



天津發展控股有限公司

TIANJIN DEVELOPMENT HOLDINGS LIMITED

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

(Stock Code: 882)

**ANNOUNCEMENT OF INTERIM RESULTS  
FOR THE SIX MONTHS ENDED 30TH JUNE 2008**

**FINANCIAL HIGHLIGHTS**

- Revenue amounted to approximately HK\$1,899 million, representing an increase of 17% as compared to the first half of 2007.
- Profit attributable to equity holders including a one-off gain of approximately HK\$200 million, amounted to approximately HK\$520 million (2007: approximately HK\$237 million).
- Basic earnings per share increased by 111% to HK49.41 cents.
- Interim dividend of HK6.0 cents per share declared, representing an increase of 11% as compared to the first half of 2007.

**RESULTS**

The board of directors (the “Board”) of Tianjin Development Holdings Limited (the “Company”) are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June 2008, together with the comparative figures for the corresponding period in 2007, as follows:

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June 2008

	Note	Unaudited	
		2008 HK\$'000	2007 HK\$'000
Revenue	2	1,899,214	1,618,433
Cost of sales		(1,384,569)	(1,119,537)
Gross profit		514,645	498,896
Other income	3	43,292	38,775
Other gains, net	4	141,476	10,628
Excess of fair value of net assets acquired over the cost of acquisition of a subsidiary		199,751	–
General and administrative expenses		(299,584)	(236,777)
Other operating expenses		(25,703)	(753)
Operating profit		573,877	310,769
Finance costs	5	(27,071)	(58,088)
Share of profits/(losses) of Associates		130,804	95,414
Jointly controlled entities		1,932	(1,093)
Profit before tax		679,542	347,002
Tax expense	6	(87,283)	(48,922)
Profit for the period		<u>592,259</u>	<u>298,080</u>
Attributable to:			
Equity holders of the Company		519,964	236,871
Minority interests		72,295	61,209
		<u>592,259</u>	<u>298,080</u>
Earnings per share	7		
– Basic		HK49.41cents	HK23.41cents
– Diluted		HK49.41cents	HK23.14cents
Interim dividend	8	<u>64,048</u>	<u>55,923</u>

**CONDENSED CONSOLIDATED BALANCE SHEET***As at 30th June 2008*

	<b>Unaudited</b>	Restated
	<b>30th June</b>	31st December
	<b>2008</b>	2007
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	<b>3,287,224</b>	2,650,817
Goodwill	<b>510,847</b>	510,847
Land use rights	<b>1,588,924</b>	797,549
Toll road operating right	<b>1,928,265</b>	1,815,640
<i>1</i>		
Interest in associates	<b>1,492,410</b>	1,377,480
Interest in jointly controlled entities	<b>1,447,803</b>	764,181
Deferred tax assets	<b>71,162</b>	8,899
Available-for-sale financial assets	<b>147,436</b>	107,117
	<hr/> <b>10,474,071</b> <hr/>	<hr/> 8,032,530 <hr/>
<b>Current assets</b>		
Inventories	<b>17,287</b>	7,098
Amounts due from associates	<b>150,597</b>	23,325
Amounts due from jointly controlled entities	–	3,205
Amounts due from related companies	<b>12,461</b>	21,748
Amounts due from investee companies	<b>148,396</b>	127,738
Trade receivables	<b>786,945</b>	714,178
<i>9</i>		
Other receivables, deposits and prepayments	<b>362,518</b>	432,739
Financial assets at fair value through profit or loss	<b>246,042</b>	306,417
Time deposits with maturity over three months	<b>687,759</b>	580,341
Cash and cash equivalents	<b>2,557,572</b>	2,655,841
	<hr/> <b>4,969,577</b> <hr/>	<hr/> 4,872,630 <hr/>
<b>Total assets</b>	<hr/> <b>15,443,648</b> <hr/>	<hr/> 12,905,160 <hr/>

# CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th June 2008

		Unaudited 30th June 2008 HK\$'000	Restated Audited 31st December 2007 HK\$'000
<b>EQUITY</b>			
<b>Equity holders</b>			
Share capital		106,747	103,562
Reserves		9,180,026	8,062,702
Proposed dividend		64,048	57,995
		<u>9,350,821</u>	<u>8,224,259</u>
<b>Minority interests</b>		<u>2,187,590</u>	<u>1,928,264</u>
<b>Total equity</b>		<u>11,538,411</u>	<u>10,152,523</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings		2,416,340	1,245,580
Deferred tax liabilities		137,393	39,804
		<u>2,553,733</u>	<u>1,285,384</u>
<b>Current liabilities</b>			
Trade payables	10	150,499	186,592
Other payables and accruals		749,808	798,829
Amounts due to related companies		227,250	141,852
Amounts due to a minority shareholder		4,357	16,894
Amounts due to ultimate holding company		15,725	–
Borrowings		65,389	223,836
Current tax liabilities		138,476	99,250
		<u>1,351,504</u>	<u>1,467,253</u>
<b>Total liabilities</b>		<u>3,905,237</u>	<u>2,752,637</u>
<b>Total equity and liabilities</b>		<u>15,443,648</u>	<u>12,905,160</u>
<b>Net current assets</b>		<u>3,618,073</u>	<u>3,405,377</u>
<b>Total assets less current liabilities</b>		<u>14,092,144</u>	<u>11,437,907</u>

# NOTES TO THE INTERIM FINANCIAL INFORMATION

## 1 Basis of preparation and accounting policies

The unaudited interim financial information have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim Financial Reporting”, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The unaudited interim financial information should be read in conjunction with the audited consolidated annual financial statements for the year ended 31st December 2007.

Except as described below, the accounting policies adopted are consistent with those used in the audited consolidated annual financial statements for the year ended 31st December 2007.

In 2008, the Group applied HK (IFRIC) – Int 12, “Service Concession Arrangements”, which is relevant to its operations. The comparatives have been adjusted as required, in accordance with relevant requirements. HK(IFRIC) – Int 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. The adoption of HK (IFRIC) – Int 12 resulted in a change in accounting policy for the Group’s toll roads operations. Before adoption of HK(IFRIC) – Int 12, the Group’s toll roads assets were recorded as property, plant and equipment. In accordance with HK(IFRIC) – Int 12, the Group’s toll roads infrastructure shall be recognised as intangible assets – toll road operating right to the extent that the Group receives a right to charge users of the public service.

The adoption of HK(IFRIC) – Int 12 resulted in a reclassification of the infrastructure of toll road under service concession arrangement with a net carrying value of approximately HK\$1,815,640,000 from property, plant and equipment to toll road operating right as at 1st January 2008 (1st January 2007: approximately HK\$1,707,451,000). Other than the effect set out above, the adoption of HK(IFRIC) – Int 12 does not have significant impact to the interim financial information for the six months ended 30th June 2008.

The following new standards and amendments to existing standards, which are relevant to the Group, have been issued but are not effective for financial year ending 31st December 2008 and have not been early adopted by the Group:

HKAS 1 (revised)	Presentation of Financial Statements
HKAS 23 (revised)	Borrowing Costs
HKAS 27 (revised)	Consolidated and Separate Financial Statements
HKFRS 3 (revised)	Business Combinations
HKFRS 8	Operating Segments
HKAS 32 (amendment)	Financial Instruments: Presentation
HKFRS 2 (amendment)	Share-based Payment

The Group has already commenced an assessment of the impact of these new standards and amendments 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 port services, operation of toll roads, supply of utilities and operation of hotels.

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

### Primary reporting format – business segments

	Unaudited							Group HK\$'000
	For the six months ended 30th June 2008							
	Port services HK\$'000	Operation of toll roads HK\$'000	Supply of utilities (note) HK\$'000	Operation of hotels HK\$'000	Winery HK\$'000	Elevator and escalator HK\$'000	Others HK\$'000	
Revenue	<u>603,246</u>	<u>53,700</u>	<u>1,209,231</u>	<u>33,037</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,899,214</u>
Segment results	<u>179,075</u>	<u>35,873</u>	<u>143,160</u>	<u>(14,623)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>343,485</u>
Excess of fair value of net assets acquired over the cost of acquisition of a subsidiary								199,751
Interest income								26,793
Net corporate income								<u>3,848</u>
Operating profit								573,877
Finance costs								(27,071)
Share of profits/(losses) of								
Associates	126	1,594	–	–	55,607	70,985	2,492	130,804
Jointly controlled entities	7,049	–	–	(2,895)	–	–	(2,222)	1,932
Profit before tax								679,542
Tax expense								(87,283)
Profit for the period								<u>592,259</u>
Capital expenditure	13,542	–	32,045	675	–	–	843	47,105
Depreciation and amortisation	66,200	8,220	36,567	13,705	–	–	1,994	126,686
Provision for impairment of trade receivables	<u>–</u>	<u>–</u>	<u>5,785</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>5,785</u>

