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

ANNUAL REPORT 2010

Stock Code : 882

CONTENTS

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-Executive Directors

Mr. Cheung Wing Yui, Edward
Dr. Chan Ching Har, Eliza

Independent Non-Executive Directors

Dr. Cheng Hon Kwan
Mr. Mak Kwai Wing, Alexander
Ms. Ng Yi Kum, Estella

COMPANY SECRETARY

Mr. Tuen Kong, Simon

AUTHORIZED REPRESENTATIVES

Mr. Wu Xuemin
Mr. Tuen Kong, Simon

INDEPENDENT AUDITOR

Deloitte Touche Tohmatsu

SOLICITOR

Woo, Kwan, Lee & Lo

REGISTERED OFFICE

Suites 7-13, 36th Floor
China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

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Facsimile : (852) 2311 0896

SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

STOCK CODE

882.HK

PRINCIPAL BANKERS

Industrial and Commercial Bank of China (Asia) Limited
Bank of China (Hong Kong) Limited
Hang Seng Bank Limited
CITIC Bank International Limited
DBS Bank Ltd., Hong Kong Branch
Crédit Agricole Corporate and Investment Bank
The Hongkong and Shanghai Banking Corporation Limited

Business Structure

Tianjin Development Holdings Limited

Utilities

Electricity
Water
Heat and Thermal Power

Commercial Properties

Courtyard by Marriott Hong Kong
Hyatt Regency Tianjin Hotel

Strategic and Other Investments

Dynasty Fine Wines (828.HK)
Tianjin Port (3382.HK)
Elevators and Escalators

Business Structure

UTILITIES

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

COMMERCIAL PROPERTIES

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

STRATEGIC AND OTHER INVESTMENTS

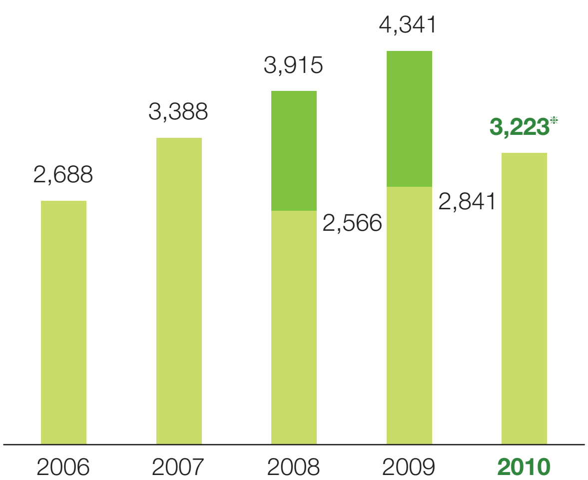
Operations/ Investments	Share-holding	Company Name	Principal Activities
Winery	44.70%	Dynasty Fine Wines Group Limited	Produce and sale of winery products
Port Services	21%	Tianjin Port Development Holdings Limited	Provision of port services in Tianjin
Elevators & Escalators	16.55%	Otis Elevator (China) Investment Company Limited	Manufacture and sale of elevators and escalators

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

Financial Highlights

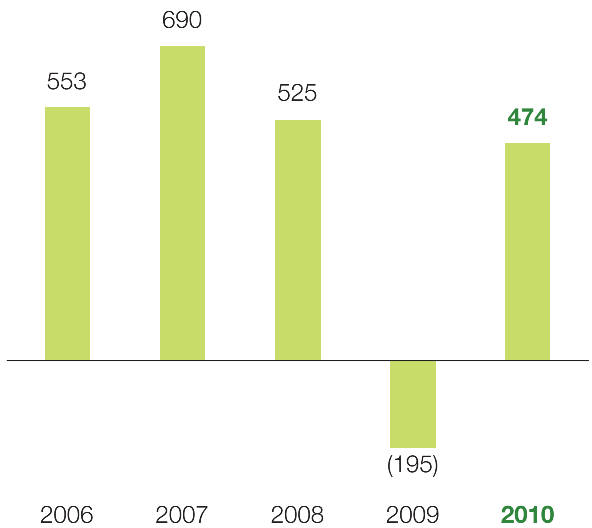
Turnover HK$ million

(for the year ended 31 December)



Profit (loss) Attributable to Owners of the Company HK$ million

(for the year ended 31 December)

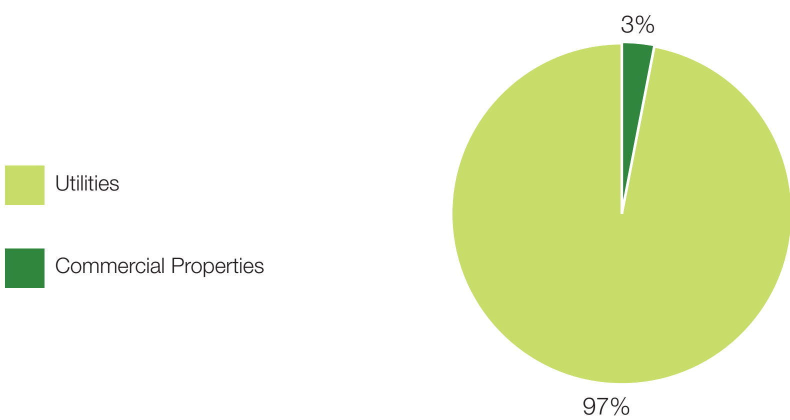


* The turnover does not include revenue from the operation of toll roads and port services due to the reason that no toll fee generated since 1 January 2010 and the port services ceased being a subsidiary of the Group, and became an associate in February 2010.

Results of the operation of toll roads and port services were separately presented from the continuing operations in 2009. The results prior to 2008 have not been restated.

Turnover by Activities

(for the year ended 31 December 2010)



SEGMENTAL ANALYSIS BY OPERATIONS

Turnover

	Year ended 31 December 2010 HK$ million	2009 HK$ million	Changes (%)
Utilities	**3,137**	2,755	14
Commercial Properties	**86**	86	–
Port Services (note)	**–**	1,370	N/A
Toll Roads (note)	**–**	130	N/A
	3,223	4,341	N/A

note: There was no revenue from the operation of toll roads since 1 January 2010 and the Group's interest in toll roads was disposed of in August 2010, while the reorganization of port services was completed in February 2010, the Group's interest in port services was diluted from 67% to 21% and port services become an associate of the Group.

Profit (loss) Attributable to Owners of the Company

	Year ended 31 December 2010 HK$ million	2009 HK$ million	Changes HK$ million
Utilities	**(691)**	155	(846)
Commercial Properties	**(54)**	(27)	(27)
Winery	**71**	70	1
Elevators and Escalators	**297**	219	78
Port Services (note (i))	**110**	(32)	142
Toll Roads (note (i))	**(41)**	(541)	500
Exceptional gains (note (ii))	**866**	–	866
Corporate and others	**(84)**	(39)	(45)
	474	(195)	669

notes:

(i) Profit (loss) attributable to owners of the Company from the operation of toll roads is separately presented from the continuing operations, while after the completion of the deemed disposal of Tianjin Port, port services continue to constitute a reportable operating segment of the Group.

(ii) Exceptional gains include the gains from disposal of interests in toll roads and the deemed disposal of Tianjin Port.

Chairman's Statement

Mr. Yu Rumin
Chairman

OVERVIEW OF 2010 ANNUAL RESULTS

The audited consolidated profit attributable to shareholders of Tianjin Development Holdings Limited for the year ended 31 December 2010 was approximately HK$474,000,000, representing a significant improvement over last year's loss attributable to shareholders of HK$195,000,000. If excluding the one-off gains of approximately HK$866,000,000 and the one-off impairment losses of approximately HK$758,000,000, there would be a recurring profit of approximately HK$407,000,000, representing an increase of approximately 5% compared with the recurring profit of HK$389,000,000 last year. In view of the needs for long-term development of the Company, a final dividend is not recommended by the Directors.

STRATEGIC DEVELOPMENT

The Company has made satisfactory progress in restructuring its businesses last year. Besides, it has made full preparation for focusing on businesses with sustainable development potential.

During the year, under the support of the Tianjin Municipal Government, the Company has completed its divestment from Eastern Outer Ring Road and Jinbin Expressway and received expected results. The orderly divestment of non-core businesses and the increase of cash in hand would enable the Company to further optimize its asset structure and gradually become a holding company with prominent and core business.

Utility operations remained stable but also encountered great challenges. The change in policies of granting supplemental income by the Finance Bureau of Tianjin Economic and Technological Development Area ("TEDA Finance Bureau") for our utility operations shall have material adverse impact on their operating profit margin and return.

Hotel operations met our expectation. Courtyard by Marriott Hong Kong became an ideal lodge for business and leisure travellers, with an average occupancy rate of approximately 83% and pre-tax earnings recorded. Hyatt Regency Tianjin Hotel was classified as assets held for sale.

Strategic investments received good investment returns during the year. Profits contributed by Dynasty Fine Wines Group Limited, Tianjin Port Development Holdings Limited and Otis Elevator (China) Investment Company Limited have reached or exceeded expected levels, and achieved satisfactory results.

CORPORATE GOVERNANCE

In order to improve the corporate governance, the Company has established the investment committee consisting mainly of non-executive directors in April 2010. The investment committee is responsible for reviewing proposals related to various investment plans and evaluating our risk management in an effective manner. The committee will advice the Board directly.

As always, the Company has highly valued on the standards for good corporate governance and proper implementation of the guidelines as set out in the Code on Corporate Governance Practices. Whilst transparency continues to improve, and effort has been made to ensure timely disclosure of all information.

The Board is committed to the shareholders that it maintains high level of corporate governance standard and reviews the Company's existing policies from time to time. In doing so, the Board strives to make further improvement in all management processes and enables the management team to make decisions beneficial to the Company. During the year, the Company maintained sufficient communication with the investors and had shared with them the future development strategies of the Company.

INTERNAL CONTROL

During the year, the Company continued to engage external consultancy firms to review its internal control and risk management system, so as to ensure the interests of shareholders are being protected. The review covered matters involving finance, operation, compliance and risk management after our Tianjin representative office was closed.

OUTLOOK

Looking forward in 2011, the global political and economic situations are full of uncertainties. In spite of various challenges in business environment, the Company is laying solid foundations for its future development. The Company was able to record profit in 2010 despite of its divestment of toll road business and the change in the government's supplemental income policies, it was demonstrated that the reorganization of our existing businesses has achieved initial results. With the new economic policies and measures implemented by the central government, the Company will continue to actively participate in the restructuring of the state-owned assets of Tianjin city, and under the strong support of Tianjin Municipal Government and the parent company, accomplish orderly the business restructuring while maintaining steady and sustainable growth of various businesses.

Chairman's Statement

The Company will stick to its policy of equally emphasizing development and prudence. Meanwhile, it will adhere to its prudent financial discipline and strive for success in its development strategies. Looking ahead, the Company is fully confident in the outlook of 2011 and beyond.

I would like to take this opportunity to express my gratitude to all members of the Board, the management team and employees for their persevering efforts and contributions.

Yu Rumin
Chairman

29 March 2011, Hong Kong

Management Discussion and Analysis

REVIEW OF OPERATIONS

Utilities

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

Electricity Operation

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

In 2010, the Group's electricity operation reported revenue of approximately HK$1,938,400,000 and profit for the year of approximately HK$40,990,000, representing an increase of 16% and a decrease of 46% respectively over the last year. The decrease in profit for the year was mainly attributable to the increment in expenses and the decrease of supplemental income from the TEDA Finance Bureau. The total quantity of electricity sold for the year was approximately 2,496,935,000 kWh, representing an increase of 12% over the last year.

Water Operation

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

In 2010, the Group's water operation reported revenue of approximately HK$314,000,000 and loss for the year of approximately HK$286,600,000. Excluding the provision for impairment loss due to the change in supplemental income policy of TEDA, loss would have been approximately HK$22,800,000, representing a decrease of 2% and a decrease of 140% respectively over the last year. The total quantity of water sold for the year was approximately 47,719,000 tonnes, representing an increase of 5% over the last year. Loss for the year was primarily due to the increase of incremental expenditure and depreciation expenses arising from a water purification project which came into operation in the first half of 2010 and the decrease of government supplemental income.

Heat and Thermal Power Operation

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

In 2010, the Group's heat and thermal power operation reported revenue of approximately HK$885,000,000 and loss for the year of approximately HK$505,000,000. Excluding the provision for impairment loss due to the change in supplemental income policy of TEDA, loss would have been approximately HK$15,300,000, representing an increase of 15% and a decrease of 144% respectively over the last year. Loss for the year was mainly due to the provision for impairment loss owing to the decrease of government supplemental income and the increase in purchase cost. The total quantity of steam sold for 2010 was approximately 3,820,000 tonnes, representing an increase of 14% over last year.

Locating at the TEDA with a planned site area of 33 square kilometres in the east area and 48 square kilometres in the west area, Electricity Company, Water Company and Heat & Power Company have been providing utility services for the TEDA.

Change in the Supplemental Income Policy and Asset Impairment

Before 2010, Electricity Company, Water Company and Heat & Power Company all enjoyed government supplemental income. The TEDA Finance Bureau agreed to, at the end of each financial year, grant to Electricity Company, Water Company and Heat & Power Company quantity-based supplemental income each year calculated at RMB0.02 per kWh of electricity supplied, RMB2 per tonne of water supplied and RMB50 per tonne of steam supplied respectively.

On 2 March 2011, the Company has been informed by TEDA Finance Bureau that as a change in government policy, effective for the year 2010, the basis of calculating the supplemental income to be granted by TEDA Finance Bureau to the utility businesses of the Group will be changed from one based on units supplied by the Group to a lump sum to be negotiated between the Company and TEDA Finance Bureau on an annual basis. The amount of supplemental income for the financial year ended 31 December 2010 will be less than what the Group would otherwise be granted under the previous quantity-based arrangement. Further, based on discussion with TEDA Finance Bureau, the Board expects that the supplemental income for the year 2011 and thereafter will be further reduced despite an anticipated increase in the scale of the operation of the utility businesses. This change in government policy has not only adversely affected the operating margins of the Group's utility businesses, it may also materially and adversely impact the recoverable amount of the Group's investment in the utility businesses, principally in the form of property, plant and equipment. In view of this, the Company has exercised caution to make provision for impairment losses for relevant assets of Water Company and Heat & Power Company of approximately HK$264,000,000 and approximately HK$489,000,000, respectively, totalling approximately HK$753,000,000. Due to the change in the government's supplemental policy, supplemental income of the Group's utility operations reduced by approximately HK$33,300,000 compared to the previous quantity-based arrangement of last year.

Commercial Properties

Courtyard by Marriott Hong Kong

Courtyard by Marriott Hong Kong ("Courtyard"), situated in a prime location on the Hong Kong Island, is a 4-star hotel with 245 guest rooms. It is positioned as an ideal lodge for business and leisure travellers.

In 2010, Courtyard reported satisfactory results with revenue of approximately HK$84,900,000 and loss for the year of approximately HK$3,000,000. Excluding one-off deferred taxation, it would have recorded a profit of approximately HK$7,500,000. During the year under review, the average occupancy rate was approximately 83%.

Hyatt Regency Tianjin Hotel

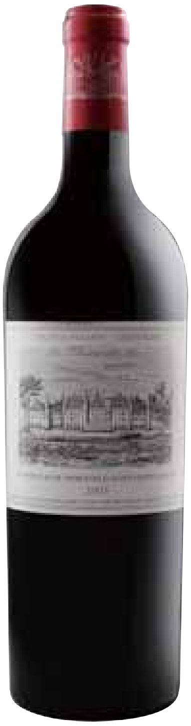
The Group has 75% equity interest in Hyatt Regency Tianjin Hotel ("Hyatt Hotel"). Hyatt Hotel closed its business during the year under review and has completed its internal dismantle work so far. The Board has decided to classify Hyatt Hotel as an asset held for sale.

In 2010, Hyatt Hotel recorded an impairment loss of approximately HK$55,000,000.

Strategic and Other Investments

Winery

During the year under review, revenue of Dynasty Fine Wines Group Limited ("Dynasty") (stock code: 828) increased by 9% to approximately HK$1,614,600,000, while profit attributable to owners of Dynasty grew by 2% to approximately HK$158,800,000. Sales volume increased by 9% to 63,200,000 bottles. Red wine recorded similar sales volume compared to last year, representing approximately 82% of total sales revenue. The improvement in financial results in 2010 was mainly attributable to increase in sales volume and effective control of distribution costs.



Dynasty contributed to the Group a profit of approximately HK$71,000,000 in 2010, representing an increase of 1%.

Port Services

During the year under review, the revenue of Tianjin Port Development Holdings Limited ("Tianjin Port") (stock code: 3382) has increased by 10 times to approximately HK$15,053,000,000 and profit attributable to owners of Tianjin Port was approximately HK$570,600,000, loss of approximately HK$47,700,000 was recorded last year. Tianjin Port ceased to be a subsidiary since 4 February 2010 and became an associate of the Group. The Group's interest in Tianjin Port was diluted from 67.33% to 21% and the Group has adopted equity accounting in respect of its interest in Tianjin Port.

During the year under review, Tianjin Port expanded its operating scale and the complementary business structure has gradually demonstrated its advantages. As a result, overall operating results have been further improved.

In 2010, Tianjin Port contributed a profit of approximately HK$110,000,000 to the Group, a significant improvement compared to a loss of approximately HK$47,700,000 in the same period last year.

Elevators and Escalators

Otis Elevator (China) Investment Company Limited ("Otis China"), an associate of the Group, has continued to generate satisfactory results during the year under review. Its revenue for 2010 amounted to approximately HK$13,390,000,000, representing a 11% increase over 2009.

In 2010, the profit contribution of the elevators and escalators operation (after non-controlling interests) amounted to approximately HK$297,300,000, representing a 36% increase over last year. The revenue growth of the elevators and escalators operation accompanied by robust economic growth and various infrastructure projects in China. The improvement of the contract price and the cost control on raw materials helped improve the gross profit margin. The Group believed that the elevators and escalators operation will continue to make good results and profit contribution.

Road Operation

Since 1 January 2010, the Notice of Suspension of Levy on Tianjin Road Construction and Vehicle Passing Fee (《關於停止徵收天津市道路建設車輛通行費的公告》) issued by Tianjin Road Construction and Vehicle Passing Levy Office (天津市人民政府道路建設車輛通行徵收辦公室) started to implement, Eastern Outer Ring Road ("EORR") has not generated any toll revenue. For the year under review, EORR reported loss of approximately HK$48,300,000, which was mainly the road maintenance fee.

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

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

– Jinbin Expressway: Tianjin Municipal Government shall arrange the relevant party to refund the Group's original investment.

On 23 August 2010, all of the Group's 83.9308% equity interest in Tianjin Jinzheng Transportation Development Company Limited ("Jinzheng") was sold to Tianjin Eastern Outer Ring Road Co., Ltd. (a connected person of the Company) at a consideration of RMB1,198,892,520. According to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the disposal constitutes a major and connected transaction and is subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules. Completion of the disposal shall be conditional upon the conditions contained in the sale and purchase agreement being fulfilled and shall only become effective after the same be approved by the State-owned Assets Supervision and Administration Commission of Tianjin Municipal Government and other relevant PRC government authorities. Such conditions were fulfilled and the relevant approvals were obtained on 6 December 2010. Upon the completion of the disposal, the Group realized a profit of HK$236,400,000 in the consolidated income statement.

Details of the disposal can be referred to the announcement of the Company dated 23 August 2010.

The Group's original investment in Jinbin Expressway was US$20 million (equivalent to approximately HK$156,000,000). According to the abovementioned Jinzhengbanhan [2010] No. 13 dated 31 March 2010, the Tianjin Municipal Government had arranged for the transfer of 26 properties located in Shenzhen and Tianjin to a wholly-owned subsidiary of the Company in the PRC in June and September 2010 for the purpose of refunding the Company its original investment in Jinbin Expressway. As per the valuation report dated 15 October 2010, the market value of these properties is RMB150,820,000 (equivalent to approximately HK$174,630,000). The Company has fully recovered its original investment in Jinbin Expressway.

In the opinion of the Directors, following the full recovery of the Company's original investment in Jinbin Expressway in the manner described above, the Company no longer has any economic interest in Golden Horse Resources Limited ("Golden Horse"), a company incorporated in the British Virgin Islands with limited liability and directly owned as to 40% by the Company before the disposal. Golden Horse holds a 60% interest in Jinbin Expressway through five sino-foreign equity joint ventures established in the PRC.

On 6 December 2010, the Company, as vendor, entered into an agreement with Tsinlien Group Company Limited ("Tsinlien"), as purchaser, for the disposal of 40% of its equity interest in Golden Horse at a consideration of HK$1.00. Pursuant to the Listing Rules, Tsinlien is a connected person of the Company by virtue of the fact that it is a controlling shareholder of the Company. Accordingly, the disposal constitutes a connected transaction of the Company. The disposal was completed on 13 December 2010.

Details of the connected transaction mentioned above can be referred to the announcement of the Company dated 6 December 2010.

A gain of approximately HK$9,907,000 was recognized in the Group's consolidated income statement arising from the refund of the Company's original investment in Jinbin Expressway. The gain was calculated based on the market value of the 26 properties transferred from the Tianjin Municipal Government to the Group and the book value of the Company's investment in Golden Horse as at 31 December 2009 (same as the carrying value at the date of disposal). Meanwhile, the abovementioned disposal of Golden Horse to Tsinlien at HK$1.00 has resulted in a gain of HK$1.00 realized in the Group's income statement.

Investment in Binhai Investment Company Limited

During the year under review, the Group had 8.28% interest in Binhai Investment Company Limited ("Binhai Investment") (stock code: 8035).

Since the Group's investment in Binhai Investment was fully provided in prior years, a gain on deemed disposal of approximately HK$28,000,000 was recognized and was reclassified as available-for-sale financial assets. As at 31 December 2010, the market value of the Group's investment in Binhai Investment amounted to approximately HK$282,800,000 and the unrealized fair value loss of approximately HK$133,970,000 was recognized in equity.

PROSPECT

Looking forward in 2011, the global political and economic situations are full of uncertainties. In spite of various challenges in business environment, the Company is laying solid foundations for its future development. The Company was able to record profit in 2010 despite of its divestment of toll road business and the change in the government's supplemental income policies, its was demonstrated that the reorganization of our existing businesses has achieved initial results. With the new economic policies and measures to be implemented by the central government, the Company will continue to actively participate in the restructuring of the state-owned assets of Tianjin city, and under the strong support of Tianjin Municipal Government and the parent company, and accomplish orderly the business restructuring while maintaining steady and sustainable growth of various businesses.

