



天津发展控股有限公司  
TIANJIN DEVELOPMENT HOLDINGS LIMITED



INTERIM REPORT 2010

Stock Code: 882



# Contents

- 2** Corporate Information
- 3** Key Business Structure
- 5** Unaudited Condensed Consolidated Income Statement
- 7** Unaudited Condensed Consolidated Statement of Comprehensive Income
- 8** Unaudited Condensed Consolidated Balance Sheet
- 10** Unaudited Condensed Consolidated Cash Flow Statement
- 11** Unaudited Condensed Consolidated Statement of Changes in Equity
- 13** Notes to the Interim Financial Information
- 38** Management Discussion and Analysis
- 44** Other Information
- 51** Report on Review of Interim Financial Information

# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

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

### Non-Executive Directors

Mr. Cheung Wing Yui  
Dr. Eliza Chan Ching Har

### Independent Non-Executive Directors

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

## COMPANY SECRETARY

Mr. Tuen Kong, Simon

## AUTHORIZED REPRESENTATIVES

Mr. Wu Xuemin  
Mr. Tuen Kong, Simon

## INDEPENDENT AUDITOR

PricewaterhouseCoopers

## SOLICITORS

Woo, Kwan, Lee & Lo

## REGISTERED OFFICE

Suites 3607-13  
36/F, China Merchants Tower  
Shun Tak Centre  
168-200 Connaught Road Central  
Hong Kong  
Telephone: (852) 2162 8888  
Fax: (852) 2311 0896

## SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited  
26/F., Tesbury Centre  
28 Queen's Road East  
Wanchai, Hong Kong

## STOCK CODE

The Stock Exchange of Hong Kong 882

## PRINCIPAL BANKERS

The Hongkong & Shanghai Banking Corporation Limited  
Bank of China (Hong Kong) Limited  
CITIC Bank International  
Hang Seng Bank Limited  
Credit Agricole  
Rabobank International, Hong Kong Branch

# Key Business Structure

## TIANJIN DEVELOPMENT HOLDINGS LIMITED

### UTILITIES

ELECTRICITY  
WATER  
HEAT AND THERMAL  
POWER

### COMMERCIAL PROPERTIES

HYATT REGENCY TIANJIN  
COURTYARD BY  
MARRIOTT HK

### STRATEGIC AND OTHER INVESTMENTS

DYNASTY FINE WINES (828, HK)  
TIANJIN PORT (3382, HK)  
ELEVATOR AND ESCALATOR  
TOLL ROADS

# Key Business Structure

UTILITIES			
Operations/Investments	Share-holding	Company Name	Principal Activities
ELECTRICITY	94.36%	Tianjin TEDA Tsinlien Electric Power Co., Ltd.	Distribution of electricity in TEDA
WATER	91.41%	Tianjin TEDA Tsinlien Water Supply Co., Ltd.	Distribution of water in TEDA
HEAT AND THERMAL POWER	90.94%	Tianjin TEDA Tsinlien Heat & Power Co., Ltd.	Distribution of steam in TEDA

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

STRATEGIC AND OTHER INVESTMENTS			
Operations/Investments	Share-holding	Company Name	Principal Activities
WINERY	44.82%	Dynasty Fine Wines Group Limited	Produce and sale of winery products
PORT SERVICES	21%	Tianjin Port Development Holdings Limited	Provision of port services in Tianjin
ELEVATOR & ESCALATOR	16.55%	Otis Elevator (China) Investment Company Limited	Manufacture and sale of elevator and escalator
TOLL ROADS	83.93%*	Tianjin Jinzheng Transportation Development Co., Ltd.	Operation of Eastern Outer Ring Road
	24%#	Tianjin Mass Transit (Group) Development Co., Ltd.	Operation of Jinbin Expressway
	6.62%	14 equity joint ventures in the PRC	Operation of Tang Jin Expressway

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

\* The equity interest has been classified as assets held for sale. The disposal is expected to be completed by end of 2010.

# The equity interest has been classified as assets held for sale. The disposal is expected to be completed by end of 2010 or in early 2011.

# Unaudited Condensed Consolidated Income Statement

For the six months ended 30 June 2010

	Note	<b>2010</b> <b>HK\$'000</b>	Restated 2009 HK\$'000
<i>Continuing operations:</i>			
Revenue	4	<b>1,632,587</b>	1,382,636
Cost of sales		<b>(1,414,669)</b>	(1,200,274)
Gross profit		<b>217,918</b>	182,362
Other income	5	<b>13,245</b>	46,959
Other gains, net	6	<b>18,456</b>	48,318
Gain on deemed disposal of interest in a subsidiary	13	<b>620,111</b>	–
General and administrative expenses		<b>(140,030)</b>	(127,367)
Other operating expenses		<b>(13,393)</b>	(25,046)
Operating profit	7	<b>716,307</b>	125,226
Finance costs	8	<b>(6,628)</b>	(9,086)
Share of profits/(losses) of Associates		<b>272,042</b>	167,191
Jointly controlled entities		<b>(9,643)</b>	(1,921)
Profit before tax		<b>972,078</b>	281,410
Tax expense	9	<b>(32,138)</b>	(23,862)
Profit for the period from continuing operations		<b>939,940</b>	257,548
Operation of toll roads: (Loss)/profit for the period	12	<b>(3,599)</b>	28,639
Port services: Loss for the period		–	(15,723)
(Loss)/profit for the period from operation of toll roads and port services	4	<b>(3,599)</b>	12,916
Profit for the period		<b>936,341</b>	270,464

The notes on pages 13 to 37 form an integral part of this interim financial information.

# Unaudited Condensed Consolidated Income Statement

For the six months ended 30 June 2010

	Note	2010 HK\$'000	Restated 2009 HK\$'000
Attributable to:			
Equity holders of the Company		<b>904,805</b>	247,017
Non-controlling interests		<b>31,536</b>	23,447
		<b>936,341</b>	270,464
		<b>HK Cents</b>	HK Cents
Earnings/(losses) per share	10		
Basic and diluted			
From continuing operations		<b>85.05</b>	21.81
From operation of toll roads and port services		<b>(0.29)</b>	1.33
		<b>84.76</b>	23.14
		<b>HK\$'000</b>	HK\$'000
Interim dividend	11	-	55,508

The notes on pages 13 to 37 form an integral part of this interim financial information.

# Unaudited Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2010

	Note	2010 HK\$'000	2009 HK\$'000
Profit for the period		<b>936,341</b>	270,464
Other comprehensive income:			
Currency translation differences		<b>62,861</b>	1,264
Release of reserves upon completion of deemed disposal of interest in a subsidiary	13	<b>(367,642)</b>	–
Release of exchange reserve upon strike off of subsidiaries		–	(7,922)
Change in fair value of available-for-sale financial assets		<b>(163,742)</b>	132,462
Deferred taxation on fair value change of available-for-sale financial assets		<b>(8,536)</b>	–
Share of other comprehensive losses of an associate		<b>(421)</b>	–
<b>Total comprehensive income for the period</b>		<b>458,861</b>	396,268
Attributable to:			
Equity holders of the Company		<b>419,925</b>	369,412
Non-controlling interests		<b>38,936</b>	26,856
		<b>458,861</b>	396,268

The notes on pages 13 to 37 form an integral part of this interim financial information.



# Unaudited Condensed Consolidated Balance Sheet

As at 30 June 2010

		<b>30 June</b>	Restated
		<b>2010</b>	31 December
	Note	<b>HK\$'000</b>	2009
			HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	14	<b>1,920,105</b>	1,910,081
Land use rights		<b>261,236</b>	247,526
Interest in associates	15	<b>4,692,605</b>	1,516,634
Interest in jointly controlled entities	16	<b>26,264</b>	35,635
Deferred tax assets		<b>180,368</b>	174,988
Available-for-sale financial assets	17	<b>396,212</b>	558,652
		<b>7,476,790</b>	4,443,516
<b>Current assets</b>			
Inventories		<b>11,605</b>	10,413
Amounts due from ultimate holding company		<b>1,025</b>	998
Amounts due from related companies		<b>10,729</b>	11,865
Amounts due from investee companies		<b>212,447</b>	210,516
Trade receivables	18	<b>777,593</b>	763,608
Other receivables, deposits and prepayments	18	<b>169,169</b>	168,733
Financial assets at fair value through profit or loss		<b>465,791</b>	477,495
Restricted bank balance		–	27,215
Time deposits with maturity over three months		<b>525,631</b>	457,218
Cash and cash equivalents		<b>2,359,062</b>	2,320,542
		<b>4,533,052</b>	4,448,603
Assets held for sale – operation of toll roads	12	<b>1,899,294</b>	1,949,344
Assets relating to port services	4, 13	–	5,444,791
		<b>6,432,346</b>	11,842,738
<b>Total assets</b>		<b>13,909,136</b>	16,286,254

The notes on pages 13 to 37 form an integral part of this interim financial information.

