group. The Group's investment in Binhai Investment was reclassified as available-for-sale financial assets at the carrying value of approximately HK$28 million.

Since the Group's investment in Binhai Investment was fully provided for in prior years, a gain on deemed disposal of approximately HK$28 million was recognised. As at 31 December 2009, the market value of the Group's investment in Binhai Investment amounted to approximately HK$416.8 million and the unrealised fair value gain of approximately HK$389.1 million was recognised in equity.

PROSPECTS

Looking ahead for 2010, the development and situation of major economies around the world are not optimistic. The Company will also have to face various challenges. However, with the various economic stimulus policies and measures implemented by the central government, there will be driving effects on the economic development of China. The Company will actively participate in the restructuring of state-owned assets in Tianjin city, and capture the opportunity to adjust its business progressively in order to place emphasis on its core business under the support of the Tianjin municipal government and the parent company, with a view to achieving a steady growth of business and generating better return for the shareholders.

Due to the uncertainties of the global economy, the Company will adhere to its prudent financial discipline and strive to implement its development strategies successfully. Looking ahead, the Company is well-equipped to face various challenges in the market.

LIQUIDITY AND CAPITAL RESOURCES ANALYSIS

As at 31 December 2009, the Group's total cash on hand and total bank borrowings stood at approximately HK$3,662 million and approximately HK$3,351 million respectively (31 December 2008: HK$3,082 million and HK$2,591 million respectively) of which approximately HK$154 million bank borrowings will mature within one year.

The gearing ratio as measured by total borrowings to shareholders' funds stood at approximately 38% as at 31 December 2009 and approximately 30% as at 31 December 2008.

Of the total HK$3,351 million bank borrowings outstanding at 31 December 2009, HK$3,307 million were subject to floating rates with spread of 0.45% to 1.55% over HIBOR and 0.75% to 1.55% over LIBOR of relevant interest periods. The remaining HK$44 million of bank borrowing was fixed rate debt with annual interest rates of 4.374% to 5.31%.

As at 31 December 2009, 96% (31 December 2008: 99%) of the Group's total bank borrowings was denominated in HK dollars, 3% (31 December 2008: 1%) was denominated in US dollars and 1% (31 December 2008: Nil) was denominated in Renminbi.

For the year under review, the Group has not entered into any derivative contracts or hedging transactions.

EMPLOYEES AND REMUNERATION POLICIES

The Company and its subsidiary companies had a total of approximately 4,200 employees at the end of the year, of which approximately 950 were management and technical staff, with the balance being production workers.

The Group contributes to an employee pension scheme established by the PRC Government which undertakes to assume the retirement benefit obligations of all existing and future retired employees of the Group in the PRC. The Group also contributes to a mandatory provident fund scheme for all Hong Kong employees. The contributions are based on a fixed percentage of the members' salaries.

CHARGE ON ASSETS

As at 31 December 2009, restricted bank balance of approximately HK$27 million was pledged against notes payable of the same amount.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. YU Rumin, aged 60, was appointed as the Vice Chairman and Executive Director of the Company in November 1997. On 31 January 2008, he was appointed as the Acting Chairman of the Company. He was appointed as an executive director of Tianjin Port Development Holdings Limited ("TPD") (Stock Code 3382), the listed subsidiary of the Company and the shares of which are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), on 24 November 2006 and the chairman of TPD on 7 May 2007. Mr. Yu graduated from Shanghai Haiyun College in 1975 and obtained a Master degree in international transport engineering management. He had been the assistant to the head of 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 (天津港保税區管理委員會) from July 1996 to June 2002. Subsequent to the reorganization of Tianjin Port Authority in July 2004, he acted as the vice chairman and chief executive officer of 天津港（集團）有限公司 (Tianjin Port (Group) Co., Ltd.) ("Tianjin Port (Group)"). Mr. Yu is currently the chairman of Tianjin Port (Group). He is also the chairman of 天津港股份有限公司 (Tianjin Port Holdings Co., Ltd.), a company whose shares are listed on the Shanghai Stock Exchange, PRC. Mr. Yu has extensive experience in port management for over 21 years.

Mr. WU Xuemin, aged 56, was appointed as an Executive Director and a General Manager of the Company on 31 January 2008 and 3 August 2009, respectively. Mr. Wu is also a member of the Remuneration Committee of the Company. He is the Vice Chairman and General Manager of Tsinlien Group Company Limited ("Tsinlien"), the controlling shareholder of the Company. Mr. Wu is a senior economist and possesses a university degree. From July 1987 to November 1996, he acted as the Deputy Manager and Manager of Hainan office and import and export office of Li Da Group. In November 1996, he acted as the Deputy General Manager of Li Da Group. During the period, he also acted as the chairman of Hai He Trading Company and Jin Rong International Company of Li Da Group in Hong Kong. In 1999, he completed the postgraduate course of international trade at the Tianjin Institute of Finance and Economics. In September 2002, he acted as the General Manager of Tianjin Li He Group. Mr. Wu worked in foreign trade corporations for many years and is experienced in foreign economy and import and export business.

Mr. DAI Yan, aged 57, was appointed as an Executive Director of the Company in July 2006 and Deputy General Manager of the Company in September 2008. On 1 September 2009, he was appointed as an executive director of Tianjin Port Development Holdings Limited (Stock Code 3382). Mr. Dai is a senior economist. He is also a director and deputy general manager of Tsinlien. Mr. Dai graduated from University of International Business and Economics 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, 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. In June 2007, he was appointed as an executive director of Binhai Investment Company Limited (formerly known as "Wah Sang Gas Holdings Limited") (Stock Code 8035), a company whose shares are listed on the Stock Exchange. Mr. Dai has solid experience in management for over 21 years.

Biographical Details of Directors and Senior Management

Mr. ZHENG Daoquan, aged 59, was appointed as an Executive Director of the Company in December 2006. Mr. Zheng was appointed as a non-executive director of Dynasty Fine Wines Group Limited ("Dynasty") (Stock Code 828) (the listed associate of the Company and the shares of which are listed on the Stock Exchange) on 10 February 2009. Mr. Zheng is a senior economist and possesses tertiary academic qualification. From 1982 to 1998, he was the official, deputy head and head of administration section of Tianjin Engineering and Industrial Bureau. Besides, he was also the General Manager of Tianjin Tai Guang Industrial and Trade Company during the same period. He has been the head of Tianjins' representative office of Tsinlien since 1998. Mr. Zheng is a director and deputy general manager of Tsinlien and the head of Tianjin's representative office of Tsinlien. Mr. Zheng has solid experience in management for over 21 years.

Dr. WANG Jiandong, aged 47, was appointed as an Executive Director and Deputy General Manager of the Company in July 2003. In April 2006, Dr. Wang resigned as the Deputy General Manager of the Company. He is a senior economist. He graduated from the Faculty of Finance and Law of Nankai University in 1989 and obtained a Master degree and a Doctorate degree in economics from Nankai University in 1997 and 2002 respectively. He worked with the Bank of China, Tianjin Branch from 1989 to 1993, and became the General Manager of Shanghai Department of Securities Business of Tianjin International Trust & Investment Company Limited (Bank of China) from 1993 to 1996. Dr. Wang joined Tsinlien in 1996 as secretary to the Board and is a Deputy General Manager of Tsinlien.

Mr. BAI Zhisheng, aged 54, was appointed as an Executive Director of the Company in January 2006. Mr. Bai graduated in 1984 from the undergraduate programme of Peking University where he studied in international politics. He completed a postgraduate course specializing in law at the School of Central Committee of the Communist Party the PRC in 1998. He is the Chairman and Executive Director of Dynasty. Mr. Bai has solid experience in corporate management for over 11 years.

Mr. ZHANG Wenli, aged 55, was appointed as an Executive Director of the Company in March 2006. Mr. Zhang graduated from the Faculty of Electrical Engineering of Harbin Electrical Engineering Institute in 1982. He completed a postgraduate course specializing in law at the School of Central Committee of the Communist Party, the PRC in 1999. He got the EMBA degree of Tianjin University in 2006. Mr. Zhang was the deputy head of Tianjin Electrical and Mechanical Research Institute from 1982 to 1993; the deputy head of Tianjin Electricity Control and Mechanic Transmission Institute from 1993 to 1995 and acted as the chairman of Tianjin Hoisting Equipment Co., Ltd.. From 1996 to 2000, he was the assistant general manager and deputy general manager of Tianjin Electrical and Mechanical Industrial Company (currently known as Tianjin BENEFO Machinery & Electric Holding Group Ltd.). Since July 2000, he was appointed as the general manager and chairman of Tianjin BENEFO Machinery & Electric Holding Group Ltd. Mr. Zhang is also the chairman of Tianjin Benefo TeJing Electric Company Limited, a company whose shares are listed on the Shanghai Stock Exchange, PRC and a director of CFHI-National Heavy Industries R & D Center. Mr. Zhang has solid experience in research and development for over 11 years.

Biographical Details of Directors and Senior Management

Mr. SUN Zengyin, aged 64, was appointed as an Executive Director of the Company in May 2000. He graduated from the Faculty of Water Engineering of Tianjin University. After graduation, he was appointed as the head of Construction Section in the Drainage Administration Department in Tianjin Municipal Bureau, chief director of the Drainage Administration Department, assistant director of Tianjin Municipal Bureau, deputy director of Tianjin Municipal Bureau and then the director of Tianjin Municipal Bureau. He has served Tianjin government for over 31 years and has been in charge of many large infrastructure projects. He is extremely familiar with Tianjin's economic structure and development.

Dr. GONG Jing, aged 45, was appointed as an Executive Director of the Company on 1 April 2009. Dr. Gong is a senior engineer and possesses a doctoral degree. Dr. Gong graduated from the Faculty of Precision Instrumentation of Tianjin University in 1986, majoring in Photo-Electronic Engineering and obtained a master degree from Tianjin University in 1989. In September 2000, Dr. Gong completed a postgraduate course at the Department of Finance of Nankai University. In June 2009, Dr. Gong obtained a doctoral degree in technology economic administration at the School of Administration of Tianjin University. Dr. Gong acted as the chief officer and deputy director of the Project Design Department of the Optical Fiber Instrument Factory of Tianjin Optical Electrical Group Co., Ltd. and the department head of the Foreign Economic and Business Department of Tianjin Optical Electrical Group Co., Ltd. from April 1989 to August 1993; the deputy general manager of Tianma Entertainment Co., Ltd. from August 1993 to May 1994; the manager of Tianma Technology and Business Company from May to August 1994; the deputy head of the Department of Foreign Economic and Business of The Administrative Committee of Tianjin Hi-Tech Industry Park from August 1994 to April 1996. Dr. Gong was the secretary of the vice mayor and the Standing Committee Member of the Tianjin Municipal Government from April 1996 to March 1998; the secretary of the vice minister of Ministry of Information Industry from March to July 1998 and an officer assistant of The Administrative Committee of Tianjin Hi-Tech Industry Park from July 1998 to April 2006. From October 2001 to January 2005, Dr. Gong also acted as the general manager of Investment and Development Department of Tsinlien. Since April 2006 to November 2009, he has been the executive director and deputy general manager of Tianjin Hi-Tech Holding Group Co., Ltd.. Since November 2009, he acts as an executive director and general manager of Tianjin Hi-Tech Holding Group Co., Ltd.. Dr. Gong obtained the senior professional manager qualification from China Enterprise Confederation and China Enterprise Directors Association in 2008.

Mr. WANG Zhiyong, aged 37, was appointed as an Executive Director of the Company on 27 October 2009. He is currently the General Manger of Tsinlien Group Tianjin Asset Management Company Limited ("Tsinlien Group Tianjin Asset") (津聯集團天津資產管理有限公司). He was formerly the deputy general manager and the manager of the Finance Department of Tsinlien Group Tianjin Asset. Prior to joining Tsinlien Group Tianjin Asset in 1998, he was the Head of Operations of the International Department of Bei Fang International Trust and Investment Company Limited（北方國際信托投資有限公司）. Mr. Wang graduated from Nankai University in 1994 with a Bachelor's Degree of International Finance. Mr. Wang passed the examination for On-the-job Postgraduate Master's Programme for Currency and Banking of Nankai University in 2000. Mr. Wang also obtained a Master's Degree in Global Economy from Nankai University in 2009. In 2006, Mr. Wang was awarded the title of Outstanding Section Cadre Leader of Work Committee of Developing Area and Bonded Area. Tsinlien Group Tianjin Asset was also awarded the titles of Civilized Unit at Municipal Level as well as Outstanding Section Leaders of Developing Area and Bonded Area.

NON-EXECUTIVE DIRECTORS

Mr. CHEUNG Wing Yui, aged 60, was appointed as an Independent Non-Executive Director of the Company in November 1997 and redesignated as Non-Executive Director of the Company in September 2004. He received a Bachelor of Commerce degree in accountancy from the University of New South Wales, Australia. Mr. Cheung is a member of CPA Australia. He has been a practising solicitor in Hong Kong since 1979 and is consultant of the law firm Woo, Kwan, Lee & Lo. He has been admitted as a solicitor in the United Kingdom and as an advocate and solicitor in Singapore. Mr. Cheung is also an independent non-executive director of a number of companies listed on the Stock Exchange, namely Hop Hing Holdings Limited (Stock Code 47), and Agile Property Holdings Limited (Stock Code 3383). He is also a non-executive director of a number of companies listed on the Stock Exchange, namely SmarTone Telecommunications Holdings Limited (Stock Code 315), Sunevision Holdings Ltd. (Stock Code 8008), Tai Sang Land Development Limited (Stock Code 89) and SRE Group Limited (Stock Code 1207). In addition, he is a member of the Board of Review (Inland Revenue Ordinance), a director of the Community Chest, a deputy chairman and a council member of the Open University of Hong Kong, a deputy chairman and a director of the Hong Kong Institute of Directors Limited and a member of the Appeal Board established under the Accreditation of Academic and Vocational Qualifications Ordinance. Mr. Cheung served as an independent non-executive director of Ching Hing (Holdings) Limited until 25 July 2007, as a non-executive director of Taifook Securities Group Limited until 1 October 2007 and as an independent non-executive director of Ping An Insurance (Group) Company of China, Ltd. until 3 June 2009, all of these companies are listed on the Stock Exchange.

Dr. Eliza CHAN Ching Har, *BBS, JP, LL.D.(Hon)*, aged 53, was appointed as Non-Executive Director of the Company on 27 October 2009. Dr. Chan is a solicitor admitted in Hong Kong, England and Wales, Canada and (British Columbia). Dr. Chan holds a Diploma in PRC Law and is an Attesting Officer appointed by the Ministry of Justice of the PRC. She is the Senior Consultant of Boughton Peterson Yang Anderson, Solicitors. Dr. Chan is a Member of the National Committee of the Chinese People's Political Consultative Conference (CPPCC), and a Standing Member of the CPPCC Tianjin Committee. Dr. Chan is the Vice-chairman of the Hong Kong CPPCC (Provincial) Members Association, the Foreign Economic Affairs Legal Counsel to the Tianjin Municipal Government, an arbitrator of The China International Economic and Trade Commission (CIETAC) and the legal advisor to the Hong Kong Chinese Enterprise Association. Dr. Chan has held a number of Hong Kong Government appointments, notably as a member of the Board of Hospital Authority, member of the Board of Education, member of Hong Kong Examinations and Assessment Authority, member of Hong Kong Public Service Commission, and on adjudicator of the Hong Kong Immigration Tribunal. She is currently Chairman of Kowloon Hospital, Chairman of Hong Kong Eye Hospital, Chairman of Pension Appeals Board, Member of the Hong Kong Medical Council, Member of Administration Appeals Board and Disciplinary Panel Member of the Hong Kong Institute of Certified Public Accountants. She also serves as a Council Member of The Hong Kong University of Science and Technology and a Board member of the Hong Kong Science and Technology Park Corporation. She is also a non-executive director of China Aerospace International Holdings Ltd. (a company the shares of which are currently listed on the Main Board of the Stock Exchange, Stock Code 31). Dr. Chan is the Chairman of The University of Victoria Foundation (Hong Kong) Limited and was the vice Chairman of the Tsinghua Legal Education Foundation. She was formerly the Chairman and President of The Canadian Chamber of Commerce in Hong Kong and remains a member of the Board of Governors.

Biographical Details of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. CHENG Hon Kwan, *GBS, JP*, aged 82, was appointed as an Independent Non-Executive Director of the Company in June 2001. Dr. Cheng has also been serving as the chairman of the Remuneration Committee and a member of the Audit Committee of the Company. Dr. Cheng obtained his Bachelor's Degree in Civil Engineering from Tianjin University and a DIC from Imperial College of Science and Technology, London. He has been awarded Honorary Doctor's Degrees from Hong Kong University of Science and Technology, City University of Hong Kong, Open University of Hong Kong, and Open University, UK. He is a Fellow of Imperial College and City and Guilds London Institute. He is a Past President, Honorary Fellow and Gold Medallist of the Hong Kong Institution of Engineers; Past Vice President, Fellow and Gold Medallist of the Institution of Structural Engineers, Fellow of the Institution of Civil Engineers and of the American Society of Civil Engineers and Honorary Fellow of Engineers Australia. He is also an Honorary Member of the Hong Kong Institute of Planners and the Hong Kong Institute of Architects; State Class I Registered Structural Engineer Qualification. Dr. Cheng is an authorised person and registered structural engineer; Former Chairman of Hong Kong Housing Authority and Transport Advisory Committee. He was a member of the Standing Committee of the Tianjin CPPCC and is a permanent Honorary Chairman of the Hong Kong Tianjin Friendship Association and Chairman of the Tianjin CPPCC Former Hong Kong and Macau Members Friendship Association. Currently Dr. Cheng is an independent non-executive director of Wing Hang Bank, Limited, Hang Lung Group Limited, Agile Property Holdings Limited and Hang Lung Properties Limited, all companies are listed on the Stock Exchange.

Mr. KWONG Che Keung, Gordon, aged 60, has been an Independent Non-Executive Director of the Company since 1998. Mr. Kwong has also been serving as the chairman of the Audit Committee and a member of the Remuneration Committee of the Company since 1998 and 2005 respectively. He is also an independent non-executive director of a number of companies listed on the Stock Exchange, namely COSCO International Holdings Limited, Beijing Capital International Airport Company Limited, Frasers Property (China) Limited, NWS Holdings Limited, China Oilfield Services Limited, OP Financial Investments Limited, China Chengtong Development Group Limited, Global Digital Creations Holdings Limited, Quam Limited, China Power International Development Limited, Henderson Land Development Company Limited, Henderson Investment Limited, Agile Property Holdings Limited and CITIC 1616 Holdings Limited. From 1984 to 1998, Mr. Kwong was a partner of Pricewaterhouse and was a council member of the Stock Exchange from 1992 to 1997. He has a Bachelor of Social Science degree from the University of Hong Kong and is a fellow member of both the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants. Mr. Kwong also served as an independent non-executive director of New World Mobile Holdings Limited until 1 February 2007, Ping An Insurance (Group) Company of China, Ltd. until 3 June 2009 and as a non-executive director of COSCO Pacific Limited until 1 January 2006, all of these companies are listed on the Stock Exchange. Besides, Mr. Kwong also served as an independent non-executive director of TOM Online Inc., a company previously listed on the Stock Exchange and was privatized in September 2007.

Biographical Details of Directors and Senior Management

Mr. MAK Kwai Wing, *BSoc.Sc., ATIHK, ASA*, aged 59, was appointed as an Independent Non-executive Director of the Company on 27 October 2009. Mr. Mak is also a member of the Audit Committee of the Company. Mr. Mak graduated from The University of Hong Kong with a degree of Bachelor of Social Science. He is also an associate member of the Australian Society of Certified Practising Accountants and The Taxation Institute of Hong Kong. Mr. Mak has over 31 years of experience in the taxation field. He has extensive experience in Hong Kong corporate and individual tax planning and has assisted a vast number of clients in South East Asia in developing effective tax strategies to minimize their tax exposure in the region. As an expert in Hong Kong, United States and international taxation, Mr. Mak is frequently invited to speak at tax seminars organized by various professional associations and educational institutions. He is a frequent contributing author to various local and international newspapers and professional journals. Mr. Mak was formerly an assessor with the Inland Revenue Department. In July 2006, he joined Mazars Tax Services Limited as an executive director and then became its managing director in January 2008. Before joining Mazars Tax Services Limited, Mr. Mak was a Tax Principal in Ernst & Young and took an early retirement in January 2004 to pursue his governorship of Rotary International District 3450 and also his own consulting business. Currently, Mr. Mak is a treasurer of H5N1 Concern Group; a member of Hong Kong Professional Consultants Association, Taxation Committee of Hong Kong Institute of Certified Public Accountants and School Management Committee of Hotung Secondary School. Previously, Mr. Mak had served as the president of The Taxation Institute of Hong Kong; the vice chairman of Steering Committee of Hong Kong Network of Virtual Enterprises; the governor of Rotary International District 3450; the chairman of Practice Firm Steering Committee of Hong Kong Institute of Vocational Education (Tsing Yi) and District Rotary Foundation Committee of Rotary International District 3450; a treasurer of The Hong Kong Road Safety Association and Senior Citizen Home Safety Association; a member of the Road Safety Council, Joint Liaison Committee on Taxation, Hospital Authority Public Complaints Committee, Hospital Governing Committee of Hong Kong Eye Hospital and Kowloon Hospital; and a part-time member of Hong Kong Government's Central Policy Unit. From September 2004 to December 2006, Mr. Mak served as an independent non-executive director in Dynamic Holdings Limited (a company the shares of which are currently listed on the Main Board of the Stock Exchange, Stock Code 29). On 5 June 2009, Mr. Mak has also been appointed as an independent non-executive director of Hsin Chong Construction Holdings Limited, a company the shares of which are also currently listed on the Main Board of the Stock Exchange (Stock Code 404).

SENIOR MANAGEMENT

Ms. GE Luncan, aged 59, is the Deputy General Manager of the Company. Ms. Ge possesses accounting qualification and tertiary academic qualification. From 1978 to January 1997, she was engaged in accounting and financial management of the various departments of the Tianjin Branch of Bank of China including the Departments of Non-trading Foreign Currency Clearing, Audit, Deposit and Accounts. She has been the officer of the aforesaid departments, the manager of the Non-trading Foreign Currency Clearing Department and the Audit Department, and the deputy head of the Deposit Department and the Audit Department. In January 1997, she was re-designated to act as the deputy general manager of the Accounts Department of Tsinlien. In January 1998, she acted as the head and the chief representative of the Tianjin representative office of the Company. In 2005, she acted as the acting general manager of the Investment and Development Department. In April 2006, she acted as the Deputy General Manager of the Company and the head of the representative office of the Company in Tianjin. Ms. Ge has working experience in banking and corporate financial management for over 32 years.

Mr. TUEN Kong, Simon, aged 47, was appointed as Chief Financial Officer and Company Secretary of the Company on 27 October 2009. Mr. Tuen graduated from the Hong Kong Polytechnic University with a Master Degree in Business Management. Before joining the Company, he had held various positions in a number of listed companies and is experienced in corporate financial and treasury management. Starting with Ernst & Young in 1989 and then Deloitte Touche Tohmatsu in 1991 as a Tax Consultant, he spent 10 years afterwards in corporate banking, direct investment, merger and acquisition and related company secretary work and held positions as Vice President and Director of Finance and Treasury. From 2001 to 2006, he held a position of Deputy General Manager of the Company. Prior to re-joining the Company in October 2009, he worked as a Consultant for China investment with MTR Corporation Limited.

Mr. ZHANG Shuqin, aged 58, was appointed as general manager of administrative department of the Company since September 2001. Mr. Zhang graduated from Tianjin Normal University, major in Chinese Linguistics and Literature. Before joining the Company, Mr. Zhang was the head of Tianjin Foreign Economic and Trade Commission from 1996 to 2001. Mr. Zhang has solid experience in administration and management for over 20 years.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance in the interests of shareholders and devotes considerable efforts to formalizing the best practices. This Report describes the way the Company has applied the principles of the Code on Corporate Governance Practices (the "Code") set out in Appendix 14 of the Listing Rules. The Company has complied with the Code throughout the year ended 31 December 2009, except the deviation detailed in the paragraph headed "Chairman and General Manager" below.

