



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 2007**

FINANCIAL HIGHLIGHTS

- Revenue amounted to approximately HK\$1,618.4 million, representing an increase of 40% as compared to first half of 2006.
- Profit attributable to equity holders amounted to approximately HK\$236.9 million, representing a decrease of 19% as compared to first half of 2006.
- Excluding the exceptional items, profit attributable to equity holders increased by 32% to HK\$236.9 million as compared to first half of 2006.
- Basic earnings per share amounted to HK23.41 cents; diluted earnings per share amounted to HK23.14 cents.
- Interim dividend of HK5.4 cents per share declared.

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 2007, together with the comparative figures for the corresponding period in 2006, as follows:

CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June 2007

		Unaudited	
		2007	2006
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	2	1,618,433	1,156,911
Cost of sales		(1,119,537)	(763,840)
		<hr/>	<hr/>
Gross profit		498,896	393,071
Other income	3	46,777	140,666
Gain on deemed disposal of partial interest in subsidiaries		–	109,235
General and administrative expenses		(223,892)	(204,239)
Other operating expenses		(11,012)	(6,312)
		<hr/>	<hr/>
Operating profit		310,769	432,421
Finance costs	4	(58,088)	(74,319)
Fair value loss on derivative liability of convertible bonds		–	(92,745)
Share of profits/(losses) of			
Associates		95,414	81,488
Jointly controlled entities		(1,093)	(426)
		<hr/>	<hr/>
Profit before tax		347,002	346,419
Tax expense	5	(48,922)	(34,674)
		<hr/>	<hr/>
Profit for the period		298,080	311,745
		<hr/> <hr/>	<hr/> <hr/>
Attributable to:			
Equity holders		236,871	293,143
Minority interests		61,209	18,602
		<hr/>	<hr/>
		298,080	311,745
		<hr/> <hr/>	<hr/> <hr/>
Interim dividend	6	55,923	44,602
		<hr/> <hr/>	<hr/> <hr/>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share	7		
– Basic		23.41	31.35
– Diluted		23.14	30.17
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CONSOLIDATED BALANCE SHEET

As at 30th June 2007

	Unaudited 30th June 2007 HK\$'000	Audited 31st December 2006 HK\$'000
	<i>Note</i>	
ASSETS		
Non-current assets		
Property, plant and equipment	5,920,746	5,813,569
Investment property	395,277	383,085
Goodwill	586,722	586,050
Land use rights	775,459	761,516
Interest in associates	1,280,393	1,152,770
Interest in jointly controlled entities	66,065	91,903
Deferred tax assets	5,113	4,960
Available-for-sale financial assets	111,590	108,161
	<hr/>	<hr/>
	9,141,365	8,902,014
	<hr/>	<hr/>
Current assets		
Inventories	11,630	12,706
Amounts due from associates	23,721	20,115
Amounts due from jointly controlled entities	9,240	284
Amounts due from related companies	21,112	24,332
Amounts due from a minority shareholder	9,473	12,382
Amounts due from investee companies	113,227	100,871
Trade receivables	636,304	478,692
Other receivables, deposits and prepayments	205,108	198,566
Financial assets at fair value through profit or loss	199,689	177,286
Cash and bank balances		
– Restricted	–	28,640
– Unrestricted	3,090,064	3,275,638
	<hr/>	<hr/>
	4,319,568	4,329,512
	<hr/>	<hr/>
Total assets	13,460,933	13,231,526
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CONSOLIDATED BALANCE SHEET

As at 30th June 2007

		Unaudited	Audited
		30th June	31st December
		2007	2006
	<i>Note</i>	HK\$'000	HK\$'000
EQUITY			
Equity holders			
Share capital		103,562	98,244
Reserves		7,376,304	6,762,453
Proposed dividend		55,923	45,192
		<hr/>	<hr/>
		7,535,789	6,905,889
Minority interests		2,575,107	2,464,540
		<hr/>	<hr/>
Total equity		10,110,896	9,370,429
		<hr/>	<hr/>
LIABILITIES			
Non-current liabilities			
Convertible bonds		–	211,803
Other borrowings		1,457,475	1,502,682
Deferred tax liabilities		103,846	93,796
		<hr/>	<hr/>
		1,561,321	1,808,281
		<hr/>	<hr/>
Current liabilities			
Trade payables	9	212,318	221,123
Other payables and accruals		578,546	632,235
Amounts due to related companies		168,823	336,244
Amounts due to a minority shareholder		203,422	197,480
Other borrowings		527,332	563,814
Current tax liabilities		98,275	101,920
		<hr/>	<hr/>
		1,788,716	2,052,816
		<hr/>	<hr/>
Total liabilities		3,350,037	3,861,097
		<hr/>	<hr/>
Total equity and liabilities		13,460,933	13,231,526
		<hr/>	<hr/>
Net current assets		2,530,852	2,276,696
		<hr/>	<hr/>
Total assets less current liabilities		11,672,217	11,178,710
		<hr/>	<hr/>