# Unaudited Condensed Consolidated Balance Sheet

As at 30 June 2010

	Note	30 June 2010 HK\$'000	Restated 31 December 2009 HK\$'000
<b>EQUITY</b>			
<b>Equity holders</b>			
Share capital	19	106,747	106,747
Reserves		9,147,559	8,727,634
		<b>9,254,306</b>	8,834,381
<b>Non-controlling interests</b>			
		<b>811,705</b>	1,941,965
<b>Total equity</b>		<b>10,066,011</b>	10,776,346
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	20	1,997,754	1,997,000
Deferred tax liabilities		97,345	88,561
		<b>2,095,099</b>	2,085,561
<b>Current liabilities</b>			
Trade payables	21	301,604	194,581
Notes payable		–	27,215
Other payables and accruals		855,750	866,284
Amounts due to related companies		270,904	234,849
Amounts due to a non-controlling shareholder		1,937	1,258
Borrowings	20	107,798	4,545
Current tax liabilities		117,247	86,891
		<b>1,655,240</b>	1,415,623
Liabilities directly associated with assets classified as held for sale – operation of toll roads	12	92,786	154,708
Liabilities relating to port services	4, 13	–	1,854,016
		<b>1,748,026</b>	3,424,347
<b>Total liabilities</b>		<b>3,843,125</b>	5,509,908
<b>Total equity and liabilities</b>		<b>13,909,136</b>	16,286,254
<b>Net current assets</b>		<b>4,684,320</b>	8,418,391
<b>Total assets less current liabilities</b>		<b>12,161,110</b>	12,861,907

The notes on pages 13 to 37 form an integral part of this interim financial information.

# Unaudited Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2010

	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
Net cash from operating activities	<b>419,364</b>	532,041
Net cash used in investing activities	<b>(676,086)</b>	(323,353)
Net cash from/(used in) financing activities	<b>136,667</b>	(196,065)
Net (decrease)/increase in cash and cash equivalents	<b>(120,055)</b>	12,623
Cash and cash equivalents at 1 January	<b>2,723,485</b>	2,129,493
Changes in exchange rate	<b>22,340</b>	(384)
Cash and cash equivalents at 30 June	<b>2,625,770</b>	2,141,732

  

	<b>30 June</b>	30 June
	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
Cash and cash equivalents	<b>2,359,062</b>	1,223,645
Cash and cash equivalents classified as asset held for sale		
– operating of toll roads	<b>266,708</b>	265,114
Cash and cash equivalents of port services	–	652,973
	<b>2,625,770</b>	2,141,732

The notes on pages 13 to 37 form an integral part of this interim financial information.

# Unaudited Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2010

	Equity holders				Non-controlling interests	Total
	Share capital	Other reserves	Retained earnings	Sub-total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2009	106,747	7,177,289	1,368,427	8,652,463	2,048,064	10,700,527
Profit for the period	-	-	247,017	247,017	23,447	270,464
Other comprehensive income:						
Currency translation differences	-	861	-	861	403	1,264
Release of exchange reserve upon strike off of subsidiaries	-	(7,922)	-	(7,922)	-	(7,922)
Change in fair value of available-for-sale financial assets	-	129,456	-	129,456	3,006	132,462
Total comprehensive income for the period	-	122,395	247,017	369,412	26,856	396,268
Share based payments	-	199	-	199	96	295
Transfer upon lapse of share options	-	(515)	515	-	-	-
Transfer between reserves	-	9,541	(9,541)	-	-	-
Acquisition of additional interest in a subsidiary	-	-	-	-	(60,361)	(60,361)
Dividends	-	-	(32,024)	(32,024)	-	(32,024)
	-	9,225	(41,050)	(31,825)	(60,265)	(92,090)
At 30 June 2009	106,747	7,308,909	1,574,394	8,990,050	2,014,655	11,004,705

The notes on pages 13 to 37 form an integral part of this interim financial information.

# Unaudited Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2010

	Note	Equity holders				Non-controlling interests	Total
		Share capital	Other reserves	Retained earnings	Sub-total		
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2010		106,747	7,667,264	1,060,370	8,834,381	1,941,965	10,776,346
Profit for the period		-	-	904,805	904,805	31,536	936,341
Other comprehensive income:							
Currency translation differences		-	55,461	-	55,461	7,400	62,861
Release of reserves upon completion of deemed disposal of interest in a subsidiary	13	-	(367,642)	-	(367,642)	-	(367,642)
Change in fair value of available-for-sale financial assets	17(j)	-	(163,742)	-	(163,742)	-	(163,742)
Deferred taxation on fair value change of available-for-sale financial assets		-	(8,536)	-	(8,536)	-	(8,536)
Share of other comprehensive losses of an associate		-	(421)	-	(421)	-	(421)
Total comprehensive (loss)/income for the period		-	(484,880)	904,805	419,925	38,936	458,861
Capital contributions by non-controlling interest		-	-	-	-	6,881	6,881
Transfer of reserves and release of non-controlling interests upon completion of deemed disposal of interest in a subsidiary	13	-	(238,181)	238,181	-	(1,176,077)	(1,176,077)
Transfer between reserves		-	4,195	(4,195)	-	-	-
		-	(233,986)	233,986	-	(1,169,196)	(1,169,196)
At 30 June 2010		106,747	6,948,398	2,199,161	9,254,306	811,705	10,066,011

The notes on pages 13 to 37 form an integral part of this interim financial information.

# Notes to the Interim Financial Information

## 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited interim financial information has 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 31 December 2009.

Except for described below, the accounting policies adopted are consistent with those used in the audited consolidated annual financial statements for the year ended 31 December 2009.

### Adoption of new standards and amendments to existing standards

In 2010, the Group adopted new standards and amendments of Hong Kong Financial Reporting Standards (“HKFRS”) below, which are relevant to its operations.

HKAS 24 (Revised)	Related Party Disclosures
HKAS 27 (Revised)	Consolidated and Separate: Financial Statements
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners

Annual improvements to HKFRS published in May 2009

HKAS 7 Amendment	Statement of Cash Flows
HKAS 17 Amendment	Leases
HKAS 36 Amendment	Impairment of Assets
HKAS 38 Amendment	Intangible Assets
HKFRS 2 Amendment	Share-based Payment
HKFRS 5 Amendment	Non-current Assets Held for Sale and Discontinued Operations
HKFRS 8 Amendment	Operating Segments

The Group has assessed the impact of the adoption of these new standards and amendments and considered that there was no significant impact on the Group’s results and financial position nor any substantial changes in the Group’s accounting policies and presentation of the accounts except the below.

# Notes to the Interim Financial Information

## 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

### Adoption of new standards and amendments to existing standards (Continued)

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

HKAS 17 (Amendment) has been applied retrospectively for annual periods beginning 1 January 2010 in accordance with the effective date and transitional provisions of the amendment. The Group has reassessed the classification of unexpired leasehold land and land use rights as at 1 January 2010 on the basis of information existing at the inception of those leases, and recognized the leasehold land in Hong Kong as finance lease retrospectively. As a result of the reassessment, the Group has reclassified certain leasehold land from operating lease to finance lease.