Mr. Lau Wai Kit resigned as independent non-executive Director and member of the audit committee of the Company with effect from 4 August 2009. During the period following the resignation of Mr. Lau until the appointment of Mr. Mak Kwai Wing as independent non-executive Director and member of the audit committee of the Company on 27 October 2009, the Company had only two independent non-executive directors and two audit committee members, the number of which fell below the minimum number required under Rules 3.10(1) and 3.21 of the Listing Rules. Following the appointment of Mr. Mak Kwai Wing on 27 October 2009, the Company has complied with the requirements of Rules 3.10(1) and 3.21 of the Listing Rules.

The Board of Directors

The overall management of the Company is vested in the Board. The executive Directors are responsible for the day-to-day management of the Company's businesses and to conduct regular meetings with the senior management of the Company. The Board focuses its attention on matters affecting the Company's strategic policies which include future growth and development, financial statements, dividend policy, annual budget, significant changes in accounting policy, major financing arrangements and investments, risk management strategies and treasury policies. The above-mentioned matters are monitored and approved by the Board and decisions relating to such matters are subject to the decision of the Board. Matters not specifically reserved to the Board and necessary for the daily operations of the Company are delegated to the management under the supervision of the Board.

The Company has a formal schedule of matters specifically reserved to the Board for its decision, which include the matters referred to in the above paragraph. When the Board delegates aspects of its management and administration functions to management, it gives clear directions as to the scope of powers of management, in particular, with respect to the circumstances where management should report back and obtain prior approval from the board before making decisions or entering into any commitments on behalf of the Company.

The Company has formalised the functions reserved to the Board and those delegated to management. It reviews those arrangements on a periodic basis to ensure that they remain appropriate to the needs of the Company.

The Board of Directors (Cont'd)

As at 31 December 2009, the Board comprises fifteen members, consisting of ten executive Directors and five non-executive Directors, of whom three are independent non-executive Directors. The details of the composition of the Board are as follows:

Executive Directors

Mr. Yu Rumin *(Acting Chairman)*
Mr. Wu Xuemin *(General Manager)*
Mr. Dai Yan
Mr. Zheng Daoquan
Dr. Wang Jiandong
Mr. Bai Zhisheng
Mr. Zhang Wenli
Mr. Sun Zengyin
Dr. Gong Jing
Mr. Wang Zhiyong

Non-executive Directors

Mr. Cheung Wing Yui
Dr. Eliza Chan Ching Har

Independent Non-executive Directors

Dr. Cheng Hon Kwan
Mr. Kwong Che Keung, Gordon
Mr. Mak Kwai Wing

Mr. Wu Xuemin, an Executive Director since 31 January 2008, was appointed as General Manager of the Company on 3 August 2009.

Coming from different professional backgrounds, all Directors have distinguished themselves in their fields of expertise, and have exhibited high standards of personal and professional ethics and integrity. The non-executive Directors have brought their valuable experience to the Board for promoting the best interests of the Company and its shareholders. The independent non-executive Directors contribute to ensuring that the interests of all shareholders of the Company are taken into account by the Board. The biographical details of each Director are disclosed on pages 16 to 21 of this Annual Report.

The Company has received confirmation pursuant to Rule 3.13 of the Listing Rules from each independent non-executive Director concerning his independence, and continues to consider each of them to be independent.

Mr. Wang Zhiyong was appointed as an executive Director of the Company on 27 October 2009. There is no service contract entered into between the Company and Mr. Wang. He has no fixed term of service with the Company in his capacity as a Director of the Company but he is subject to retirement by rotation and re-election at the general meetings of the Company in accordance with the Articles of Association of the Company. The director's emolument of Mr. Wang will be determined by the Board and the remuneration committee of the Company with reference to the prevailing market condition, and Mr. Wang's performance, qualification and experience.

Dr. Eliza Chan Ching Har was appointed as a non-executive Director of the Company on 27 October 2009. A letter of appointment has been entered into between the Company and Dr. Chan for a term of three years with effect from 27 October 2009 unless terminated by one month's notice in writing served by either party prior to the expiry of the term. Under the letter of appointment, Dr. Chan is entitled to receive a Director's fee of HK$318,000 per annum and is subject to retirement by rotation and re-election at the general meeting of the Company in accordance with the Articles of Association of the Company. The Director's fee of Dr. Chan was determined by the Board with reference to the prevailing market conditions.

Mr. Mak Kwai Wing was appointed as an independent non-executive Director of the Company on 27 October 2009. A letter of appointment has been entered into between the Company and Mr. Mak for a term of three years with effect from 27 October 2009 unless terminated by one month's notice in writing served by either party prior to the expiry of the term. Under the letter of appointment, Mr. Mak is entitled to receive a Director's fee of HK$381,600 per annum and is subject to retirement by rotation and re-election at the general meeting of the Company in accordance with the Articles of Association of the Company. The Director's fee of Mr. Mak was determined by the Board with reference to the prevailing market conditions.

The Board of Directors (Cont'd)

The term of appointment of Mr. Cheung Wing Yui, non-executive Director, Dr. Cheng Hon Kwan and Mr. Kwong Che Keung, Gordon, independent non-executive Directors, expired on 31 December 2009. A renewal letter of appointment has been entered into between the Company and Dr. Cheng Hon Kwan for a term of three years with effect from 1 January 2010. The Company has also entered into renewal letters of appointment with Mr. Cheung Wing Yui and Mr. Kwong Che Keung, Gordon respectively, both for a term of one year with effect from 1 January 2010. All of the aforesaid directors are subject to retirement by rotation and eligible for re-election at the annual general meeting of the Company in accordance with the provisions of the Company's Articles of Association.

In accordance with the Articles of Association, at each annual general meeting one-third of the Directors shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. Any Director appointed by the Board during the year (either to fill a casual vacancy or as an addition to the Board) is required to retire and shall then be eligible for re-election at the next annual general meeting of the Company immediately following his or her appointment.

To the best knowledge of the Company, there is no relationship (including financial, business, family or other material/relevant relationship) among members of the Board.

As permitted by its Articles of Association, the Company has arranged Directors' and Officers' Liability Insurance for the members of the Board.

Board Proceedings

The Board meets in person regularly and all members of the Board have full and timely access to relevant information. Moreover, the Board has established procedure to enable Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances at the Company's expense, if necessary. All Directors are required to declare their interests, if any, in any transaction, or proposal to be considered at Board meetings and to abstain from voting on any related resolutions.

The Articles of Association contain description of responsibilities and operation procedures of the Board. Board meetings include regular meetings and other meetings. The Board meets formally at least four times a year.

Corporate Governance Report

Board Proceedings (Cont'd)

In 2009, the Board held seven meetings, four of which were regular meetings. Due notice and board papers were given to all Directors prior to the Board meetings in accordance with the Articles of Association and the Code. The attendance records of each member of the Board are set out below:

		Attendance of Board Meetings
Executive Directors		
Mr. Yu Rumin		6/7
Mr. Wu Xuemin		7/7
Mr. Dai Yan		7/7
Mr. Zheng Daoquan		5/7
Dr. Wang Jiandong		5/7
Mr. Bai Zhisheng		5/7
Mr. Zhang Wenli		4/7
Mr. Sun Zengyin		5/7
Dr. Gong Jing	(appointed on 1 April 2009)	1/6
Mr. Wang Zhiyong	(appointed on 27 October 2009)	1/1
Dr. Zong Guoying	(resigned on 1 April 2009)	0/1
Mr. Hu Chengli	(resigned on 1 May 2009)	2/2
Mr. Nie Jiansheng	(resigned on 1 September 2009)	2/5
Non-Executive Directors		
Mr. Cheung Wing Yui		4/7
Dr. Eliza Chan Ching Har	(appointed on 27 October 2009)	1/1
Independent Non-Executive Directors		
Dr. Cheng Hon Kwan		7/7
Mr. Kwong Che Keung, Gordon		7/7
Mr. Mak Kwai Wing	(appointed on 27 October 2009)	1/1
Mr. Lau Wai Kit	(resigned on 4 August 2009)	4/5

The minutes of Board meetings are prepared by the Company Secretary with details of the matters considered by the Board and decisions reached, including any concerns raised by the members of the board or views expressed.

Chairman and General Manager

The code provision A.2.1 of the Code provides that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual.

As disclosed in the 2009 Interim Report of the Company, the position of General Manager of the Company had been vacant since the beginning of the accounting period covered by this Annual Report until the appointment of Mr. Wu Xuemin, an executive Director of the Company, as General Manager of the Company on 3 August 2009. Since then, the roles of Chairman and General Manager of the Company have been separately performed by Mr. Yu Rumin (as Acting Chairman) and Mr. Wu Xuemin respectively.

Chairman and General Manager (Cont'd)

The Acting Chairman is responsible for deciding the agenda of Board meeting, taking into account, where appropriate, matters proposed by other Directors for inclusion in the agenda, and has overall responsibility for providing leadership, vision and direction in the development of the business of the Company. Apart from ensuring that adequate information about the Company's business is provided to the Board on a timely basis, the Acting Chairman also ensures that the non-executive Directors make contribution at the Board Meetings.

The General Manager, assisted by other executive Directors, is responsible to the Board for the day-to-day management of the Company, and attends to formulation and successful implementation of policies. Working with the executive management team of each core business division, the General Manager ensures smooth operations and development of the Company and keeps all other Directors fully informed of all major business developments and issues. The General Manager is also responsible for building and maintaining an effective team to support him in managing the business of the Company.

Such division of responsibilities allows a balance of power between the Board and the management of the Company, and ensures their independence and accountability.

Responsibilities

The Company views well-developed and timely reporting systems and internal controls as essential, and the Board plays a key role in the implementation and monitoring of internal financial controls.

In the course of discharging their duties, the Directors act in good faith, with due diligence and care, and in the best interests of the Company and its shareholders. Their responsibilities include:

– regular board meetings focusing on business strategy, operational issues and financial performance;

– active participation on the boards of subsidiaries and associates;

– monitoring the quality, punctuality, relevance and reliability of internal and external reporting;

– monitoring and managing potential conflicts of interest of management, board members and shareholders, including misuse of corporate assets and abuse in connected transaction; and

– ensuring the overall integrity of the Company, including financial statements, relationships with suppliers, customers and other stakeholders, and compliance with all relevant laws and professional ethics.

Board Committees

As a part of good corporate governance, the Board has established the Audit Committee and Remuneration Committee to oversee the particular aspects of the Company's affairs. These committees have been formed with specific written terms of reference which deal clearly with the committees' authority and duties.

Remuneration Committee

The Remuneration Committee was set up in 2005, and consisted of two independent non-executive Directors, Dr. Cheng Hon Kwan and Mr. Kwong Che Keung, Gordon, and one executive Director, Mr. Wu Xuemin. It is chaired by Dr. Cheng Hon Kwan. A written terms of reference of the Remuneration Committee was adopted with reference to the Code.

The principal responsibilities of the Remuneration Committee are to review and consider the Company's policy for remuneration of Directors and senior management. The Remuneration Committee considers several factors such as the performance, qualification and experience of the individual and the prevailing market condition before determining the remuneration packages of executive Directors and senior management including benefits in kind, pension rights and compensation payments, and to recommend to the Board remuneration of non-executive Directors.

Remuneration Committee (Cont'd)

In 2009, the Remuneration committee held six meetings. During the meetings, the remuneration policy, remuneration packages and bonus arrangements of the Directors and senior management have been discussed and approved. All Remuneration Committee members, namely, Dr. Cheng Hon Kwan, Mr. Kwong Che Keung, Gordon and Mr. Wu Xuemin attended the aforesaid meetings.

The Remuneration Committee also held one meeting on 3 February 2010. At the meeting, a bonus for the Company's Directors and employees for the year ended 31 December 2009 were considered and approved. All members were present at the meeting.

Audit Committee

The Audit Committee consists of three independent non-executive Directors, namely Mr. Kwong Che Keung, Gordon, Dr. Cheng Hon Kwan and Mr. Mak Kwai Wing (Mr. Lau Wai Kit, former member of the committee, resigned on 4 August 2009). It is chaired by Mr. Kwong Che Keung, Gordon. The Audit Committee reports directly to the Board and reviews matters relating to the work of the external auditor, financial statements and internal controls. The Audit Committee meets with the Company's external auditor to discuss the audit process and the accounting and internal control issues raised. A written terms of reference, which describes the authority and duties of the Audit Committee, are reviewed and updated by the Board from time to time to comply with the provision of the Code.

Set out below is the summary of work performed by the Audit Committee in 2009:

– reviewed the financial statements for the year ended 31 December 2008 and for the six months ended 30 June 2009;

– reviewed internal control matters with the external auditor;

– reviewed internal audit performed by the external consultant;

– reviewed the external auditor's statutory audit plan and letters to the management; and

– considered 2009 audit fees and audit work.

The Audit Committee held two meetings during 2009. At the meetings, the members of the Audit Committee have executed the major duties and responsibilities described above. They also discussed material uncertainties which may be brought about by the global economic crisis, reviewed the internal audit function of the Company, and reported a summary of their work to the Board for discussion. The attendance of committee members is recorded below:

Name of Directors	Attendance of Audit Committee Meetings
Mr. Kwong Che Keung, Gordon *(Chairman)*	2/2
Dr. Cheng Hon Kwan	2/2
Mr. Lau Wai Kit (resigned on 4 August 2009)	1/1
Mr. Mak Kwai Wing (appointed on 27 October 2009)	0

Nomination and Appointment of Directors

The Board has not established a nomination committee. According to the Articles of Association, the Board has the power at any time to appoint any person as a director either to fill a casual vacancy or as an addition to the Board. In assessing nomination of new directors, the Board has taken into consideration of the nominee's qualification, ability and potential contributions to the Company.

Directors who are appointed by the Board must retire at the first annual general meeting after their appointment. A Director who retires in this way is eligible for election at that annual general meeting. At each annual general meeting, one-third of the directors for the time being must retire from office by rotation.

The appointments of an executive Director, a non-executive Director, an independent non-executive Director and audit committee member and the authorized representative of the Company on 27 October 2009 were reviewed and approved by the Board at the Board Meeting held on the same day where all the then Directors were present except Dr. Wang Jiandong and Dr. Gong Jing.

Each of the Directors on appointment to the Board is provided with a package of orientation materials setting out the duties and responsibilities of Directors under the Listing Rules and other applicable statutory and regulatory requirements. The orientation meeting with newly appointed Director(s) is held for briefing on business and operations of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code"). Having made specific enquiry with the Directors, the Company confirms that members of the Board have complied with the required standard as set out in the Model Code throughout the year 2009.

The Company has also established written guidelines regarding securities transaction on no less exacting terms of the Model Code for senior management and specific individuals who may have access to price sensitive information in relation to the securities of the Company.

EXTERNAL AUDITOR

The Audit Committee reviews each year a letter from the external auditor of the Company, PricewaterhouseCoopers, confirming their independence, approves their appointment, discusses the scope of their audit and approves their fees.

PricewaterhouseCoopers provided annual statutory audit services in respect of the Company's financial statements prepared under the Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("HKFRSs") and the Hong Kong Companies Ordinance for the year 2009. PricewaterhouseCoopers also reviewed the 2009 unaudited interim financial statements of the Company, prepared under the HKFRSs.

During the year, the fees paid and payable to PricewaterhouseCoopers in respect of audit and audit related services amounted to approximately HK$6,900,000. In respect of non-audit services, the fees paid and payable to PricewaterhouseCoopers relating to tax services amounted to approximately HK$26,000.

INTERNAL CONTROL

The Board is responsible for maintaining an adequate system of internal controls of the Company and its subsidiaries and reviewing the effectiveness of such controls. The system of internal controls is designed to facilitate effective and efficient operations, to safeguard assets and to ensure the quality of internal and external reporting and compliance with applicable laws and regulations. It is also designed to provide reasonable, but not absolute, assurance that material misstatement or loss can be avoided, and to manage and minimize risks of failure in operation systems.

INTERNAL CONTROL (Cont'd)

Tianjin Port Development Holdings Limited ("TPD") and Dynasty Fine Wines Group Limited ("Dynasty"), being the listed subsidiary and associate of the Company respectively, engaged external professional firms to perform a review on the effectiveness of their internal control procedures up to 31 December 2009. For businesses other than TPD and Dynasty, the Board engaged RSM Nelson Wheeler Consulting Limited ("RSM Nelson Wheeler") to perform internal audit function to assess the effectiveness of the financial, operational and compliance controls and risk management functions of the Company and its major subsidiaries on a rotation basis.

At the meeting of the Audit Committee held on 26 March 2010, RSM Nelson Wheeler reported their review work done for the year ended 31 December 2009 performed in accordance with the detailed risk-based audit plan approved by the Audit Committee. The Audit Committee members, together with the senior management, have reviewed, considered and discussed all the findings relating to the internal control system and recommendations relating thereto.

GOING CONCERN

The Directors, having made appropriate enquiries, consider that the Company has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the financial statements.

COMMUNICATION WITH SHAREHOLDERS

The objective of shareholder communication is to provide our shareholders with detailed information about the Company so that they can exercise their rights as shareholders in an informed manner.

The Company uses a range of communication tools to ensure shareholders are kept well informed of business imperatives. These include general meetings, annual reports, various notices, announcements and circulars. Detailed procedures for conducting a poll has been explained by the Chairman at general meetings.

The general meetings provide a useful forum for the shareholders of the Company to express their comments and views and the shareholders are encouraged to attend the general meetings of the Company to raise comments and exchange views with the Board. The Chairman, Directors, Board Committees' members and external auditor, where appropriate, are available to answer questions at the meetings.

DIRECTORS' RESPONSIBILITY IN PREPARING THE FINANCIAL STATEMENTS

The Directors acknowledge that it is their responsibilities in preparing the financial statements. The responsibilities of the external auditor with respect to financial reporting are set out in the Independent Auditor's Report on pages 51 to 52 of this Annual Report.

Report of the Directors

The Directors of the Board have pleasure in submitting their Report together with the audited financial statements for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The businesses of its subsidiaries, associates and jointly controlled entities are shown in Notes 40, 41 and 42 to the financial statements respectively.

An analysis of the Group's performance for the year by business and geographical segments is set out in Note 5 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 53.

The interim dividend of HK5.2 cents per share, totaling HK$55,508,446.5, was paid on 21 October 2009.

A final dividend is not recommended by the Directors due to loss of this financial year.

FIVE YEAR FINANCIAL 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 page 132.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in Note 29 to the financial statements. Distributable reserves of the Company at 31 December 2009, calculated in accordance with Section 79B of the Hong Kong Companies Ordinance, amounted to HK$368,510,000 (2008: HK$1,282,613,000).

DONATIONS

During the year, the Group made charitable and other donations amounted to approximately HK$151,000 (2008: HK$4,886,000).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group and the Company are shown in Note 16 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in Note 28 to the financial statements.

BORROWINGS

Particulars of borrowings of the Group as at 31 December 2009 are set out in Note 30 to the financial statements.

LOAN AGREEMENT WITH SPECIFIC PERFORMANCE COVENANTS

Save as disclosed below, the Directors are not aware of any circumstances which would give rise to a disclosure obligation pursuant to the requirements under Rule 13.18 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as at 31 December 2009.

On 21 November 2006, the Company entered into a facility agreement ("Facility Agreement") with a syndicate of lenders (the "Lenders"), pursuant to which a term loan facility of up to HK$860 million and a revolving/term loan facility of up to HK$1,140 million totaling HK$2,000 million (the "Facility") was made available to the Company by the Lenders with a term of 60 months from the date of the Facility Agreement.

LOAN AGREEMENT WITH SPECIFIC PERFORMANCE COVENANTS (Cont'd)

Under the Facility Agreement, it will be an event of default if (i) the Tianjin Municipal Government of the PRC ceases to maintain a shareholding ownership directly or indirectly in the Company of more than 50%, or (ii) the Company ceases to be under the direct or indirect management control of Tsinlien Group Company Limited ("Tsinlien"). If any of the above-mentioned events of default occurs, it will confer on the Lenders the right to cancel the Facility and declare all outstanding borrowings and interest as immediately due and payable on demand.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

SHARE OPTION SCHEME

The Company

At the annual general meeting of the Company held on 25 May 2007, a share option scheme (the "Scheme") of the Company was approved by shareholders of the Company. Relevant information relating to the Scheme is set out as follows:

(a) Purpose of the Scheme

The purpose of the Scheme is to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the participants.

(b) Participants of the Scheme

The board of Directors (the "Board") may offer to grant options to the participants which shall refer to (i) any executive or non-executive directors including independent non-executive directors or any employees (whether full-time or part-time) of each member of the Group; (ii) any discretionary objects of a discretionary trust established by any substantial shareholders of the Company or any employees, executive or non-executive directors of each member of the Group; (iii) any consultants, professionals and other advisers to each member of the Group; (iv) any chief executives or substantial shareholders of each member of the Group; (v) any associates of director, chief executive or substantial shareholder of each member of the Group; (vi) any employees (whether full-time or part-time) of substantial shareholder of each member of the Group; (vii) any suppliers of goods or services to any member of the Group; and (viii) any customers of any member of the Group, provided that the Board shall have absolute discretion to determine whether one falls within the aforesaid categories.

(c) Total number of shares available for issue under the Scheme

The total number of shares of the Company which may be issued upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of shares of the Company in issue as at the date of approval of the Scheme. The maximum number of shares of the Company which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company must not exceed 30% of the total number of shares of the Company in issue from time to time.

SHARE OPTION SCHEME (Cont'd)

The Company (Cont'd)

(c) Total number of shares available for issue under the Scheme (Cont'd)

The total number of shares available for issue under the Scheme are 77,462,012 Shares, representing approximately 7.26% of the total number of shares of the Company in issue as at the date of this Report.

(d) Maximum entitlement of each participant

Except with the approval of the Company's shareholders at general meeting, the total number of shares of the Company issued and to be issued upon exercise of the options granted to each participant (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue as at the date of grant.

(e) Minimum period for options to be held

No minimum period for which an option must be held before it can be exercised unless otherwise determined by the Board of the Company.

(f) Period and payment on acceptance of options

An offer of grant of an option may be accepted by a grantee within the date as specified in the offer letter issued by the Company, being a date not later than 30 days after the date on which the offer letter was issued. A consideration of HK$1 is payable on acceptance of the offer of grant of an option.

(g) Basis of determining the exercise price

The subscription price of a share in respect of any particular option granted under the Scheme shall be a price determined by the Board and notified to the participants and shall be at least the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (ii) the average of the closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share.

(h) Life of the Scheme

Subject to earlier termination by the Company at general meeting or by the Board, the life of the Scheme commenced from 25 May 2007, the date of adoption, and will end on 24 May 2017.

