



天津發展控股有限公司

TIANJIN DEVELOPMENT HOLDINGS LIMITED

(Incorporated in Hong Kong SAR with limited liability under the Companies Ordinance)

(Stock code: 882)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31ST DECEMBER 2006

FINANCIAL HIGHLIGHTS

- Turnover amounted to approximately HK\$2,688 million, representing an increase of 20% as compared to 2005.
- Profit attributable to equity holders amounted to approximately HK\$553 million.
- Excluding the exceptional items, profit attributable to equity holders increased by 15% to approximately HK\$387 million.
- Earnings per share amounted to HK\$57.92 cents.
- Final dividend of HK\$4.6 cents per share is recommended.

RESULTS

The board of directors (the “Board”) of Tianjin Development Holdings Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31st December 2006, together with the comparative figures for the corresponding period in 2005, are as follows:

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2006

	<i>Note</i>	2006 HK\$'000	2005 HK\$'000
Revenue	2	2,688,457	2,239,102
Cost of sales		(1,837,649)	(1,478,716)
Gross profit		850,808	760,386
Other income	3	220,598	76,923
Gain on deemed disposal of partial interest in subsidiaries		109,235	235,370
Distribution costs		(341)	(11,057)
General and administrative expenses		(416,804)	(388,889)
Other operating expenses		(16,558)	(9,540)
Operating profit		746,938	663,193
Finance costs	4	(149,293)	(97,534)
Net loss on convertible bonds	5	(63,847)	–
Share of profits/(losses) of:			
Associates		181,215	146,095
Jointly controlled entities		(11,779)	(13,859)
Profit before tax		703,234	697,895
Tax expense	6	(66,053)	(73,015)
Profit for the year		637,181	624,880

Attributable to:			
Equity holders		552,751	573,169
Minority interests		84,430	51,711
		<u>637,181</u>	<u>624,880</u>
Earnings per share	7		
– Basic		HK57.92 cents	HK62.95 cents
– Diluted		HK57.62 cents	HK62.94 cents
Dividends	8	<u>89,795</u>	<u>80,665</u>

**CONSOLIDATED BALANCE SHEET
AS AT 31ST DECEMBER 2006**

		2006	2005
	Note	HK\$'000	HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		5,813,569	5,002,385
Investment property		383,085	370,192
Goodwill		586,050	400,746
Land use rights		761,516	69,787
Interest in associates		1,152,770	1,006,832
Jointly controlled entities		91,903	81,448
Deferred tax assets		4,960	4,695
Available-for-sale financial assets		108,161	110,495
Other non-current assets		–	34,963
		<u>8,902,014</u>	<u>7,081,543</u>
Current assets			
Completed properties held for sale		–	6,200
Inventories		12,706	8,432
Amount due from parent company		–	200
Amounts due from associates and jointly controlled entities		20,399	16,786
Amounts due from related companies		24,332	72,206
Amounts due from a minority shareholder		12,382	–
Amounts due from investee companies		100,871	79,146
Trade receivables	9	478,692	272,719
Other receivables, deposits and prepayments		198,566	172,797
Financial assets at fair value through profit or loss		177,286	164,336
Cash and bank balances			
– Restricted		28,640	–
– Unrestricted		3,275,638	2,505,315
		<u>4,329,512</u>	<u>3,298,137</u>
Total assets		<u>13,231,526</u>	<u>10,379,680</u>
EQUITY			
Equity holders			
Share capital		98,244	91,066
Reserves		6,762,453	5,713,818
Proposed final dividend		45,192	36,426
		<u>6,905,889</u>	<u>5,841,310</u>
Minority interests		<u>2,464,540</u>	<u>1,277,327</u>
Total equity		<u>9,370,429</u>	<u>7,118,637</u>

**CONSOLIDATED BALANCE SHEET
AS AT 31ST DECEMBER 2006**

	<i>Note</i>	2006 HK\$'000	2005 HK\$'000
LIABILITIES			
Non-current liabilities			
Convertible bonds		211,803	388,171
Other borrowings		1,502,682	1,656,516
Deferred tax liabilities		93,796	80,006
		1,808,281	2,124,693
Current liabilities			
Trade payables	10	221,123	15,235
Other payables and accruals		632,235	363,533
Amounts due to related companies		336,244	30,031
Amounts due to minority shareholders		197,480	263,407
Other borrowings		563,814	370,402
Current tax liabilities		101,920	93,742
		2,052,816	1,136,350
Total liabilities		3,861,097	3,261,043
Total equity and liabilities		13,231,526	10,379,680
Net current assets		2,276,696	2,161,787
Total assets less current liabilities		11,178,710	9,243,330