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

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

	<b>30 June 2010 HK\$'000</b>	31 December 2009 HK\$'000
Decrease in leasehold land and land use rights	<b>264,441</b>	264,590
Increase in property, plant and equipment	<b>264,441</b>	264,590

HKFRS 3 (Revised), "Business combinations", and consequential amendments to HKAS 27, "Consolidated and separate financial statements", are effective prospectively to business combinations for which the transaction date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

# Notes to the Interim Financial Information

## 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

### Adoption of new standards and amendments to existing standards (Continued)

The revised standards require the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognized in profit or loss.

The effect of the adoption of this revised standard is an increase of HK\$197 million in gain on deemed disposal of interest in a subsidiary (Note 13).

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

HKFRS 9	Financial Instruments
Annual improvements to HKFRS published in May 2010	
HKAS 1 Amendment	Presentation of Financial Statements
HKAS 27 Amendment	Consolidated and Separate Financial Statements
HKAS 34 Amendment	Interim Financial Reporting
HKFRS 3 Amendment	Business Combination
HKFRS 7 Amendment	Financial Instruments: Disclosures

The Group has already commenced an assessment of the impact of these new standards, amendments and interpretations 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. FINANCIAL RISK MANAGEMENT

All aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the audited consolidated annual financial statements for the year ended 31 December 2009.



# Notes to the Interim Financial Information

## 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments used are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal to the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities of the Group applied in the preparation of the interim financial information are consistent with those disclosed in the audited consolidated annual financial statements for the year ended 31 December 2009.

## 4. SEGMENT INFORMATION

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

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

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

The supply of utilities segment derives revenue through the distribution of electricity, water, heat and thermal power to industrial, commercial and residential customers in the Tianjin Economic-Technological Development Area (“TEDA”).

The operation of commercial properties segment derives revenue from the hotels in Tianjin and Hong Kong.

The result of the winery segment is contributed by a listed associate of the Group, Dynasty Fine Wines Group Limited (“Dynasty”), which produces and sells winery products.

The result of port services is contributed by a listed associate of the Group, Tianjin Port Development Holdings Ltd. (“Tianjin Port”), which provides port services in Tianjin.

The result of the elevator and escalator segment is contributed by an associate of the Group, Otis Elevator (China) Investment Company Limited (“Otis China”), which manufactures and sells elevators and escalators.

# Notes to the Interim Financial Information

## 4. SEGMENT INFORMATION (Continued)

The operation of toll roads segment derives revenue from the operation of Eastern Outer Ring Road (“EORR”) and includes the result of an associate of the Group, Golden Horse Resources Limited (“Golden Horse”), which invests in the operation of the Jinbin Expressway in Tianjin.

Effective from 1 January 2010, EORR ceased to collect toll fee according to relevant government regulations and the result of Golden Horse was not equity accounted for upon its classification as asset held for sale.

	For the six months ended 30 June 2010							
	Continuing operations							
	Supply of utilities (note (i))	Operation of commercial properties	Winery	Port services (note (ii))	Elevator and escalator	Sub-total	Operation of toll roads (note (ii))	Total operating segments
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	1,594,582	38,005	-	-	-	1,632,587	-	1,632,587
Operating profit/(loss) before interest	125,722	(12,400)	-	-	-	113,322	(2,995)	110,327
Interest income	4,343	10	-	-	-	4,353	913	5,266
Finance costs	(829)	(614)	-	-	-	(1,443)	-	(1,443)
Share of profits of Associates	-	-	51,144	47,448	169,998	268,590	-	268,590
Profit/(loss) before tax	129,236	(13,004)	51,144	47,448	169,998	384,822	(2,082)	382,740
Tax (expense)/credit	(32,740)	610	-	-	-	(32,130)	(1,517)	(33,647)
Profit/(loss) for the period	96,496	(12,394)	51,144	47,448	169,998	352,692	(3,599)	349,093
Non-controlling interests	(7,292)	3,655	-	-	(29,342)	(32,979)	479	(32,500)
Profit/(loss) attributable to equity holders	89,204	(8,739)	51,144	47,448	140,656	319,713	(3,120)	316,593
Operating profit/(loss) before interest includes:								
Depreciation and amortization	44,231	12,452	-	-	-	56,683	-	56,683

# Notes to the Interim Financial Information

## 4. SEGMENT INFORMATION (Continued)

	For the six months ended 30 June 2009								Total operating segments HK\$'000
	Continuing operations								
	Supply of utilities (note (i)) HK\$'000	Operation of commercial properties HK\$'000	Winery HK\$'000	Elevator and escalator HK\$'000	Sub-total HK\$'000	Operation of toll roads (note (ii)) HK\$'000	Port services (note (iii)) HK\$'000	Sub-total HK\$'000	
Revenue	1,332,397	50,239	-	-	1,382,636	57,512	556,831	614,343	1,996,979
Operating profit/(loss)									
before interest	109,661	(18,322)	-	-	91,339	34,915	(5,440)	29,475	120,814
Interest income	6,606	61	-	-	6,667	2,352	9,768	12,120	18,787
Finance costs	(2,452)	-	-	-	(2,452)	-	(6,643)	(6,643)	(9,095)
Share of profits/(losses) of									
Associates	-	-	43,384	119,590	162,974	(22)	(1,704)	(1,726)	161,248
Jointly controlled entities	-	-	-	-	-	-	(1,768)	(1,768)	(1,768)
Profit/(loss) before tax	113,815	(18,261)	43,384	119,590	258,528	37,245	(5,787)	31,458	289,986
Tax (expense)/credit	(26,519)	1,205	-	-	(25,314)	(8,606)	(9,936)	(18,542)	(43,856)
Profit/(loss) for the period	87,296	(17,056)	43,384	119,590	233,214	28,639	(15,723)	12,916	246,130
Non-controlling interests	(6,821)	2,613	-	(20,641)	(24,849)	(3,818)	5,049	1,231	(23,618)
Profit/(loss) attributable to equity holders	80,475	(14,443)	43,384	98,949	208,365	24,821	(10,674)	14,147	222,512
Operating profit/(loss) before interest includes:									
Depreciation and amortization	41,578	17,172	-	-	58,750	-	68,523	68,523	127,273

# Notes to the Interim Financial Information

## 4. SEGMENT INFORMATION (Continued)

	Note	Six months ended 30 June	
		2010 HK\$'000	2009 HK\$'000
Reconciliation of profit for the period			
Total operating segments		<b>349,093</b>	246,130
Gain on deemed disposal of interest in a subsidiary	13	<b>620,111</b>	–
Gain on deemed disposal of partial interest in an associate		–	28,076
Corporate and others (note (iii))		<b>(32,863)</b>	(3,742)
Profit for the period		<b>936,341</b>	270,464

Notes:

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

The Finance Bureau of TEDA has confirmed to grant to Electricity Company, Water Company and Heat & Power Company quantity-based government supplemental income calculated at RMB0.02 per kWh of electricity supplied, RMB2 per tonne of water supplied and RMB50 per tonne of steam supplied for the year ending 31 December 2010.

Revenue generated from the supply of utilities includes approximately HK\$26.8 million (2009: HK\$22.5 million), HK\$50.6 million (2009: HK\$48.8 million) and HK\$131.0 million (2009: HK\$106.2 million) of quantity-based government supplemental income granted to the Electricity Company, Water Company and Heat & Power Company respectively.

- (ii) The results in 2009 related to Tianjin Jinzheng Transportation Development Co., Ltd. (“Jinzheng”), Golden Horse and Tianjin Port have been separately presented from the continuing operation. Upon the completion of the Deemed Disposal of Tianjin Port in 2010 (Note 13), the result of Tianjin Port has been equity accounted for and included in the continuing operation.
- (iii) The amounts mainly represent corporate level activities including central treasury management and administrative function, dividend income from investee companies, exchange gain or loss at corporate level and results of other businesses not categorized as operating segments.

