天津港發展控股有限公司

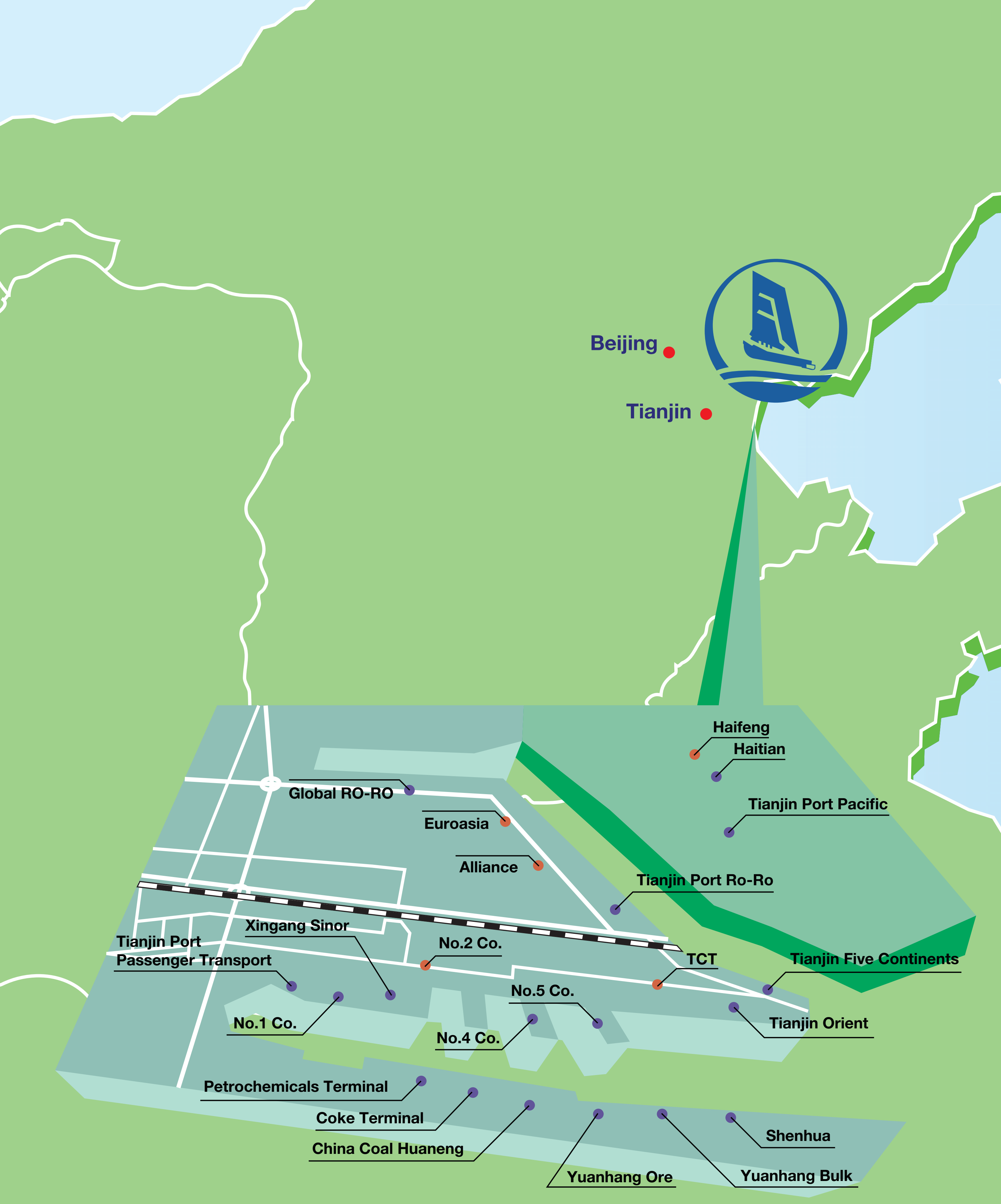
Tianjin Port Development Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 03382

Shaping Future Growth

ANNUAL REPORT 2010



- Operated by Tianjin Port Development
- Operated by Tianjin Port Co (acquisition of which completed in February 2010)

CORPORATE PROFILE

Tianjin Port Development Holdings Limited (the "Company") was listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 24 May 2006 (Stock Code: 03382). The Company, together with its subsidiaries (collectively known as the "Group") first operated as a non-containerised cargo terminal at the port of Tianjin in 1968 and subsequently expanded into the container handling business in 1980. In February 2010, the Group completed the acquisition of 56.81% equity interest in Tianjin Port Holdings Co., Ltd., a dominant port operator at the port of Tianjin, which is listed on the Shanghai Stock Exchange. Today, the Group is the leading port operator at the port of Tianjin. The Group now operates all container handling businesses within the port of Tianjin and has significantly expanded the scope and scale of its non-containerised cargo handling business. The Group also engages in sales business and provides other port ancillary services. The Group is the largest single-location port operator listed in Hong Kong.

The port of Tianjin is at the prime geographical location situated at the juncture of the Beijing-Tianjin city belt and the centre of the Bohai Rim Region, and the vast hinterland covering 14 provinces, municipalities and autonomous regions including Beijing and Tianjin, and is the logistics hub of Tianjin Binhai New Area. In 2010, the port of Tianjin was the third largest port in China and the fifth largest port globally in terms of total throughput. During the same period, the port of Tianjin's total container throughput was the sixth in China, which placed it among the top eleven largest container ports in the world. Under the Twelfth Five-Year Plan of the Chinese government, Tianjin Binhai New Area will continue to develop as the third major driver of China's economic growth after Shenzhen and Shanghai and is expected to become the international shipping and logistic centre of the northern region of China. The port of Tianjin is well positioned to benefit from the future economic development of China's northern and northwestern hinterlands.

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Tianjin Port Development

MILESTONES

1997

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

2001

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

2002

- Started using advanced container terminal production and management software licensed from COSMOS N.V..
- Two berths originally designed for non-containerised cargo of No. 2 Co. were converted into one container berth, with a designed capacity of 320,000 TEUs.

2004

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

2006

- Successfully listed on the Main Board of the Stock Exchange in May 2006 and raised a total of HK$1.26 billion.
- Establishment of Euroasia with COSCO and APMT, a container terminal with quay length of 1,100 meters and designed capacity of 1.8 million TEUs.

2007

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

2008

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

2010

- Completed the acquisition of 56.81% equity interest in Tianjin Port Co and become the largest single location port operator listed in Hong Kong. Achieved container throughput of over 10 million TEUs in 2010.

HK$ million	For the year ended 31 December 2009 *(Note 1)*	2010
Total throughput		
Non-containerised cargo (million tonnes)	209.3	**216.8**
Container (million TEUs)	8.7	**10.1**
Revenue	12,508	**15,053**
Operating profit	1,362	**1,835**
Profit attributable to equity holders of the Company	370	**571**
Basic earnings per share (HK cents)	7.3	**9.3**
Basic earnings per share, based on the number of shares issued as at end of year (HK cents) *(Note 2)*	6.0	**9.3**
Net cash inflow from operations	1,360	**1,996**

HK$ million	As at 31 December 2009 *(Note 1)*	2010
Equity attributable to equity holders of the Company	9,813	**9,165**
Non-controlling interests	8,381	**9,045**
Total equity	18,194	**18,210**
Total assets	29,804	**31,758**
Consolidated borrowings	8,441	**10,051**
Financial Ratios		
Gearing ratio *(Note 3)*	46.4%	**55.2%**
Current ratio	1.2	**1.5**

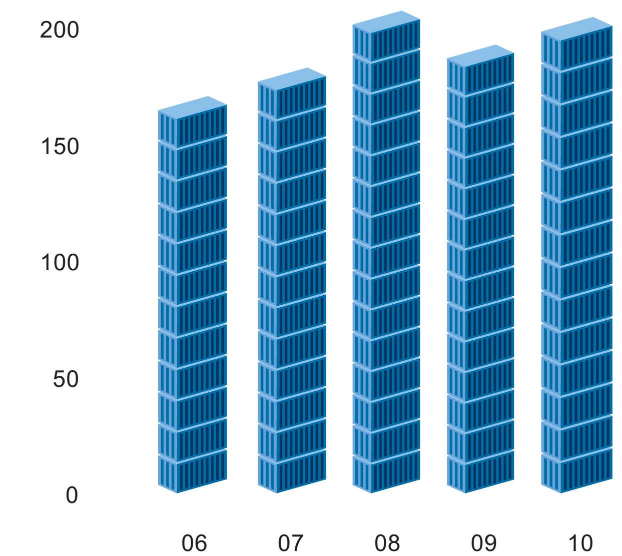
Notes:

1. The consolidated results for the year ended 31 December 2009 and the consolidated balance sheet as at 31 December 2009 have been restated on the basis that the structure and business activities of the Group immediately after the acquisition of Tianjin Port Co completed in 2010 had been in existence throughout the year presented.

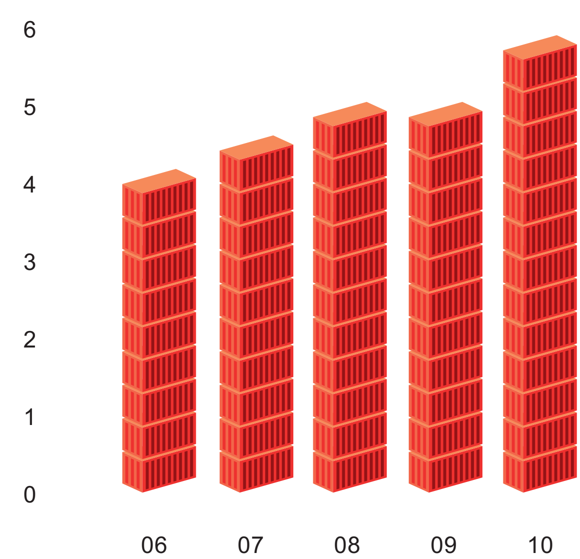
2. Calculated by dividing profit attributable to equity holders of the Company by the number of shares in issue as at 31 December 2010.

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

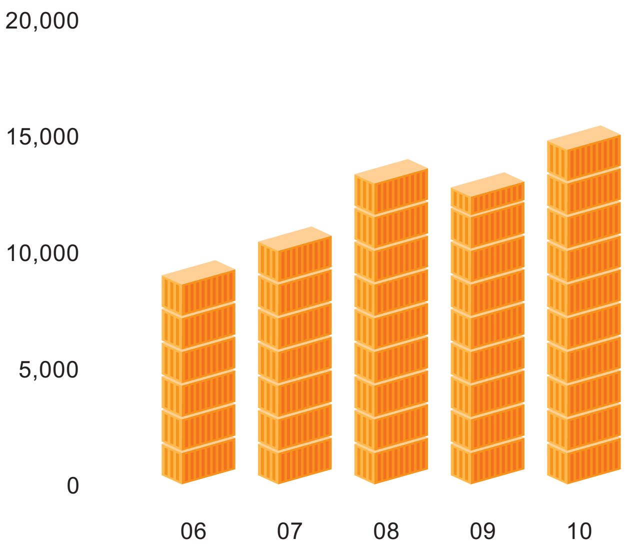
Consolidated non-containerised cargo throughput (million tonnes)



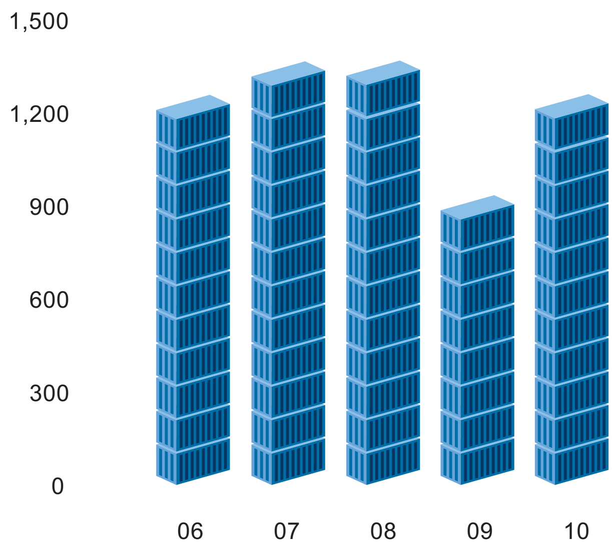
Consolidated container throughput (million TEUs)



Revenue (HK$ million)



Profit for the year (HK$ million)



Note: The financial and throughput information of the Group for the year ended 31 December 2006 to 2009 have been restated on the basis that the structure and business activities of the Group immediately after the acquisition of Tianjin Port Co completed in 2010 had been in existence throughout the years presented.

"After the recent corporate reorganisation, the Company will enhance further its port infrastructure, realign its business structure, improve its port business functions and strengthen the market development in hinterland, with an aim to bring better returns for the shareholders of the Company."

Dear Shareholders,

I am pleased to present the annual report of Tianjin Port Development Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year 2010.

With the global economy bounced back from recession, China recorded a strong domestic macro-economic development and the Chinese economy maintained its promising growth momentum, China's port transportation recorded rapid growth in 2010. During the year, port of Tianjin actively implemented a series of measures to further improve service quality and efficiency, establish its brand strengths, enhance the strategic cooperation with business partners and speed up the construction of the inland dry port network in order to maintain both its hardware and software enhancements, which ensured the port of Tianjin a sustainable and stable growth in cargo throughput. In 2010, port of Tianjin continued to be the third largest port in China in terms of total cargo throughput, and ranked sixth among China's ports in terms of container throughput.

Benefiting from the rapid recovery of the global macro-economy, China's foreign trade achieved dramatic growth. In 2010, China recorded a total value of US$2,972.7 billion in import and export trade, representing an annual growth rate of 34.7%. Meanwhile, the Chinese economy continued its growth momentum, driving a steady increase in the total port cargo throughput. Under this favourable business environment, the Group recorded a profit attributable to shareholders of HK$570.6 million, representing a year-on-year increase of 54.1%, with basic earnings per share of HK9.3 cents in the year under review.

The board of directors of the Company (the "Board") is pleased to recommend the payment of a final dividend of HK1.94 cents per share. Together with the interim dividend of HK1.76 cents per share, the total dividend for this year of the Company is HK3.7 cents per share, representing a payout ratio of approximately 40%.

During the year, the Group completed the acquisition of the 56.81% equity interest in Tianjin Port Holdings Co., Ltd. ("Tianjin Port Co"). Following the acquisition, our scale of operation expanded significantly, the business structure is optimised and the overall competitiveness has been greatly enhanced. Today, being the world's fifth largest port in terms of total throughput, port of Tianjin is dedicated to becoming a container port hub in Northeast Asia, the dominant non-containerised cargo port in Northern China, the largest bonded free port in scale, and the largest integrated port in the Bohai Rim Region. The Group will actively participate in the process of making port of Tianjin a world class integrated port.

In the coming year, the Group will continue to optimise its port operational structure and business mix, strengthen the production organisation of the enterprise and on-site management so as to drive further the development potential of our business. In addition, the Group is committed to strengthen its overall competitiveness by further developing new businesses and new markets, enhancing its growth potential and to improve the overall service capabilities. By leveraging on port of Tianjin's geographical advantages and the realisation of the above mentioned optimisation measures, we believe the Group will be able to capitalise on the development opportunities of the Beijing-Tianjin-Hebei zone and mid-western hinterlands, which in turn enhance further the Group's profitability and bring better returns for our shareholders.

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

Sincerely yours,

YU Rumin
Chairman

Hong Kong, 28 March 2011


PORT OF TIANJIN
TPCT

BUSINESS REVIEW

Since 2010, with the upturn of the domestic and international macroeconomic environments, the operating environment of Chinese ports recorded satisfactory growth. During the year under review, the Group achieved a total throughput of 326.00 million tonnes, representing an increase of 9.4% over the previous year, of which the container throughput rose 15.9% to 10.09 million TEUs. The Group recorded a consolidated revenue of HK$15,052.7 million for the year, achieving profit attributable to shareholders of HK$570.6 million, representing an increase of 54.1% over the last year. The basic earnings per share is HK9.3 cents. The Board is pleased to recommend payment of a final dividend HK1.94 cents per share.

The Group is the major port operator of the port of Tianjin, engaging in the non-containerised cargo and container handling business, sales business and other port ancillary services. During the year under review, all the port operations under the Group have achieved growth in both volume and revenue.

Type of business	Revenue 2010 HK$ million	2009 HK$ million	Growth amount HK$ million	Growth percentage
Cargo handling operations	**5,464.4**	5,028.4	436.0	8.7%
Of which: Non-containerised cargo handling	**3,958.7**	3,830.3	128.4	3.4%
Container handling	**1,505.7**	1,198.1	307.6	25.7%
Sales business	**7,755.5**	5,971.3	1,784.2	29.9%
Other port ancillary services business	**1,832.8**	1,507.8	325.0	21.6%
Total	**15,052.7**	12,507.5	2,545.2	20.3%

The details of the businesses under the Group are as follows:

Non-containerised cargo handling business

During the year under review, the Group achieved a throughput of non-containerised cargoes of 216.84 million tonnes, representing an increase of 3.6% as compared to the previous year. The subsidiary terminals of the Group and the jointly-controlled and affiliated terminals rose 3.3 % and 6.2% respectively.