NOTES TO THE FINANCIAL STATEMENTS

1 Basis of preparation and accounting policies

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

Amendments and interpretations to published standards effective in 2006

The following amendments and interpretations are mandatory for accounting periods beginning on or after 1st January 2006:

HKAS 39 and HKFRS 4 (Amendment)	Financial Guarantee Contracts
HK(IFRIC) – Int 4	Determining whether an Arrangement contains a lease

The adoption of these amendments and interpretations does not result in any substantial changes to the Group's accounting policies.

Standards, interpretations and amendments to existing standards that are not yet effective and have not been early adopted by the Group

The following standards, interpretations and amendments to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1st March 2006 or later periods that the Group has not early adopted:

HKAS 1 (Amendment)	Presentation of Financial Statements – Capital Disclosures
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29, Financial Reporting in Hyperinflationary Economies
HK(IFRIC) – Int 8	Scope of HKFRS 2
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) – Int 10	Interim Reporting and Impairment
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC) – Int 12	Service Concession Arrangements
HKFRS 7	Financial Instruments: Disclosures
HKFRS 8	Operating Segments

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

2 Segment information

The Group is principally engaged in provision of container handling and non-containerised goods stevedoring services, operation of toll roads, supply of utilities and property development.

The associates of the Group are principally engaged in the manufacturing and sales of winery products, escalators and elevators.

Primary reporting format – business segments

	For the year ended 31st December 2006							Group
	Port services	Operation of toll roads	Supply of utilities (Note)	Property development	Winery	Elevator and escalator	Others	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Revenue	1,005,001	207,101	1,467,672	8,683	-	-	-	2,688,457
Segment results	230,761	91,675	160,973	1,161	-	-	-	484,570
Gain on deemed disposal of partial interest in subsidiaries	109,235							109,235
Gain on disposal of subsidiaries				22,993				22,993
Interest income								148,727
Net corporate expenses								(18,587)
Operating profit								746,938
Finance costs								(149,293)
Net loss on convertible bonds								(63,847)
Share of profits/(losses) of:								
Associates	983	-	-	-	52,618	129,071	(1,457)	181,215
Jointly controlled entities	-	-	-	-	53	-	(11,832)	(11,779)
Profit before tax								703,234
Tax expense								(66,053)
Profit for the year								637,181
Capital expenditure	1,175,851	36,125	116,684	-	-	-	2,196	1,330,856
Depreciation and amortisation	97,328	45,580	73,823	84	-	-	4,082	220,897
	For the year ended 31st December 2005							
	Port services	Operation of toll roads	Supply of utilities (Note)	Property development	Winery	Elevator and escalator	Others	Group
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	870,928	210,332	988,810	19,361	149,671	-	-	2,239,102
Segment results	171,369	93,181	109,827	12,913	63,220	-	-	450,510
Gain on deemed disposal of partial interest in subsidiaries					235,370			235,370
Gain on disposal of an associate	4,986							4,986
Interest income								21,687
Net corporate expenses								(49,360)
Operating profit								663,193
Finance costs								(97,534)
Share of profits/(losses) of:								
Associates	1,019	-	-	-	57,515	87,481	80	146,095
Jointly controlled entities	-	-	-	-	37	-	(13,896)	(13,859)
Profit before tax								697,895
Tax expense								(73,015)
Profit for the year								624,880
Capital expenditure	159,205	1,932	4,724	25	-	-	11,921	177,807
Depreciation and amortisation	77,013	45,091	40,503	111	1,761	-	3,875	168,354

Note:

The utilities supply business is carried out by Tianjin TEDA Tsinlien Electric Power Company Limited (“Electricity Company”), Tianjin TEDA Tsinlien Water Supply Company Limited (“Water Company”) and Tianjin TEDA Tsinlien Heat & Power Co., Ltd. (“Heat & Power Company”).