The Company will stick to its policy of equally emphasizing development and prudence. Meanwhile, it will adhere to its prudent financial discipline and strive for success in its development strategies. Looking ahead, the Company is fully confident in the outlook of 2011 and beyond.

LIQUIDITY AND CAPITAL RESOURCES ANALYSIS

As at 31 December 2010, the Group's total cash on hand and total bank borrowings stood at approximately HK$2,951,000,000 and approximately HK$2,168,000,000 respectively (2009: HK$3,662,000,000 and HK$3,351,000,000 respectively) of which approximately HK$2,168,000,000 bank borrowings will mature within one year.

The gearing ratio as measured by total borrowings to shareholders' funds was at approximately 24% as at 31 December 2010 (2009: approximately 38%).

Of the total HK$2,168,000,000 bank borrowings outstanding as at 31 December 2010, HK$2,000,000,000 were subject to floating rates with a spread of 0.47% over HIBOR of relevant interest periods and RMB50,000,000 (equivalent to approximately HK$58,000,000) was calculated at the benchmark rate of the People's Bank of China. The remaining RMB94,000,000 (equivalent to approximately HK$110,000,000) of bank borrowing was fixed rate debt with annual interest rates of 5.31%.

As at 31 December 2010, 92% (2009: 96%) of the Group's total bank borrowings was denominated in HK dollars, 8% (2009: 1%) was denominated in Renminbi and 0% (2009: 3%) was denominated in US dollars.

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

EMPLOYEES AND REMUNERATION POLICIES

The Company and its subsidiary companies had a total of approximately 1,200 employees at the end of the year, of which approximately 190 were management personnel and approximately 400 were technical staff, with the balance being production workers.

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

CHARGE ON ASSETS

As at 31 December 2010, restricted bank balance of approximately HK$10,580,000 was pledged against notes payable of approximately HK$35,253,000.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. YU Rumin, aged 61, was appointed as the Chairman of the Company on 28 July 2010. He was appointed as the Vice Chairman and Executive Director of the Company in November 1997 and the Acting Chairman of the Company on 31 January 2008. He was appointed as an Executive Director of Tianjin Port Development Holdings Limited ("Tianjin Port") (Stock Code: 3382) on 24 November 2006 and the Chairman of Tianjin Port on 7 May 2007. Mr. Yu graduated from Shanghai Haiyun College in 1975 and obtained a Master's Degree in International Transport Engineering Management. He had been the assistant to the head of Tianjin Port Authority from March 1986 to December 1988. He had been the Deputy Head of the Tianjin Port Authority since December 1988, the Executive Deputy Head since July 1996 and the Head of Tianjin Port Authority since June 2002. He was the Deputy Head of the Regulatory Commission of Tianjin Port Tax Concession (天津港保稅區管理委員會) from July 1996 to June 2002. Subsequent to the reorganization of Tianjin Port Authority in July 2004, he acted as the Vice Chairman and Chief Executive Officer of 天津港(集團)有限公司 (Tianjin Port (Group) Co., Ltd.) ("Tianjin Port (Group)"). He was the Chairman of 天津港股份有限公司 (Tianjin Port Holdings Co., Ltd.), a company whose shares are listed on the Shanghai Stock Exchange, PRC from April 2007 to April 2010. He is currently the Chairman of Tianjin Port (Group). Mr. Yu has extensive experience in port management for over 25 years.

Mr. WU Xuemin, aged 57, was appointed as the General Manager of the Company on 3 August 2009. He was appointed as an Executive Director and Deputy General Manager on 31 January 2008. He is also a member of the Remuneration Committee of the Company. On 1 January 2011, he was appointed as a Non-Executive Director of Dynasty Fine Wines Group Limited (Stock Code: 828). He is the Vice Chairman and General Manager of Tsinlien Group Company Limited, the controlling shareholder of the Company. Mr. Wu is a senior economist and possesses a university degree. From July 1987 to November 1996, he acted as the Deputy Manager and Manager of Hainan office and import and export office of Li Da Group. In November 1996, he acted as the Deputy General Manager of Li Da Group. During the period, he also acted as the Chairman of Hai He Trading Company and Jin Rong International Company of Li Da Group in Hong Kong. In 1999, he completed the postgraduate course of International Trade at the Tianjin Institute of Finance and Economics. In September 2002, he acted as the General Manager of Tianjin Li He Group. Mr. Wu worked in foreign trade corporations for many years and is experienced in foreign economy and import and export business.

Mr. DAI Yan, aged 58, was appointed as an Executive Director of the Company in July 2006 and Deputy General Manager of the Company in September 2008. On 1 September 2009, he was appointed as an Executive Director of Tianjin Port Development Holdings Limited (Stock Code: 3382). Mr. Dai is a senior economist. He is also a Director and Deputy General Manager of Tsinlien Group Company Limited. Mr. Dai graduated from University of International Business and Economics in 1980. In 1998, he completed the postgraduate course in Law in the Party School of the Central Committee of the Communist Party of China and the postgraduate course in International Trade in Tianjin University of Finance and Economics, respectively. From 1988 to 2002, he acted as the Deputy General Manager of Tianjin Garments Import & Export Corporation; the Deputy General Manager of Tianjin Garments Associate Corporation; the Director, Deputy General Manager and General Manager of Tianjin Zhong Fu International Group Company Limited and acted as the Director and Deputy General Manager of Tianjin Textile (Holdings) Group Limited. He is currently a Non-Executive Director of Binhai Investment Company Limited (Stock Code: 8035). Mr. Dai has solid experience in management for over 22 years.

Dr. WANG Jiandong, aged 48, was appointed as an Executive Director of the Company in July 2003 and Deputy General Manager on 14 May 2010. He is a senior economist. He graduated from the Faculty of Finance and Law of Nankai University in 1989 and obtained a Master's Degree and a Doctoral Degree in Economics from Nankai University in 1997 and 2002, respectively. He worked with the Bank of China, Tianjin Branch from 1989 to 1993, and became the general manager of Shanghai Department of Securities Business of Tianjin International Trust & Investment Company Limited (Bank of China) from 1993 to 1996. Dr. Wang joined Tsinlien Group Company Limited ("Tsinlien") in 1996 as secretary to the board and is a deputy general manager of Tsinlien.

EXECUTIVE DIRECTORS (Cont'd)

Mr. BAI Zhisheng, aged 55, was appointed as an Executive Director of the Company in January 2006. Mr. Bai graduated in 1984 from the undergraduate programme of Peking University where he studied in International Politics. He completed a postgraduate course specializing in Law at the Party School of Central Committee of the Communist Party of China in 1998. Mr. Bai is currently the chairman and executive director of Dynasty Fine Wines Group Limited (Stock Code: 828). He has solid experience in corporate management for over 12 years.

Mr. ZHANG Wenli, aged 56, was appointed as an Executive Director of the Company in March 2006. Mr. Zhang graduated from the Faculty of Electrical Engineering of Harbin Electrical Engineering Institute in 1982. He completed a postgraduate course specializing in Law at the Party School of Central Committee of the Communist Party of China in 1999. He got the EMBA Degree of Tianjin University in 2006. Mr. Zhang was a cadre and deputy head of Tianjin Electrical and Mechanical Research Institute from 1982 to 1993; the deputy head of Tianjin Electricity Control and Mechanic Transmission Institute and the chairman of Tianjin Hoisting Equipment Co., Ltd. from 1993 to 1995; the assistant general manager and deputy general manager of Tianjin Electrical and Mechanical Industrial Company (now known as Tianjin BENEFO Machinery & Electric Holding Group Ltd.) from 1996 to 2000. Since July 2000, he was appointed as the general manager and chairman of Tianjin BENEFO Machinery & Electric Holding Group Ltd. Mr. Zhang is also a director of CFHI-National Heavy Industries R & D Center and the chairman of Tianjin Benefo Tejing Electric Company Limited, a company whose shares are listed on the Shanghai Stock Exchange, PRC. He has solid experience in research and development for over 20 years.

Mr. SUN Zengyin, aged 65, was appointed as an Executive Director of the Company in May 2000. He graduated from the Faculty of Water Engineering of Tianjin University. After graduation, he was appointed as the head of Construction Section in the Drainage Administration Department in Tianjin Municipal Bureau, chief director of the Drainage Administration Department, assistant director of Tianjin Municipal Bureau, deputy director of Tianjin Municipal Bureau and director of Tianjin Municipal Bureau. Mr. Sun has served Tianjin government for over 31 years and has been in charge of many large infrastructure projects. He is extremely familiar with Tianjin's economic structure and development.

Dr. GONG Jing, aged 46, was appointed as an Executive Director of the Company on 1 April 2009. Dr. Gong is a senior engineer and possesses a doctoral degree. He graduated from the Faculty of Precision Instrumentation of Tianjin University in 1986, majoring in Photo-Electronic Engineering and obtained a Master's Degree from Tianjin University in 1989. In September 2000, he completed a postgraduate course at the Department of Finance of Nankai University. Dr. Gong obtained the senior professional manager qualification from China Enterprise Confederation and China Enterprise Directors Association in 2008. In June 2009, he obtained a Doctoral Degree in Technology Economic Administration at the School of Administration of Tianjin University. Dr. Gong acted as the chief officer and deputy director of the Project Design Department of the Optical Fiber Instrument Factory of Tianjin Optical Electrical Group Co., Ltd. and the department head of the Foreign Economic and Business Department of Tianjin Optical Electrical Group Co., Ltd. from April 1989 to August 1993; the deputy general manager of Tianma Entertainment Co., Ltd. from August 1993 to May 1994; the manager of Tianma Technology and Business Company from May to August 1994; the deputy head of the Department of Foreign Economic and Business of The Administrative Committee of Tianjin Hi-Tech Industry Park from August 1994 to April 1996; the secretary of the vice mayor and the standing committee member of the Tianjin Municipal Government from April 1996 to March 1998; the secretary of the vice minister of Ministry of Information Industry from March to July 1998; the assistant to chief officer of The Administrative Committee of Tianjin Hi-Tech Industry Park from July 1998 to April 2006. Dr. Gong also acted as the general manager of Investment and Development Department of Tsinlien from October 2001 to January 2005. He has been the executive director and deputy general manager of Tianjin Hi-Tech Holding Group Co., Ltd. from April 2006 to November 2009. Since November 2009, he acts as an executive director and general manager of Tianjin Hi-Tech Holding Group Co., Ltd. He is also a non-executive director of Tianjin Tianlian Public Utilities Limited (Stock Code: 8290).

EXECUTIVE DIRECTORS (Cont'd)

Mr. WANG Zhiyong, aged 38, was appointed as an Executive Director of the Company on 27 October 2009 and Deputy General Manager of the Company on 14 May 2010. He is also a member of the Investment Committee of the Company. He is currently the general manger of Tsinlien Group (Tianjin) Asset Management Company Limited (津聯集團(天津)資產管理有限公司) ("Tsinlien Group (Tianjin) Asset"). Mr. Wang was formerly the deputy general manager and the manager of the Finance Department of Tsinlien Group (Tianjin) Asset. Prior to joining Tsinlien Group (Tianjin) Asset in 1998, he was the head of operations of the International Department of Northern International Trust and Investment Company Limited (北方國際信托投資股份有限公司). Mr. Wang graduated from Nankai University in 1994 with a Bachelor's Degree of International Finance, he passed the examination for on-the-job Postgraduate Master's Programme for Currency and Banking of Nankai University in 2000 and he also obtained a Master's Degree in Global Economy from Nankai University in 2009. In 2006, Mr. Wang was awarded the title of Outstanding Section Cadre Leader of Work Committee of Developing Area and Bonded Area. Tsinlien Group (Tianjin) Asset was also awarded the titles of Civilized Unit at Municipal Level as well as Outstanding Section Leaders of Developing Area and Bonded Area.

NON-EXECUTIVE DIRECTORS

Mr. CHEUNG Wing Yui, Edward, aged 61, was appointed as an independent non-executive director of the Company in November 1997 and re-designated as Non-Executive Director of the Company in September 2004. He received a Bachelor of Commerce Degree in Accountancy from the University of New South Wales, Australia. Mr. Cheung is a member of CPA Australia. He has been a practicing solicitor in Hong Kong since 1979 and is a consultant of the law firm Woo, Kwan, Lee & Lo. He has been admitted as a solicitor in the United Kingdom and as an advocate and solicitor in Singapore. Mr. Cheung is also an independent non-executive director of a number of companies listed on the Stock Exchange, namely Hop Hing Group Holdings Limited (Stock Code: 47) and Agile Property Holdings Limited (Stock Code: 3383). He is also a non-executive director of a number of companies listed on the Stock Exchange, namely SmarTone Telecommunications Holdings Limited (Stock Code: 315), SUNeVision Holdings Ltd. (Stock Code: 8008), Tai Sang Land Development Limited (Stock Code: 89) and SRE Group Limited (Stock Code: 1207). In addition, he is currently a director of The Community Chest of Hong Kong, the deputy chairman and a council member of The Open University of Hong Kong and a member of the Appeal Board established under the Accreditation of Academic and Vocational Qualifications Ordinance. Mr. Cheung was a member of the Board of Review (Inland Revenue Ordinance) until 31 December 2010 and a deputy chairman of the Hong Kong Institute of Directors Limited until 30 June 2010, he also served as an independent non-executive director in Ching Hing (Holdings) Limited (now known as Bao Yuan Holdings Limited) until 25 July 2007, a non-executive director in Taifook Securities Group Limited (now known as Haitong International Securities Group Limited) until 1 October 2007 and an independent non-executive director in Ping An Insurance (Group) Company of China, Ltd. until 3 June 2009, all of these companies are listed on the Stock Exchange.

NON-EXECUTIVE DIRECTORS (Cont'd)

Dr. CHAN Ching Har, Eliza, *BBS, JP, LL.D.(Hon)*, aged 54, was appointed as Non-Executive Director of the Company on 27 October 2009. She is also a member of the Investment Committee of the Company. Dr. Chan is a solicitor admitted in Hong Kong, England and Wales, Canada (B.C.). Dr. Chan holds a Diploma in PRC Law and is an attesting officer appointed by the Ministry of Justice of the PRC. She is the senior consultant of Boughton Peterson Yang Anderson, Solicitors. Dr. Chan is a member of the National Committee of the Chinese People's Political Consultative Conference (CPPCC), and a standing member of the Tianjin Committee of the Chinese People's Political Consultative Conference. Dr. Chan is the Executive Vice-President of the Hong Kong CPPCC (Provincial) Members Association, the Honorary President of The Hong Kong China Chamber of Commerce, the Foreign Economic Affairs Legal Counsel to the Tianjin Municipal Government, an arbitrator of The China International Economic and Trade Commission (CIETAC) and the legal advisor to the Hong Kong Chinese Enterprise Association. Dr. Chan has held a number of Hong Kong Government appointments, notably as a member of the Board of Hospital Authority, member of the Board of Education, member of Hong Kong Examinations and Assessment Authority, member of Hong Kong Public Service Commission, council member of The Hong Kong University of Science and Technology and an adjudicator of the Hong Kong Immigration Tribunal. She currently serves as Chairman of Kowloon Hospital, Chairman of Hong Kong Eye Hospital, Chairman of Pension Appeals Board, member of the Hong Kong Medical Council, member of Administration Appeals Board and disciplinary panel member of the Hong Kong Institute of Certified Public Accountants. Dr. Chan was the Chairman of The University of Victoria Foundation (Hong Kong) Limited and Vice-Chairman of the Tsinghua Legal Education Foundation. She was formerly the Chairman and President of The Canadian Chamber of Commerce in Hong Kong and remains a member of the Board of Governors. She is a member of the Board of the Hong Kong Science and Technology Park Corporation. She is also a non-executive director of China Aerospace International Holdings Limited (Stock Code: 31), a company whose shares are currently listed on the Stock Exchange.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. CHENG Hon Kwan, *GBS, JP*, aged 83, was appointed as an Independent Non-Executive Director of the Company in June 2001. Dr. Cheng has also been serving as the Chairman of the Remuneration Committee and a member of the Audit Committee of the Company. Dr. Cheng obtained his Bachelor's Degree in Civil Engineering from Tianjin University and a postgraduate diploma from Imperial College of Science and Technology, London. He has been awarded Honorary Doctoral Degrees from Hong Kong University of Science and Technology, City University of Hong Kong, Open University of Hong Kong, and Open University, UK. He is a Fellow of Imperial College and City and Guilds London Institute. He is a past President, Honorary Fellow and Gold Medallist of the Hong Kong Institution of Engineers; past Vice President, Fellow and Gold Medallist of the Institution of Structural Engineers, Fellow of the Institution of Civil Engineers, United Kingdom and the American Society of Civil Engineers and Honorary Fellow of Engineers Australia. He is also an Honorary Member of the Hong Kong Institute of Planners and the Hong Kong Institute of Architects; State Class I Registered Structural Engineer Qualification. He is also an authorized person and registered structural engineer. Dr. Cheng is a former Chairman of Hong Kong Housing Authority and Transport Advisory Committee. He was a Standing Member of the Tianjin Committee of the Chinese People's Political Consultative Conference (CPPCC) and is a permanent Honorary Chairman of the Hong Kong Tianjin Friendship Association and Chairman of the Tianjin CPPCC Former Hong Kong and Macau Members Friendship Association. Dr. Cheng is currently an independent non-executive director of Wing Hang Bank, Limited (Stock Code: 302), Hang Lung Group Limited (Stock Code: 10), Hang Lung Properties Limited (Stock Code: 101) and Agile Property Holdings Limited (Stock Code: 3383), all companies are listed on the Stock Exchange.

INDEPENDENT NON-EXECUTIVE DIRECTORS (Cont'd)

Mr. MAK Kwai Wing, Alexander, *BSoc.Sc., ATIHK, ASA*, aged 60, was appointed as an Independent Non-Executive Director of the Company on 27 October 2009. He is also the Chairman of the Investment Committee and a member of the Audit Committee of the Company. Mr. Mak graduated from The University of Hong Kong with a degree of Bachelor of Social Science. He is also an associate member of CPA Australia and The Taxation Institute of Hong Kong. Mr. Mak has over 32 years of experience in the taxation field. He has extensive experience in Hong Kong corporate and individual tax planning and has assisted a vast number of clients in South East Asia in developing effective tax strategies to minimize their tax exposure in the region. As an expert in Hong Kong, United States and international taxation, Mr. Mak is frequently invited to speak at tax seminars organized by various professional associations and educational institutions. He is a frequent contributing author to various local and international newspapers and professional journals. Mr. Mak was formerly an assessor with the Inland Revenue Department. In July 2006, he joined Mazars Tax Services Limited ("Mazars") as an executive director and then became its managing director in January 2008. Before joining Mazars, Mr. Mak was a tax principal in Ernst & Young and took an early retirement in January 2004 to pursue his governorship of Rotary International District 3450 and also his own consulting business. Currently, Mr. Mak is the treasurers of H5N1 Concern Group and The Hong Kong International Film Festival Society Limited; a member of Hong Kong Professional Consultants Association, Tax SQ and SD Development Committee of Hong Kong Institute of Certified Public Accountants and School Management Committee of Hotung Secondary School. Previously, Mr. Mak had served as the president of The Taxation Institute of Hong Kong; the vice chairman of Steering Committee of Hong Kong Network of Virtual Enterprises; the governor of Rotary International District 3450; the chairman of Practice Firm Steering Committee of Hong Kong Institute of Vocational Education (Tsing Yi) and District Rotary Foundation Committee of Rotary International District 3450; a treasurer of The Hong Kong Road Safety Association and Senior Citizen Home Safety Association; a member of taxation committee of Hong Kong Institute of Certified Public Accountants; a member of the Road Safety Council, Joint Liaison Committee on Taxation, Hospital Authority Public Complaints Committee, Hospital Governing Committee of Hong Kong Eye Hospital and Kowloon Hospital; and a part-time member of Hong Kong Government's Central Policy Unit. Mr. Mak is also an independent non-executive director of Hsin Chong Construction Group Limited (Stock Code: 404), a company whose shares are listed on the Stock Exchange.

Ms. NG Yi Kum, Estella, aged 53, was appointed as an Independent Non-Executive Director of the Company on 28 July 2010. She is also the Chairman of the Audit Committee of the Company. Ms. Ng is the Chief Financial Officer of Country Garden Holdings Company Limited (Stock Code: 2007), a company whose shares are listed on the Stock Exchange. From September 2005 to November 2007, she was an executive director of Hang Lung Properties Limited ("Hang Lung"), a company whose shares are listed on the Stock Exchange. Prior to her joining in Hang Lung in 2003, she was employed by the Stock Exchange in a number of senior positions, most recently as senior vice president of the Listing Division. Prior to that, she gained valuable auditing experience with Deloitte Touche Tohmatsu. Ms. Ng is a qualified accountant and holds a Master of Business Administration degree from the Hong Kong University of Science and Technology. She is an associate of The Institute of Chartered Accountants in England and Wales, the Institute of Chartered Secretaries and Administrators, a fellow of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants. She has also contributed her time to various public service appointments, including being a co-opted member of the audit committee of the Hospital Authority and corporate advisor to the School of Business of the Hong Kong University of Science and Technology. Ms. Ng is also an independent non-executive director of Hong Kong Resources Holdings Company Limited (Stock Code: 2882), a company whose shares are listed on the Stock Exchange.

SENIOR MANAGEMENT

Mr. TUEN Kong, Simon, aged 48, was appointed as the Chief Financial Officer and Company Secretary of the Company on 27 October 2009. Mr. Tuen graduated from the Hong Kong Polytechnic University with a Master's Degree in Business Management. Before joining the Company, he had held various positions in a number of listed companies and is experienced in corporate finance and treasury management. Starting with Ernst & Young in 1989 and then Deloitte Touche Tohmatsu in 1991 as a tax consultant, he spent 10 years afterwards in corporate banking, direct investment, merger and acquisition and company secretarial related works and held executive positions as vice president and director of finance and treasury. From 2001 to 2006, he served as a deputy general manager of the Company. Prior to re-joining the Company in October 2009, he worked as a consultant for China investment with MTR Corporation Limited.

Mr. ZHAO Wei, aged 42, Assistant to General Manager of the Company. Mr. Zhao graduated from the Tianjin University of Finance and Economics with a Bachelor's Degree in Economics major in International Economic and Technology Cooperation in 1992 and a Master's Degree in Economics major in Finance in 1999. He is familiar with both foreign and domestic capital markets and has extensive experience in business and corporate management. Prior to joining the Company, he has worked in various finance roles including assistant to manager of Dealing Department, manager of International Business Department, deputy general manager of Securities Investment Department in Northern International Trust and Investment Company Limited (北方國際信託投資股份有限公司) during the period from 1992 to 2005. Mr. Zhao was appointed as the general manager of Tianjin Development Assets Management Co., Ltd. in March 2010.

