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 2005

FINANCIAL HIGHLIGHTS

- Turnover amounted to approximately HK$2,239 million, representing an increase of 6% as compared to 2004.
- Profit attributable to equity holders of the Company amounted to approximately HK$573 million.
- Excluding the exceptional items, profit attributable to equity holders of the Company increased by 40% to HK$338 million.
- Earnings per share amounted to HK62.9 cents.
- Final dividend of HK4.0 cents per share recommended.

RESULTS

The board of directors (the "Board") of Tianjin Development Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31st December 2005, together with the comparative figures for the corresponding period in 2004, as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2005

	Note	**2005** *HK$'000*	2004 (Restated) *HK$'000*
Turnover	2	**2,239,102**	2,102,473
Cost of sales		**(1,478,716)**	(1,202,810)
Gross profit		**760,386**	899,663
Other income	3	**76,923**	45,727
Gain on deemed disposal of partial interest in subsidiaries/a subsidiary	2	**235,370**	4,325
Gain on disposal of Income Receiving Right	4	–	707,147
Distribution costs		**(11,057)**	(169,416)
General and administration expenses		**(388,889)**	(359,208)
Impairment charge on investment in an associate		–	(120,000)
Other operating expenses		**(9,540)**	(27,818)
Operating profit		**663,193**	980,420
Finance costs	5	**(97,534)**	(55,517)
Share of profits/(losses) of			
Associates		**146,095**	77,764
Jointly controlled entities		**(13,859)**	(1,981)
Profit before income tax		**697,895**	1,000,686
Income tax expense	6	**(73,015)**	(137,156)
Profit for the year		**624,880**	863,530
Attributable to:			
Equity holders of the Company		**573,169**	563,803
Minority interests		**51,711**	299,727
		624,880	863,530

	Note		
Earnings per share for profit attributable to the equity holders of the Company – Basic	7	**HK62.9 cents**	HK80.2 cents
Dividends	8	**78,307**	62,592

CONSOLIDATED BALANCE SHEET AS AT 31ST DECEMBER 2005

	Note	**2005**	2004 (Restated)
		HK$'000	*HK$'000*
ASSETS			
Non-current assets			
Goodwill		**400,746**	400,349
Property, plant and equipment		**5,002,385**	5,189,304
Investment properties		**370,192**	347,813
Leasehold land and land use rights		**69,787**	41,627
Interest in associates		**1,023,344**	375,599
Jointly controlled entities		**81,722**	93,736
Deferred income tax assets		**4,695**	8,156
Available-for-sales financial assets/long-term investments		**180,053**	188,625
Other long term assets		**34,963**	14,154
		7,167,887	6,659,363
Current assets			
Completed properties held for sale		**6,200**	17,507
Inventories		**8,432**	262,328
Amount due from the parent company		**200**	–
Amounts due from related companies		**72,206**	85,733
Trade receivables	9	**272,719**	386,446
Other receivables, deposits and prepayments		**182,385**	271,634
Financial assets at fair value through profit or loss/short-term investments		**164,336**	62,311
Cash and cash equivalents		**2,505,315**	1,956,309
		3,211,793	3,042,268
Total assets		**10,379,680**	9,701,631
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**91,066**	91,046
Other reserves		**4,094,099**	3,956,300
Retained earnings			
– Proposed final dividend		**36,426**	30,956
– Others		**1,619,719**	1,147,934
		5,841,310	5,226,236
Minority interests		**1,277,327**	1,435,407
Total equity		**7,118,637**	6,661,643

CONSOLIDATED BALANCE SHEET AS AT 31ST DECEMBER 2005

	Note	**2005**	2004 (Restated)
		HK$'000	*HK$'000*
LIABILITIES			
Non-current liabilities			
Borrowings		**2,044,687**	1,652,502
Deferred income tax liabilities		**80,006**	67,895
		2,124,693	1,720,397