Nature of terminal	Non-containerised cargo throughput			
	2010 million tonnes	2009 million tonnes	Growth amount million tonnes	Growth percentage
Subsidiary terminals	**193.64**	187.42	6.22	3.3%
Jointly-controlled and affiliated terminals	**23.20**	21.85	1.35	6.2%
Total	**216.84**	209.27	7.57	3.6%

During the year under review, the Group attained growth in handling major types of cargoes including coal, automobiles and grains. In terms of total throughput, the handling of coal reached 70.17 million tonnes, representing a year on year increase of 21.8%, the handling of automobiles increased by 92.1% to 20.52 million tonnes and the handling of grains increased by 30.7% to 4.87 million tonnes. On the other hand, the handling of crude oil was principally in line with last year at 10.62 million tonnes. As for metal ore and steel products, due to the change in logistics in the hinterland area and the fluctuation in steel price, the handling volume in the year dropped 16.5% to 88.56 million tonnes as compared to the previous year.

On a consolidated basis, the blended average unit price of the non-containerised cargo handling business for the year was HK$20.4 per tonne, primarily on par with the unit price last year. The Group's revenue of the non-containerised cargo handling business was HK$3,958.7 million, representing an increase of 3.4% over that of the last year.

Container handling business

Currently, the Group operates all the container handling businesses at the port of Tianjin. With the rebound of the global economy which leads to an increase in market demand, China's export trade recorded gradual improvement and foreign trade container throughput maintained steady growth. In addition, domestic container throughput also grew strongly as a result of the consumption growth driven by the aggressive domestic demand stimulus policies. During the year under review, the Group achieved the container throughput of 10.09 million TEUs, representing an increase of 15.9% as compared to last year. Of which the subsidiary terminals grew 12.6% and the jointly-controlled and affiliated terminals up 20.3%.

Nature of terminal	Container throughput 2010 '000 TEUs	2009 '000 TEUs	Growth amount '000 TEUs	Growth percentage
Subsidiary terminals	**5,659**	5,025	634	12.6%
Jointly-controlled and affiliated terminals	**4,427**	3,679	748	20.3%
Total	**10,086**	8,704	1,382	15.9%

The growth of the container throughput, together with the increase in the blended average unit price due to the increase in heavy container proportion as well as the rise in the average unit price in certain domestic trade as a result of the change in demand and supply, drove the increase in revenue. On a consolidated basis, the Group's revenue of the container handling business in the year increased 25.7% to HK$1,505.7 million. The blended average unit price has also rose 11.6% over last year, reaching HK$266.1 per TEU.

Sales Business

The Group's sales business mainly engaged in the supply of fuel to the inbound vessels, and the sales of steel and other materials. During the year under review, the Group achieved sales revenue HK$7,755.5 million, representing an increase of 29.9% over the previous year. The key driver was the sharp rise in international oil prices over the previous year, leading to an increase in the Group's fuel unit selling price, and thus increased the revenue in fuel sales. In addition, revenue from sales of steel and other materials also increased primarily due to the accelerated pace of port development.

Other port ancillary services business

The Group's other port ancillary services mainly include tugboat services, agency services, tallying and other services. With the recovery of the global economy and the continuous improvement of China's domestic economy, the Group's throughput achieved persistent growth which brought overall positive growth of the other port ancillary services segment of the Group. During the year under review, on a year-on-year basis, our tugboat services grew 13.6% to 49,069 vessel calls; shipping agency grew 5.5% to 17,011 vessel calls; cargo agency grew by 10.6% to 75.58 million tonnes of cargoes and tallying services grew by 5.7% to 93.34 million tonnes of cargoes. Revenue from other port ancillary services business was HK$1,832.8 million, representing an increase of 21.6% over last year.

Costs

During the year under review, cost of sales of the Group amounted to HK$11,576.9 million, of which cost of port cargo handling business was HK$2,825.3 million, representing an increase of 8.3% over last year, primarily due to the increase of direct cost in port cargo handling business such as fuel, power and labour costs as a result of the growth in cargo throughput. Cost of sales business amounted to HK$7,535.6 million, representing an increase of 30.3% over last year, mainly due to the expansion of our sales business and the increase in the procurement cost of fuel.

During the year under review, the Group managed to effectively control the growth of cost. Compared with the previous year, the administrative expenses decreased slightly by 2.1% to HK$1,568.2 million. Staff cost is the key component of the administrative expenses. The Group will continue to take effective measures in cost control and management. In addition to the maintaining of prudent human resources policies which include the outsourcing of its non-core functions so as to maintain an optimal labour force, the Group will carry out technology innovation and operational optimisation measures with an aim of reducing energy consumption and the operating costs of the Group as a whole.

Outlook and Prospects

The Group completed its acquisition of the equity interest in Tianjin Port Co early this year. Since then, the operation scale expanded significantly, the overall competitiveness and profitability increased considerably, and the advantage of economies of scale has been further enhanced. The rapid development of Tianjin Binhai New Area facilitates the overall integration and connectivity in the region further strengthens, the core role of port of Tianjin as the gateway to the hinterland of North China and Northwest China's international shipping and logistics center. In addition to the enhancement of its port infrastructure, the Group will continue to realign its business structure, improve its port functions, and the market development in hinterland. The Group will actively participate in the future development of port of Tianjin as a whole, with an aim to bring even better returns for the shareholders of the Company.

FINANCIAL REVIEW

Capital Structure

As at 31 December 2010, the capital and reserves attributable to equity holders of the Company was HK$9,164.9 million.

As at 31 December 2010, the Company had issued 6,158,000,000 shares, and the market capitalisation was HK$11,330.7 million (at closing market price of HK$1.84 per share on 31 December 2010).

Cash Flow

For the year ended 31 December 2010, the Group's net cash inflow amounted to HK$705.4 million.

The net cash inflow from operating activities amounted to HK$1,995.7 million, representing an increase of 46.7% over last year.

The net cash spending in investing activities amounted to HK$4,665.2 million, out of which HK$4,070 million was for payment of the cash consideration for the acquisition of Tianjin Port Co. The remaining balance was used as capital expenditure for replacement and enhancement for facilities and equipment.

The net cash inflow from financing activities amounted to HK$3,374.9 million. During the year under review, the Company issued a total of 4,370.9 million shares, of which the net proceeds raised from placing for cash amounted to HK$2,623 million. During the year, net increase of borrowings was HK$1,393.5 million. The increase in financing was mainly for the funding requirements in respect of the acquisition of 56.81% equity interests in Tianjin Port Co.

Liquidity and Financial Resources

As at 31 December 2010, the Group's cash and deposits was HK$4,438.4 million (principally denominated in Renminbi ("RMB"), representing an increase 25.3% of compared to the end of 2009. The Group's total borrowings increased from HK$8,440.7 million as at 31 December 2009 to HK$10,050.5 million as at 31 December 2010. The borrowings are denominated in Hong Kong dollars ("HK$"), US dollars ("US$") and RMB and are mainly in floating interest rates, of which HK$2,048.3 million was repayable within one year, HK$8,002.2 million was repayable after one year.

During the year under review, the Group's interest expenses are HK$367.5 million, an increase of 6.9% over the total interest expenses (including capitalised interest) of last year, mainly due to the increase in borrowings.

As at 31 December 2010, the Group's gearing ratio (total borrowings divided by total equity) was 55.2% (31 December 2009: 46.4%), whereas the current ratio (ratio of current assets to current liabilities) was 1.5 (31 December 2009: 1.2). As at 31 December 2010, none of the Group's assets were pledged.

Financial Management and Policy

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

As at 31 December 2010, most of the Group's assets and liabilities were denominated in RMB except for certain HK$ and US$ borrowings. During the year, RMB exchange rate remained strong, the Group recorded an exchange gain of HK$117.9 million. The Group assesses its foreign exchange rates and interest rate risks exposure from time to time. During the year under review, no hedging arrangement was entered into in respect of foreign currency investment.

Significant Investments

On 16 March 2009, the Company and its wholly-owned subsidiary – Grand Point Investment Limited ("Grand Point"), entered into a sales and purchase agreement with Tianjin Port (Group) Co., Ltd. ("Tianjin Port Group"), whereby the Company through Grand Point conditionally agrees to acquire a 56.81% interest in Tianjin Port Co from Tianjin Port Group for a total consideration of HK$10,961 million. The acquisition was completed in February 2010.

The total consideration was satisfied by the issuing of 3,294,530,000 new shares of the Company to Tianjin Port Group, and the remaining HK$4,070 million was satisfied by cash. The cash portion of the acquisition was financed by the net proceeds of HK$2,623 million from placing of new shares of the Company and the remaining balance by internal resources and bank borrowings.

On 22 March 2011, the Group resolved to acquire a 50% equity interest in Tianjin Port Shihua Crude Oil Terminal Co., Ltd. ("Tianjin Port Shihua") from Tianjin Port Group at a consideration of RMB329.6 million. The acquisition would be funded by internal resources of the Group.

Tianjin Port Shihua is a limited company established in the PRC which principally engaged in port operation, cargo handling, transhipment and tallying at a crude oil terminal with 300,000–tonne capacity at the port of Tianjin. The acquisition could enhance the scale of crude oil handling business of the Group, resolve the competition between the Group and Tianjin Port Group in the same industry and improve the overall profitability of the Group.

Contingent Liabilities

The Group did not have any material contingent liabilities as at 31 December 2010.

Going Concern

On the basis of current financial projections and facilities available, the Group has adequate financial resources to continue its operation in the foreseeable future. Accordingly, the Group continues to prepare its financial statements on a going concern basis.

Employees

As at 31 December 2010, the Group had approximately 13,000 employees. Remuneration packages are assessed in accordance with the nature of job duties, individual performance and market trends, and the remuneration policy will undergo regular reviews. Incentives in the management's remuneration packages are paid in the form of cash bonuses in addition to share options.

Appreciation

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

By order of the Board
LI Quanyong
Managing Director

Hong Kong, 28 March 2011

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

The Company applied the principles of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). In the opinion of the directors of the Company (the "Directors"), the Company had complied with all the code provisions of the Code throughout the year ended 31 December 2010.

The following sections set out how the principles in the Code have been complied with by the Company.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors. Having made specific enquiry with the Directors, all the Directors confirmed that they have complied with the required standards as set out in the Model Code throughout the year ended 31 December 2010.

BOARD OF DIRECTORS

As at 31 December 2010, the Board consists of eight Directors, comprising five executive Directors namely Mr. Yu Rumin (Chairman), Mr. Tian Changsong (Vice Chairman), Mr. Li Quanyong (Managing Director), Mr. Zhang Jinming and Mr. Dai Yan, and three independent non-executive Directors namely Mr. Kwan Hung Sang, Francis, Prof. Japhet Sebastian Law and Dr. Cheng Chi Pang, Leslie.

Mr. Yu Rumin is the chairman of each of Tianjin Port Group and Tianjin Development Holdings Limited ("Tianjin Development"). Mr. Tian Changsong is the chief executive officer of Tianjin Port Group. Mr. Dai Yan is an executive director and the executive deputy general manager of Tianjin Development, and also a director and executive deputy general manager of Tsinlien Group Company Limited ("Tsinlien"). Tianjin Port Group, Tianjin Development and Tsinlien are the substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO").

The Board held five full board meetings during the year ended 31 December 2010. The attendance of the respective Directors of the board meetings in 2010 are set out below:

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

Notes:

1. Mr. Tian Changsong and Mr. Li Quanyong were appointed as Director on 8 April 2010.
2. Mr. Zhang Jinming resigned on 28 March 2011.
3. Mr. Xue Lingsen, Mr. Liu Qianshan and Mr. Wang Guanghao resigned on 8 April 2010.

The Board oversees the businesses, overall strategic directions, corporate governance, and operational and financial performances of the Group. Daily operations and administration of the Company are delegated to the management and supervised by the executive Directors. The three independent non-executive Directors are highly qualified professionals with extensive experiences in areas including accounting, finance and corporate management. The biographies of the Directors are set out under the section "Biography of Directors and Senior Management" in the Report of the Directors.

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

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

CHAIRMAN AND MANAGING DIRECTOR

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

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

The managing director of the Company provides leadership for effective running of the daily operation of the Group and implementation of approved strategies in pursuit of the overall commercial objectives.

NON-EXECUTIVE DIRECTORS

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

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

REMUNERATION OF DIRECTORS

Remuneration Committee

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

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

The Remuneration Committee held three meetings to discuss remuneration related matters during the year ended 31 December 2010. All members of the Remuneration Committee attended the meetings.

The Remuneration Committee performed the following work during the year ended 31 December 2010:

- assessed performance of executive Directors and approved the terms of executive Directors' service contracts.
- reviewed the remuneration policy for Directors and senior management.
- reviewed and recommended to the Board for approval the annual incentive bonus for Directors and senior management with reference to their performance and the operating results of the Group.
- reviewed and recommended to the Board for the change of personnel.

Remuneration Package for Directors and Senior Management

The remuneration package for the Directors and senior management comprises basic salary, bonus and pensions. Apart from basic salary, executive Directors and employees are eligible to receive discretionary bonus after taking into account factors such as market conditions as well as performance of the corporation and the individual employee during the year.

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

Details of the Directors' emoluments during the year ended 31 December 2010 are set out in Note 8 to the financial statements and details of the Share Option Scheme and grant of share options by the Company during the year are set out in the Report of the Directors and Note 24 to the financial statements.

AUDIT COMMITTEE

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

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

The Audit Committee held three meetings during the year ended 31 December 2010. All members of the Audit Committee attended the meetings.

The Audit Committee performed the following work during the year ended 31 December 2010:

– reviewed the report of the 2009 annual results and the report for the 2010 interim results.

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

– reviewed the auditor audit findings.

– reviewed the appointment of auditor and their remuneration.

NOMINATION OF DIRECTORS

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

AUDITOR REMUNERATION

For the year ended 31 December 2010, the remuneration paid and payable to the auditor of the Company in respect of audit services was HK$2,000,000 and fees related to non-audit services amount to HK$16,000. The non-audit services were in relation to tax advisory services.

FINANCIAL REPORTING

The Directors acknowledged their responsibility for preparing the financial statements for each financial year which give a true and fair view of the results and financial position of the Group. The statement by the auditor of the Company regarding their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on page 42.

INTERNAL CONTROL

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

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

COMMUNICATION WITH SHAREHOLDERS

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

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

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

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

The Directors have pleasure in presenting the annual report together with the audited financial statements of the Group for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of its principal subsidiaries, associates and jointly controlled entities are set out in Note 35 to the financial statements.

An analysis of the Group's performance by segments for the year ended 31 December 2010 is set out in Note 4 to the financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2010 are set out in the consolidated income statement on page 43.

The Board recommends the payment of a final dividend of HK1.94 cents per share for the year ended 31 December 2010 which together with the interim dividend of HK1.76 cents per share, represents a total dividend of HK3.7 cents per share for the year (2009: nil).

The final dividend will be payable to shareholders whose name appear on the register of members of the Company on 2 June 2011.

RESERVES

Movements in reserves of the Group and the Company during the year and distributable reserves of the Company as at 31 December 2010 are set out in Note 25 to the financial statements and balance sheet of the Company on page 47 respectively.

MAJOR SUPPLIERS AND CUSTOMERS

The sales attributable to the Group's five largest customers combined accounted for less than 30% of the Group's total sales for the year.

The five largest suppliers of the Group combined accounted for approximately 60% of the Group's total purchases for the year and the largest supplier included therein accounted for approximately 44%.

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

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment of the Group and the Company during the year are set out in Note 14 to the financial statements.

SHARE CAPITAL

Movements in share capital of the Company during the year are set out in Note 24 to the financial statements.

BORROWINGS

Particulars of borrowings of the Group as at 31 December 2010 are set out in Note 26 to the financial statements.

EVENTS AFTER BALANCE SHEET DATE

Details of significant events occurring after the balance sheet date are set out in Note 32 to the financial statements.

LOAN AGREEMENTS WITH SPECIFIC PERFORMANCE COVENANT

On 10 December 2007, Tianjin Port Development Finance Limited, a wholly-owned subsidiary of the Company as borrower (the "Borrower"), the Company as guarantor, entered into a facility agreement (the "1st Facility Agreement") with several financial institutions as lenders (the "1st Lenders"), pursuant to which a 5-year revolving/term loan facility in an aggregate amount of HK$1,000,000,000 is made available by the 1st Lenders to the Borrower. The 1st Facility Agreement, as supplemented by an agreement dated 9 December 2009, includes a condition imposing specific performance obligations on Tianjin Port Group, the controlling shareholder of the Company. The loan facility is unsecured, interest bearing and repayable in full on the date falling 60 months from the date of the 1st Facility Agreement.