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1 Basis of preparation and accounting policies

The unaudited condensed consolidated interim financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets at fair value through profit or loss and investment properties, which are carried at fair value, and are prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim Financial Reporting”, issued by the Hong Kong Institute of Certified Public Accountants.

The unaudited condensed consolidated interim financial statements should be read in conjunction with the 2006 audited consolidated annual financial statements.

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those used in the annual financial statements for the year ended 31st December 2006.

The following standards, interpretations and amendments to existing standards are relevant to the Group and are mandatory for financial year ending 31st December 2007:

HKAS 1 (Amendment)	Presentation of Financial Statements: Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

The adoption of these new standards, amendments and interpretations has no significant impact on the Group’s interim results and financial position nor any substantial changes in the Group’s accounting policies whereas the adoption of HKAS 1 (Amendment) and HKFRS 7 requires additional disclosures to be made in the annual financial statements.

The following new standards and interpretations, which are relevant to the Group, have been issued but are not effective for financial year ending 31st December 2007 and have not been early adopted by the Group:

HKAS 23 (revised)	Borrowing Costs
HKFRS 8	Operating Segments
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements

The Group has already commenced an assessment of the impact of these new standards, interpretations 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 containerised and non-containerised goods handling services, operation of toll roads, supply of utilities and property development. The associates of the Group are principally engaged in the manufacturing and sales of winery products, escalators and elevators.

Primary reporting format – business segments

	Unaudited							Group HK\$'000
	For the six months ended 30th June 2007							
	Port services HK\$'000	Operation of toll roads HK\$'000	Supply of utilities (note) HK\$'000	Property development HK\$'000	Winery HK\$'000	Elevator and escalator HK\$'000	Others HK\$'000	
Revenue	<u>554,947</u>	<u>92,318</u>	<u>971,168</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,618,433</u>
Segment results	<u>130,111</u>	<u>42,020</u>	<u>106,278</u>	<u>(27)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>278,382</u>
Interest income								24,283
Net corporate income								<u>8,104</u>
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								<u>298,080</u>
Capital expenditure	29,003	5	9,926	–	–	–	4,674	43,608
Depreciation and amortisation	<u>59,202</u>	<u>23,088</u>	<u>31,397</u>	<u>14</u>	<u>–</u>	<u>–</u>	<u>2,323</u>	<u>116,024</u>

	Unaudited							
	For the six months ended 30th June 2006							
	Port services	Operation of toll roads	Supply of utilities (note)	Property development	Winery	Elevator and escalator	Others	Group
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	472,218	87,671	594,311	2,711	–	–	–	1,156,911
Segment results	123,935	40,693	60,060	(7)	–	–	–	224,681
Gain on deemed disposal of partial interest in subsidiaries	109,235							109,235
Interest income								113,232
Net corporate expenses								(14,727)
Operating profit								432,421
Finance costs								(74,319)
Fair value loss on derivative liability of convertible bonds								(92,745)
Share of profits/(losses) of								
Associates	551	–	–	–	38,009	45,434	(2,506)	81,488
Jointly controlled entities	–	–	–	–	201	–	(627)	(426)
Profit before tax								346,419
Tax expense								(34,674)
Profit for the period								311,745
Capital expenditure	985,017	1,729	3,769	2	–	–	1,081	991,598
Depreciation and amortisation	43,621	20,744	33,364	57	–	–	1,983	99,769