SHARE OPTION SCHEME (Cont'd)

The Company (Cont'd)

Details of options granted, exercised, lapsed or cancelled and outstanding under the Scheme during the year are as follows:

			Number of share options						
	Date of Grant	Exercise Price per share HK$	Held at 01/01/2009 (Note 4)	Granted during the year (Note 5)	Exercised during the year	Lapsed during the year	Cancelled during the year	Held at 31/12/2009	Exercise Period
Directors									
Yu Rumin	19/12/2007	8.04	1,000,000	–	–	–	–	1,000,000	17/01/2008-24/05/2017
	16/12/2009	5.75	–	2,000,000	–	–	–	2,000,000	16/12/2009-24/05/2017
Wu Xuemin	16/12/2009	5.75	–	1,800,000	–	–	–	1,800,000	16/12/2009-24/05/2017
Dai Yan	19/12/2007	8.04	900,000	–	–	–	–	900,000	17/01/2008-24/05/2017
	16/12/2009	5.75	–	1,400,000	–			1,400,000	16/12/2009-24/05/2017
Zheng Daoquan	19/12/2007	8.04	900,000	–	–	–	–	900,000	17/01/2008-24/05/2017
	16/12/2009	5.75	–	1,400,000	–	–	–	1,400,000	16/12/2009-24/05/2017
Wang Jiandong	19/12/2007	8.04	600,000	–	–	–	–	600,000	17/01/2008-24/05/2017
	16/12/2009	5.75	–	900,000	–	–	–	900,000	16/12/2009-24/05/2017
Bai Zhisheng	19/12/2007	8.04	300,000	–	–	–	–	300,000	17/01/2008-24/05/2017
	16/12/2009	5.75	–	500,000	–	–	–	500,000	16/12/2009-24/05/2017
Zhang Wenli	19/12/2007	8.04	300,000	–	–	–	–	300,000	17/01/2008-24/05/2017
	16/12/2009	5.75	–	500,000	–	–	–	500,000	16/12/2009-24/05/2017
Sun Zengyin	19/12/2007	8.04	300,000	–	–	–	–	300,000	17/01/2008-24/05/2017
	16/12/2009	5.75	–	500,000	–	–	–	500,000	16/12/2009-24/05/2017
Gong Jing	16/12/2009	5.75	–	500,000	–	–	–	500,000	16/12/2009-24/05/2017
Wang Zhiyong	16/12/2009	5.75	–	900,000	–	–	–	900,000	16/12/2009-24/05/2017
Cheung Wing Yui	19/12/2007	8.04	500,000	–	–	–	–	500,000	17/01/2008-24/05/2017
	16/12/2009	5.75	–	300,000	–	–	–	300,000	16/12/2009-24/05/2017
Eliza Chan Ching Har	16/12/2009	5.75	–	300,000	–	–	–	300,000	16/12/2009-24/05/2017
Cheng Hon Kwan	19/12/2007	8.04	500,000	–	–	–	–	500,000	17/01/2008-24/05/2017
	16/12/2009	5.75	–	300,000	–	–	–	300,000	16/12/2009-24/05/2017
Kwong Che Keung, Gordon	19/12/2007	8.04	500,000	–	–	–	–	500,000	17/01/2008-24/05/2017
	16/12/2009	5.75	–	300,000	–	–	–	300,000	16/12/2009-24/05/2017
Mak Kwai Wing	16/12/2009	5.75	–	300,000	–	–	–	300,000	16/12/2009-24/05/2017
Hu Chengli (Note 1)	19/12/2007	8.04	900,000	–		900,000	–	–	–
Zong Guoying (Note 1)	19/12/2007	8.04	300,000	–	–	300,000	–	–	–
Lau Wai Kit (Note 2)	19/12/2007	8.04	500,000	–	–	500,000	–	–	–
Nie Jiansheng (Note 2)	19/12/2007	8.04	900,000	–	–	900,000	–	–	–
Continuous contract employees	19/12/2007	8.04	2,400,000	–	–	600,000	–	1,800,000 (Note 3)	17/01/2008-24/05/2017
	16/12/2009	5.75	–	2,300,000	–	–	–	2,300,000	16/12/2009-24/05/2017
Total			10,800,000	14,200,000	–	3,200,000	–	21,800,000	

SHARE OPTION SCHEME (Cont'd)

The Company (Cont'd)

Notes:

1. The share options of Dr. Zong Guoying and Mr. Hu Chengli lapsed on 1 July 2009 and 31 July 2009 following their resignation on 1 April 2009 and 1st May 2009 respectively.

2. The share options of Mr. Lau Wai Kit and Mr. Nie Jiansheng lapsed on 4 November 2009 and 1 December 2009 following their resignation on 4 August 2009 and 1 September 2009 respectively.

3. 800,000 share options lapsed on 17 January 2010 following the resignation of an employee.

4. Pursuant to the Scheme, a total of 11,900,000 share options were granted on 19 December 2007 and accepted by the above grantees on 17 January 2008, with an exercise price of HK$8.04 and are exercisable from 17th January 2008 to 24 May 2017.

5. Pursuant to the Scheme, a total of 14,200,000 share options were granted on 16 December 2009 and accepted by the above grantees on the same day, with an exercise price of HK$5.75 and are exercisable from 16 December 2009 to 24 May 2017. The closing price of the shares immediately before the date on which these share options were granted was HK$5.72.

Details of the value of options granted under the Scheme during the year ended 31 December 2009 and the accounting policy adopted for the options are set out in Note 9 and Note 2 to the financial statements respectively.

Tianjin Port Development Holdings Limited ("TPD")

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

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

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

Unless approved by the shareholders of TPD 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 TPD as at the date of TPD's annual report.

SHARE OPTION SCHEME (Cont'd)

Tianjin Port Development Holdings Limited ("TPD") (Cont'd)

A consideration of HK$1 is payable by each of the grantee to TPD on acceptance of the option within 30 days from the offer date.

The exercise period of the share options is determined by the board of directors of TPD 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 of directors of TPD, 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 of directors of TPD in its absolute discretion shall determine, save that such price shall not be less than the highest of (i) the closing price of the shares as stated in the daily quotation sheets of the Stock Exchange on the offer date; (ii) the average of the closing price of the shares as stated in the daily quotation sheets of the Stock Exchange for the five business days immediately preceding the offer date; and (iii) the nominal value of a share.

Details of the share options granted, exercised, lapsed and cancelled under TPD's Share Option Scheme during the year ended 31 December 2009 are as follows:

			Number of share options						
	Date of Grant	Exercise Price per share HK$	Held at 01/01/2009	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Held at 31/12/2009	Exercise Period
Directors									
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
Dai Yan (Note 1)	01/09/2009	3.036	–	1,100,000	–	–	–	1,100,000	01/03/2010-31/08/2019
Nie Jiansheng (Note 2)	01/08/2006	2.28	2,100,000	–	–	–	–	2,100,000	01/02/2007-01/04/2010
Zhang Jinming	01/08/2006	2.28	2,000,000	–	–	–	–	2,000,000	01/02/2007-01/08/2016
Xue Lingsen	01/08/2006	2.28	1,100,000	–	–	–	–	1,100,000	01/02/2007-01/08/2016
Jiao Hongxun (Note 2)	01/08/2006	2.28	1,100,000	–	–	1,100,000	–	–	–
Liu Qingshan	01/06/2009	2.53	–	1,100,000	–	–	–	1,100,000	01/12/2009-31/05/2019
Wang Guanghao	01/08/2006	2.28	2,300,000	–	–	–	–	2,300,000	01/02/2007-01/08/2016
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
Cheng Chi Ping, 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	

SHARE OPTION SCHEME (Cont'd)

Tianjin Port Development Holdings Limited ("TPD") (Cont'd)

Notes:

1. The closing price of the Share 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 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 and Mr. Jiao Hongxun resigned on 23 April 2009 respectively.

Details of the value of options granted under TPD's Share Option Scheme during the year ended 31 December 2009 and the accounting policy adopted for the options are set out in Note 9 and Note 2 to the financial statements respectively.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Apart from the share option scheme of the Company, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of acquisition of the shares or debentures of the Company or any other body corporate.

DIRECTORS

The Directors of the Company during the year and up to the date of this Report are:

Executive Directors:

Mr. Yu Rumin	
Mr. Wu Xuemin	
Mr. Dai Yan	
Mr. Zheng Daoquan	
Dr. Wang Jiandong	
Mr. Bai Zhisheng	
Mr. Zhang Wenli	
Mr. Sun Zengyin	
Dr. Gong Jing	(appointed on 1 April 2009)
Mr. Wang Zhiyong	(appointed on 27 October 2009)
Mr. Nie Jiansheng	(resigned on 1 September 2009)
Mr. Hu Chengli	(resigned on 1 May 2009)
Dr. Zong Guoying	(resigned on 1 April 2009)

Non-executive Directors:

Mr. Cheung Wing Yui	
Dr. Eliza Chan Ching Har	(appointed on 27 October 2009)
Dr. Cheng Hon Kwan*	
Mr. Kwong Che Keung, Gordon*	
Mr. Mak Kwai Wing*	(appointed on 27 October 2009)
Mr. Lau Wai Kit*	(resigned on 4 August 2009)

* Independent Non-executive Directors

DIRECTORS (Cont'd)

In accordance with Article 92 of the Company's Articles of Association, Mr. Wang Zhiyong, Dr. Eliza Chan Ching Har and Mr. Mak Kwai Wing will hold office until the forthcoming Annual General Meeting and shall then be eligible to offer themselves for re-election at that meeting.

At the forthcoming Annual General Meeting, and in accordance with Article 101 of the Company's Articles of Association, Mr. Wu Xuemin, Mr. Zheng Daoquan, Dr. Wang Jiandong, Mr. Bai Zhisheng and Mr. Kwong Che Keung, Gordon will retire from office by rotation. Mr. Kwong Che Keung, Gordon will not offer himself for re-election. Mr. Wu Xuemin, Mr. Zheng Daoquan, Dr. Wang Jiandong and Mr. Bai Zhisheng will offer themselves for re-election at that meeting.

The Company has received from each Independent Non-executive Director an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers that all of them are independent.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of Directors and senior management are set out in the section of Biographical Details of Directors and Senior Management on pages 16 to 22.

DIRECTOR'S SERVICE CONTRACT

Mr. Yu Rumin has entered into a service agreement with the Company for a period of three years commencing 1 December 1997 and will continue thereafter until terminated by either party giving not less than six months' written notice to the other.

Save for the above, none of the Directors of the Company has a service contract with the Company or any of its subsidiaries which is not terminable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTEREST IN COMPETITORS

Mr. Yu Rumin is the Chairman and a Director of Tianjin Port (Group) Co., Ltd. ("Tianjin Port (Group)"), as well as Chairman and Director of Tianjin Port Holdings Co., Ltd which is a subsidiary of Tianjin Port (Group). Tianjin Port (Group) operates, through its various subsidiaries and associated companies, the business of container and bulk cargo handling which is in competition with the business of TPD, the listed subsidiary of the Company.

As the Board of the Company and the Board of TPD are independent of the Board of Tianjin Port (Group) (save for Mr. Yu, who is the common director of these companies) and Mr. Yu has no control over the Board of the Company and the Board of TPD, the Group is capable of carrying on its businesses independently of the businesses of Tianjin Port (Group).

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance in relation to the Company's business to which the Company, its subsidiaries, or its holding company was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN SHARES

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 Securities and Futures Ordinance (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 for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

(i) Interest in the Company

Name of Directors	Personal interests in shares	Number of underlying shares held pursuant to share options	Total interests (Note)	Approximate percentage of interests to total issued share capital
Yu Rumin	–	3,000,000	3,000,000	0.28%
Wu Xuemin	–	1,800,000	1,800,000	0.17%
Dai Yan	–	2,300,000	2,300,000	0.22%
Zheng Daoquan	–	2,300,000	2,300,000	0.22%
Wang Jiandong	–	1,500,000	1,500,000	0.14%
Bai Zhisheng	–	800,000	800,000	0.07%
Zhang Wenli	–	800,000	800,000	0.07%
Sun Zengyin	–	800,000	800,000	0.07%
Gong Jing	–	500,000	500,000	0.05%
Wang Zhiyong	–	900,000	900,000	0.08%
Cheung Wing Yui	–	800,000	800,000	0.07%
Eliza Chan Ching Har	–	300,000	300,000	0.03%
Cheng Hon Kwan	–	800,000	800,000	0.07%
Kwong Che Keung, Gordon	–	800,000	800,000	0.07%
Mak Kwai Wing	–	300,000	300,000	0.03%

Note: These interests are held in the capacity as a beneficial owner.

The interests of the Directors in the share options of the Company as beneficial owner are also set out in the section of "Share Option Scheme" on page 32.

(ii) Long position in shares of associated corporation of the Company

TPD

Name of Director	Capacity	Nature of interests	Number of shares held	Approximate percentage of interests to total issued share capital
Wu Xuemin	Interest of spouse	Family interest	10,000	0.0006%

DIRECTORS' INTERESTS IN SHARES (Cont'd)

(iii) Long position in share options of associated corporations of the Company

TPD

Name of Directors	Capacity	Nature of interests	Number of shares over which options are exercisable	Approximate percentage of interests to total issued share capital
Yu Rumin	Beneficial owner	Personal interest	2,300,000	0.13%
Dai Yan	Beneficial owner	Personal interest	1,100,000	0.06%

Dynasty Fine Wines Group Limited

Name of Director	Capacity	Nature of interests	Number of shares over which options are exercisable	Approximate percentage of interests to total issued share capital
Bai Zhisheng	Beneficial owner	Personal interest	2,300,000	0.18%

Save as disclosed above, as at 31 December 2009, none of the Directors or Chief Executive or their respective associates had any interests or short positions in 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.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2009, the interests or short positions of the following persons or corporations, other than the Directors or chief executive of the Company, in the shares and 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 Shareholders	Capacity	Number of shares/ underlying shares held (Note 1)	Approximate percentage of shares to total issued share capital
Tsinlien (Note 2)	Interest of controlled corporation	570,039,143 (L)	53.40%
Blackrock, Inc	Interest of controlled corporation	131,157,900 (L)	12.28%

Notes:

1. "L" denotes a long position in shares.

2. As at 31 December 2009, Tianjin Investment Holdings Limited ("Tianjin Investment") and Tsinlien Venture Capital Company Limited ("Tsinlien Venture"), both being wholly-owned subsidiaries of Tsinlien, held 568,017,143 shares and 2,022,000 shares respectively. By virtue of the SFO, Tsinlien is taken to have interest in the shares held by Tianjin Investment and Tsinlien Venture.

Save as disclosed above, as at 31 December 2009, the Company had not been notified by any persons or corporations, 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.

MANAGEMENT CONTRACTS

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

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers were less than 30% of the Group's sales.

The percentage of the Group's purchases for the year attributable to the Group's major suppliers are as follows:

– the largest supplier	40%
– the five largest suppliers in aggregation	63%

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major suppliers noted above.

CONNECTED TRANSACTION

During the year ended 31 December 2009, the Group has entered into the following connected transactions in the ordinary and usual course of the business:

(i) Capital injection into 天津市百利開關設備有限公司 Tianjin Bai Li Equipment Company Limited* ("Bai Li Equipment")

On 30 December 2009, 天津泰康實業有限公司 Tianjin Tai Kang Industrial Co., Ltd.* ("Tai Kang") (a 82.74% owned subsidiary of the Company) entered into a capital injection agreement (the "Capital Injection Agreement") with 天津百利特精電氣股份有限公司 Tianjin Benefo Tejing Electric Co., Ltd.* ("Benefo") pursuant to which each of Tai Kang and Benefo, agreed that the registered capital of Bai Li Equipment be increased from approximately RMB83,184,000 (equivalent to approximately HK$94,527,000) to approximately RMB151,184,000 (equivalent to approximately HK$171,800,000) by injection of the followings:

(1) Tai Kang would pay the consideration of approximately RMB20,101,000 (equivalent to approximately HK$22,842,000) in cash within 60 days from the date of execution of the Capital Injection Agreement; and

(2) Benefo would pay the consideration of approximately RMB47,899,000 (equivalent to approximately HK$54,431,000) in assets (the valuation of which is to be determined by reference to the assessed value as appraised by an independent valuer) or in cash within 60 days from the date of execution of the Capital Injection Agreement.

As at the date of entering into of the Capital Injection Agreement, 天津百利機電控股集團有限公司 Tianjin BENEFO Machinery & Electric Holding Group Ltd. ("Machinery & Electric Group") (formerly known as 天津市機電工業控股集團公司 Tianjin Machinery & Electric Industry Holding Group Company*) held 17.26% interest in Tai Kang, a non wholly-owned subsidiary of the Company. Therefore, Machinery & Electric Group was a connected person of the Company. As Benefo was an indirect non-wholly owned subsidiary of Machinery & Electric Group, Benefo was a connected person of the Company.

After completion of the transaction, Tai Kang and Benefo would be interested in approximately 29.56% and 70.44% of the equity interest in Bai Li Equipment respectively. The transaction is yet to be completed pending fulfillment of a condition in respect of the approval by the shareholders in the general meeting of Benefo.

Details of the transaction was disclosed in the announcement dated 30 December 2009 of the Company.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS ENTERED INTO BY TPD

TPD has entered into one connected transaction and a number of continuing connected transactions with certain associates of Tianjin Port (Group) 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 a connected person of the Company and TPD.

* The name is for identification purpose only.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS ENTERED INTO BY TPD (Cont'd)

(A) Connected Transaction

Details of the connected transaction for the year ended 31 December 2009 is as follows:

Acquisition of 56.81% interest in Tianjin Port Holdings Co., Ltd.

On 16 March 2009, TPD and Grand Point Investment Limited ("Grand Point"), a wholly-owned subsidiary of TPD, entered into a sale and purchase agreement with Tianjin Port (Group), pursuant to which TPD through Grand Point conditionally agreed to acquire a 56.81% stake in Tianjin Port Holdings Co., Ltd., 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 announcement of the Company and TPD dated 16 March 2009 and 5 February 2010, and the joint circular of the Company and TPD dated 19 June 2009.

(B) Continuing Connected Transactions

The Board has approved and the independent non-executive Directors of the Company 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 Group;

(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 auditor 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 auditor has reported their factual findings for the selected samples based on the agreed procedures to the Board.

The auditor of the Company confirmed to the Board in writing in respect of the continuing connected transactions set out below for the year ended 31 December 2009:

(i) have been approved by the Board of the Company;

(ii) have been entered into in accordance with the relevant agreement governing the transactions; and

(iii) have not exceeded the relevant caps.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS ENTERED INTO BY TPD (Cont'd)

(B) Continuing Connected Transactions (Cont'd)

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

(i) Non-exempt Continuing Connected Transactions

1. Water Supply Services

Date of agreement:	12 April 2007 ("Water Services Framework Agreement")
Parties:	(i) TPD; (ii) Tianjin Port Facilities Management Company (formerly known as Tianjin Port Construction and Engineering Company) ("Tianjin Port Facilities"), a wholly-owned subsidiary of Tianjin Port (Group)
Term:	12 April 2007 to 31 December 2009 (extension on similar terms subject to mutual agreements)
Transactions involved:	Provision of water supply services by Tianjin Port Facilities to TPD and its subsidiaries ("TPD Group")
Annual cap for the year ended 31 December 2009:	RMB8,920,000 (equivalent to approximately HK$9,010,000)
Actual amount for the year ended 31 December 2009:	RMB4,966,000 (equivalent to approximately HK$5,635,000)

2. Communication Services

Date of agreement:	12 April 2007 ("Communications Services Framework Agreement")
Parties:	(i) TPD; (ii) Tianjin Communications Navigation Company Limited ("Tianjin Communications"), a wholly-owned subsidiary of Tianjin Port (Group)
Term:	12 April 2007 to 31 December 2009 (extension on similar terms subject to mutual agreements)
Transactions involved:	Provision of various communications services by Tianjin Communications to TPD Group
Annual cap for the year ended 31 December 2009:	RMB2,710,000 (equivalent to approximately HK$2,740,000)
Actual amount for the year ended 31 December 2009:	RMB1,043,000 (equivalent to approximately HK$1,184,000)

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS ENTERED INTO BY TPD (Cont'd)

(B) Continuing Connected Transactions (Cont'd)

(i) Non-exempt Continuing Connected Transactions (Cont'd)

3. Electricity Supply Services

Date of agreement:	12 April 2007 ("Electricity Services Framework Agreement")
Parties:	(i) TPD; (ii) Tianjin Port Electricity Company Limited (formerly known as Tianjin Port Electricity Company) ("Tianjin Port Electricity"), a wholly-owned subsidiary of Tianjin Port (Group)
Term:	12 April 2007 to 31 December 2009 (extension on similar terms subject to mutual agreements)
Transactions involved:	Provision of electricity supply services by Tianjin Port Electricity to TPD Group
Annual cap for the year ended 31 December 2009:	RMB52,900,000 (equivalent to approximately HK$53,430,000)
Actual amount for the year ended 31 December 2009:	RMB31,888,000 (equivalent to approximately HK$36,183,000)

4. EDI Services

Date of agreement:	12 April 2007 ("EDI Services Framework Agreement")
Parties:	(i) TPD; (ii) Tianjin Port Information Centre ("Tianjin Port Information"), a department under Tianjin Port (Group)
Term:	12 April 2007 to 31 December 2009 (extension on similar terms subject to mutual agreements)
Transactions involved:	Provision of services relating to electronic data information, software utility, computer maintenance and repair, electronic transmission and similar services by Tianjin Port Information to TPD Group
Annual cap for the year ended 31 December 2009:	RMB3,630,000 (equivalent to approximately HK$3,670,000)
Actual amount for the year ended 31 December 2009:	RMB1,906,000 (equivalent to approximately HK$2,162,000)

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS ENTERED INTO BY TPD (Cont'd)

(B) Continuing Connected Transactions (Cont'd)

(i) Non-exempt Continuing Connected Transactions (Cont'd)

5. Container Reconfiguration Storage Services

Date of agreement:	12 April 2007 ("Container Reconfiguration Storage Services Framework Agreement")
Parties:	(i) TPD; (ii) Tianjin Port Container Freight Company Limited, a 90.54% owned subsidiary of Tianjin Port (Group) as at the date of the agreement; (iii) Tianjin Port Limited Storage and Transportation Branch Company, a subsidiary of Tianjin Port (Group); (iv) Huahan (Tianjin) Container Company Limited, an associate of Tianjin Port (Group) ((ii), (iii) and (iv), together the "Service Companies")
Term:	12 April 2007 to 31 December 2009 (extension on similar terms subject to mutual agreements)
Transactions involved:	Provision of stacking yards and warehouses located at Tianjin Port Area for temporary storage of containers by the Services Companies to TPD Group
Annual cap for the year ended 31 December 2009:	RMB35,480,000 (equivalent to approximately HK$35,840,000)
Actual amount for the year ended 31 December 2009:	RMB958,000 (equivalent to approximately HK$1,086,000)

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS ENTERED INTO BY TPD (Cont'd)

(B) Continuing Connected Transactions (Cont'd)

(i) Non-exempt Continuing Connected Transactions (Cont'd)

6. Labour Services

(a) Labour for bulk cargo handling business

Date of agreement:	12 March 2008 ("New Labour Services Framework Agreement")
Parties:	(i) TPD; (ii) Tianjin Port Labour Services Company Limited ("Tianjin Port Labour"), a 33% owned associate of Tianjin Port (Group) as at the date of agreement
Term:	12 March 2008 to 31 December 2010 (extension on similar terms subject to mutual agreements)
Transactions involved:	Provision of labour of various positions to perform various services by Tianjin Port Labour to TPD Group
Annual cap for the year ended 31 December 2009:	RMB71,710,000 (equivalent to approximately HK$78,810,000)
Actual amount for the year ended 31 December 2009:	RMB21,337,000 (equivalent to approximately HK$24,211,000)

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

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS ENTERED INTO BY TPD (Cont'd)

(B) Continuing Connected Transactions (Cont'd)

(i) Non-exempt Continuing Connected Transactions (Cont'd)

6. Labour Services (Cont'd)

(b) Labour for container cargo handling business

Date of agreement: 12 March 2008 ("Shenggang Labour Services Framework Agreement")

Parties:
(i) TPD;
(ii) Tianjin ShengGang Container Technology Development & Services Co., Ltd. ("Tianjin Shenggang Container"), a 33% owned associate of Tianjin Port (Group) as at the date of agreement

Term: 12 March 2008 to 31 December 2010 (extension on similar terms subject to mutual agreements)

Transactions involved: Provision of labour of various positions to perform various services by Tianjin Shenggang Container to TPD Group

Annual cap for the year ended 31 December 2009: RMB56,160,000 (equivalent to approximately HK$61,720,000)

Actual amount for the year ended 31 December 2009: RMB21,745,000 (equivalent to approximately HK$24,674,000)

7. Integrated Services

Date of agreement: 4 December 2008 ("Integrated Framework Agreement")

Parties:
(i) TPD;
(iii) Tianjin Port Daily Life Services Company Limited ("Tianjin Port Daily Life Services"), a subsidiary of Tianjin Port (Group),

Term: 1 January 2009 to 31 December 2011 (extension on similar terms subject to mutual agreements)

Transactions involved: Provision of integrated services include sanitary, catering, warehouse building management and general maintenance services by Tianjin Port Daily Life Services and its subsidiaries to TPD Group

Annual cap for the year ended 31 December 2009: RMB59,000,000 (equivalent to approximately HK$67,500,000)

Actual amount for the year ended 31 December 2009: RMB35,860,000 (equivalent to approximately HK$40,690,000)

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS ENTERED INTO BY TPD (Cont'd)

C. Exempt Continuing Connected Transaction

During the year ended 31 December 2009, TPD 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 TPD Group's transactions with Tianjin Port (Group):

Fee Collection Services

On 1 January 2009, each of Tianjin Port Container Terminal Co., Limited ("TCT") and Tianjin Harbour Second Stevedoring Co., Ltd. ("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).