On 4 September 2008, the Borrower, the Company as guarantor, entered into a facility agreement (the "2nd Facility Agreement") with a financial institution as lender (the "2nd Lender"), pursuant to which a 5-year revolving/term loan facility in an aggregate amount of HK$200,000,000 is made available by the 2nd Lender to the Borrower. The 2nd Facility Agreement, as supplemented by an agreement dated 9 December 2009, includes a condition imposing specific performance obligations on Tianjin Port Group, the controlling shareholder of the Company. The loan facility is unsecured, interest bearing and repayable in full on the date falling 60 months from the date of the 2nd Facility Agreement.

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

Pursuant to the terms of the 1st Facility Agreement, 2nd Facility Agreement and 3rd Facility Agreement, it will be an event of default if Tianjin Port Group ceases to (1) have (directly or indirectly) the single largest shareholding interest in the Company in aggregate, or (2) hold no less than 35% (directly or indirectly) of the shareholding interest in the Company in aggregate and in such event the 1st Lenders, 2nd Lender and 3rd Lenders may demand immediate repayment of the loans. Such obligation continues to exist as at the date of this report.

FIVE YEARS SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 106 to 107.

PRE-EMPTIVE RIGHTS

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

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

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

SHARE OPTION SCHEME

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

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

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

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

A total of 145,100,000 Shares are available for issue under the Share Option Scheme, representing approximately 2.4% of the issued share capital of the Company as at the date of this report.

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

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

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

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

Details of the share options granted, exercised, lapsed and cancelled during the year ended 31 December 2010 are as follows:

	Date of grant	Exercise price HK$	As at 01/01/2010	Granted *(Note 1)*	Exercised	Lapsed	Cancelled	As at 31/12/2010	Exercise period
Directors									
Mr. Yu Rumin	03/02/2007	2.74	1,900,000	–	–	–	–	1,900,000	03/08/2007 – 03/02/2017
	25/01/2008	4.24	400,000	–	–	–	–	400,000	25/07/2008 – 24/01/2018
Mr. Tian Changsong	08/04/2010	2.34	–	2,200,000	–	–	–	2,200,000	08/10/2010 – 07/04/2020
Mr. Li Quanyong	08/04/2010	2.34	–	2,100,000	–	–	–	2,100,000	08/10/2010 – 07/04/2020
Mr. Zhang Jinming *(Note 2)*	01/08/2006	2.28	2,000,000	–	–	–	–	2,000,000	01/02/2007 – 01/08/2016
Mr. Wang Rui *(Note 3)*	15/10/2010	1.846	–	1,000,000	–	–	–	1,000,000	15/04/2011 – 14/10/2020
Mr. Dai Yan	01/09/2009	3.036	1,100,000	–	–	–	–	1,100,000	01/03/2010 – 31/08/2019
Mr. Xue Lingsen *(Note 4)*	01/08/2006	2.28	1,100,000	–	–	–	–	1,100,000	01/02/2007 – 01/08/2016
Mr. Liu Qingshan *(Note 4)*	01/06/2009	2.53	1,100,000	–	–	–	–	1,100,000	01/12/2009 – 31/05/2019
Mr. Wang Guanghao *(Note 4)*	01/08/2006	2.28	2,300,000	–	–	(2,300,000)	–	–	–
Mr. Kwan Hung Sang, Francis	25/01/2008	4.24	300,000	–	–	–	–	300,000	25/07/2008 – 24/01/2018
Prof. Japhet Sebastian Law	25/01/2008	4.24	300,000	–	–	–	–	300,000	25/07/2008 – 24/01/2018
Dr. Cheng Chi Pang, Leslie	25/01/2008	4.24	300,000	–	–	–	–	300,000	25/07/2008 – 24/01/2018
Employees	01/08/2006	2.28	3,100,000	–	–	(3,100,000)	–	–	–
	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
	08/04/2010	2.34	–	1,000,000	–	–	–	1,000,000	08/10/2010 – 07/04/2020
Total			15,600,000	6,300,000	–	(5,400,000)	–	16,500,000	

Notes:

1. The closing price of the Shares immediately before 8 April 2010 and 15 October 2010, the date on which the share options were granted, were HK$2.35 and HK$1.85 respectively. All share options granted are subject to a vesting period of six months from the date of grant.

2. Mr. Zhang Jinming resigned on 28 March 2011.

3. Mr. Wang Rui was appointed on 28 March 2011.

4. Mr. Xue Lingsen, Mr. Liu Qingshan and Mr. Wang Guanghao resigned on 8 April 2010.

Details of the value of share options granted under the Share Option Scheme during the year ended 31 December 2010 and the accounting policy adopted for the share options are set out in Note 24 and Note 2 to the financial statements respectively.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Other than the Share Option Scheme, at no time during the year ended 31 December 2010 was the Company or any of its subsidiaries, a party to any arrangements to enable the Directors or any of their spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

DIRECTORS

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

Executive Directors

Mr. YU Rumin *(Chairman)*
Mr. TIAN Changsong *(Vice Chairman)*
(appointed on 8 April 2010)
Mr. LI Quanyong *(Managing Director)*
(appointed on 8 April 2010)
Mr. ZHANG Jinming (resigned on 28 March 2011)
Mr. WANG Rui (appointed on 28 March 2011)
Mr. DAI Yan
Mr. XUE Lingsen (resigned on 8 April 2010)
Mr. LIU Qingshan (resigned on 8 April 2010)

Non-executive Director

Mr. WANG Guanghao (resigned on 8 April 2010)

Independent Non-executive Directors

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

In accordance with Article 108 of the Articles of Association of the Company, Mr. Dai Yan, Prof. Japhet Sebastian Law and Mr. Kwan Hung Sang, Francis shall retire from office by rotation at the forthcoming annual general meeting. In accordance with Article 112 of the Articles of Association of the Company, Mr. Wang Rui shall retire from office at the forthcoming annual general meeting. The above retiring Directors, being eligible, will offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

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

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

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

DIRECTORS' INTEREST IN CONTRACTS

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

MANAGEMENT CONTRACTS

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

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. YU Rumin (于汝民先生)
Chairman

Aged 61, was appointed as an executive Director on 24 November 2006 and the chairman of the Company on 7 May 2007. Mr. Yu is responsible for the leadership and management of the Board. He graduated from Shanghai Haiyun College (上海海運學院) in 1975 and obtained a master's degree in international transport engineering management.

Mr. Yu has extensive experience in port management for over 25 years. He was the assistant to the head of the Tianjin Port Authority from March 1986 to December 1988. He had been the deputy head of the Tianjin Port Authority since December 1988, the executive deputy head since July 1996 and the head of Tianjin Port Authority since June 2002. He was the deputy head of the Regulatory Commission of Tianjin Port Tax Concession from July 1996 to June 2002. Subsequent to the reorganisation of Tianjin Port Authority in July 2004, he was the vice chairman and chief executive officer of Tianjin Port Group until November 2007. Mr. Yu was the chairman of Tianjin Port Co (Stock Code: 600717), a non-wholly owned subsidiary of the Company whose shares are listed on the Shanghai Stock Exchange, from 2004 to April 2010 and is currently the chairman of Tianjin Port Group.

Mr. Yu has been the vice chairman and executive director of Tianjin Development (Stock Code: 00882), a company whose shares are listed on the Main Board of the Stock Exchange, since November 1997. Mr. Yu was appointed as an acting chairman of Tianjin Development on January 2008, and has appointed the chairman of the company in July 2010.

Mr. TIAN Changsong (田長松先生)
Vice Chairman

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

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

Mr. LI Quanyong (李全勇先生)
Managing Director

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

Mr. ZHANG Jinming (張金明先生)

Aged 60, was appointed as an executive Director and managing director of the Company on 8 September 2005, and was redesignated as an executive Director and deputy general manager of the Company on 8 April 2010. He is also a member of the Remuneration Committee. Mr. Zhang assists in overseeing the operation of the Group and the implementation of the approved strategies. He is a qualified senior accountant and completed a research and study course in foreign related economics at the Tianjin University of Finance and Economics (天津財經大學) in 1992.

Mr. Zhang has over 30 years of experience in accounting and financial management. Mr. Zhang joined Tianjin Port Authority in 1974. He was the deputy head of the accounting department, the deputy head and subsequently the head of budgeting department of Tianjin Port Authority during the period from 1992 to 2004. Subsequent to the reorganisation of Tianjin Port Authority in July 2004, he remained in the position of the head of the budgeting department of Tianjin Port Group until May 2006. He was also the general manager of the budgeting department from July 1998 to July 2004 and a director from April 2001 to March 2006 of Tianjin Port Co. He is also a non-executive director of Tianjin Binhai Teda Logistics (Group) Corporation Limited (Stock Code: 08348), a company whose shares are listed on the Growth Enterprise Market of the Stock Exchange.

Mr. Zhang has resigned as an executive Director, deputy general manager and a member of the Remuneration Committee of the Company on 28 March 2011.

Mr. WANG Rui (王蕤先生)

Aged 48, was appointed as an executive Director and deputy general manager of the Company on 28 March 2011. Mr. Wang assists in overseeing the operation of the Group and the implementation of the approved strategies. Mr. Wang holds senior engineer qualification. He graduated from the Department of Mechanical Engineering in Tianjin University of Technology and Education (天津職業技術師範學院) in 1987, completed the professional course in Administration Management in Tianjin University in 2000, and holds a postgraduate and master's degree from Dalian Maritime University (大連海事大學) in Transportation Planning and Management in 2009.

Mr. Wang has extensive experience in port management. Mr. Wang joined the Tianjin Port Group in 1983; he was the lecturer and the head of department in the Tianjin Water Transport Technical School (天津水運技校) and Tianjin Port Training Centre (天津港培訓中心). From 1996 to 2006, he was the deputy general manager, the general manager of Tianjin Port Holdings Co., Ltd. Storage & Transportation Branch (天津港股份有限公司儲運分公司). Mr. Wang was also the general manager of Tianjin Port International Logistics Development Co., Ltd. (天津港國際物流發展有限公司) from 2006 to 2010.

Mr. DAI Yan (戴延先生)

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

Independent Non-executive Directors

Mr. KWAN Hung Sang, Francis (關雄生先生)

Aged 60, was appointed as an independent non-executive Director on 8 September 2005. He is also a member of the Audit Committee and the Remuneration Committee. Mr. Kwan obtained a management development certificate from the University of British Columbia in Canada in January 1989. He has over 38 years of experience in exchange operations, commercial banking, investment and risk management in Hong Kong and Canada. He has held senior positions in The Hong Kong Exchanges and Clearing Limited for almost 10 years including senior vice president, responsible for the integration programme office and group risk management division of The Hong Kong Exchanges and Clearing Limited and chief operation officer of The Hong Kong Futures Exchange Limited. Prior to that, he had also worked with a number of international banks and financial institutions. Mr. Kwan is currently the chairman of USP Enterprise Limited, Rise & Shine Enterprise Limited and Foods for Beauty Enterprise Limited. These companies are engaged in the production, distribution, sales and marketing of natural health food products.

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

Prof. Japhet Sebastian LAW (羅文鈺教授)

Aged 59, was appointed as an independent non-executive Director on 8 September 2005. He is also the chairman of the Remuneration Committee and a member of the Audit Committee. Prof. Law obtained his Doctorate degree of Philosophy in mechanical/industrial engineering from the University of Texas at Austin in 1976. He joined the Chinese University of Hong Kong in 1986 and is currently a Professor in the Department of Decision Sciences and Managerial Economics. He was the Associate Dean and subsequently the Dean of the Faculty of Business Administration from 1993 until 2002. Prior to returning to Hong Kong, Prof. Law was the director of Operations Research at the Cullen College of Engineering and director of Graduate Studies in Industrial Engineering at the University of Houston, and was also involved with the U.S. Space Program in his career with McDonnell Douglas and Ford Aerospace in the United States. Prof. Law has consulted with various corporations in Hong Kong and overseas. He is also active in public services, having served as a member of the Provisional Regional Council of The Government of the HKSAR and various other committees, and is also active on the boards of profit, non-profit, and charitable organisations in Hong Kong and overseas.

Prof. Law is currently an independent non-executive director of Beijing Capital International Airport Co., Ltd. (Stock Code: 00694), a company whose shares are listed on the Main Board of the Stock Exchange and Global Digital Creations Holdings Limited (Stock Code: 08271) and Binhai Investment Company Limited (Stock Code: 08035), companies whose shares are listed on the Growth Enterprise Market of the Stock Exchange. Prof. Law was also an independent non-executive director of First China Financial Holdings Limited (Stock Code: 08123), a company whose shares are listed on the Growth Enterprise Market of the Stock Exchange, from June 2005 to October 2008.

Dr. CHENG Chi Pang, Leslie (鄭志鵬博士)

Aged 53, was appointed as an independent non-executive Director on 8 September 2005. He is also the chairman of the Audit Committee. Dr. Cheng obtained his Master's degree in Laws (Chinese and Comparative Law) from City University of Hong Kong in July 2009, and a Doctorate Degree in Philosophy in Business Management and a Master's degree in business administration from Burkes University and Heriot-Watt University in the United Kingdom in 2003 and 1997 respectively. He also obtained his bachelor's degree in business from Curtin University of Technology, Australia in 1992. Dr. Cheng is an associate member of the Hong Kong Institute of Certified Public Accountants, Institute of Chartered Accountants in England and Wales, the Australia Society of Certified Practising Accountants and the Taxation Institute of Hong Kong and a fellow member of the Hong Kong Institute of Directors. Dr. Cheng is a Certified Public Accountant practising in Hong Kong and has over 25 years of experience in auditing, business advisory and financial management.

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

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

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

Senior Management

Mr. ZHANG Zengxin (張增新先生)

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

Mr. YAM Pui Hung Robert (任佩雄先生)

Aged 43, joined the Company in December 2008 as the chief financial officer and company secretary of the Company. Mr. Yam is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. He holds a bachelor's degree in accounting and has extensive experience in accounting, financial management and corporate finance. Prior to joining the Company, Mr. Yam held management position in several listed companies in Hong Kong and was responsible for their accounting, finance and company secretarial functions.

Mr. LIU Jicheng (劉繼成先生)

Aged 49, joined the Company as deputy general manager in July 2008. He has more than 20 years of Chinese government affairs, commercial and corporate experience. Mr. Liu graduated from Macquarie University, Australia, with a master's degree in business administration. Mr. Liu was also granted the Hong Kong Management Association Awards in marketing and strategic management by Macquarie University.

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

Mr. Liu has resigned as a deputy general manager of the Company on 15 March 2011.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2010, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 of the Listing Rules on the Stock Exchange were as follows:

Name of Director	**Capacity**	**Number of Shares**	**Number of underlying shares** *(Note 1)*	**Approximate percentage of issued share capital of the Company**
Mr. Yu Rumin	Beneficial owner	–	2,300,000 (L)	0.04% (L)
Mr. Tian Changsong	Beneficial owner	–	2,200,000 (L)	0.04% (L)
Mr. Li Quanyong	Beneficial owner	–	2,100,000 (L)	0.03% (L)
Mr. Zhang Jinming *(Note 2)*	Beneficial owner	–	2,000,000 (L)	0.03% (L)
Mr. Dai Yan	Beneficial owner	–	1,100,000 (L)	0.02% (L)
Mr. Kwan Hung Sang, Francis	Beneficial owner	250,000 (L)	300,000 (L)	0.01% (L)
Prof. Japhet Sebastian Law	Beneficial owner	2,700,000 (L)	300,000 (L)	0.05% (L)
Dr. Cheng Chi Pang, Leslie	Beneficial owner	–	300,000 (L)	0.00% (L)

(L) denotes a long position

Notes:

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

2. Resigned on 28 March 2011.

INTERESTS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 December 2010, the following persons, other than the Directors or chief executive of the Company, who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of shareholder	Capacity	Number of Shares interested	Approximate percentage of issued share capital of the Company
Tianjin Port Overseas Holding Limited *(Note 1)*	Beneficial owner	3,294,530,000 (L)	53.5% (L)
Tianjin Port Group *(Note 1)*	Interest of a controlled corporation	3,294,530,000 (L)	53.5% (L)
Leadport Holdings Limited *(Note 2)*	Beneficial owner	1,293,030,000 (L)	21.0% (L)
Tianjin Development *(Note 2)*	Interest of controlled corporations	1,293,180,000 (L)	21.0% (L)
Tsinlien *(Note 3)*	Interest of controlled corporations	1,305,430,000 (L)	21.2% (L)

(L) denotes a long position

Notes:

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

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

3. Tianjin Development is a subsidiary of Tianjin Investment Holdings Limited which in turn is a wholly-owned subsidiary of Tsinlien. As at 31 December 2010, Tianjin Investment Holdings Limited was directly interested in 12,250,000 Shares, representing approximately 0.2% of the issued share capital of the Company. Tsinlien Venture Capital Company Limited is a wholly-owned subsidiary of Tsinlien and a shareholder of Tianjin Development. By virtue of the SFO, Tsinlien is deemed to be interested in all the Shares held by each of Tianjin Development, Tianjin Investment Holdings Limited and Tsinlien Venture Capital Company Limited. As at 31 December 2010, Mr. Yu Rumin and Mr. Dai Yan were directors of Tianjin Development.