	Unaudited						
	For the six months ended 30th June 2007						
	Port services	Operation of toll roads	Supply of utilities (note)	Winery	Elevator and escalator	Others	Group
	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000
Revenue	554,947	92,318	971,168	–	–	–	1,618,433
Segment results	130,111	42,020	106,278	–	–	(27)	278,382
Interest income							24,283
Net corporate income							8,104
Operating profit							310,769
Finance costs							(58,088)
Share of profits/(losses) of							
Associates	570	–	–	44,798	47,663	2,383	95,414
Jointly controlled entities	–	–	–	–	–	(1,093)	(1,093)
Profit before tax							347,002
Tax expense							(48,922)
Profit for the period							298,080
Capital expenditure	29,003	5	9,926	–	–	4,674	43,608
Depreciation and amortisation	59,202	23,088	31,397	–	–	2,337	116,024
(Reversal of)/provision for impairment of trade receivables	(3,312)	–	10,553	–	–	–	7,241

*Note:*

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 Company Limited (“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 the year ending 31st December 2008. The Finance Bureau of TEDA also 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\$23.4 million (2007: HK\$18.1 million), HK\$47.3 million (2007: HK\$36.9 million) and HK\$93.5 million (2007: HK\$75.8 million) of government supplemental income granted to the Electricity Company, Water Company and Heat & Power Company respectively.

The unaudited segment assets and liabilities at 30th June 2008 are as follows:

	Port services <i>HK\$'000</i>	Operation of toll roads <i>HK\$'000</i>	Supply of utilities <i>HK\$'000</i>	Operation of hotels <i>HK\$'000</i>	Winery <i>HK\$'000</i>	Elevator and escalator <i>HK\$'000</i>	Others <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Group <i>HK\$'000</i>
Assets	2,864,773	2,219,516	1,947,633	1,311,021	–	–	288,308	3,872,184	12,503,435
Associates	27,751	206,777	–	–	787,780	368,073	102,029	–	1,492,410
Jointly controlled entities	1,386,513	–	–	–	–	–	61,290	–	1,447,803
<b>Total assets</b>	<b>4,279,037</b>	<b>2,426,293</b>	<b>1,947,633</b>	<b>1,311,021</b>	<b>787,780</b>	<b>368,073</b>	<b>451,627</b>	<b>3,872,184</b>	<b>15,443,648</b>
Liabilities	98,786	29,824	644,212	59,716	–	–	73,862	2,998,837	3,905,237

The audited segment assets and liabilities at 31st December 2007 are as follows:

	Port services <i>HK\$'000</i>	Operation of toll roads <i>HK\$'000</i>	Supply of utilities <i>HK\$'000</i>	Winery <i>HK\$'000</i>	Elevator and escalator <i>HK\$'000</i>	Others <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Group <i>HK\$'000</i>
Assets	2,721,959	2,088,477	1,945,707	–	–	301,346	3,706,010	10,763,499
Associates	24,980	192,638	–	697,187	412,523	50,152	–	1,377,480
Jointly controlled entities	704,467	–	–	–	–	59,714	–	764,181
<b>Total assets</b>	<b>3,451,406</b>	<b>2,281,115</b>	<b>1,945,707</b>	<b>697,187</b>	<b>412,523</b>	<b>411,212</b>	<b>3,706,010</b>	<b>12,905,160</b>
Liabilities	87,763	31,494	796,822	–	–	75,546	1,761,012	2,752,637

Unallocated assets under business segment reporting primarily include available-for-sale financial assets, deferred tax assets, financial assets at fair value through profit or loss, time deposits with maturity over three months and cash and cash equivalents. Unallocated liabilities primarily include borrowings, current and deferred tax liabilities.