# Notes to the Interim Financial Information

## 4. SEGMENT INFORMATION (Continued)

	Continuing operations									
	Supply	Operation of		Port	Elevator	Operation		Total	Corporate	
	of	commercial		services	and	of toll		Port	operating	and others
	utilities	properties	Winery	(note (i))	escalator	roads	services	segments	(note (ii))	Total
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>As at 30 June 2010</b>										
Reportable segment										
assets	3,429,952	1,128,509	861,612	2,953,428	760,651	1,899,294	-	11,033,446	2,875,690	13,909,136
Reportable segment										
liabilities	1,508,808	114,814	-	-	-	92,786	-	1,716,408	2,126,717	3,843,125
<b>As at 31 December 2009</b>										
Reportable segment										
assets	3,098,004	1,138,923	819,906	-	584,316	1,949,344	5,444,791	13,035,284	3,250,970	16,286,254
Reportable segment										
liabilities	1,290,491	135,881	-	-	-	154,708	1,854,016	3,435,096	2,074,812	5,509,908

### Notes:

- (i) Reportable segment assets of port services as at 30 June 2010 represents the Group's interest in Tianjin Port as an associate (Note 15).
- (ii) The balances represent assets and liabilities of corporate and other businesses not categorized as operating segments, which principally include cash and cash equivalents, time deposits with maturity over three months, financial assets at fair value through profit or loss, amount due from investee companies, available-for-sale financial assets, interest in certain associates and bank borrowings.

# Notes to the Interim Financial Information

## 4. SEGMENT INFORMATION (Continued)

### Geographical information

The Group's revenue from external customers by geographical location are shown below:

	Revenue	
	Six months ended 30 June	
	2010	Restated 2009
	HK\$'000	HK\$'000
PRC mainland	1,594,926	1,354,803
Hong Kong	37,661	27,833
Continuing operations	1,632,587	1,382,636
Operation of toll roads and port services – PRC mainland	–	614,343

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

	30 June	31 December
	2010	2009
	HK\$'000	HK\$'000
PRC mainland	6,315,652	3,116,144
Hong Kong	584,558	593,732
	6,900,210	3,709,876

# Notes to the Interim Financial Information

## 5. OTHER INCOME

	Six months ended 30 June	
	2010	Restated 2009
	HK\$'000	HK\$'000
Interest income	<b>11,971</b>	17,010
Dividend income from investee companies – unlisted	–	29,630
Sundries	<b>1,274</b>	319
	<b>13,245</b>	46,959

## 6. OTHER GAINS, NET

	Six months ended 30 June	
	2010	Restated 2009
	HK\$'000	HK\$'000
Financial assets at fair value through profit or loss		
– fair value (losses)/gains		
– listed (realized and unrealized)	<b>(3,578)</b>	1,750
– unlisted (realized)	<b>7,328</b>	7,132
Gain on deemed disposal of partial interest in an associate	–	28,076
Reversal of over-accrued expenses	–	10,161
Net loss on disposal of property, plant and equipment	<b>(3,316)</b>	(34)
Net exchange gain/(loss)	<b>18,022</b>	(528)
Sundries	–	1,761
	<b>18,456</b>	48,318

# Notes to the Interim Financial Information

## 7. OPERATING PROFIT

Operating profit is arrived at after charging:

	Six months ended 30 June	
	2010	Restated 2009
	HK\$'000	HK\$'000
Purchase of electricity, water and steam for sale	<b>1,223,996</b>	1,015,776
Depreciation	<b>58,067</b>	57,275
Amortization	<b>843</b>	3,164
Provision for impairment of trade receivables	<b>8,037</b>	6,075
Operating lease expense on		
– Plants, pipelines and networks	<b>60,009</b>	50,061
– Land and buildings	<b>2,736</b>	4,919
Employee benefit expense (including share option expenses)	<b>118,919</b>	112,214

## 8. FINANCE COSTS

	Six months ended 30 June	
	2010	Restated 2009
	HK\$'000	HK\$'000
Interest expense:		
– bank borrowings	<b>6,628</b>	9,086



# Notes to the Interim Financial Information

## 9. TAX (EXPENSE)/CREDIT

	Six months ended 30 June	
	2010	Restated 2009
	HK\$'000	HK\$'000
Current taxation		
PRC income tax	<b>(37,505)</b>	(29,290)
Deferred taxation	<b>5,367</b>	5,428
	<b>(32,138)</b>	(23,862)

No provision for Hong Kong profits tax has been made as there is no estimated assessable profit for the period for the Group (2009: 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 16 March 2007, the National People's Congress of China approved the Corporate Income Tax Law of the People's Republic of China (the "New CIT Law") which was effective from 1 January 2008. Under the New CIT Law, both domestic and foreign invested enterprises will be subject to a single income tax rate of 25%. For those subsidiaries of the Group, namely Jinzheng, Electricity Company, Water Company and Heat & Power Company, which were previously subject to 15% tax rate, the tax rate will be gradually increased to 25% over a period of five years.

# Notes to the Interim Financial Information

## 10. EARNINGS/(LOSSES) PER SHARE

The calculation of the basic earnings per share is based on the profit/(loss) attributable to equity holders and the number of shares as follows:

	Six months ended 30 June			
	2010		Restated 2009	
	Continuing operations HK\$'000	Result of operation of toll roads HK\$'000	Continuing operations HK\$'000	Results of operation of toll roads and port services HK\$'000
Profit/(loss) attributable to equity holders for the purpose of basic earnings per share	907,925	(3,120)	232,870	14,147
<b>Number of shares</b>	<b>Thousand</b>	<b>Thousand</b>	Thousand	Thousand
Number of shares for the purpose of basic earnings per share	1,067,470	1,067,470	1,067,470	1,067,470

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

# Notes to the Interim Financial Information

## 11. DIVIDENDS

	Six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
2009 final, nil (2008: HK3.0 cents) per share	–	32,024
2010 interim, nil (2009: interim, paid, of HK5.2 cents) per share	–	55,508
	–	87,532

## 12. OPERATION OF TOLL ROADS

The assets and liabilities related to Jinzheng have been presented as held for sale as actions had been initiated prior to the end of 2008 to dispose of the Group's interest in Jinzheng, which operates the EORR. The sale and purchase agreement was entered into between a subsidiary of the Group and a connected person of the Company on 23 August 2010 at a consideration of RMB1,198,992,520. The transaction is expected to be completed by the end of 2010.

The interest in an associate related to the Jinbin Expressway has been presented as held for sale as actions had been initiated prior to the end of 2009 to dispose of this investment. The transaction is expected to be completed by the end of 2010 or in early 2011.

# Notes to the Interim Financial Information

## 12. OPERATION OF TOLL ROADS (Continued)

Financial information of operation of toll roads is as follows:

		<b>Six months ended 30 June</b>	
		<b>2010</b>	Restated
		<b>HK\$'000</b>	2009
			HK\$'000
(i)	Results		
	Revenue	–	57,512
	Cost of sales	<b>(225)</b>	(20,229)
	Gross (loss)/profit	<b>(225)</b>	37,283
	Other income	<b>913</b>	2,352
	Other losses	–	(1)
	General and administrative expenses	<b>(2,770)</b>	(2,367)
	Operating (loss)/profit	<b>(2,082)</b>	37,267
	Share of losses of associates	–	(22)
	(Loss)/profit before tax	<b>(2,082)</b>	37,245
	Tax expense	<b>(1,517)</b>	(8,606)
	(Loss)/profit for the period	<b>(3,599)</b>	28,639
	Attributable to:		
	Equity holders of the Company	<b>(3,120)</b>	24,821
	Non-controlling interests	<b>(479)</b>	3,818
		<b>(3,599)</b>	28,639
(ii)	Cash flows		
	Net cash from operating activities (note)	<b>115,458</b>	1,261
	Net cash used in investing activities	–	(20,324)
	Exchange gain	<b>1,357</b>	–
	Total cash inflows/(outflows)	<b>116,815</b>	(19,063)

# Notes to the Interim Financial Information

## 12. OPERATION OF TOLL ROADS (Continued)

	<b>30 June 2010 HK\$'000</b>	31 December 2009 HK\$'000
(iii) Assets		
Property, plant and equipment	<b>67,855</b>	67,239
Toll road operating right	<b>1,319,130</b>	1,307,138
Interest in associates	<b>156,000</b>	156,000
Trade receivables	<b>47,436</b>	201,839
Other receivables, deposits and prepayments	<b>42,165</b>	67,236
Cash and cash equivalents	<b>266,708</b>	149,892
<b>Total assets held for sale</b>	<b>1,899,294</b>	1,949,344
(iv) Liabilities		
Other payables and accruals	<b>13,715</b>	76,356
Deferred tax liabilities	<b>67,999</b>	67,381
Current tax liabilities	<b>11,072</b>	10,971
<b>Total liabilities directly associated with assets held for sale</b>	<b>92,786</b>	154,708
(v) Cumulative income or expense recognized directly in equity relating to disposal group classified as held for sale		
Foreign exchange translation adjustments	<b>329,658</b>	317,848

Note:

The cash from operating activities in 2010 was mainly related to receipt of trade receivable accumulated in prior years.