COMPLIANCE WITH THE MODEL CODE OF THE LISTING RULES

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. After having made specific enquiry with the Directors, all the Directors confirmed that they have complied with the required standard as set out in the Model Code throughout the year 2009.

The Company has also established written guidelines regarding securities transaction on no less exacting terms of the Model Code for senior management and specific individuals who may have access to price sensitive information in relation to the securities of the Company.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code of Corporate Governance Practices contained in Appendix 14 to the Listing Rules throughout the period covered by this Annual Report, except for code provision A.2.1 and Rules 3.10(1) and 3.21 of the Listing Rules, the non-compliance of which were rectified on 3 August 2009 and 27 October 2009 respectively. Please refer to the Corporate Governance Report on pages 23 to 30 for details.

Details of the Audit Committee and Remuneration Committee are set out on pages 27 to 28 in the Corporate Governance Report.

AUDIT COMMITTEE

The Audit Committee currently comprising three independent non executive Directors, namely Mr. Kwong Che Keung, Gordon, Dr. Cheng Hon Kwan and Mr. Mak Kwai Wing (Mr. Lau Wai Kit resigned as independent non executive Director on 4 August 2009), was established in 1998. By reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Institute of Certified Public Accountants, written terms of reference which describe the authority and duties of the audit committee were prepared and adopted by the Board of the Company.

The annual results have been reviewed by the Audit Committee of the Company.

SUBSEQUENT EVENT

Details of significant events which have been taken place subsequent to the balance sheet date are set out in Note 37 to the financial statements.

PUBLIC FLOAT

From information publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public at all times during the year.

INDEPENDENT AUDITOR

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

By Order of the Board

Yu Rumin
Acting Chairman

9 April 2010, Hong Kong

Independent Auditor's Report

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F Prince's Building
Central, Hong Kong

To the shareholders of Tianjin Development Holdings Limited
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Tianjin Development Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 53 to 131, 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 cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the 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, in accordance with section 141 of the Hong Kong Companies Ordinance 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 Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 9 April 2010

Consolidated Income Statement

For the year ended 31 December 2009

	Note	2009 HK$'000	Restated 2008 HK$'000
Continuing operations:			
Revenue	5	**2,841,186**	2,566,847
Cost of sales		**(2,522,990)**	(2,256,575)
Gross profit		**318,196**	310,272
Other income	6	**89,135**	83,746
Other gains, net	7	**76,404**	137,817
General and administrative expenses		**(308,880)**	(302,034)
Other operating expenses		**(34,418)**	(39,749)
Operating profit	8	**140,437**	190,052
Finance costs	10	**(14,416)**	(39,132)
Share of profits/(losses) of			
Associates	19	**342,306**	253,964
Jointly controlled entities	20	**(9,940)**	(19,832)
Profit before tax		**458,387**	385,052
Tax (expense)/credit	11	**(32,934)**	57,360
Profit for the year from continuing operations		**425,453**	442,412
Operation of toll roads:			
(Loss)/profit for the year	1(ii), 15(a)	**(598,760)**	46,261
Port services:			
(Loss)/profit for the year	1(i), 15(b)	**(47,710)**	130,620
(Loss)/profit for the year from operation of toll roads and port services		**(646,470)**	176,881
(Loss)/profit for the year		**(221,017)**	619,293
Attributable to:			
Equity holders of the Company		**(195,141)**	524,552
Minority interests		**(25,876)**	94,741
		(221,017)	619,293
		HK cents	HK cents
(Loss)/earnings per share	13		
Basic and diluted			
From continuing operations		**35.41**	38.07
From operation of toll roads and port services		**(53.69)**	11.42
		(18.28)	49.49
		HK$'000	HK$'000
Dividends	14	**55,508**	96,072

The notes on pages 60 to 131 are an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	Note	2009 HK$'000	Restated 2008 HK$'000
(Loss)/profit for the year		**(221,017)**	619,293
Other comprehensive income:			
Currency translation differences		**21,086**	566,054
Release of exchange reserve upon strike off of subsidiaries		**(7,079)**	–
Change in fair value of available-for-sale financial assets	21	**432,909**	–
Total comprehensive income for the year		**225,899**	1,185,347
Attributable to:			
Equity holders of the Company		**244,450**	972,875
Minority interests		**(18,551)**	212,472
		225,899	1,185,347

The notes on pages 60 to 131 are an integral part of these financial statements.

Consolidated Balance Sheet

As at 31 December 2009

	Note	31 December 2009 HK$'000	Restated 31 December 2008 HK$'000	Restated 1 January 2008 HK$'000
ASSETS				
Non-current assets				
Property, plant and equipment	16	**1,645,491**	3,390,071	2,975,040
Leasehold land and land use rights	17	**512,116**	1,310,742	1,062,734
Toll road operating right		**–**	–	1,815,640
Interest in associates	19	**1,516,634**	1,590,350	1,377,480
Interest in jointly controlled entities	20	**35,635**	1,475,520	764,181
Deferred tax assets	31	**174,988**	147,539	26,759
Available-for-sale financial assets	21	**558,652**	128,453	107,117
		4,443,516	8,042,675	8,128,951
Current assets				
Inventories	22	**10,413**	10,337	7,098
Amounts due from associates	23	**–**	2,553	23,325
Amounts due from jointly controlled entities	23	**–**	6,858	3,205
Amount due from ultimate holding company	23	**998**	–	–
Amounts due from related companies	24	**11,865**	13,000	21,748
Amounts due from investee companies	24	**210,516**	162,036	127,738
Trade receivables	25	**763,608**	756,029	714,178
Other receivables, deposits and prepayments	25	**168,733**	231,028	435,463
Financial assets at fair value through profit or loss	26	**477,495**	472,703	306,417
Restricted bank balance	27	**27,215**	–	–
Time deposits with maturity over three months	27	**457,218**	952,815	580,341
Cash and cash equivalents	27	**2,320,542**	1,845,316	2,699,720
		4,448,603	4,452,675	4,919,233
Assets held for sale – operation of toll roads	1(ii), 15(a)	**1,949,344**	2,376,166	–
Assets relating to port services	1(i), 15(b)	**5,444,791**	–	–
		11,842,738	6,828,841	4,919,233
Total assets		**16,286,254**	14,871,516	13,048,184

The notes on pages 60 to 131 are an integral part of these financial statements.

Consolidated Balance Sheet

As at 31 December 2009

	Note	31 December 2009 HK$'000	Restated 31 December 2008 HK$'000	Restated 1 January 2008 HK$'000
EQUITY				
Equity holders				
Share capital	28	**106,747**	106,747	103,562
Reserves – others	29	**8,727,634**	8,513,692	6,425,320
Reserves – proposed final dividend	29	**–**	32,024	57,995
		8,834,381	8,652,463	6,586,877
Minority interests		**1,941,965**	2,048,064	1,928,264
Total equity		**10,776,346**	10,700,527	8,515,141
LIABILITIES				
Non-current liabilities				
Borrowings	30	**1,997,000**	2,557,349	1,245,580
Deferred tax liabilities	31	**88,561**	90,769	57,664
		2,085,561	2,648,118	1,303,244
Current liabilities				
Trade payables	32	**194,581**	198,168	186,592
Notes payable		**27,215**	–	–
Other payables and accruals		**866,284**	837,317	814,525
Amount due to ultimate holding company	23	**–**	15,051	1,746,850
Amounts due to related companies	24	**234,849**	218,329	141,852
Amounts due to a minority shareholder	24	**1,258**	1,079	16,894
Borrowings	30	**4,545**	33,389	223,836
Current tax liabilities		**86,891**	67,139	99,250
		1,415,623	1,370,472	3,229,799
Liabilities directly associated with assets classified as held for sale – operation of toll roads	1(ii), 15(a)	**154,708**	152,399	–
Liabilities relating to port services	1(i), 15(b)	**1,854,016**	–	–
		3,424,347	1,522,871	3,229,799
Total liabilities		**5,509,908**	4,170,989	4,533,043
Total equity and liabilities		**16,286,254**	14,871,516	13,048,184
Net current assets		**8,418,391**	5,305,970	1,689,434
Total assets less current liabilities		**12,861,907**	13,348,645	9,818,385

Wu Xuemin
Director

Dai Yan
Director

The notes on pages 60 to 131 are an integral part of these financial statements.

Balance Sheet

As at 31 December 2009

	Note	2009 HK$'000	2008 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	**3,422**	2,899
Interest in subsidiaries	18	**7,975,338**	8,864,379
Interest in an associate	19	**–**	206,796
		7,978,760	9,074,074
Current assets			
Amount due from ultimate holding company	23	**1,192**	535
Other receivables, deposits and prepayments	25	**3,364**	7,002
Time deposits with maturity over three months	27	**17,727**	28,798
Cash and cash equivalents	27	**677,246**	105,474
		699,529	141,809
Assets held for sale – interest in an associate	15(c)	**156,000**	–
		855,529	141,809
Total assets		**8,834,289**	9,215,883
EQUITY			
Equity holders			
Share capital	28	**106,747**	106,747
Reserves – others	29	**6,541,650**	7,391,900
Reserves – proposed final dividend	29	**–**	32,024
Total equity		**6,648,397**	7,530,671
LIABILITIES			
Non-current liabilities			
Borrowings	30	**1,997,000**	1,417,099
Amounts due to subsidiaries		**168,257**	201,820
		2,165,257	1,618,919
Current liabilities			
Borrowings	30	**–**	33,389
Other payables and accruals		**20,635**	32,904
		20,635	66,293
Total liabilities		**2,185,892**	1,685,212
Total equity and liabilities		**8,834,289**	9,215,883
Net current assets		**834,894**	75,516
Total assets less current liabilities		**8,813,654**	9,149,590

Wu Xuemin
Director

Dai Yan
Director

The notes on pages 60 to 131 are an integral part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2009

	Note	2009 HK$'000	Restated 2008 HK$'000
Cash flows from operating activities			
Cash generated from operations	35(a)	**387,955**	521,560
Interest paid		**(23,911)**	(64,492)
PRC income tax paid		**(117,762)**	(98,389)
Net cash from operating activities		**246,282**	358,679
Cash flows from investing activities			
Interest received		**56,795**	64,721
Purchase of property, plant and equipment		**(361,584)**	(281,290)
Proceeds from disposal of property, plant and equipment		**7,347**	9,698
Acquisition of a subsidiary under common control		**–**	(562,870)
Acquisition of a subsidiary	35(b)	**–**	(127,525)
Acquisition of additional interest in a subsidiary		**(60,228)**	(88,512)
Investment in an associate		**–**	(1,425)
Investment in jointly controlled entities		**–**	(570,186)
Decrease/(increase) in time deposits with maturity over three months		**41,154**	(351,586)
Increase in available-for-sale financial assets		**(11,361)**	(40,053)
(Increase)/decrease in amounts due from associates		**(26,831)**	21,844
Increase in amounts due from jointly controlled entities		**(60,718)**	(175,783)
Increase in amounts due from investee companies		**(48,003)**	(26,239)
Dividends received from associates		**188,787**	169,749
Net cash used in investing activities		**(274,642)**	(1,959,457)
Cash flows from financing activities			
Repayment of bank borrowings		**(90,273)**	(121,273)
Drawdown of bank borrowings		**848,726**	1,375,880
Repayment of loans from a minority shareholder		**–**	(173,998)
Increase in restricted bank balance		**(27,215)**	–
Dividends paid to equity holders		**(87,532)**	(123,827)
Dividends paid to minority shareholders		**(27,893)**	(71,034)
Net cash from financing activities		**615,813**	885,748
Net increase/(decrease) in cash and cash equivalents		**587,453**	(715,030)
Cash and cash equivalents at beginning of the year		**2,129,493**	2,699,720
Exchange gains		**6,538**	144,803
Cash and cash equivalents at end of the year		**2,723,484**	2,129,493
Cash and cash equivalents		**2,320,542**	1,845,316
Cash and cash equivalents classified as asset held for sale – operation of toll roads	15(a)	**149,892**	284,177
Cash and cash equivalents of port services	15(b)	**253,050**	–
		2,723,484	2,129,493

The notes on pages 60 to 131 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

	Note	Equity holders				
		Share capital HK$'000	Reserves HK$'000	Sub-total HK$'000	Minority interests HK$'000	Total HK$'000
At 1 January 2008, as previously reported		103,562	8,120,697	8,224,259	1,928,264	10,152,523
Change in accounting policy	2	–	(1,637,382)	(1,637,382)	–	(1,637,382)
Restated		103,562	6,483,315	6,586,877	1,928,264	8,515,141
Profit for the year		–	524,552	524,552	94,741	619,293
Other comprehensive income:						
Currency translation differences		–	448,323	448,323	117,731	566,054
Total comprehensive income for the year		–	972,875	972,875	212,472	1,185,347
Issue of new shares upon acquisition of a subsidiary	28, 29	3,185	164,346	167,531	–	167,531
Business combination under common control		–	1,016,318	1,016,318	–	1,016,318
Acquisition of a subsidiary	35(b)	–	–	–	82,715	82,715
Share based payments		–	32,689	32,689	732	33,421
Acquisition of additional interest in a subsidiary		–	–	–	(105,085)	(105,085)
Dividends		–	(123,827)	(123,827)	(71,034)	(194,861)
		3,185	1,089,526	1,092,711	(92,672)	1,000,039
At 31 December 2008		106,747	8,545,716	8,652,463	2,048,064	10,700,527
At 1 January 2009, as previously reported		**106,747**	**9,148,089**	**9,254,836**	**2,048,064**	**11,302,900**
Change in accounting policy	2	**–**	**(602,373)**	**(602,373)**	**–**	**(602,373)**
Restated		**106,747**	**8,545,716**	**8,652,463**	**2,048,064**	**10,700,527**
Loss for the year		**–**	**(195,141)**	**(195,141)**	**(25,876)**	**(221,017)**
Other comprehensive income:						
Currency translation differences		**–**	**16,963**	**16,963**	**4,123**	**21,086**
Release of exchange reserve upon strike off of subsidiaries		**–**	**(7,079)**	**(7,079)**	**–**	**(7,079)**
Change in fair value of available-for-sale financial assets	21	**–**	**429,707**	**429,707**	**3,202**	**432,909**
Total comprehensive income for the year		**–**	**244,450**	**244,450**	**(18,551)**	**225,899**
Share based payments		**–**	**25,000**	**25,000**	**848**	**25,848**
Acquisition of additional interest in a subsidiary		**–**	**–**	**–**	**(60,503)**	**(60,503)**
Dividends		**–**	**(87,532)**	**(87,532)**	**(27,893)**	**(115,425)**
		–	**(62,532)**	**(62,532)**	**(87,548)**	**(150,080)**
At 31 December 2009		**106,747**	**8,727,634**	**8,834,381**	**1,941,965**	**10,776,346**

The notes on pages 60 to 131 are an integral part of these financial statements.

Notes to the Financial Statements

1. General information

Tianjin Development Holdings Limited (the "Company") and its subsidiaries (together the "Group") is principally engaged in supply of utilities, operation of commercial properties and port services. The associates of the Group are principally engaged in the manufacturing and sale of winery products, elevators and escalators.

The Company is a limited liability company incorporated in Hong Kong. The address of its registered office is Suites 7-13, 36/F, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.

The Company has its primary listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

During the past two years, the major changes in the Group are as follows:

(i) In an extraordinary general meeting of the Company held on 15 July 2009, the proposed acquisition by Tianjin Port Development Holdings Limited ("TPD"), a non-wholly owned subsidiary of the Group, through its wholly owned subsidiary from Tianjin Port (Group) Co., Ltd., a connected person of the Group, for its 56.81% interest in the registered share capital of Tianjin Port Holdings Co., Ltd. ("TPH"), a company listed on the Shanghai Stock Exchange (stock code: 600717) for a total consideration of HK$10,961 million (the "Acquisition") was approved by the shareholders of the Company. The Acquisition was completed on 4 February 2010 and the consideration was satisfied as to HK$6,891 million by the issue of the shares of TPD and as to HK$4,070 million by cash.

Upon completion of the Acquisition, the Group's interest in TPD was diluted to 21%. TPD ceased to be a subsidiary and became an associate of the Group, where the share of results and net assets of TPD would be equity accounted for in the Group's financial statements in 2010 accordingly.

After the Acquisition, the Group continues to participate in the business of port services through its 21% equity interest in TPD, which also constitutes a reportable operating segment of the Group in 2010.

Details of the financial position of TPD as at 31 December 2009 and the result for the year then ended are set out in note 15(b).

(ii) Prior to the end of 2008, management had resolved to dispose of the Group's 83.93% interest in Tianjin Jin Zheng Transportation Development Co., Ltd. ("Jinzheng") which is the operator of the Eastern Outer Ring Road ("EORR"). Actions had been initiated to effect the disposal and the transaction was originally expected to be completed in 2009. Due to unexpected prolonged negotiation with the relevant parties, the completion of the transaction is expected to be delayed to 2010. Accordingly, the assets and liabilities relating to Jinzheng have been presented as held for sale as at 31 December 2008 and 2009 (Note 15(a)).

During the process of the aforesaid discussion and in line with the Tianjin municipal government's restructuring plan of toll road network in Tianjin, management further committed to dispose of the Group's 40% interest in Golden Horse Resources Limited ("Golden Horse") which holds 60% interest in the operator of the Jinbin Expressway. The transaction is expected to be completed in 2010. Accordingly, the interest in associates relating to Golden Horse has been presented as held for sale as at 31 December 2009 (Note 15(a) and 15(c)).

1. General information (Cont'd)

(iii) On 4 January 2008, the Group completed the acquisition of the entire issued share capital of Lethia Limited ("Lethia") at a consideration of US$7.5 million. Lethia's assets mainly comprise 50% equity interest in Tianjin First Hotel Limited ("First Hotel"), a sino-foreign equity joint venture company holding a five-star hotel property situated in Tianjin managed by Hyatt of China Limited.

On 4 March 2008, the Group completed the acquisition of a further 25% equity interest in First Hotel through Lethia at a consideration of RMB75.5 million.

Excess of fair value of net assets acquired over the cost of acquisition of a subsidiary of approximately HK$3,316,000 arose as a result of the acquisition.

(iv) On 28 March 2008, the Group completed the acquisition of the entire equity interest in, and all the shareholders' loan advanced to, Tsinlien Realty Limited at a cash consideration of HK$560 million and an issue of 31,850,000 new shares of the Company. The acquisition was regarded as business combinations under common control and the relevant adjustments on the Group's financial statements, together with those for other previous business combinations under common control, are set out in note 2.

2. Basis of preparation and accounting policies

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

The consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS") and are prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets at fair value through profit or loss, 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 areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

Change in accounting policy

In previous years, the Group adopted the purchase method of accounting to account for acquisition of subsidiaries including the business combinations under common control. During the restructuring exercise of the port operations early this year, the Directors reviewed the appropriateness and practicality of the change of method of accounting for business combinations under common control taking into account merger accounting as allowed under the Accounting Guideline 5 "Merger Accounting for Common Control Combinations" ("AG 5") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). With reference to the accounting policy adopted by certain peer companies listed on the main board of the Stock Exchange, the Directors consider that merger accounting is more appropriate and would provide reliable and more relevant information in respect of the Group's business combinations under common control as it can better reflect the underlying economic substance of these transactions. Accordingly, the Group has changed to apply the principle of merger accounting in accordance with the requirements set out in AG 5 to business combinations involving entities under the common control of Tsinlien Group Company Limited ("Tsinlien"), the ultimate holding company of the Group. Details of the accounting policy for merger accounting are set out in note 2(a)(i).

The change in accounting policy has been applied retrospectively.

Notes to the Financial Statements

2. Basis of preparation and accounting policies (Cont'd)

Change in accounting policy (Cont'd)

The effect of the adoption of merger accounting on the consolidated income statement for the year ended 31 December 2008 is as follows:

	As previously reported 31 December 2008 HK$'000	Results of operation of Jinbin Expressway and port services (Note 15) HK$'000	Adjustment on merger accounting HK$'000	Restated 31 December 2008 HK$'000
Continuing operations:				
Revenue	3,787,423	(1,220,576)	–	2,566,847
Cost of sales	(2,946,266)	689,691	–	(2,256,575)
Gross profit	841,157	(530,885)	–	310,272
Other income	101,286	(17,672)	132	83,746
Other gains, net	172,485	(37,984)	–	134,501
Excess of fair value of net assets acquired over the cost of acquisition of subsidiaries	203,103	–	(199,787)	3,316
Impairment loss on leasehold land	(150,000)	–	150,000	–
General and administrative expenses	(654,787)	363,600	(10,847)	(302,034)
Other operating expenses	(64,669)	25,628	(708)	(39,749)
Operating profit	448,575	(197,313)	(61,210)	190,052
Finance costs	(65,661)	26,529	–	(39,132)
Share of profits/(losses) of				
Associates	253,146	818	–	253,964
Jointly controlled entities	(11,077)	(8,755)	–	(19,832)
Profit before tax	624,983	(178,721)	(61,210)	385,052
Tax (expense)/credit	(72,955)	50,414	79,901	57,360
Profit for the year from continuing operations	552,028	(128,307)	18,691	442,412
Operation of toll roads:				
Profit for the year	48,574	(2,313)	–	46,261
Port services:				
Profit for the year	–	130,620	–	130,620
Profit for the year from operation of toll roads and port services	48,574	128,307	–	176,881
Profit for the year	600,602	–	18,691	619,293
Attributable to:				
Equity holders of the Company	505,861	–	18,691	524,552
Minority interests	94,741	–	–	94,741
	600,602	–	18,691	619,293
Basic and diluted earnings per share				
From continuing operations	43.75	(7.45)	1.77	38.07
From operation of toll roads and port services	3.97	7.45	–	11.42
	47.72	–	1.77	49.49

2. Basis of preparation and accounting policies (Cont'd)

Change in accounting policy (Cont'd)

The effect of the adoption of merger accounting on the consolidated balance sheet as at 31 December 2008 and 1 January 2008 is as follows:

	As previously reported 31 December 2008 HK$'000	Adjustment on merger accounting (note) HK$'000	Restated 31 December 2008 HK$'000
Assets			
Goodwill	510,847	(510,847)	–
Leasehold land and land use rights	1,420,412	(109,670)	1,310,742
Deferred tax assets	129,395	18,144	147,539
Other non-current assets	6,584,394	–	6,584,394
Current assets	4,452,675	–	4,452,675
Assets held for sale	2,376,166	–	2,376,166
Total assets	15,473,889	(602,373)	14,871,516
Liabilities			
Total liabilities	4,170,989	–	4,170,989
Net assets	11,302,900	(602,373)	10,700,527
Equity			
Equity holders			
Share capital	106,747	–	106,747
Reserves	9,148,089	(602,373)	8,545,716
	9,254,836	(602,373)	8,652,463
Minority interests	2,048,064	–	2,048,064
Total equity	11,302,900	(602,373)	10,700,527

Note: Adjustments of HK$510,847,000 and HK$109,670,000 were made respectively to eliminate goodwill and fair value of leasehold land resulting from the application of purchase accounting for acquisitions of subsidiaries from Tsinlien in 2004, 2006 and 2008.

2. Basis of preparation and accounting policies (Cont'd)

Change in accounting policy (Cont'd)

	As previously reported 1 January 2008 HK$'000	Adjustment on merger accounting (note) HK$'000	Restated 1 January 2008 HK$'000
Assets			
Property, plant and equipment	2,650,817	324,223	2,975,040
Goodwill	510,847	(510,847)	–
Leasehold land and land use rights	797,549	265,185	1,062,734
Other non-current assets	4,091,177	–	4,091,177
Other receivables, deposits and prepayments	432,739	2,724	435,463
Cash and cash equivalents	2,655,841	43,879	2,699,720
Other current assets	1,784,050	–	1,784,050
Total assets	12,923,020	125,164	13,048,184
Liabilities			
Other payables and accruals	798,829	15,696	814,525
Amount due to ultimate holding company	–	1,746,850	1,746,850
Other liabilities	1,971,668	–	1,971,668
Total liabilities	2,770,497	1,762,546	4,533,043
Net assets	10,152,523	(1,637,382)	8,515,141
Equity			
Equity holders			
Share capital	103,562	–	103,562
Reserves	8,120,697	(1,637,382)	6,483,315
	8,224,259	(1,637,382)	6,586,877
Minority interests	1,928,264	–	1,928,264
Total equity	10,152,523	(1,637,382)	8,515,141

Note: Adjustment of HK$510,847,000 was made to eliminate goodwill resulting from the application of purchase accounting for acquisitions of subsidiaries from Tsinlien in 2004.