Dr. WU Gang, aged 46, Assistant to General Manager of the Company. Dr. Wu graduated from the Tianjin University of Technology with a Bachelor's Degree in Corporate Management in 1988. He completed a Postgraduate Programme of International Trade and later obtained a Doctoral Degree in Management in the Tianjin University of Finance and Economics in 2001 and 2008, respectively. Dr. Wu has extensive experience in corporate management and capital market operations and has been involved in successful initial public offering and refinancing transactions. Prior to joining the Company, he was the deputy head in Tianjin Leader Group Limited (天津立達集團有限公司) and secretary to the board and deputy general manager in Tianjin Jinbin Development Co., Ltd. as well as the chairman of 天津津濱雅都置業發展有限公司 and 天津津濱科技工業園投資有限公司.

Mr. ZHANG Shuqin, aged 59, was appointed as General Manager of Administration Department of the Company since September 2001. Mr. Zhang graduated from Tianjin Normal University in 1987, major in Chinese Linguistics and Literature. Before joining the Company, he was the head of Tianjin Foreign Economic and Trade Commission from 1996 to 2001. Mr. Zhang has solid experience in administration and management for over 21 years.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance in the interests of shareholders and devotes considerable efforts to formalizing the best practices. This Corporate Governance Report describes the way the Company has applied the principles of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rules. The Company has complied with the CG Code throughout the year, except the deviations in relation to Rules 3.10(1) and 3.21 of the Listing Rules as disclosed below.

At the annual general meeting of the Company held on 26 May 2010, Mr. Kwong Che Keung, Gordon retired by rotation as an independent non-executive director of the Company and did not offer himself for re-election. Following the retirement of Mr. Kwong, the Company had only two independent non-executive directors remained in the Board and the Audit Committee, the number of which fell below the minimum number requirement under Rules 3.10(1) and 3.21 of the Listing Rules. The Board had immediately identified a suitable and qualified candidate, Ms. Ng Yi Kum, Estella, to succeed Mr. Kwong. On 28 July 2010, Ms. Ng was appointed as an independent non-executive director as well as the Chairman of the Audit Committee of the Company and since then the Company has fulfilled the requirements of Rules 3.10(1) and 3.21 of the Listing Rules.

The Board of Directors

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

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

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

The Board of Directors (Cont'd)

As at 31 December 2010, the Board comprises fourteen members, consisting of nine executive directors and five non-executive directors, of whom three are independent non-executive directors. The details of the composition of the Board are as follows:

Executive Directors

Mr. Yu Rumin *(Chairman)*	
Mr. Wu Xuemin *(General Manager)*	
Mr. Dai Yan	
Dr. Wang Jiandong	
Mr. Bai Zhisheng	
Mr. Zhang Wenli	
Mr. Sun Zengyin	
Dr. Gong Jing	
Mr. Wang Zhiyong	
Mr. Zheng Daoquan	(resigned on 31 December 2010)

Non-Executive Directors

Mr. Cheung Wing Yui, Edward
Dr. Chan Ching Har, Eliza

Independent Non-Executive Directors

Dr. Cheng Hon Kwan	
Mr. Mak Kwai Wing, Alexander	
Ms. Ng Yi Kum, Estella	(appointed on 28 July 2010)
Mr. Kwong Che Keung, Gordon	(retired on 26 May 2010)

The Company has received from each independent non-executive director an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and the Company continues to consider each of them be independent.

Coming from different professional backgrounds, all directors have distinguished themselves in their fields of expertize, and have exhibited high standards of personal and professional ethics and integrity. The non-executive directors have brought their valuable experience to the Board for promoting the best interests of the Company and its shareholders. The independent non-executive directors contribute to ensuring that the interests of all shareholders of the Company are taken into account by the Board. The biographical details of each director are disclosed on pages 16 to 20 of this Annual Report.

Non-executive directors are appointed for a specific term and are subject to retirement by rotation and re-election at the general meeting in accordance with the Articles of Association. The term of appointment of Mr. Cheung Wing Yui, Edward, non-executive director of the Company, was expired on 31 December 2010, and a renewal letter of appointment has been entered into between the Company and Mr. Cheung for a term of two years commencing from 1 January 2011.

The Board of Directors (Cont'd)

According to the Articles of Association, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three, then the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. In addition, any Director appointed by the Board during the year shall hold office only until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company (in the case of an addition to the existing Board), and shall then be eligible for re-election immediately following his or her appointment.

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

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

Board Proceedings

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

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

Board Proceedings (Cont'd)

In 2010, the Board held six meetings, four of which were regular meetings. Due notice and board papers were given to all directors prior to the Board meetings in accordance with the Articles of Association and the CG Code. The attendance records of each member of the Board are set out below:

Name of Director		Attendance of Board Meetings
Executive Directors		
Mr. Yu Rumin		5/6
Mr. Wu Xuemin		6/6
Mr. Dai Yan		6/6
Dr. Wang Jiandong		2/6
Mr. Bai Zhisheng		1/6
Mr. Zhang Wenli		3/6
Mr. Sun Zengyin		5/6
Dr. Gong Jing		2/6
Mr. Wang Zhiyong		5/6
Mr. Zheng Daoquan	(resigned on 31 December 2010)	5/6
Non-Executive Directors		
Mr. Cheung Wing Yui, Edward		4/6
Dr. Chan Ching Har, Eliza		5/6
Independent Non-Executive Directors		
Dr. Cheng Hon Kwan		5/6
Mr. Mak Kwai Wing, Alexander		5/6
Ms. Ng Yi Kum, Estella	(appointed on 28 July 2010)	2/2
Mr. Kwong Che Keung, Gordon	(retired on 26 May 2010)	3/3

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

Chairman and General Manager

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

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

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

Such division of responsibilities allows a balance of power between the Board and the management of the Company, and ensures their independence and accountability. Their responsibilities are clearly segregated and have been set out in writing.

Responsibilities

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

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

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

– active participation on the boards of subsidiaries and associates;

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

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

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

Board Committees

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

Remuneration Committee

The Remuneration Committee was established in 2005 and is currently consisted of two independent non-executive directors, Dr. Cheng Hon Kwan and Mr. Mak Kwai Wing, Alexander and one executive director, Mr. Wu Xuemin. It is chaired by Dr. Cheng Hon Kwan. On 26 May 2010, Mr. Kwong Che Keung, Gordon ceased as a member of the Remuneration Committee due to his retirement and Mr. Mak Kwai Wing, Alexander was appointed as a member of the Remuneration Committee on 28 July 2010. A written terms of reference of the Remuneration Committee was adopted with reference to the CG Code.

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

In 2010, the Remuneration Committee held four meetings. During the meetings, the remuneration policy, remuneration packages and bonus arrangements of the directors and senior management have been discussed and approved. The attendance of committee members is recorded below:

Name of Director		Attendance of Remuneration Committee Meetings
Dr. Cheng Hon Kwan *(Chairman)*		4/4
Mr. Mak Kwai Wing, Alexander	(appointed on 28 July 2010)	1/1
Mr. Wu Xuemin		4/4
Mr. Kwong Che Keung, Gordon	(retired on 26 May 2010)	3/3

The Remuneration Committee also held one meeting on 21 January 2011. At the meeting, the bonuses for the Company's directors, senior management and employees for the year ended 31 December 2010 were considered and approved. All members were present at the meeting.

Details of the emoluments of the directors and the interests of the directors in the share options of the Company during the year ended 31 December 2010 are set out in Note 12 and Note 32 to the financial statements respectively.

Audit Committee

The Audit Committee currently consists of three independent non-executive directors, namely Ms. Ng Yi Kum, Estella, Dr. Cheng Hon Kwan and Mr. Mak Kwai Wing, Alexander. Mr. Kwong Che Keung, Gordon, former Chairman of the Audit Committee, retired on 26 May 2010 and Ms. Ng Yi Kum, Estella was appointed as the Chairman of the Audit Committee on 28 July 2010. The Audit Committee reports directly to the Board and reviews matters relating to the work of the external auditor, financial statements and internal controls. The Audit Committee meets with the Company's external auditor to discuss the audit process and the accounting and internal control issues. A written terms of reference, which describes the authority and duties of the Audit Committee, are reviewed and updated by the Board from time to time to comply with the provision of the CG Code.

Set out below is a summary of work performed by the Audit Committee in 2010:

– reviewed the financial statements for the year ended 31 December 2009 and for the six months ended 30 June 2010;

– reviewed the resignation and appointment of the external auditors;

– reviewed internal control matters with the external consultant;

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

– considered 2010 audit fees and audit work.

The Audit Committee held two meetings in 2010. At the meetings, the members of the Audit Committee have executed the major duties and responsibilities described above. They also discussed material uncertainties which may be brought about by the global economic crisis, reviewed the internal audit function of the Company, and reported a summary of their work to the Board for discussion. The attendance of committee members is recorded below:

Name of Director		**Attendance of Audit Committee Meetings**
Ms. Ng Yi Kum, Estella *(Chairman)*	(appointed on 28 July 2010)	1/1
Dr. Cheng Hon Kwan		2/2
Mr. Mak Kwai Wing, Alexander		2/2
Mr. Kwong Che Keung, Gordon	(retired on 26 May 2010)	1/1

Investment Committee

The Investment Committee was established in April 2010 and currently comprises of three members, Mr. Mak Kwai Wing, Alexander, independent non-executive director, Dr. Chan Ching Har, Eliza, non-executive director and Mr. Wang Zhiyong, executive director. It is chaired by Mr. Mak Kwai Wing, Alexander.

The Investment Committee reports directly to the Board and reviews matters in relation to evaluation of business plans, formulation of proper procedures for investment projects as well as the adequacy of controls and monitoring ongoing risk factors.

During the year, the Investment Committee held three meetings and the attendance of committee members is recorded below:

Name of Director	Attendance of Investment Committee Meetings
Mr. Mak Kwai Wing, Alexander *(Chairman)*	3/3
Dr. Chan Ching Har, Eliza	3/3
Mr. Wang Zhiyong	3/3

Nomination and Appointment of Directors

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

Directors who are appointed by the Board shall hold office only until next the following general meeting (in the case of filling a casual vacancy) or until the next annual general meeting of the Company (in the case of an addition to the existing Board), and shall then be eligible for re-election. At each annual general meeting, one-third of the directors for the time being shall retire from office by rotation provided that every director shall be subject to retirement by rotation at least once every three years.

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

The appointment of Ms. Ng Yi Kum, Estella as an independent non-executive director and the Chairman of Audit Committee was reviewed and approved by the Board at the Board meeting held on 28 July 2010. The Board considers that Ms. Ng has broad commercial experience with professional qualifications in accounting and financial management and is suitable for the positions.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 own code of conduct for directors' securities transactions. Having made specific enquiry, all the directors confirmed that they have complied with the required standard as set out in the Model Code throughout the year.

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

External Auditor

Deloitte Touche Tohmatsu ("Deloitte") has been appointed as auditors of the Group to fill the casual vacancy following the resignation of PricewaterhouseCoopers ("PwC") with effect from 6 December 2010. The Audit Committee has reviewed Deloitte's proposal and approved their appointment and fees for the year-end audit of 2010. Deloitte has carried out statutory audit in relation to the Company's financial statements prepared under the Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards and the Hong Kong Companies Ordinance for the year 2010. PwC has reviewed the 2010 unaudited interim financial statements of the Company in accordance with the HKFRSs.

During the year, the fees paid to PwC in respect of audit and related services amounted to approximately HK$6,300,000 and non-audit services fees amounted to approximately HK$41,500. The fees payable to Deloitte in respect of audit and related services amounted to approximately HK$2,950,000.

INTERNAL CONTROL

The Board is responsible for maintaining an adequate system of internal controls of the Company and its subsidiaries and reviewing the effectiveness of such controls. During the year, the Board has engaged RSM Nelson Wheeler Consulting Limited ("RSM Nelson Wheeler") to perform internal audit function to assess the effectiveness of the system of internal control of the Company. The review covers all material controls, including financial, operational and compliance controls and risk management functions of the Company and its major subsidiaries on a rotation basis.

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

At the meeting of the Audit Committee held on 18 March 2011, RSM Nelson Wheeler reported their review work done for the year ended 31 December 2010 in accordance with the detailed risk-based audit plan previously approved by the Audit Committee. On 29 March 2011, the Board together with the senior management, have reviewed, considered and discussed all the findings relating to the internal control system and recommendations thereto, and have concluded that the overall internal control system of the Company has effectively exercised and no material control failure or significant areas of concern which might affect shareholders' interest were identified during the review.

GOING CONCERN

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

COMMUNICATION WITH SHAREHOLDERS

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

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

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

DIRECTORS' RESPONSIBILITY IN PREPARING THE FINANCIAL STATEMENTS

The Directors acknowledge that it is their responsibilities in preparing the financial statements. The responsibilities of the external auditor with respect to financial reporting are set out in the Independent Auditor's Report on pages 44 to 45 of this Annual Report.

Report of the Directors

The directors of the board are pleased to present their report and the audited financial statements for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries, associates and jointly-controlled entities are set out in Notes 43, 44 and 45 to the financial statements respectively.

RESULTS AND DIVIDENDS

The results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2010 are set out in the consolidated income statement on page 46.

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

The directors of the Company do not recommend the payment of a final dividend for the year ended 31 December 2010.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 126.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in Note 33 to the financial statements and the consolidated statement of changes in equity respectively.

DONATIONS

During the year, the Group made charitable and other donations amounted to approximately HK$150,000 (2009: HK$151,000).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group and of the Company are set out in Note 18 to the financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in Note 31 to the financial statements.

BORROWINGS

Particulars of the borrowings of the Group as at 31 December 2010 are set out in Note 34 to the financial statements.

DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES

Save as disclosed below, during the year and up to the date of this Report, the directors of the Company are not aware of any circumstances which would give rise to a disclosure obligation pursuant to the requirements under Rule 13.18 of the Listing Rules.

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

Pursuant to the 2006 Facility Agreement, it will be an event of default, inter alia, if (i) the Tianjin Municipal People's Government ceases to maintain a shareholding ownership directly or indirectly in the Company of more than 50%, or (ii) the Company ceases to be under the direct or indirect management control of Tsinlien.

If any of the abovementioned events of default occurs, it will confer on the Lenders the right to cancel the Facility and declare all outstanding borrowings and interest as immediately due and payable on demand.

(ii) On 18 February 2011, the Company entered into a facility agreement (the "2011 Facility Agreement") with a syndicate of banks (the "Banks") in respect of a HK$2,000 million term loan facility for a period up to 60 months unless not extended by the Banks at the 36th month from the date of the 2011 Facility Agreement.

Pursuant to the 2011 Facility Agreement, it will be an event of default, inter alia, if (i) the Tianjin Municipal People's Government ceases to maintain a shareholding ownership directly or indirectly in the Company of more than 50%, or (ii) the Company ceases to be under the direct or indirect management control of Tsinlien.

If any of the abovementioned events of default occurs, the Banks may by notice to the Company (a) cancel the total commitments; (b) declare that the loan together with accrued interest, and all other amounts accrued or outstanding be immediately due and payable; and/or (c) declare that the loan be repayable on demand.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares during the year ended 31 December 2010.

DIRECTORS

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

Executive Directors

Mr. Yu Rumin	
Mr. Wu Xuemin	
Mr. Dai Yan	
Dr. Wang Jiandong	
Mr. Bai Zhisheng	
Mr. Zhang Wenli	
Mr. Sun Zengyin	
Dr. Gong Jing	
Mr. Wang Zhiyong	
Mr. Zheng Daoquan	(resigned on 31 December 2010)

Non-Executive Directors

Mr. Cheung Wing Yui, Edward
Dr. Chan Ching Har, Eliza

Independent Non-Executive Directors

Dr. Cheng Hon Kwan	
Mr. Mak Kwai Wing, Alexander	
Ms. Ng Yi Kum, Estella	(appointed on 28 July 2010)
Mr. Kwong Che Keung, Gordon	(retired on 26 May 2010)

In accordance with Article 92 of the Company's Articles of Association, Ms. Ng Yi Kum, Estella will hold office until the forthcoming Annual General Meeting and shall then be eligible to offer herself for re-election at that meeting.

In accordance with Article 101 of the Company's Articles of Association, Mr. Yu Rumin, Mr. Zhang Wenli, Mr. Sun Zengyin, Mr. Cheung Wing Yui, Edward and Dr. Cheng Hon Kwan shall retire from office by rotation and, being eligible, offer themselves for re-election.

The biographical details of directors are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 16 to 21.

DIRECTORS' SERVICE CONTRACT

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

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year and up to the date of this Report, none of the directors was considered to have interests in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group pursuant to Rule 8.10 of the Listing Rules.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

DIRECTORS' INTERESTS IN SHARES

As at 31 December 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 Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(i) Interests in the underlying shares of the Company

Name of director	Number of underlying shares held	Approximate percentage of interests to the issued share capital
Mr. Yu Rumin	3,000,000	0.28%
Mr. Wu Xuemin	1,800,000	0.17%
Mr. Dai Yan	2,300,000	0.22%
Dr. Wang Jiandong	1,500,000	0.14%
Mr. Bai Zhisheng	800,000	0.07%
Mr. Zhang Wenli	800,000	0.07%
Mr. Sun Zengyin	800,000	0.07%
Dr. Gong Jing	500,000	0.05%
Mr. Wang Zhiyong	900,000	0.08%
Mr. Cheung Wing Yui, Edward	800,000	0.07%
Dr. Chan Ching Har, Eliza	300,000	0.03%
Dr. Cheng Hon Kwan	800,000	0.07%
Mr. Mak Kwai Wing, Alexander	300,000	0.03%
Ms. Ng Yi Kum, Estella	300,000	0.03%

notes:

1. All interests are held in the capacity as a beneficial owner.
2. All interests stated above represent long positions.
3. Details of the interests of directors in share options are set out in the paragraph headed "Share Option Scheme" in this section below.

DIRECTORS' INTERESTS IN SHARES (Cont'd)

(ii) Interests in shares of associated corporation of the Company

Name of director	Name of associated corporation	Nature of interests	Capacity	Number of shares held	Approximate percentage of interests to the issued share capital
Mr. Wu Xuemin	Tianjin Port	Family interest	Interest of spouse	10,000	0.00%

(iii) Interests in the underlying shares of associated corporations of the Company

Name of director	Name of associated corporation	Nature of interests	Capacity	Number of underlying shares held	Approximate percentage of interests to the issued share capital
Mr. Yu Rumin	Tianjin Port	Personal interest	Beneficial owner	2,300,000	0.04%
Mr. Dai Yan	Tianjin Port	Personal interest	Beneficial owner	1,100,000	0.02%
Mr. Bai Zhisheng	Dynasty	Personal interest	Beneficial owner	2,300,000	0.18%

Save as disclosed above, as at 31 December 2010, none of the directors or chief executive or their respective associates had any interests or short positions 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.

SHARE OPTION SCHEME

The Company

At the annual general meeting of the Company held on 25 May 2007, a share option scheme (the "Share Option Scheme") of the Company was approved by shareholders of the Company. The relevant information in respect of the Share Option Scheme is set out below:

(a) Purpose of the Share Option Scheme

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

(b) Participants of the Share Option Scheme

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

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

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

The total number of shares available for issue under the Share Option Scheme are 77,162,012 Shares, representing approximately 7.23% of the total number of shares of the Company in issue as at the date of this Report.

(d) Maximum entitlement of each participant

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

(e) Minimum period for options to be held

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

SHARE OPTION SCHEME (Cont'd)

(f) Period and payment on acceptance of options

An offer of grant of an option may be accepted by a grantee within the date as specified in the offer letter issued by the Company, being a date not later than 30 days after the date on which the offer letter was issued. A consideration of HK$1.00 is payable on acceptance of the offer of grant of an option.

(g) Basis of determining the exercise price

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

(h) Life of the Scheme

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

SHARE OPTION SCHEME (Cont'd)

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

	Date of Grant	Exercise Price per share HK$	Number of share options: As at 1 Jan 2010	During the year: Granted	Exercised	Lapsed	Cancelled	As at 31 Dec 2010	Exercise Period
Directors									
Yu Rumin	19/12/2007	8.04	1,000,000	–	–	–	–	1,000,000	17/01/2008-24/05/2017
	16/12/2009	5.75	2,000,000	–	–	–	–	2,000,000	16/12/2009-24/05/2017
Wu Xuemin	16/12/2009	5.75	1,800,000	–	–	–	–	1,800,000	16/12/2009-24/05/2017
Dai Yan	19/12/2007	8.04	900,000	–	–	–	–	900,000	17/01/2008-24/05/2017
	16/12/2009	5.75	1,400,000	–	–	–	–	1,400,000	16/12/2009-24/05/2017
Wang Jiandong	19/12/2007	8.04	600,000	–	–	–	–	600,000	17/01/2008-24/05/2017
	16/12/2009	5.75	900,000	–	–	–	–	900,000	16/12/2009-24/05/2017
Bai Zhisheng	19/12/2007	8.04	300,000	–	–	–	–	300,000	17/01/2008-24/05/2017
	16/12/2009	5.75	500,000	–	–	–	–	500,000	16/12/2009-24/05/2017
Zhang Wenli	19/12/2007	8.04	300,000	–	–	–	–	300,000	17/01/2008-24/05/2017
	16/12/2009	5.75	500,000	–	–	–	–	500,000	16/12/2009-24/05/2017
Sun Zengyin	19/12/2007	8.04	300,000	–	–	–	–	300,000	17/01/2008-24/05/2017
	16/12/2009	5.75	500,000	–	–	–	–	500,000	16/12/2009-24/05/2017
Gong Jing	16/12/2009	5.75	500,000	–	–	–	–	500,000	16/12/2009-24/05/2017
Wang Zhiyong	16/12/2009	5.75	900,000	–	–	–	–	900,000	16/12/2009-24/05/2017
Cheung Wing Yui, Edward	19/12/2007	8.04	500,000	–	–	–	–	500,000	17/01/2008-24/05/2017
	16/12/2009	5.75	300,000	–	–	–	–	300,000	16/12/2009-24/05/2017
Chan Ching Har, Eliza	16/12/2009	5.75	300,000	–	–	–	–	300,000	16/12/2009-24/05/2017
Cheng Hon Kwan	19/12/2007	8.04	500,000	–	–	–	–	500,000	17/01/2008-24/05/2017
	16/12/2009	5.75	300,000	–	–	–	–	300,000	16/12/2009-24/05/2017
Mak Kwai Wing, Alexander	16/12/2009	5.75	300,000	–	–	–	–	300,000	16/12/2009-24/05/2017
Ng Yi Kum, Estella	03/12/2010	6.07	–	300,000 (note 1)	–	–	–	300,000	03/12/2010-24/05/2017
Zheng Daoquan	19/12/2007	8.04	900,000	–	–	–	–	900,000	17/01/2008-24/05/2017
	16/12/2009	5.75	1,400,000 (note 2)	–	–	–	–	1,400,000	16/12/2009-24/05/2017
Kwong Che Keung, Gordon	19/12/2007	8.04	500,000	–	–	500,000	–	–	17/01/2008-24/05/2017
	16/12/2009	5.75	300,000 (note 3)	–	–	300,000	–	–	16/12/2009-24/05/2017
Continuous contract employees	19/12/2007	8.04	1,800,000	–	–	1,800,000	–	–	17/01/2008-24/05/2017
	16/12/2009	5.75	2,300,000	–	–	900,000 (note 4)	–	1,400,000	16/12/2009-24/05/2017
Total			21,800,000	300,000	–	3,500,000	–	18,600,000	

SHARE OPTION SCHEME (Cont'd)

notes:

1. Pursuant to the Share Option Scheme, a total of 300,000 share options were granted to Ms. Ng Yi Kum, Estella on 3 December 2010, with an exercise price of HK$6.07 and are exercisable from 3 December 2010 to 24 May 2017. The closing price of the shares immediately before the date on which these share options were granted was HK$6.07.