Save as disclosed above, as at 31 December 2010, the Company had not been notified by any persons (other than the Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

CONNECTED TRANSACTIONS

The Company has entered into a number of connected transactions and continuing connected transactions with its connected persons during the year ended 31 December 2010.

(A) Connected Transactions

Details of the connected transactions for the year ended 31 December 2010 are as follows:

Acquisition of 56.81% interest in Tianjin Port Co

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

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

(B) Continuing Connected Transactions

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

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group on pages 34 to 40 in accordance with paragraph 14A.38 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Details of the continuing connected transactions for the year ended 31 December 2010 are as follows:

Non-exempt Continuing Connected Transactions

1. Property lease

Date of agreement:	15 June 2009 ("Property Lease Framework Agreement")
Parties:	(i) the Company; (ii) Tianjin Port Group
Term:	15 June 2009 to 31 December 2011
Transactions involved:	Lease of various freight yards, warehouses, office buildings and port facilities in the Tianjin Binhai New Area from Tianjin Port Group and/or its associates to the Group
Annual cap for the year ended 31 December 2010:	RMB90,000,000
Actual amount for the year ended 31 December 2010:	RMB71,347,000 (equivalent to approximately HK$81,933,000)

2. Integrated services

Date of agreement:	15 June 2009 ("Integrated Services Framework Agreement")
Parties:	(i) the Company; (ii) Tianjin Port Group
Term:	15 June 2009 to 31 December 2011
Transactions involved:	Provision of utilities and supporting services by Tianjin Port Group and/or its associates to the Group
Annual cap for the year ended 31 December 2010:	RMB970,781,000
Actual amount for the year ended 31 December 2010:	RMB797,299,000 (equivalent to approximately HK$915,594,000)

3. *Procurement*

Date of agreement:	15 June 2009 ("Procurement Framework Agreement")
Parties:	(i) the Company; (ii) Tianjin Port Group
Term:	15 June 2009 to 31 December 2011
Transactions involved:	Purchase of products including port machinery, equipment and working tools by the Group from Tianjin Port Group and/or its associates
Annual cap for the year ended 31 December 2010:	RMB59,722,000
Actual amount for the year ended 31 December 2010:	RMB28,260,000 (equivalent to approximately HK$32,453,000)

4. *China Coal cargo handling services*

Date of agreement:	15 June 2009 ("China Coal Cargo Handling Services Framework Agreement")
Parties:	(i) the Company; (ii) China Coal Energy Company Limited ("China Coal")
Term:	15 June 2009 to 31 December 2011
Transactions involved:	Provision of cargo handling services by the Group to China Coal and/or its associates
Annual cap for the year ended 31 December 2010:	RMB71,540,000
Actual amount for the year ended 31 December 2010:	RMB52,297,000 (equivalent to approximately HK$60,057,000)

5. *Sales*

Date of agreement:	15 June 2009 ("Sales Framework Agreement")
Parties:	(i) the Company; (ii) Tianjin Port Group
Term:	15 June 2009 to 31 December 2011
Transactions involved:	Sale of materials including spare parts, fuel and lubricant products, and construction materials by the Group to Tianjin Port Group and/or its associates
Annual cap for the year ended 31 December 2010:	RMB108,000,000
Actual amount for the year ended 31 December 2010:	RMB80,642,000 (equivalent to approximately HK$92,607,000)

6. *Freight yard and warehousing lease*

Date of agreement:	15 June 2009 ("Freight Yard and Warehousing Lease Framework Agreement")
Parties:	(i) the Company; (ii) Tianjin Port Group
Term:	15 June 2009 to 31 December 2011
Transactions involved:	Lease of various freight yards and warehouses in the Tianjin Binhai New Area from the Group to Tianjin Port Group and/or its associates
Annual cap for the year ended 31 December 2010:	RMB7,000,000
Actual amount for the year ended 31 December 2010:	RMB5,177,000 (equivalent to approximately HK$5,946,000)

7. *Cargo reconfiguration and storage services*

Date of agreement:	15 June 2009 ("Cargo Reconfiguration and Storage Services Framework Agreement")
Parties:	(i) the Company; (ii) Tianjin Port Group
Term:	15 June 2009 to 31 December 2011
Transactions involved:	Provision of cargo reconfiguration and storage services by the Group to Tianjin Port Group and/or its associates
Annual cap for the year ended 31 December 2010:	RMB59,000,000
Actual amount for the year ended 31 December 2010:	RMB26,073,000 (equivalent to approximately HK$29,942,000)

Details of the above non-exempt continuing connected transactions were disclosed in the announcements of the Company dated 15 June 2009 and 21 October 2010, and the circular of the Company dated 19 June 2009.

8. *Financial Services*

Date of agreement:	18 October 2010 ("Financial Services Framework Agreement")
Parties:	(i) the Company; (ii) Tianjin Port Finance Co., Ltd ("Tianjin Port Finance"); (iii) Tianjin Port Group
Term:	18 October 2010 to 31 December 2012
Transactions involved:	Provision of financial services by Tianjin Port Finance to the Group, including: (1) deposit services; (2) provision of loans (excluding entrustment loans referred to in category (5) below); (3) commercial notes acceptance and discounting services; (4) settlement services; (5) arrangement of entrustment loans between members of the Group, whereby Tianjin Port Finance serves as an agency through which funds of any member of the Group may be channelled for use by other members of the Group; and (6) certification of financial position, financial advisory services and other advisory services.
Annual cap for the year ended 31 December 2010:	Maximum daily outstanding balance of the total deposits (including accrued interest) placed by the Group for the deposit services (catergory (1) of the above financial services) RMB2,200,000,000
Actual amount for the year ended 31 December 2010:	Maximum daily outstanding balance of the total deposits (including accrued interest) RMB1,111,403,000 (equivalent to approximately HK$1,306,150,000)

Details of the non-exempt continuing connected transactions contemplated under the Financial Services Framework Agreement were disclosed in the announcement of the Company dated 18 October 2010 and the circular of the Company dated 29 October 2010.

9. Labour Services

Date of agreement:	21 October 2010 ("Labour Framework Agreement")
Parties:	(i) the Company; (ii) Tianjin Port Group
Term:	21 October 2010 to 31 December 2012
Transactions involved:	Provision of labour of various positions to perform various services by the Group to the Tianjin Port Group and/or its associates.
Annual cap for the year ended 31 December 2010:	RMB23,000,000
Actual amount for the year ended 31 December 2010:	RMB14,859,000 (equivalent to approximately HK$17,064,000)

10. Automobile Storage Services

Date of agreement:	21 October 2010 ("Automobile Storage Services Framework Agreement")
Parties:	(i) the Company; (ii) Tianjin Port Group
Term:	21 October 2010 to 31 December 2012
Transactions involved:	Provision of storage and related services for automobiles (including but not limited to, storage of automobiles, lease of venues and other ancillary services) by the Group to the Tianjin Port Group and/or its associates.
Annual cap for the year ended 31 December 2010:	RMB17,000,000
Actual amount for the year ended 31 December 2010:	RMB15,609,000 (equivalent to approximately HK$17,925,000)

Details of the non-exempt continuing connected transactions contemplated under the Labour Framework Agreement and Automobile Storage Services Framework Agreement were disclosed in the announcement of the Company dated 21 October 2010.

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11. Land Lease

Date of agreements:	Nine land lease agreements entered on various dates from April 2004 to July 2008 ("Land Lease Agreements")
Parties:	(i) various subsidiaries of the Company; (ii) Tianjin Port Group and/or its associates
Term:	Various from 12 to 50 years
Transactions involved:	Long-term leases of various pieces of land in the port of Tianjin
Annual cap for the year ended 31 December 2010:	RMB45,430,000
Actual amount for the year ended 31 December 2010:	RMB45,430,000 (equivalent to approximately HK$52,171,000)

Details of the non-exempt continuing connected transactions contemplated under the Land Lease Agreements were disclosed in the announcement dated 15 June 2009 and the circular of the Company dated 19 June 2009.

Exempt Continuing Connected Transaction

During the year ended 31 December 2010, the Group had entered into the following continuing connected transaction which is exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules, the disclosure of which is on a voluntary basis in order to enhance the transparency of the Group's transactions with Tianjin Port Group:

Fee Collection Services

Pursuant to the agreement between the Group and Tianjin Port Group, the Group agreed to collect various fees, including but not limited to port construction fees and port management fees, from its customers and forward the fees to Tianjin Port Group. No service fee will be charged to Tianjin Port Group by the Group. For the year ended 31 December 2010, the fee collected on behalf of Tianjin Port Group amounted to RMB1,586,508,000 (equivalent to approximately HK$1,821,898,000).

RELATED PARTY TRANSACTIONS

The Group also entered into certain transactions with parties regarded as "related parties" under the applicable accounting standards. Details of these transactions are set out in Note 31 to the financial statements.

INTERESTS IN COMPETITORS

Mr. Yu Rumin and Mr. Tian Changsong are directors of Tianjin Port Group. Tianjin Port Group operates the businesses of container and non-containerised cargo handling through its various subsidiaries and associated companies.

As the Board is independent of the board of Tianjin Port Group (save for Mr. Yu and Mr. Tian who are the only common directors in the Company and Tianjin Port Group) and Mr. Yu and Mr. Tian have no control over the Board, the Group is capable of carrying on its businesses independently of the businesses of Tianjin Port Group.

Save as disclosed above and within the knowledge of the Directors, none of the Directors and their respective associates had any interest in a business which competes or may compete with the business of the Group throughout the year ended 31 December 2010.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company had complied with the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules throughout the year ended 31 December 2010. A report on the principal corporate governance practices adopted by the Company is set out on pages 14 to 19.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITOR

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

On behalf of the Board
YU Rumin
Chairman

Hong Kong, 28 March 2011

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

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

We have audited the consolidated financial statements of Tianjin Port Development Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 43 to 105, which comprise the consolidated and company balance sheets as at 31 December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 consolidated 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 2010, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 March 2011

	Note	2010 HK$'000	2009 HK$'000 (restated)
Revenue	4	15,052,720	12,507,534
Business tax and surcharge		(267,696)	(236,578)
Cost of sales		(11,576,885)	(9,434,508)
Gross profit		3,208,139	2,836,448
Other income	5	204,618	129,515
Administrative expenses		(1,568,180)	(1,602,132)
Other operating expenses		(9,142)	(2,084)
		1,835,435	1,361,747
Finance costs	6	(367,464)	(315,878)
Share of results of associates		118,593	78,616
Share of results of jointly controlled entities		(4,315)	16,678
Profit before income tax	7	1,582,249	1,141,163
Income tax	9	(283,672)	(229,388)
Profit for the year		1,298,577	911,775
Attributable to:			
Equity holders of the Company		570,586	370,383
Non-controlling interests		727,991	541,392
		1,298,577	911,775
Dividends	11	227,846	–
Earnings per share			
– Basic and diluted (HK cents)	12	9.3	7.3

The notes on pages 50 to 105 are an integral part of these financial statements.

For the year ended 31 December 2010

	2010 HK$'000	2009 HK$'000 (restated)
Profit for the year	**1,298,577**	911,775
Other comprehensive income		
Fair value gain on available-for-sale financial assets, net of tax	**16,598**	120,181
Exchange differences	**611,260**	36,362
Other comprehensive income for the year, net of tax	**627,858**	156,543
Total comprehensive income for the year	**1,926,435**	1,068,318
Total comprehensive income for the year attributable to:		
Equity holders of the Company	**892,102**	437,632
Non-controlling interests	**1,034,333**	630,686
	1,926,435	1,068,318

The notes on pages 50 to 105 are an integral part of these financial statements.

	Note	2010 HK$'000	2009 HK$'000 (restated)
ASSETS			
Non-current assets			
Land use rights	13	4,436,395	4,312,788
Property, plant and equipment	14	14,949,153	14,800,738
Intangible assets	15	30,198	23,230
Interests in associates	17	1,797,348	1,680,024
Interests in jointly controlled entities	18	1,660,189	1,630,301
Available-for-sale financial assets	19	483,050	450,051
Deferred income tax assets	20	109,123	106,682
		23,465,456	23,003,814
Current assets			
Inventories	21	561,515	407,637
Trade and other receivables	22	3,292,777	2,849,206
Cash and cash equivalents	23	4,438,366	3,543,204
		8,292,658	6,800,047
Total assets		31,758,114	29,803,861
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	24	615,800	178,710
Reserves	25	4,998,668	6,471,687
Retained earnings		3,550,425	3,162,309
		9,164,893	9,812,706
Non-controlling interests		9,044,911	8,381,136
Total equity		18,209,804	18,193,842

The notes on pages 50 to 105 are an integral part of these financial statements.

As at 31 December 2010

	Note	2010 HK$'000	2009 HK$'000 (restated)
LIABILITIES			
Non-current liabilities			
Borrowings	*26*	**8,002,251**	5,990,179
Deferred tax liabilities	*20*	**170,178**	136,563
Other long term liabilities		**971**	938
		8,173,400	6,127,680
Current liabilities			
Trade and other payables	*27*	**3,288,598**	2,986,263
Current income tax liabilities		**38,043**	45,538
Borrowings	*26*	**2,048,269**	2,450,538
		5,374,910	5,482,339
Total liabilities		**13,548,310**	11,610,019
Total equity and liabilities		**31,758,114**	29,803,861
Net current assets		**2,917,748**	1,317,708
Total assets less current liabilities		**26,383,204**	24,321,522

YU Rumin
Director

LI Quanyong
Director

The notes on pages 50 to 105 are an integral part of these financial statements.

	Note	2010 HK$'000	2009 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	425	1,084
Interests in subsidiaries	16	17,511,453	3,670,279
Interests in jointly controlled entities	18	617,741	597,177
Available-for-sale financial assets	19	36,400	30,281
		18,166,019	4,298,821
Current assets			
Other receivables	22	2,605	1,959
Amounts due from subsidiaries	16	247,593	235,609
Cash and cash equivalents	23	9,275	54,236
		259,473	291,804
Total assets		18,425,492	4,590,625
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	24	615,800	178,710
Reserves	25	14,517,526	3,022,928
Retained earnings		413,529	57,901
		15,546,855	3,259,539
Current liabilities			
Other payables	27	81,797	62,201
Current income tax liabilities		341	–
Amount due to a subsidiary	16	2,796,499	1,268,885
		2,878,637	1,331,086
Total equity and liabilities		18,425,492	4,590,625
Net current liabilities		(2,619,164)	(1,039,282)
Total assets less current liabilities		15,546,855	3,259,539

YU Rumin
Director

LI Quanyong
Director

The notes on pages 50 to 105 are an integral part of these financial statements.

For the year ended 31 December 2010

	Attributable to equity holders of the Company					
	Share capital	Reserves	Retained earnings	Total	Non-controlling interests	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 January 2009	178,710	2,679,812	755,896	3,614,418	4,433	3,618,851
Common control business combination *(Note 3)*	–	3,646,065	2,111,995	5,758,060	7,758,431	13,516,491
Balance at 1 January 2009, restated	178,710	6,325,877	2,867,891	9,372,478	7,762,864	17,135,342
Total comprehensive income for the year	–	67,249	370,383	437,632	630,686	1,068,318
Transfers	–	75,965	(75,965)	–	–	–
Share-based compensation	–	2,596	–	2,596	–	2,596
Dividends paid	–	–	–	–	(254,173)	(254,173)
Deemed disposal of interests in a subsidiary	–	–	–	–	214,674	214,674
Capital contribution from non-controlling interests	–	–	–	–	15,610	15,610
Disposal of subsidiaries without loss of control	–	–	–	–	23,234	23,234
Acquisition of additional interests in subsidiaries	–	–	–	–	(11,759)	(11,759)
Balance at 31 December 2009, restated	178,710	6,471,687	3,162,309	9,812,706	8,381,136	18,193,842
Balance at 1 January 2010	178,710	2,711,785	695,875	3,586,370	4,405	3,590,775
Common control business combination *(Note 3)*	–	3,759,902	2,466,434	6,226,336	8,376,731	14,603,067
Balance at 1 January 2010, restated	178,710	6,471,687	3,162,309	9,812,706	8,381,136	18,193,842
Total comprehensive income for the year	–	321,516	570,586	892,102	1,034,333	1,926,435
Shares issued *(Note 24(ii))*	107,637	2,583,288	–	2,690,925	–	2,690,925
Shares issue expenses *(Note 24(ii))*	–	(68,100)	–	(68,100)	–	(68,100)
Common control business combination *(Note 24(iii))*	329,453	(4,399,665)	–	(4,070,212)	–	(4,070,212)
Transfers	–	74,089	(74,089)	–	–	–
Share-based compensation	–	5,883	–	5,883	–	5,883
Dividends paid	–	–	(108,381)	(108,381)	(348,585)	(456,966)
Acquisition of additional interests in subsidiaries	–	9,970	–	9,970	(21,973)	(12,003)
Balance at 31 December 2010	615,800	4,998,668	3,550,425	9,164,893	9,044,911	18,209,804

The notes on pages 50 to 105 are an integral part of these financial statements.