Other adjustments were made to restate the financial position of the Group as if the subsidiary acquired from Tsinlien in 2008 under common control combination had been combined as at 1 January 2008.

2. Basis of preparation and accounting policies (Cont'd)

Adoption of new standards and amendments to existing standards

In 2009, the Group adopted the new standards and amendments of HKFRS below, which are relevant to its operations.

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 24 (Revised)	Related Party Disclosures
HKAS 27 and HKFRS 1 Amendment	Consolidated and Separate Financial Statements and First-time Adoption of HKFRS – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 8	Operating Segments
HKFRS 5 Amendment	Non-current Assets Held for Sale and Discontinued Operations
HKFRS 7 Amendment	Financial Instruments: Disclosures
HK(IFRIC) – Int 18	Transfer of Assets from Customers

Annual improvements to HKFRS published in October 2008

HKAS 1 Amendment	Presentation of Financial Statements
HKAS 10 Amendment	Events after the Reporting Period
HKAS 16 Amendment	Property, Plant and Equipment
HKAS 19 Amendment	Employee Benefits
HKAS 23 Amendment	Borrowing Costs
HKAS 27 Amendment	Consolidated and Separate Financial Statements
HKAS 28 Amendment	Investments in Associates
HKAS 31 Amendment	Interests in Joint Ventures
HKAS 34 Amendment	Interim Financial Reporting
HKAS 36 Amendment	Impairment of Assets
HKAS 38 Amendment	Intangible Assets
HKAS 39 Amendment	Financial Instruments: Recognition and Measurement
HKFRS 7 Amendment	Financial Instruments: Disclosures

The Group has assessed the impact of the adoption of these new standards and amendments and considered that there was no significant impact on the Group's results and financial position nor any substantial changes in the Group's accounting policies and presentation of the accounts except the below.

HKAS 1 (Revised), "Presentation of financial statements". The revised standard prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in a performance statement.

2. Basis of preparation and accounting policies (Cont'd)

Adoption of new standards and amendments to existing standards (Cont'd)

Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Group has elected to present two statements: an income statement and a statement of comprehensive income. The consolidated financial statements have been prepared under the revised disclosure requirements.

If there are retrospective restatements or reclassification of comparative amounts, it is required to present a balance sheet as at the beginning of the earliest comparative period. The Group has changed to apply merger accounting for common control combination in 2009 where retrospective restatements of comparative amounts are required and accordingly consolidated balance sheet as at 1 January 2008 has been prepared.

HKFRS 8, "Operating segments". HKFRS 8 replaces HKAS 14, "Segment reporting". It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the board of directors that makes strategic decisions.

Amendment to HKFRS 7, "Financial instruments: disclosures". The amendment increases the disclosure requirements about fair value measurement and amends the disclosure about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosures about financial instruments and requires some specific quantitative disclosures for those instruments classified in the lowest level in the hierarchy. These disclosures will help to improve comparability between entities about the effects of fair value measurements. In addition, the amendment clarifies and enhances the existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. It also requires a maturity analysis for financial assets where the information is needed to understand the nature and context of liquidity risk. The Group has made additional relevant disclosures in note 3.

The following new standards, amendments and interpretations to existing standards have been published and are relevant to the Group's operation. They are mandatory for accounting periods beginning on or after 1 July 2009 or later periods, the Group has not early adopted them:

HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 3 (Revised)	Business Combinations
HKFRS 9	Financial Instruments
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners

2. Basis of preparation and accounting policies (Cont'd)

Adoption of new standards and amendments to existing standards (Cont'd)

Annual improvements to HKFRS published in May 2009

HKAS 7 Amendment	Statement of Cash Flows
HKAS 17 Amendment	Leases
HKAS 36 Amendment	Impairment of Assets
HKAS 38 Amendment	Intangible Assets
HKFRS 2 Amendment	Share-based Payment
HKFRS 5 Amendment	Non-current Assets Held for Sale and Discontinued Operations
HKFRS 8 Amendment	Operating Segments

The Group has already commenced an assessment of the impact of these new standards, amendments and interpretations but is not yet in a position to state whether they would have a significant impact on its results of operations and financial position.

(a) Group accounting

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

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 in the consolidated financial statements to ensure consistency with the policies adopted by the Group.

(i) Merger accounting for common control combination

The consolidated financial statements incorporate the financial statements of the combining entities or businesses in which the common control combination occurs 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 consolidated using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirers' interest in the net fair value of acquiree'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 this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the previous balance sheet date unless they first came under common control at a later date.

2. Basis of preparation and accounting policies (Cont'd)

(a) Group accounting (Cont'd)

(i) Merger accounting for common control combination (Cont'd)

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.

(ii) Purchase method of accounting for non-common control combination

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group other than the common control combination. The cost of an acquisition is measured at 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 consolidated income statement.

(iii) Subsidiaries

Subsidiaries are all entities (including special purpose 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.

Investments in subsidiaries are carried on the balance sheet of the Company at cost together with advances by the Company which are neither planned nor likely to be settled in the foreseeable future, less provision for impairment. Provision for impairment in a subsidiary is made when the recoverable amount of the subsidiary is lower than the Company's respective cost of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend income.

(iv) 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.

2. Basis of preparation and accounting policies (Cont'd)

(a) Group accounting (Cont'd)

(v) 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. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss. See note 2(g) for the impairment of non-financial assets including goodwill.

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.

In the Company's balance sheet, the investments in associates are stated at cost less provision for impairment losses (Note 2(g)). The results of associates are accounted for by the Company on the basis of dividend income.

(vi) 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 Group's share of its jointly controlled entities' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in 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 entities.

Unrealised gains on transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interest in the jointly controlled entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of jointly controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

2. Basis of preparation and accounting policies (Cont'd)

(a) Group accounting (Cont'd)

(vi) 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.

(b) Segment reporting

It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker who is responsible for allocating resources and assessing performance of the operating segments. The chief operating decision-maker has been identified as the board of directors that makes strategic decisions.

(c) Foreign currency translation

(i) 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 consolidated financial statements are presented in Hong Kong dollars, which is the Group's presentation currency. The functional currency of the Company and the Group's subsidiaries in the People's Republic of China (the "PRC") is Renminbi.

The Directors consider that presentation of financial statements in Hong Kong dollars will facilitate analysis of the financial information of the Group.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or revaluation where items are remeasured. 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 consolidated income statement.

Translation differences on non-monetary financial assets held at fair value through profit or loss is reported as part of the fair value gain or loss. Translation differences on non-monetary available-for-sale financial assets is included in equity.

2. Basis of preparation and accounting policies (Cont'd)

(c) Foreign currency translation (Cont'd)

(iii) 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 consolidated 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 dates of the transactions); and

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

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the consolidated 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 rates at the balance sheet date.

(d) Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance expenses are charged in the consolidated income statement during the financial period in which they are incurred.

2. Basis of preparation and accounting policies (Cont'd)

(d) Property, plant and equipment (Cont'd)

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

Buildings	10-40 years
Port facilities	35-41 years
Plant and machinery	3-35 years
Leasehold improvement, furniture and equipment	3-10 years
Motor vehicles	5-12 years
Others	5 years

No depreciation is provided for construction in progress.

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(g)).

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

(e) Leasehold land and land use rights

The upfront prepayments made for leasehold land and land use rights are expensed in the consolidated income statement on a straight line basis over the period of the operating lease or when there is impairment, it is recognised immediately.

(f) Toll road operating right

Toll road operating right is carried at historical cost less accumulated amortisation and any accumulated impairment losses.

Amortisation of toll road operating right is calculated to write off their carrying values on units-of-usage basis whereby the amount of amortisation is provided based on the ratio of actual traffic volume compared to the total projected traffic volume over the remaining toll collection periods. The projected traffic volume of toll road is reviewed regularly with references to both internal and external sources of information and adjusted if appropriate.

2. Basis of preparation and accounting policies (Cont'd)

(g) Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are at least 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 purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (i.e. CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(h) Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets held-for-sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

(i) Financial assets

The Group classifies its financial assets in the following three categories:

(i) Financial assets at fair value through profit or loss;

(ii) Loans and receivables; and

(iii) Available-for-sale financial assets.

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current asset.

Assets in this category are initially recognised at fair value, and transaction costs are expensed in the consolidated income statement, and are subsequently remeasured at their fair values. Gains and losses arising from changes in the fair values are included in the consolidated income statement in the period in which they arise, except where the derivatives qualify for cash flow hedge accounting, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

2. Basis of preparation and accounting policies (Cont'd)

(i) Financial assets (Cont'd)

(i) Financial assets at fair value through profit or loss (Cont'd)

Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated income statement as part of other income when the Group's right to receive payments is established.

(ii) 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 twelve months after the balance sheet date which are classified as non-current assets.

Loans and receivable are recognised initially at fair value, net of transaction costs incurred. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

(iii) 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 other categories. They are included in non-current assets unless management intends to dispose of the investment within twelve months of the balance sheet date. Assets in this category are initially recognised at fair value plus transaction costs and are subsequently carried at fair value. Gains and losses arising from changes in the fair value are recognised in equity.

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

Dividends on available-for-sale financial assets are recognised in the consolidated income statement as part of other income when the Group's right to receive payments is established.

Regular purchases and sales of financial assets are recognised on the date of trade when the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

The fair values of quoted investments and derivative financial instruments are based on current bid prices. For unlisted securities and when the market for a financial asset is not active, the Group establishes fair value by using appropriate valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis.

2. Basis of preparation and accounting policies (Cont'd)

(i) Financial assets (Cont'd)

(iii) Available-for-sale financial assets (Cont'd)

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

(j) Inventories

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

(k) Trade and other receivables

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

(l) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

2. Basis of preparation and accounting policies (Cont'd)

(m) 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.

(n) 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 consolidated income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

(o) Trade payables

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

(p) Current and deferred income tax

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

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, its 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 consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

2. Basis of preparation and accounting policies (Cont'd)

(p) Current and deferred income tax (Cont'd)

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, 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.

(q) Employee benefits

(i) Retirement scheme obligations

Employees of the Group's subsidiaries in the PRC 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. Both schemes are defined contribution plans. All these contributions are based on a certain percentage of the staff's salary and are charged to the consolidated income statement as incurred.

(ii) Share-based compensation

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as considerations for equity instruments (options) 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, excluding the impact of any non-market service and performance vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total amount expensed 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 of original estimates, if any, in the consolidated income statement with a corresponding adjustment to equity.

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

(r) 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 the amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2. Basis of preparation and accounting policies (Cont'd)

(s) Revenue recognition

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

(i) Sales of goods are recognised when goods are delivered to customers.

(ii) Toll revenue is recognised when services are rendered.

(iii) Port service income is recognised when services are rendered.

(iv) Sales of electricity, water, heat and thermal power are recognised based on meter readings of actual utilisation.

(v) Government supplemental income is recognised on accrual basis in accordance with the terms of the relevant documents from Government.

(vi) Rental and management fee income is recognised on accrual basis.

(vii) Interest income is accrued on a time-proportion basis using the effective interest method.

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

(ix) Hotel revenue from room rentals, food and beverage sales and other ancillary services is recognised upon provision of services.

(t) 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.

(u) Operating lease

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 consolidated income statement on a straight-line basis over the period of the lease.

(v) Dividend distribution

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

2. Basis of preparation and accounting policies (Cont'd)

(w) 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 financial statements. 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.

3. Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, price risk and interest rate risk), credit and counterparty 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 by actively managing debt level and cash flow in order to maintain a strong balance sheet and minimising refinancing and liquidity risks by attaining healthy debt repayment capacity, appropriate maturity profile and availability of banking facilities. The Group adheres to a policy of financial prudence and did not use any derivative financial instruments or structured financial products during the year.

(a) Market risk

(i) Foreign exchange risk

The principal subsidiaries of the Group operate in the PRC with almost all of the transactions settled in Renminbi and did not have significant exposure to foreign exchange risks during the year.

The actual foreign exchange risk faced by the Group therefore primarily with respect to bank balances and deposits, financial assets at fair value through profit or loss, receivable and payable and borrowings made by the Group which are denominated in non-functional currency mainly Hong Kong dollars (collectively "Non-Functional Currency Items").

At 31 December 2009, with all other variables held constant, if Hong Kong dollars had weakened/strengthened against Renminbi by 5% (2008: 5%), the Group's post-tax loss would have been decreased/increased by approximately HK$111,101,000 (2008: HK$120,453,000) as a result of the translation of those Non-Functional Currency Items.

3. Financial risk management (Cont'd)

3.1 Financial risk factors (Cont'd)

(a) Market risk (Cont'd)

(ii) Price risk

The Group is exposed to equity securities price risk because the Group's investments in listed shares and unlisted funds are classified on the consolidated balance sheet as financial assets at fair value through profit or loss specified in note 26. The Group is not exposed to commodity price risk.

To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio and invests in relatively low-risk funds such as money market funds. Since the amount of the investments in listed shares is not significant to the Group, management is of the view that the exposure to equity securities price risk is limited. For the Group's investments in unlisted equity funds and money market funds, due to the difficulty in estimating the correlation with the market indexes of the underlying equity securities of the funds or the correlation with the interest rate trend of the underlying money market investments and the diversified nature of the funds, no sensitivity analysis for price risk is performed as it cannot be reliably estimated.

(iii) Interest rate risk

Other than bank balances and deposits (the "Interest Bearing Assets") specified in note 27, the Group has no other significant interest-bearing assets.

The Group's interest rate risk arises from borrowings (the "Interest Bearing Liabilities") as set out in note 30. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group's policy is to maintain a mixed portfolio of borrowings subject to variable and fixed interest rates. The Group also analyses its interest rate exposure periodically by considering refinancing, renewal of existing positions and alternative financing. The Group's Interest Bearing Liabilities include borrowings of HK$3,306,513,000 at variable rates and HK$44,308,000 at fixed rates (2008: HK$2,590,738,000 at variable rates).

At 31 December 2009, with all other variables held constant, if the interest rate on HK dollar-denominated borrowings at variable interest rate, bank balances and deposits had increased by 50 basis points (2008: 50 basis points), the corresponding increase in net finance costs (representing interest income on the Interest Bearing Assets less interest expenses on Interest Bearing Liabilities) would have resulted in an increase in the Group's loss after taxation by HK$11,300,000 (2008: HK$10,730,000). At 31 December 2009, if the interest rate on Renminbi-denominated borrowings at variable interest rate, bank balances and deposits had increased by 100 basis points (2008: 100 basis points), the corresponding decrease in net finance costs would have resulted in a decrease in the Group's loss after taxation by HK$22,626,000 (2008: HK$22,709,000).

The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

3. Financial risk management (Cont'd)

3.1 Financial risk factors (Cont'd)

(b) Credit and counterparty risk

Credit risk mainly arises from cash deposits and financial assets at fair value through profit or loss maintained with banks and other financial institutions, as well as credit exposures to jointly controlled entities, associates, related companies, minority shareholders, investee companies and customers (including outstanding trade receivable balances). The carrying amounts of these balances substantially represents the Group's maximum exposure to credit and counterparty risk as at 31 December 2009.

A significant portion of the Group's cash deposits and financial assets at fair value through profit or loss are placed with state-owned and listed banks. The Group has policies in place to ensure that sales of services are made to customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers. The Group's historical experience in collection of trade and other receivables falls within the recorded allowances and the Directors are of the opinion that adequate provision for uncollectible accounts receivable has been made in the financial statements.

As at 31 December 2009, over 60% (2008: 70%) of the Group's financial assets were cash deposits and financial assets at fair value through profit or loss, which were placed with state-owned and listed banks and other financial institutions. For trade receivables, over one-third of which were supplemental income receivable from the Finance Bureau of Tianjin Economic-Technological Development Area ("TEDA") with settlements throughout the years. The residential, commercial and industrial customers of the segment of supply of utilities demonstrated good credit quality in general as residential customers settled in cash while there are established relationships with key commercial and industrial customers with long business track record. Most of the customers of the segment of port services and the receivables of toll roads demonstrated continuous settlement track record and the receivables of toll roads due from the relevant government authority will be settled as part of the proposed disposal of EORR (Note 1(ii)).

(c) Liquidity risk

The Group adopts prudent liquidity risk management which includes maintaining sufficient bank balances and cash and having funding through an adequate amount of committed credit facilities. The Group aims to maintain flexibility in funding by keeping committed credit lines available.

Management monitors rolling forecasts of the Group's liquidity reserve comprising undrawn borrowing facility and cash and cash equivalents on the basis of expected cash flow.

As at 31 December 2009, the Group maintained a net cash position (Note 3.2) with only approximately HK$175 million of the contractual cash outflow related to borrowing (representing less than 6% of the total balance) maturing within one year. The refinancing and liquidity risks was minimal to the Group.

3. Financial risk management (Cont'd)

3.1 Financial risk factors (Cont'd)

(c) Liquidity risk (Cont'd)

The table below analyses the Group's financial liabilities that will be settled into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000
At 31 December 2009				
Group				
Borrowings	**175,112**	**3,015,260**	**210,263**	**–**
Amounts due to related companies and a minority shareholder	**262,769**	**–**	**–**	**–**
Trade payables, other payables and accruals	**1,623,580**	**–**	**–**	**–**
Company				
Borrowings	**10,856**	**2,006,667**	**–**	**–**
Other payables and accruals	**20,635**	**–**	**–**	**–**
At 31 December 2008				
Group				
Borrowings	95,027	60,237	2,623,683	–
Amounts due to related companies, a minority shareholder and ultimate holding company	234,459	–	–	–
Trade payables, other payables and accruals	1,061,724	–	–	–
Company				
Borrowings	84,911	50,211	1,461,807	–
Other payables and accruals	32,904	–	–	–

3.2 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. Total capital is calculated as equity as shown in the consolidated balance sheet.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

3. Financial risk management (Cont'd)

3.2 Capital risk management (Cont'd)

Consistent with others in the industry, the Group monitors capital on the basis of the net gearing ratio. Net gearing ratio is calculated as net debt divided by equity. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less total cash and cash deposits. During 2009, the Group's policy, which was unchanged from 2008, was to maintain a net gearing ratio of not more than 40%.

As of the end of 2009 and 2008, the Group had a net cash position.

	2009 **HK$'000**	2008 HK$'000
Total borrowings	**3,350,821**	2,590,738
Less: total cash and cash deposits	**3,662,359**	3,082,308
Net cash	**(311,538)**	(491,570)
Shareholders' funds	**8,834,381**	8,652,463
Net gearing ratio	**Net cash**	Net cash

3.3 Fair value estimation

The determination of the carrying amounts of the financial instruments of the Group are as follows:

(i) The fair value of listed investments including available-for-sale financial assets and financial assets at fair value through profit or loss is based on quoted prices in an active market at the balance sheet date.

(ii) The fair value of unlisted investments including available-for-sale financial assets and financial assets at fair value through profit or loss is determined by reference to the market prices of the underlying investments, the current market value of similar investments or the estimated future cash flows generated from the underlying net assets discounted at a rate that reflects current market assessment of the time value of money and the risks specific to the assets.

(iii) The fair values of long-term borrowings are estimated using the expected future contractual payments discounted at current market interest rates available to similar financial instruments.

(iv) The fair values of cash and cash deposits, trade receivables, other receivables, deposits, trade payables, other payables, accruals, current borrowings and balances with associates, jointly controlled entities, related companies, minority shareholders and investee companies are assumed to approximate their carrying amount due to the short-term maturities of these assets and liabilities.

Notes to the Financial Statements

3. Financial risk management (Cont'd)

3.3 Fair value estimation (Cont'd)

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 following table represents the Group's financial assets measured at fair value:

	Valuation Technique			
	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
At 31 December 2009				
Assets				
Available-for-sale financial assets				
– Continuing operations	**416,798**	**–**	**141,854**	**558,652**
– Port services	**24,586**	**–**	**17,461**	**42,047**
Total	**441,384**	**–**	**159,315**	**600,699**
Financial assets at fair value through profit or loss				
– Continuing operations	**21,768**	**455,727**	**–**	**477,495**

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.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

3. Financial risk management (Cont'd)

3.3 Fair value estimation (Cont'd)

The valuation technique used to value financial instruments include:

- reference to the market prices of the underlying investments.
- estimated future cash flows generated from the underlying net assets discounted at a rate that reflects current market assessment of the time value of money and the risks specific to the assets.
- dividend discount model based on the discounted sum of all its future dividend payments.

The following table presents the changes in level 3 instruments for the year ended 31 December 2009:

	Avaliable-for-sale financial assets HK$'000
At 1 January	**113,652**
Additions	**11,361**
Exchange difference	**272**
Change in fair value	**34,030**
At 31 December	**159,315**
Total gain recognised in other comprehensive income	**34,030**

4. Critical accounting estimates and judgements

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. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities of the Group are discussed below.

(a) Property, plant and equipment

Management determines the estimated useful lives and residual values for the Group's property, plant and equipment. Management will revise the depreciation charge where useful lives and residual values are different to previously estimated, or it will write off or write down technically obsolete or non-strategy assets that have been abandoned or sold.

4. Critical accounting estimates and judgements (Cont'd)

(b) Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount. In addition, the Group tests at least annually whether assets that have indefinite useful lives have suffered any impairment. The recoverable amounts of assets or CGUs have been principally determined based on value-in-use calculations. These calculations require the use of estimates, such as discount rates, future profitability and growth rates.

(c) Impairment of disposal group - operation of toll roads

Upon classification of relevant assets and liabilities in a disposal group as held for sale and at each subsequent reporting date, a disposal group is measured as a whole at the lower of carrying amount and fair value less costs to sell.

The fair value less cost to sell of a disposal group have principally determined by management based on the anticipated selling price and incremental costs directly attributable to the disposal.

Based on the ongoing discussion with the relevant government authorities and with reference to the instruction received by the Company from Tianjin municipal government on 31 March 2010 in respect of its holding and participation in the respective toll road projects (Note 37(b)), there is consensus on the basis for selling price determination in principle, management has accordingly determined the fair value less cost to sell of the associated assets held for sale, and an impairment totaling HK$649,000,000 has been made on the carrying value of the respective toll road projects.

5. Segment information

The Group determines its operating segments based on the reports reviewed by the chief operating decision-makers that are used to make strategic decisions. The chief operating decision-makers assess the performance of the operating segments based on a measure of profit after tax.

The Group has six reportable segments. The segments are managed separately as each business offers different products and services. The accounting policies of the operating segments are the same as those described in the basis of preparation and accounting policies. The following summary describes the operations in each of the Group's reportable segments.

The supply of utilities segment derives revenue through the distribution of electricity, water, heat and thermal power to industrial, commercial and residential sectors in the TEDA.

The operation of commercial properties segment currently derives revenue from the hotels operating in Tianjin and Hong Kong.

The result of the winery segment is contributed by a listed associate of the Group, Dynasty Fine Wines Group Limited ("Dynasty"), which manufactures and sells winery products.

5. Segment information (Cont'd)

The result of the elevator and escalator segment is contributed by an associate of the Group, Otis Elevator (China) Investment Company Limited ("Otis China"), which manufactures and sells elevators and escalators.

The operation of toll roads segment derives revenue from the operation of EORR and includes the result of an associate of the Group, Golden Horse, which invests in the operator of the Jinbin Expressway in Tianjin.

The port services segment derives revenue through the provision of port services in the port of Tianjin by TPD, a listed non-wholly owned subsidiary of the Group as at 31 December 2009, and was diluted to an associate upon the completion of the Acquisition (Note 1(i)).