2. The share options of Mr. Zheng Daoquan will lapse on 31 March 2011 due to his resignation as director of the Company on 31 December 2010.

3. The share options of Mr. Kwong Che Keung, Gordon lapsed on 26 August 2010 due to his retirement on 26 May 2010.

4. A total of 2,700,000 share options lapsed during the year following the resignation of three continuous contract employees.

Details of the value of options granted under the Share Option Scheme during the year ended 31 December 2010 and the accounting policy adopted for the options are set out in Notes 32 and 2(p) to the financial statements respectively.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

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

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2010, the following persons or corporations, other than the directors or chief executive, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of shareholder	*notes*	**Capacity**	**Number of shares held**	**Approximate percentage of interests to the issued share capital**
Tsinlien	*1*	Interest of controlled corporation	576,945,143 (L)	54.05%
Blackrock, Inc.	*2*	Interest of controlled corporation	130,939,374 (L)	12.27%
		Interest of controlled corporation	831,274 (S)	0.08%
Humphreys Estate (Strawberry Houses) Limited ("Humphreys Estate")	*3*	Directly beneficially owned	53,426,000 (L)	5.00%
Tomson Group Limited ("Tomson Group")	*4*	Interest of controlled corporation	53,426,000 (L)	5.00%
Ms. Hsu Feng	*4*	Interest of controlled corporation	53,426,000 (L)	5.00%
Mr. Albert Tong	*4*	Interest of controlled corporation	53,426,000 (L)	5.00%
Mr. Tong Chi Kar, Charles	*4*	Interest of controlled corporation	53,426,000 (L)	5.00%

"L" denotes a long position in shares
"S" denotes a short position in shares

notes:

1. As at 31 December 2010, Tsinlien directly held 2,462,000 shares and its wholly-owned subsidiaries, namely Tianjin Investment Holdings Limited ("Tianjin Investment"), Tsinlien Venture Capital Company Limited ("Tsinlien Venture Capital") and Tsinlien Investment Limited ("Tsinlien Investment") held 568,017,143 shares, 2,022,000 shares and 4,444,000 shares respectively. By virtue of the SFO, Tsinlien is therefore deemed to have an interest in the shares in which Tianjin Investment, Tsinlien Venture Capital and Tsinlien Investment are interested.

2. Based on a corporate substantial shareholder notice, Blackrock, Inc. held a long position of 132,725,360 shares and a short position of 893,160 shares of the Company as at 11 February 2011.

3. Based on a corporate substantial shareholder notice, Humphreys Estate is an indirect wholly-owned subsidiary of Tomson Group. By virtue of the SFO, Tomson Group is deemed to have an interest in the shares in which Humphreys Estate is interested.

4. Ms. Hsu Feng, Mr. Albert Tong and Mr. Tong Chi Kar, Charles are the substantial shareholders of Tomson Group. By virtue of the SFO, they are deemed to have an interest in the shares in which Tomson Group is interested.

SUBSTANTIAL SHAREHOLDERS (Cont'd)

Save as disclosed above, as at 31 December 2010, the Company had not been notified by any person or corporation, other than the directors or chief executive of the Company, who had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

MANAGEMENT CONTRACTS

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

MAJOR CUSTOMERS AND SUPPLIERS

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

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

–	largest suppiler	66%
–	five largest suppliers in aggregation	95%

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

CONNECTED TRANSACTION

During the year and up to the date of this Report, the Group had the following connected transactions, details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules:

(i) Disposal of 83.9308% equity interest in Jinzheng

On 23 August 2010, a wholly-owned subsidiary of the Company, Wintel Knight Holdings Limited, as vendor, entered into an agreement with Tianjin Eastern Outer Ring Road Co., Ltd. (天津市外環東路有限公司) ("Eastern Outer Ring Road Company"), as purchaser, for the disposal of 83.9308% equity interest of Tianjin Jinzheng Transportation Development Company Limited (天津津政交通發展有限公司) ("Jinzheng") at a consideration of RMB1,198,992,520. Jinzheng was a sino-foreign cooperative joint venture incorporated in the PRC and was 16.0692% owned by Eastern Outer Ring Road Company before the disposal. As Eastern Outer Ring Road Company is a connected person of the Company under the Listing Rules, this transaction constituted a major and connected transaction to the Company and was completed on 6 December 2010.

Details of the above transaction may be referred to the announcements made by the Company dated 29 July 2010, 23 August 2010 and 13 September 2010 and a circular to the shareholders dated 28 September 2010.

CONNECTED TRANSACTION (Cont'd)

(ii) Disposal of 40% of the issued share capital of Golden Horse

On 6 December 2010, the Company, as vendor, entered into a sale and purchase agreement with Tsinlien, as purchaser, for the disposal of 40% of the issued share capital of Golden Horse at a consideration of HK$1.00. As Tsinlien is a connected person of the Company under the Listing Rules by virtue of the fact that it is a substantial shareholder of the Company. This transaction constituted a connected transaction to the Company under the Listing Rules and was completed on 13 December 2010.

Details of the above transaction may be referred to the announcement made by the Company dated 6 December 2010.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules throughout the year ended 31 December 2010, except for the deviations as disclosed in the Corporate Governance Report as set out on page 22.

SUBSEQUENT EVENT

Details of the significant events which have been taken place subsequent to the balance sheet date are set out in Note 41 to the financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public at all times during the year.

INDEPENDENT AUDITOR

The financial statements have been audited by Deloitte Touche Tohmatsu ("Deloitte"). During the year, PricewaterhouseCoopers resigned as auditors of the Company and Deloitte were appointed by the Board to fill the casual vacancy so arising. There have been no changes of auditors in the past three years. A resolution for the re-appointment of Deloitte as auditors of the Company will be proposed at the forthcoming annual general meeting.

By Order of the Board

Yu Rumin
Chairman

29 March 2011, Hong Kong

Independent Auditor's Report

Deloitte.
德勤

TO THE MEMBERS OF TIANJIN DEVELOPMENT HOLDINGS LIMITED
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Tianjin Development Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 46 to 125, which comprise the consolidated and Company's balance sheets as at 31 December 2010, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and 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 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, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 the 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 Hong Kong Companies Ordinance.

Other Matter

The consolidated financial statements of the Group for the year ended 31 December 2009 were audited by another auditor who expressed an unmodified opinion on 9 April 2010 on those statements.

Deloitte Touche Tohmatsu
Certified Public Accountants

29 March 2011, Hong Kong

Consolidated Income Statement

For the year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Continuing operations:			
Revenue	5	**3,223,034**	2,841,186
Cost of sales		**(2,972,789)**	(2,522,990)
Gross profit		**250,245**	318,196
Other income	6	**41,005**	89,135
Other gains (losses), net	7	**74,392**	76,404
General and administrative expenses		**(328,051)**	(308,880)
Other operating expenses		**(33,536)**	(34,418)
Finance costs	13	**(19,170)**	(14,416)
Share of profits (losses) of			
Associates	21	**551,165**	342,306
Jointly controlled entities	22	**(19,522)**	(9,940)
Profit before tax before impairment loss on property, plant and equipment		**516,528**	458,387
Tax (expense) credit	14	**(53,667)**	(32,934)
Profit for the year from continuing operations before impairment loss on property, plant and equipment		**462,861**	425,453
Impairment loss on property, plant and equipment	10	**(829,476)**	–
(Loss) profit for the year from continuing operations after impairment loss on property, plant and equipment		**(366,615)**	425,453
Operation of toll roads:			
Gain on disposal of interest in a subsidiary	8(a)	**236,415**	–
Gain on disposal of interest in an associate	8(b)	**9,907**	–
Loss for the year	8(a)	**(48,328)**	(598,760)
Port services:			
Gain on deemed disposal of interest in a subsidiary	9	**620,111**	–
Loss for the year	9	**–**	(47,710)
Profit (loss) for the year from operation of toll roads and port services		**818,105**	(646,470)
Profit (loss) for the year	11	**451,490**	(221,017)
Attributable to:			
Owners of the Company		**474,172**	(195,141)
Non-controlling interests		**(22,682)**	(25,876)
		451,490	(221,017)
Dividends	16	**–**	55,508
		HK cents	HK cents
Earnings (loss) per share	17		
Basic and diluted			
From continuing operations before impairment loss on property, plant and equipment		**38.15**	35.41
From continuing operations after impairment loss on property, plant and equipment		**(32.82)**	35.41
From operation of toll roads and port services		**77.24**	(53.69)
		44.42	(18.28)

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Profit (loss) for the year		**451,490**	(221,017)
Other comprehensive income:			
Currency translation differences		**158,500**	21,086
Release of exchange reserve upon completion of disposal of interest in a subsidiary	8(a)	**(147,738)**	–
Release of exchange reserve and available-for-sale revaluation reserve upon completion of deemed disposal of interest in a subsidiary	9	**(367,642)**	–
Release of exchange reserve upon strike off of subsidiaries		**–**	(7,079)
Change in fair value of available-for-sale financial assets	23	**(133,971)**	432,909
Deferred taxation on fair value change of available-for-sale financial assets		**(8,625)**	–
Share of other comprehensive income of associates			
– available-for-sale revaluation reserve		**3,009**	–
– currency translation differences		**88,542**	–
Total comprehensive income for the year		**43,565**	225,899
Attributable to:			
Owners of the Company		**41,093**	244,450
Non-controlling interests		**2,472**	(18,551)
		43,565	225,899

Consolidated Balance Sheet

As at 31 December 2010

	Notes	31 December 2010 HK$'000	Restated 31 December 2009 HK$'000	Restated 1 January 2009 HK$'000
ASSETS				
Non-current assets				
Property, plant and equipment	18	**1,111,473**	1,910,081	3,654,959
Land use rights	19	**51,970**	247,526	1,045,854
Interest in associates	21	**4,744,622**	1,516,634	1,590,350
Interest in jointly controlled entities	22	**16,938**	35,635	1,475,520
Deferred tax assets	35	**133,379**	174,988	147,539
Available-for-sale financial assets	23	**464,768**	558,652	128,453
		6,523,150	4,443,516	8,042,675
Current assets				
Inventories	24	**5,005**	10,413	10,337
Amounts due from associates	25	**–**	–	2,553
Amounts due from jointly controlled entities	25	**25,645**	–	6,858
Amounts due from ultimate holding company	25	**1,066**	998	–
Amounts due from related companies	26	**42,361**	11,865	13,000
Amounts due from investee companies	26	**16,833**	210,516	162,036
Trade receivables	27	**717,302**	763,608	756,029
Other receivables, deposits and prepayments	27	**1,596,762**	168,733	231,028
Financial assets at fair value through profit or loss	28	**772,676**	477,495	472,703
Restricted bank balance	29	**10,576**	27,215	–
Time deposits with maturity over three months	29	**417,321**	457,218	952,815
Cash and cash equivalents	29	**2,521,111**	2,320,542	1,845,316
		6,126,658	4,448,603	4,452,675
Assets held for sale, relating to operation of				
– toll roads	8	**–**	1,949,344	2,376,166
– port services	9	**–**	5,444,791	–
– commercial properties	30	**523,859**	–	–
		6,650,517	11,842,738	6,828,841
Total assets		**13,173,667**	16,286,254	14,871,516
EQUITY				
Owners of the Company				
Share capital	31	**106,747**	106,747	106,747
Reserves – others	33	**8,774,509**	8,727,634	8,513,692
Reserves – proposed final dividend	33	**–**	–	32,024
		8,881,256	8,834,381	8,652,463
Non-controlling interests		**525,477**	1,941,965	2,048,064
Total equity		**9,406,733**	10,776,346	10,700,527

Consolidated Balance Sheet

As at 31 December 2010

	Notes	31 December 2010 HK$'000	Restated 31 December 2009 HK$'000	Restated 1 January 2009 HK$'000
LIABILITIES				
Non-current liabilities				
Bank borrowings	34	–	1,997,000	2,557,349
Deferred tax liabilities	35	8,798	88,561	90,769
		8,798	2,085,561	2,648,118
Current liabilities				
Trade payables	36	273,613	194,581	198,168
Notes payable		35,253	27,215	–
Other payables and accruals		982,720	866,284	837,317
Amount due to ultimate holding company	25	–	–	15,051
Amounts due to related companies	26	78,884	234,849	218,329
Amounts due to non-controlling interests	26	42,127	1,258	1,079
Bank borrowings	34	2,167,735	4,545	33,389
Current tax liabilities		101,017	86,891	67,139
		3,681,349	1,415,623	1,370,472
Liabilities directly associated with assets classified as held for sale, relating to operation of				
– toll roads	8(a)	–	154,708	152,399
– port services	9	–	1,854,016	–
– commercial properties	30	76,787	–	–
		3,758,136	3,424,347	1,522,871
Total liabilities		3,766,934	5,509,908	4,170,989
Total equity and liabilities		13,173,667	16,286,254	14,871,516
Net current assets		2,892,381	8,418,391	5,305,970
Total assets less current liabilities		9,415,531	12,861,907	13,348,645

Wu Xuemin
Director

Dai Yan
Director

Balance Sheet

As at 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	18	**3,286**	3,422
Interest in subsidiaries	20	**3,643,334**	3,523,270
Advances to subsidiaries	20	**4,393,702**	4,452,068
		8,040,322	7,978,760
Current assets			
Amount due from ultimate holding company	25	**1,585**	1,192
Other receivables, deposits and prepayments	27	**2,732**	3,364
Time deposits with maturity over three months	29	**–**	17,727
Cash and cash equivalents	29	**467,982**	677,246
		472,299	699,529
Assets held for sale, relating to operation of			
– toll roads	8(b)	**–**	156,000
– commercial properties	30	**166,173**	–
		638,472	855,529
Total assets		**8,678,794**	8,834,289
EQUITY			
Owners of the Company			
Share capital	31	**106,747**	106,747
Reserves – others	33	**6,250,712**	6,541,650
Total equity		**6,357,459**	6,648,397
LIABILITIES			
Non-current liabilities			
Bank borrowings	34	**–**	1,997,000
Amounts due to subsidiaries		**294,660**	168,257
		294,660	2,165,257
Current liabilities			
Bank borrowings	34	**1,998,523**	–
Other payables and accruals		**28,152**	20,635
		2,026,675	20,635
Total liabilities		**2,321,335**	2,185,892
Total equity and liabilities		**8,678,794**	8,834,289
Net current (liabilities) assets		**(1,388,203)**	834,894
Total assets less current liabilities		**6,652,119**	8,813,654

Wu Xuemin
Director

Dai Yan
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

		Owners of the Company					
	Notes	Share capital HK$'000	Other reserves HK$'000	Retained earnings HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2009		106,747	7,177,289	1,368,427	8,652,463	2,048,064	10,700,527
Loss for the year		–	–	(195,141)	(195,141)	(25,876)	(221,017)
Other comprehensive income (losses):							
Currency translation differences		–	16,963	–	16,963	4,123	21,086
Release of exchange reserve upon strike off of subsidiaries		–	(7,079)	–	(7,079)	–	(7,079)
Change in fair value of available-for-sale financial assets	23	–	429,707	–	429,707	3,202	432,909
Total comprehensive income (losses) for the year		–	439,591	(195,141)	244,450	(18,551)	225,899
Share based payments		–	25,000	–	25,000	848	25,848
Acquisition of additional interest in a subsidiary		–	–	–	–	(60,503)	(60,503)
Transfer between reserves		–	34,344	(34,344)	–	–	–
Transfer upon lapse of share options		–	(8,960)	8,960	–	–	–
Dividends		–	–	(87,532)	(87,532)	(27,893)	(115,425)
		–	50,384	(112,916)	(62,532)	(87,548)	(150,080)
At 31 December 2009		106,747	7,667,264	1,060,370	8,834,381	1,941,965	10,776,346
At 1 January 2010		**106,747**	**7,667,264**	**1,060,370**	**8,834,381**	**1,941,965**	**10,776,346**
Profit for the year		**–**	**–**	**474,172**	**474,172**	**(22,682)**	**451,490**
Other comprehensive income (losses):							
Currency translation differences		**–**	**133,346**	**–**	**133,346**	**25,154**	**158,500**
Release of reserves upon completion of disposal of interest in a subsidiary	8(a)	**–**	**(147,738)**	**–**	**(147,738)**	**–**	**(147,738)**
Release of reserves upon completion of deemed disposal of interest in a subsidiary	9	**–**	**(367,642)**	**–**	**(367,642)**	**–**	**(367,642)**
Change in fair value of available-for-sale financial assets	23	**–**	**(133,971)**	**–**	**(133,971)**	**–**	**(133,971)**
Deferred taxation on fair value change of available-for-sale financial assets		**–**	**(8,625)**	**–**	**(8,625)**	**–**	**(8,625)**
Share of other comprehensive income of an associate							
– available-for-sale revaluation reserve		**–**	**3,009**	**–**	**3,009**	**–**	**3,009**
– currency translation differences		**–**	**88,542**	**–**	**88,542**	**–**	**88,542**
Total comprehensive income (losses) for the year		**–**	**(433,079)**	**474,172**	**41,093**	**2,472**	**43,565**
Share based payments		**–**	**5,782**	**–**	**5,782**	**–**	**5,782**
Capital contributions by non-controlling interests		**–**	**–**	**–**	**–**	**7,051**	**7,051**
Transfer of reserves and release of non-controlling interests upon completion of disposal of interest in a subsidiary	8(a)	**–**	**(18,314)**	**18,314**	**–**	**(211,247)**	**(211,247)**
Transfer of reserves and release of non-controlling interests upon completion of deemed disposal of interest in a subsidiary	9	**–**	**(238,181)**	**238,181**	**–**	**(1,176,077)**	**(1,176,077)**
Dividend		**–**	**–**	**–**	**–**	**(38,687)**	**(38,687)**
Transfer between reserves		**–**	**31,323**	**(31,323)**	**–**	**–**	**–**
Transfer upon lapse of share options		**–**	**(6,807)**	**6,807**	**–**	**–**	**–**
		–	**(226,197)**	**231,979**	**5,782**	**(1,418,960)**	**(1,413,178)**
At 31 December 2010		**106,747**	**7,007,988**	**1,766,521**	**8,881,256**	**525,477**	**9,406,733**

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Cash flow from operating activities			
Cash generated from operations	39	**124,513**	387,955
Interest paid		**(17,559)**	(23,911)
PRC income tax paid		**(17,122)**	(117,762)
Net cash from operating activities		**89,832**	246,282
Cash flow from investing activities			
Interest received		**35,682**	56,795
Purchase of property, plant and equipment		**(247,838)**	(361,584)
Purchase of land use right		**(6,159)**	–
Proceeds from disposal of property, plant and equipment		**5,000**	7,347
Acquisition of additional interest in a subsidiary		**–**	(60,228)
Disposal of interest in a subsidiary	8(a)	**(176,190)**	–
Deemed disposal of interest in a subsidiary	9	**(477,720)**	–
Decrease in time deposits with maturity over three months		**39,898**	41,154
Decrease (increase) in restricted bank balance		**16,639**	(27,215)
Increase in available-for-sale financial assets		**(34,562)**	(11,361)
Increase in amounts due from associates		**–**	(26,831)
Increase in amounts due from jointly controlled entities		**(25,645)**	(60,718)
Decrease (increase) in amounts due from investee companies		**194,238**	(48,003)
Dividends received from associates		**337,357**	188,787
Net cash used in investing activities		**(339,300)**	(301,857)
Cash flow from financing activities			
Repayment of bank borrowings		**–**	(90,273)
Drawdown of bank borrowings		**161,290**	848,726
Contribution from non-controlling interests		**7,051**	–
Repayment of amounts due to related companies		**(117,509)**	–
Dividends paid to owners of the Company		**–**	(87,532)
Dividends paid to non-controlling interests		**(38,687)**	(27,893)
Net cash from financing activities		**12,145**	643,028
Net (decrease) increase in cash and cash equivalents		**(237,323)**	587,453
Cash and cash equivalents at beginning of the year		**2,723,484**	2,129,493
Effect of foreign exchange rate changes		**37,165**	6,538
Cash and cash equivalents at end of the year		**2,523,326**	2,723,484
Analysis:			
Cash and cash equivalents		**2,521,111**	2,320,542
Cash and cash equivalents classified as assets held for sale, relating to operation of			
– toll roads	8	**–**	149,892
– port services	9	**–**	253,050
– commercial properties	30	**2,215**	–
		2,523,326	2,723,484

Notes to the Consolidated Financial Statements

1. General information

Tianjin Development Holdings Limited (the "Company") and its subsidiaries (together the "Group") are principally engaged in (i) utilities business including supply of electricity, water and heat and thermal power; (ii) commercial properties, basically hotel operations; and (iii) strategic and other investments including investments in associates which, principally engaged in the production, sale and distribution of winery products, elevators and escalators and provision of port services.

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

The Company has its listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Directors of the Company consider Tsinlien Group Company Limited ("Tsinlien"), a company incorporated in Hong Kong, as the Company's ultimate holding company.

During the year, the major changes in the Group's operations are as follows:

(a) The Group's interest in Tianjin Port Development Holdings Limited ("Tianjin Port"), which operates the Group's port services, was diluted from 67.33% to 21% (Note 9).

(b) The Group completed the discontinuance of the operation of toll roads when the Group disposed of:

  (i) its 83.9308% equity interest in Tianjin Jin Zheng Transportation Development Co., Ltd ("Jinzheng") which operates the Eastern Outer Ring Road ("EORR") (Note 8(a)); and

  (ii) its 40% equity interest in Golden Horse Resources Limited ("Golden Horse") which holds 60% equity interest in Jinbin Expressway (Note 8(b)).