For the year ended 31 December 2010

	Note	2010 HK$'000	2009 HK$'000 (restated)
Cash flows from operating activities			
Cash generated from operations	*28(a)*	2,210,156	1,515,489
Interest received		56,389	44,935
PRC Income tax paid		(270,808)	(200,141)
Net cash generated from operating activities		1,995,737	1,360,283
Cash flows from investing activities			
Purchase of property, plant and equipment		(603,888)	(1,167,100)
Purchase of land use rights		(78,094)	(133,896)
Purchase of intangible assets		(5,333)	(6,812)
Purchase of available-for-sale financial assets		–	(11,361)
Acquisition of subsidiaries under common control		(4,070,212)	–
Acquisition of additional interests in subsidiaries		(13,470)	–
Acquisition of subsidiaries, net of cash		926	–
Investments in associates		(8,825)	–
Investments in jointly controlled entities		–	(1,704)
Loan to a jointly controlled entity		–	(60,710)
Proceeds from disposal of subsidiaries		–	10,370
Proceeds from disposal of associates		–	5,424
Proceeds from disposal of jointly controlled entities		–	10,692
Proceeds from disposal of property, plant and equipment		12,875	15,803
Dividends received from associates		73,246	86,093
Dividends received from jointly controlled entities		16,079	21,795
Dividends received from available-for-sale financial assets		11,436	1,493
Net cash used in investing activities		(4,665,260)	(1,229,913)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares, net of share issue expenses		2,622,825	–
Proceeds from borrowings		7,077,697	2,823,296
Repayments of borrowings		(5,684,157)	(1,809,137)
Interest paid		(372,625)	(342,776)
Dividend paid to equity holders of the Company		(50,397)	–
Dividends paid to non-controlling interests		(218,410)	(238,232)
Contribution from non-controlling interests of subsidiaries		–	271,863
Net cash from financing activities		3,374,933	705,014
Net increase in cash and cash equivalents		705,410	835,384
Cash and cash equivalents at 1 January		3,543,204	2,691,941
Effects of changes in exchange rates		189,752	15,879
Cash and cash equivalents at 31 December		4,438,366	3,543,204

The notes on pages 50 to 105 are an integral part of these financial statements.

1. GENERAL INFORMATION

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

The principal activity of the Company is investment holding and the activities of its principal subsidiaries, associates and jointly controlled entities are disclosed in Note 35.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The area involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 34.

(a) The Group has adopted the following standards, amendments and interpretations for the accounting period beginning 1 January 2010:

HKFRS (Amendments)	*Improvements to HKFRS issued in 2008 for the amendment to HKFRS 5*
HKFRS (Amendments)	*Improvements to HKFRS issued in 2009*
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*
HKAS 39 (Amendment)	*Financial Instruments: Recognition and Measurement – Eligible Hedged Items*
HKFRS 2 (Amendments)	*Share-based Payment – Group Cash-settled Share-based Payment Transactions*
HKFRS 3 (Revised)	*Business Combinations*
HK(IFRIC) – Int 17	*Distributions of Non-cash Assets to Owners*
HK – Int 5	*Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*

The adoption of these standards, amendments and interpretations had no significant impact on the results and financial position of the Group or result in any significant changes in the Group's significant accounting policies except that HKAS 27 (Revised), "Consolidated and Separate Financial Statements" provides that the transactions undertaken with non-controlling interest that do not result in the loss of control are accounted for as equity transactions and these transactions will no longer result in goodwill or gains and losses. When control is lost, any remaining interest in the entity is remeasured to fair value and the difference between the fair value and the carrying amount is recognised in the income statement.

Previously transactions with non-controlling interests were treated as transactions with parties external to the Group. Disposals therefore resulted in gains or losses in the income statement and purchases resulted in the recognition of goodwill. On disposal or partial disposal, a proportionate interest in reserves attributable to the subsidiary was reclassified to the income statement or directly to retained earnings. When the Group ceased to have control or significant influence over an entity, the carrying amount of the investment at the date ceasing to have control or significant influence became its cost for the purposes of subsequent accounting for the retained interests as associates, jointly controlled entities or financial assets.

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

2.1 Basis of preparation *(continued)*

The Group has applied the revised standard from 1 January 2010. No restatement is made to the amounts previously recognised in the financial statements.

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

The Group has early adopted HKAS 24 (Revised), "Related Party Disclosures" which is effective for annual periods beginning on or after 1 January 2011. The amendment introduces an exemption from all of the disclosure requirements of HKAS for transactions among government-related entities and the government. The early adoption of HKAS 24 (Revised) had no significant impact of the results and financial position of the Group.

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

HKFRS (Amendments)	*Improvements to HKFRS issued in 2010*
HKAS 12 (Amendments)	*Income Taxes – Deferred Tax: Recovery of Underlying Assets*
HKAS 32 (Amendment)	*Financial Instruments: Presentation – Classification of Rights Issues*
HKFRS 7 (Amendments)	*Financial Instruments: Disclosures – Disclosures – Transfers of Financial Assets*
HKFRS 9	*Financial Instruments*
HK(IFRIC) – Int 14 (Amendment)	*HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – Prepayments of a Minimum Funding Requirement*
HK(IFRIC) – Int 19	*Extinguishing Financial Liabilities with Equity Instruments*

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

2.2 Consolidation

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

(a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

(i) Common control acquisitions:

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

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

2.2 Consolidation *(continued)*

(a) Subsidiaries *(continued)*

(i) Common control acquisitions: (continued)

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

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

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

(ii) Other acquisitions:

The acquisition method of accounting is used to account for the acquisition of subsidiaries except for those under common control by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Acquisition related costs are expensed as incurred. 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 non-controlling interests. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated.

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

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses (Note 2.8). The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(b) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

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

2.2 Consolidation *(continued)*

(b) Transactions with non-controlling interests *(continued)*

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in the income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the income statement.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to the income statement where appropriate.

(c) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Interests in associates are incorporated in the consolidated financial statements using the equity method of accounting and are initially recognised at cost. The Group's interest in associates includes goodwill identified on acquisition, net of any accumulated impairment loss (Note 2.8).

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

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

(d) Jointly controlled entities

A jointly controlled entity is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties having unilateral control over the economic activity of the jointly controlled entity. Interests in jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting and are initially recognised at cost. The Group's interest in jointly controlled entities includes goodwill identified on acquisition, net of any accumulated impairment loss (Note 2.8).

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

2.2 Consolidation *(continued)*

(d) Jointly controlled entities *(continued)*

The Group's share of the post-acquisition results in jointly controlled entities is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a jointly controlled entity equals or exceeds its interest in the jointly controlled entity, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entity. Accounting policies of jointly controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, the interests in jointly controlled entities are stated at cost less provision for impairment losses (Note 2.8). The results of jointly controlled entities are accounted for by the Company on the basis of dividend received and receivable.

2.3 Segment reporting

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

2.4 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

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

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

2.4 Foreign currency translation *(continued)*

(c) Group companies

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

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

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

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

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

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

2.5 Land use rights

Land use rights represent prepaid operating lease payments for land less accumulated amortisations and any impairment losses. Amortisation is calculated using the straight-line method to allocate the prepaid operating lease payments for and over the remaining lease term or the operating license period, whichever is shorter.

2.6 Intangible assets

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful lives of 5-10 years on a straight-line method.

2.7 Property, plant and equipment

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

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

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

2.7 Property, plant and equipment *(continued)*

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

–	Buildings	5-40 years
–	Port facilities	35-50 years
–	Plant, machinery and vessels	8-35 years
–	Leasehold improvements, furniture and equipment	5-10 years
–	Motor vehicles	5-12 years

Assets under construction represent plant and equipment under construction and pending installation and are stated at cost less accumulated impairment losses. Cost includes all direct costs relating to the construction of the assets and acquisition.

No depreciation is provided for assets under construction until such time as the relevant assets are completed and ready for intended use. Assets under construction are transferred to relevant categories of property, plant and equipment upon the completion of their respective construction/ installation.

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 2.8).

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

2.8 Impairment of interests in subsidiaries, associates, jointly controlled entities and non-financial assets

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

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

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

2.9 Financial assets

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

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as 'trade and other receivables' (Notes 2.12), 'amounts due from subsidiaries' and 'cash and cash equivalents' (Note 2.13) in the balance sheet. Loans and receivables are subsequently measured at amortised cost using the effective interest method.

(b) Available-for-sale financial assets

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

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

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

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

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

2.10 Impairment of financial assets

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

(a) Assets carried at amortised cost

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

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

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

(b) Assets classified as available-for-sale

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement) is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

2.11 Inventories

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

2.12 Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

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

2.13 Cash and cash equivalents

Cash and cash equivalents include cash in hand and demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

2.14 Share capital

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

2.15 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

2.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.17 Current and deferred income tax

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

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

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

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

2.17 Current and deferred income tax *(continued)*

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

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

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

2.18 Employee benefits

(a) Pension obligations

The employees of the Group's subsidiaries in the PRC are members of a state-managed employee pension scheme operated by the Tianjin Municipal People's Government which undertakes to assume the retirement benefit obligations of all existing and future retired employees. The Group's obligation is to make the required contributions under the scheme. The Group has no further payment obligation once the contributions have been paid.

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

(b) Share-based payments

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (option) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

– including any market performance conditions;

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

– excluding the impact of any non-vesting conditions.

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

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

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

2.19 Provisions

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

2.20 Financial guarantee contracts

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

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

2.21 Revenue recognition

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

(a) Provision of services

Provision of services is recognised in the period in which the services are rendered.

(b) Sale of goods

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

(c) Interest income

Interest income is recognised using the effective interest method.

(d) Dividend income

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

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

2.22 Government grants

Grants from the government are recognised at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions, if any.

2.23 Borrowing costs

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

2.24 Operating leases

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

2.25 Dividend distribution

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

3. BUSINESS COMBINATION

On 16 March 2009, the Company, its wholly-owned subsidiary Grand Point Investment Limited ("Grand Point") and Tianjin Port (Group) Co., Ltd. ("Tianjin Port Group") entered into a sale and purchase agreement, pursuant to which the Company, through Grand Point, conditionally agreed to acquire from Tianjin Port Group its 56.81% interest in the registered share capital of Tianjin Port Holdings Co., Ltd. ("Tianjin Port Co"), which is listed on the Shanghai Stock Exchange (stock code: 600717) at a consideration of approximately HK$10.96 billion.

The acquisition was completed on 4 February 2010. The acquisition was settled by way of issue of 3,294,530,000 new shares of the Company (Note 24 (iii)) and payment of approximately HK$4,070 million of cash from internal resources, bank borrowings and placing of new shares (Note 24 (ii)). The Company ceased to be a subsidiary of Tianjin Development Holdings Limited and Tianjin Port Group became the ultimate shareholder of the Company upon completion of the acquisition.

The acquisition has been accounted for as a common control combination for which the Company applies the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants in preparing the consolidated financial statements. The consolidated financial statements for the year ended 31 December 2010, including the comparative figures have been prepared on the basis as if the current group structure had been in existence throughout the years presented.

3. BUSINESS COMBINATION *(continued)*

The following is a reconciliation of the effect arising from the common control combination on the consolidated balance sheets as at 31 December 2010 and 2009.

The condensed consolidated balance sheet as at 31 December 2010:

	The Group before the acquisition HK$'000	Tianjin Port Co and its subsidiaries HK$'000	Adjustments HK$'000 *(Note)*	Consolidated HK$'000
Net assets	15,592,389	15,962,679	(13,345,264)	18,209,804
Share capital	615,800	1,898,831	(1,898,831)	615,800
Merger reserve	820,962	(1,343,102)	(8,589,307)	(9,111,447)
Retained earnings and other reserves	14,149,571	11,631,979	(8,121,010)	17,660,540
Non-controlling interests	6,056	3,774,971	5,263,884	9,044,911
	15,592,389	15,962,679	(13,345,264)	18,209,804

The condensed consolidated balance sheet as at 31 December 2009:

	The Group before the acquisition HK$'000	Tianjin Port Co and its subsidiaries HK$'000	Adjustments HK$'000 *(Note)*	Consolidated HK$'000
Net assets	3,590,775	14,648,037	(44,970)	18,193,842
Share capital	178,710	1,898,831	(1,898,831)	178,710
Merger reserve	820,962	(1,343,102)	4,310,245	3,788,105
Retained earnings and other reserves	2,586,698	10,483,362	(7,224,169)	5,845,891
Non-controlling interests	4,405	3,608,946	4,767,785	8,381,136
	3,590,775	14,648,037	(44,970)	18,193,842

Note: The above adjustments represent elimination of investment in the combining entities against share capital, reserves and retained earnings.

No other significant adjustments were made to the net assets and net profit or loss of any entities as a result of the common control combination to achieve consistency of accounting policies.

4. SEGMENT INFORMATION

Segment information has been prepared in a manner consistent with the information which is regularly reviewed by the management and used for the purposes of assessing the performance and allocating resources between segments.

Principal activities of the three reportable segments are as follows:

Cargo handling – Provision of container handling and non-containerised cargo handling
Sales – Supply of fuel and sales of materials
Other port ancillary services – Tugboat services, agency services, tallying and other services

The segment information for the reportable segments is as follows:

	For the year ended 31 December 2010			
	Cargo handling HK$'000	Sales HK$'000	Other port ancillary services HK$'000	Total HK$'000
Total segment revenue	5,464,382	8,488,882	2,235,331	16,188,595
Inter-segment revenue	–	(733,355)	(402,520)	(1,135,875)
Revenue from external customers	5,464,382	7,755,527	1,832,811	15,052,720
Segment results	2,639,055	219,923	616,857	3,475,835
Business tax and surcharge				(267,696)
Other income				204,618
Administrative expenses				(1,568,180)
Other operating expenses				(9,142)
Finance costs				(367,464)
Share of results of associates				118,593
Share of results of jointly controlled entities				(4,315)
Profit before income tax				1,582,249
Other information:				
Depreciation and amortisation	741,758	14,884	147,501	904,143
Share of results of associates	48,188	2,649	18,569	69,406
Share of results of jointly controlled entities	4,957	5,874	(15,146)	(4,315)
Segment assets	22,052,118	2,513,129	6,201,349	30,766,596
Unallocated assets:				
– Deferred tax				109,123
– Available-for-sale financial assets				483,050
– Interest in an associate				368,551
– Head office and corporate assets				30,794
Total assets				31,758,114
Total assets includes:				
– Interests in associates	1,253,816	23,462	151,519	1,428,797
– Interests in jointly controlled entities	1,242,187	32,878	385,124	1,660,189
– Additions to non-current assets (other than financial instruments and deferred tax assets)	317,840	54,299	209,156	581,295

4. SEGMENT INFORMATION *(continued)*

	For the year ended 31 December 2009 (restated)			
	Cargo handling HK$'000	Sales HK$'000	Other port ancillary services HK$'000	Total HK$'000
Total segment revenue	5,028,410	6,407,557	1,869,184	13,305,151
Inter-segment revenue	–	(436,235)	(361,382)	(797,617)
Revenue from external customers	5,028,410	5,971,322	1,507,802	12,507,534
Segment results	2,418,800	189,215	465,011	3,073,026
Business tax and surcharge				(236,578)
Other income				129,515
Administrative expenses				(1,602,132)
Other operating expenses				(2,084)
Finance costs				(315,878)
Share of results of associates				78,616
Share of results of jointly controlled entities				16,678
Profit before income tax				1,141,163
Other information:				
Depreciation and amortisation	718,021	15,238	132,879	866,138
Share of results of associates	20,621	2,412	8,734	31,767
Share of results of jointly controlled entities	15,421	4,883	(3,626)	16,678
Segment assets	21,532,212	1,992,666	5,321,722	28,846,600
Unallocated assets:				
– Deferred tax				106,682
– Available-for-sale financial assets				450,051
– Interest in an associate				334,889
– Head office and corporate assets				65,639
Total assets				29,803,861
Total assets includes:				
– Interests in associates	1,197,324	20,571	127,240	1,345,135
– Interests in jointly controlled entities	1,199,342	27,677	403,282	1,630,301
– Additions to non-current assets (other than financial instruments and deferred tax assets)	711,995	16,149	98,469	826,613

5. OTHER INCOME

	2010 HK$'000	2009 HK$'000 (restated)
Exchange gain, net	**117,944**	15,008
Interest income		
– from deposits	**56,389**	44,935
– from loan to a jointly controlled entity	**5,316**	7,208
Dividends from available-for-sale financial assets	**11,436**	2,283
Government subsidies	**4,595**	2,603
Gain on disposal of property, plant and equipment	**–**	5,467
Gain on deemed disposal of a subsidiary	**–**	41,578
Gain on disposal of subsidiaries	**–**	660
Gain on disposal of associates	**–**	2,125
Others	**8,938**	7,648
	204,618	129,515

6. FINANCE COSTS

	2010 HK$'000	2009 HK$'000 (restated)
Interest expense on borrowings	**367,464**	343,844
Less: Amount capitalised in construction in progress	**–**	(27,966)
	367,464	315,878