The Finance Bureau of Tianjin Economic and Technological Development Area (“TEDA”) has confirmed to grant to Electricity Company and Water Company quantity-based government supplemental income calculated at RMB0.02 per kWh of electricity supplied and RMB2 per tonne of water supplied for five years to 31st December 2007.

Also, the Finance Bureau of TEDA has confirmed to grant to Heat & Power Company quantity-based government supplemental income calculated at RMB50 per tonne of steam supplied for a period of five years up to 31st December 2008. In addition, Heat & Power Company is entitled to additional cost-based government supplemental income calculated at the difference between the purchase price per tonne of steam purchased from Tianjin Binhai Energy & Development Co., Ltd., the major supplier of steam, and the selling price per tonne of steam sold to the customers.

Revenue generated from the supply of utilities includes approximately HK\$56.6 million (2005: HK\$27.7 million), HK\$74.9 million (2005: HK\$65.6 million) and HK\$59.6 million (2005: Nil) of quantity-based government supplemental income granted to the Electricity Company, Water Company and Heat & Power Company respectively. It also includes approximately HK\$19.0 million (2005: Nil) of cost-based government supplemental income granted to Heat & Power Company.

	As at 31st December 2006							
	Port services HK\$'000	Operation of toll roads HK\$'000	Supply of utilities HK\$'000	Property development HK\$'000	Winery HK\$'000	Elevator and escalator HK\$'000	Others HK\$'000	Group HK\$'000
Assets	3,501,239	3,571,212	1,670,611	383,171	–	51,934	2,900,589	12,078,756
Associates	25,950	–	–	–	625,365	463,265	38,190	1,152,770
Total assets	3,527,189	3,571,212	1,670,611	383,171	625,365	515,199	2,938,779	13,231,526
Liabilities	525,181	55,860	565,065	–	–	10,687	2,704,304	3,861,097
	As at 31st December 2005							
	Port services HK\$'000	Operation of toll roads HK\$'000	Supply of utilities HK\$'000	Property development HK\$'000	Winery HK\$'000	Elevator and escalator HK\$'000	Others HK\$'000	Group HK\$'000
Assets	1,497,673	3,451,010	932,792	380,602	–	47,801	3,062,970	9,372,848
Associates	27,928	–	–	–	580,288	356,105	42,511	1,006,832
Total assets	1,525,601	3,451,010	932,792	380,602	580,288	403,906	3,105,481	10,379,680
Liabilities	90,659	58,659	152,496	26,088	–	11,350	2,921,791	3,261,043

Secondary reporting format – geographical segments

	Revenue		Operating results	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
PRC mainland	2,688,457	2,239,102	484,570	450,510
			2006 HK\$'000	2005 HK\$'000
Total assets:				
PRC mainland			11,807,577	8,854,939
Hong Kong			271,179	517,909
			12,078,756	9,372,848
Associates			1,152,770	1,006,832
			13,231,526	10,379,680
Capital expenditure:				
PRC mainland			1,329,303	173,497
Hong Kong			1,553	4,310
			1,330,856	177,807

3 Other income

	2006 HK\$'000	2005 HK\$'000
Interest income		
– initial public offer deposits of a subsidiary	97,335	–
– bank deposits	51,392	21,687
Financial assets at fair value through profit or loss		
– fair value gains – listed	13,390	1,022
– fair value gains – unlisted	3,049	2,062
Fair value gain on an investment property	–	15,343
Dividend income from investee companies – unlisted	18,028	9,549
Gain on disposal of subsidiaries	22,993	–
Gain on disposal of an associate	–	4,986
Sundries	14,411	22,274
	<u>220,598</u>	<u>76,923</u>

4 Finance costs

	2006 HK\$'000	2005 HK\$'000
Interest expenses:		
– bank borrowings	104,490	81,804
– loans from a minority shareholder	14,639	14,548
– convertible bonds (notional charge)	30,164	1,182
	<u>149,293</u>	<u>97,534</u>