# Notes to the Interim Financial Information

## **13. DEEMED DISPOSAL OF INTEREST IN A SUBSIDIARY**

The acquisition by Tianjin Port, a non-wholly owned subsidiary of the Group, of 56.81% interest in the registered capital of Tianjin Port Holdings Co., Ltd. ("TPH"), a company listed on the Shanghai Stock Exchange (stock code: 600717) for a total consideration of HK\$10,961 million satisfied as to HK\$6,891 million by the issue of the shares of Tianjin Port and as to HK\$4,070 million by cash was completed on 4 February 2010.

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

After the completion of Deemed Disposal of Tianjin Port, the Group continues to participate in the business of port services through its 21% equity interest in Tianjin Port, which also constitutes a reportable operating segment of the Group (Note 4).

# Notes to the Interim Financial Information

## 13. DEEMED DISPOSAL OF INTEREST IN A SUBSIDIARY (Continued)

Details of the gain on the Deemed Disposal of Tianjin Port are as follows:

	<b>HK\$'000</b>
Fair value of retained 21% equity interest in Tianjin Port	2,891,837
Less:	
Total net assets of Tianjin Port disposed of	(3,590,775)
Release of non-controlling interest	1,176,077
	(2,414,698)
Additional investment made by the Group by cash to maintain 21% equity interest in Tianjin Port	(224,670)
Release of exchange reserve and available-for-sale financial assets reserve	367,642
	(2,271,726)
Gain on the Deemed Disposal of Tianjin Port recognized in the income statement (note)	620,111
Transfer of various reserves mainly statutory reserves and general reserves to retained earnings upon completion of the Deemed Disposal of Tianjin Port	238,181
Note:	
Analysis of gain on the Deemed Disposal of Tianjin Port:	
Net profit on the Deemed Disposal of Tianjin Port	423,080
Fair value gain on 21% non-controlling interest retained	197,031
Gain on the Deemed Disposal of Tianjin Port recognized in the income statement	620,111

## 14. CAPITAL EXPENDITURE

During the six months ended 30 June 2010, the Group acquired property, plant and equipment amounting to HK\$64,111,000 (six months ended 30 June 2009: HK\$80,456,000) and disposed of property, plant and equipment with net book value of HK\$8,170,000 (six months ended 30 June 2009: HK\$154,000).

# Notes to the Interim Financial Information

## 15. INTEREST IN ASSOCIATES

	<b>30 June 2010 HK\$'000</b>	31 December 2009 HK\$'000
Group's share of net assets		
– Listed shares in Hong Kong of Dynasty	<b>861,612</b>	819,906
– Listed shares in Hong Kong of Tianjin Port (note (i))	<b>2,953,428</b>	–
– Unlisted shares of Otis China	<b>760,651</b>	584,316
– Other unlisted shares (note (ii))	<b>116,914</b>	112,412
	<b>4,692,605</b>	1,516,634
Market value of listed shares		
– Dynasty	<b>1,785,600</b>	1,406,160
– Tianjin Port	<b>2,224,270</b>	Not applicable

Notes:

- (i) Tianjin Port ceased to be a subsidiary and became an associate of the Group upon completion of the Deemed Disposal of Tianjin Port (Note 13).
- (ii) Other unlisted shares at 30 June 2010 represented the Group's investment in 28.14% equity interest of Tianjin Tian Fa Heavy Electric Equipment Manufacturing Limited.

Interest in associates at 30 June 2010 included goodwill of HK\$1,124,847,000 (31 December 2009: HK\$4,081,000). Share of associates' taxation for the six months ended 30 June 2010 of HK\$58,518,000 (Restated 2009: HK\$39,590,000) was included in the consolidated income statement as share of profits of associates.

## 16. INTEREST IN JOINTLY CONTROLLED ENTITIES

	<b>30 June 2010 HK\$'000</b>	31 December 2009 HK\$'000
Group's share of net assets	<b>26,264</b>	35,635



# Notes to the Interim Financial Information

## 17. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<b>30 June 2010 HK\$'000</b>	31 December 2009 HK\$'000
Listed (note (i))	<b>253,056</b>	416,798
Unlisted (note (ii))	<b>143,156</b>	141,854
	<b>396,212</b>	558,652
Market value of listed shares	<b>253,056</b>	416,798

Notes:

- (i) Listed shares at 30 June 2010 included approximately HK\$253,056,000 (31 December 2009: HK\$416,798,000) representing the Group's investment in 8.28% equity interest of Binhai Investment Company Limited which is listed on the Growth Enterprise Market Board of the Stock Exchange of Hong Kong Limited ("Stock Exchange"), and the unrealized fair value gain of approximately HK\$225,000,000 was recognized in equity.
- (ii) The unlisted available-for-sale financial assets are principally equity in certain entities established and operating in the PRC.

## 18. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	<b>30 June 2010 HK\$'000</b>	31 December 2009 HK\$'000
Trade receivables – gross (note (i))	<b>861,928</b>	840,005
Less: provision for impairment	<b>(84,335)</b>	(76,397)
Trade receivables – net (note (ii))	<b>777,593</b>	763,608
Other receivables, deposits and prepayments	<b>169,169</b>	168,733
	<b>946,762</b>	932,341

# Notes to the Interim Financial Information

## 18. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

Notes:

- (i) The various group companies have different credit policies which are dependent on the requirements of the markets and the businesses in which they operate. In general, credit periods of 30 to 180 days are granted to corporate customers of the Group's hotels in the segment of commercial properties. No credit terms are granted to customers in the segments of supply of utilities.

As at 30 June 2010, the Group was entitled to government supplemental income of approximately HK\$404,901,000 (31 December 2009: HK\$416,411,000) receivable from the Finance Bureau of TEDA as referred to in Note 4. Annual supplemental income receivable does not have credit terms and the amount of which is to be finalized by the Finance Bureau after year end. Continuous settlements have been received by the Group in the past years.

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

	<b>30 June 2010 HK\$'000</b>	31 December 2009 HK\$'000
Within 30 days	<b>456,690</b>	557,659
31 to 90 days	<b>30,713</b>	18,297
91 to 180 days	<b>24,918</b>	11,517
Over 180 days	<b>265,272</b>	176,135
	<b>777,593</b>	763,608

## 19. SHARE CAPITAL

	<b>Number of shares thousands</b>	<b>HK\$'000</b>
At 1 January 2009, 30 June 2009, 31 December 2009 and 30 June 2010	<b>1,067,470</b>	<b>106,747</b>

The authorized share capital of the Company is HK\$300,000,000, comprising 3,000 million shares with a par value of HK\$0.10 per share. All issued shares are fully paid.