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-Technological Development Area (“TEDA”) has confirmed to grant to Electricity Company and Water Company quantity-based government supplemental income calculated at RMB0.02 per kWh of electricity supplied and RMB2 per tonne of water supplied for five years to 31st December 2007. 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\$18.1 million (2006: HK\$15.1 million), HK\$36.9 million (2006: HK\$35.2 million) and HK\$75.8 million (2006: HK\$12.9 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 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>	Property development <i>HK\$'000</i>	Winery <i>HK\$'000</i>	Elevator and escalator <i>HK\$'000</i>	Unallocated and others <i>HK\$'000</i>	Group <i>HK\$'000</i>
Assets	2,662,891	3,685,350	1,753,031	395,352	–	43,518	3,640,398	12,180,540
Associates	27,796	–	–	–	682,036	529,664	40,897	1,280,393
Total assets	<u>2,690,687</u>	<u>3,685,350</u>	<u>1,753,031</u>	<u>395,352</u>	<u>682,036</u>	<u>573,182</u>	<u>3,681,295</u>	<u>13,460,933</u>
Liabilities	<u>99,091</u>	<u>69,300</u>	<u>558,942</u>	<u>–</u>	<u>–</u>	<u>12,993</u>	<u>2,609,711</u>	<u>3,350,037</u>

The audited segment assets and liabilities at 31st December 2006 are as follows:

	Port services <i>HK\$'000</i>	Operation of toll roads <i>HK\$'000</i>	Supply of utilities <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Winery <i>HK\$'000</i>	Elevator and escalator <i>HK\$'000</i>	Unallocated and others <i>HK\$'000</i>	Group <i>HK\$'000</i>
Assets	2,556,136	3,571,212	1,670,611	383,171	–	51,934	3,845,692	12,078,756
Associates	25,950	–	–	–	625,365	463,265	38,190	1,152,770
Total assets	<u>2,582,086</u>	<u>3,571,212</u>	<u>1,670,611</u>	<u>383,171</u>	<u>625,365</u>	<u>515,199</u>	<u>3,883,882</u>	<u>13,231,526</u>
Liabilities	<u>159,655</u>	<u>55,860</u>	<u>565,065</u>	<u>–</u>	<u>–</u>	<u>10,687</u>	<u>3,069,830</u>	<u>3,861,097</u>

Secondary reporting format – geographical segments

	Unaudited Revenue		Unaudited Operating results	
	Six months ended 30th June		Six months ended 30th June	
	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
PRC mainland	<u>1,618,433</u>	<u>1,156,911</u>	<u>278,382</u>	<u>224,681</u>
			Unaudited 30th June 2007 <i>HK\$'000</i>	Audited 31st December 2006 <i>HK\$'000</i>
Total assets			12,023,417	11,891,970
PRC mainland			157,123	186,786
Hong Kong				
			<u>12,180,540</u>	<u>12,078,756</u>
Associates			<u>1,280,393</u>	<u>1,152,770</u>
			<u>13,460,933</u>	<u>13,231,526</u>
			Unaudited Six months ended 30th June 2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Capital expenditures			43,581	991,101
PRC mainland			27	497
Hong Kong				
			<u>43,608</u>	<u>991,598</u>

3 Other income

	Unaudited	
	Six months ended 30th June	
	2007	2006
	HK\$'000	HK\$'000
Interest income		
– initial public offer deposits of a subsidiary	–	97,574
– bank deposits	24,283	15,658
Financial assets at fair value through profit or loss		
– fair value gains – listed	5,706	4,438
– fair value gains – unlisted	1,988	3,460
Dividend income from investee companies – unlisted	8,999	10,634
Sundries	5,801	8,902
	46,777	140,666

4 Finance costs

	Unaudited	
	Six months ended 30th June	
	2007	2006
	HK\$'000	HK\$'000
Interest expense		
– bank borrowings	48,717	51,784
– loans from a minority shareholder	6,465	5,226
– convertible bonds (notional charge)	2,906	17,309
	58,088	74,319

5 Tax expense

	Unaudited	
	Six months ended 30th June	
	2007	2006
	HK\$'000	HK\$'000
Current taxation		
– PRC income tax	41,972	25,163
Deferred taxation	6,950	9,511
	48,922	34,674

No provision for Hong Kong profits tax has been made as there is no estimated assessable profit for the period for the Group (2006: 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.

Share of associates' taxation for the six months ended 30th June 2007 of HK\$46,597,000 (2006: HK\$35,562,000) are included in the income statement as share of profits of associates.

There is no change in the tax rate for principal subsidiaries, details of which have been disclosed in the 2006 annual financial statements.