5 Net loss on convertible bonds

	Liability component HK\$'000	Derivative component HK\$'000	(Gain)/loss HK\$'000
As at 31st December 2005	388,171	–	–
Recognition of derivative component	(53,753)	53,753	–
Fair value loss on derivative component prior to conversion	–	122,868	122,868
Transfer to share capital and share premium on conversion	(176,202)	(93,602)	–
Fair value loss on derivative component prior to extinguishment	–	17,352	17,352
Net loss/(gain) on extinguishment of convertible bonds	23,423	(99,796)	(76,373)
Notional finance charge (note 4)	30,164	–	–
Exchange differences	–	(575)	–
As at 31st December 2006	<u>211,803</u>	<u>–</u>	<u>63,847</u>

Recognition of the HK dollar Bonds

On 19th December 2005, the Group issued zero coupon convertible bonds with an aggregate principal amount of HK\$400 million (the “Bonds”). Holders of the Bonds have the option to convert the bonds into shares of the Company of HK\$0.10 each at a conversion price of HK\$3.90 per share from the date of issue to 18th December 2007 and HK\$4.06 per share thereafter through maturity. Unless previously redeemed, converted, or purchased and cancelled, the Bonds will be redeemed at 119.93% of its principal amount on 19th December 2008.

At any time prior to the maturity date, the Group may, having given not less than 30 nor more than 60 days’ notice to the bondholders, the trustee and the principal agent (which notice will be irrevocable), redeem all and not some only of the Bonds at a redemption price as defined in the convertible bond agreement, on the redemption date if at least 90 percent in principal amount of the Bonds has already been converted, redeemed or purchased and cancelled.

As the functional currency of the bond issuing entity is RMB, the conversion option of the Bonds denominated in HK dollar will not result in settlement by the exchange of a fixed amount of cash for a fixed number of equity instrument. The conversion option is therefore accounted for as an embedded derivative financial instrument carried at fair value through profit or loss.

The liability component is the residual amount after recognising the embedded derivative and subsequently carried at amortised cost. Interest expense is calculated using the effective interest method by applying the effective interest rate of 12.08% to the liability component. Should the aforesaid embedded derivative not be separated and the entire bond be considered as the liability component, the effective interest rate would have been 7.079%.

On 12th April, 25th April and 8th November 2006, Bonds with face value of HK\$100,000,000, HK\$50,000,000 and HK\$50,000,000 were converted into shares of the Company at a conversion price of HK\$3.90 per share.

Upon conversion, the Group recognised a fair value loss on the embedded derivative of the Bonds of HK\$122,868,000.

Extinguishment of the HK dollar Bonds and recognition of the RMB Bonds

On 28th December 2006, the Group and the trustee entered into a supplemental deed, whereby the parties have agreed to amend the terms of the trust deed and the terms and conditions of the Bonds, among other things, change the currency of the principal amount of the Bonds from HK dollar to RMB, at the then spot rate between HK dollar and RMB at the day of the supplemental deed. The amendments to the trust deed and the terms and conditions of the Bonds (the "Amendments") would not result in any change in the number of conversion shares as contemplated in the trust deed at the time the Bonds were issued.

As a result of the Amendments, the HK dollar Bonds were extinguished and the RMB Bonds were recognised. Up to the date of extinguishment, the Group recognised additional fair value loss on the embedded derivative of the HK dollar Bonds of HK\$17,352,000.

As at 28th December 2006, the outstanding face value of the Bonds was HK\$200,000,000. At the then spot exchange rate, the Group recognised RMB Bonds of RMB200,000,000.

The denomination of this newly recognised RMB Bonds is consistent with the functional currency of the bond issuing entity and accordingly the RMB Bonds are accounted for as convertible bonds with equity component. The RMB Bonds are separated into equity component and liability component, the latter of which is fair-valued at recognition and subsequently carried at amortised cost.

The fair value of the liability component and the equity component of the RMB Bonds were recognised on the balance sheet as follows:

	HK\$'000
Fair value of the RMB Bonds issued on 28th December 2006	211,803
Equity component	—
Liability component on recognition as at 28th December 2006 and 31st December 2006	<u>211,803</u>

The fair value of the RMB Bonds is calculated using cash flows discounted at a rate of 6.5% per annum based on the indicative yield of an equivalent non-convertible bonds issued in HK dollar whose maturity is two years.