(c) The Group intended to dispose of its 75% equity interest in Tianjin First Hotel Limited, a sino-foreign equity joint venture company holding hotel property situated in Tianjin and managed by Hyatt of China Limited (Note 10 & 30).

2. Basis of preparation and accounting policies

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

The consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") and are prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets at fair value through profit or loss, which are carried at fair value.

The preparation of consolidated financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

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

Adoption of new standards and amendments to existing standards and interpretation

In 2010, the Group adopted new and revised standards, amendments and interpretation of HKFRSs ("new and revised HKFRSs") below:

HKAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (as revised in 2008)	Business Combinations
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
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 Group has assessed the impact of the adoption of these new and revised HKFRSs and considered that there was no significant impact on the Group's results and financial position nor any substantial changes in the Group's accounting policies and presentation of the consolidated financial statements except the below.

(a) Amendment to HKAS 17

As part of Improvements to HKFRSs issued in 2009, amendment to HKAS 17, "Leases" deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under "land use rights", and released over the lease term.

The amendment has been applied retrospectively in accordance with the transitional provisions of the amendment. The Group has reassessed the classification of unexpired land use rights as at 1 January 2010 on the basis of information existing at the inception of those leases, and recognized the leasehold land in Hong Kong as finance lease retrospectively. As a result of the reassessment, the Group has reclassified certain leasehold land from operating lease to finance lease.

The accounting for land interest classified as finance lease if the property interest is held for own use, that land interest is accounted for as property, plant and equipment and is depreciated over the shorter of the useful life of the asset and the lease term.

The effect of the adoption of this amendment is as below:

	At 31 December 2010 HK$'000	At 31 December 2009 HK$'000	At 1 January 2009 HK$'000
Decrease in land use rights	**264,292**	264,590	264,888
Increase in property, plant and equipment	**264,292**	264,590	264,888

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

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

(b) HKAS 27 (as revised in 2008) Consolidated and Separate Financial Statements

The application of HKAS 27 (as revised in 2008) has resulted in changes in the Group's accounting policies for changes in ownership interests in subsidiaries of the Group.

Specifically, the revised standard has affected the Group's accounting policies regarding changes in the Group's ownership interests in its subsidiaries that do not result in loss of control. In prior years, in the absence of specific requirements in HKFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognized, when appropriate; for decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the adjustment to the non-controlling interests was recognized in profit or loss. Under HKAS 27 (as revised in 2008), all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised standard requires the Group to derecognize all assets, liabilities and non-controlling interests at their carrying amounts and to recognize the fair value of the consideration received. Any retained interest in the former subsidiary is recognized at its fair value at the date control is lost. The resulting difference is recognized as a gain or loss in profit or loss.

These changes have been applied prospectively from 1 January 2010 in accordance with the relevant transitional provisions.

The effect of the adoption of HKAS 27 (as revised in 2008) for the year has resulted in the recognition of a gain of HK$197 million relating to the re-measurement at fair value of the equity interest in Tianjin Port retained by the Group as an associate following the Group's loss of control thereof. Accordingly the profit attributable to owners of the Company was increased by HK$197 million, and the basic and diluted earnings per share were increased by HK18.45 cents (Note 9).

The following new and revised standards, amendments and interpretations to existing standards have been published and are relevant to the Group's operation. They are mandatory for accounting periods beginning on or after 1 February 2010 or later periods, and the Group has not early adopted them:

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[1]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[3]
HKFRS 9	Financial Instruments[4]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
HKAS 32 (Amendments)	Classification of Rights Issues[7]
HK (IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[6]
HK (IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

1 Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.
2 Effective for annual periods beginning on or after 1 July 2010.
3 Effective for annual periods beginning on or after 1 July 2011.
4 Effective for annual periods beginning on or after 1 January 2013.
5 Effective for annual periods beginning on or after 1 January 2012.
6 Effective for annual periods beginning on or after 1 January 2011.
7 Effective for annual periods beginning on or after 1 February 2010.

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

HKFRS 9 *Financial Instruments* (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 *Financial Instruments* (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

- Under HKFRS 9, all recognized financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at either amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit and loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application.

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

Significant accounting policies

(a) Group accounting

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

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary in the consolidated financial statements to ensure consistency with the policies adopted by the Group.

(i) Merger accounting for common control combination

The consolidated financial statements incorporate the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

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

Significant accounting policies (Cont'd)

(a) Group accounting (Cont'd)

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

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling parties' perspective. No amount is recognized in respect of goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

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

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

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 recognized as an expense in the year in which it is incurred.

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

Prior to 1 January 2010, the acquisition method of accounting is used to account for the acquisition of business by the Group other than the common control combination. The cost of acquisition is measured at the aggregate of the fair value at the date of exchange of, the assets given, the liabilities incurred or assumed and equity instruments issued by the Group in exchange for control of, the acquiree, plus any costs directly attributable to the business combination. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired after reassessment, the difference is recognized directly in the consolidated income statement.

On or after 1 January 2010, acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognized in profit or loss as incurred.

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

Significant accounting policies (Cont'd)

(a) Group accounting (Cont'd)

(ii) Acquisition method of accounting for non-common control combination (Cont'd)

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or another measurement basis required by another standard.

Where the consideration the Group transfers in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. Measurement period does not exceed one year from the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

Changes in the value of the previously held equity interest recognized in other comprehensive income and accumulated in equity before the acquisition date are reclassified to profit or loss when the Group obtains control over the acquiree.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

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

Significant accounting policies (Cont'd)

(a) Group accounting (Cont'd)

(iii) *Subsidiaries*

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

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

(iv) *Associates*

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss. See Note 2(f) for the impairment of non-financial assets including goodwill.

The Group's share of its associates' post-acquisition profits or losses is recognized in the consolidated income statement, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate (which include any long-term interest that, in substance, form part of the Group's net investment in the associate), the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

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

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

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

Significant accounting policies (Cont'd)

(a) Group accounting (Cont'd)

(v) Jointly controlled entities

A jointly controlled entity is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

The Group's share of its jointly controlled entities' post-acquisition profits or losses is recognized in the consolidated income statement, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a jointly controlled entity equals or exceeds its interest in the jointly controlled entity, (which include any long-term interest that, in substance, form part of the Group's net investment in the jointly controlled entities), the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entities.

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

(b) Segment reporting

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

(c) Foreign currency translation

(i) Functional and presentation currency

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

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

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

Significant accounting policies (Cont'd)

(c) Foreign currency translation (Cont'd)

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or revaluation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated income statement.

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

(iii) *Group companies*

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

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

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

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

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to equity. When a foreign operation is disposed of or sold that resulted in loss of control, exchange differences that were recorded in equity are recognized in the consolidated income statement as part of the gain or loss on disposal.

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

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

Significant accounting policies (Cont'd)

(d) Property, plant and equipment

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

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

No depreciation is provided for construction in progress.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2(f)).

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

(e) Land use rights

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "land use rights" in the consolidated balance sheet and is amortized over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

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

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

Significant accounting policies (Cont'd)

(f) Impairment of non-financial assets

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

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

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

(h) Financial assets

The Group's financial assets fall into the following three categories:

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

(ii) Loans and receivables; and

(iii) Available-for-sale financial assets.

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

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

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

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

Assets in this category are initially recognized at fair value, and transaction costs are expensed in the consolidated income statement, and are subsequently remeasured at their fair values. Gains and losses arising from changes in the fair values are included in the consolidated income statement in the period in which they arise.

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

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

Significant accounting policies (Cont'd)

(h) Financial assets (Cont'd)

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with expected or actual maturities greater than twelve months after the balance sheet date which are classified as non-current assets.

Loans and receivable are recognized initially at fair value, net of transaction costs incurred. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from jointly controlled entities, amounts due from ultimate holding company, advances to subsidiaries, amounts due from related companies, amounts due from investee companies, restricted bank balance, time deposits with maturity over three months and cash and cash equivalents) are carried at amortized cost using the effective interest method, less any identified impairment losses.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating interest income or interest expenses over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payment (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income or expense is recognized on an effective interest basis for debt instruments other than those financial assets classified as at fair value through profit or loss, of which interest income is included in net gains or losses.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any other categories. They are included in non-current assets unless management intends to dispose of the investment within twelve months of the balance sheet date. Assets in this category are initially recognized at fair value plus transaction costs and are subsequently carried at fair value. Gains and losses arising from changes in the fair value are recognized in equity.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of the reporting period. Any impairment loss will not be reversed in subsequent periods.

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

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

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

Impairment losses on available-for-sale equity investments carried at fair value will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognized directly in other comprehensive income and accumulated in available-for-sale revaluation reserve.

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

Significant accounting policies (Cont'd)

(i) Inventories

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

(j) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, an impairment loss is recognized in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying value amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

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

Significant accounting policies (Cont'd)

(k) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

(l) 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.

(m) Borrowings

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

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

(n) Trade payables, other payables, notes payable, and amounts due to subsidiaries/related companies

These amounts are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

(o) Current and deferred income tax

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

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

Deferred income tax is recognized using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

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

Significant accounting policies (Cont'd)

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

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

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

(p) Employee benefits

(i) Retirement scheme obligations

Employees of the Group's subsidiaries in the PRC are members of state-managed employee pension scheme operated by the Tianjin Municipal People's Government of PRC ("Tianjin Municipal 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. In addition, the Group also contributes to a mandatory provident fund scheme for its Hong Kong employees. Both schemes are defined contribution plans. All these contributions are based on a certain percentage of the staff's salary and are charged to the consolidated income statement as incurred.

(ii) Share-based compensation

The Group operates an equity-settled, share-based compensation plan, under which the Group receives services from employees as considerations for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. The total amount expensed is recognized 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 Group revises its estimates of the number of options that are expected to ultimately vest on the non-marketing vesting conditions. It recognizes the impact of the revision of original estimates, if any, in the consolidated income statement with a corresponding adjustment to equity over the vesting period.

When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in share options reserve will be transferred to retained profits.

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

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

Significant accounting policies (Cont'd)

(q) Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

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

(r) Revenue and other income recognition

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

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

(ii) Sales of electricity, water, heat and thermal power are recognized based on meter readings of actual utilization.

(iii) Government supplemental income is recognized on an accrual basis in accordance with the terms of the relevant documents from government.

(iv) Rental and management fee income is recognized when services are rendered.

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

(vi) Dividend income is recognized when the right to receive payment is established.

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

(s) Borrowing costs

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

(t) Operating lease

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

(u) Dividend distribution

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

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

Significant accounting policies (Cont'd)

(v) Contingent liabilities and contingent assets

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

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

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

3. Financial risk management

Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

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

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

At 31 December 2010, with all other variables held constant, if Hong Kong dollars had weakened/strengthened against Renminbi by 5% (2009: 5%), the Group's post-tax result would have been favourably/unfavourably impacted by approximately HK$24,239,000 (2009: HK$111,101,000) as a result of the translation of those Non-Functional Currency Items.

3. Financial risk management (Cont'd)

Financial risk factors (Cont'd)

(a) Market risk (Cont'd)

(ii) Price risk

The Group is exposed to equity securities price risk because the Group's investments in listed and unlisted shares, unlisted funds and unlisted entrusted investments are classified on the consolidated balance sheet as financial assets at fair value through profit or loss and available-for-sale financial assets specified in Notes 28 and 23 respectively. The Group is not exposed to commodity price risk.

To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio and invests in relatively low-risk funds such as money market funds. Since the amount of the investments in listed and unlisted shares, unlisted fund and unlisted entrusted investments are not significant to the Group's total assets accordingly, no sensitivity analysis for price risk is performed.

(iii) Interest rate risk

Other than bank balances and deposits (the "Interest Bearing Assets") specified in Note 29, the Group has no other significant interest-bearing assets.

The Group's interest rate risk arises from bank borrowings (the "Interest Bearing Liabilities") as set out in Note 34. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group's policy is to maintain a mixed portfolio of borrowings subject to variable and fixed interest rates. The Group also analyses its interest rate exposure periodically by considering refinancing, renewal of existing positions and alternative financing. The Group's Interest Bearing Liabilities include borrowings of HK$2,057,278,000 at variable rates and HK$110,457,000 at fixed rates (2009: HK$3,306,513,000 at variable rates and HK$44,308,000 at fixed rates).

If interest rates had been 100 basis points higher/lower for HK dollar-denominated borrowings and with all other variables held constant, the Group's profit after taxation for the year ended 31 December 2010 would decrease/increase by HK$16,688,000 (2009: loss increase/decrease by HK$16,731,000); if interest rates had been 100 basis points higher/lower for Renminbi-denominated borrowings and with all other variables held constant, the Group's profit after taxation for the year ended 31 December 2010 would decrease/increase by HK$1,293,000 (2009: loss increase/decrease by HK$17,000).

If interest rates had been 50 basis points higher/lower for HK dollar-denominated bank balances and deposits and with all other variables held constant, the Group's profit after taxation for the year ended 31 December 2010 would increase/decrease by HK$2,495,000 (2009: loss decrease/increase by HK$3,805,000); if interest rates had been 50 basis points higher/lower for Renminbi-denominated bank balances and deposits and with all other variables held constant, the Group's profit after taxation for the year ended 31 December 2010 would increase/decrease by HK$9,174,000 (2009: loss decrease/increase by HK$11,498,000).

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

3. Financial risk management (Cont'd)

Financial risk factors (Cont'd)

(b) Credit and counterparty risk

Credit risk mainly arises from cash deposits and financial assets at fair value through profit or loss maintained with banks and other financial institutions, as well as credit exposures to jointly controlled entities, ultimate holding company, related companies, investee companies, other receivables and customers (including outstanding trade receivable balances). The carrying amounts of these balances substantially represents the Group's maximum exposure to credit and counterparty risk as at 31 December 2010.

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

As at 31 December 2010, over 60% (2009: 60%) of the Group's financial assets were cash deposits and financial assets at fair value through profit or loss, which were placed with state-owned and listed banks and other financial institutions. Apart from above, other receivables amounted to HK$1,408,922,000 were due from Tianjin Eastern Outer Ring Road Co., Ltd. for the consideration receivable for disposal of Jinzheng. For trade receivables, over one-third of which were supplemental income receivable from the Finance Bureau of Tianjin Economic and Technological Development Area ("TEDA Finance Bureau") with settlements throughout the years. The residential, commercial and industrial customers in supply of utilities segment demonstrated good credit quality in general as residential customers settled in cash while there are established relationships with key commercial and industrial customers with long business track record.

(c) Liquidity risk

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

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

As at 31 December 2010, the Group had bank and cash balance of approximately HK$2,951 million and bank borrowings of approximately HK$2,168 million. In February 2011, the Group obtained a term loan banking facility of HK$2,000 million for the purpose of refinancing the existing syndicated bank loan.

3. Financial risk management (Cont'd)

Financial risk factors (Cont'd)

(c) Liquidity risk (Cont'd)

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

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Total HK$'000
At 31 December 2010				
The Group				
Bank borrowings	2,185,998	–	–	2,185,998
Amounts due to related companies and non-controlling interest	121,011	–	–	121,011
Trade payables, notes payable and other payables	543,281	–	–	543,281
	2,850,290	–	–	2,850,290
The Company				
Bank borrowings	2,012,401	–	–	2,012,401
Amounts due to subsidiaries	–	294,660	–	294,660
Other payables	678	–	–	678
	2,013,079	294,660	–	2,307,739
At 31 December 2009				
The Group				
Bank borrowings	175,112	3,015,260	210,263	3,400,635
Amounts due to related companies, non-controlling interest and ultimate holding company	262,769	–	–	262,769
Trade payables, notes payable and other payables	1,623,580	–	–	1,623,580
	2,061,461	3,015,260	210,263	5,286,984
The Company				
Bank borrowings	10,856	2,006,667	–	2,017,523
Amounts due to subsidiaries	–	168,257	–	168,257
Other payables	20,635	–	–	20,635
	31,491	2,174,924	–	2,206,415

3. Financial risk management (Cont'd)

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 stakeholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Total capital is calculated as equity attributable to owners of the Company as shown in the consolidated balance sheet.

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

Consistent with others in the industry, the Group monitors capital on the basis of the net gearing ratio. Net gearing ratio is calculated as net debt divided by equity attributable to owners of the Company. Net debt is calculated as total bank borrowings (including current and non-current bank borrowings as shown in the consolidated balance sheet) less total cash and cash deposits. During 2010, the Group's policy, which was unchanged from 2009, was to maintain a net gearing ratio of not more than 40%.

As of the end of 2010 and 2009, the Group had a net cash position.

	2010 HK$'000	2009 HK$'000
Total bank borrowings	2,167,735	3,350,821
Less: total cash and cash deposits	2,951,223	3,662,359
Net cash	(783,488)	(311,538)
Shareholders' funds	8,881,256	8,834,381
Net gearing position	Net cash	Net cash

The category of financial instruments of the Group are as follows:

	2010 HK$'000	2009 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	5,218,800	5,028,629
Available-for-sale financial assets	464,768	600,699
Financial assets at fair value through profit or loss	772,676	477,495
	6,456,244	6,106,823
Financial liabilities		
Amortized cost	2,850,290	5,286,984

All the Company's financial assets and financial liabilities are classified as loans and receivables and financial liabilities stated at amortized cost respectively.

3. Financial risk management (Cont'd)

Fair value estimation

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

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

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

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

(iv) The fair values of cash and cash deposits, trade receivables, other receivables, deposits, trade payables, notes payable, other payables, accruals, current bank borrowings and balances with associates, jointly controlled entities, ultimate holding company, related companies, non-controlling interests and investee companies are considered to be approximate their carrying amount due to the short-term maturities of these assets and liabilities.

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:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: 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 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

3. Financial risk management (Cont'd)

Fair value estimation (Cont'd)

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

	Valuation Technique			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
At 31 December 2010				
Available-for-sale financial assets	**282,827**	**–**	**181,941**	**464,768**
Financial assets at fair value through profit or loss	**62,523**	**710,153**	**–**	**772,676**
At 31 December 2009				
Available-for-sale financial assets	416,798	–	141,854	558,652
Available-for-sale financial assets included in assets held for sale – port services	24,586	–	17,461	42,047
Total	441,384	–	159,315	600,699
Financial assets at fair value through profit or loss	21,768	455,727	–	477,495

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

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

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

3. Financial risk management (Cont'd)

Fair value estimation (Cont'd)

The valuation techniques used to value financial instruments include:

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

The following table presents the changes in level 3 instruments for the year ended 31 December 2010 and 2009:

	2010 HK$'000	2009 HK$'000
Available-for-sale financial assets		
At 1 January	159,315	113,652
Additions	34,652	11,361
Disposal through deemed disposal of interest in a subsidiary	(17,461)	–
Exchange difference	5,435	272
Change in fair value	–	34,030
At 31 December	181,941	159,315
Total gain recognized in other comprehensive income	–	34,030

4. Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities of the Group are discussed below.

(a) Property, plant and equipment

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

In particular, in view of a change in government supplemental income policy relating to the Group's utility services in the Tianjin Economic and Technological Development Area, management has critically reviewed the recoverable value of the Group's property, plant and equipment which are being used for rendering utility services. The review was based primarily on a discounted cash flow projection which involves factors and assumptions such as discount rate at 12% and growth rates ranging from 4% to 8% which are inherently subjective in nature. On the basis of this review, an impairment loss of HK$753.5 million was made against the Group's property, plant and equipment. Further details are set out in Note 10.

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

(b) Impairment loss on trade receivables

The assessment of the impairment loss on trade receivables of the Group is based on the evaluation of collectability and ageing analysis of accounts and on management's judgment. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness of each customer. If the financial conditions of the Group's customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. Impairment is made based on the estimation of the future cash flow discounted at the original effective rate to calculate the present value.

(c) Recoverability of deferred tax assets

As at 31 December 2010, deferred tax assets of approximately HK$158 million (2009: approximately HK$194 million) in relation to tax losses and other deductable timing differences were recognized in the consolidated balance sheet. The recoverability of the deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In case where the expectation for future profit streams changes, a reversal of the deferred tax assets may arise, which would be charged to the profit or loss for the period in which such a reversal takes place.

5. Segment information

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

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

(a) Supply of utilities – this segment derives revenue through the distribution of electricity, water, heat and thermal power to industrial, commercial and residential sectors in the Tianjin Economic and Technological Development Area.

(b) Operation of commercial properties – this segment derives revenue from the hotels operating in Hong Kong and Tianjin.

(c) Winery – the results of this segment are contributed by a listed associate of the Group, Dynasty Fine Wines Group Limited ("Dynasty"), which produces and sells winery products.

(d) Port services – the results of this segment are contributed by Tianjin Port Development Holdings Limited ("Tianjin Port"), a listed company which was a subsidiary of the Group in 2009 and became an associate of the Group as from 4 February 2010.

(e) Elevators and escalators – the results of this segment are principally contributed by an associate of the Group, Otis Elevator (China) Investment Company Limited ("Otis China"), which manufactures and sells elevators and escalators.

5. Segment information (Cont'd)

(f) The operation of toll roads segment derives revenue from a subsidiary of the Group, Jinzheng, which invests in and operates the EORR in Tianjin and includes the result of an associate of the Group, Golden Horse which invests in Jinbin Expressway in Tianjin.

The operation of toll roads ceased to be an operating segment for the Group upon completion of disposal of Jinzheng and Golden Horse in 2010.

	For the year ended 31 December 2010							
	Continuing operations							
	Supply of utilities (note (i)) HK$'000	Operation of commercial properties HK$'000	Winery HK$'000	Port services (note(iii)) HK$'000	Elevators and escalators HK$'000	Sub-Total HK$'000	Result of operation of toll roads (note(ii)) HK$'000	Total operating segments HK$'000
Segment revenue	3,137,407	85,627	–	–	–	3,223,034	–	3,223,034
Operating profit (loss) before interest	45,848	(21,073)	–	–	–	24,775	(49,562)	(24,787)
Interest income	19,077	21	–	–	–	19,098	2,766	21,864
Impairment loss on property, plant and equipment	(753,456)	(55,322)	–	–	–	(808,778)	–	(808,778)
Finance costs	(5,694)	(1,633)	–	–	–	(7,327)	–	(7,327)
Share of profits of – Associates	–	–	71,178	110,336	359,321	540,835	–	540,835
Profit (loss) before tax	(694,225)	(78,007)	71,178	110,336	359,321	(231,397)	(46,796)	(278,193)
Tax (expense) credit	(56,393)	5,673	–	–	–	(50,720)	(1,532)	(52,252)
Segment results – profit (loss) for the year	(750,618)	(72,334)	71,178	110,336	359,321	(282,117)	(48,328)	(330,445)
Non-controlling interests	59,088	17,813	–	–	(62,019)	14,882	6,437	21,319
Profit (loss) attributable to owners of the Company	(691,530)	(54,521)	71,178	110,336	297,302	(267,235)	(41,891)	(309,126)
Segment results – profit (loss) for the year includes: Depreciation and amortisation	93,965	29,833	–	–	–	123,798	–	123,798

5. Segment information (Cont'd)

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

5. Segment information (Cont'd)

	For the year ended 31 December	
	2010	2009
	HK$'000	HK$'000
Reconciliation of profit (loss) for the year		
Total operating segments	**(330,445)**	(179,230)
Results of operation of toll roads	**48,328**	598,760
Results of operation of port services	**–**	47,710
Gain on deemed disposal of partial interest in an associate	**–**	27,719
Share option expenses	**(545)**	(23,253)
Corporate and others (note(iv))	**(83,953)**	(46,253)
(Loss) profit for the year from continuing operations after impairment loss on property, plant and equipment	**(366,615)**	425,453

notes:

(i) Segment revenue from the supply of utilities includes government supplemental income of approximately HK$311,000,000 (2009: approximately HK$344,400,000) granted by the TEDA Finance Bureau to the Group 's operating subsidiaries in the supply of utilities segment.