Secondary reporting format – geographical segments

	Unaudited Revenue		Unaudited Operating results	
	Six months ended 30th June		Six months ended 30th June	
	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
PRC mainland	1,888,370	1,618,433	349,565	278,382
Hong Kong	10,844	–	(6,080)	–
	<u>1,899,214</u>	<u>1,618,433</u>	<u>343,485</u>	<u>278,382</u>
			Unaudited 30th June 2008 <i>HK\$'000</i>	Audited 31st December 2007 <i>HK\$'000</i>
Total assets				
PRC mainland			11,426,434	10,537,424
Hong Kong			1,077,001	226,075
			<u>12,503,435</u>	<u>10,763,499</u>
Associates			1,492,410	1,377,480
Jointly controlled entities			1,447,803	764,181
			<u>15,443,648</u>	<u>12,905,160</u>
			Unaudited Six months ended 30th June 2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Capital expenditures				
PRC mainland			47,095	43,581
Hong Kong			10	27
			<u>47,105</u>	<u>43,608</u>

### 3 Other income

	<b>Unaudited</b>	
	<b>Six months ended 30th June</b>	
	<b>2008</b>	<b>2007</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interest income	26,793	24,283
Dividend income from investee companies – unlisted	12,006	8,999
Sundries	4,493	5,493
	<hr/>	<hr/>
	<b>43,292</b>	<b>38,775</b>
	<hr/> <hr/>	<hr/> <hr/>

### 4 Other gains, net

	<b>Unaudited</b>	
	<b>Six months ended 30th June</b>	
	<b>2008</b>	<b>2007</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Financial assets at fair value through profit or loss		
– fair value gains – listed	3,695	5,706
– fair value gains – unlisted	13,111	1,988
Gain on disposal of available-for-sale financial assets	–	308
Reversal of loan interest payable to a minority shareholder	19,946	–
Net loss on disposal of property, plant and equipment	(398)	(10,667)
Loss on deemed disposal of partial interest in a jointly controlled entity	(1,014)	–
Net exchange gain	106,136	13,293
	<hr/>	<hr/>
	<b>141,476</b>	<b>10,628</b>
	<hr/> <hr/>	<hr/> <hr/>

### 5 Finance costs

	<b>Unaudited</b>	
	<b>Six months ended 30th June</b>	
	<b>2008</b>	<b>2007</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interest expense:		
– bank borrowings	27,071	48,717
– loans from a minority shareholder	–	6,465
– convertible bonds (notional charge)	–	2,906
	<hr/>	<hr/>
	<b>27,071</b>	<b>58,088</b>
	<hr/> <hr/>	<hr/> <hr/>

## 6 Tax expense

	Unaudited	
	Six months ended 30th June	
	2008	2007
	HK\$'000	HK\$'000
Current taxation		
PRC income tax	84,894	41,972
Deferred tax	2,389	6,950
	<hr/>	<hr/>
	87,283	48,922
	<hr/> <hr/>	<hr/> <hr/>

No provision for Hong Kong profits tax has been made as there is no estimated assessable profit for the period for the Group (2007: Nil). Provision for the PRC income tax has been made at the applicable rate of taxation on the estimated assessable profit for the period for each of the Group's subsidiaries.

On 16th March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "New CIT Law") which was effective from 1st January 2008. According to the New CIT Law, both domestic and foreign invested enterprise are subject to a single income tax rate of 25%. For those subsidiaries of the Company which have enjoyed preferential tax rates as disclosed in the 2007 annual financial statements, the tax rate will gradually increase to 25% over the five years commencing from 2008.

## 7 Earnings per share

The calculation of the basic earnings per share is based on the profit attributable to equity holders of HK\$519,964,000 (2007: HK\$236,871,000) and the weighted average number of 1,052,245,000 shares in issue (2007: 1,011,835,000 shares) during the period.

The share options have no dilutive effect on basic earnings per share for 2008.

The diluted earnings per share for 2007 was calculated based on adjusted profit attributable to equity holders of HK\$239,777,000 and 1,036,314,000 shares which is the weighted average number of 1,011,835,000 shares in issue during the period, plus the weighted average number of 24,479,000 shares deemed to be issued at no consideration if all outstanding options had been exercised and all outstanding convertible bonds had been converted.

## 8 Interim dividend

	Unaudited	
	Six months ended 30th June	
	2008	2007
	HK\$'000	HK\$'000
2007 final, paid, of HK5.6 cents (2006: HK4.6 cents) per share	59,778	47,639
2008 interim, declared, of HK6.0 cents (2007: HK5.4 cents) per share	64,048	55,923
	<hr/>	<hr/>
	123,826	103,562
	<hr/> <hr/>	<hr/> <hr/>

At the meeting of the Board held on 11th September 2008, the Directors declared an interim dividend of HK6.0 cents per ordinary share. This declared dividend is not reflected as a dividend payable in this interim financial information, but will be reflected as an appropriation of retained earnings for the year ending 31st December 2008.