	For the year ended 31 December 2009								
	Continuing operations					Results of operation of toll roads and port services (note (ii))			
	Supply of utilities (note (i)) HK$'000	Operation of commercial properties HK$'000	Winery HK$'000	Elevator and escalator HK$'000	Sub-total HK$'000	Operation of toll roads HK$'000	Port services HK$'000	Sub-total HK$'000	Total operating segments HK$'000
Revenue	2,754,798	86,388	–	–	2,841,186	129,453	1,370,133	1,499,586	4,340,772
Operating profit/(loss) before interest	193,883	(42,226)	–	–	151,657	54,308	(24,427)	29,881	181,538
Interest income	17,823	95	–	–	17,918	3,647	20,055	23,702	41,620
Impairment loss on toll road operating right (Note 4(c))	–	–	–	–	–	(603,874)	–	(603,874)	(603,874)
Impairment loss on interest in associates (Note 4(c))	–	–	–	–	–	(44,834)	–	(44,834)	(44,834)
Finance costs	(2,903)	(335)	–	–	(3,238)	–	(12,623)	(12,623)	(15,861)
Share of profits/(losses) of									
Associates	–	–	69,974	265,065	335,039	(1,721)	(1,549)	(3,270)	331,769
Jointly controlled entities	–	–	–	–	–	–	763	763	763
Profit/(loss) before tax	208,803	(42,466)	69,974	265,065	501,376	(592,474)	(17,781)	(610,255)	(108,879)
Tax (expense)/credit	(41,984)	7,848	–	–	(34,136)	(6,286)	(29,929)	(36,215)	(70,351)
Profit/(loss) for the year	166,819	(34,618)	69,974	265,065	467,240	(598,760)	(47,710)	(646,470)	(179,230)
Minority interests	(12,260)	7,714	–	(45,750)	(50,296)	57,813	15,516	73,329	23,033
Profit/(loss) attributable to equity holders	154,559	(26,904)	69,974	219,315	416,944	(540,947)	(32,194)	(573,141)	(156,197)
Operating profit/(loss) before interest includes:									
Depreciation and amortisation	85,178	33,699	–	–	118,877	–	137,349	137,349	256,226

Notes to the Financial Statements

5. Segment information (Cont'd)

	For the year ended 31 December 2008								
	Continuing operations					Results of operation of toll roads and port services (note (ii))			
	Supply of utilities (note (i)) HK$'000	Operation of commercial properties HK$'000	Winery HK$'000	Elevator and escalator HK$'000	Sub-total HK$'000	Operation of toll roads HK$'000	Port services HK$'000	Sub-total HK$'000	Total operating segments HK$'000
Revenue	2,463,311	103,536	–	–	2,566,847	127,905	1,220,576	1,348,481	3,915,328
Operating profit/(loss) before interest	198,154	(32,572)	–	–	165,582	56,273	180,684	236,957	402,539
Interest income	18,691	459	–	–	19,150	4,609	16,629	21,238	40,388
Finance costs	–	(1,314)	–	–	(1,314)	–	(26,529)	(26,529)	(27,843)
Share of profits/(losses) of									
Associates	–	–	64,128	184,108	248,236	(2,313)	1,495	(818)	247,418
Jointly controlled entities	–	(2,105)	–	–	(2,105)	–	8,755	8,755	6,650
Profit/(loss) before tax	216,845	(35,532)	64,128	184,108	429,549	58,569	181,034	239,603	669,152
Tax (expense)/credit	(48,556)	106,641	–	–	58,085	(12,308)	(50,414)	(62,722)	(4,637)
Profit for the year	168,289	71,109	64,128	184,108	487,634	46,261	130,620	176,881	664,515
Minority interests	(12,282)	2,611	–	(31,777)	(41,448)	(6,470)	(49,413)	(55,883)	(97,331)
Profit attributable to equity holders	156,007	73,720	64,128	152,331	446,186	39,791	81,207	120,998	567,184
Operating profit/(loss) before interest includes:									
Depreciation and amortisation	74,901	28,292	–	–	103,193	26,413	135,030	161,443	264,636

	For the year ended 31 December	
	2009 **HK$'000**	2008 HK$'000
Reconciliation of (loss)/profit for the year		
Total operating segments	**(179,230)**	664,515
Gain on deemed disposal of partial interest in an associate (Note 21)	**27,719**	–
Share option expenses (Note 9)	**(23,253)**	(28,391)
Corporate and others (note (iii))	**(46,253)**	(16,831)
(Loss)/profit for the year	**(221,017)**	619,293

5. Segment information (Cont'd)

Notes:

(i) Utility supply business is carried out by Tianjin TEDA Tsinlien Electric Power Company Limited ("Electricity Company"), Tianjin TEDA Tsinlien Water Supply Company Limited ("Water Company") and Tianjin TEDA Tsinlien Heat & Power Company Limited ("Heat & Power Company").

The Finance Bureau of TEDA has confirmed to grant to Electricity Company, Water Company and Heat & Power Company quantity-based government supplemental income calculated at RMB0.02 per kWh of electricity supplied, RMB2 per tonne of water supplied and RMB50 per tonne of steam supplied for the year ending 31 December 2010.

Revenue generated from the supply of utilities includes approximately HK$50.1 million (2008: HK$49.2 million), HK$103.3 million (2008: HK$101.3 million) and HK$191.0 million (2008: HK$165.2 million) of quantity-based government supplemental income granted to the Electricity Company, Water Company and Heat & Power Company respectively.

(ii) The results related to Jinzheng and Golden Horse which operates EORR and invests in the operator of the Jinbin Expressway in Tianjin respectively and TPD which provides port services at the port of Tianjin have been separately presented from the continuing operations (Note 1(i), 1(ii) and 15).

(iii) The amounts mainly represent corporate activities including central treasury management and administrative function, dividend income from investee companies, exchange gain or loss at corporate level and results of other businesses not categorised as operating segments.

	Continuing operations								
	Supply of utilities HK$'000	Operation of commercial properties HK$'000	Winery HK$'000	Elevator and escalator HK$'000	Operation of toll roads HK$'000	Port services HK$'000	Total operating segments HK$'000	Corporate and others (note) HK$'000	Total HK$'000
As at 31 December 2009									
Reportable segment assets	**3,098,004**	**1,138,923**	**819,906**	**584,316**	**1,949,344**	**5,444,791**	**13,035,284**	**3,250,970**	**16,286,254**
Reportable segment liabilities	**1,290,491**	**135,881**	**–**	**–**	**154,708**	**1,854,016**	**3,435,096**	**2,074,812**	**5,509,908**
As at 31 December 2008									
Reportable segment assets	2,669,025	1,181,736	775,321	479,521	2,376,166	4,903,111	12,384,880	2,486,636	14,871,516
Reportable segment liabilities	1,032,241	154,200	–	–	152,399	1,284,260	2,623,100	1,547,889	4,170,989

Note: The balances represent assets and liabilities relating to corporate activities and other businesses not categorised as operating segments, which principally include cash and cash equivalents, time deposits with maturity over three months, financial assets at fair value through profit or loss, amount due from investee companies, available-for-sale financial assets, interest in certain associates and bank borrowings.

5. Segment information (Cont'd)

Geographical information

The Group's revenue from external customers by geographical location are detailed below:

	Revenue For the year ended 31 December	
		Restated
	2009	2008
	HK$'000	HK$'000
PRC mainland	**2,778,598**	2,520,842
Hong Kong	**62,588**	46,005
Continuing operations	**2,841,186**	2,566,847
Operation of toll roads	**129,453**	127,905
Port services	**1,370,133**	1,220,576
Operation of toll roads and port services – PRC mainland	**1,499,586**	1,348,481

The Group's non-current assets (excluding financial assets and deferred tax assets) by geographical location are detailed below:

		Restated
	2009	2008
	HK$'000	HK$'000
PRC mainland	**3,116,144**	7,161,461
Hong Kong	**593,732**	605,222
	3,709,876	7,766,683

6. Other income

	2009 HK$'000	Restated 2008 HK$'000
Interest income	**40,302**	47,055
Dividend income from investee companies – unlisted	**48,058**	26,274
Sundries	**775**	10,417
	89,135	83,746

7. Other gains, net

	2009 HK$'000	Restated 2008 HK$'000
Financial assets at fair value through profit or loss		
– fair value gains/(losses)		
– listed (realised and unrealised)	**5,048**	(7,900)
– unlisted (realised)	**14,772**	34,468
Gain on deemed disposal of partial interest in an associate (Note 21(i))	**27,719**	–
Excess of fair value of net assets acquired over the cost of acquisition of a subsidiary (Note 1(iii))	**–**	3,316
Reversal of loan interest payable to a minority shareholder	**–**	20,349
Reversal of over-accrued expenses	**23,109**	22,853
Net gain on disposal of property, plant and equipment	**2,302**	178
Gain on acquisition of additional interest in a subsidiary	**–**	16,573
Net exchange gain	**2,526**	49,014
Sundries	**928**	(1,034)
	76,404	137,817

8. Operating profit

Operating profit is arrived at after charging:

	2009 HK$'000	Restated 2008 HK$'000
Employee benefit expense (including Directors' emoluments) (Note 9)	**258,251**	268,421
Purchase of electricity, water and steam for sale	**2,122,001**	1,875,313
Depreciation		
– charged to cost of sales	**79,218**	68,763
– charged to administrative expenses	**8,701**	9,085
– charged to other operating expenses	**27,664**	23,261
Amortisation	**6,758**	5,746
Provision for impairment of trade receivables	**2,005**	23,040
Operating lease expense on		
– plants, pipelines and networks	**102,246**	99,684
– land and buildings	**8,430**	9,005
Auditor's remuneration	**6,069**	5,852

9. Employee benefit expense

	2009 HK$'000	Restated 2008 HK$'000
Wages, salaries and social security costs	**234,998**	240,030
Share option expenses (note)	**23,253**	28,391
	258,251	268,421

Note: The Company and TPD operate share option schemes whereby options may be granted to eligible employees and directors, to subscribe for shares of the Company and TPD respectively. The share option expenses of TPD are presented under the result of port services as disclosed in note 15(b).

9. Employee benefit expense (Cont'd)

Details of share options are as follows:

			Number of share options					
Grantor	Date of grant	Exercise Price HK$	1 January 2009	Granted	Exercised	Lapsed/ Cancelled	31 December 2009	Note
The Company	19 December 2007	8.04	10,800,000	–	–	(3,200,000)	7,600,000	(i)
The Company	16 December 2009	5.75	–	14,200,000	–	–	14,200,000	(i)
TPD	1 August 2006	2.28	10,000,000	–	–	(1,500,000)	8,500,000	(ii)
TPD	3 February 2007	2.74	1,900,000	–	–	–	1,900,000	(ii)
TPD	25 January 2008	4.24	1,300,000	–	–	–	1,300,000	(ii)
TPD	21 July 2008	3.45	1,000,000	–	–	–	1,000,000	(ii)
TPD	1 June 2009	2.53	–	1,800,000	–	–	1,800,000	(ii)
TPD	1 September 2009	3.036	–	1,100,000	–	–	1,100,000	(ii)

Notes:

(i) The share options are divided into 2 tranches with exercise price of HK$8.04 and HK$5.75 respectively and exercisable from 17 January 2008 to 24 May 2017 and from 16 December 2009 to 24 May 2017 respectively.

(ii) The share options of TPD are divided into 6 tranches with exercise price of HK$2.28, HK$2.74, HK$4.24, HK$3.45, HK$2.53 and HK$3.036 respectively and exercisable from 1 February 2007 to 1 August 2016 (2,100,000 of which lapsed on 1 April 2010 following the resignation of a director), from 3 August 2007 to 3 February 2017, from 25 July 2008 to 24 January 2018, from 21 January 2009 to 20 July 2018, from 1 December 2009 to 31 May 2019 and from 1 March 2010 to 31 August 2019 respectively.

The estimated fair value of share options granted is based on the Binomial model. The significant inputs into the models are as follows:

The Company

Date of grant	16 December 2009	17 January 2008
Exercise price	HK$5.75	HK$8.04
Standard deviation of expected share price return	46%	37%
Expected option life	Approximate 1 ~ 7 years	Approximate 1 ~ 10 years
Annual risk free interest rate	0.11% ~ 2.152%	1.870% ~ 2.726%
Dividend yield (semi-annual)	0.80%	0.84%
Fair value	HK$1.0697 ~ 2.0284	HK$0.9676 ~ 2.7894

The expected volatility measured at the standard deviation is based on the historical data of the weekly share price movement of the Company.

9. Employee benefit expense (Cont'd)

TPD

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 years	4.5 & 3.5 years	3.8 years	1.9 & 1.7 years
Annual 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 expected volatility measured at the standard deviation is based on statistical analysis of the volatility of companies' shares of similar industry.

(a) Directors' and senior management's emoluments

The remuneration of each Director for the year ended 31 December 2009 is set out below:

Name of Director	Fees HK$'000	Salaries and other benefits(i) HK$'000	Share based payments HK$'000	Total HK$'000
Yu Rumin	1,600	820	2,139	4,559
Wu Xuemin(ii)	–	1,462	3,327	4,789
Dai Yan	132	1,563	3,220	4,915
Zheng Daoquan	–	1,383	1,498	2,881
Wang Jiandong	–	–	1,825	1,825
Bai Zhisheng	–	–	967	967
Zhang Wenli	–	–	967	967
Sun Zengyin	–	–	535	535
Gong Jing(iii)	–	–	1,014	1,014
Wang Zhiyong(iv)	–	–	1,825	1,825
Cheung Wing Yui	368	–	609	977
Eliza Chan Ching Har(iv)	57	–	609	666
Kwong Che Keung, Gordon	431	–	609	1,040
Cheng Hon Kwan	431	–	609	1,040
Mak Kwai Wing(iv)	69	–	609	678
Nie Jiansheng(v)	1,027	2,037	–	3,064
Hu Chengli(vi)	–	1,040	–	1,040
Zong Guoying(vii)	–	–	–	–
Lau Wai Kit(viii)	273	–	–	273
	4,388	8,305	20,362	33,055

9. Employee benefit expense (Cont'd)

(a) Directors' and senior management's emoluments (Cont'd)

The remuneration of each Director for the year ended 31 December 2008 is set out below:

Name of Director	Fees HK$'000	Salaries and other benefits[i] HK$'000	Share based payments HK$'000	Total HK$'000
Yu Rumin	1,600	510	2,101	4,211
Wu Xuemin[ii]	–	1,009	–	1,009
Dai Yan	–	1,430	2,147	3,577
Zheng Daoquan	–	1,108	1,580	2,688
Wang Jiandong	–	–	1,674	1,674
Bai Zhisheng	–	–	827	827
Zhang Wenli	–	–	793	793
Sun Zengyin	–	–	290	290
Cheung Wing Yui	318	–	1,395	1,713
Kwong Che Keung, Gordon	382	–	1,395	1,777
Cheng Hon Kwan	382	–	1,395	1,777
Wang Guanghao[ix]	125	389	–	514
Ren Xuefeng[ix]	–	485	3,068	3,553
Nie Jiansheng[v]	1,540	2,018	2,381	5,939
Hu Chengli[vi]	–	1,430	2,510	3,940
Zong Guoying[vii]	–	–	837	837
Lau Wai Kit[viii]	382	–	1,395	1,777
	4,729	8,379	23,788	36,896

(i) Other benefits include leave pay, insurance premium and club membership.

(ii) Appointed on 31 January 2008.

(iii) Appointed on 1 April 2009.

(iv) Appointed on 27 October 2009.

(v) Resigned on 1 September 2009.

(vi) Resigned on 1 May 2009.

(vii) Resigned on 1 April 2009.

(viii) Resigned on 4 August 2009.

(ix) Resigned on 31 January 2008.

9. Employee benefit expense (Cont'd)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include five (2008: five) directors whose emoluments are reflected in the analysis presented above.

The emoluments of the five highest paid individuals fell within the following bands:

	2009	2008
Emolument bands (HK$)		
HK$2,500,001-HK$3,000,000	**1**	–
HK$3,000,001-HK$3,500,000	**1**	–
HK$3,500,001-HK$4,000,000	**–**	3
HK$4,000,001-HK$4,500,000	**–**	1
HK$4,500,001-HK$5,000,000	**3**	–
HK$5,500,001-HK$6,000,000	**–**	1

10. Finance costs

	2009 **HK$'000**	Restated 2008 HK$'000
Interest expenses:		
– bank borrowings	**14,416**	39,132

11. Tax (expense)/credit

	2009 **HK$'000**	Restated 2008 HK$'000
Current taxation		
PRC income tax	**(52,183)**	(68,465)
Deferred taxation (Note 31)	**19,249**	125,825
	(32,934)	57,360

No provision for Hong Kong profits tax has been made as there is no estimated assessable profit for the year for the Group (2008: Nil). 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.

11. Tax (expense)/credit (Cont'd)

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "New CIT Law") which was effective from 1 January 2008. Under the New CIT Law, both domestic and foreign invested enterprises are subject to a single income tax rate of 25%. For those subsidiaries of the Group which were applying 15% tax rate, namely Tianjin Harbour Second Stevedoring Co., Ltd., Tianjin Port Container Terminal Co., Ltd., Jinzheng, Electricity Company, Water Company and Heat & Power Company, the tax rate will gradually increase to 25% over five years.

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

	2009 **HK$'000**	Restated 2008 HK$'000
Profit before tax	**458,387**	385,052
Less: share of profits less losses of associates and jointly controlled entities	**(332,366)**	(234,132)
	126,021	150,920
Calculated at applicable tax rates	**28,690**	31,564
Income not subject to taxation	**(17,530)**	(24,665)
Expenses not deductible for taxation purposes	**15,869**	36,024
Tax losses not recognised	**5,905**	4,368
Recognise previously unrecognised tax assets and liabilities	**–**	(104,651)
Tax expense/(credit)	**32,934**	(57,360)

The weighted average applicable tax rate is 22.8% (2008: 20.9%). The increase is mainly caused by the change in PRC tax rates according to the New CIT Law.

12. (Loss)/profit attributable to equity holders

The (loss)/profit attributable to equity holders is dealt with in the financial statements of the Company to the extent of loss of approximately HK$835,016,000 (2008: profit of approximately HK$206,376,000), of which impairment losses on interests in a subsidiary and an associate in aggregate of approximately HK$816,289,000 are made in respect of the operation of toll roads (Note 4(c)).

13. (Loss)/earnings per share

The calculation of the basic and diluted (loss)/earnings per share is based on the (loss)/profit attributable to equity holders and weighted average number of shares as follows:

	2009		Restated 2008	
	Continuing operations HK$'000	**Results of operation of toll roads and port services HK$'000**	Continuing operations HK$'000	Results of operation of toll roads and port services HK$'000
Profit/(loss) attributable to equity holders for the purpose of basic earnings/(loss) per share	**378,000**	**(573,141)**	403,554	120,998
Number of shares	**Thousand**	**Thousand**	Thousand	Thousand
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	**1,067,470**	**1,067,470**	1,059,899	1,059,899

The share options have no dilutive effect on basic (loss)/earnings per share for 2008 and 2009.

14. Dividends

	2009 HK$'000	2008 HK$'000
2009 final, proposed, nil (2008: final, paid, of HK3.0 cents) per share	**–**	32,024
2009 interim, paid, of HK5.2 cents (2008: HK6.0 cents) per share	**55,508**	64,048
	55,508	96,072

15. Operation of toll roads and port services

Group

(a) Operation of toll roads

		2009 HK$'000	2008 HK$'000
(i)	Results		
	Revenue	**129,453**	127,905
	Cost of sales	**(63,872)**	(66,819)
	Gross profit	**65,581**	61,086
	Other income	**3,639**	4,609
	Other losses	**(6,018)**	(112)
	General and administrative expenses	**(5,247)**	(4,701)
	Operating profit	**57,955**	60,882
	Impairment loss on toll road operating right (note (a), Note 4(c))	**(603,874)**	–
	Impairment loss on interest in associates (Note 4(c))	**(44,834)**	–
	Share of losses of associates	**(1,721)**	(2,313)
	(Loss)/profit before tax	**(592,474)**	58,569
	Tax expense	**(6,286)**	(12,308)
	(Loss)/profit for the year	**(598,760)**	46,261
	Attributable to:		
	Equity holders of the Company	**(540,947)**	39,791
	Minority interests	**(57,813)**	6,470
		(598,760)	46,261
(ii)	Cash flows		
	Net cash (used in)/from operating activities (note (b))	**(104,982)**	30,191
	Net cash from investing activities	**3,646**	4,593
	Net cash used in financing activities	**(33,563)**	(41,511)
	Exchange gain	**614**	17,183
	Total cash (outflows)/inflows	**(134,285)**	10,456

15. Operation of toll roads and port services (Cont'd)

Group (Cont'd)

(a) Operation of toll roads (Cont'd)

		2009 HK$'000	2008 HK$'000
(iii)	Assets		
	Property, plant and equipment	**67,239**	67,103
	Toll road operating right (note (c))	**1,307,138**	1,906,679
	Interest in associates	**156,000**	–
	Trade receivables	**201,839**	77,665
	Other receivables, deposits and prepayments	**67,236**	40,542
	Cash and cash equivalents	**149,892**	284,177
	Total assets	**1,949,344**	2,376,166
(iv)	Liabilities		
	Deferred tax liabilities	**67,381**	55,931
	Other payables and accruals	**76,356**	26,239
	Current tax liabilities	**10,971**	70,229
	Total liabilities	**154,708**	152,399
(v)	Cumulative income or expense recognised directly in equity relating to operation of toll roads		
	Foreign exchange translation adjustments	**317,848**	313,570

Notes:

(a) In determining the impairment losses on the disposal group of operation of toll roads, the cumulative income recognised in the Group's exchange reserve of approximately HK$318 million as at 31 December 2009 has not been included as part of the carrying value of the disposal group, which will be realised as a gain in the Group's income statement upon completion of the disposal expected to take place in 2010.

(b) The cash used in operating activities in 2009 mainly relates to the tax payment made during the year for income tax previously provided for.

(c) Toll road operating right represents the operating right in EORR located in Tianjin. The operating right will expire in 2027, extension of the operating right could be applied to Tianjin municipal government three years before expiration.