Segment revenue from external customers and government supplemental income for supply of electricity, water, and heat and thermal power amounted to approximately HK$1,938,400,000, HK$314,000,000 and HK$885,000,000 respectively (2009: approximately HK$1,668,500,000, HK$319,300,000 and HK$767,000,000).

(ii) This is related to the Group's toll roads investments, namely, (a) Jinzheng which operates the EORR, and (b) Golden Horse which holds 60% equity interest in Jinbin Expressway.

(iii) The Group's port services operation is contributed by Tianjin Port. Since 2009, a re-structuring has taken place and Tianjin Port was expected to cease to be a subsidiary and would become an associate of the Group. Accordingly, the results of Tianjin Port as a subsidiary were presented separately from continuing operations in 2009.

In 2010, the Group's interest in Tianjin Port was diluted from 67.33% to 21% and the Group's share of results of Tianjin Port is included as part of the continuing operations.

(iv) These principally include (a) results of the Group's other non-core businesses not categorized as operating segments and (b) corporate activities including central treasury management and administrative function, dividend income from investee companies, exchange gain or loss at corporate level.

5. Segment information (Cont'd)

Segment assets and liabilities

	Continuing operations							
	Supply of utilities HK$'000	Operation of commercial properties HK$'000	Winery HK$'000	Port services HK$'000	Elevators and escalators HK$'000	Total operating segments HK$'000	Corporate and others (note) HK$'000	Total HK$'000
As at 31 December 2010								
Segment assets	**2,617,127**	**1,055,944**	**886,237**	**3,045,447**	**686,164**	**8,290,919**	**4,882,748**	**13,173,667**
Segment liabilities	**1,513,631**	**90,227**	**–**	**–**	**–**	**1,603,858**	**2,163,076**	**3,766,934**

	Continuing operations								
	Supply of utilities HK$'000	Operation of commercial properties HK$'000	Winery HK$'000	Elevators and escalators HK$'000	Operation of toll roads HK$'000	Port services HK$'000	Total operating segments HK$'000	Corporate and others (note) HK$'000	Total HK$'000
As at 31 December 2009									
Segment assets	3,098,004	1,138,923	819,906	584,316	1,949,344	5,444,791	13,035,284	3,250,970	16,286,254
Segment liabilities	1,290,491	135,881	–	–	154,708	1,854,016	3,435,096	2,074,812	5,509,908

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

5. Segment information (Cont'd)

Other segment information

An analysis of the Group's revenue by geographical location of external customers and government supplemental income is as follows:

	Revenue For the year ended 31 December 2010 HK$'000	2009 HK$'000
PRC mainland	**3,138,168**	2,778,598
Hong Kong	**84,866**	62,588
Continuing operations	**3,223,034**	2,841,186
Operation of toll roads	**–**	129,453
Port services	**–**	1,370,133
Operation of toll roads and port services – PRC mainland	**–**	1,499,586
	3,223,034	4,340,772

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

	2010 HK$'000	2009 HK$'000
PRC mainland	**5,350,080**	3,116,144
Hong Kong	**574,923**	593,732
	5,925,003	3,709,876

6. Other income

	2010 HK$'000	2009 HK$'000
Interest income	**35,682**	40,302
Dividend income from investee companies – unlisted	**3**	48,058
Sundries	**5,320**	775
	41,005	89,135

7. Other gains (losses), net

	2010 HK$'000	2009 HK$'000
Fair value gains of financial assets held for trading		
– listed (realized and unrealized)	**10,129**	5,048
– unlisted (realized)	**25,756**	14,772
Gain on deemed disposal of partial interest in an associate (Note 23)	**–**	27,719
Reversal of over-accrued expenses	**–**	23,109
Net (loss) gain on disposal of property, plant and equipment	**(3,671)**	2,302
Net exchange gain	**42,178**	2,526
Sundries	**–**	928
	74,392	76,404

8. Disposal of operation of toll roads

The Group

(a) Disposal of interest in a subsidiary – Jinzheng which operates EORR

The Company entered into a sale and purchase agreement dated 23 August 2010 (the "Agreement") with Tianjin Eastern Outer Ring Road Co., Ltd. which was formerly a non-controlling shareholder in Jinzheng, in relation to the disposal of 83.9308% equity interest in Jinzheng at a cash consideration of RMB1,198,992,520 (equivalent to approximately HK$1,408,922,000). All conditions precedent stipulated under the Agreement were fulfilled and the disposal was completed on 6 December 2010. Upon completion, Jinzheng ceased to be a subsidiary of the Company.

Upon completion of disposal of Jinzheng, the Group recognized a gain of approximately HK$236,415,000 in the consolidated income statement, being the sum of (a) the consideration of the disposal less the total of: (i) the net assets value of the Group's equity interest in Jinzheng as at the completion date; (ii) expenses incurred for the disposal; and (b) the exchange reserve to be released from deconsolidation of Jinzheng as a subsidiary of the Group as at the date of completion of the disposal.

8. Disposal of operation of toll roads (Cont'd)

The Group (Cont'd)

(a) Disposal of interest in a subsidiary – Jinzheng which operates EORR (Cont'd)

Details of the gain on the disposal of Jinzheng are as follows:

	HK$'000	HK$'000
Consideration		1,408,922
Less: Net assets of Jinzheng at completion date		
Property, plant and equipment	69,536	
Toll road operating right	1,351,682	
Other receivables	40,548	
Cash and cash equivalents	176,190	
Deferred tax liabilities	(69,677)	
Other payables	(28,790)	
Tax payable	(11,345)	
	(1,528,144)	
Release of non-controlling interests	211,247	(1,316,897)
		92,025
Release of exchange reserve		147,738
Expenses incurred for the disposal of Jinzheng		(3,348)
Gain on the disposal of Jinzheng recognized in the consolidated income statement		236,415
Transfer of statutory reserves to retained earnings upon completion on disposal of Jinzheng		18,314
Consideration satisfied by other receivables (Note 27)		1,408,922
Net cash outflow arising on disposal:		
Cash and cash equivalents disposed of		(176,190)

note: The exchange reserve was released to profit or loss as part of the gain on disposal upon the completion of disposal of Jinzheng. Jinzheng was a subsidiary of the Company before December 2010 and is operated in the PRC, the activities of which are based or conducted in PRC other than the Company with its incorporation and business and management activities are carried out in Hong Kong.

8. Disposal of operation of toll roads (Cont'd)

The Group (Cont'd)

(a) Disposal of interest in a subsidiary – Jinzheng which operates EORR (Cont'd)

The results, cash flows, assets and liabilities of Jinzheng for the relevant period and as of the relevant date are as follows:

		From 1 January 2010 to 6 December 2010 HK$'000	Year ended 31 December 2009 HK$'000
(i)	**Results**		
	Revenue	–	129,453
	Cost of sales	–	(63,872)
	Gross profit	–	65,581
	Other income	2,766	3,639
	Other losses	–	(6,018)
	Other operating expenses	(42,888)	–
	General and administrative expenses	(6,674)	(5,247)
		(46,796)	57,955
	Impairment loss on toll road operating right	–	(603,874)
	Impairment loss on interest in associates	–	(44,834)
	Share of losses of associates	–	(1,721)
	Loss before tax	(46,796)	(592,474)
	Tax expense	(1,532)	(6,286)
	Loss for the year	(48,328)	(598,760)
	Attributable to:		
	Owners of the Company	(41,891)	(540,947)
	Non-controlling interests	(6,437)	(57,813)
		(48,328)	(598,760)
(ii)	**Cash flows**		
	Net cash from (used in) operating activities	22,165	(104,982)
	Net cash (used in) from investing activities	(13)	3,646
	Net cash from (used in) financing activities	22,152	(33,563)
	Effect of foreign exchange rate changes	4,146	614
	Total cash inflows (outflows)	48,450	(134,285)

8. Disposal of operation of toll roads (Cont'd)

The Group (Cont'd)

(a) Disposal of interest in a subsidiary – Jinzheng which operates EORR (Cont'd)

	At 31 December 2009 HK$'000
(iii) Assets and liabilities	
Assets	
Property, plant and equipment	67,239
Toll road operating right	1,307,138
Trade receivables	201,839
Other receivables, deposits and prepayments	67,236
Cash and cash equivalents	149,892
Total assets	1,793,344
Liabilities	
Deferred tax liabilities	67,381
Other payables and accruals	76,356
Current tax liabilities	10,971
Total liabilities	154,708
Net assets	1,638,636

(b) Disposal of interest in an associate – Golden Horse which holds 60% equity interest in Jinbin Expressway

In 2009, in line with the Tianjin Municipal Government's restructuring plan of toll roads network in Tianjin, the Group was committed to dispose of its 40% interest in Golden Horse which holds 60% equity interest in Jinbin Expressway.

On 31 March 2010, the Company was notified by the Tianjin Municipal Government that it would arrange for the refund of the Group's original investment in Golden Horse i.e. US$20 million (equivalent to approximately HK$156,000,000). During the period from June to September 2010, ownership of 26 properties located in Shenzhen and Tianjin had been transferred to the Group. Based on a valuation report prepared by an independent valuer, the market value of these properties at 15 October 2010 was approximately RMB150,820,000 (equivalent to approximately HK$174,630,000 (as per the exchange rate disclosed in the announcement dated 6 December 2010)). Therefore the Group has fully recovered its original investment in Golden Horse.

8. Disposal of operation of toll roads (Cont'd)

The Group (Cont'd)

(b) Disposal of interest in an associate – Golden Horse which holds 60% equity interest in Jinbin Expressway (Cont'd)

In conjunction with the above transfer of properties to the Group, the Group has disposed of its entire interest in Golden Horse to Tsinlien at a consideration of HK$1 and Golden Horse ceased to be an associate of the Group thereafter.

By disposal of Golden Horse, the Group has recognized a gain of HK$9,907,000 which is calculated as follows:

	HK$'000	HK$'000
Consideration (net of tax of HK$10,838,000 for the transfer of properties)		166,389
Less:		
Carrying value of investment in Golden Horse at completion date	(156,000)	
Expenses incurred for the disposal	(482)	
		(156,482)
Gain on the disposal of Golden Horse recognized in the consolidated income statement		9,907

note: The consideration is calculated based on amount of RMB150,820,000 as per the applicable exchange rate on the completion date.

The Company

	At 31 December 2009 HK$'000
Assets held for sale – operation of toll roads – Interest in an associate (note)	156,000

note: This represents the Company's investment in Golden Horse.

9. Deemed disposal of interest in a subsidiary – Tianjin Port

At the beginning of February 2010, the Company lost control over Tianjin Port, a then non-wholly owned subsidiary of the Company, upon Tianjin Port's acquisition of 56.81% interest in Tianjin Port Holdings Co., Ltd. from Tianjin Port (Group) Co., Ltd., a connected person of the Group, for a total consideration of HK$10,961 million satisfied as to HK$6,891 million by issue of shares and as to HK$4,070 million by cash. Details of this transaction are set out in a joint circular dated 19 June 2009 issued by the Company and Tianjin Port.

Upon completion of the above transaction on 4 February 2010, the Group's interest in Tianjin Port was diluted from 67.33% to 21% (the "Deemed Disposal of Tianjin Port"). Accordingly, Tianjin Port ceased to be a subsidiary and became an associate of the Group. The Group has adopted equity accounting in respect of its interest in Tianjin Port thereafter.

After the completion of Deemed Disposal of Tianjin Port, the Group continues to participate in the business of port services through its 21% equity interest in Tianjin Port, which also constitutes a reportable operating segment of the Group (Note 5).

9. Deemed disposal of interest in a subsidiary – Tianjin Port (Cont'd)

Upon completion of the Deemed Disposal of Tianjin Port, the Group has recognized a gain of HK$620 million and details of the gain are calculated as follows:

	HK$'000	HK$'000
Fair value of 21% equity interest in Tianjin Port retained by the Group (note (a))		2,891,837
Less:		
Total net assets of Tianjin Port disposed of		
Assets		
Property, plant and equipment	1,813,182	
Land use rights	773,588	
Interest in associates	25,936	
Interest in jointly controlled entities	1,494,323	
Deferred tax assets	9,429	
Availabile-for-sale financial assets	42,047	
Inventories	145,296	
Amount due from an associate	29,419	
Amount due from a jointly controlled entity	13,318	
Trade receivables	130,807	
Other receivables, deposits and prepayments	259,954	
Time deposits with maturity over three months	454,442	
Cash and cash equivalents	253,050	
Total assets	5,444,791	
Liabilities		
Trade payable	291,157	
Other payables and accruals	167,987	
Amounts due to related companies	26,662	
Borrowings	1,349,276	
Deferred tax liabilities	11,708	
Current tax liabilities	7,226	
Total liabilities	1,854,016	(3,590,775)
Release of non-controlling interests		1,176,077
		477,139
Additional investment made by the Group by cash to maintain 21% equity interest in Tianjin Port (note (b))		(224,670)
Release of exchange reserve and available-for-sale revaluation reserve (amounting to HK$361,044,000 and HK$6,598,000 respectively) (note (c))		367,642
Gain on the Deemed Disposal of Tianjin Port recognized in the consolidated income statement		620,111
Transfer of various reserves mainly statutory reserves and general reserves to retained earnings upon completion of the Deemed Disposal of Tianjin Port		238,181
Cash outflow arising from the disposal		
– Additional investment made by the Group by cash to maintain 21% equity interest in Tianjin Port		(224,670)
– Cash and cash equivalent disposal of		(253,050)
		(477,720)

9. Deemed disposal of interest in a subsidiary – Tianjin Port (Cont'd)

notes:

(a) The fair value was based on the market price of the listed shares of Tianjin Port.

(b) The amount represented the consideration paid by the Group to acquire the placing shares issued by Tianjin Port to maintain 21% interest in Tianjin Port pursuant to the terms of agreement for the Deemed Disposal of Tianjin Port at date of completion.

(c) The exchange reserve was released to profit or loss as part of the gain on disposal upon the completion of the Deemed Disposal of Tianjin Port. Tianjin Port was a subsidiary of the Company before February 2010 and is operated in the PRC, the activities of which are based or conducted in PRC other than the Company with its incorporation and business and management activities are carried out in Hong Kong.

The results, cash flows, assets and liabilities of Tianjin Port for the relevant period and as of the relevant date are as follows:

		For the year ended 31 December 2009 HK$'000
(i)	**Results**	
	Revenue	1,370,133
	Cost of sales	(953,254)
	Gross profit	416,879
	Other income	27,662
	Other gains, net	1,854
	General and administrative expenses	(450,323)
	Other operating expenses	(444)
		(4,372)
	Finance costs	(12,623)
	Share of (losses) profit of	
	Associate	(1,549)
	Jointly controlled entities	763
	Loss before tax	(17,781)
	Tax expense	(29,929)
	Loss for the year (note)	(47,710)
	Attributable to:	
	Owners of the Company	(32,194)
	Non-controlling interests	(15,516)
		(47,710)
(ii)	**Cash flows**	
	Net cash from operating activities	75,327
	Net cash used in investing activities	(172,764)
	Net cash from financing activities	209,011
	Effect of foreign exchange rate changes	1,590
	Total cash inflows	113,164

9. Deemed disposal of interest in a subsidiary – Tianjin Port (Cont'd)

notes: Loss for the year is arrived at after charging:

	For the year ended 31 December 2009 HK$'000
Cost of goods sold	329,225
Depreciation	116,906
Amortisation of land use rights	20,444
Loss on disposal of property, plant and equipment	451

	At 31 December 2009 HK$'000
(iii) Assets and liabilities	
Assets	
Property , plant and equipment	1,813,182
Land use rights	773,588
Interest in associates	25,936
Interest in jointly controlled entities	1,494,323
Deferred tax assets	9,429
Available-for-sale financial assets	42,047
Inventories	145,296
Amount due from an associate	29,419
Amount due from a jointly controlled entity	13,318
Trade receivables	130,807
Other receivables, deposits and prepayments	259,954
Time deposits with maturity over three months	454,442
Cash and cash equivalents	253,050
Total assets	5,444,791
Liabilities	
Trade payable	291,157
Other payables and accruals	167,987
Amounts due to related companies	26,662
Bank borrowings	1,349,276
Deferred tax liabilities	11,708
Current tax liabilities	7,226
Total liabilities	1,854,016
Net assets	3,590,775

10. Impairment loss on property, plant and equipment

Against a background of a change in government policies and on the basis of a review of the Group's existing operations, management has decided that impairment losses needed to be recognized in respect of the Group's property, plant and equipment, in the following operations:

	notes	2010 HK$'000	2009 HK$'000
Supply of utilities	(a)	753,456	–
Hotel operation of Hyatt Hotel	(b)	55,322	–
Others	(c)	20,698	–
Total		829,476	–

notes:

(a) Property, plant and equipment in the supply of utilities segment

As announced by the Company on 3 March 2011, the Company was informed by the TEDA Finance Bureau that as a change in government policy, effective for the year 2010, the basis of calculating the government supplemental income to be granted by TEDA Finance Bureau to the utility businesses of the Group will be changed from the one based on units supplied by the Group to a lump sum to be negotiated between the Company and TEDA Finance Bureau on an annual basis.

The amount of government supplemental income for the financial year ended 31 December 2010 is less than what the Group would otherwise be granted under the previous quantity-based arrangement. Further, based on discussion with TEDA Finance Bureau, the Board expects that the government supplemental income for the year 2011 and thereafter will be further reduced despite an anticipated increase in the scale of operation of the utility businesses.

In light of the above information, management carried out a critical review of the recoverable amount of the Group's investments in its supply of utilities segment based on a value in use calculation. For this purpose, each of the sectors in this segment, namely, Electricity, Water, and Heat and Thermal Power, is considered as a stand-alone cash generating unit ("CGU"). The calculation uses a cash flow projection based on a financial budget approved by management covering a 5 year period with a discount rate of 12% and growth rate ranging from 4% to 8% . The cash flows for the next 35 years are extrapolated based on the projected cash flows at the 5th year. Other key assumptions for the value in use calculation include projected utility consumption, capital expenditure and inflation rate.

As a result of this review, management has concluded that the recoverable value of the Groups' investments, which are principally in the form of property, plant and equipment, in the two CGUs, namely, Water, Heat and Thermal Power, have fallen below their carrying amounts. Accordingly, an impairment loss of approximately HK$753,500,000 against these assets (Note 18) was recognized in the consolidated income statement for the year. As at 31 December, 2010, the carrying amounts (net of impairment loss) of property, plant and equipment attributable to Water, Heat and Thermal Power are HK$67,777,000 and HK$112,142,000 respectively.

10. Impairment loss on property, plant and equipment (Cont'd)

notes: (Cont'd)

(b) Hotel property in the commercial properties segment

During the year, management reviewed the future prospect and development potential of the Group's 75% equity interest in a hotel property in Tianjin, Hyatt Regency Tianjin Hotel ("Hyatt Hotel"), which is currently closed for business awaiting a major renovation, and concluded that its disposal will be in the best interest of the Group. Accordingly, an independent firm of professional valuer was commissioned to value Hyatt Hotel on an open market value basis. The open market value basis was determined by residual valuation approach with reference to the proposed renovation project by deducting renovation costs from the estimated completed value after renovation. The completed value represents selling price of the property assuming that the renovation was completed at the date of valuation. On the basis of such valuation, the Group recognized an impairment loss of HK$55,300,000 against Hyatt Hotel in the consolidated income statement.

Hyatt Hotel and its related assets and liabilities are included as part of the assets held for sale in the consolidated balance sheet at 31 December 2010 (Note 30).

(c) Property, plant and equipment in a non-core business

During the year, management reviewed the recoverable amount of certain equipment used in a non-core business, the operation of which was suspended. As a result of such a review, an impairment loss of approximately HK$20,700,000 against such equipment was recognized in the consolidated income statement.

11. Profit (loss) for the year

Profit (loss) for the year is arrived at after charging:

	2010 **HK$'000**	2009 HK$'000
Employee benefit expense (including directors' emoluments) (Note 12)	**275,006**	258,251
Purchase of electricity, water and steam for sale	**2,551,393**	2,122,001
Depreciation		
– charged to cost of sales	**88,462**	79,218
– charged to administrative expenses	**10,972**	8,701
– charged to other operating expenses	**24,009**	27,962
Amortization of land use rights	**6,557**	6,460
Provision for impairment of trade receivables	**39,031**	2,005
Operating lease expense on		
– plants, pipelines and networks	**129,992**	102,246
– land and buildings	**7,648**	8,430
Auditor's remuneration	**5,262**	6,069

12. Employee benefit expense

	2010 HK$'000	2009 HK$'000
Wages, salaries and social security costs	274,461	234,998
Share option expenses	545	23,253
	275,006	258,251

(a) Directors' and senior management's emoluments

The remuneration of each Director for the year ended 31 December 2010 is set out below:

Name of Director	Fees HK$'000	Salaries and other benefits[(i)] HK$'000	Share based payments HK$'000	Total HK$'000
Yu Rumin	184	500	–	684
Wu Xuemin	–	3,530	–	3,530
Dai Yan	–	3,384	–	3,384
Wang Jiandong	–	–	–	–
Bai Zhisheng	–	–	–	–
Zhang Wenli	–	–	–	–
Sun Zengyin	–	–	–	–
Gong Jing[(ii)]	–	–	–	–
Wang Zhiyong[(iii)]	–	2,684	–	2,684
Cheung Wing Yui, Edward	318	80	–	398
Chan Ching Har, Eliza[(iii)]	318	80	–	398
Cheng Hon Kwan	382	80	–	462
Mak Kwai Wing, Alexander[(iii)]	382	80	–	462
Ng Yi Kum, Estella[(iv)]	159	50	545	754
Zheng Daoquan[(v)]	–	2,764	–	2,764
Kwong Che Keung, Gordon[(vi)]	154	–	–	154
	1,897	13,232	545	15,674

12. Employee benefit expense (Cont'd)

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

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

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

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

(ii) Appointed on 1 April 2009.