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 will be effective from 1st January 2008. According to the new CIT Law, both domestic and foreign invested enterprise will be subject to a single income tax rate of 25%. The new CIT Law also provides for preferential tax rates, tax incentives for prescribed industries and activities, grandfathering provisions as well as determination of taxable profit.

For the six months ended 30th June 2007, the current income tax and deferred tax assets and liabilities were provided at the rates currently applicable to the various business entities within our Group. As at the date the 2007 interim financial report is approved for issue, detailed measures of the new CIT Law have yet to be issued. The Group will assess their impact as detailed regulations are announced.

6 Interim dividend

	Unaudited	
	Six months ended 30th June	
	2007	2006
	HK\$'000	HK\$'000
2006 final, paid, of HK4.6 cents (2005: HK4.0 cents) per share	47,639	38,784
2007 interim, declared, of HK5.4 cents (2006: HK4.6 cents) per share	55,923	44,602

At the meeting of the Board held on 20th September 2007, the directors declared an interim dividend of HK5.4 cents per ordinary share. This declared dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31st December 2007.

7 Earnings per share

The calculation of the basic earnings per share is based on the profit attributable to equity holders of HK\$236,871,000 (2006: HK\$293,143,000) and the weighted average number of 1,011,835,000 shares in issue (2006: 934,965,000 shares) during the period.

The calculation of the diluted earnings per share for 2007 is based on the 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.

The calculation of the diluted earnings per share for 2006 was based on the adjusted profit attributable to equity holders of HK\$310,451,000 and 1,029,101,000 shares which is the weighted average number of 934,965,000 shares in issue during the six months ended 30th June 2006, plus the weighted average number of 94,136,000 shares deemed to be issued at no consideration if all outstanding options had been exercised and all outstanding convertible bonds had been converted.

8 Trade receivables

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

	Unaudited 30th June 2007 <i>HK\$'000</i>	Audited 31st December 2006 <i>HK\$'000</i>
Within 30 days	486,233	366,557
31 to 90 days	52,685	18,329
91 to 180 days	26,566	10,031
Over 180 days	70,820	83,775
	<u>636,304</u>	<u>478,692</u>

The various group companies have different credit policies which are dependent on the requirements of the markets and the businesses which they operate. In general, credit terms of 90 days are given to customers.

9 Trade payables

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

	Unaudited 30th June 2007 <i>HK\$'000</i>	Audited 31st December 2006 <i>HK\$'000</i>
Within 30 days	12,204	24,738
31 to 90 days	19,087	14,142
91 to 180 days	12,041	13,931
Over 180 days	168,986	168,312
	<u>212,318</u>	<u>221,123</u>

REVIEW OF OPERATIONS

	Unaudited			
	Six months ended 30th June			
	Revenue		Segment results	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Provision of port services	554,947	472,218	130,111	123,935
Operation of toll roads	92,318	87,671	42,020	40,693
Supply of utilities	971,168	594,311	106,278	60,060
Sales of properties	–	2,711	(27)	(7)
	<u>1,618,433</u>	<u>1,156,911</u>	<u>278,382</u>	<u>224,681</u>
Gain on deemed disposal of partial interest in subsidiaries			–	109,235
Interest income			24,283	113,232
Net corporate income/(expenses)			8,104	(14,727)
Operating profit			310,769	432,421
Finance costs			(58,088)	(74,319)
Fair value loss on derivative liability of convertible bonds			–	(92,745)
Share of profits/(losses) of Associates (<i>note</i>)			95,414	81,488
Jointly controlled entities			(1,093)	(426)
Profit before tax			347,002	346,419
Tax expense			(48,922)	(34,674)
Profit for the period			<u>298,080</u>	<u>311,745</u>
<i>Note:</i>				
Share of profits/(losses) of associates				
Manufacturing and sales of winery products			44,798	38,009
Elevator and escalator			47,663	45,434
Others			2,953	(1,955)
			<u>95,414</u>	<u>81,488</u>

Infrastructure Operations

Port Services

The revenue of Tianjin Port Development Holdings Limited (“TPD”) (stock code: 3382) increased by 18% from approximately HK\$472.2 million in the first half of 2006 to approximately HK\$554.9 million in the corresponding period of 2007. The growth in revenue was driven by a 15% increase in our container throughput from 1,173,000 TEUs in 2006 to 1,353,000 TEUs in 2007. For the same period, the total throughput of bulk cargo decreased by 20% from 8.1 million tonnes to 6.5 million tonnes.