7. EXPENSES BY NATURE

	2010 HK$'000	2009 HK$'000 (restated)
Auditor remuneration	**1,770**	1,200
Employee benefit expense, including directors' emoluments *(Note 8)*	**2,074,367**	1,875,363
Cost of goods sold	**7,438,898**	5,694,096
Depreciation of property, plant and equipment *(Note 14)*	**796,842**	762,300
Amortisation of prepaid lease payments *(Note 13)*	**100,761**	99,621
Amortisation of intangible assets *(Note 15)*	**7,512**	5,199
Loss on disposal of property, plant and equipment	**1,248**	–
Provision of impairment of trade receivables	**1,735**	151
Operating lease rental	**251,090**	269,670

8. EMPLOYEE BENEFIT EXPENSE

	2010 HK$'000	2009 HK$'000 (restated)
Wages and salaries, social security costs and other benefits	1,818,509	1,612,227
Share-based payments	5,883	2,596
Employer's contribution to pension schemes	249,975	260,540
	2,074,367	1,875,363

(a) Directors' emoluments

Name of director	Fees HK$'000	Salaries, share-based payments and other benefits HK$'000	Discretionary bonus HK$'000	Employer's contribution to pension schemes HK$'000	Total HK$'000
	For the year ended 31 December 2010				
Executive directors					
Mr. Yu Rumin	1,680	187	480	120	2,467
Mr. Tian Changsong *(Note i)*	1,238	2,167	475	62	3,942
Mr. Li Quanyong *(Note i)*	1,215	2,104	450	61	3,830
Mr. Zhang Jinming *(Note ii)*	1,559	60	420	103	2,142
Mr. Dai Yan *(Note vi)*	416	324	99	25	864
Mr. Xue Lingsen *(Note iii)*	104	86	–	13	203
Mr. Liu Qingshan *(Note iv)*	104	80	–	13	197
Non-executive director					
Mr. Wang Guanghao *(Note iii)*	–	–	–	–	–
Independent non-executive directors					
Mr. Kwan Hung Sang, Francis	330	85	–	–	415
Prof. Japhet Sebastian Law	330	85	–	–	415
Dr. Cheng Chi Pang, Leslie	330	85	–	–	415
	7,306	5,263	1,924	397	14,890

8. EMPLOYEE BENEFIT EXPENSE *(continued)*

(a) Directors' emoluments *(continued)*

	For the year ended 31 December 2009 (restated)				
Name of director	Fees	Salaries, share-based payments and other benefits	Discretionary bonus	Employer's contribution to pension schemes	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors					
Mr. Yu Rumin	1,600	1,024	720	100	3,444
Mr. Nie Jiansheng *(Note v)*	1,027	–	434	70	1,531
Mr. Zhang Jinming *(Note ii)*	1,485	55	500	91	2,131
Mr. Dai Yan *(Note vi)*	132	800	84	7	1,023
Mr. Xue Lingsen *(Note iii)*	396	439	150	29	1,014
Mr. Liu Qingshan *(Note iv)*	273	1,673	150	14	2,110
Mr. Jiao Hongxun *(Note vii)*	124	71	20	16	231
Non-executive director					
Mr. Wang Guanghao *(Note iii)*	600	–	200	30	830
Independent non-executive directors					
Mr. Kwan Hung Sang, Francis	300	90	–	–	390
Prof. Japhet Sebastian Law	300	90	–	–	390
Dr. Cheng Chi Pang, Leslie	300	90	–	–	390
	6,537	4,332	2,258	357	13,484

Notes:

i. Appointed on 8 April 2010.

ii. Resigned on 28 March 2011.

iii. Resigned on 8 April 2010.

iv. Appointed on 23 April 2009 and resigned on 8 April 2010.

v. Resigned on 1 September 2009.

vi. Appointed on 1 September 2009.

vii. Resigned on 23 April 2009.

8. EMPLOYEE BENEFIT EXPENSE *(continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2009: three) directors whose emoluments are reflected in the analysis presented above. The emoluments in respect of the remaining one individual (2009: two) are as follows:

	2010 HK$'000	2009 HK$'000 (restated)
Salaries, share-based payments and other benefits	1,351	2,885
Discretionary bonus	371	550
Employer's contribution to pension schemes	83	117
	1,805	3,552

	2010 No of individual	2009 No of individuals
The emoluments fell within the following band:		
HK$1,500,001 – HK$2,000,000	1	2

9. INCOME TAX

	2010 HK$'000	2009 HK$'000 (restated)
PRC income tax		
– Current	255,815	223,847
– Deferred	27,857	5,541
	283,672	229,388

No Hong Kong profits tax has been provided for as the Group has no estimated assessable profits for the year (2009: nil).

Provision for the PRC income tax has been calculated based on the estimated assessable profit for the year at the prevailing income tax rates. The standard PRC corporate income tax rate is 25%. For foreign invested enterprises established in the PRC before 1 January 2008, PRC corporate income tax rate for the year is 22% (2009: 20%). Certain subsidiaries are entitled to exemption or a 50% relief rate of 11% (2009: 10%).

9. INCOME TAX *(continued)*

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

	2010 HK$'000	2009 HK$'000 (restated)
Profit before income tax	**1,582,249**	1,141,163
Less: Share of results of associates and jointly controlled entities	**(114,278)**	(95,294)
	1,467,971	1,045,869
Calculated at weighted average tax rate	**366,278**	269,453
Income not subject to income tax	**(16,437)**	(12,088)
Expenses not deductible for tax purposes	**12,683**	13,286
Tax losses for which no deferred tax asset was recognised	**15,768**	94,005
Withholding tax on undistributed profits of PRC subsidiaries	**26,652**	28,824
Utilisation of previously unrecognised tax losses	**(4,668)**	(29,798)
Tax exemptions and concessions	**(116,604)**	(134,294)
Income tax	**283,672**	229,388

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

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK$464,009,000 (2009: Loss of HK$43,406,000).

11. DIVIDENDS

	2010 HK$'000	2009 HK$'000
Paid interim dividend: HK1.76 cents (2009: nil) per ordinary share	**108,381**	–
Proposed final dividend: HK1.94 cents (2009: nil) per ordinary share	**119,465**	–
	227,846	–

No dividend was paid during the year ended 31 December 2009.

The board of directors proposed a final dividend of HK1.94 cents per ordinary share for the year ended 31 December 2010 (2009: nil). These financial statements do not reflect this dividend payable.

12. EARNINGS PER SHARE

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

	2010 HK$'000	2009 HK$'000 (restated)
Earnings		
Profit attributable to equity holders of the Company	570,586	370,383

	2010	2009 (restated)
Number of shares (thousands)		
Weighted average number of ordinary shares *(Note)*	6,104,919	5,081,630

For the year ended 31 December 2010 and 2009, the exercise of share options would have no material dilutive effect to earnings per share.

Note: The weighted average number of ordinary shares for the year ended 31 December 2010 and 2009 has been adjusted for the 3,294,530,000 consideration shares issued for the acquisition of Tianjin Port Co under common control combination (Note 3) as if these consideration shares had been in issue throughout the relevant year.

13. LAND USE RIGHTS

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

	2010 HK$'000	2009 HK$'000 (restated)
Group		
At 1 January	4,312,788	4,395,327
Exchange differences	146,151	8,865
Additions	78,217	8,217
Amortisation of prepaid lease payments	(100,761)	(99,621)
Net book values		
At 31 December	4,436,395	4,312,788

All land use rights are located in Tianjin, the PRC and are held under medium lease terms (10 to 50 years).

The Group is in the process of applying the title documents of certain land use rights with carrying value of approximately RMB529 million. The directors of the Company believe that title documents will be obtained in due course without significant additional costs and would not affect the Group's rights to use the land and the related assets.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Port facilities	Plant, machinery and vessels	Leasehold improvements, furniture and equipment	Motor vehicles	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Group							
Cost							
At 1 January 2009, restated	4,598,516	5,282,016	7,329,893	291,820	354,537	1,886,751	19,743,533
Exchange differences	9,406	10,802	14,990	598	724	3,858	40,378
Additions	6,675	20,818	52,087	1,814	189	728,164	809,747
Disposals	(1,459)	–	(103,020)	(2,785)	(21,892)	–	(129,156)
Transfers	659,611	868,941	951,211	16,528	32,422	(2,528,713)	–
At 31 December 2009, restated	5,272,749	6,182,577	8,245,161	307,975	365,980	90,060	20,464,502
Exchange differences	181,561	212,891	283,915	10,605	12,604	3,101	704,677
Additions	–	–	–	1,510	–	481,322	482,832
Disposals	(3,489)	(134)	(115,332)	(7,591)	(32,160)	–	(158,706)
Acquisition of subsidiaries	–	–	–	255	–	–	255
Transfers to construction in progress	(84,060)	–	(503,189)	–	–	225,149	(362,100)
Transfers	85,654	20,329	437,976	33,589	40,004	(635,619)	(18,067)
At 31 December 2010	5,452,415	6,415,663	8,348,531	346,343	386,428	164,013	21,113,393
Accumulated depreciation							
At 1 January 2009, restated	951,865	491,735	3,214,139	161,118	182,981	–	5,001,838
Exchange differences	2,136	1,152	7,124	358	410	–	11,180
Charge for the year	151,695	117,103	440,588	23,986	28,928	–	762,300
Disposals	(992)	–	(90,522)	(2,347)	(17,693)	–	(111,554)
At 31 December 2009, restated	1,104,704	609,990	3,571,329	183,115	194,626	–	5,663,764
Exchange differences	41,121	24,724	133,527	6,920	7,370	–	213,662
Charge for the year	137,779	152,923	448,116	29,514	28,510	–	796,842
Disposals	(1,768)	(63)	(99,373)	(6,931)	(30,044)	–	(138,179)
Transfers to construction in progress	(31,929)	–	(330,171)	–	–	–	(362,100)
Transfers	–	–	–	(9,749)	–	–	(9,749)
At 31 December 2010	1,249,907	787,574	3,723,428	202,869	200,462	–	6,164,240
Net book values							
At 31 December 2009, restated	4,168,045	5,572,587	4,673,832	124,860	171,354	90,060	14,800,738
At 31 December 2010	4,202,508	5,628,089	4,625,103	143,474	185,966	164,013	14,949,153

The Group is in the process of applying the title documents of certain buildings with carrying value of approximately RMB269 million. The directors of the Company believe that title documents will be obtained in due course without significant additional costs and would not affect the Group's rights to use the buildings.

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

	Leasehold improvements, furniture and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Company			
Cost			
At 1 January 2009	2,978	1,978	4,956
Exchange differences	6	4	10
Additions	25	–	25
Disposals	(75)	–	(75)
At 31 December 2009	2,934	1,982	4,916
Exchange differences	100	69	169
Additions	25	–	25
Disposals	(65)	–	(65)
At 31 December 2010	2,994	2,051	5,045
Accumulated depreciation			
At 1 January 2009	2,381	770	3,151
Exchange differences	5	2	7
Charge for the year	376	357	733
Disposals	(59)	–	(59)
At 31 December 2009	2,703	1,129	3,832
Exchange differences	98	51	149
Charge for the year	192	491	683
Disposals	(44)	–	(44)
At 31 December 2010	2,949	1,671	4,620
Net book values			
At 31 December 2009	231	853	1,084
At 31 December 2010	45	380	425

15. INTANGIBLE ASSETS

Computer software

	2010 HK$'000	2009 HK$'000 (restated)
Group		
Cost		
At 1 January	38,467	27,513
Exchange differences	1,323	57
Additions	5,539	11,147
Disposals	(483)	(250)
Transfers	18,067	–
At 31 December	62,913	38,467
Accumulated amortisation		
At 1 January	15,237	10,261
Exchange differences	700	27
Charge for the year	7,512	5,199
Disposals	(483)	(250)
Transfers	9,749	–
At 31 December	32,715	15,237
Net book values		
At 31 December	30,198	23,230

16. SUBSIDIARIES

	2010 HK$'000	2009 HK$'000
Company		
Non-current assets		
Unlisted shares, at cost	1,872,826	1,810,484
Amounts due from subsidiaries	15,638,627	1,859,795
	17,511,453	3,670,279
Current assets		
Amounts due from subsidiaries	247,593	235,609
Current liabilities		
Amount due to a subsidiary	(2,796,499)	(1,268,885)

Amounts due from / (to) subsidiaries are unsecured, interest free and have no fixed repayment terms. Particulars of principal subsidiaries are set out in Note 35(a).

17. INTERESTS IN ASSOCIATES

	2010 HK$'000	2009 HK$'000 (restated)
Group		
Share of net assets	1,797,348	1,680,024

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

	2010 HK$'000	2009 HK$'000 (restated)
Total assets	6,237,790	5,745,972
Total liabilities	(4,440,442)	(4,065,948)
Net assets	1,797,348	1,680,024
Revenue	851,193	744,547
Share of results	118,593	78,616

Particulars of principal associates are set out in Note 35(b).

18. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	2010 HK$'000	2009 HK$'000 (restated)
Group		
Share of net assets	1,518,566	1,489,193
Loan to a jointly controlled entity *(Note)*	141,623	141,108
	1,660,189	1,630,301

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

18. INTERESTS IN JOINTLY CONTROLLED ENTITIES *(continued)*

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

	2010 HK$'000	2009 HK$'000 (restated)
Assets		
Non-current assets	3,149,669	3,189,276
Current assets	175,553	154,066
	3,325,222	3,343,342
Liabilities		
Non-current liabilities	(1,480,094)	(1,258,834)
Current liabilities	(326,562)	(595,315)
	(1,806,656)	(1,854,149)
Net assets	1,518,566	1,489,193
Revenue	434,802	354,915
Expenses	(439,117)	(338,237)
Share of results	(4,315)	16,678

There are no contingent liabilities relating to the Group's interests in jointly controlled entities and jointly controlled entities themselves do not have any contingent liabilities (2009: nil).

Particulars of principal jointly controlled entities are set out in Note 35(c).

	2010 HK$'000	2009 HK$'000
Company		
Unlisted shares, at cost	617,741	597,177

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2010	2009
	HK$'000	HK$'000
		(restated)
Group		
Available-for-sale financial assets comprise:		
Equity securities listed in PRC *(Note i)*	**343,294**	325,536
Equity securities listed in Hong Kong *(Note i)*	**36,400**	24,600
Unlisted equity investments *(Note ii)*	**103,356**	99,915
	483,050	450,051

	2010	2009
	HK$'000	HK$'000
Company		
Available-for-sale financial assets comprise:		
Equity securities listed in Hong Kong *(Note i)*	**36,400**	24,600
Unlisted equity investments *(Note ii)*	**–**	5,681
	36,400	30,281

Notes:

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

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

20. DEFERRED INCOME TAX

Deferred income tax assets

Movements of the deferred income tax assets, which is realisable more than 12 months after the respective balance sheet date is as follows:

	Valuation surplus on property, plant and equipment	Tax losses	Provision, impairment losses and others	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Group				
At 1 January 2009, restated	63,574	2,671	16,955	83,200
Exchange differences	122	42	35	199
Credited/(charged) to consolidated income statement	(6,557)	29,798	42	23,283
At 31 December 2009, restated	57,139	32,511	17,032	106,682
Exchange differences	1,847	1,205	594	3,646
Credited/(charged) to consolidated income statement	(5,154)	3,593	356	(1,205)
At 31 December 2010	53,832	37,309	17,982	109,123

The Group had unused tax losses of approximately HK$282 million (2009: HK$315 million) available to offset future profits. No deferred income tax asset has been recognised in respect of such losses. Losses accounting to approximately HK$212 million will expire from 2012 to 2015 (2009: HK$282 million will expire from 2012 to 2014). Other losses may be carried forward indefinitely.

20. DEFERRED INCOME TAX *(continued)*

Deferred income tax liabilities

Movements of the deferred income liabilities, which is realisable more than 12 months after the respective balance sheet date is as follows:

	Fair value gains	Withholding tax on undistributed profits of PRC subsidiaries	Total
	HK$'000	HK$'000	HK$'000
Group			
At 1 January 2009, restated	42,849	27,762	70,611
Exchange differences	134	93	227
Charged to consolidated income statement	–	28,824	28,824
Charged to other comprehensive income	36,901	–	36,901
At 31 December 2009, restated	79,884	56,679	136,563
Exchange differences	2,788	2,575	5,363
Charged to consolidated income statement	–	26,652	26,652
Charged to other comprehensive income	1,600	–	1,600
At 31 December 2010	84,272	85,906	170,178

Under the applicable income tax law in the PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has been provided to the extent of the undistributed profits of the PRC subsidiaries since 1 January 2008.

21. INVENTORIES

	2010 HK$'000	2009 HK$'000 (restated)
Group		
Bunker and other fuel oil	472,531	193,690
Trading merchandise	–	140,679
Consumable materials and others	88,984	73,268
	561,515	407,637

The cost of inventories recognised as expense and included in cost of sales amounted to HK$8,049,781,000 (2009: HK$6,222,543,000).

22. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2010 HK$'000	2009 HK$'000 (restated)	2010 HK$'000	2009 HK$'000
Trade receivables	2,219,232	1,957,553	–	–
Less : Provision for impairment	(24,822)	(22,284)	–	–
	2,194,410	1,935,269	–	–
Bank notes receivables	914,413	440,850	–	–
Trade and bank notes receivables, net	3,108,823	2,376,119	–	–
Other receivables	52,949	77,152	2,605	1,959
Prepayments	113,071	382,617	–	–
Amount due from a jointly controlled entity	17,934	13,318	–	–
	3,292,777	2,849,206	2,605	1,959

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

The amount due from a jointly controlled entity is unsecured, interest free and repayable on demand.

22. TRADE AND OTHER RECEIVABLES *(continued)*

In general, the Group grants a credit period of about 30 to 180 days to its trade customers. The ageing analysis of the Group's trade and bank notes receivables (net of provision of impairment) is as follows:

	2010	2009
	HK$'000	HK$'000
		(restated)
0 – 90 days	**2,789,247**	2,216,055
91 – 180 days	**302,578**	150,175
181 – 365 days	**15,003**	6,668
over 365 days	**1,995**	3,221
	3,108,823	2,376,119

The ageing analysis of the Group's trade receivables that were past due but not impaired is as follows:

	2010	2009
	HK$'000	HK$'000
		(restated)
91 – 180 days	**3,215**	–
181 – 365 days	**15,003**	6,668
	18,218	6,668

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

	2010	2009
	HK$'000	HK$'000
		(restated)
over 365 days	**26,817**	25,505

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

	2010	2009
	HK$'000	HK$'000
		(restated)
At 1 January	**22,284**	22,306
Exchange differences	**803**	44
Provision for receivables impairment	**1,735**	151
Reversal of provision	**–**	(217)
At 31 December	**24,822**	22,284

23. CASH AND CASH EQUIVALENTS

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
		(restated)		
Cash on hand and deposits *(Note 31(b)(ii))*	**4,438,366**	3,543,204	**9,275**	54,236

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

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
		(restated)		
Renminbi	**4,104,325**	3,320,406	**–**	–
US dollars	**324,667**	168,472	**–**	–
HK dollars	**9,374**	54,326	**9,275**	54,236
	4,438,366	3,543,204	**9,275**	54,236

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

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

24. SHARE CAPITAL

	2010 Number of shares	2010 HK$	2009 Number of shares	2009 HK$
Ordinary shares of HK$0.10 each:				
Authorised:				
At 1 January	**12,000,000,000**	**1,200,000,000**	5,000,000,000	500,000,000
Increase in authorised share capital *(Note i)*	**–**	**–**	7,000,000,000	700,000,000
At 31 December	**12,000,000,000**	**1,200,000,000**	12,000,000,000	1,200,000,000
Issued and fully paid:				
At 1 January	**1,787,100,000**	**178,710,000**	1,787,100,000	178,710,000
Shares issued upon placing of new shares *(Note ii)*	**1,076,370,000**	**107,637,000**	–	–
Shares issued upon acquisition of subsidiaries under common control *(Note iii)*	**3,294,530,000**	**329,453,000**	–	–
At 31 December	**6,158,000,000**	**615,800,000**	1,787,100,000	178,710,000

Notes:

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

ii. On 19 January 2010, the Company issued 1,076,370,000 new shares with nominal value of HK$0.10 each, at a price of HK$2.50 per share via placing. The placing proceeds, net of share issue expenses of approximately HK$2,623 million, was for financing the acquisition of Tianjin Port Co (Note 3).

iii. On 20 January 2010, the Company issued 3,294,530,000 new shares with nominal value of HK$0.10 each, for settling part of the consideration for the acquisition of Tianjin Port Co (Note 3). At the date of share issue, the closing market price of the Company's share was HK$2.68 per share. The fair value of the issued shares was approximately HK$8,829 million.

24. SHARE CAPITAL *(continued)*

Share option

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

Under the Scheme, the directors of the Company may, at their discretion, grant to any eligible person as defined under the Scheme to take up options to subscribe for shares of the Company at a subscription price to be determined by the directors of the Company pursuant to the relevant Listing Rules. The maximum number of shares issuable upon the exercise of all outstanding options to be granted under the Scheme must not, in aggregate, exceed 30% of the total number of shares in issue from time to time. The total number of shares in respect of which options may be granted under the Scheme and any other share option schemes of the Company shall not exceed 10% of the total number of shares in issue as at the date of listing of the Company's shares, unless separate approval is obtained. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

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

	2010		2009	
	Average exercise price HK$	Share options '000	Average exercise price HK$	Share options '000
At 1 January	2.66	15,600	2.60	14,200
Granted	2.26	6,300	2.72	2,900
Lapsed	2.28	(5,400)	2.28	(1,500)
At 31 December	2.63	16,500	2.66	15,600
Exercisable at 31 December		15,500		14,500

24. SHARE CAPITAL *(continued)*

Share option *(continued)*

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

	2010		2009	
	Remaining contractual life No. of years	Share options '000	Remaining contractual life No. of years	Share options '000
Exercise price				
HK$2.28	5.59	3,100	6.59	6,400
HK$2.28		–	0.25	2,100
HK$2.74	6.10	1,900	7.10	1,900
HK$4.24	7.07	1,300	8.07	1,300
HK$3.45	7.56	1,000	8.56	1,000
HK$2.53	8.42	1,800	9.42	1,800
HK$3.036	8.67	1,100	9.67	1,100
HK$2.34	9.28	5,300		–
HK$1.846	9.80	1,000		–
At 31 December		16,500		15,600

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

Date of grant	15 October 2010	8 April 2010	1 September 2009	1 June 2009
Exercise price	HK$1.846	HK$2.34	HK$3.036	HK$2.53
Expected volatility	64% *(Note i)*	66% *(Note i)*	49% *(Note ii)*	64% *(Note ii)*
Expected option life	5.0 years	4.2 & 3.9 years	5.0 years	4.5 & 3.5 years
Risk free interest rate	2.075%	2.82%	2.33%	2.715%
Dividend yield (semi-annual)	0.60%	0.47%	1.21%	0.613%
Fair value	HK$0.81	HK$0.98 & HK$0.84	HK$1.02	HK$1.08 & HK$0.87

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

Notes:

i. The expected volatility measured at the standard deviation is based on statistical analysis of the historical volatility of shares of the Company.

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

25. RESERVES

	Share premium HK$'000 *(Note i)*	Merger reserve HK$'000	Revaluation reserve HK$'000	Employee share-based compensation reserve HK$'000	Exchange reserve HK$'000	Statutory reserves HK$'000 *(Note ii)*	Other reserves HK$'000	Total HK$'000
Group								
Balance at 1 January 2009	1,096,834	820,962	–	8,753	535,379	217,884	–	2,679,812
Common control business combination *(Note 3)*	–	2,967,143	43,816	–	–	366,228	268,878	3,646,065
Balance at 1 January 2009, restated	1,096,834	3,788,105	43,816	8,753	535,379	584,112	268,878	6,325,877
Total comprehensive income for the year	–	–	47,535	–	19,714	–	–	67,249
Transfers	–	–	–	–	–	75,965	–	75,965
Share-based compensation	–	–	–	2,596	–	–	–	2,596
Balance at 31 December 2009, restated	1,096,834	3,788,105	91,351	11,349	555,093	660,077	268,878	6,471,687
Balance at 1 January 2010	1,096,834	820,962	9,800	11,349	542,749	230,091	–	2,711,785
Common control business combination *(Note 3)*	–	2,967,143	81,551	–	12,344	429,986	268,878	3,759,902
Balance at 1 January 2010, restated	1,096,834	3,788,105	91,351	11,349	555,093	660,077	268,878	6,471,687
Total comprehensive income for the year	–	–	13,436	–	308,080	–	–	321,516
Shares issued *(Note 24(ii))*	2,583,288	–	–	–	–	–	–	2,583,288
Shares issue expenses *(Note 24(ii))*	(68,100)	–	–	–	–	–	–	(68,100)
Common control business combination *(Note 24(iii))*	8,499,887	(12,899,552)	–	–	–	–	–	(4,399,665)
Transfers	–	–	–	–	–	74,089	–	74,089
Share-based compensation	–	–	–	5,883	–	–	–	5,883
Acquisition of additional interests in subsidiaries	–	–	–	–	–	–	9,970	9,970
Balance at 31 December 2010	12,111,909	(9,111,447)	104,787	17,232	863,173	734,166	278,848	4,998,668

Notes:

i. Under the Companies Law of the Cayman Islands, the share premium account is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business of the Company.

ii. In accordance with the PRC laws and regulations, companies established in the PRC are required to transfer a percentage of profit attributable to equity holders to reserves. The percentage of appropriation may be determined at the discretion of the board of directors of these companies. The reserves can be used to set off accumulated losses, capitalisation into capital and expansion of production.

25. RESERVES *(continued)*

	Share premium HK$'000 *(Note)*	Capital reserve HK$'000	Revaluation reserve HK$'000	Employee share-based compensation reserve HK$'000	Exchange reserve HK$'000	Total HK$'000
Company						
Balance at 1 January 2009	1,096,834	1,450,909	–	8,753	447,402	3,003,898
Exchange differences	–	–	–	–	6,634	6,634
Fair value gain on available-for-sale financial assets	–	–	9,800	–	–	9,800
Share-based compensation	–	–	–	2,596	–	2,596
Balance at 31 December 2009	1,096,834	1,450,909	9,800	11,349	454,036	3,022,928
Exchange differences	–	–	–	–	461,840	461,840
Shares issued *(Note 24(ii))*	2,583,288	–	–	–	–	2,583,288
Shares issue expenses *(Note 24(ii))*	(68,100)	–	–	–	–	(68,100)
Common control business combination *(Note 24(iii))*	8,499,887	–	–	–	–	8,499,887
Fair value gain on available-for-sale financial assets	–	–	11,800	–	–	11,800
Share-based compensation	–	–	–	5,883	–	5,883
Balance at 31 December 2010	12,111,909	1,450,909	21,600	17,232	915,876	14,517,526

Note: Under the Companies Law of the Cayman Islands, the share premium account is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business of the Company.

26. BORROWINGS

Details of the Group's borrowings are as follows:

		2010 HK$'000	2009 HK$'000 (restated)
(a)	Unsecured borrowings *(Note 31(b))*:		
	Non-current		
	Long-term borrowings	**8,002,251**	5,990,179
	Current		
	Short-term borrowings	**1,796,771**	1,630,270
	Current portion of long-term borrowings	**251,498**	820,268
		2,048,269	2,450,538
		10,050,520	8,440,717
(b)	Repayable:		
	Within 1 year	**2,048,269**	2,450,538
	Between 1 to 2 years	**2,170,478**	755,510
	Between 2 to 5 years	**3,207,560**	4,294,596
	Over 5 years	**2,624,213**	940,073
		10,050,520	8,440,717
(c)	Carrying amounts are denominated in the following currencies:		
	Renminbi	**6,216,465**	6,180,175
	HK dollars	**2,826,726**	1,225,526
	US dollars	**1,007,329**	1,035,016
		10,050,520	8,440,717
(d)	Effective interest rates per annum at 31 December:		
	Renminbi	**3.3%-6.1%**	3.3%-6.1%
	HK dollars	**0.7%-1.8%**	0.5%-1.6%
	US dollars	**0.8%-1.8%**	0.8%-1.8%

The carrying amounts of borrowings approximate their fair values.

27. TRADE AND OTHER PAYABLES

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
		(restated)		
Trade payables	**1,856,838**	1,445,662	**–**	–
Bank notes payables	**190,035**	391,454	**–**	–
Trade and bank notes payables	**2,046,873**	1,837,116	**–**	–
Deposits from customers	**506,900**	503,222	**–**	–
Dividend payable to				
– equity holders of the Company	**57,984**	–	**57,984**	–
– non-controlling interests	**167,419**	37,244	**–**	–
Other non-trade payables	**509,422**	608,681	**23,813**	62,201
	3,288,598	2,986,263	**81,797**	62,201

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

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

	2010	2009
	HK$'000	HK$'000
		(restated)
0 – 90 days	**1,653,148**	1,451,846
91 – 180 days	**257,866**	244,825
181 – 365 days	**83,079**	79,254
over 365 days	**52,780**	61,191
	2,046,873	1,837,116

28. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash generated from operations

	2010	2009
	HK$'000	HK$'000
		(restated)
Profit before income tax	**1,582,249**	1,141,163
Adjustments for:		
– Interest income	**(61,705)**	(52,143)
– Finance costs	**367,464**	315,878
– Share of results of associates	**(118,593)**	(78,616)
– Share of results of jointly controlled entities	**4,315**	(16,678)
– Dividends from available-for-sale financial assets	**(11,436)**	(2,283)
– Loss/(gain) on disposal of property, plant and equipment	**1,248**	(5,467)
– Reversal of provision of impairment of trade receivables	**–**	(217)
– Provision of impairment of trade receivables	**1,735**	151
– Gain on deemed disposal of a subsidiary	**–**	(41,578)
– Gain on disposal of subsidiaries	**–**	(660)
– Gain on disposal of associates	**–**	(2,125)
– Amortisation of prepaid lease payments	**100,761**	99,621
– Amortisation of intangible assets	**7,512**	5,199
– Depreciation of property, plant and equipment	**796,842**	762,300
– Share-based payments	**5,883**	2,596
– Exchange differences	**(117,944)**	(15,008)
Changes in working capital:		
– Inventories	**(152,817)**	(235,844)
– Trade and other receivables	**(476,342)**	(1,105,779)
– Trade and other payables	**280,984**	744,979
Cash generated from operations	**2,210,156**	1,515,489

(b) Non-cash transactions

The principal non-cash transaction is the issue of shares of the Company as consideration for the acquisition of Tianjin Port Co disclosed in Note 3.

29. COMMITMENTS

(a) Capital commitments

	2010 HK$'000	2009 HK$'000 (restated)
Group		
Contracted but not provided for		
– Property, plant and equipment	176,842	73,704
Authorised but not contracted for		
– Property, plant and equipment	1,285,792	1,006,661

In additional to the above, the following is the progress of other construction project investment plans:

1. On 18 August 2008, the board of Tianjin Port Co resolved that Tianjin Port Co will set up a joint venture company, Tianjin Port Shenghua International Container Terminal Co., Ltd ("Shenghua International"), with Grand Asia International Shipping Ltd. and Terminal Link Tianjin Limited. Shenghua International will invest in the construction project of container terminals at Beigangchi berth no. 8-10. Total investment of the construction project amounted to approximately RMB4.20 billion. The joint venture will have a registered capital of RMB1.47 billion and Tianjin Port Co will be interested in 60% of the equity interest in the joint venture. As at 31 December 2010, the formation of the joint venture and the preparatory work of the construction project is in progress.

2. On 23 December 2008, the board of Tianjin Port Co resolved that Tianjin Port Co will set up a joint venture company, Tianjin Port Yuan Hang International Ore Terminal Co., Ltd ("Yuan Hang International"), with Ocean Line Holdings Ltd.. Yuan Hang International will invest in the construction project of specialised ore terminals at Tianjin Port Nanjiang berth no. 26. Total investment of the construction project amounted to approximately RMB2.94 billion. The joint venture will have a registered capital of RMB1.03 billion and Tianjin Port Co will be interested in 51% of the equity interest in the joint venture. As at 31 December 2010, the formation of the joint venture and the preparatory work of the construction project is in progress.

29. COMMITMENTS *(continued)*

(b) Operating lease commitments

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

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
		(restated)		
Within one year	**117,442**	94,453	**3,902**	4,683
In the second to fifth year inclusive	**256,571**	250,894	**–**	3,902
More than five years	**704,480**	724,813	**–**	–
	1,078,493	1,070,160	**3,902**	8,585

30. FINANCIAL GUARANTEE

The Company has given guarantee of HK$3,050,000,000 for one of its wholly-owned subsidiaries in respect of its banking facilities. As at 31 December 2010, HK$2,880,000,000 of the banking facilities has been utilised (2009: HK$1,310,000,000).