# Notes to the Interim Financial Information

## 20. BORROWINGS

	<b>30 June 2010 HK\$'000</b>	31 December 2009 HK\$'000
<b>Non-current</b>		
Bank borrowings		
– Unsecured	<b>1,997,754</b>	1,997,000
<b>Current</b>		
Short term bank borrowings		
– Unsecured	<b>107,798</b>	4,545
Total borrowings	<b>2,105,552</b>	2,001,545

## 21. TRADE PAYABLES

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

	<b>30 June 2010 HK\$'000</b>	31 December 2009 HK\$'000
Within 30 days	<b>49,115</b>	68,869
31 to 90 days	<b>80,589</b>	19,375
91 to 180 days	<b>74,274</b>	6,292
Over 180 days	<b>97,626</b>	100,045
	<b>301,604</b>	194,581

# Notes to the Interim Financial Information

## 22. OPERATING LEASE COMMITMENTS

	<b>30 June 2010 HK\$'000</b>	31 December 2009 HK\$'000
Land and buildings		
Not later than one year	<b>1,856</b>	8,626
Later than one year and not later than five years	<b>2,142</b>	6,109
Over five years	<b>115</b>	368
	<b>4,113</b>	15,103
Plants, pipelines and networks		
Not later than one year	<b>53,487</b>	66,252
Later than one year and not later than five years	<b>239</b>	66,278
	<b>53,726</b>	132,530
	<b>57,839</b>	147,633

## 23. CAPITAL COMMITMENTS

	<b>30 June 2010 HK\$'000</b>	31 December 2009 HK\$'000
Authorized but not contracted for in respect of		
– Improvements on plant and machinery	<b>602,841</b>	567,482
Contracted but not provided for in respect of		
– Acquisition of subsidiaries (Note 13)	–	10,961,000
– Property, plant and machinery	<b>96,267</b>	63,175
– Investment in an associate	<b>177,351</b>	175,739
– Investment in a jointly controlled entity	–	22,841
	<b>273,618</b>	11,222,755

# Notes to the Interim Financial Information

## 24. RELATED PARTY TRANSACTIONS

The following are significant related party transactions during the six months ended 30 June 2010 in addition to those balances as at 30 June 2010 disclosed in the condensed consolidated balance sheet:

### (a) Transactions with related parties of the Group

	Six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
Rental of land	783	779
Rental of plants, pipelines and networks	59,531	49,967
Purchase of steam for sale	376,698	313,929

### (b) Key management compensation

	Six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
Fees	–	3,460
Salaries and other emoluments	4,289	6,055
Share based payments	–	195
	4,289	9,710

# Notes to the Interim Financial Information

## 25. EVENTS AFTER THE BALANCE SHEET DATE

On 23 August 2010, the sale and purchase agreement (the “Agreement”) was entered into between Wintel Knight Holdings Limited (“Wintel Knight”), a wholly-owned subsidiary of the Group and Eastern Outer Ring Road Company Limited (“EORR Company”), a connected person of the Company under Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), to sell all the Group’s 83.9308% equity interest in Jinzheng which operates EORR to EORR Company at a consideration of RMB1,198,992,520 with reference to the fair value of the Group’s equity interest in Jinzheng as at 31 December 2009 as per the valuation report (the “Disposal”). The consideration shall be paid in full by cash by the EORR Company.

The Disposal constitutes a major and connected transaction and is subject to the reporting, announcement and independent shareholder’s approval requirements under the Listing Rules. Completion of the Disposal shall be conditional upon the conditions contained in the Agreement.

Upon completion of the Disposal, Jinzheng will cease to be a subsidiary of the Company.

The Group expects to recognize a gain on disposal of its interest in Jinzheng, which is sum of (a) the difference of the consideration and book value of its effective interest disposed of; and (b) release of exchange reserve relating to its disposed equity interest. The actual amount of the gain on disposal will depend on the actual book value of the Group’s interest in Jinzheng and exchange reserve to be released upon completion of the Disposal.

The Agreement shall only become effective upon the approval by State-owned Assets Supervision and Administration Commission of Tianjin Municipal Government (“Tianjin SASAC”) and other relevant PRC government authorities.

If the approval for sale by way of the Agreement cannot be obtained from Tianjin SASAC, the Disposal may have to go through a tender auction listing procedure in the PRC.

## 26. APPROVAL OF INTERIM FINANCIAL INFORMATION

The interim financial information was approved by the board of directors on 27 August 2010.

# Management Discussion and Analysis

## REVIEW OF OPERATIONS

### Utility Operations

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

#### *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 528,680 kVA.

For the six months ended 30 June 2010, the electricity operation reported revenue of approximately HK\$934.5 million and profit for the period of approximately HK\$40.6 million, representing an increase of 23% and 45% respectively over the corresponding period in last year. The surge in profit for the period was mainly driven by the increase of sales. There was steady growth on electricity demand in 2010 compared to the same period in 2009. The total quantity of electricity sold for the period was approximately 1,181,299,000 kWh, representing an increase of 16% over the same period of 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 technical consulting, and retail and wholesale of water pipes and related parts. The daily water supply capacity of the Water Company is approximately 400,000 tonnes.

For the period under review, the water operation reported revenue of approximately HK\$160.8 million and profit for the period of approximately HK\$13.3 million, representing an increase of 9% and a decrease of 51% respectively over the same period of last year. The total quantity of water sold for the period was approximately 22,186,000 tonnes, representing an increase of 4% over the corresponding period last year. The drop in profit for the period was primarily due to the increase of incremental expenditure and depreciation expenses arising from a water purification project which came into operation in first half of 2010.

# Management Discussion and Analysis

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

Heat & Power Company is principally engaged in the distribution of steam and heating for industrial, commercial and residential customers within the TEDA. The Heat & Power Company has a total of approximately 300 kilometers steam transmission pipelines and more than 60 processing stations in the TEDA, with a daily distribution capacity of 22,200 tonnes of steam.

For the period under review, the heat and thermal power operation reported revenue of approximately HK\$499.3 million and profit for the period of approximately HK\$42.6 million, representing an increase of 18% and 33% respectively over the corresponding period last year. The surge in profit for the period was driven by increase of sales and effective control of expenses. The total quantity of steam sold for the period was approximately 2,244,000 tonnes, representing an increase of 20% over the same period of last year.

By leveraging on their well-established supply network, management expertise and customer base, Electricity Company, Water Company and Heat & Power Company have been benefiting from the rapid growth in consumption in TEDA. The Group believes that the utility operations will continue to be one of the stable profit contributors.

## **Commercial Properties Operations**

### ***Courtyard by Marriott Hong Kong (“Courtyard Hotel”)***

Courtyard Hotel, situated in a prime location on the Hong Kong Island, is a 4-star hotel with 245 guest rooms. It is positioned as an ideal lodge for business and leisure travelers. It commenced its operation in April 2008.

For the six months ended 30 June 2010, Courtyard Hotel reported revenue of approximately HK\$37.7 million and profit for the period of approximately HK\$1.7 million, representing an increase of 36% and 126% respectively over the same period of last year. The good performance was due to Courtyard Hotel's positioning strategy and outstanding services which brought to increase of average occupancy rate and rise of room price in the recovery of the local hospitality market. The average occupancy rate for the period was risen to approximately 76% from 66% in the same period of last year.



# Management Discussion and Analysis

## ***Hyatt Regency Tianjin Hotel (“Hyatt Hotel”)***

Hyatt Hotel, situated in a prime location in the city centre of Tianjin, was a 5-star hotel with 428 guest rooms. The Group acquired Hyatt Hotel in March 2008 and has 75% of its interest. Hyatt Hotel was closed in mid-July 2009 in preparation of a major renovation.

For the period under review, Hyatt Hotel recorded loss of approximately HK\$14.1 million including mainly the expenses incurred and disposal loss of equipments during the renovation preparation period.

## **Strategic and Other Investments**

### ***Winery Operation***

During the period under review, sales volume of Dynasty (stock code: 828) increased by 18% to approximately 32.1 million bottles. Red wine accounted for approximately 84% of total sales revenue. The revenue and profit attributable to the equity holders of Dynasty amounted to approximately HK\$784.8 million and HK\$114.1 million respectively, representing an increase of 14% and 18% over the same period of last year. The satisfactory performance was mainly attributable to growth in sales volume driven by the expansion of distribution network and effective promotion strategies.

Dynasty contributed to the Group a profit of approximately HK\$51.1 million in the first half of 2010, representing an increase of 18% over the same period of last year.

### ***Port Services***

Tianjin Port (stock code: 3382) ceased to be a subsidiary and became an associate of the Group since 4 February 2010 when the acquisition of 56.81% interest in the registered capital of TPH, a company listed on the Shanghai Stock Exchange (stock code: 600717) was completed. Since then the Group's interest in Tianjin Port was diluted to 21% from 67.33% and the Group has adopted equity accounting in respect of its interest in Tianjin Port.

During the period under review, the revenue and profit attributable to the equity holders of Tianjin Port amounted to approximately HK\$7,046 million and HK\$271.1 million respectively. The satisfactory performance was mainly attributable to synergies achieved from the sizable expansion of operating scale and optimization of business structure, and the steady growth of cargo and container handling business.