The segment profit was increased by 5% from approximately HK\$123.9 million for 2006 to approximately HK\$130.1 million for 2007. Under the favourable macro economic environment, TPD achieved satisfactory results through organic growth of existing capacity. This was especially evident in regard to TPD’s container handling business whose growth rate exceeded most other operators within the Tianjin port. The constant improvement in overall operating profitability is the result of improved revenue structure, better economies of scale, improved operational efficiency and effective cost control measures.

Road Operation

During the period ended 30th June 2007, road operation achieved a toll revenue of approximately HK\$92.3 million and realised a segment profit of approximately HK\$42.0 million, representing an increase of 5% and 3% over the corresponding period last year.

The Jinbin Expressway operated with satisfactory performance during the period under review, as evidenced by an average daily traffic flow of 22,031 vehicles and toll revenue of approximately HK\$41.6 million, representing an increase of 23% and 26% over the same period last year. With the expected flourishing development in the Tianjin Binhai New Area (“TBNA”), the Group believes the traffic flow and toll revenue of Jinbin Expressway will keep increasing accordingly.

Since the opening of other expressways in the city, diversion of traffic from the Eastern Outer Ring Road continued. The average daily traffic flow on the Eastern Outer Ring Road has declined by 29% to 18,614 vehicles during the period. However, more larger/heavier vehicles returned after the major repairs and maintenance last year. As a result, there was an improvement of vehicle mix and the toll revenue decreased by only 7% to approximately HK\$50.7 million over the corresponding period 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 this period of 2007, the Group's electricity operation reported revenue of approximately HK\$592.3 million and a segment profit of approximately HK\$38.6 million, representing increase of 30% and 37% over the comparable period last year respectively. The increase in segment profit was mainly attributable to the increase in quantity sold and effective control over indirect costs. The total quantity of electricity sold for the period was approximately 893,952,000 kWh, representing an increase of 14% over the comparable period last year.

Water Operation

Water Company is principally engaged in the supply of tap water in the TEDA. It is also engaged in installation and maintenance of water pipes, tap water related technological consulting, and retail and wholesale of water pipes and related parts. The daily water supply capacity of the Water Company reaches approximately 220,000 tonnes.

For this period of 2007, the Group's water operation reported revenue of approximately HK\$116.8 million and a segment profit of approximately HK\$33.3 million, resulted in an increase of 12% and a decrease of 10% respectively over the corresponding period last year. The total quantity of water sold for the period was approximately 18,285,000 tonnes, representing an increase of 0.4% over the comparable period last year. In order to ensure water supply capability, a new source of supply was secured from a supplier of underground water. During the first half of this year, part of the purchase was made from the supplier. Since underground water costs more than self-produced water, it resulted in a decrease of segment profit.

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 this period of 2007, the Group's heat and thermal power operation reported revenue of approximately HK\$262.0 million and a segment profit of approximately HK\$34.4 million. Since the acquisition of Heat & Power Company was completed in late April 2006, the Heat & Power Company only contributed 2 months' results. A loss was resulted due to the seasonality of the industry in 2006. The profit for the current period was driven by the increase in quantity sold and the improvement of gross margin. The total quantity of steam sold for the first half of 2007 was approximately 1,501,000 tonnes, representing an increase of 9% over the comparable 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.

Strategic and Other Investments

Winery Operation

During the period under review, sales volume of Dynasty Fine Wines Group Limited ("DFWGL") (stock code: 828) increased from approximately 26.2 million bottles in 2006 to approximately 29.5 million bottles in 2007. Red wine contributed over 93% of total sales revenue. The revenue and profit attributable to shareholders of DFWGL amounted to approximately HK\$662.3 million and HK\$100.0 million respectively, representing increase of 15% and 22% over the same period in last year. Together with continuous growth in sales volume, the significant decrease in distribution costs contributed to the increase in profit. The decrease in distribution costs was mainly attributable to the strong measures taken by the management to control advertising and promotion expenses.

DFWGL contributed to the Group a profit of approximately HK\$44.8 million in the first half of 2007, as compared to approximately HK\$38.0 million in the same period of 2006, representing an increase of 18%.

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 2007 amounted to approximately HK\$3,663.4 million, representing a 16% increase over the same period in 2006.