31. SIGNIFICANT RELATED-PARTY TRANSACTIONS

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

(a) Transactions with related parties of the Group

		2010 HK$'000	2009 HK$'000 (restated)
(i)	**With Tianjin Port Group and fellow subsidiaries:**		
	Sales of goods and services	111,675	40,624
	Purchases of goods and services	429,077	225,753
	Expenses paid for rental of land, property, plant and equipment	137,072	108,519
	Interest expenses	1,334	–
	Sales of property, plant and equipment	5,521	–
	Acquisition of property, plant and equipment	6,972	45,142
(ii)	**With associates:**		
	Sales of goods and services	98,479	81,857
	Purchases of goods and services	526,811	549,722
	Expenses paid for rental of property, plant and equipment	19,404	15,785
	Income received for rental of property, plant and equipment	19,566	3,262
	Interest income	6,556	20,332
	Interest expenses	99,989	91,677
(iii)	**With jointly controlled entities:**		
	Sales of goods and services	116,866	41,706
	Purchases of goods and services	95,120	59,677
	Interest income	5,316	7,208

31. SIGNIFICANT RELATED-PARTY TRANSACTIONS *(continued)*

(b) Balances with related parties of the Group

	2010 HK$'000	2009 HK$'000 (restated)
(i) With Tianjin Port Group and fellow subsidiaries:		
Trade and other receivables	14,505	877
Trade and other payables	293,666	286,688
Borrowings *(Note i.1)*	29,381	–
(ii) With associates:		
Trade and other receivables	13,236	8,839
Trade and other payables	36,826	6,581
Deposits *(Note i.2)*	1,017,291	1,948,779
Borrowings *(Note i.3)*	2,109,531	2,044,990
(iii) With jointly controlled entities:		
Trade and other receivables	19,497	13,545
Trade and other payables	16,235	8,316
Loan to a jointly controlled entity	141,623	141,108

Notes:

i.1 Borrowings from Tianjin Port Group are unsecured, bear interest rates at prevailing market rates and repayable in 2011.

i.2 Deposits placed with Tianjin Port Finance Co., Ltd. ("Tianjin Port Finance"), a 48% owned associate, bear interest rates at prevailing market rates.

i.3 Borrowings from Tianjin Port Finance are unsecured, bear interest rates ranged from 4.2% to 5.4% per annum and are repayable within 5 years.

31. SIGNIFICANT RELATED-PARTY TRANSACTIONS *(continued)*

(c) Transactions and balances with other state-owned entities in the PRC

The Group operates in an economic environment currently predominated by enterprises directly or indirectly owned or controlled by the PRC government (hereinafter collectively referred to as "state-owned entities". The directors of the Company consider those state-owned entities are independent third parties so far as the Group's business transactions with them are concerned.

The ultimate holding company, Tianjin Port Group, is a state-owned entity whilst most of the associates and jointly controlled entities of the Group are also owned or controlled by the PRC government, the transactions and balances of which are disclosed in note (a) and (b) above.

In addition to those disclosed above, as at 31 December 2010, majority of the Group's cash and deposits and borrowings held by subsidiaries in the PRC are with state-owned banks and financial institutions.

(d) Key management compensation

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

32. EVENTS AFTER BALANCE SHEET DATE

(a) Formation of a joint venture company

On 22 March 2011, the board of Tianjin Port Co, a subsidiary of the Group, approved the entering into of a joint venture agreement with Tianjin Port Electricity Project Co., Ltd., a subsidiary of Tianjin Port Group, and Tianjin Binhai Teda Logistics (Group) Corporation Limited in relation to the establishment of a joint venture company. The Group will invest approximately RMB76.5 million for the subscription of 51% equity interests in the joint venture company and will be funded by internal resources of the Group. The joint venture company will be set up as an automobiles logistic center at the port of Tianjin responsible for the carrying out of logistic services including the storage, logistic and distribution of import and export automobiles, automobiles processing and maintenance, and international logistic agency services.

(b) Acquisition of 50% equity interests in Tianjin Port Shihua Crude Oil Terminal Co., Ltd. ("Tianjin Port Shihua")

On 22 March 2011, the board of Tianjin Port Co, a subsidiary of the Group approved the entering into of an acquisition agreement with Tianjin Port Group to acquire the 50% equity interests in Tianjin Port Shihua at a consideration of approximately RMB329.6 million and will be funded by internal resources of the Group. Tianjin Port Shihua is principally engaged in port operation, cargo handling, transhipment and tallying at a crude oil terminal with 300,000-tonne capacity at the port of Tianjin.

33. FINANCIAL RISK MANAGEMENT

33.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow and fair value interest rate risk and price risk), credit risk, and liquidity risk. The Group's financial risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. As at 31 December 2010, the Group does not use any derivative financial instruments to hedge against its financial risk exposures.

(a) Market risk

(i) Foreign exchange risk

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

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

At 31 December 2010, if Renminbi had weakened/strengthened by 5% against non-functional currency, with all other variables held constant, the Group's profit for the year would have been approximately HK$162 million lower/higher, mainly as a result of foreign exchange losses/gains on translation of the outstanding non-functional currency denominated monetary items including deposits, receivables, payables and borrowings of the Group (2009: the Group's profit for the year would have been approximately HK$96 million lower/higher). Results is more sensitive to the movement in 2010 than 2009 because of the relatively larger non-functional currency denominated monetary items held by the Group in 2010.

(ii) Cash flow and fair value interest rate risk

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

At 31 December 2010, if interest rate has been 50 basis points higher/lower with all other variables held constant, the Group's profit for the year would have been approximately HK$41 million lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings (2009: the Group's profit for the year would have been approximately HK$34 million lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings).

33. FINANCIAL RISK MANAGEMENT *(continued)*

33.1 Financial risk factors *(continued)*

(a) Market risk *(continued)*

(iii) Price risk

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

At 31 December 2010, if the price of the listed equity investment had been 10% higher/lower with all other variables held constant, the Group's total equity would have increased/decreased by HK$38 million (2009: increased/decreased HK$35 million) as a result of changes in fair value for the listed equity investments classified as available-for-sale.

(b) Credit risk

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

33. FINANCIAL RISK MANAGEMENT *(continued)*

33.1 Financial risk factors *(continued)*

(c) Liquidity risk

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

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

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

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	HK$'000	HK$'000	HK$'000	HK$'000
Group				
At 31 December 2010				
Trade and other payables	**3,288,598**	**–**	**–**	**–**
Borrowings	**2,357,509**	**2,382,151**	**3,483,648**	**2,888,902**
	5,646,107	**2,382,151**	**3,483,648**	**2,888,902**
At 31 December 2009, restated				
Trade and other payables	2,986,263	–	–	–
Borrowings	2,736,284	969,484	4,515,056	968,208
	5,722,547	969,484	4,515,056	968,208

33. FINANCIAL RISK MANAGEMENT *(continued)*

33.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital structure using the gearing ratio (consolidated total borrowings to total equity). The Group's gearing ratio at 31 December 2010 was 55.2% (2009: 46.4%).

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

33.3 Fair value estimation

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

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

At 31 December 2010, the financial instrument measured in fair value of the Group is the listed equity securities, which is classified as available-for-sale and measured by the quoted price, and included in level 1.

34. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT

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

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

34.1 Useful lives and impairment of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The impairment loss for property, plant and equipment is recognised to the extent by which the carrying amount exceeds their recoverable amount.

34.2 Provision for impairment of receivables

The Group's management determines the provision for impairment of receivables (including trade and other receivables and amounts due from subsidiaries). This estimate is based on the credit history and financial position of the debtors and all other relevant factors. Management will reassess the provision by each balance sheet date.

34.3 Deferred income tax

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.

The Group's management determines the deferred income tax assets based on the enacted or substantially enacted tax rates and laws and best knowledge of profit projections of the Group for coming years during which the deferred income tax assets are expected to be recovered. Management will revise the assumptions and profit projections by each balance sheet date.

35. PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

At 31 December 2010, the Group had the following principal subsidiaries, associates and jointly controlled entities which, in the opinion of the directors of the Company, materially affect the results and/or assets of the Group.

(a) Subsidiaries

The following are principal subsidiaries in which the Company has indirect interest at 31 December 2010:

Name	Issued share capital	Interest held (%)	Principal activities
Incorporated and operating in the PRC:			
Listed			
Tianjin Port Holdings Co., Ltd.#	RMB1,674,769,120	56.81	Cargo handling, agency and ancillary services
Unlisted			
Tianjin Port No. 1 Stevedoring Co., Ltd.**	RMB212,244,000	100	Container handling, non-containerised cargo handling and ancillary services
Tianjin Port No. 2 Stevedoring Co., Ltd.***	RMB815,180,100	100	Container handling, non-containerised cargo handling and ancillary services
Tianjin Port No. 4 Stevedoring Co., Ltd.**	RMB154,761,000	100	Non-containerised cargo handling and ancillary services
Tianjin Port No. 5 Stevedoring Co., Ltd.**	RMB496,278,000	100	Non-containerised cargo handling and ancillary services

35. PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES *(continued)*

(a) Subsidiaries *(continued)*

Name	Issued share capital	Interest held (%)	Principal activities
Tianjin Port Container Terminal Co., Ltd.***	RMB1,021,230,000	100	Container handling and ancillary services
Tianjin Port Coke Terminals Co., Ltd.**	RMB600,000,000	100	Non-containerised cargo handling and ancillary services
Tianjin Port Petrochemicals Terminal Company Limited**	RMB110,700,000	100	Non-containerised cargo handling and ancillary services
Tianjin Port Tugboat Lighter Co., Ltd.**	RMB82,541,000	100	Tugboat services
Tianjin Port Passenger Transport Co., Ltd.**	RMB58,968,000	100	Non-containerised handling, passenger and ancillary services
Tianjin Port Goods and Materials Supplying Co., Ltd.**	RMB80,896,000	100	Sales of materials
Tianjin Port Logistics Development Co., Ltd.**	RMB666,730,000	100	Agency and port ancillary services
Tianjin Xingang Sinor Terminal Co., Ltd.**	RMB26,079,000	100	Non-containerised cargo handling and ancillary services
Tianjin Ocean Shipping Tally Co., Ltd.**	RMB1,610,000	84	Tallying services
China Ocean Shipping Agency Company Tianjin Limited**	RMB101,220,000	60	Agency services
TPG Global RO-RO Terminal Co., Ltd.*	RMB264,460,000	56.17	Non-containerised cargo handling and ancillary services
Tianjin Port Ro-Ro Terminal Co., Ltd.*	US$23,500,000	56.17	Non-containerised cargo handling and ancillary services

35. PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES *(continued)*

(a) Subsidiaries *(continued)*

Name	Issued share capital	Interest held (%)	Principal activities
CHIMBUSCO Marine Bunker (Tianjin) Co., Ltd.**	RMB200,000,000	53	Sales of fuel oil
Tianjin Orient Container Terminals Co., Ltd.*	US$29,200,000	51	Container handling and ancillary services
Tianjin Port Yuanhang Ore Terminal Co., Ltd.*	US$58,895,400	51	Non-containerised cargo handling and ancillary services
Tianjin Port Yuanhang Bulk Cargo Terminal Co., Ltd.*	US$38,400,000	51	Non-containerised cargo handling and ancillary services
Tianjin Port Pacific International Container Terminal Co., Ltd.*	RMB2,303,350,000	51	Container handling and ancillary services
Tianjin Port China Coal Hua'neng Coal Terminal Co., Ltd.**	RMB1,125,000,000	51	Non-containerised cargo handling and ancillary services
Tianjin Haitian Bonded Logistics Co., Ltd.*	RMB210,000,000	51	Warehousing, logistics and ancillary services
Tianjin Port CNAF Terminal Co., Ltd.**	RMB130,000,000	51	Non-containerised cargo handling and ancillary services

Notes:

- # Joint stock company with limited liability
- * Sino-foreign joint venture
- ** Limited liability company
- *** Wholly-foreign owned enterprise

35. PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES *(continued)*

(b) Associates

The following are principal associates at 31 December 2010, all of which are unlisted, incorporated and operating in the PRC:

Name	Issued share capital	Interest held (%)	Principal activities
Tianjin Port Finance Co., Ltd.	RMB500,000,000	48	Financial services
Shenhua Tianjin Coal Terminal Co., Ltd.	RMB1,264,000,000	45	Non-containerised cargo handling and ancillary services
Tianjin Gangjian Commercial Concrete Co., Ltd.	RMB17,680,000	41	Port ancillary services
Tianjin Five Continents International Container Terminal Co., Ltd.	RMB1,145,000,000	40	Container handling and ancillary services
Tianjin Port Bulk Cargo Exchange Market Co., Ltd.	RMB30,000,000	40	Exchange market services
Tianjin Henggang Refueling Service Co., Ltd.	RMB9,000,000	30	Sales of fuel
Tianjin Port International Automobile Logistics Co., Ltd.	RMB5,000,000	20	Agency services

35. PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES *(continued)*

(c) Jointly controlled entities

The following are principal jointly controlled entities at 31 December 2010, all of which are unlisted, incorporated and operating in the PRC:

Name	Issued share capital	Interest held (%)	Principal activities
Tianjin Port Haifeng Bonded Logistics Co., Ltd.	RMB300,000,000	51	Warehousing, logistics and ancillary services
Tianjin Port Alliance International Container Terminal Co., Ltd.	US$160,000,000	40	Container handling and ancillary services
Tianjin Port Euroasia International Container Terminal Co., Ltd.	RMB1,260,000,000	40	Container handling and ancillary services
Vopak Nanjiang Petrochemical Terminal Tianjin Company Limited	US$8,460,000	50	Warehousing, logistics and ancillary services
Tianjin Nanjiang Gas Station Co., Ltd.	RMB6,800,000	50	Sales of fuel
Tianjin Dehai Petroleum Products Sales Co., Ltd.	RMB30,000,000	50	Sales of fuel

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

36. ULTIMATE HOLDING COMPANY

The directors of the Company consider Tianjin Port (Group) Co., Ltd., a company established in the PRC as the ultimate holding company.

37. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 28 March 2011.

For the year ended 31 December

Consolidated Income Statement

	2006 HK$'000 *(Note 1)*	2007 HK$'000	2008 HK$'000	2009 HK$'000 *(Note 2)*	**2010 HK$'000**
Revenue	1,036,495	1,193,777	1,258,991	12,507,534	**15,052,720**
Business tax and surcharge	(31,494)	(36,347)	(38,415)	(236,578)	**(267,696)**
Cost of sales	(484,163)	(561,701)	(689,691)	(9,434,508)	**(11,576,885)**
Gross profit	520,838	595,729	530,885	2,836,448	**3,208,139**
Other income	123,077	35,615	57,956	129,515	**204,618**
Administrative expenses	(277,812)	(309,808)	(363,600)	(1,602,132)	**(1,568,180)**
Other operating expenses	(17,676)	(31,204)	(2,675)	(2,084)	**(9,142)**
	348,427	290,332	222,566	1,361,747	**1,835,435**
Provision for impairment losses on available-for-sale financial assets	–	–	(25,253)	–	**–**
Finance costs	(8,199)	(3,329)	(26,529)	(315,878)	**(367,464)**
Share of results of associates	983	790	1,495	78,616	**118,593**
Share of results of jointly controlled entities	–	–	8,755	16,678	**(4,315)**
Profit before income tax	341,211	287,793	181,034	1,141,163	**1,582,249**
Income tax	(36,938)	(47,151)	(50,414)	(229,388)	**(283,672)**
Profit for the year	304,273	240,642	130,620	911,775	**1,298,577**
Attributable to:					
Equity holders of the Company	304,037	240,394	130,289	370,383	**570,586**
Non-controlling interests	236	248	331	541,392	**727,991**
	304,273	240,642	130,620	911,775	**1,298,577**

Consolidated Balance Sheet

	2006 HK$'000 *(Note 1)*	2007 HK$'000	2008 HK$'000	2009 HK$'000 *(Note 2)*	**2010 HK$'000**
Land use rights	731,855	768,696	792,437	4,312,788	**4,436,395**
Property, plant and equipment	1,742,992	1,802,656	1,842,794	14,800,738	**14,949,153**
Intangible assets	–	–	–	23,230	**30,198**
Interests in associates	23,847	24,981	28,513	1,680,024	**1,797,348**
Interests in jointly controlled entities	–	704,467	1,430,037	1,630,301	**1,660,189**
Available-for-sale financial assets	13,748	5,744	20,873	450,051	**483,050**
Deferred income tax assets	4,960	8,899	9,410	106,682	**109,123**
Net current assets	484,606	468,556	635,037	1,317,708	**2,917,748**
Employment of capital	3,002,008	3,783,999	4,759,101	24,321,522	**26,383,204**
Share capital	178,670	178,710	178,710	178,710	**615,800**
Reserves	2,153,431	2,442,864	2,679,812	6,471,687	**4,998,668**
Retained earnings	666,119	768,224	755,896	3,162,309	**3,550,425**
Shareholders funds	2,998,220	3,389,798	3,614,418	9,812,706	**9,164,893**
Non-controlling interests	3,788	4,201	4,433	8,381,136	**9,044,911**
Long term liabilities	–	390,000	1,140,250	6,127,680	**8,173,400**
Capital employed	3,002,008	3,783,999	4,759,101	24,321,522	**26,383,204**

Notes:

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

2. The financial information of the Group for the year ended 31 December 2009 and as at 31 December 2009 have been restated on the basis that the structure and business activities of the Group immediately after the acquisition of Tianjin Port Co completed in 2010 had been in existence throughout the year presented. The financial information of the Group prior to 2009 are not restated.

EXECUTIVE DIRECTORS

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

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

CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY

Mr. YAM Pui Hung, Robert

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

PRINCIPAL LEGAL ADVISORS

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

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Nanyang Commercial Bank, Limited

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* Members of the Audit Committee, Dr. Cheng is the chairman of the committee

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