## 9 Trade receivables

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

	<b>Unaudited 30th June 2008 HK\$'000</b>	Audited 31st December 2007 HK\$'000
Within 30 days	517,101	503,446
31 to 90 days	81,437	32,768
91 to 180 days	26,798	14,814
Over 180 days	161,609	163,150
	<u>786,945</u>	<u>714,178</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 periods of about 30 to 90 days are granted to customers of the segment of port services and credit periods of 30 to 180 days are granted to corporate customers of the segment of operation of hotels. No credit terms are granted to customers of the segments of supply of utilities and operation of toll roads.

As at 30th June 2008, the Group was entitled to government supplemental income of HK\$271,349,000 (31st December 2007: HK\$285,288,000) which is receivable from the Finance Bureau of TEDA as referred to in Note 2. Annual supplemental income receivable does not have credit terms and the amount of which is finalised subject to the checking of quantity sold performed by the Finance Bureau subsequent to each year end. Continuous settlements have been received by the Group in the past years.

## 10 Trade payables

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

	<b>Unaudited 30th June 2008 HK\$'000</b>	Audited 31st December 2007 HK\$'000
Within 30 days	5,921	18,354
31 to 90 days	13,927	24,081
91 to 180 days	15,815	7,419
Over 180 days	114,836	136,738
	<u>150,499</u>	<u>186,592</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### REVIEW OF OPERATIONS

#### Infrastructure Operations

##### *Port Services*

The revenue of Tianjin Port Development Holdings Limited (“TPD”) (stock code: 3382) increased by 9% from approximately HK\$554.9 million in the first half of 2007 to approximately HK\$603.3 million in the corresponding period of 2008. The segment profit increased by 38% from approximately HK\$130.1 million for 2007 to approximately HK\$179.1 million for 2008.

Container throughput decreased by 5% from 1,353,000 TEUs in 2007 to 1,291,000 TEUs in 2008 which was due to TPD’s intention to support the growth of Tianjin Port Alliance International Container Terminal Co., Ltd. (“Alliance”), the acquisition of 40% interest of which was completed by TPD in January 2008, and therefore the result of TPD’s other terminals was temporarily affected. Alliance achieved about 780,000 TEUs in volume in the first half of 2008. TPD’s market share, taking into account 100% of Alliance’s volume, in Tianjin port for the period under review was 51%, as compared to 39% of the corresponding period last year.

Given the healthy container volume growth led by robust economic growth in northern China, demand is expected to meet the expanded capacity very quickly and growth at existing terminals will once again resume.

Total throughput of bulk cargo maintained at 6.5 million tonnes. There was encouraging volume growth in imported soya beans compared to the first half of last year, due to lowering of import duty by the government since January 2008. However, abolition of the export rebate for certain steel products has negatively impacted the growth of the steel handling business and a slight reduction in volume was recorded.

##### *Road Operation*

During the period ended 30th June 2008, road operation achieved a toll revenue of approximately HK\$53.7 million and realised a segment profit of approximately HK\$35.9 million, representing a decrease of 42% and 15% over the corresponding period last year, which was attributed to the absence of contribution to the revenue and segment profit of 2008 by Jinbin Expressway, which has become an associate of the Group since the completion of the restructuring of road operations in September 2007. If Jinbin Expressway was excluded in 2007 for comparison purpose, segment profit would have increased by 21% alongside a 6% increase in toll revenue.

Notwithstanding that average daily traffic flow on the Eastern Outer Ring Road has declined by 10% to 16,717 vehicles during the period, there was continuous improvement of vehicle mix and the toll revenue increased by 6% to approximately HK\$53.7 million over the corresponding period of last year.

The Jinbin Expressway operated with satisfactory performance during the period under review, as evidenced by an average daily traffic flow of 33,925 vehicles and toll revenue of approximately HK\$65.5 million, representing an increase of 54% and 57% over the same period of last year.

## **Utility Operations**

The Group's utility businesses are mainly operating in the TEDA, supplying electricity, water, heat and thermal power to industrial, commercial and residential sectors.