(iii) Appointed on 27 October 2009.

(iv) Appointed on 28 July 2010.

(v) Resigned on 31 December 2010.

(vi) Retired on 26 May 2010.

(vii) Resigned on 1 September 2009.

(viii) Resigned on 1 May 2009.

(ix) Resigned on 1 April 2009.

(x) Resigned on 4 August 2009.

12. Employee benefit expense (Cont'd)

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, four (2009: five) were Directors of the Company, details of whose emoluments are included in note 12(a). The emoluments of all of the five individuals with the highest emoluments for the year ended 31 December 2010 and 2009 were as follows:

	2010 HK$'000	2009 HK$'000
Fees	–	2,759
Salaries and other benefits	14,673	7,265
Share based payments	–	10,184
	14,673	20,208

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

	2010	2009
Emolument bands (HK$)		
HK$2,000,001-HK$2,500,000	1	–
HK$2,500,001-HK$3,000,000	2	1
HK$3,000,001-HK$3,500,000	1	1
HK$3,500,001-HK$4,000,000	1	–
HK$4,000,001-HK$4,500,000	–	–
HK$4,500,001-HK$5,000,000	–	3

13. Finance costs

	2010 HK$'000	2009 HK$'000
Interest expenses:		
– bank borrowings	19,170	14,416

The finance cost related to operation of toll roads and port services are set out in Note 8(a) and Note 9 respectively.

14. Tax (expense) credit

	2010 HK$'000	2009 HK$'000
Current taxation		
PRC income tax	(26,773)	(52,183)
Deferred taxation (Note 35)	(26,894)	19,249
	(53,667)	(32,934)

The taxation related to operation of toll roads and port services are set out in Note 8 and Note 9 respectively.

No provision for Hong Kong profits tax has been made as there is no estimated assessable profit for the year derived from Hong Kong (2009: Nil). Provision for the PRC income tax has been made at the applicable rate of taxation on the estimated assessable profit for the year for each of the Group's PRC subsidiaries.

On 16 March 2007, the National People's Congress approved the Enterprise Income Tax Law of the People's Republic of China (the "New EIT Law") which was effective from 1 January 2008. Under the New EIT Law, both domestic and foreign invested enterprises are subject to a unified income tax rate of 25%. For those subsidiaries of the Group which are entitled to a preferential tax rate of 15%, mainly those subsidiaries which are engaged in the supply of utilities segment, the tax rate will be gradually increased to 25% over five years until 2012.

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

	2010 HK$'000	2009 HK$'000
Profit before tax before impairment loss on property, plant and equipment	516,528	458,387
Less: share of results of associates and jointly controlled entities	(531,643)	(332,366)
Less: Impairment loss on property, plant and equipment	(829,476)	–
	(844,591)	126,021
Calculated at applicable tax rates	(151,347)	28,690
Income not subject to taxation	(34,830)	(17,530)
Expenses not deductible for taxation purposes	234,659	15,869
Tax losses not recognized	5,185	5,905
Tax expense	53,667	32,934

The weighted average applicable tax rate is 17.9% (2009: 22.8%).

15. Loss attributable to owners of the Company

The loss attributable to owners of the Company is dealt with in the financial statements of the Company to the extent of loss of approximately HK$521,623,000 (2009: loss of approximately HK$835,016,000).

16 . Dividends

	2010 HK$'000	2009 HK$'000
2010 final, proposed, nil (2009: nil)	–	–
2010 interim, nil (2009: HK5.2 cents per share)	–	55,508
	–	55,508

17. Earnings (loss) per share

The calculation of the basic and diluted earnings (loss) per share is based on the profit (loss) attributable to owners of the Company and the number of shares in issue as follows:

	2010			2009		
	Continuing operations after impairment loss on property, plant and equipment HK$'000	Results of operation of toll roads and port services HK$'000	Sub-total HK$'000	Continuing operations HK$'000	Results of operation of toll roads and port services HK$'000	Sub-total HK$'000
Profit (loss) attributable to owners of the Company for the purpose of basic and diluted earnings (loss) per share	(350,370)	824,542	474,172	378,000	(573,141)	(195,141)
Number of shares	Thousand	Thousand		Thousand	Thousand	
Number of ordinary shares for the purpose of basic and diluted earnings (loss) per share	1,067,470	1,067,470		1,067,470	1,067,470	

The share options have no dilutive effect on basic earnings (loss) per share for 2010 and 2009.

The basic and diluted earnings per share from continuing operations before impairment loss on property, plant and equipment is calculated based on the profit attributable to owners of the Company for the continuing operations before impairment loss on property, plant and equipment amounting to approximately HK$407,224,000 (2009: approximately HK$378,000,000) and the number of shares in issue.

18. Property, plant and equipment

The Group

	Buildings HK$'000	Leasehold land HK$'000	Plant and machinery HK$'000	Leasehold improvement, furniture and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Others HK$'000	Total HK$'000
Cost								
At 1 January 2010, as previously reported	708,266	–	982,237	79,672	13,765	265,951	1,443	2,051,334
Change in accounting policy (Note 2(a))	–	326,622	–	–	–	–	–	326,622
As restated	708,266	326,622	982,237	79,672	13,765	265,951	1,443	2,377,956
Exchange differences	16,634	–	37,098	1,425	784	6,571	49	62,561
Additions	521	–	20,554	3,279	3,742	219,746	–	247,842
Transfers	47,983	–	295,685	841	–	(344,509)	–	–
Disposals	(346)	–	(4,500)	(4,968)	(2,043)	–	–	(11,857)
Classified as assets held for sale (Note 30)	(184,316)	–	(1,612)	(898)	(372)	–	–	(187,198)
At 31 December 2010	588,742	326,622	1,329,462	79,351	15,876	147,759	1,492	2,489,304
Accumulated depreciation and impairment								
At 1 January 2010, as previously reported	105,339	–	262,993	36,904	40	–	567	405,843
Change in accounting policy (Note 2(a))	–	62,032	–	–	–	–	–	62,032
As restated	105,339	62,032	262,993	36,904	40	–	567	467,875
Exchange differences	7,455	–	22,173	1,015	325	477	25	31,470
Charge for the year	36,033	298	74,040	9,175	3,605	–	292	123,443
Disposals	(14)	–	(974)	(753)	(1,451)	–	–	(3,192)
Impairment loss (Note 10)	195,679	–	604,811	5,128	–	23,858	–	829,476
Classified as assets held for sale (Note 30)	(69,554)	–	(678)	(794)	(215)	–	–	(71,241)
At 31 December 2010	274,938	62,330	962,365	50,675	2,304	24,335	884	1,377,831
Net book value								
At 31 December 2010	313,804	264,292	367,097	28,676	13,572	123,424	608	1,111,473

The leasehold land of the Group is situated in Hong Kong with long lease.

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

The Group (Cont'd)

	Buildings HK$'000	Leasehold land HK$'000	Port facilities HK$'000	Plant and machinery HK$'000	Leasehold improvement, furniture and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Others HK$'000	Total HK$'000
Cost									
At 1 January 2009, as previously reported	1,240,575	–	706,927	2,165,130	126,609	39,823	281,492	23,784	4,584,340
Change in accounting policy (Note 2(a))	–	326,622	–	–	–	–	–	–	326,622
As restated	1,240,575	326,622	706,927	2,165,130	126,609	39,823	281,492	23,784	4,910,962
Exchange differences	2,152	–	1,446	4,656	190	69	626	65	9,204
Additions	14,931	–	20,818	86,725	4,534	4,398	168,044	781	300,231
Transfers	–	–	–	179,827	–	–	(179,827)	–	–
Disposals	(204)	–	–	(16,305)	(6,206)	(10,994)	–	(71)	(33,780)
Reclassification for port services (Note 9)	(549,188)	–	(729,191)	(1,437,796)	(45,455)	(19,531)	(4,384)	(23,116)	(2,808,661)
At 31 December 2009	708,266	326,622	–	982,237	79,672	13,765	265,951	1,443	2,377,956
Accumulated depreciation									
At 1 January 2009, as previously reported	214,177	–	112,000	789,896	49,104	14,682	–	14,410	1,194,269
Change in accounting policy (Note 2(a))	–	61,734	–	–	–	–	–	–	61,734
As restated	214,177	61,734	112,000	789,896	49,104	14,682	–	14,410	1,256,003
Exchange differences	483	–	249	1,811	232	25	–	37	2,837
Charge for the year	46,581	298	15,581	144,444	16,825	5,420	–	3,637	232,786
Disposals	(98)	–	–	(14,510)	(3,831)	(9,766)	–	(67)	(28,272)
Reclassification for port services (Note 9)	(155,804)	–	(127,830)	(658,648)	(25,426)	(10,321)	–	(17,450)	(995,479)
At 31 December 2009	105,339	62,032	–	262,993	36,904	40	–	567	467,875
Net book value									
At 31 December 2009	602,927	264,590	–	719,244	42,768	13,725	265,951	876	1,910,081
At 1 January 2009	1,026,398	264,888	594,927	1,375,234	77,505	25,141	281,492	9,374	3,654,959

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

The Company

	Leasehold improvement, furniture and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost			
At 1 January 2010	**4,655**	**5,241**	**9,896**
Exchange differences	**159**	**191**	**350**
Additions	**37**	**644**	**681**
At 31 December 2010	**4,851**	**6,076**	**10,927**
Accumulated depreciation			
At 1 January 2010	**3,737**	**2,737**	**6,474**
Exchange differences	**129**	**110**	**239**
Charge for the year	**95**	**833**	**928**
At 31 December 2010	**3,961**	**3,680**	**7,641**
Net book value			
At 31 December 2010	**890**	**2,396**	**3,286**
Cost			
At 1 January 2009	4,528	4,049	8,577
Exchange differences	10	11	21
Additions	117	1,181	1,298
At 31 December 2009	4,655	5,241	9,896
Accumulated depreciation			
At 1 January 2009	3,617	2,061	5,678
Exchange differences	9	6	15
Charge for the year	111	670	781
At 31 December 2009	3,737	2,737	6,474
Net book value			
At 31 December 2009	918	2,504	3,422

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

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

Leasehold land	Over the lease term
Buildings	10 – 40 years
Port facilities	35 – 41 years
Plant and machinery	3 – 35 years
Leasehold improvement, furniture and equipment	3 – 10 years
Motor vehicles	5 – 12 years
Others	5 years

19. Land use rights

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

	31 December 2010 HK$'000	Restated 31 December 2009 HK$'000	Restated 1 January 2009 HK$'000
In the PRC, held on:			
Leases of between 10 to 50 years	**51,970**	247,526	1,045,854

	2009 HK$'000
At 1 January, as previously reported	1,310,742
Change in accounting policy (Note 2(a))	(264,888)
As restated	1,045,854
Exchange differences	2,164
Amortization	(26,904)
Reclassification for port services (Note 9)	(773,588)
At 31 December	247,526

20. Interest in subsidiaries

	notes	2010 HK$'000	2009 HK$'000
Unlisted investments, at cost		**3,643,334**	4,288,293
Less: Impairment		**–**	(765,023)
		3,643,334	3,523,270
Advances to subsidiaries	(a)	**5,093,848**	4,452,068
Less: Impairment	(a)	**(700,146)**	–
		4,393,702	4,452,068
		8,037,036	7,975,338

notes:

(a) The advances to subsidiaries are unsecured, interest free and have no fixed repayment term. The impairment allowance at 31 December 2010 was related to subsidiaries operating in the supply of utilities segment.

(b) Details of principal subsidiaries, which in the Directors' opinion, materially affect the results and/or net assets of the Group at 31 December 2010 and 2009 are set out in Note 43.

21. Interest in associates

		The Group		The Company	
		2010	2009	**2010**	2009
	notes	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Group's share of net assets					
– Listed shares in Hong Kong					
– Dynasty		**886,237**	819,906	**–**	–
– Tianjin Port	(a)	**3,045,447**	–	**–**	–
– Unlisted shares in Otis China	(b)	**686,164**	584,316	**–**	–
– Other unlisted shares	(c)	**126,774**	112,412	**–**	–
		4,744,622	1,516,634	**–**	–
Market value of listed shares					
– Dynasty		**2,399,400**	1,406,160	**Not applicable**	Not applicable
– Tianjin Port		**2,379,451**	note (a)	**Not applicable**	Not applicable

notes:

(a) As set out in Note 9, during the year, Tianjin Port ceased to be a subsidiary and became an associate of the Group. The share of net assets of Tianjin Port includes an amount of HK$1,121,000,000, being the difference between the fair value of 21% interest in Tianjin Port and the Group's share of net assets thereof upon completion of the deemed disposal.

(b) The 20% interest in Otis China was held by a 82.74% owned subsidiary of the Group (Note 44).

(c) Other unlisted shares at 31 December 2010 represent mainly the Group's investment in 28.14% equity interest of Tianjin Tian Fa Heavy Electric Equipment Manufacturing Limited.

21. Interest in associates (Cont'd)

The financial information of the Group's associates are as follows:

Name	Assets HK$'000	Liabilities HK$'000	Non-controlling interests HK$'000	Revenues HK$'000	Profit attributable to shareholders of associates for the year HK$'000	% interest attributable to the Group
2010						
Dynasty	**2,598,499**	**595,050**	**26,789**	**1,614,610**	**158,808**	**44.70**
Tianjin Port	**31,758,114**	**13,548,310**	**9,044,911**	**15,052,720**	**570,586**	**21.00**
Otis China	**8,208,851**	**4,463,972**	**332,739**	**13,390,316**	**1,796,607**	**16.55**
Others	**960,843**	**600,499**	**–**	**576,363**	**30,372**	
	43,526,307	**19,207,831**	**9,404,439**	**30,634,009**	**2,556,373**	
2009						
Dynasty	2,340,992	484,864	27,781	1,482,542	156,122	44.82
Otis China	8,625,950	5,410,308	294,062	12,100,500	1,325,325	16.55
Others	860,806	542,282	–	518,448	21,368	
	11,827,748	6,437,454	321,843	14,101,490	1,502,815	

Interest in associates as at 31 December 2010 included goodwill of HK$1,124,949,000 (2009: HK$4,081,000). Share of associates' taxation for the year ended 31 December 2010 of HK$166,384,000 (2009: HK$86,926,000) are included in the consolidated income statement as share of profits of associates.

Details of associates, which in the Directors' opinion, materially affect the results and/or net assets of the Group at 31 December 2010 are set out in Note 44.

22. Interest in jointly controlled entities

	2010 HK$'000	2009 HK$'000
Group's share of net assets		
At 1 January	**35,635**	1,475,520
Increase in amount due from a jointly controlled entity	**–**	60,710
Share of jointly controlled entities' losses	**(19,522)**	(9,177)
Exchange differences	**825**	2,905
Reclassification for port services (Note 9)	**–**	(1,494,323)
At 31 December	**16,938**	35,635

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

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

	Current Assets HK$'000	Non-current Assets HK$'000	Current Liabilities HK$'000	Non-current Liabilities HK$'000	Revenue HK$'000	Net loss attributable to the Group HK$'000
As at 31 December 2010	**126,080**	**128,237**	**236,887**	**180**	**188,480**	**(19,522)**
As at 31 December 2009	100,197	128,009	191,672	899	190,673	(9,940)

Details of the principal jointly controlled entities, which in the Directors' opinion, materially affect the results and/or net assets of the Group at 31 December 2010 are set out in Note 45.

23. Available-for-sale financial assets

Equity securities	notes	**2010 HK$'000**	2009 HK$'000
Listed at market value	(a)	**282,827**	416,798
Unlisted	(b)	**181,941**	141,854
		464,768	558,652
At 1 January		**558,652**	128,453
Exchange differences		**5,525**	257
Additions		**34,562**	11,361
Reclassification from interest in associate		**–**	27,719
Change in fair value		**(133,971)**	432,909
Reclassification for port services (Note 9)		**–**	(42,047)
At 31 December		**464,768**	558,652

notes:

(a) The listed shares represent the Group's investment in 8.28% equity interest of Binhai Investment Company Limited ("Binhai Investment") which is listed on the Growth Enterprise Market Board of the Stock Exchange.

As at 31 December 2010, the market value of the Group's investment in Binhai Investment amounted to approximately HK$282,827,000, and the unrealized fair value loss of approximately HK$133,971,000 was recognized in equity.

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

24. Inventories

	2010 HK$'000	2009 HK$'000
Raw materials	**1,821**	2,201
Work in progress	**1,449**	3,420
Finished goods	**538**	1,699
Consumable stocks	**1,197**	3,093
	5,005	10,413

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

The balances are unsecured, interest free and have no fixed repayment term and are mainly denominated in Renminbi. As at 31 December 2010 and 2009, all the receivable balances were fully performing.

26. Amounts due from (to) related companies, non-controlling interests and investee companies

	At 31 December 2010 HK$'000	At 1 January 2010 HK$'000	Maximum amount outstanding during the year HK$'000
Amounts due from related companies	**42,361**	11,865	42,361
Amounts due from investee companies	**16,833**	210,516	210,516
Amounts due to related companies	**(78,884)**	(234,849)	–
Amounts due to non-controlling interests	**(42,127)**	(1,258)	–

The balances are unsecured, interest free and have no fixed repayment term. They are mainly denominated in Renminbi. Details of the relationship with related companies are set out in Note 40.

As at 31 December 2010 and 2009, all the receivable balances were fully performing.

27. Trade receivables, other receivables, deposits and prepayments

	notes	The Group 2010 HK$'000	The Group 2009 HK$'000	The Company 2010 HK$'000	The Company 2009 HK$'000
Trade receivables					
Fully performing	(a)	**425,163**	439,399	**–**	–
Past due but not impaired	(b)	**292,139**	324,209	**–**	–
Impaired	(c)	**118,810**	76,397	**–**	–
Trade receivables – gross		**836,112**	840,005	**–**	–
Less: provision for impairment		**(118,810)**	(76,397)	**–**	–
Trade receivables – net	(d)	**717,302**	763,608	**–**	–
Other receivables, deposits and prepayment					
Consideration receivable for disposal of Jinzheng	(e)	**1,408,922**	–	**–**	–
Other receivables, deposits and prepayments	(f)	**187,840**	168,733	**2,732**	3,364
		1,596,762	168,733	**2,732**	3,364

notes:

(a) The various group companies have different credit policies which are dependent on the requirements of the markets and the businesses which they operate. In general, credit periods of 30 to 180 days are granted to corporate customers of the Group's hotel operation in the commercial properties segment. No credit terms are granted to customers in the supply of utilities segment. For those fully performing are trade receivables with no history of default payment.

As at 31 December 2010, the Group was entitled to government supplemental income of approximately HK$400,045,000 (2009: HK$416,411,000) receivable from TEDA Finance Bureau as referred to in Note 5. Annual government supplemental income receivable does not have credit terms and the amount of which is to be finalized by TEDA Finance Bureau after year end. Continuous settlements have been received by the Group in the past years.

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

	2010 HK$'000	2009 HK$'000
Within 30 days	**251,548**	269,631
31 to 90 days	**22,994**	18,123
91 to 180 days	**17,597**	11,412
Over 180 days	**–**	25,043
	292,139	324,209

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

notes: (Cont'd)

(c) As at 31 December 2010, trade receivables of HK$118,810,000 (2009: HK$76,397,000) were impaired. The age and settlement track record of individual receivables were considered in the review for their impairment. The ageing of these receivables is as follows:

	2010 HK$'000	2009 HK$'000
Within 30 days	–	1,532
31 to 90 days	–	1,440
91 to 180 days	–	78
Over 180 days	118,810	73,347
	118,810	76,397

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

	2010 HK$'000	2009 HK$'000
At 1 January	76,397	76,000
Exchange differences	3,382	175
Provision made in the year	39,031	1,788
Write off against receivables	–	(322)
Reclassification for port services	–	(1,244)
At 31 December	118,810	76,397

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

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

	2010 HK$'000	2009 HK$'000
Within 30 days	500,487	557,659
31 to 90 days	23,236	18,297
91 to 180 days	17,623	11,517
Over 180 days	175,956	176,135
	717,302	763,608

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

notes: (Cont'd)

(e) The amount represents the consideration receivable from disposal of Jinzheng which is repayable within six months from completion date of 6 December 2010 (Note 8(a)).

(f) As at 31 December 2010 and 2009, all other receivables and deposits were fully performing.

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

28. Financial assets at fair value through profit or loss

Investment held for trading	2010 HK$'000	2009 HK$'000
Listed shares in Hong Kong	5,359	5,359
Listed shares in the PRC	57,164	16,408
Unlisted funds in the PRC	378,244	455,728
Unlisted entrusted investment in PRC	331,909	–
	772,676	477,495
Market values of listed shares	62,523	21,767

The balances are denominated in Renminbi except for the listed shares in Hong Kong which are denominated in Hong Kong dollars.

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

The fair value of unlisted entrusted investment are based on the quoted price by the relevant investment trust or securities companies.

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

	The Group		The Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and in hand	**2,019,484**	1,918,709	**29,666**	296,974
Time deposits in bank with maturity less than three months	**501,422**	401,238	**438,315**	380,272
Balances with other financial institutions	**205**	595	**1**	–
Cash and cash equivalents	**2,521,111**	2,320,542	**467,982**	677,246
Time deposits in bank with maturity over three months	**397,016**	437,631	**–**	17,727
Time deposits in other financial institutions with maturity over three months	**20,305**	19,587	**–**	–
Time deposits with maturity over three months	**417,321**	457,218	**–**	17,727
Restricted bank balance (note)	**10,576**	27,215	**–**	–
	2,949,008	2,804,975	**467,982**	694,973

note : The restricted bank balance is pledged against the notes payable issued by the respective banks amounting to approximately HK$35,253,000 as at 31 December 2010 (2009: approximately HK$27,215,000).

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

The effective interest rates on cash at bank and time deposits in bank range from 0.05% to 3.87% per annum (2009: 0.05% to 3.87% per annum); these deposits have maturity from 4 to 364 days (2009: from 4 to 364 days).