Current liabilities			
Trade payables	10	**15,235**	48,126
Other payables and accruals		**363,533**	550,495
Amount due to the parent company		–	3,925
Amounts due to related companies		**293,438**	148,415
Borrowings		**370,402**	463,931
Current income tax liabilities		**93,742**	104,699
		1,136,350	1,319,591
Total liabilities		**3,261,043**	3,039,988
Total equity and liabilities		**10,379,680**	9,701,631
Net current assets		**2,075,443**	1,722,677
Total assets less current liabilities		**9,243,330**	8,382,040

NOTES:

1 Basis of preparation and accounting policies

The accounting policies and methods of computation used in the preparation of these consolidated financial statements are consistent with those used in the annual accounts for the year ended 31st December 2004, except that the Group has changed certain of its accounting policies following its adoption of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are effective for accounting periods commencing on or after 1st January 2005.

The consolidated financial statements have been prepared in accordance with the new HKFRSs and are prepared under the historical cost convention, as modified by the revaluations of investment properties, available-for-sale financial assets, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, which are carried at fair value.

The preparation of financial statements in conformity with new HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company'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 to the consolidated financial statements in the Annual Report.

In 2004, the Group early adopted HKFRS 3 (Business Combination), HKAS 36 (Impairment of Assets) and HKAS 38 (Intangible Assets) and the key impact to the Group was summarised in the 2004 Annual Report.

In 2005, the Group adopted the remaining new HKFRS below, which are relevant to its operations. The 2004 comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 31	Investments in Joint Ventures
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39	(Amendment) Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKAS 40	Investment Property
HKAS-Int 12	Amendment Scope of HKAS-Int 12 Consolidation – Special Purpose Entities
HKAS-Int 15	Operating Leases – Incentives
HKAS-Int 21	Income Taxes – Recovery of Revalued Non-Depreciated Assets
HKFRS 2	Share-based Payments

The adoption of new/revised HKASs 1, 2, 7, 8, 10, 14, 16, 21, 23, 24, 27, 28, 31, 33, 37 and HKAS-Int 12 and 15 did not result in substantial changes to the Group's accounting policies. In summary:

– HKAS 1 has affected the presentation of minority interest, share of net after-tax results of associates, jointly controlled entities and other disclosures.

– HKASs 2, 7, 8, 10, 14, 16, 23, 27, 28, 31, 33, 37 and HKAS-Int 12 and 15 had no material effect on the Group's policies.

– HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard.

– HKAS 24 has affected the identification of related parties and some other related-party disclosures.

The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land and land use rights from property, plant and equipment to operating leases. The up-front prepayments made for the leasehold land and land use rights are expensed in the income statement on a straight-line basis over the period of the lease or where there is impairment, the impairment is expensed in the income statement. In prior years, the leasehold land was accounted for at cost less accumulated depreciation and accumulated impairment losses.

The adoption of HKASs 32, 39 and HKAS 39 (Amendment) has resulted in a change in the accounting policy relating to the classification of financial assets at fair value through profit or loss and available-for-sale financial assets. It has also resulted in the recognition of derivative financial instruments at fair value and the change in the recognition and measurement of hedging activities.

The adoption of revised HKAS 40 has resulted in a change in the accounting policy relating to classification of land currently held for undetermined future use as investment property of which the changes in fair values are recorded in the income statement as part of other income.

The adoption of revised HKAS-Int 21 has resulted in a change in the accounting policy relating to the measurement of deferred tax liabilities arising from the revaluation of investment properties. Such deferred tax liabilities are measured on the basis of tax consequences that would follow from recovery of the carrying amount of that asset through use. In prior year, the carrying amount of that asset was expected to be recovered through sale.

The adoption of HKFRS 2 has resulted in a change in the accounting policy for share-based payments. Until 31st December 2004, the provision of share options to employees did not result in an expense in the income statements. Effective on 1st January 2005, the Group has to expense the cost of share options in the income statement. As at 31st December 2005, the Group does not have any share based payments which were granted after 7th November 2002 and had not yet vested on 1st January 2005. Accordingly, no cost of share options needs to be expensed retrospectively in the income statement of the respective periods.