As a result of the extinguishment of the HK dollar Bonds and the subsequent recognition of the RMB Bonds, the Group recorded a net gain of HK\$76,373,000 on the convertible bonds.

Interest expenses on the RMB Bonds are calculated using the effective interest method by applying the effective interest rate of 6.5 % to the liability component.

Conversion of the RMB Bonds after year end

In 2007, Bonds with face value of RMB126,000,000 were converted into 32,307,691 shares of the Company at a conversion price of HK\$3.90 per share.

6 Tax expense

The amount of taxation charged to the consolidated income statement represents:

	2006 HK\$'000	2005 HK\$'000
Current taxation		
PRC income tax	55,201	62,351
Deferred tax	10,852	10,664
	<u>66,053</u>	<u>73,015</u>

No provision for Hong Kong profits tax has been made as there is no estimated assessable profit for the year for the Group (2005: Nil). Provision for the PRC income tax has been made at the applicable rate of taxation on the estimated assessable profit for the year for each of the Group's subsidiaries.

Share of associates' taxation for the year ended 31st December 2006 of HK\$60,860,000 (2005: HK\$56,469,000) are included in the income statement as share of profits of associates.

7 Earnings per share

The calculation of the basic earnings per share is based on profit attributable to equity holders of HK\$552,751,000 (2005: HK\$573,169,000) and the weighted average number of 954,330,239 shares in issue (2005: 910,476,849 shares) during the year.

The calculation of the diluted earnings per share is based on profit attributable to equity holders of HK\$552,751,000 (2005: HK\$573,169,000) and 954,330,239 shares (2005: 910,476,849 shares) which is the weighted average number of shares in issue during the year, plus the weighted average number of 5,051,972 shares (2005: 184,566 shares) deemed to be issued at no consideration if all outstanding employee share options had been exercised.

8 Dividends

	2006 HK\$'000	2005 HK\$'000
2006 final, proposed, of HK4.6 cents (2005: final, paid, of HK4.0 cents) per share	45,192	38,784
2006 interim, paid, of HK4.6 cents (2005: HK4.6 cents) per share	44,603	41,881
	<u>89,795</u>	<u>80,665</u>

At a meeting held on 19th April 2007, the Board proposed a final dividend of HK4.6 cents per ordinary share. This proposed dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31st December 2007.

9 Trade receivables

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

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Within 30 days	366,557	178,752
31 to 90 days	18,329	40,293
91 to 180 days	10,031	3,039
Over 180 days	83,775	50,635
	<u>478,692</u>	<u>272,719</u>

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 terms of 90 days are given to customers.

Trade receivables include government supplemental income receivable from the Finance Bureau of TEDA.

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

10 Trade payables

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

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Within 30 days	24,738	4,740
31 to 90 days	14,142	4,124
91 to 180 days	13,931	7
Over 180 days	168,312	6,364
	<u>221,123</u>	<u>15,235</u>

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

REVIEW OF OPERATIONS

	Revenue		Segment results	
	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Provision of port services	1,005,001	870,928	230,761	171,369
Operation of toll roads	207,101	210,332	91,675	93,181
Supply of utilities	1,467,672	988,810	160,973	109,827
Sales of properties	8,683	19,361	1,161	12,913
Manufacturing and sales of winery products	–	149,671	–	63,220
	<u>2,688,457</u>	<u>2,239,102</u>	<u>484,570</u>	<u>450,510</u>
Gain on deemed disposal of partial interest in subsidiaries			109,235	235,370
Gain on disposal of subsidiaries			22,993	–
Gain on disposal of an associate			–	4,986
Interest income			148,727	21,687
Net corporate expenses			(18,587)	(49,360)
Operating profit			746,938	663,193
Finance costs			(149,293)	(97,534)
Net loss on convertible bonds			(63,847)	–
Share of profits/(losses) of:				
Associates (Note)			181,215	146,095
Jointly controlled entities			(11,779)	(13,859)
Profit before tax			703,234	697,895
Tax expense			(66,053)	(73,015)
Profit for the year			<u>637,181</u>	<u>624,880</u>

Note:

Share of profits/(losses) of associates:

Manufacturing and sales of winery products	52,618	57,515
Elevator and escalator	129,071	87,481
Others	(474)	1,099
	<u>181,215</u>	<u>146,095</u>

Infrastructure Operations

Port services

On 24th May 2006, the shares of Tianjin Port Development Holdings Limited (“TPD”) (stock code: 3382) were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and the Group’s interest in TPD was diluted from 100% to 62.8%. The result of the initial public offer of TPD was overwhelming and an interest income of HK\$97.3 million was generated from the initial public offer deposits. An exceptional gain of HK\$109.2 million was realised from the deemed disposal of partial interest in TPD.