For the six months ended 30th June 2007, the contribution of OTIS China to the profit of the Company amounted to approximately HK\$47.7 million, representing a 5% increase over the same period of last year. Demand in both domestic and overseas markets remained solid and OTIS China has increased its marketing efforts to expand the business. The Group believes that the investment in OTIS China will continue to bring in sustainable earnings in the future.

PROSPECTS

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

Having considered the future development of TBNA, the Group will continue to expand its port operations through TPD, as evidenced by its investments in joint ventures engaging in the construction, management and operation of container handling terminals at the Beigangchi area of the port of Tianjin.

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

In view of increasing business activities, it is expected that more business travelers will be visiting and working in Tianjin. This would definitely lead to huge demand for hotel accommodation. Together with anticipation of property boom, the Group is actively exploring the opportunities in property development business with focus to be put on hotel projects.

This year is the tenth anniversary of the Company’s listing on The Stock Exchange of Hong Kong Limited (“Stock Exchange”). Looking forward, our staff will altogether devote their best efforts to grasp the business opportunities arose from TBNA – the third engine of the economic development in the PRC, in order to pursue higher return to shareholders.

LIQUIDITY AND CAPITAL RESOURCES ANALYSIS

As at 30th June 2007, the Group’s total cash on hand and total bank borrowings stood at approximately HK\$3,090 million and approximately HK\$1,719 million respectively (31st December 2006: HK\$3,304 million and HK\$1,807 million respectively) of which approximately HK\$262 million bank borrowings will be matured within one year. Convertible bonds were fully converted in 2007 (outstanding amount as at 31st December 2006: HK\$212 million). Loans from minority shareholders of subsidiaries amounted to approximately HK\$266 million (31st December 2006: HK\$260 million) which bore interest at the rate of 5.5% to 6.4% per annum and have no fixed terms of repayment.

The gearing ratio as measured by total borrowings to shareholders’ funds is approximately 26% as at 30th June 2007, compared to approximately 33% as at 31st December 2006.

Of the total HK\$1,719 million bank borrowings outstanding at 30th June 2007, HK\$682 million was fixed rate debts with annual interest rate ranging from 5.5% to 6.8%. The remaining HK\$1,037 million of bank loans were subject to floating rates with spread of 0.44% to 0.47% over HIBOR of relevant interest periods.

As at 30th June 2007, 40% (31st December 2006: 42%) of the Group's total bank borrowings was denominated in Renminbi, 60% (31st December 2006: 55%) was denominated in HK dollars and none (31st December 2006: 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 a total of approximately 4,000 employees at the end of the period, of which approximately 880 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

Equity interests in certain subsidiaries of the Group are pledged against secured bank borrowings with an outstanding amount of approximately HK\$617,813,000.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company had complied with the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the period, except for the following deviations:

Code Provision E.1.2

The code provision E.1.2 of the CG Code provides that the Chairman of the Board shall attend the annual general meeting of the Company. Due to business reason, Mr. Wang Guanghao, the Chairman of the Board was unable to attend the annual general meeting of the Company on 25th May 2007 (the "AGM"). Dr. Ren Xuefeng, the vice chairman of the Board, was elected to take the chair at the AGM pursuant to the articles of association of the Company.

Code Provision A.4.2

The code provision A.4.2 of the CG Code provides that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

As disclosed in the Company's 2006 Annual Report, the Directors have not been required by the Company's articles of association to retire by rotation at least once every three years. However, in accordance with the Company's articles of association, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest one-third, shall retire from office by rotation at each annual general meeting. It is therefore considered that code provision A.4.2 has been followed in practice. To ensure better compliance with the CG Code, relevant amendments to the Company's articles of association were approved by shareholders at the AGM to provide that at each annual general meeting one-third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years.

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 auditors have carried out a review of the unaudited interim financial statements 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. 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 statements.

COMPLIANCE WITH THE MODEL CODE OF THE LISTING RULES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules as the Company's code of conduct governing dealings by all directors in the securities of the Company. Having made specific enquiries of all directors, all 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 declared an interim dividend of HK5.4 cents per share in cash for the six months ended 30th June 2007 to shareholders whose names appear on the Register of Members of the Company on 17th October 2007. The interim dividend will be paid on Friday, 9th November 2007.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 15th October 2007 to Wednesday, 17th October 2007, both days inclusive, during which 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 Friday, 12th October 2007.

By Order of the Board

Wang Guanghao

Chairman

Hong Kong, 20th September 2007

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