# Management Discussion and Analysis

Tianjin Port contributed to the Group a profit of approximately HK\$47.4 million in the first half of 2010, representing an increase of 402% over the same period of last year.

The Group recognized a gain of approximately HK\$620 million in the first half of 2010 arising from deconsolidation of Tianjin Port and recognition of the related fair value gain of the retained non-controlling interest.

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

Otis China, an associate of the Group, has continuously recorded satisfactory results during the period under review. The revenue of Otis China for the first half of 2010 amounted to approximately HK\$6,032 million, representing a 24% increase over the same period in 2009.

For the six months ended 30 June 2010, the profit contribution of Otis China (after non-controlling interests) amounted to approximately HK\$140.7 million, representing a 42% increase over the same period of last year. The growth was primarily driven by the increase of sales. The Group believes that the investment in Otis China will continue to bring in satisfactory earnings in the future.

## ***Road Operation***

For the period under review, EORR did not generate any toll revenue due to the notice of suspension levy of vehicle passing fee (關於停止徵收道路建設車輛通行費的公告) which was issued by Tianjin Road Construction and Vehicle Passing Levy Office (天津市人民政府道路建設車輛通行徵收辦公室) on 31 December 2009 and took effect on 1 January 2010, and reported loss for the period of approximately HK\$3.6 million. The loss was mainly due to the expenditure and tax incurred during the period.

On 23 August 2010, the sale and purchase agreement (the "Agreement") was entered into between Wintel Knight, a wholly-owned subsidiary of the Group and EORR Company, a connected person of the Company under Chapter 14A of the Listing Rules, to sell all the Group's 83.9308% equity interest in Jinzheng to EORR Company (the "Disposal") at a consideration of RMB1,198,992,520. The Disposal constitutes a major and connected transaction and is subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules. Completion of the Disposal shall be conditional upon the conditions contained in the Agreement. The Agreement shall only become effective after the same be approved by Tianjin SASAC and other relevant PRC government authorities.

# Management Discussion and Analysis

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

The interest in an associate related to the Jinbin Expressway has been presented as assets held for sale as action had been initiated prior to the end of 2009 to dispose of this investment. The transaction is expected to be completed by end of 2010 or in early 2011.

## ***Investment in Binhai Investment Company Limited (“Binhai Investment”)***

The Group now has 8.28% interest in Binhai Investment (stock code: 8035) and the investment was reclassified as available-for-sale financial assets at the carrying value of approximately HK\$28 million at the interim period of 2009. As at 30 June 2010, the market value of the Group's investment in Binhai Investment amounted to approximately HK\$253 million and the unrealized fair value gain of approximately HK\$225 million was recognized in equity.

## **OUTLOOK**

Despite the continuing volatility of the overseas markets, the Company's various businesses have reported solid improvements and results. Under the support of the policies and measures implemented by the Central Government, China's economy will continue to maintain a stable and healthy development. The Company will continue to focus its efforts on the implementation of restructuring, grasp the investment opportunities to expand core businesses, and complete the projects as scheduled.

While striving to achieve sustainable growth, the Company will continue to adhere to the principle of prudent financial management by maintaining an ample capital liquidity and to lay down a solid development foundation. We are optimistic and confident of the future of the Company.

## **LIQUIDITY AND CAPITAL RESOURCES ANALYSIS**

As at 30 June 2010, the Group's total cash on hand and total bank borrowings were at approximately HK\$3,151 million and approximately HK\$2,106 million respectively (31 December 2009: HK\$3,662 million and HK\$3,351 million respectively) of which approximately HK\$107.8 million bank borrowings will be matured within one year.

The gearing ratio as measured by total borrowings to shareholders' funds was at approximately 23% and 38% as at 30 June 2010 and 31 December 2009 respectively.

# Management Discussion and Analysis

Of the total HK\$2,106 million bank borrowings outstanding at 30 June 2010, HK\$1,997.8 million were subject to floating rates with spread of 0.47% over HIBOR of relevant interest periods. The remaining HK\$107.8 million of bank borrowing was fixed rate debt with annual interest rate of 5.31%.

As at 30 June 2010, 95% (31 December 2009: 96%) of the Group's total bank borrowings was denominated in HK dollars, 5% (31 December 2009: 1%) was denominated in Renminbi, 0% (31 December 2009: 3%) 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 total of approximately 1,200 employees at the end of the period, of which approximately 180 and 390 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.

# Other Information

## DIRECTORS' INTERESTS IN SHARES

As at 30 June 2010, the interests or short positions of the Directors and Chief Executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

### (i) Interest in the Company

<b>Name of Directors</b>	<b>Personal interests in shares</b>	<b>Number of underlying shares held pursuant to share options</b>	<b>Total interests (Note)</b>	<b>Approximate percentage of interests to total issued share capital</b>
Yu Rumin	–	3,000,000	3,000,000	0.28%
Wu Xuemin	–	1,800,000	1,800,000	0.17%
Dai Yan	–	2,300,000	2,300,000	0.22%
Zheng Daoquan	–	2,300,000	2,300,000	0.22%
Wang Jiandong	–	1,500,000	1,500,000	0.14%
Bai Zhisheng	–	800,000	800,000	0.07%
Zhang Wenli	–	800,000	800,000	0.07%
Sun Zengyin	–	800,000	800,000	0.07%
Gong Jing	–	500,000	500,000	0.05%
Wang Zhiyong	–	900,000	900,000	0.08%
Cheung Wing Yui	–	800,000	800,000	0.07%
Eliza Chan Ching Har	–	300,000	300,000	0.03%
Cheng Hon Kwan	–	800,000	800,000	0.07%
Mak Kwai Wing	–	300,000	300,000	0.03%
Kwong Che Keung, Gordon*	–	800,000	800,000	0.07%

Note: These interests are held in the capacity as a beneficial owner.

\* Retired on 26 May 2010 and the underlying share options lapsed on 26 August 2010.

Details of the Directors' interests in share options are set out in the section of "Share Option Scheme" on page 46.

# Other Information

## (ii) Long positions in shares of associated corporation of the Company

### *Tianjin Port*

<b>Name of Director</b>	<b>Capacity</b>	<b>Nature of interests</b>	<b>Number of shares held</b>	<b>Approximate percentage of interests to total issued share capital</b>
Wu Xuemin	Interest of spouse	Family interest	10,000	0.00%

## (iii) Share options in associated corporations of the Company

### *Tianjin Port*

<b>Name of Director</b>	<b>Capacity</b>	<b>Nature of interests</b>	<b>Number of shares</b>	<b>Approximate percentage of interests to total issued share capital</b>
Yu Rumin	Beneficial owner	Personal interest	2,300,000	0.04%
Dai Yan	Beneficial owner	Personal interest	1,100,000	0.02%

### *Dynasty*

<b>Name of Director</b>	<b>Capacity</b>	<b>Nature of interests</b>	<b>Number of shares</b>	<b>Approximate percentage of interests to total issued share capital</b>
Bai Zhisheng	Beneficial owner	Personal interest	2,300,000	0.18%

Save as disclosed above, as at 30 June 2010, none of the Directors or Chief Executive or their respective associates had any interests or short positions in shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

# Other Information

## SHARE OPTION SCHEME

At the annual general meeting of the Company held on 25 May 2007, a share option scheme (the "Option Scheme") of the Company was approved by shareholders of the Company.