15. Operation of toll roads and port services (Cont'd)

Group (Cont'd)

(b) Port services

		2009 HK$'000	2008 HK$'000
(i)	Results		
	Revenue	**1,370,133**	1,220,576
	Cost of sales	**(953,254)**	(689,691)
	Gross profit	**416,879**	530,885
	Other income	**27,662**	17,672
	Other gains, net	**1,854**	37,984
	General and administrative expenses	**(450,323)**	(363,600)
	Other operating expenses	**(444)**	(25,628)
	Operating (loss)/profit	**(4,372)**	197,313
	Finance costs	**(12,623)**	(26,529)
	Share of (losses)/profits of		
	Associates	**(1,549)**	1,495
	Jointly controlled entities	**763**	8,755
	(Loss)/profit before tax	**(17,781)**	181,034
	Tax expense	**(29,929)**	(50,414)
	(Loss)/profit for the year	**(47,710)**	130,620
	Attributable to:		
	Equity holders of the Company	**(32,194)**	81,207
	Minority interests	**(15,516)**	49,413
		(47,710)	130,620
(ii)	Cash flows		
	Net cash from operating activities	**75,327**	232,085
	Net cash used in investing activities	**(172,764)**	(976,640)
	Net cash from financing activities	**209,011**	646,598
	Exchange gain	**1,590**	24,261
	Total cash inflows/(outflows)	**113,164**	(73,696)

15. Operation of toll roads and port services (Cont'd)

Group (Cont'd)

(b) Port services (Cont'd)

		2009 HK$'000
(iii)	Assets	
	Property, plant and equipment	1,813,182
	Land use rights	773,588
	Interest in associates	25,936
	Interest in jointly controlled entities	1,494,323
	Deferred tax assets	9,429
	Available-for-sale financial assets	42,047
	Inventories	145,296
	Amount due from an associate	29,419
	Amount due from a jointly controlled entity	13,318
	Trade receivables	130,807
	Other receivables, deposits and prepayments	259,954
	Time deposits with maturity over three months	454,442
	Cash and cash equivalents	253,050
	Total assets	5,444,791
(iv)	Liabilities	
	Trade payable	291,157
	Other payables and accruals	167,987
	Amounts due to related companies	26,662
	Borrowings	1,349,276
	Deferred tax liabilities	11,708
	Current tax liabilities	7,226
	Total liabilities	1,854,016

		2009 HK$'000	2008 HK$'000
(v)	Cumulative income or expense recognised directly in equity relating to port services		
	Foreign exchange translation adjustments	542,750	535,379
	Change in fair value of available-for-sale financial assets	9,800	–

Company

(c) Assets held for sale – interest in an associate

	2009 HK$'000
Assets	
Interest in an associate, cost less provision	156,000

16. Property, plant and equipment

Group

	Buildings HK$'000	Port facilities HK$'000	Plant and machinery HK$'000	Leasehold improvement, furniture and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Others HK$'000	Total HK$'000
Cost								
At 1 January 2009, as previously reported	1,240,649	706,927	2,165,130	126,609	39,823	281,492	23,784	4,584,414
Change in accounting policy (Note 2)	(74)	–	–	–	–	–	–	(74)
Restated	1,240,575	706,927	2,165,130	126,609	39,823	281,492	23,784	4,584,340
Exchange differences	2,152	1,446	4,656	190	69	626	65	9,204
Additions	14,931	20,818	86,725	4,534	4,398	168,044	781	300,231
Transfers	–	–	179,827	–	–	(179,827)	–	–
Disposals	(204)	–	(16,305)	(6,206)	(10,994)	–	(71)	(33,780)
Reclassification for port services (Note 15(b))	(549,188)	(729,191)	(1,437,796)	(45,455)	(19,531)	(4,384)	(23,116)	(2,808,661)
At 31 December 2009	708,266	–	982,237	79,672	13,765	265,951	1,443	2,051,334
Accumulated depreciation								
At 1 January 2009, as previously reported	214,251	112,000	789,896	49,104	14,682	–	14,410	1,194,343
Change in accounting policy (Note 2)	(74)	–	–	–	–	–	–	(74)
Restated	214,177	112,000	789,896	49,104	14,682	–	14,410	1,194,269
Exchange differences	483	249	1,811	232	25	–	37	2,837
Charge for the year	46,581	15,581	144,444	16,825	5,420	–	3,637	232,488
Disposals	(98)	–	(14,510)	(3,831)	(9,766)	–	(67)	(28,272)
Reclassification for port services (Note 15(b))	(155,804)	(127,830)	(658,648)	(25,426)	(10,321)	–	(17,450)	(995,479)
At 31 December 2009	105,339	–	262,993	36,904	40	–	567	405,843
Net book value								
At 31 December 2009	602,927	–	719,244	42,768	13,725	265,951	876	1,645,491

16. Property, plant and equipment (Cont'd)

Group (Cont'd)

	Buildings HK$'000	Port facilities HK$'000	Plant and machinery HK$'000	Leasehold improvement, furniture and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Others HK$'000	Total HK$'000
Cost								
At 1 January 2008, as previously reported	842,326	674,933	1,878,310	63,055	44,739	112,788	23,844	3,639,995
Change in accounting policy (Note 2)	–	–	–	–	–	324,223	–	324,223
Restated	842,326	674,933	1,878,310	63,055	44,739	437,011	23,844	3,964,218
Exchange differences	55,989	38,737	110,870	4,146	2,385	8,323	1,816	222,266
Additions	32,709	351	30,465	12,716	3,926	283,039	1,629	364,835
Acquisition of a subsidiary (Note 35(b))	171,928	–	3,671	10,644	2,563	–	–	188,806
Transfers	247,285	(7,054)	169,355	37,295	–	(446,881)	–	–
Disposals	(13,554)	(40)	(2,241)	(1,119)	(11,951)	–	(2,880)	(31,785)
Classified as assets held for sale (Note 15(a))	(96,108)	–	(25,300)	(128)	(1,839)	–	(625)	(124,000)
At 31 December 2008	1,240,575	706,927	2,165,130	126,609	39,823	281,492	23,784	4,584,340
Accumulated depreciation								
At 1 January 2008	192,446	91,558	642,941	31,062	18,986	–	12,185	989,178
Exchange differences	11,668	5,390	38,596	1,932	1,029	–	831	59,446
Charge for the year	45,897	15,063	133,982	17,208	6,280	–	3,987	222,417
Disposals	(4,155)	(11)	(1,784)	(1,020)	(10,312)	–	(2,593)	(19,875)
Classified as assets held for sale (Note 15(a))	(31,679)	–	(23,839)	(78)	(1,301)	–	–	(56,897)
At 31 December 2008	214,177	112,000	789,896	49,104	14,682	–	14,410	1,194,269
Net book value								
At 31 December 2008	1,026,398	594,927	1,375,234	77,505	25,141	281,492	9,374	3,390,071

16. Property, plant and equipment (Cont'd)

Company

	Leasehold improvement, furniture and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost			
At 1 January 2009	**4,528**	**4,049**	**8,577**
Exchange differences	**10**	**11**	**21**
Additions	**117**	**1,181**	**1,298**
At 31 December 2009	**4,655**	**5,241**	**9,896**
Accumulated depreciation			
At 1 January 2009	**3,617**	**2,061**	**5,678**
Exchange differences	**9**	**6**	**15**
Charge for the year	**111**	**670**	**781**
At 31 December 2009	**3,737**	**2,737**	**6,474**
Net book value			
At 31 December 2009	**918**	**2,504**	**3,422**
Cost			
At 1st January 2008	4,195	4,766	8,961
Exchange differences	257	283	540
Additions	176	–	176
Disposals	(100)	(1,000)	(1,100)
At 31 December 2008	4,528	4,049	8,577
Accumulated depreciation			
At 1 January 2008	2,879	2,349	5,228
Exchange differences	180	140	320
Charge for the year	658	572	1,230
Disposals	(100)	(1,000)	(1,100)
At 31 December 2008	3,617	2,061	5,678
Net book value			
At 31 December 2008	911	1,988	2,899

17. Leasehold land and land use rights

The Group's interests in leasehold land and land use rights represent prepaid operating lease payment as follows:

	2009 HK$'000	Restated 2008 HK$'000
In the PRC, held on:		
Leases of between 10 to 50 years	**247,526**	1,045,854
In Hong Kong, held on:		
Leases over 50 years	**264,590**	264,888
	512,116	1,310,742

	2009 HK$'000	Restated 2008 HK$'000
At 1 January, as previously reported	**1,420,412**	797,549
Change in accounting policy (Note 2)	**(109,670)**	265,185
Restated	**1,310,742**	1,062,734
Exchange differences	**2,164**	53,644
Acquisition of a subsidiary (Note 35(b))	**–**	220,304
Amortisation	**(27,202)**	(25,940)
Reclassification for port services (Note 15(b))	**(773,588)**	–
At 31 December	**512,116**	1,310,742

18. Interest in subsidiaries

	2009 HK$'000	2008 HK$'000
Unlisted investments, at cost	**4,288,293**	4,278,569
Impairment (note)	**(765,023)**	–
	3,523,270	4,278,569
Advances to subsidiaries	**4,452,068**	4,585,810
	7,975,338	8,864,379

Note: Impairment of HK$765,023,000 is made in respect of a subsidiary of the Company which holds indirect investment in EORR (Note 4(c)).

The advances to subsidiaries are unsecured, interest free except for the amount of approximately HK$750,495,000 in 2008 which carried interest rates ranging from 1.57% to 5.31% and have no fixed repayment terms.

Details of principal subsidiaries, which in the Directors' opinion, materially affect the results and/or net assets of the Group at 31 December 2009 are set out in note 40.

19. Interest in associates

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Group's share of net assets				
– Listed shares in Hong Kong of Dynasty	**819,906**	775,321	**–**	–
– Listed shares in Hong Kong of Binhai Investment Company Limited ("Binhai Investment") (formerly known as Wah Sang Gas Holdings Limited) (note (i))	**–**	158,261	**–**	–
– Unlisted shares of Otis China	**584,316**	479,521	**–**	–
– Other unlisted shares (note (ii))	**112,412**	335,508	**–**	206,796
	1,513,590	1,748,611	**–**	206,796
Impairment of investment in Binhai Investment (note (i))	**–**	(158,261)	**–**	–
	1,516,634	1,590,350	**–**	206,796
Market value of listed shares				
– Dynasty	**1,406,160**	647,280	**Not applicable**	Not applicable
– Binhai Investment	**Not applicable**	Note (i)	**Not applicable**	Not applicable

Notes:

(i) The trading of the shares of Binhai Investment resumed on 12 May 2009. Following the completion of the restructuring of Binhai Investment, the Group's interest in Binhai Investment was diluted from approximately 22.79% to approximately 8.28% after the completion of the open offer and the injection of new capital to Binhai Investment on 12 June 2009.

With the loss of significant influence over Binhai Investment, Binhai Investment was no longer an associate of the Group. The Group's investment in Binhai Investment was reclassified as available-for-sale financial assets at the carrying value of approximately HK$28 million. Since the Group's investment in Binhai Investment was fully provided for in prior years, a gain on deemed disposal of approximately HK$28 million was recognised.

(ii) The Group's and the Company's other unlisted shares as at 31 December 2008 included the investment in 40% equity interest of Golden Horse of approximately HK$202,098,000 and HK$206,796,000 respectively. The investment has been classified as assets held for sale as at 31 December 2009 (Note 15(a) and 15(c)).

Interest in associates as at 31 December 2009 included goodwill of HK$4,081,000 (2008: HK$4,072,000). Share of associates' taxation for the year ended 31 December 2009 of HK$86,926,000 (2008: HK$83,400,000) are included in the consolidated income statement as share of profits of associates.

19. Interest in associates (Cont'd)

The Group's interest in its associates is as follows:

Name	Assets HK$'000	Liabilities HK$'000	Revenues HK$'000	Profit attributable to the Group HK$'000	% interest attributable to the Group
2009					
Otis China	**1,725,190**	**1,140,874**	**2,420,100**	**265,065**	**16.55**
Dynasty	**1,049,233**	**229,327**	**664,475**	**69,974**	**44.82**
Others	**292,761**	**184,430**	**176,324**	**7,267**	
	3,067,184	**1,554,631**	**3,260,899**	**342,306**	
2008					
Otis China	1,414,619	935,098	2,309,828	184,108	16.55
Dynasty	965,061	189,740	609,937	64,128	44.82
Others	1,010,876	679,440	160,965	5,728	
	3,390,556	1,804,278	3,080,730	253,964	

There is no contingent liability relating to the Group's interest in the associates, and no contingent liability of the associates themselves.

Details of associates, which in the Directors' opinion, materially affect the results and/or net assets of the Group at 31 December 2009 are set out in note 41.

20. Interest in jointly controlled entities

	2009 HK$'000	2008 HK$'000
Group's share of net assets	**35,635**	1,395,174
Amount due from a jointly controlled entity	**–**	80,346
	35,635	1,475,520

Amount due from a jointly controlled entity in 2008 was unsecured, interest bearing at LIBOR + 1.5% and repayable in 2013. It is classified as assets relating to port services as at 31 December 2009 (Note 15(b)).

20. Interest in jointly controlled entities (Cont'd)

The Group's interest in its jointly controlled entities, all of which are unlisted, is as follows:

	Current Assets HK$'000	Non-current Assets HK$'000	Current Liabilities HK$'000	Non-current Liabilities HK$'000	Revenues HK$'000	Net loss attributable to the Group HK$'000
As at 31 December 2009	**100,197**	**128,009**	**191,672**	**899**	**190,673**	**(9,940)**
As at 31 December 2008	137,106	2,781,406	819,760	703,578	151,137	(19,832)

There is no contingent liability relating to the Group's interest in the jointly controlled entities, and no contingent liability of the jointly controlled entities themselves.

	2009 HK$'000	2008 HK$'000
At 1 January	**1,475,520**	764,181
Increase in amount due from a jointly controlled entity	**60,710**	80,181
Increase in investment	**–**	571,591
Share of jointly controlled entities' losses	**(9,177)**	(11,077)
Exchange differences	**2,905**	70,644
Reclassification for port services (Note 15(b))	**(1,494,323)**	–
At 31 December	**35,635**	1,475,520

Details of the principal jointly controlled entities are set out in note 42.

21. Available-for-sale financial assets

	2009 HK$'000	2008 HK$'000
Listed (note (i))	**416,798**	14,800
Unlisted (note (ii))	**141,854**	113,653
	558,652	128,453
Market value of listed shares	**416,798**	14,800

	2009 HK$'000	2008 HK$'000
At 1 January	**128,453**	107,117
Exchange differences	**257**	6,536
Additions	**11,361**	40,053
Reclassification from interest in associate (Note 19(i))	**27,719**	–
Impairment loss	**–**	(25,253)
Change in fair value	**432,909**	–
Reclassification for port services (Note 15(b))	**(42,047)**	–
At 31 December	**558,652**	128,453

Notes:

(i) Listed shares at 31 December 2009 included approximately HK$416,798,000 (31 December 2008: Nil) relating to the Group's investment in 8.28% equity interest of Binhai Investment which is listed on the Growth Enterprise Market Board of the Stock Exchange (Note 19(i)), and the unrealised fair value gain of approximately HK$389,079,000 was recognised in equity.

(ii) The unlisted available-for-sale financial assets are principally equity in certain entities established and operating in the PRC. They are mainly denominated in Renminbi.

22. Inventories

	2009 HK$'000	2008 HK$'000
Raw materials	**2,201**	5,702
Work in progress	**3,420**	69
Finished goods	**1,699**	260
Consumable stocks	**3,093**	4,306
	10,413	10,337

23. Amounts due from/(to) associates, jointly controlled entities and ultimate holding company

The balances are unsecured, interest free, have no fixed repayment terms and are mainly denominated in Renminbi.

As at 31 December 2009 and 2008, all the receivable balances were fully performing.

24. Amounts due from/(to) related companies, a minority shareholder and investee companies

	2009 **HK$'000**	2008 HK$'000
Amounts due from related companies	**11,865**	13,000
Amounts due from investee companies (note (ii))	**210,516**	162,036
Amounts due to related companies	**(234,849)**	(218,329)
Amounts due to a minority shareholder	**(1,258)**	(1,079)

Notes:

(i) All the balances are unsecured, interest free, have no fixed repayment terms and are mainly denominated in Renminbi. All the receivable balances were fully performing as at 31 December 2009 and 2008.

(ii) The amounts due from investee companies are of good credit quality in view of their operational profitability and sufficiency of cash for settlement.

25. Trade receivables, other receivables, deposits and prepayments

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables				
Fully performing (note (i))	**439,399**	445,129	**–**	–
Past due but not impaired (note (ii))	**324,209**	310,900	**–**	–
Impaired (note (iii))	**76,397**	76,000	**–**	–
Trade receivables – gross	**840,005**	832,029	**–**	–
Less: provision for impairment	**(76,397)**	(76,000)	**–**	–
Trade receivables – net (note (iv))	**763,608**	756,029	**–**	–
Other receivables, deposits and prepayments (note (v))	**168,733**	231,028	**3,364**	7,002
	932,341	987,057	**3,364**	7,002

Notes:

(i) The various group companies have different credit policies which are dependent on the requirements of the markets and the businesses which they operate. In general, credit periods of about 30 to 90 days are granted to customers of the segment of port services and credit periods of 30 to 180 days are granted to corporate customers of the Group's hotels in the segment of commercial properties. No credit terms are granted to customers of the segments of supply of utilities and operation of toll roads.

As at 31 December 2009, the Group was entitled to government supplemental income of HK$416,411,000 (2008: HK$321,125,000) which is receivable from the Finance Bureau of TEDA as referred to in note 2(s)(v). Annual supplemental income receivable does not have credit terms and the amount of which is to be finalised by the Finance Bureau after year end. Continuous settlements have been received by the Group in the past years.

(ii) Trade receivables that are past due but not impaired relate to a wide range of customers and management believes that no impairment provision is necessary as there has not been a significant change in the credit quality and the balances are still considered fully recoverable. The ageing analysis of these trade receivables is as follows:

	2009	2008
	HK$'000	HK$'000
Within 30 days	**269,631**	219,711
31 to 90 days	**18,123**	34,366
91 to 180 days	**11,412**	17,769
Over 180 days	**25,043**	39,054
	324,209	310,900

25. Trade receivables, other receivables, deposits and prepayments (Cont'd)

Notes: (Cont'd)

(iii) As at 31 December 2009, trade receivables of HK$76,397,000 (2008: HK$76,000,000) were impaired. The age and settlement track record of individual receivables are considered in the review for their impairment. The ageing of these receivables is as follows:

	2009 HK$'000	2008 HK$'000
Within 30 days	**1,532**	–
31 to 90 days	**1,440**	19
91 to 180 days	**78**	1
Over 180 days	**73,347**	75,980
	76,397	76,000

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

	2009 HK$'000	2008 HK$'000
At 1 January	**76,000**	94,323
Exchange differences	**175**	5,550
Provision made in the year	**1,788**	23,040
Write off against receivables	**(322)**	(46,913)
Reclassification for port services	**(1,244)**	–
At 31 December	**76,397**	76,000

The creation and release of provision for impaired receivables have been included in general and administrative expenses in the income statement. Amounts charged to the provision account are generally written off when there is no expectation of recovering additional cash.

(iv) The ageing analysis of the Group's trade receivables (net of provisions) is as follows:

	2009 HK$'000	2008 HK$'000
Within 30 days	**557,659**	505,666
31 to 90 days	**18,297**	54,637
91 to 180 days	**11,517**	18,447
Over 180 days	**176,135**	177,279
	763,608	756,029

(v) As at 31 December 2009 and 2008, all other receivables and deposits were fully performing.

The carrying amounts of trade receivables, other receivables and deposits approximate their fair value and are mainly denominated in Renminbi. The maximum exposure to credit risk at the reporting date is the carrying value of the receivable mentioned above. Except for the government supplemental income receivable, the Group has no significant concentrations of credit risk and does not hold any collateral as security.

26. Financial assets at fair value through profit or loss

	2009 HK$'000	2008 HK$'000
Listed shares in Hong Kong	**5,359**	5,633
Listed shares in the PRC	**16,408**	37
Unlisted funds in the PRC	**455,728**	467,033
	477,495	472,703
Market values of listed shares	**21,767**	5,670

The balances are denominated in Renminbi except for approximately HK$5,359,000 (2008: HK$5,633,000) is denominated in Hong Kong dollars.

The fair value of all listed shares are based on their current bid prices in active markets. The fair value of unlisted funds are based on their net asset values quoted by the relevant investment trust/securities companies.

27. Cash and cash equivalents, time deposits with maturity over three months and restricted bank balance

	Group		Company	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Cash at bank and in hand	**1,918,709**	1,674,670	**296,974**	41,100
Time deposits in bank with maturity less than three months	**401,238**	89,776	**380,272**	46,366
Balances with other financial institutions	**595**	80,870	**–**	18,008
Cash and cash equivalents	**2,320,542**	1,845,316	**677,246**	105,474
Time deposits in bank with maturity over three months	**437,631**	935,525	**17,727**	28,798
Time deposits in other financial institutions with maturity over three months	**19,587**	17,290	**–**	–
Time deposits with maturity over three months	**457,218**	952,815	**17,727**	28,798
Restricted bank balance (note)	**27,215**	–	**–**	–
	2,804,975	2,798,131	**694,973**	134,272
Maximum exposure to credit risk	**2,804,779**	2,797,180	**694,937**	134,259

Note: The restricted bank balance is pledged against the notes payable issued by the respective bank of the same amount as at 31 December 2009.

The carrying amounts of cash and cash equivalents and time deposits with maturity over three months approximate their fair value and are mainly denominated in Renminbi.

The effective interest rates on cash at bank and time deposits in bank range from 0.05% to 3.87% per annum (2008: 0.30% to 5.85% per annum); these deposits have maturity from 4 to 364 days (2008: from 6 to 365 days).

28. Share capital

	Number of shares thousands	HK$'000
At 1 January 2008	1,035,620	103,562
Issue of shares	31,850	3,185
At 31 December 2008 and 2009	**1,067,470**	**106,747**

The authorised share capital of the Company is HK$300,000,000, comprising 3,000 million shares (2008: 3,000 million shares) with a par value of HK$0.10 per share (2008: HK$0.10 per share). All issued shares are fully paid.

The Company has adopted an equity settled share option scheme (the "Option Scheme") on 25 May 2007 under which the Directors may, at their discretion and within 10 years from the approval date, offer to grant options to the participants pursuant to the criteria set out in the Option Scheme. The Company operates the Option Scheme for the purpose of providing the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the participants. The total number of shares of the Company which may be issued upon exercise of all options to be granted under the Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of shares of the Company in issue as at the date of approval of the Option Scheme. The maximum number of shares of the Company which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Option Scheme and any other share option schemes of the Company must not exceed 30% of the total number of shares of the Company in issue from time to time. The subscription price shall be at least the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet (the "Daily Quotation") on the date of grant; (ii) the average of the closing price of the shares as stated in the Daily Quotation for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share. The cash consideration payable for each grant is HK$1. The life of the Option Scheme will expire on 24 May 2017.

On 16 December 2009, 14,200,000 share options were offered to and accepted by the Directors and employees, with an exercise price of HK$5.75 and are exercisable from 16 December 2009 to 24 May 2017.

On 19 December 2007, 11,900,000 share options were offered to Directors and employees and accepted by them on 17 January 2008, with an exercise price of HK$8.04 and are exercisable from 17 January 2008 to 24 May 2017.

Notes to the Financial Statements

28. Share capital (Cont'd)

Movements in the number of share options outstanding during the year are as follows:

	2009 Average exercise price in HK$ per share	**2009** Number of options	2008 Average exercise price in HK$ per share	2008 Number of options
At 1 January	**8.04**	**10,800,000**	–	
Granted	**5.75**	**14,200,000**	8.04	11,900,000
Lapsed	**8.04**	**(3,200,000)**	8.04	(1,100,000)
At 31 December		**21,800,000**		10,800,000

29. Reserves

Group

	Capital reserve HK$'000	Share premium HK$'000	General reserve HK$'000	Statutory reserves HK$'000	Share based payment reserve HK$'000	Merger reserve HK$'000	Exchange reserve HK$'000	Available-for-sale revaluation reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 January 2009, as previously reported	9,338	5,004,487	87,389	365,152	33,834	-	1,288,577	-	2,359,312	9,148,089
Change in accounting policy (Note 2)	-	-	15,428	6,880	-	359,942	6,262	-	(990,885)	(602,373)
Restated	9,338	5,004,487	102,817	372,032	33,834	359,942	1,294,839	-	1,368,427	8,545,716
Loss for the year	-	-	-	-	-	-	-	-	(195,141)	(195,141)
Dividends	-	-	-	-	-	-	-	-	(87,532)	(87,532)
Transfers	-	-	4,172	30,172	-	-	-	-	(34,344)	-
Change in fair value of available-for-sale financial assets	-	-	-	-	-	-	-	429,707	-	429,707
Share based payments – Group	-	-	-	-	25,000	-	-	-	-	25,000
Transfer upon lapse of share options	-	-	-	-	(8,960)	-	-	-	8,960	-
Release of exchange reserve upon strike off of subsidiaries	-	-	-	-	-	-	(7,079)	-	-	(7,079)
Currency translation differences										
– Group	-	-	-	-	-	-	11,305	-	-	11,305
– Associates	-	-	-	-	-	-	2,805	-	-	2,805
– Jointly controlled entities	-	-	-	-	-	-	2,853	-	-	2,853
At 31 December 2009	9,338	5,004,487	106,989	402,204	49,874	359,942	1,304,723	429,707	1,060,370	8,727,634

29. Reserves (Cont'd)

Group (Cont'd)

	Capital reserve HK$'000	Share premium HK$'000	General reserve HK$'000	Statutory reserves HK$'000	Share based payment reserve HK$'000	Merger reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 January 2008, as previously reported	9,338	4,840,141	87,389	292,266	4,213	–	840,254	2,047,096	8,120,697
Change in accounting policy (Note 2)	–	–	15,428	6,880	–	(656,376)	6,262	(1,009,576)	(1,637,382)
Restated	9,338	4,840,141	102,817	299,146	4,213	(656,376)	846,516	1,037,520	6,483,315
Issue of shares	–	164,346	–	–	–	–	–	–	164,346
Business combination under common control	–	–	–	–	–	1,016,318	–	–	1,016,318
Profit for the year	–	–	–	–	–	–	–	524,552	524,552
Dividends	–	–	–	–	–	–	–	(123,827)	(123,827)
Transfers	–	–	–	72,886	–	–	–	(72,886)	–
Share based payments									
– Group	–	–	–	–	29,702	–	–	–	29,702
– Associates	–	–	–	–	2,987	–	–	–	2,987
Transfer upon lapse of share options	–	–	–	–	(3,068)	–	–	3,068	–
Currency translation differences									
– Group	–	–	–	–	–	–	296,423	–	296,423
– Associates	–	–	–	–	–	–	79,641	–	79,641
– Jointly controlled entities	–	–	–	–	–	–	72,259	–	72,259
At 31 December 2008	9,338	5,004,487	102,817	372,032	33,834	359,942	1,294,839	1,368,427	8,545,716
2008 proposed final dividend									32,024
Balance after 2008 proposed final dividend									8,513,692
									8,545,716

Retained earnings attributable to associates and accumulated losses attributable to jointly controlled entities amount to HK$684,014,000 (2008: HK$616,860,000) and HK$61,485,000 (2008: HK$52,309,000) respectively. All other reserves of the Group are dealt with in the financial statements of the Company and its subsidiaries.