The revenue of port operations increased by 15% from approximately HK\$870.9 million in 2005 to approximately HK\$1,005.0 million in 2006. The growth in turnover was driven by a 21% increase in our container throughput from 2,050,052 TEUs in 2005 to 2,490,000 TEUs in 2006. For the same period, the total throughput of bulk cargo decreased by 9% from approximately 18.3 million tonnes to approximately 16.6 million tonnes.

The segment profit was increased by 35% from approximately HK\$171.4 million for 2005 to approximately HK\$230.8 million for 2006. The encouraging performance was the result of enhanced handling efficiency, improved cargo mix and effective cost controls. The synergy of these internal improvements alongside the favourable external market environment of robust GDP growth and expanding trade volumes in the Bohai region, have greatly benefited the port operations.

Road Operations

For the year of 2006, road operation achieved a toll revenue of approximately HK\$207.1 million and realised a segment profit of approximately HK\$91.7 million, representing a slight decrease of 2% on both revenue and segment profit over last year.

The operating performances of the individual toll roads were mixed in 2006.

The Jinbin Expressway operated with encouraging performance in 2006 as evidenced by an average daily traffic flow of 21,252 vehicles and toll revenue of HK\$78.7 million, representing an increase of 33% and 25% respectively over last year. With more active business activities in the Tianjin Binhai New Area, the Group believes the traffic flow and toll revenue of Jinbin Expressway will keep increasing accordingly.

Due to the entrance control stipulated in middle and inner ring road in early 2006, the Eastern Outer Ring Road’s average daily traffic flow of small vehicles such as motorcycles and motor tricycles increased by 10% as compared to 2005. However, the large vehicles, which were charged at higher toll fees than small vehicles, continued to divert from the Eastern Outer Ring Road since the opening of the city expressway. As a result, the average daily traffic flow decreased by 3% to 29,605 vehicles in 2006 and the toll revenue dropped by 13% to HK\$128.4 million as a result of the change in traffic flow mix.

Utility operations

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

On 13th January 2006, the Group announced that it had entered into an agreement to acquire approximately 90.9421% interest in Tianjin TEDA Tsinlien Heat & Power Co., Ltd. (“Heat & Power Company”) at a consideration of HK\$380 million, which should be satisfied as to HK\$305 million by cash and HK\$75 million by issuance and allotment of 20 million ordinary shares of the Company. The acquisition was completed in April 2006. Together with the Electricity Company and the Water Company which were acquired in 2004, the Heat & Power Company form an integral part of the Company’s utility operations in the TEDA, which are the growth engine of the Group.

Electricity Operation

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 470,000 kVA.

For 2006, the Group's electricity operation reported a revenue of approximately HK\$1,019.9 million and a segment profit of approximately HK\$82.1 million, representing an increase of 26% and 44% over last year respectively. The increase in segment profit was mainly attributable to the hike in quantity sold and the improvement of net profit margin. The total quantity of electricity sold for the year was approximately 1,702,560,000 kWh, representing an increase of 17% over last year.

Water Operation

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 has reached approximately 220,000 tonnes.

In 2006, the Group's water operation reported a revenue of approximately HK\$217.9 million and a segment profit of approximately HK\$78.3 million, resulted in the respective increase of 23% and 49% over the corresponding period last year. The total quantity of water sold for this year was approximately 38,756,000 tonnes, representing an increase of 12% over last year. The increase in segment profit was driven by an increase in sales volume as well as a higher unit revenue.

Heat and Thermal Operation

Heat & Power Company is principally engaged in the production and distribution of steam for industrial users and heating for commercial and residential purposes within the TEDA. The Heat & Power Company has currently made a connection to a total of approximately 300 kilometers steam transmission pipelines and more than 60 processing stations in the TEDA, with a daily distribution capacity reaching approximately 21,400 tonnes of steam.