30. Assets held for sale/liabilities directly associated with assets held for sale

The assets held for sales and their directly associated liabilities as at 31 December 2010 are mainly related to the Group's operation of commercial properties, with details as follows:

	notes	HK$'000
Assets held for sale		
– hotel operation of Hyatt Hotel	(a)	**357,686**
– properties held for sale	(b)	**166,173**
		523,859
Liabilities directly associated with assets held for sale		
– hotel operation of Hyatt Hotel	(a)	**76,787**

notes:

(a) As set out in Note 10(b), during the year, the Group has decided and commenced a plan, to dispose of its 75% interest in the subsidiary that operates Hyatt Hotel. The following is a summary of the assets and their directly associated liabilities relating to the operation of Hyatt Hotel:

	HK$'000
Assets	
Property, plant and equipment	**115,957**
Land use right	**219,783**
Trade receivables	**56**
Other receivables, deposits and prepayments	**19,675**
Cash and cash equivalents	**2,215**
Total assets	**357, 686**
Liabilities	
Other payables and accruals	**1,811**
Deferred tax liabilities	**74,976**
Total liabilities	**76,787**

(b) As set out in Note 8(b), the Group was transferred ownership of 26 properties located in Shenzhen and Tianjin. Management has decided, and expected to be able, to dispose of these properties within the next twelve months from the end of the reporting period. Accordingly, these properties are classified as assets held for sale.

31. Share capital

	Number of shares thousands	Value HK$'000
Ordinary shares of HK$0.10 each		
Authorized:		
At 1 January 2009, at 31 December 2009 and 31 December 2010	3,000,000	300,000
Issued and fully paid:		
At 1 January 2009, at 31 December 2009 and 31 December 2010	1,067,470	106,747

32. Share option scheme

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

32. Share option scheme (Cont'd)

Details of share options granted by the Company are as follows:

			Number of share options								
Date of grant	Exercisable period	Exercise price HK$	Balance at 1 January 2009	Granted	Exercised	Lapsed/ cancelled	Balance at 31 December 2009	Granted	Exercised	Lapsed/ cancelled	Balance at 31 December 2010
19 December 2007	17 January 2008 to 24 May 2017	8.04	10,800,000	–	–	(3,200,000)	7,600,000	-	-	(2,300,000)	5,300,000
16 December 2009	16 December 2009 to 24 May 2017	5.75	–	14,200,000	–	–	14,200,000	-	-	(1,200,000)	13,000,000
3 December 2010	3 December 2010 to 24 May 2017	6.07	–	–	–	–	–	300,000	-	-	300,000
			10,800,000	14,200,000	–	(3,200,000)	21,800,000	300,000	-	(3,500,000)	18,600,000

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

Date of grant	3 December 2010	16 December 2009
Exercise prices	HK$6.07	HK$5.75
Standard deviation of expected share price return	42%	46%
Expected option life	Approximate 1~7 years	Approximate 1~7 years
Annual risk free interest rate	1.911%	0.11%~2.152%
Dividend yield (semi-annual)	1.9%	0.8%
Fair value	HK$1.8197	HK$1.0697~2.0284

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

note: As at 31 December 2010, 17,200,000 share options (including outstanding share options) were granted to directors (2009: 17,700,000 share options). Details of the share options granted to directors are set out in section headed "Share Option Scheme" of Report of the Directors.

33. Reserves

The Group

	Capital reserve HK$'000	Share premium HK$'000	General reserve HK$'000	Statutory reserves HK$'000	Share-based payment reserve HK$'000	Merger reserve HK$'000	Exchange reserve HK$'000	Available-for-sale revaluation reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1st January 2009	9,338	5,004,487	102,817	372,032	33,834	359,942	1,294,839	–	1,368,427	8,545,716
Loss for the year	–	–	–	–	–	–	–	–	(195,141)	(195,141)
Dividends	–	–	–	–	–	–	–	–	(87,532)	(87,532)
Transfers	–	–	4,172	30,172	–	–	–	–	(34,344)	–
Change in fair value of available-for-sale financial assets	–	–	–	–	–	–	–	429,707	–	429,707
Share based payments										
– Group	–	–	–	–	25,000	–	–	–	–	25,000
Transfer upon lapse of share options	–	–	–	–	(8,960)	–	–	–	8,960	–
Release of exchange reserve upon strike off of subsidiaries	–	–	–	–	–	–	(7,079)	–	–	(7,079)
Currency translation differences										
– Group	–	–	–	–	–	–	11,305	–	–	11,305
– Associates	–	–	–	–	–	–	2,805	–	–	2,805
– Jointly controlled entities	–	–	–	–	–	–	2,853	–	–	2,853
At 31 December 2009 and At 1 January 2010	9,338	5,004,487	106,989	402,204	49,874	359,942	1,304,723	429,707	1,060,370	8,727,634
Profit for the year	–	–	–	–	–	–	–	–	474,172	474,172
Transfers	–	–	2,119	29,204	–	–	–	–	(31,323)	–
Change in fair value of available-for-sale financial assets	–	–	–	–	–	–	–	(133,971)	–	(133,971)
Deferred taxation on fair value change of available-for-sale financial assets	–	–	–	–	–	–	–	(8,625)	–	(8,625)
Share based payments										
– Group	–	–	–	–	545	–	–	–	–	545
– Associates	–	–	–	–	5,237	–	–	–	–	5,237
Transfer upon lapse of share options	–	–	–	–	(6,807)	–	–	–	6,807	–
Release of reserves upon deemed disposal of interest in a subsidiary	(328)	–	(27,283)	(203,297)	(7,273)	–	(361,044)	(6,598)	238,181	(367,642)
Release of reserves upon disposal of interest in a subsidiary	–	–	–	(18,314)	–	–	(147,738)	–	18,314	(147,738)
Share of reserves of associates	–	–	–	–	–	–	–	3,009	–	3,009
Currency translation differences										
– Group	–	–	–	–	–	–	133,346	–	–	133,346
– Associates	–	–	–	–	–	–	88,542	–	–	88,542
At 31 December 2010	9,010	5,004,487	81,825	209,797	41,576	359,942	1,017,829	283,522	1,766,521	8,774,509

33. Reserves (Cont'd)

The Group (Cont'd)

Retained earnings attributable to associates and accumulated losses attributable to jointly controlled entities amount to HK$897,821,000 (2009: HK$684,014,000) and HK$90,525,000 (2009: HK$61,485,000) respectively. All other reserves of the Group are dealt with in the consolidated financial statements of the Company and its subsidiaries.

Statutory reserves and general reserves are reserves required by the relevant PRC laws applicable to the Group's subsidiaries established in PRC and cannot be used for distribution in the form of cash dividends.

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

The Company

	Share premium HK$'000	Share-based payment reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 January 2009	5,004,487	25,323	1,111,501	1,282,613	7,423,924
Loss for the year	–	–	–	(835,016)	(835,016)
Dividends	–	–	–	(87,532)	(87,532)
Share based payments	–	23,253	–	–	23,253
Transfer upon lapse of share options	–	(8,445)	–	8,445	–
Release of reserves upon strike off of subsidiaries	–	–	(7,079)	–	(7,079)
Currency translation differences	–	–	24,100	–	24,100
At 31 December 2009	**5,004,487**	**40,131**	**1,128,522**	**368,510**	**6,541,650**
Loss for the year	**–**	**–**	**–**	**(521,623)**	**(521,623)**
Share based payments	**–**	**545**	**–**	**–**	**545**
Transfer upon lapse of share options	**–**	**(6,807)**	**–**	**6,807**	**–**
Currency translation differences	**–**	**–**	**230,140**	**–**	**230,140**
At 31 December 2010	**5,004,487**	**33,869**	**1,358,662**	**(146,306)**	**6,250,712**

34. Bank borrowings

	The Group		The Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Non-current				
Bank borrowings				
– Unsecured	**–**	1,997,000	**–**	1,997,000
Current				
Short term bank borrowings				
– Unsecured (note)	**2,167,735**	4,545	**1,998,523**	–
Total borrowings	**2,167,735**	2,001,545	**1,998,523**	1,997,000

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

The maturity of bank borrowings is as follows:

	The Group		The Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank borrowings:				
Within one year	**2,167,735**	4,545	**1,998,523**	–
In the second year	**–**	1,997,000	**–**	1,997,000
Wholly repayable within five years	**2,167,735**	2,001,545	**1,998,523**	1,997,000

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

	The Group		The Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank borrowings:				
Renminbi	**169,212**	4,545	**–**	–
HK dollar	**1,998,523**	1,997,000	**1,998,523**	1,997,000
	2,167,735	2,001,545	**1,998,523**	1,997,000

34. Bank borrowings (Cont'd)

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

	The Group		The Company	
	2010	2009	**2010**	2009
	%	%	**%**	%
Bank borrowings:				
Renminbi	**5.48**	5.31	**N/A**	N/A
HK dollar	**0.78**	0.54	**0.54**	0.54

note: On 18 February 2011, the Company obtained a term loan banking facility of HK$2,000 million for the purpose of refinancing the existing syndicated bank loan which will be due for repayment in November 2011. The tenor is up to 60 months unless not extended by the lenders at the 36th month from the date of the facility agreement.

35. Deferred taxation

	2010	2009
	HK$'000	HK$'000
Deferred tax assets	**133,379**	174,988
Deferred tax liabilities	**(8,798)**	(88,561)
Deferred tax assets – net	**124,581**	86,427

note:

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

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

Under the New EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by the subsidiaries in the PRC from 1 January 2008 onwards. Deferred taxation of HK$39,344,000 (2009: HK$34,173,000) has not been provided in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

35. Deferred taxation (Cont'd)

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

	2010 HK$'000	2009 HK$'000
At 1 January	**86,427**	56,770
Transfer to tax payable	**–**	19,909
Deferred tax (charged) credited to consolidated income statement		
– Continuing operations (Note 14)	**(26,894)**	19,249
– Results of operation of toll roads and port services	**–**	(11,694)
Deferred tax charged to available-for-sale revaluation reserve	**(8,625)**	–
Exchange differences	**(1,303)**	(86)
Reclassification for operation of toll roads and port services (Note 9)	**–**	2,279
Reclassification to liabilities associated with assets held for sale (Note 30)	**74,976**	–
At 31 December	**124,581**	86,427

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

Deferred tax liabilities

	Accelerated depreciation HK$'000	Accrued income HK$'000	Revaluation of property HK$'000	Revaluation of available-for-sale financial assets HK$'000	Total HK$'000
At 1 January 2009	4,659	36,176	90,769	–	131,604
Transfer to tax payable	–	(22,538)	–	–	(22,538)
Deferred tax charged (credited) to income statement	14,310	(1,881)	(2,412)	–	10,017
Exchange differences	2	56	203		261
Reclassification for port services (Note 9)	–	(11,708)	–	–	(11,708)
At 31 December 2009	**18,971**	**105**	**88,560**	**–**	**107,636**
Deferred tax charged to available-for-sale revaluation reserve	**–**	**–**	**–**	**8,625**	**8,625**
Deferred tax charged (credited) to income statement	**2,932**	**2,919**	**(16,277)**	**–**	**(10,426)**
Exchange differences	**14**	**61**	**2,693**	**172**	**2,940**
Reclassification to liabilities associated with assets held for sale (Note 30)	**–**	**–**	**(74,976)**	**–**	**(74,976)**
At 31 December 2010	**21,917**	**3,085**	**–**	**8,797**	**33,799**

35. Deferred taxation (Cont'd)

Deferred tax assets

	Accelerated depreciation HK$'000	Provisions HK$'000	Tax loss HK$'000	Total HK$'000
At 1 January 2009	5,885	74,192	108,297	188,374
Transfer from tax payable	–	(2,629)	–	(2,629)
Deferred tax credited (charged) to income statement	184	(2,358)	19,746	17,572
Reclassification for port services (Note 9)	–	(9,429)	–	(9,429)
Exchange differences	14	161	–	175
At 31 December 2009	**6,083**	**59,937**	**128,043**	**194,063**
Deferred tax credited (charged) to income statement	**(2,467)**	**(28,211)**	**(6,642)**	**(37,320)**
Exchange differences	**158**	**1,479**	**–**	**1,637**
At 31 December 2010	**3,774**	**33,205**	**121,401**	**158,380**

36. Trade payables

The ageing analysis of the Group's trade payables, based on invoice date, is as follows:

	2010 HK$'000	2009 HK$'000
Within 30 days	**17,058**	68,869
31 to 90 days	**38,931**	19,375
91 to 180 days	**15**	6,292
Over 180 days	**217,609**	100,045
	273,613	194,581

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

37. Operating lease commitments

	The Group		The Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Land and buildings				
Not later than one year	**5,925**	8,626	**5,128**	2,891
Later than one year and not later than five years	**4,823**	6,109	**2,914**	293
Over five years	**381**	368	**–**	–
	11,129	15,103	**8,042**	3,184
Plants, pipelines and networks				
Not later than one year	**68,482**	66,252	**–**	–
Later than one year and not later than five years	**54**	66,278	**–**	–
	68,536	132,530	**–**	–
	79,665	147,633	**8,042**	3,184

38. Capital commitments

	2010	2009
	HK$'000	HK$'000
Authorized but not contracted for in respect of		
– Improvements on plant and machinery	**576,961**	567,482
– Acquisition of properties	**57,579**	–
– Capital injection to a subsidiary	**48,202**	–
– Capital injection for establishment of a jointly controlled entity	**29,377**	–
	712,119	567,482
Contracted but not provided for in respect of		
– Acquisition of subsidiaries	**–**	10,961,000
– Property, plant and machinery	**49,716**	63,175
– Capital injection in an associate	**181,727**	175,739
– Capital injection in a jointly controlled entity	**11,870**	22,841
	243,313	11,222,755

39. Notes to the consolidated statement of cash flows

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

	2010 HK$'000	2009 HK$'000
Profit before tax before impairment loss on property, plant and equipment	516,528	458,387
(Loss) profit before tax for operation of		
– Operation of toll roads (Note 8(a))	(46,796)	57,955
– Port services (Note 9)	–	(4,372)
	469,732	511,970
Adjustments for:		
Share of profits of associates	(551,165)	(342,306)
Share of losses of jointly-controlled entities	19,522	9,940
Finance costs	19,170	14,416
Interest income	(35,682)	(64,004)
Depreciation	123,443	232,786
Amortisation	6,557	26,904
Gain on deemed disposal of partial interest in an associate	–	(27,719)
Net loss (gain) on disposal of property, plant and equipment	3,671	(1,807)
Unrealized gain on financial assets at fair value through profit or loss	(10,129)	(518)
Provision for impairment of trade receivables	39,031	1,788
Provision for impairment of other receivables	–	1,200
Reversal of over-accrued expenses	–	(23,326)
Net exchange gain	(42,178)	(4,613)
Share based payments	545	25,850
Changes in working capital:		
Inventories	5,566	(145,363)
Trade receivables	232,591	(262,107)
Other receivables, deposits and prepayments	39,912	(226,538)
Financial assets at fair value through profit or loss	(263,497)	(3,430)
Trade payables	70,086	287,144
Notes payable	6,876	27,215
Other payables and accruals	19,910	321,170
Amount due from ultimate holding company	(73)	(16,049)
Amounts due to related companies	(70,155)	43,740
Amounts due to non-controlling interests	40,780	1,612
Cash generated from operations	124,513	387,955

40. Related party transactions

The Group is controlled by Tsinlien, a company incorporated in Hong Kong, which owns approximately 54.05% of the Company's shares as at 31 December 2010. The remaining 45.95% of the Company's shares is widely held.

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

For the year 2010, except for the government supplemental income granted by the TEDA Finance Bureau to the supply of utilities business (Note 5), the Group's significant transactions with entities that are controlled, jointly controlled or significantly influenced by the PRC government, mainly include majority of its bank deposits and the corresponding interest income and part of sales and purchases of goods and services (such as sales and purchases of utilities including electricity and water which constituted majority of the Group's purchases). The price and other terms of such transactions are set out in the agreements governing these transactions or as mutually agreed, as appropriate.

Apart from the above-mentioned transactions with the government-related entities and the related party transactions and balances during the year ended 31 December 2010 set out in Notes 8, 9, 25 and 26 in the consolidated financial statements, the following is a summary of the significant related party transactions carried out in the normal course of the Group's business:

(a) Transactions with related parties of the Group

		2010 HK$'000	2009 HK$'000
(i)	Transactions with the Group's associates		
	– Non-containerised cargo handling income received from associates	–	90,857
	– Labour services income received from associates	–	14,968
	– Wharf cargo handling service charges paid to associates	–	3,732
	– Labour services paid to associates	–	48,741
(ii)	Transactions with other related parties of the Group (note)		
	– Rental of land	1,574	1,699
	– Rental of plants, pipelines and networks	129,992	101,719
	– Purchase of steam for sale	716,346	569,221

note: The related parties are entities controlled by non-controlling interests of the Company's non-wholly owned subsidiaries. Balance with related companies are set out in Note 26.

40. Related party transactions (Cont'd)

(b) Key management compensation

	2010 HK$'000	2009 HK$'000
Fees	184	6,537
Salaries and other emoluments	16,479	13,827
Share-based payments	–	15,061
	16,663	35,425

41. Events after the balance sheet date

On 18 February 2011, the Company obtained a term loan banking facility of HK$2,000 million for the purpose of refinancing the existing syndicated bank loan which will be due for repayment in November 2011. The tenor is up to 60 months unless not extended by the lenders at the 36th month from the date of the facility agreement.

Pursuant to the facility agreement, it will be an event of default, inter alia, if:

(i) the Tianjin Municipal Government ceases to maintain a shareholding ownership directly or indirectly in the Company of more than 50%; or

(ii) the Company ceases to be under the direct or indirect management control of Tsinlien which is controlled by the Tianjin Municipal Government.

42. Approval of Consolidated Financial Statements

The consolidated financial statements were approved by the board of directors on 29 March 2011.

43. Principal subsidiaries

Details of the principal subsidiaries as at 31 December 2010 are set out below:

Name	Principal activities	Issued and paid up capital/ registered capital	Percentage Attributable to the Group	Held by the Company	Held by subsidiaries
Established as sino-foreign joint ventrue and operating in the PRC					
Tianjin Heavenly Palace Winery Co., Ltd.	Investment holding	RMB80,018,400	100	100	
Tianjin Tai Kang Industrial Co., Ltd.	Investment holding	RMB1,030,269,400	82.74	82.74	
Tianjin Development Assets Management Co., Ltd.	Investment holding	RMB32,076,000	100	100	
Tianjin TEDA Tsinlien Electric Power Company Limited	Supply of electricity	RMB 314,342,450	94.36		94.36
Tianjin TEDA Tsinlien Water Supply Company Limited	Supply of water	RMB 163,512,339	91.41		91.41
Tianjin TEDA Tsinlien Heat & Power Company Limited	Supply of steam and thermal power	RMB262,948,258	90.94		90.94
Tianjin First Hotel Ltd.	Operation of Hyatt Regency Tianjin Hotel	US$9,000,000	75 (note(i))		75
Established in the British Virgin Islands and operating in Hong Kong					
Dynamic Infrastructure Limited	Investment holding	US$5	100	100	
Leadport Holdings Limited	Investment holding	US$1	100	100	
Famous Ever Group Limited	Investment holding	US$1	100	100	
Established and operating in Hong Kong					
Tsinlien Realty Limited	Operation of Courtyard by Marriott Hong Kong	HK$200,000	100		100
Lethia Limited	Investment holding	HK$300,000	100		100
Godia Holdings Limited	Investment holding	HK$15	100		100

notes:

(i) Represents equity interests in a subsidiary which is classified as assets held for sale (Note 30)

(ii) No changes to the principal subsidiaries for 2010 except for the disposal of Tianjin Jinzheng Transportation Development Co., Ltd as set out in Note 8(a) and the Deemed Disposal of Tianjin Port as set out in Note 9.

44. Principal associates

Name	Principal activities	Issued and paid up capital/ registered capital	Percentage Attributable to the Group	Percentage Held by the Company	Percentage Held by subsidiaries
Established and operating in the PRC					
Otis Elevator (China) Investment Company Limited ("Otis China")	Investment holding	US$79,625,000	16.55 (note i)		20
Tianjin Tian Fa Heavy Electric Equipment Manufacturing Limited	Design, manufacture, sale and provision of advisory services for equipment used to generate electricity by water	RMB180,597,627	28.14		34.0
Established in Cayman Islands, operating in and listed in Hong Kong					
Dynasty Fine Wines Group Limited	Investment holding	HK$124,820,000	44.70		44.70
Tianjin Port Development Holdings Limited	Investment holding	HK$615,800,000	21.00 (note ii)		21.00

notes:

(i) The 16.55% interest attributable to the Group was calculated by the 20% interest of Otis China held by a 82.74% owned subsidiary of the Group.

(ii) Represents equity interest in an associate in which the Company's equity interest was diluted from 67.33% as a subsidiary to 21% as an associate in 2010 (Note 9).

(iii) No other changes to principal associates for 2010 except for the disposal of Golden Horse as set out in Note 8(b) in 2010.

45. Principal jointly controlled entity

Name	Principal activities	Issued and paid up capital/ registered capital	Percentage Attributable to the Group	Percentage Held by the Company	Percentage Held by subsidiaries
Established and operating in the PRC					
Tianjin Haihe Dairy Company Limited	Produce and sale of dairy products	RMB200,000,000	40		40

Financial Summary

	2006 HK$'000	2007 HK$'000	2008 HK$'000	2009 HK$'000	**2010** **HK$'000**
Results					
Revenue	2,688,457	3,268,013	2,566,847	2,841,186	**3,223,034**
Operating (loss) profit less finance cost	533,798	626,894	150,920	126,021	**(844,591)**
Share of profits (losses) of					
Associates	181,215	220,651	253,964	342,306	**551,165**
Jointly controlled entities	(11,779)	(9,831)	(19,832)	(9,940)	**(19,522)**
(Loss) profit before income tax	703,234	837,714	385,052	458,387	**(312,948)**
Income tax (expense) credit	(66,053)	(62,569)	57,360	(32,934)	**(53,667)**
(Loss) profit for the year from continuing operations	637,181	775,145	442,412	425,453	**(366,615)**
Profit (loss) for the year from operation of toll roads and port services	–	52,094	176,881	(646,470)	**818,105**
Profit (loss) for the year	637,181	827,239	619,293	(221,017)	**451,490**
Attributable to:					
Owners of the Company	552,751	690,301	524,552	(195,141)	**474,172**
Non-controlling interests	84,430	136,938	94,741	(25,876)	**(22,682)**
	637,181	827,239	619,293	(221,017)	**451,490**
Dividends	92,241	115,701	96,072	55,508	**–**
Assets and liabilities					
Total assets	13,231,526	12,923,020	14,871,516	16,286,254	**13,173,667**
Total liabilities	3,861,097	2,770,497	4,170,989	5,509,908	**3,766,934**
Total equity	9,370,429	10,152,523	10,700,527	10,776,346	**9,406,733**

note: The financial figures for the year 2006 to 2009 were extracted from the 2009 annual report.