Details of the share options granted, exercised, lapsed or cancelled under the Option Scheme during the period and outstanding as at 30 June 2010 are as follows:

	Date of Grant	Exercise Price per share HK\$	Held at 01/01/2010	Number of share options				Held at 30/06/2010	Exercise Period
				Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period		
<b>Directors</b>									
Yu Rumin	19/12/2007	8.04	1,000,000	-	-	-	-	1,000,000	17/01/2008-24/05/2017
	16/12/2009	5.75	2,000,000	-	-	-	-	2,000,000	16/12/2009-24/05/2017
Wu Xuemin	16/12/2009	5.75	1,800,000	-	-	-	-	1,800,000	16/12/2009-24/05/2017
Dai Yan	19/12/2007	8.04	900,000	-	-	-	-	900,000	17/01/2008-24/05/2017
	16/12/2009	5.75	1,400,000	-	-	-	-	1,400,000	16/12/2009-24/05/2017
Zheng Daoquan	19/12/2007	8.04	900,000	-	-	-	-	900,000	17/01/2008-24/05/2017
	16/12/2009	5.75	1,400,000	-	-	-	-	1,400,000	16/12/2009-24/05/2017
Wang Jiandong	19/12/2007	8.04	600,000	-	-	-	-	600,000	17/01/2008-24/05/2017
	16/12/2009	5.75	900,000	-	-	-	-	900,000	16/12/2009-24/05/2017
Bai Zhisheng	19/12/2007	8.04	300,000	-	-	-	-	300,000	17/01/2008-24/05/2017
	16/12/2009	5.75	500,000	-	-	-	-	500,000	16/12/2009-24/05/2017
Zhang Wenli	19/12/2007	8.04	300,000	-	-	-	-	300,000	17/01/2008-24/05/2017
	16/12/2009	5.75	500,000	-	-	-	-	500,000	16/12/2009-24/05/2017
Sun Zengyin	19/12/2007	8.04	300,000	-	-	-	-	300,000	17/01/2008-24/05/2017
	16/12/2009	5.75	500,000	-	-	-	-	500,000	16/12/2009-24/05/2017
Gong Jing	16/12/2009	5.75	500,000	-	-	-	-	500,000	16/12/2009-24/05/2017
Wang Zhiyong	16/12/2009	5.75	900,000	-	-	-	-	900,000	16/12/2009-24/05/2017
Cheung Wing Yui	19/12/2007	8.04	500,000	-	-	-	-	500,000	17/01/2008-24/05/2017
	16/12/2009	5.75	300,000	-	-	-	-	300,000	16/12/2009-24/05/2017
Eliza Chan Ching Har	16/12/2009	5.75	300,000	-	-	-	-	300,000	16/12/2009-24/05/2017
Cheng Hon Kwan	19/12/2007	8.04	500,000	-	-	-	-	500,000	17/01/2008-24/05/2017
	16/12/2009	5.75	300,000	-	-	-	-	300,000	16/12/2009-24/05/2017
Mak Kwai Wing	16/12/2009	5.75	300,000	-	-	-	-	300,000	16/12/2009-24/05/2017
Kwong Che Keung, Gordon (Note 1)	19/12/2007	8.04	500,000	-	-	-	-	500,000	17/01/2008-24/05/2017
	16/12/2009	5.75	300,000	-	-	-	-	300,000	16/12/2009-24/05/2017
<b>Continuous contract employees</b>	19/12/2007	8.04	1,800,000	-	-	800,000	-	1,000,000	17/01/2008-24/05/2017
								(Note 2)	
	16/12/2009	5.75	2,300,000	-	-	-	-	2,300,000	16/12/2009-24/05/2017
Total			21,800,000	-	-	800,000	-	21,000,000	

# Other Information

Notes:

1. The share options of Mr. Kwong Che Keung, Gordon lapsed on 26 August 2010 following his retirement as independent non-executive director on 26 May 2010.
2. 800,000 share options lapsed on 24 August 2010 following the resignation of an employee on 24 May 2010.
3. No share option had been granted under the Option Scheme during the period.

## DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

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

## SUBSTANTIAL SHAREHOLDERS

As at 30 June 2010, the following persons or corporations, other than the Directors or Chief Executive of the Company as disclosed above, had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

<b>Name of Shareholders</b>	<b>Capacity</b>	<b>Number of shares/ underlying shares held (Note1)</b>	<b>Approximate percentage of shares to total issued share capital</b>
Tsinlien Group Company Limited ("Tsinlien") (Note 2)	Interest of controlled corporation	576,945,143(L)	54.05%
Blackrock, Inc	Interest of controlled corporation	131,164,500(L) 877,600(S)	12.29% 0.08%



# Other Information

Notes:

1. “L” denotes a long position in shares.  
“S” denotes a short position in shares.
2. As at 30 June 2010, Tsinlien held 2,462,000 shares and its wholly-owned subsidiaries, namely Tianjin Investment Holdings Limited (“Tianjin Investment”), Tsinlien Venture Capital Company Limited (“Tsinlien Venture”) and Tsinlien Investment Limited (“Tsinlien Investment”), held 568,017,143 shares, 2,022,000 shares and 4,444,000 shares respectively. By virtue of the SFO, Tsinlien is taken to have interest in the shares held by Tianjin Investment, Tsinlien Venture and Tsinlien Investment.

Save as disclosed above, as at 30 June 2010, the Company had not been notified by any other persons or corporations, other than the Directors or Chief Executive of the Company, who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

## **CORPORATE GOVERNANCE**

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 to the Listing Rules throughout the period, except for the following deviation:

## **NON-COMPLIANCE WITH RULE 3.10(1) AND RULE 3.21 OF THE LISTING RULES**

Reference is made to the announcement of the Company dated 26 May 2010 in relation to the retirement of Mr. Kwong Che Keung, Gordon, an independent non-executive director and a member of the audit committee of the Company. Following Mr. Kwong’s retirement, the Company has only two independent non-executive directors and two audit committee members, the number of which falls below the minimum number required under the Rules 3.10(1) and 3.21 of the Listing Rules.

On 28 July 2010, Ms. Ng Yi Kum, Estella was appointed as independent non-executive director and chairman of the audit committee of the Company to fill up such vacancy. Following the appointment of Ms. Ng, the Company has complied with the requirement of a minimum number of independent non-executive directors and audit committee members under Rules 3.10(1) and 3.21 of the Listing Rules.

# Other Information

## REVIEW BY AUDIT COMMITTEE

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 Engagement 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Hong Kong Institute of Certified Public Accountants. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing and financial reporting matters including the review of the unaudited interim financial information.

The Audit Committee consists of Dr. Cheng Hon Kwan, Mr. Mak Kwai Wing and Ms. Ng Yi Kum, Estella who is the chairman of the committee.

## COMPLIANCE WITH THE MODEL CODE OF THE LISTING RULES

The Company has adopted the 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.

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

## CHANGES OF DIRECTOR'S INFORMATION

Changes of Directors' information since the date of the 2009 annual report of the Company, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

1. Dr. Wang Jiandong and Mr. Wang Zhiyong were appointed as deputy general manager of the Company on 14 May 2010.
2. Mr. Cheung Wing Yui has been appointed an executive committee member of the community chest and ceased to be deputy chairman of the Hong Kong Institute of Directors Limited.
3. Dr. Eliza Chan Ching Har has been appointed a Standing Vice-President of the Hong Kong CPPCC (Provincial) Members Association.
4. With effect from 28 July 2010, Mr. Yu Rumin was appointed as chairman of the Company and received a monthly allowance of HK\$30,000.

# Other Information

## **DISCLOSURE UNDER RULE 13.21 OF THE LISTING RULES**

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

Under the Facility Agreement, it will be an event of default if (i) the Tianjin Municipal Government of the PRC shall cease to maintain a shareholding ownership directly or indirectly in the Company of more than 50%, or (ii) the Company shall cease to be under the direct or indirect management control of Tsinlien. If any of the above-mentioned events of default occurs, it will confer on the Lenders the right to cancel the Facility and declare all outstanding borrowings and interest as immediately due and payable on demand.

## **INTERIM DIVIDEND**

No interim dividend was recommended by the Board.

## **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.

By Order of the Board

**Yu Rumin**

*Chairman*

Hong Kong, 27 August 2010

# Report on Review of Interim Financial Information



羅兵咸永道會計師事務所

**PricewaterhouseCoopers**  
22/F, Prince's Building  
Central, Hong Kong

## **TO THE BOARD OF DIRECTORS OF TIANJIN DEVELOPMENT HOLDINGS LIMITED**

(incorporated in Hong Kong with limited liability)

### **INTRODUCTION**

We have reviewed the interim financial information set out on pages 5 to 37, which comprises the condensed consolidated balance sheet of Tianjin Development Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2010 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

# Report on Review of Interim Financial Information

## SCOPE OF REVIEW

We conducted our review 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 Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

**PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, 27 August 2010