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards, wherever applicable. All standards adopted by the Group require retrospective application other than:

(i) HKAS 16 – the initial measurement of an item of property, plant and equipment acquired in an exchange of assets transaction is accounted at fair value prospectively only to future transactions;

(ii) HKAS 21 – prospective accounting for goodwill and fair value adjustments as part of foreign operations;

(iii) HKAS 39 – does not permit to recognise, derecognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis. The Group applied the previous SSAP 24 "Accounting for investments in securities" to investments in securities for the 2004 comparative information. The adjustments required for the accounting differences between SSAP 24 and HKAS 39 are determined and recognised at 1st January 2005.

(iv) HKAS 40 – there is no requirement for the Group to restate the comparative information, any adjustment should be made to the retained earnings as at 1st January 2005.

(v) HKAS-Int 15 – does not require the recognition of incentives for leases beginning before 1st January 2005.

(vi) HKFRS 2 – only retrospective application for all equity instruments granted after 7th November 2002 and not vested at 1st January 2005; and

There was no material impact on opening retained earnings at 1st January 2004 from the adoption of HKAS 17, HKAS 39, HKAS-Int 15, HKAS 40, HKFRS 2 and HKFRS 3.

Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1st January 2006 or later periods but which the Group has not early adopted, as follows:

Effective from 1st January 2006

HKAS 19 (Amendment)	Employee Benefits
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 and HKFRS 4 (Amendment)	Financial Guarantee Contracts
HKFRS-Int 4	Determining whether an Arrangement Contains a Lease

Effective from 1st January 2007

HKFRS 7 and Amendment to HKAS 1	Financial Instruments: Disclosure, and a complementary Amendment to HKAS 1, Presentation of Financial Statements – Capital Disclosures

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

	Year ended 31st December 2005							
	Port services *HK$'000*	**Operation of toll roads** *HK$'000*	**Supply of utilities** *HK$'000*	**Property development** *HK$'000*	**Winery (Note)** *HK$'000*	**Elevator and escalator** *HK$'000*	**Others** *HK$'000*	**Group** *HK$'000*
Turnover	**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 *(Note)*					235,370			235,370
Gain on disposal of an associate	4,986							4,986
Interest income								21,687
Net corporate expenses								(40,887)
Loss on redemption of convertible bonds								(8,473)
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 income tax								697,895
Income tax expense								(73,015)
Profit for the year								624,880
Capital expenditure	159,205	1,932	4,724	25	–	–	11,921	177,807
Depreciation	76,267	45,091	39,897	111	1,761	–	3,707	166,834

Note:

The winery business previously held as a subsidiary was spun off as a separate listed company on the Hong Kong Stock Exchange effective late January 2005 and the Group's interest was diluted to below 50% and accordingly, the winery business was reported under share of results of associates thereafter. A gain of HK$235,370,000 arose as a result of the transaction.

	Year ended 31st December 2004 (restated)							
	Port services *HK$'000*	Operation of toll roads *HK$'000*	Supply of utilities *HK$'000*	Property development *HK$'000*	Winery (Note) *HK$'000*	Elevator and escalator *HK$'000*	Others *HK$'000*	Group *HK$'000*
Turnover	775,552	207,771	69,968	243,833	805,349	–	–	2,102,473
Segment results	98,757	784,856	4,449	862	227,619	–	–	1,116,543
Gain on deemed disposal of partial interest in a subsidiary								4,325
Impairment charge on investment in an associate							(120,000)	(120,000)
Interest income								19,985
Net corporate expenses								(40,433)
Operating profit								980,420
Finance costs								(55,517)
Share of profits/(losses) of								
Associates	1,826	–	–	–	–	77,484	(1,546)	77,764
Jointly controlled entities	–	–	–	–	1,059	–	(3,040)	(1,981)
Profit before income tax								1,000,686
Income tax expense								(137,156)
Profit for the year								863,530
Capital expenditure	97,391	2,289	454,055	17	93,643	–	945	648,340
Depreciation	92,131	46,082	1,957	106	22,888	–	2,641	165,805