Since the acquisition of Heat & Power Company was completed in late April 2006, it only contributed about 8 months' results in 2006 and did not have any contribution to the Group last year. For the relevant period in 2006, the Group's heat and thermal operation reported a revenue of approximately HK\$229.9 million and a segment profit of approximately HK\$0.6 million. The marginal profit was mainly attributable to the seasonality of the industry. The total quantity of steam sold for the whole year of 2006 was approximately 2,404,000 tonnes, representing an increase of 10% over last year.

Locating at the TEDA with a planned site area of 33 square kilometers in the east area and 48 square kilometers in the west area, Electricity Company, Water Company and Heat & Power Company have been benefiting from double-digit growth of consumption in TEDA. Leveraging on their well-established supply network, management expertise and customer base, the Group believes that the utility operations will broaden the earnings base and provide an excellent growth prospect for the Group's core business.

Strategic and Other Investments

Winery Operation

Sales volume of Dynasty Fine Wines Group Limited ("DFWGL") (stock code: 828) increased from approximately 45.5 million bottles in 2005 to approximately 49.5 million bottles in 2006. Red wine contributed over 93% of total sales volume. The revenue and profit attributable to equity holders of DFWGL amounted to approximately HK\$1,114.1 million and HK\$114.8 million respectively, which represented a corresponding 18% increase and 36% decrease over last year. The decrease in the profit was attributable to the significant surge in distribution costs. Increase in distribution costs was primarily due to the increase in advertising and promotional expenses incurred to maintain market position, to boost market demand, to expand market share outside the eastern region of the PRC and also to facilitate market penetration of new products.

DFWGL contributed to the Group a profit of approximately HK\$52.6 million in 2006. In 2005, the winery operation contributed a segment profit of approximately HK\$63.2 million as a subsidiary before the listing of DFWGL, together with a profit of approximately HK\$57.5 million as an associate to the Group after the aforesaid listing. An exceptional gain of about HK\$235.4 million was also resulted from the deemed disposal of partial interest in DFWGL upon its listing. The drop of total contribution by DFWGL to the Group was due to the reduced shareholding of DFWGL as well as the decline in the results of DFWGL.

Elevator and Escalator Operation

OTIS China, an associate of the Group, has recorded continuous satisfactory growth during the year. The revenue of OTIS China for 2006 amounted to approximately HK\$7,491.4 million, achieving a 28% increase over last year.

For 2006, the contribution of OTIS China to the profit of the Company amounted to approximately HK\$129.1 million, representing a 48% increase over last year. The growth was contributed by strong demand in both domestic and overseas markets. The Group believes that the investment in OTIS China will continue to bring in sustainable earnings in the future.

Gas fuel supply operation

Wah Sang Gas Holdings Limited (“Wah Sang”) had yet to release any up-to-date financial information and the trading of its shares remained suspended. Wah Sang is continuing its business operations and in the process of applying for a resumption of trading of its shares. The directors of the Company took a cautious view that the resumption of trading in Wah Sang’s shares might not happen in the near term, and considered the provision of HK\$120 million for the probable impairment in value of the Group’s investment in Wah Sang brought forward from last year should be retained in the preparation of the Group’s financial statements for the year ended 31st December 2006.

PROSPECTS

As the State Council has approved the “11th Five Year Plan (2006-2010)”, which positions Tianjin as the economic centre in northern China, there are definitely immense opportunities for investment and development. The government will devote full support to transform the Tianjin Binhai New Area (“TBNA”) into a modern manufacturing and R&D base, international shipping hub and international logistics centre in northern China.

Having considered the future development of TBNA, the Group will continue to expand its port operations through TPD. TPD’s strategy is three-fold. Firstly, it will increase investment in container handling business. Secondly, it will rationalise its non-containerised cargo handling business by improving sales mix and profitability. In addition, TPD is actively exploring the possibility of entering the port logistic business.

TEDA, being one of the key districts in TBNA and having enjoyed double digit annual growth since 1998, has huge development potential. The Group will increase investment in our core utilities operations to capture the robust economic growth of TEDA.

Last but not least, the Group is actively exploring the opportunities in property development business with focus to be put on hotel projects.