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.

29. Reserves (Cont'd)

Group (Cont'd)

According to the articles of association of each of the Group's subsidiaries established in the PRC, a percentage, as stated in the articles of association or as approved by the board of directors of the subsidiaries, of net profit as reported in the PRC statutory accounts must be appropriated to reserve fund and enterprise expansion reserve, both of which are classified under statutory reserves. The percentage of appropriation is determined at the discretion of the board of directors of the respective subsidiaries. The reserve fund can be used to set off accumulated losses whilst the enterprise expansion reserve can be used for expansion of production facilities or increase in capital.

Company

	Share premium HK$'000	Share based payment reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 January 2008	4,840,141	–	690,729	1,196,996	6,727,866
Issue of shares	164,346	–	–	–	164,346
Profit for the year	–	–	–	206,376	206,376
Dividends	–	–	–	(123,827)	(123,827)
Share based payments	–	28,391	–	–	28,391
Transfer upon lapse of share options	–	(3,068)	–	3,068	–
Currency translation differences	–	–	420,772	–	420,772
At 31 December 2008	**5,004,487**	**25,323**	**1,111,501**	**1,282,613**	**7,423,924**
Loss for the year	**–**	**–**	**–**	**(835,016)**	**(835,016)**
Dividends	**–**	**–**	**–**	**(87,532)**	**(87,532)**
Share based payments	**–**	**23,253**	**–**	**–**	**23,253**
Transfer upon lapse of share options	**–**	**(8,445)**	**–**	**8,445**	**–**
Release of exchange reserve upon strike off of subsidiaries	**–**	**–**	**(7,079)**	**–**	**(7,079)**
Currency translation differences	**–**	**–**	**24,100**	**–**	**24,100**
At 31 December 2009	**5,004,487**	**40,131**	**1,128,522**	**368,510**	**6,541,650**

30. Borrowings

	Group 2009 HK$'000	Group 2008 HK$'000	Company 2009 HK$'000	Company 2008 HK$'000
Non-current				
Bank borrowings				
– Unsecured	**1,997,000**	2,557,349	**1,997,000**	1,417,099
Current				
Short term bank borrowings				
– Unsecured	**4,545**	33,389	**–**	33,389
Total borrowings	**2,001,545**	2,590,738	**1,997,000**	1,450,488

The carrying amounts of all bank borrowings approximate their fair values.

The maturity of bank borrowings is as follows:

	Group 2009 HK$'000	Group 2008 HK$'000	Company 2009 HK$'000	Company 2008 HK$'000
Bank borrowings:				
Within one year	**4,545**	33,389	**–**	33,389
In the second year	**1,997,000**	–	**1,997,000**	–
In the third to fifth years inclusive	**–**	2,557,349	**–**	1,417,099
Wholly repayable within five years	**2,001,545**	2,590,738	**1,997,000**	1,450,488

The carrying amounts of the borrowings are denominated in the following currencies:

	Group 2009 HK$'000	Group 2008 HK$'000	Company 2009 HK$'000	Company 2008 HK$'000
Bank borrowings:				
US dollar	**–**	23,250	**–**	–
Renminbi	**4,545**	–	**–**	–
HK dollar	**1,997,000**	2,567,488	**1,997,000**	1,450,488
	2,001,545	2,590,738	**1,997,000**	1,450,488

30. Borrowings (Cont'd)

The effective interest rates of bank borrowings at the balance sheet date are as follows:

	Group		Company	
	2009	2008	**2009**	2008
	%	%	**%**	%
Bank borrowings:				
US dollar	**N/A**	2.01	**N/A**	N/A
Renminbi	**5.31**	N/A	**N/A**	N/A
HK dollar	**0.54**	2.37	**0.54**	3.57

31. Deferred taxation

		Restated
	2009	2008
	HK$'000	HK$'000
Deferred tax assets:		
– Deferred tax assets to be recovered after more than 12 months	**174,988**	147,539
Deferred tax liabilities:		
– Deferred tax liabilities to be settled after more than 12 months	**(88,561)**	(90,769)
Deferred tax assets – net	**86,427**	56,770

Deferred tax is calculated in full on temporary differences under the liability method using tax rates of the relevant subsidiaries applicable to the period when the asset is expected to be realised or the liability to be settled, based on tax rates that have been substantively enacted by the balance sheet date.

Deferred 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 tax assets and liabilities relate to income tax 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.

31. Deferred taxation (Cont'd)

The net movement on the deferred tax account is as follows:

	2009 **HK$'000**	Restated 2008 HK$'000
At 1 January, as previously reported	**38,626**	(30,905)
Change in accounting policy (Note 2)	**18,144**	–
Restated	**56,770**	(30,905)
Acquisition of a subsidiary (Note 35(b))	**–**	(89,529)
Transfer to tax payable	**19,909**	5,078
Deferred tax credited/(charged) to income statement		
Continuing operations (Note 11)	**19,249**	125,825
Result of operation of toll roads and port services	**(11,694)**	(4,651)
Exchange differences	**(86)**	(4,979)
Reclassification for operation of toll roads and port services (Note 15)	**2,279**	55,931
At 31 December	**86,427**	56,770

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax liabilities

	Accelerated tax depreciation HK$'000	Accrued income HK$'000	Revaluation of property HK$'000	Total HK$'000
At 1 January 2008	54,065	52,270	–	106,335
Acquisition of a subsidiary (Note 35(b))	–	–	89,529	89,529
Transfer to tax payable	(5,078)	–	–	(5,078)
Deferred tax charged/(credited) to income statement	8,297	(19,121)	(1,990)	(12,814)
Exchange differences	3,306	3,027	3,230	9,563
Reclassification for operation of toll roads (Note 15(a))	(55,931)	–	–	(55,931)
At 31 December 2008	4,659	36,176	90,769	131,604

31. Deferred taxation (Cont'd)

Deferred tax liabilities (Cont'd)

	Accelerated tax depreciation HK$'000	Accrued income HK$'000	Revaluation of property HK$'000	Total HK$'000
At 1 January, as previously reported	4,659	36,176	108,913	149,748
Change in accounting policy (Note 2)	–	–	(18,144)	(18,144)
Restated	4,659	36,176	90,769	131,604
Transfer to tax payable	–	(22,538)	–	(22,538)
Deferred tax charged/(credited) to income statement	14,310	(1,881)	(2,412)	10,017
Exchange differences	2	56	203	261
Reclassification for port services (Note 15(b))	–	(11,708)	–	(11,708)
At 31 December 2009	18,971	105	88,560	107,636

Deferred tax assets

	Accelerated accounting depreciation HK$'000	Provisions HK$'000	Tax loss HK$'000	Total HK$'000
At 1 January 2008	5,374	70,056	–	75,430
Deferred tax credited/(charged) to income statement	181	(118)	108,297	108,360
Exchange differences	330	4,254	–	4,584
At 31 December 2008	5,885	74,192	108,297	188,374
Transfer from tax payable	–	(2,629)	–	(2,629)
Deferred tax credited/(charged) to income statement	184	(2,358)	19,746	17,572
Reclassification for port services (Note 15(b))	–	(9,429)	–	(9,429)
Exchange differences	14	161	–	175
At 31 December 2009	6,083	59,937	128,043	194,063

Note:

The net deferred tax credited to income statement of 2008 was mainly related to the tax loss to be utilised after the commencement of operation.

Under the New CIT Law, withholding tax is imposed on dividends declared in respect of profits earned by the subsidiaries in the PRC from 1 January 2008 onwards. Deferred taxation of HK$34,173,000 (2008: HK$32,804,000) has not been provided in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

32. Trade payables

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

	2009 HK$'000	2008 HK$'000
Within 30 days	**68,869**	22,479
31 to 90 days	**19,375**	74,272
91 to 180 days	**6,292**	356
Over 180 days	**100,045**	101,061
	194,581	198,168

The carrying amounts of trade payables approximate their fair value and are mainly denominated in Renminbi.

33. Operating lease commitments

	Group		Company	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Land and buildings				
Not later than one year	**8,626**	13,752	**2,891**	6,971
Later than one year and not later than five years	**6,109**	14,138	**293**	3,665
Over five years	**368**	776	**–**	–
	15,103	28,666	**3,184**	10,636
Plants, pipelines and networks				
Not later than one year	**66,252**	121,449	**–**	–
Later than one year and not later than five years	**66,278**	26,849	**–**	–
	132,530	148,298	**–**	–
	147,633	176,964	**3,184**	10,636

34. Capital commitments

	Group	
	2009 HK$'000	2008 HK$'000
Authorised but not contracted for in respect of		
– Improvements on plant and machinery	**567,482**	183,011
Contracted but not provided for in respect of		
– Acquisition of subsidiaries (Note 37(a))	**10,961,000**	–
– Property, plant and machinery	**63,175**	84,923
– Investment in an associate	**175,739**	175,340
– Investment in a jointly controlled entity	**22,841**	–
	11,222,755	260,263

35. Notes to the consolidated cash flow statement

(a) Reconciliation of operating profit to net cash generated from operations

	2009 HK$'000	Restated 2008 HK$'000
Operating profit from continuing operations	**140,437**	190,052
Operating profit/(loss) from:		
– Operation of toll roads (Note 15(a))	**57,955**	60,882
– Port services (Note 15(b))	**(4,372)**	197,313
	194,020	448,247
Adjustments for:		
Interest income	**(64,004)**	(68,293)
Depreciation	**232,488**	222,417
Amortisation	**27,202**	45,882
Gain on deemed disposal of partial interest in an associate	**(27,719)**	–
Impairment loss on available-for-sale financial assets	**–**	25,253
Net (gain)/loss on disposal of property, plant and equipment (note)	**(1,807)**	2,224
Unrealised (gain)/loss on financial assets at fair value through profit or loss	**(518)**	7,568
Provision for impairment of trade receivables	**1,788**	23,040
Provision for impairment of other receivables	**1,200**	–
Reversal of loan interest payable to minority shareholder	**–**	(20,349)
Reversal of over-accrued expenses	**(23,326)**	(22,853)
Net exchange gain	**(4,613)**	(89,288)
Excess of fair value of net assets acquired over the cost of acquisition of subsidiaries	**–**	(3,316)
Loss on deemed disposal of partial interest in a jointly controlled entity	**–**	1,034
Gain on acquisition of additional interest in a subsidiary	**–**	(16,573)
Share based payments	**25,850**	30,434
Changes in working capital:		
Inventories	**(145,363)**	(204)
Trade receivables	**(262,107)**	(105,258)
Other receivables, deposits and prepayments	**(226,538)**	250,628
Financial assets at fair value through profit or loss	**(3,430)**	(156,377)
Trade payables	**287,144**	(901)
Notes payables	**27,215**	–
Other payables and accruals	**321,170**	(144,667)
Amount due to ultimate holding company	**(16,049)**	(536)
Amounts due to and from related companies and a minority shareholder	**45,352**	93,448
Net cash generated from operations	**387,955**	521,560

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

(a) Reconciliation of operating profit to net cash generated from operations (Cont'd)

Note:

Proceeds from disposal of property, plant and equipment comprises:

	2009 HK$'000	2008 HK$'000
Proceeds from sales	7,347	9,698
Less: Net book amount	(5,508)	(11,910)
Exchange differences	(32)	(12)
Profit/(loss) on disposal	1,807	(2,224)

(b) Acquisition of a subsidiary

	2009 HK$'000	Restated 2008 HK$'000
Net assets acquired		
Property, plant and equipment (Note 16)	–	188,806
Land use rights (Note 17)	–	220,304
Inventories	–	2,898
Trade receivables	–	1,249
Other receivables, deposits and prepayments	–	111,371
Cash and cash equivalents	–	14,913
Trade payables	–	(2,442)
Other payables and accruals	–	(75,503)
Amount due to a jointly controlled entity	–	(98,808)
Amount due to ultimate holding company	–	(15,041)
Borrowings	–	(29,749)
Net deferred tax liability (Note 31)	–	(89,529)
Net assets	–	228,469
Minority interests	–	(82,715)
	–	145,754
Excess of fair value of net assets acquired over the cost of acquisition	–	(3,316)
	–	142,438
Satisfied by:		
Cash paid	–	142,438
Analysis of net cash outflow in respect of acquisition of a subsidiary:		
Cash paid	–	(142,438)
Cash and cash equivalents acquired	–	14,913
Net cash outflow in respect of acquisition of a subsidiary	–	(127,525)

36. Related party transactions

The Group is controlled by Tsinlien, a company incorporated in Hong Kong, which owns 51.8% of the Company's shares as at 31 December 2009. The remaining 48.2% of the Company's shares is widely held.

Tsinlien is a state-owned enterprise and is controlled by Tianjin municipal government of PRC. In accordance with HKAS 24 (Revised), government-related entities and their subsidiaries, directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government are defined as related parties of the Group. On that basis, related parties include Tsinlien, its subsidiaries and associates, other state-owned enterprises and their subsidiaries directly or indirectly controlled by the PRC government, and other entities and corporations in which the Company is able to control or exercise significant influence and key management personnel of the Company and Tsinlien as well as their close family members.

For the year 2009 and 2008, except for the quantity-based government supplemental income granted by the Finance Bureau of TEDA to utility supply business (Note 5(i)), the Group's significant transactions with entities that are controlled, jointly controlled or significantly influenced by the PRC government, mainly include most of its bank deposits and the corresponding interest income and part of sales and purchases of goods and services (such as sales and purchases of utilities and rendering of hotel services to government related entities). The price and other terms of such transactions are set out in the agreements governing these transactions or as mutually agreed, as appropriate.

Apart from the above-mentioned transactions with the government-related entities and the related party transactions and balances during the year ended 31 December 2009 shown in notes 19, 20, 23 and 24 in the financial statements, the following is a summary of the significant related party transactions carried out in the normal course of the Group's business:

(a) Transactions with related parties of the Group

		2009 **HK$'000**	2008 HK$'000
(i)	Acquisition of a subsidiary from the ultimate holding company	**–**	727,531
(ii)	Transactions with the Group's associates		
	– Non-containerised cargo handling income received from associates	**90,857**	65,065
	– Labour services income received from associates	**14,968**	–
	– Wharf cargo handling service charges paid to associates	**3,732**	24,486
	– Labour services paid to associates	**48,741**	48,024
(iii)	Transactions with other related parties of the Group		
	– Rental of land	**1,699**	1,925
	– Rental of plants, pipelines and networks	**101,719**	99,167
	– Purchase of steam for sale	**569,221**	446,661

36. Related party transactions (Cont'd)

(b) Key management compensation

	2009 **HK$'000**	2008 HK$'000
Fees	**6,537**	7,817
Salaries and other emoluments	**13,827**	14,069
Share based payments	**15,061**	19,003
	35,425	40,889

37. Events after the balance sheet date

(a) The acquisition by TPD, a non-wholly owned subsidiary of the Group, through its wholly owned subsidiary from Tianjin Port (Group) Co., Ltd., a connected person of the Group, for its 56.81% interest in the registered share capital of TPH, a company listed on the Shanghai Stock Exchange (stock code: 600717) for a total consideration of HK$10,961 million satisfied as to HK$6,891 million by the issue of the shares of TPD and as to HK$4,070 million by cash (the "Acquisition") was completed on 4 February 2010.

Upon completion of the Acquisition, the Group's interest in TPD was diluted to 21%. TPD ceased to be a subsidiary and became an associate of the Group. The Group will adopt equity accounting in respect of its interest in TPD.

The Group expects to recognise a gain of approximately HK$1,000 million in 2010 arising from deconsolidation of TPD and recognition of the related fair value gain of the retained non-controlling interest, calculation of which is affected by (i) the book value of the partial interest in TPD deemed disposed of at the date of completion; and (ii) the share of decrease in net book value of TPD mainly affected by the cash consideration paid, borrowings and the share of deferred taxation on withholding tax in respect of distributable retained earnings of TPH attributable to TPD. The Group is in the process of gathering the abovementioned information and finalising the calculation.

37. Events after the balance sheet date (Cont'd)

(b) In order to conform to the "Notice on Implementing Reforms on Prices of Refined Products and Tax" (Guo Fa No: [2008] 37) promulgated by the State Council on 18 December 2008, the Tianjin Road Construction and Vehicle Passing Levy Office promulgated the "Notice of Suspension of Levy on Tianjin Road Construction and Vehicle Passing Fee" on 31 December 2009 which took effect on 1 January 2010.

In response to the adjustment of the national policy and the change of business environment, the management of the Company in 2008 has commenced the plan to dispose of the Company's interest in Jinzheng which operates EORR in Tianjin and classified it as assets held for sale. The Company received the following instruction from the Tianjin municipal government "Response to the application on the treatment of the equity interests in the Eastern Outer Ring Road and the Jinbin Expressway" (Jinzhengbanhan [2010] No. 13) on 31 March 2010 in respect of its holding and participation in EORR and the Jinbin Expressway:

– EORR: Tianjin municipal government shall coordinate the relevant company for acquisition of 83.93% equity interest in EORR held by the Group.

– Jinbin Expressway: Tianjin municipal government shall arrange the relevant party for the refund of the Group's original investment.

In view of the above, management has proactively discussed the implementation details with the relevant government authorities.

Based on the ongoing discussion with the relevant government authorities and with reference to the above instruction, management has determined the fair value less cost to sell of the associated assets held for sale (Note 4(c), 15(a)).

38. 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.

39. Approval of financial statements

The financial statements were approved by the board of directors on 9 April 2010.

40. Principal subsidiaries

Name	Principal activities	Issued and paid up capital/ registered capital	Percentage: Attributable to the Group	Percentage: Held by the Company	Percentage: Held by subsidiaries
Established and operating in the PRC					
Tianjin Harbour Second Stevedoring Co., Ltd.	Provision of non-containerised cargo handling and storage services	RMB815,180,100	**67.33 (note b)**		**100**
Tianjin Port Container Terminal Co., Ltd.	Provision of container transportation and storage services	RMB1,021,230,000	**67.33 (note b)**		**100**
Tianjin Heavenly Palace Winery Co., Ltd.	Investment holding	RMB80,018,400	**100**	**100**	
Tianjin Tai Kang Industrial Co., Ltd.	Investment holding	RMB1,030,269,400	**82.74**	**82.74**	
Tianjin Development Assets Management Co., Ltd.	Investment holding	RMB32,076,000	**100**	**100**	
Tianjin Jin Zheng Transportation Development Co., Ltd.	Operating and management of Eastern Outer Ring Road	RMB1,104,596,200	**83.93 (note a&c) 86.67 (note d)**		**83.93 (note a&c) 86.67 (note d)**
Tianjin TEDA Tsinlien Electric Power Company Limited	Supply of electricity	RMB314,342,450	**94.36**		**94.36**
Tianjin TEDA Tsinlien Water Supply Company Limited	Supply of water	RMB163,512,339	**91.41**		**91.41**
Tianjin TEDA Tsinlien Heat & Power Company Limited	Supply of steam and thermal power	RMB262,948,258	**90.94**		**90.94**
Tianjin First Hotel Ltd.	Operation of Hyatt Regency Tianjin Hotel	US$9,000,000	**75**		**75**
Established in the British Virgin Islands and operating in Hong Kong					
Dynamic Infrastructure Limited	Investment holding	US$5	**100**	**100**	
Leadport Holdings Limited	Investment holding	US$1	**100**	**100**	
Famous Ever Group Limited	Investment holding	US$1	**100**	**100**	
Established in Cayman Islands, operating in and shares listed in Hong Kong					
Tianjin Port Development Holdings Limited	Investment holding	HK$178,710,000	**67.33 (note b)**		**67.33**
Established and operating in Hong Kong					
Tsinlien Realty Limited	Operation of Courtyard by Marriott Hong Kong	HK$200,000	**100**		**100**
Lethia Limited	Investment holding	HK$300,000	**100**		**100**
Godia Holdings Limited	Investment holding	HK$15	**100**		**100**

40. Principal subsidiaries (Cont'd)

Notes:

(a) Represents equity interests in a subsidiary which is classified as assets held for sale (Note 1(ii))

(b) Represents equity interest in subsidiaries which is diluted to 21% subsequent to the year end (Note 1(i))

(c) Represents equity interest in the paid up capital of the subsidiary

(d) Represents profit sharing ratio in the subsidiary

41. Principal associates

			Percentage		
Name	**Principal activities**	**Issued and paid up capital/ registered capital**	**Attributable to the Group**	**Held by the Company**	**Held by subsidiaries**
Established and operating in the PRC					
Otis Elevator (China) Investment Company Limited	Investment holding	US$79,625,000	**16.55**		**20**
Tianjin Tian Fa Heavy Electric Equipment Manufacturing Limited	Design, manufacture, sale and provision of advisory services for equipment used to generate electricity by water	RMB180,597,627	**28.14**		**34.0**
Established in Cayman Islands, operating in and shares listed in Hong Kong					
Dynasty Fine Wines Group Limited	Investment holding	HK$124,500,000	**44.82**		**44.82**
Established in the British Virgin Islands and operating in Hong Kong					
Golden Horse Resources Limited	Investment in joint ventures which operates Jinbin Expressway in Tianjin	US$10,000	**40 (note)**	**40**	

Note:

Represents equity interest in an associate which is classified as assets held for sale (Note 1(ii))

42. Principal jointly controlled entities

Name	Principal activities	Issued and paid up capital/ registered capital	Percentage Attributable to the Group	Percentage Held by the Company	Percentage Held by subsidiaries
Established and operating in the PRC					
Tianjin Port Alliance International Container Terminal Co., Ltd.	Container and cargo handling services	US$160,000,000	**26.93**		**40**
Tianjin Port Euroasia International Container Terminal Co., Ltd.	Container and cargo handling services	RMB1,260,000,000	**26.93**		**40**
Tianjin Port Haifeng Bonded Logistics Co., Ltd.	Logistics related services	RMB300,000,000	**34.34**		**51**
Tianjin Haihe Dairy Company Limited	Manufacturing and sale of dairy products	RMB200,000,000	**40**		**40**

43. Comparative figures

Certain comparative figures have been reclassified to conform with the current year presentation or restated to disclose the results of operation of toll roads and port services and the adoption of merger accounting.

Financial Summary

	2005 HK$'000	2006 HK$'000	2007 HK$'000	2008 HK$'000	**2009** **HK$'000**
Results					
Revenue	2,239,102	2,688,457	3,268,013	2,566,847	**2,841,186**
Operating profit less finance cost	565,659	533,798	626,894	150,920	**126,021**
Share of profits/(losses) of:					
Associates	146,095	181,215	220,651	253,964	**342,306**
Jointly controlled entities	(13,859)	(11,779)	(9,831)	(19,832)	**(9,940)**
Profit before income tax	697,895	703,234	837,714	385,052	**458,387**
Income tax (expense)/credit	(73,015)	(66,053)	(62,569)	57,360	**(32,934)**
Profit for the year from continuing operations	624,880	637,181	775,145	442,412	**425,453**
Profit/(loss) for the year from operation of toll roads and port services	–	–	52,094	176,881	**(646,470)**
Profit/(loss) for the year	624,880	637,181	827,239	619,293	**(221,017)**
Attributable to:					
Equity holders of the Company	573,169	552,751	690,301	524,552	**(195,141)**
Minority interests	51,711	84,430	136,938	94,741	**(25,876)**
	624,880	637,181	827,239	619,293	**(221,017)**
Dividends	80,665	92,241	115,701	96,072	**55,508**
Assets and liabilities					
Total assets	10,379,680	13,231,526	12,923,020	14,871,516	**16,286,254**
Total liabilities	3,261,043	3,861,097	2,770,497	4,170,989	**5,509,908**
Total equity	7,118,637	9,370,429	10,152,523	10,700,527	**10,776,346**

Notes:

(i) The results of operation of Jinbin Expressway and port services prior to 2008 have not been restated or reclassified.

(ii) The financial figures for the year 2005 to 2007 were extracted from the 2008 annual report. No retrospective adjustments for the common control combinations during 2008 were made on the financial figures for the year 2005 to 2007.