The segment assets and liabilities at 31st December 2005 are as follows:

	Port services	**Operation of toll roads**	**Supply of utilities**	**Property development**	**Winery**	**Elevator and escalator**	**Others**	**Group**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets	1,497,673	3,381,452	932,792	380,602	–	47,801	3,116,016	9,356,336
Associates	27,928	–	–	–	580,288	368,515	46,613	1,023,344
Total assets	1,525,601	3,381,452	932,792	380,602	580,288	416,316	3,162,629	10,379,680
Liabilities	90,659	58,659	152,496	26,088	–	11,350	2,921,791	3,261,043

The segment assets and liabilities at 31st December 2004 are as follows:

	Port services	Operation of toll roads	Supply of utilities	Property development	Winery	Elevator and escalator	Others	Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets	1,362,238	3,316,215	992,656	370,293	646,643	142,188	2,495,799	9,326,032
Associates	28,626	–	–	–	–	279,976	66,997	375,599
Total assets	1,390,864	3,316,215	992,656	370,293	646,643	422,164	2,562,796	9,701,631
Liabilities	40,759	60,093	135,405	30,415	298,406	9,329	2,465,581	3,039,988

Secondary reporting format – geographical segments

	Turnover		**Operating results**	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
PRC mainland	**2,239,102**	2,102,473	**450,510**	1,116,543

	2005	2004
	HK$'000	*HK$'000*
Total Assets		
PRC mainland	**8,842,427**	9,207,538
Hong Kong	**513,909**	118,494
	9,356,336	9,326,032
Associates	**1,023,344**	375,599
	10,379,680	9,701,631

	2005	2004
	HK$'000	*HK$'000*
Capital expenditure		
PRC mainland	**173,497**	647,764
Hong Kong	**4,310**	576
	177,807	648,340

Capital expenditure is allocated based on where the assets are located.

3 Other income

	2005	2004
	HK$'000	*HK$'000*
Fair value gain on an investment property	**15,343**	–
Financial assets at fair value through profit or loss/short-term investments – fair value gains (realised and unrealised)	**3,084**	5,992
Gain on disposal of an associate	**4,986**	–
Interest income from bank deposits and others	**21,687**	19,985
Dividends from available-for-sale financial assets/long term investments	**9,549**	295
Sundries	**22,274**	19,455
	76,923	45,727

4 Gain on disposal of Income Receiving Right

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

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

Subsequent to the aforesaid disposal, Jinzheng continued to receive toll fees based on the volume of traffic flow and a pre-determined formula in accordance with the Eastern Outer Ring Road Toll Collection Agreement dated 20th August 2003.

5 Finance costs

	2005	2004
	HK$'000	*HK$'000*
Interest expenses:		
– bank borrowings	**81,804**	51,598
– other borrowings	**14,548**	–
– convertible bonds	**1,182**	3,919
	97,534	55,517

6 Income tax expense

	2005	2004
		(Restated)
	HK$'000	*HK$'000*
Current taxation		
PRC income tax	**62,351**	135,322
Under provisions in prior years	**–**	3,154
Deferred income tax	**10,664**	(1,320)
	73,015	137,156

No provision for Hong Kong profits tax has been made as there is no estimated assessable profit for the year for the Group (2004: 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 and associates.

Share of associate's taxation for the year ended 31st December 2005 of HK$56,469,000 (2004: HK$21,239,000) is included in the income statement as share of profit of associates.

7 Earnings per share

Basic

The calculation of the basic earnings per share was based on profit attributable to equity holders of the Company of HK$573,169,000 (2004: HK$563,803,000) and the weighted average number of ordinary 910,476,849 shares in issue (2004: 703,339,858 shares) during the year.

Diluted

The exercise of share options would have no material dilutive effect on basic earnings per share for the years ended 31st December 2004 and 2005.