### ***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 the period under review, the Group's electricity operation reported a revenue of approximately HK\$741.4 million and a segment profit of approximately HK\$67.7 million, representing increase of 25% and 75% over the corresponding period last year respectively. The increase in segment profit was mainly attributable to the increase in quantity sold, effective control over indirect costs and a one-off gain on waiver of interest on loans from a minority shareholder. The total quantity of electricity sold for the period was approximately 1,103,279,000 kWh, representing an increase of 23% over the corresponding 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 220,000 tonnes.

For the period under review, the Group's water operation reported a revenue of approximately HK\$148.0 million and a segment profit of approximately HK\$48.3 million, resulted in an increase of 27% and 45% respectively over the corresponding period last year. The total quantity of water sold for the period was approximately 21,495,000 tonnes, representing an increase of 18% over the corresponding period last year. The increase in segment profit was driven by the improved gross profit margin, which was contributed by the better management of the utilization mix of self-produced water and underground water to reduce the average unit cost.

## ***Heat and Thermal Power Operation***

Heat & Power Company is principally engaged in the 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 21,400 tonnes of steam.

For the period under review, the Group's heat and thermal power operation reported a revenue of approximately HK\$319.8 million and a segment profit of approximately HK\$27.3 million, resulted in an increase of 22% and a decrease of 21% respectively over the corresponding period last year. The drop in the segment profit for the current period was mainly caused by the significant increase in costs of sales. The total quantity of steam sold for the first half of 2008 was approximately 1,698,000 tonnes, representing an increase of 13% over the corresponding period last year.

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

## **Operation of hotels**

### ***Courtyard by Marriott Hong Kong ("Courtyard")***

In late March 2008, the Group completed the acquisition of Courtyard, a 4-star hotel with 245 guest rooms situated in a prime location on the Hong Kong Island. It is positioned as the upper moderate lodging tier for business individuals and leisure travelers. It commenced its operation in April 2008. An excess of fair value of the net assets acquired over the cost of acquisition amounting to approximately HK\$199.8 million was recognised upon the completion of the acquisition.

For the period from April to June 2008, Courtyard reported a revenue of approximately HK\$10.8 million and a segment loss of approximately HK\$6.1 million. The average occupancy rate for the period was approximately 36%.

### ***Hyatt Regency Tianjin Hotel ("Hyatt")***

The Group completed the acquisition of 50% interest in Hyatt in January 2008 and a further 25% interest in March 2008. Hyatt is a 5-star hotel with 428 guest rooms situated in a prime location in the city centre of Tianjin. It commenced its contribution as a 50% owned jointly controlled entity for January and February 2008 and as a 75% owned subsidiary to the Group since March 2008.

For the period from March to June 2008, Hyatt reported a revenue of approximately HK\$22.2 million and a segment loss of approximately HK\$8.5 million. The average occupancy rate for the first half of 2008 was approximately 50%.

## **Strategic and Other Investments**

### ***Winery Operation***

During the period under review, sales volume of Dynasty Fine Wines Group Limited (“Dynasty”) (stock code: 828) slightly increased from approximately 29.5 million bottles in 2007 to approximately 29.6 million bottles in 2008. Red wine represented over 89% of total sales revenue. The revenue and profit attributable to the equity holders of Dynasty amounted to approximately HK\$725.2 million and HK\$120.1 million respectively, representing increase of 10% and 20% over the same period in last year. The earnings growth in the first half of 2008 was primarily attributable to the increase in gross profit as a result of stable sales volume and improvement of the gross profit margin brought by lower cost of grape juice as compared with the first half of 2007.

Dynasty contributed to the Group a profit of approximately HK\$55.6 million in the first half of 2008, representing an increase of 24%.

### ***Elevator and Escalator Operation***

OTIS China, the associate of the Group, has recorded continuous satisfactory growth during the period under review. The revenue of OTIS China for the first half of 2008 amounted to approximately HK\$5,232.6 million, representing a 43% increase over the same period in 2007.

For the six months ended 30th June 2008, the contribution of OTIS China to the profit of the Group amounted to approximately HK\$71.0 million, representing a 49% increase over the same period of last year. The growth was contributed by strong demand in both domestic and overseas markets. Increase in domestic sales was driven by high demand in real estate and city infrastructure construction. Due to its competitive selling price in the international market, demand from overseas markets continued achieving robust growth. The Group believes that the investment in OTIS China will continue to bring in sustainable earnings in the future.