LIQUIDITY AND CAPITAL RESOURCES ANALYSIS

As at 31st December 2006, the Group’s total cash on hand and total bank borrowings stood at approximately HK\$3,304 million and approximately HK\$1,807 million respectively (2005: HK\$2,505 million and HK\$1,826 million respectively) of which approximately HK\$304 million bank borrowings will be matured within one year. Convertible bonds amounted to approximately HK\$212 million (2005: HK\$388 million) is repayable in 2008. Loans from minority shareholders of subsidiaries amounted to approximately HK\$260 million (2005: HK\$201 million) which bore interest at rates of 5.6% to 6.4% per annum and have no fixed terms of repayment.

The gearing ratio as measured by total borrowings to shareholders’ funds is approximately 33% at the end of 2006, compared to approximately 41% at the end of 2005.

Of the total HK\$1,807 million bank borrowings outstanding at the end of 2006, HK\$756 million was fixed rate debts with annual interest rate ranging from 5.0% to 6.1%. The remaining HK\$1,051 million of bank loans were subject to floating rates with spread of 0.45% to 0.52% over HIBOR (or LIBOR where applicable) of relevant interest periods.

As at the end of 2006, 42% (2005: 39%) of the Group’s total bank borrowings was denominated in Renminbi, 55% (2005: 2%) was denominated in HK dollars and 3% (2005: 59%) was denominated in US dollars.

EMPLOYEES AND REMUNERATION POLICIES

The Company and its subsidiary companies had a total of approximately 4,200 employees at the end of the year, of which approximately 840 were management and technical staff, with the balance being production workers.

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

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 22nd May 2007 to 25th May 2007, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend, all share certificates with completed transfer forms either overleaf or separately, must be lodged with the Company's Share Registrar, Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 21st May 2007.

CHARGE ON ASSETS

Cash and bank balances of approximately HK\$28,640,000 was pledged against a secured bank borrowing with an outstanding amount of approximately HK\$9,950,000.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the period.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "Code Provision") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") except that:

1. The non-executive Directors have not been appointed for any specific terms as they are subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Company's Articles of Association.
2. The Directors have not been required by the Company's Articles of Association to retire by rotation at least once every three years. However, in accordance with the Company's Articles of Association, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest one-third, shall retire from office by rotation at each annual general meeting; it is therefore considered that the Code Provision under A.4.2 was followed in practice.

AUDIT COMMITTEE

An audit committee currently comprising three independent non-executive directors, namely Mr. Kwong Che Keung, Gordon, Mr. Lau Wai Kit and Dr. Cheng Hon Kwan was established in 1998.

By reference to "A Guide for The Formation of An Audit Committee" published by HKICPA, written terms of reference which describe the authority and duties of the audit committee were prepared and adopted by the Board of the Company. The Audit Committee held two meetings during the year.

The annual results have been reviewed by the audit committee of the Company. The figures in respect of the preliminary announcement of the Group's results for the year ended 31st December 2006 have been agreed by the Group's auditors, PricewaterhouseCoopers, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

COMPLIANCE WITH THE MODEL CODE OF THE LISTING RULES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules in respect of directors' securities transactions throughout the year under review. All directors have confirmed, following specific enquiry by the Company, that they fully complied with the Model Code throughout the year.

PUBLICATION OF ANNUAL RESULTS ON THE INTERNET WEBSITE OF THE STOCK EXCHANGE

All the information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange in due course.

By Order of the Board
Wang Guanghao
Chairman

Hong Kong SAR, 19th April 2007

As at the date of this announcement, the directors of the Company consist of Mr. Wang Guanghao, Dr. Ren Xuefeng, Mr. Yu Rumin, Mr. Nie Jiansheng, Mr. Dai Yan, Mr. Hu Chengli, Dr. Wang Jiandong, Mr. Bai Zhisheng, Mr. Zhang Wenli, Mr. Sun Zengyin, Dr. Zong Guoying and Mr. Zheng Daoquan as executive directors, Mr. Cheung Wing Yui as non-executive director and Mr. Kwong Che Keung, Gordon, Mr. Lau Wai Kit and Dr. Cheng Hon Kwan as independent non-executive directors.

Please also refer to the published version of this announcement in The Standard.