8 Dividends

	2005	2004
	HK$'000	*HK$'000*
2005 final dividends, proposed, of 4.0 HK cents (2004: final, paid, of 3.4 HK cents per share)	**36,426**	30,956
2005 interim, paid, of 4.6 HK cents (2004: HK4.6 cents) per share	**41,881**	31,636
	78,307	62,592

Note:

At a meeting held on 20th April 2006 the directors proposed a final dividend of 4.0 HK cents per ordinary share. This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained earnings for the year ending 31st December 2006.

9 Trade receivables

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

	2005 *HK$'000*	2004 *HK$'000*
Within 30 days	**178,752**	294,467
30 to 90 days	**40,293**	40,350
91 to 180 days	**3,039**	15,021
Over 180 days	**50,635**	36,608
	272,719	386,446

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 due within 30 days include government supplemental income receivable from the Finance Bureau of TEDA.

10 Trade payables

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

	2005 *HK$'000*	2004 *HK$'000*
Below 30 days	**4,740**	44,137
30 to 90 days	**4,124**	337
91 to 180 days	**7**	1,870
Over 180 days	**6,364**	1,782
	15,235	48,126

REVIEW OF OPERATIONS

	Turnover		Profit attributable to equity holders of the Company	
	2005 ***HK$'000***	2004 *HK$'000*	**2005** ***HK$'000***	2004 *HK$'000*
Provision of port services	**870,928**	775,552	**147,701**	76,739
Operation of toll roads	**210,332**	207,771	**47,207**	480,643
Supply of utilities	**988,810**	69,968	**79,975**	3,894
Manufacturing and sales of winery products	**149,671**	805,349	**322,748**	107,437
Elevator and escalator	**–**	–	**72,756**	64,110
Property development	**19,361**	243,833	**3,158**	1,116
Impairment charge on investment in an associate	**–**	–	**–**	(120,000)
Net corporate expenses	**–**	–	**(100,376)**	(50,136)
	2,239,102	2,102,473	**573,169**	563,803

Infrastructure Operations

Port services

The turnover of port operations increased by 12% from HK$775.6 million in 2004 to HK$870.9 million in 2005. The growth in turnover was driven by a 13% increase in our TEU throughput from 1,808,491 TEUs in 2004 to 2,050,052 TEUs in 2005. For the same period, the total throughput of non-containerised cargo slightly decreased by 2% from 18.7 million tonnes to 18.3 million tonnes. The profit attributable to equity holders of the Company was increased by 93% from HK$76.7 million for 2004 to HK$147.7 million for 2005. Such increase was primarily caused by the increase in the turnover during the same period and improvement of gross profit margin from 43% to 47%.

The Container Company had upgraded their existing equipments, invested in loading equipments of advanced model and installed sophisticated operational software that resulted in an increased level of management and operational efficiency, effectively lowering some of our costs. In addition, our non-containerised goods turnover improved as a result of rationalising the types of cargoes handled, from which we achieved higher unit prices per tonne and therefore better profitability.

An application for the separate listing of the port operations on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange") was submitted on 12th September 2005. The Board believes that the proposed spin-off will allow Port Company to establish a higher profile as a separate listed entity with the ability to access the debt and equity capital markets to fund the development and expansion of its business. In addition, the separate listing will allow Port Company to achieve its valuation potential which in turn will be beneficial to the Company and its shareholders as a whole.

Road Operation

The operating performances of the individual toll roads were mixed in 2005.

The average daily traffic flow on the Eastern Outer Ring Road has dropped by 4% to 30,441 vehicles in 2005. This was mainly due to the measures on tackling the practice of overloading trucks in the first half of 2005 and the diversion of traffic to the city expressway opened in the second half of the year. As a result, the toll revenue generated was reduced by 6.1% to approximately HK$147.5 million.

The Jinbin Expressway, on the other hand, recorded an average daily traffic flow of 15,974 vehicles in 2005 and generated toll revenue of approximately HK$62.8 million, representing an increase of 23% and 19% respectively over last year. This was attributable to the economic prosperity of the Binhai New Area of Tianjin and its peripheral areas.

For the year 2005, toll road operations recorded a turnover of approximately HK$210.3 million, representing an 1% increase over last year. The profit attributable to equity holders of the Company amounted to approximately HK$47.2 million.