## **PROSPECTS**

As affected by the subprime mortgage crisis of the United States, the property and financial markets of the Mainland and overseas have suffered and the global economy is slowing down. China as an emerging market, however, has continued to achieve a firm GDP growth albeit inflationary pressure has intensified. Nevertheless, the Group especially benefits from a series of preferential policies towards the Tianjin Binhai New Area under the “11th Five Year Plan”. Looking forward, we are confident in the future prospects of the Group.

As a long established terminal operator at the port of Tianjin, TPD will continue to focus and expand its container terminal operation. In January this year, TPD completed the acquisition of the 40% interest in Alliance which brought about an additional 1.7 million TEU handling capacity and has started generating profit. On the other hand, the new berths at Beigangchi, which will bring a total of 1.8 million TEU handling capacity, are under construction with an estimated completion in mid-2009. Through the joint venture with Mapletree Investments Pte Ltd, TPD will continue to expand its logistics warehousing operation at Dongjiang Port.

Given the solid and encouraging growth of the utilities segment for the first half, it is foreseen that there is sustainable development potential. The Group is committed to increasing investment in our core utilities operations in order to capture the robust economic growth of TEDA.

Subsequent to the commencement of the operation of Courtyard in April this year, we have seen healthy growth in the occupancy rate and we believe that it will further improve towards the end of the year. On the other hand, we are also working on the renovation plan of Hyatt. In line with our strategy, the Group will continue to explore the opportunities in the commercial property arena. In addition, the Group is actively exploring and considering investment opportunities in the financial sector.

## **LIQUIDITY AND CAPITAL RESOURCES ANALYSIS**

As at 30th June 2008, the Group's total cash on hand and total bank borrowings stood at approximately HK\$3,245 million and approximately HK\$2,482 million respectively (31st December 2007: HK\$3,236 million and HK\$1,304 million respectively) of which approximately HK\$65 million bank borrowings will be matured within one year. At 31st December 2007, loans from minority shareholders of subsidiaries which amounted to approximately HK\$165 million, bore interest at 6.4% per annum and had no fixed terms of repayment, was fully repaid during the period.

The gearing ratio as measured by total borrowings to shareholders' funds is approximately 27% as at 30th June 2008, compared to approximately 18% as at 31st December 2007.

Bank borrowings of HK\$2,482 million outstanding at 30th June 2008 were subject to floating rates with spread of 0.44% to 1.7% over HIBOR and 0.45% over LIBOR of relevant interest periods.

As at 30th June 2008, 99.5% (31st December 2007: 100%) of the Group's total bank borrowings was denominated in HK dollars and 0.5% (31st December 2007: nil) was denominated in US dollars.

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

## **EMPLOYEES AND REMUNERATION POLICIES**

The Company and its subsidiary companies had a total of approximately 4,500 employees at the end of the period, of which approximately 920 were management and technical staff, with the balance being production workers.

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

## **CHARGE ON ASSETS**

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 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") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the period, except for the following deviation:

### **Code Provision A.2.1**

The code provision A.2.1 of the Code provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Since the beginning of the accounting period covered by this interim results up to 31st January 2008, the positions of Chairman of the Board and general manager of the Company were held by Dr. Ren Xuefeng, the former Chairman of the Board. Following the resignation of Dr. Ren Xuefeng on 31st January 2008, Mr. Yu Rumin, the vice chairman of the Board, was appointed as acting Chairman of the Board, whereas the position of general manager of the Company remained vacant at 30th June 2008. The position of general manager of the Company will be filled up in due course.

## **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.

At the request of the Audit Committee of the Company, the Group's auditor has carried out a review of the unaudited interim financial information in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim financial information.

## 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 of the Listing Rules as the Company’s code of conduct governing dealings by all directors in the securities of the Company. Having made specific enquiries with the directors, all the directors confirmed that they have complied with the required standard as set out in the Model Code throughout the period.

## INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK6.0 cents per share in cash for the six months ended 30th June 2008 to shareholders whose names appear on the Register of Members of the Company on 16th October 2008. The interim dividend will be paid on or about Thursday, 6th November 2008.

## CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, 14th October 2008 to Thursday, 16th October 2008, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all share certificates with completed transfer forms either overleaf or separately, must be lodged with the Company’s share registrar, Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Monday, 13th October 2008.

By Order of the Board  
**Yu Rumin**  
*Acting Chairman*

Hong Kong, 11th September 2008

*As at the date of this announcement, the Board of Directors of the Company comprises Mr. Yu Rumin, Mr. Wu Xuemin, 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.*