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 FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2010

## FINANCIAL HIGHLIGHTS

- Revenue from continuing operations amounted to approximately HK$3,223,000,000, representing an increase of 13% as compared to 2009.
- Profit attributable to owners of the Company amounted to approximately HK$474,000,000 (2009: loss of approximately HK$195,000,000).
- Recurring profit attributable to owners of the Company amounted to approximately HK$407,000,000, representing an increase of 5% as compared to 2009 (2009: approximately HK$389,000,000), if excluding one-off gains of approximately HK$866,000,000 and one-off impairment losses of approximately HK$758,000,000.

## RESULTS

The audited consolidated results of Tianjin Development Holdings Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2010, together with the comparative figures for the corresponding year in 2009, are as follows:

## CONSOLIDATED INCOME STATEMENT

*For the year ended 31 December 2010*

| | Notes | 2010 HK$'000 | 2009 HK$'000 |
|---|---|---|---|
| Continuing operations: | | | |
| Revenue | 2 | **3,223,034** | 2,841,186 |
| Cost of sales | | **(2,972,789)** | (2,522,990) |
| Gross profit | | **250,245** | 318,196 |
| Other income | 3 | **41,005** | 89,135 |
| Other gains (losses), net | 4 | **74,392** | 76,404 |
| General and administrative expenses | | **(328,051)** | (308,880) |
| Other operating expenses | | **(33,536)** | (34,418) |
| Finance costs | 8 | **(19,170)** | (14,416) |
| Share of profits (losses) of | | | |
| Associates | | **551,165** | 342,306 |
| Jointly controlled entities | | **(19,522)** | (9,940) |
| Profit before tax before impairment loss on property, plant and equipment | | **516,528** | 458,387 |
| Tax (expense) credit | 10 | **(53,667)** | (32,934) |
| Profit for the year from continuing operations before impairment loss on property, plant and equipment | | **462,861** | 425,453 |
| Impairment loss on property, plant and equipment | 7 | **(829,476)** | – |
| (Loss) profit for the year from continuing operations after impairment loss on property, plant and equipment | | **(366,615)** | 425,453 |
| Operation of toll roads: | | | |
| Gain on disposal of interest in a subsidiary | 5(a) | **236,415** | – |
| Gain on disposal of interest in an associate | 5(b) | **9,907** | – |
| Loss for the year | 5(a) | **(48,328)** | (598,760) |
| Port services: | | | |
| Gain on deemed disposal of interest in a subsidiary | 6 | **620,111** | – |
| Loss for the year | 6 | **–** | (47,710) |
| Profit (loss) for the year from operation of toll roads and port services | | **818,105** | (646,470) |
| Profit (loss) for the year | 9 | **451,490** | (221,017) |

| | Notes | **2010** *HK$'000* | 2009 *HK$'000* |
|---|---|---|---|
| Attributable to: | | | |
| Owners of the Company | | **474,172** | (195,141) |
| Non-controlling interests | | **(22,682)** | (25,876) |
| | | **451,490** | (221,017) |
| Dividends | *11* | **–** | 55,508 |
| | | ***HK cents*** | *HK cents* |
| Earnings (loss) per share | *12* | | |
| Basic and diluted | | | |
| From continuing operations before impairment loss on property, plant and equipment | | **38.15** | 35.41 |
| From continuing operations after impairment loss on property, plant and equipment | | **(32.82)** | 35.41 |
| From operations of toll roads and port services | | **77.24** | (53.69) |
| | | **44.42** | (18.28) |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 December 2010*

| | Notes | 2010 HK$'000 | 2009 HK$'000 |
|---|---|---|---|
| Profit (loss) for the year | | **451,490** | (221,017) |
| Other comprehensive income: | | | |
| Currency translation differences | | **158,500** | 21,086 |
| Release of exchange reserve upon completion of disposal of interest in a subsidiary | *5(a)* | **(147,738)** | – |
| Release of exchange reserve and available-for-sale revaluation reserve upon completion of deemed disposal of interest in a subsidiary | *6* | **(367,642)** | – |
| Release of exchange reserve upon strike off of subsidiaries | | **–** | (7,079) |
| Change in fair value of available-for-sale financial assets | *13(a)* | **(133,971)** | 432,909 |
| Deferred taxation on fair value change of available-for-sale financial assets | | **(8,625)** | – |
| Share of other comprehensive income of associates | | | |
| – available-for-sale revaluation reserve | | **3,009** | – |
| – currency translation differences | | **88,542** | – |
| Total comprehensive income for the year | | **43,565** | 225,899 |
| Attributable to: | | | |
| Owners of the Company | | **41,093** | 244,450 |
| Non-controlling interests | | **2,472** | (18,551) |
| | | **43,565** | 225,899 |