Utility Operations

As part of the Group's strategy, 94.4% and 91.4% equity interest in Electricity Company and Water Company respectively were acquired at the end of November 2004 and hence only one-month results of Electricity Company and Water Company were accounted for last year.

Electricity Operation

Electricity Company is principally engaged in the supply of electricity in the Tianjin Economic-Technological Development Area ("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 250,000 kVA.

In 2005, the Group's electricity operation reported a turnover of approximately HK$811.9 million and a profit attributable to equity holders of the Company of approximately HK$43.0 million respectively. The total quantity of electricity sold for the year was approximately 1,452,480,000 kWh, representing an increase of 22% over the comparable period 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 reaches approximately 180,000 tonnes.

In 2005, the Group's water operation reported a turnover of approximately HK$176.9 million and a profit attributable to equity holders of the Company of approximately HK$37.0 million respectively. The total quantity of water sold was approximately 34,462,000 tonnes, representing an increase of 15% over the comparable period last year.

Locating at the TEDA with a planned site area of 33 square kilometers, Electricity Company and Water Company have been enjoying the benefits of rapid economic growth and surging future consumption in TEDA. Leveraging on the established production facilities, management expertise and customer base of Electricity Company and Water Company, the Group believes that the utility businesses will broaden the earnings base and provide an excellent growth prospect for the Group's core businesses.

Strategic Investments

Winery Operation

On 26th January 2005, the shares of Dynasty Fine Wines Group Limited ("DFWGL") were listed on the Main Board of the Stock Exchange and the Group's interest in DFWGL was diluted from 62% to 44.8%. Accordingly, the results of DFWGL was equity accounted for after its listing.

During 2005, sales volume increased from approximately 38.9 million bottles in 2004 to approximately 44.8 million bottles in 2005. Red wine contributed over 95% of total sales volume. The turnover and profit attributable to equity holders of the Company of DFWGL amounted to approximately HK$947.5 million and HK$179.0 million respectively, representing 18% and 8% increase over the same period in last year. The increase in the profit were mainly attributable to the growth in sales volume which was partially offset by the increase in purchase cost of grape juice, distribution costs and general and administrative expenses.

In addition to the exceptional gain of approximately HK$235.4 million arising from the deemed disposal of DFWGL, DFWGL contributed to the Group a profit of approximately HK$87.4 million as compared with approximately HK$107.4 million last year. The apparent drop was due to the reduced shareholding of DFWGL as aforementioned.

Elevator and Escalator Operation

OTIS China, the associate of the Group, has achieved satisfactory growth in the year. For the year ended 31st December 2005, the contribution of OTIS China to the profit attributable to equity holders of the Company amounted to HK$72.8 million, representing a 13% increase over 2004.

The turnover of OTIS China amounted to HK$5,858.9 million, achieving a 15% increase over 2004. Its profit after tax increased by 13% from HK$460.9 million in 2004 to HK$519.7 million in 2005. The growth was attributable to the Mainland and oversea 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 as at 31st December 2004 should be retained in the preparation of the Group's accounts for the year ended 31st December 2005.

Bio-pharmaceutical operation

Walfen is a 27% associated company of the Group which is positioned as the Group's investment arm in the bio-pharmaceutical industry. The bio-pharmaceutical industry is a promising and dynamic field with huge untapped potential. The Group will continue to give full support to the business development of Walfen.

PROSPECTS

With the approval of the 11th Five-Year Plan of the PRC, the blueprint of national economic and social development for 2006-2010 was endorsed. There will be immense opportunities for the development of Tianjin as the Bohai Rim Region is being regarded as the third power engine for the economic development of the country, following its successful strategy of developing regional economy in the Pearl River Delta in the south and the Yangtze River Delta in the east.

The Bohai Rim Region strategically links up Tianjin, Beijing, Hebei, Shandong, Shanxi, Liaoning and the central part of Neimenggu. As a traditional economic centre in the country's north and a major sea access for the northern provinces, the development of Tianjin will not only boost the growth of the Bohai Rim Region but also that of the northern region. The Group will continue to leverage on its strong position in Tianjin and grasp any valuable investment opportunities in order to provide better return to shareholders.

According to the latest central government plan, the development of Tianjin Binhai New Area is a very important part of the Bohai Rim Region development strategy. As such, Binhai New Area becomes the hub of the future economic development of Tianjin.

Being a key area in Binhai New Area, TEDA has huge development potential. As it is anticipated that TEDA will accommodate more production plants and residential apartments, in order to meet the surging demand for utilities, the Group will increase investment in the existing Electricity Company & Water Company and expand the thermal power operation following its acquisition. On the other hand, the Group will continue strengthening its core businesses. The Group is actively seeking investment opportunities in Bohai Rim Region including infrastructure and utility businesses and projects.

As part of our strategic development, an application for the separate listing of the port operation on the Main Board of the Stock Exchange has been submitted. The Board believes that the proposed spin-off will accelerate the development and expansion of the port business and accordingly strengthen the future earnings.

I would like to take this opportunity to express our gratitude to our directors and staff for their dedication and hard work and to the investors for their continuous support.

LIQUIDITY AND CAPITAL RESOURCES ANALYSIS

As at 31st December 2005, the Group's total cash on hand and total bank borrowings stood at approximately HK$2,505 million and approximately HK$1,826 million respectively (2004: HK$1,956 million and HK$1,791 million respectively) of which approximately HK$169 million bank borrowings will mature within one year. Convertible bonds amounted to approximately HK$388 million (2004: HK$133 million) is repayable in 2008. Loans from minority shareholders of subsidiaries amounted to approximately HK$201 million (2004: HK$192 million) which bore interest at the rate of 6.4% per annum and have no fixed terms of repayment.

The gearing ratio as measured by total borrowings to shareholders' funds is about 41% at the end of 2005, compared to about 40% at the end of 2004.

Of the total HK$1,826 million bank borrowings outstanding at the end of 2005, HK$720 million was fixed rate debts with annual interest rate ranging from 5.0% to 7.7%. The remaining HK$1,106 million of bank loans were subject to floating rates with spread of 0.52% to 0.8% over LIBOR of relevant interest periods.

As at the end of 2005, 39% (2004: 49%) of the Group's total bank borrowings was denominated in Renminbi, 59% (2004: 51%) was denominated in US dollars and 2% (2004: Nil) was denominated in HK dollars.

EMPLOYEES AND REMUNERATION POLICIES

The Company and its subsidiary companies had a total of approximately 3,800 employees at the end of the period, of which about 810 were management and technical staff, with the balance 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 2006 to 26th May 2006, 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 Registrar, Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 19th May 2006.

CHARGE ON ASSETS

None of the Group's assets are charged or subject to any encumbrance.

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 year.

CORPORATE GOVERNANCE REPORT

During the year, the Company has complied with all the code provisions except for A.4.1 and A.4.2 as set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Code Provisions"), please also refer to Corporate Governance Report of the Annual Report for detail.

AUDIT COMMITTEE AND REVIEW OF ACCOUNTS

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 2005 have been agreed by the Group's auditors, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated accounts 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 as set out in Appendix 10 to the Listing Rules in respect of directors' securities transactions throughout the year. The directors of the Company have complied with the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions.

PUBLICATION OF ANNUAL RESULTS ON THE INTERNET WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED

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

By Order of the Board
Wang Guanghao
Chairman

Hong Kong SAR, 20th April 2006

As at the date of this announcement, the directors of the Company consist of Mr. Wang Guanghao, Dr. Ren Xuefeng, Mr. Yu Rumin, Dr. Zhang Hongru, Mr. Nie Jiansheng, Dr. Wang Jiandong, Mr. Bai Zhisheng, Mr. Zhang Wenli, Mr. Sun Zengyin and Dr. Pang Jinhua as executive directors, Mr. Ye Disheng and Mr. Cheung Wing Yui as non-executive directors 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.