**CONSOLIDATED BALANCE SHEET**
*As at 31 December 2010*

| | Notes | 31 December 2010 HK$'000 | 31 December 2009 HK$'000 (Restated) | 1 January 2009 HK$'000 (Restated) |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Property, plant and equipment | | **1,111,473** | 1,910,081 | 3,654,959 |
| Land use rights | | **51,970** | 247,526 | 1,045,854 |
| Interest in associates | | **4,744,622** | 1,516,634 | 1,590,350 |
| Interest in jointly controlled entities | | **16,938** | 35,635 | 1,475,520 |
| Deferred tax assets | | **133,379** | 174,988 | 147,539 |
| Available-for-sale financial assets | *13* | **464,768** | 558,652 | 128,453 |
| | | **6,523,150** | 4,443,516 | 8,042,675 |
| **Current assets** | | | | |
| Inventories | | **5,005** | 10,413 | 10,337 |
| Amounts due from associates | | **–** | – | 2,553 |
| Amounts due from jointly controlled entities | | **25,645** | – | 6,858 |
| Amounts due from ultimate holding company | | **1,066** | 998 | – |
| Amounts due from related companies | | **42,361** | 11,865 | 13,000 |
| Amounts due from investee companies | | **16,833** | 210,516 | 162,036 |
| Trade receivables | *15* | **717,302** | 763,608 | 756,029 |
| Other receivables, deposits and prepayments | | **1,596,762** | 168,733 | 231,028 |
| Financial assets at fair value through profit or loss | | **772,676** | 477,495 | 472,703 |
| Restricted bank balance | | **10,576** | 27,215 | – |
| Time deposits with maturity over three months | | **417,321** | 457,218 | 952,815 |
| Cash and cash equivalents | | **2,521,111** | 2,320,542 | 1,845,316 |
| | | **6,126,658** | 4,448,603 | 4,452,675 |
| Assets held for sale, relating to operation of | | | | |
| – toll roads | *5* | **–** | 1,949,344 | 2,376,166 |
| – port services | *6* | **–** | 5,444,791 | – |
| – commercial properties | *16* | **523,859** | – | – |
| | | **6,650,517** | 11,842,738 | 6,828,841 |
| **Total assets** | | **13,173,667** | 16,286,254 | 14,871,516 |

| | Notes | **31 December 2010 HK$'000** | 31 December 2009 HK$'000 (Restated) | 1 January 2009 HK$'000 (Restated) |
|---|---|---|---|---|
| **EQUITY** | | | | |
| Owners of the Company | | | | |
| Share capital | | **106,747** | 106,747 | 106,747 |
| Reserves – others | | **8,774,509** | 8,727,634 | 8,513,692 |
| Reserves – proposed final dividend | | **–** | – | 32,024 |
| | | **8,881,256** | 8,834,381 | 8,652,463 |
| **Non-controlling interests** | | **525,477** | 1,941,965 | 2,048,064 |
| **Total equity** | | **9,406,733** | 10,776,346 | 10,700,527 |
| **LIABILITIES** | | | | |
| **Non-current liabilities** | | | | |
| Bank borrowings | | **–** | 1,997,000 | 2,557,349 |
| Deferred tax liabilities | | **8,798** | 88,561 | 90,769 |
| | | **8,798** | 2,085,561 | 2,648,118 |
| **Current liabilities** | | | | |
| Trade payables | *17* | **273,613** | 194,581 | 198,168 |
| Notes payable | | **35,253** | 27,215 | – |
| Other payables and accruals | | **982,720** | 866,284 | 837,317 |
| Amount due to ultimate holding company | | **–** | – | 15,051 |
| Amounts due to related companies | | **78,884** | 234,849 | 218,329 |
| Amounts due to non-controlling interests | | **42,127** | 1,258 | 1,079 |
| Bank borrowings | *14* | **2,167,735** | 4,545 | 33,389 |
| Current tax liabilities | | **101,017** | 86,891 | 67,139 |
| | | **3,681,349** | 1,415,623 | 1,370,472 |
| Liabilities directly associated with assets classified as held for sale, relating to operation of | | | | |
| – toll roads | *5(a)* | **–** | 154,708 | 152,399 |
| – port services | *6* | **–** | 1,854,016 | – |
| – commercial properties | *16* | **76,787** | – | – |
| | | **3,758,136** | 3,424,347 | 1,522,871 |
| **Total liabilities** | | **3,766,934** | 5,509,908 | 4,170,989 |
| **Total equity and liabilities** | | **13,173,667** | 16,286,254 | 14,871,516 |
| **Net current assets** | | **2,892,381** | 8,418,391 | 5,305,970 |
| **Total assets less current liabilities** | | **9,415,531** | 12,861,907 | 13,348,645 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") and are 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, which are carried at fair value.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involve a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements.

**Adoption of new standards and amendments to existing standards and interpretation**

In 2010, the Group adopted new and revised standards, and amendments and interpretation of HKFRSs ("new and revised HKFRSs") below:

| | |
|---|---|
| HKAS 27 (as revised in 2008) | Consolidated and Separate Financial Statements |
| HKAS 39 (Amendments) | Eligible Hedged Items |
| HKFRS 2 (Amendments) | Group Cash-settled Share-based Payment Transactions |
| HKFRS 3 (as revised in 2008) | Business Combinations |
| HKFRSs (Amendments) | Improvements to HKFRSs issued in 2009 |
| HKFRSs (Amendments) | Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008 |
| HK(IFRIC) – Int 17 | Distributions of Non-cash Assets to Owners |
| HK – Int 5 | Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause |

The Group has assessed the impact of the adoption of these new and revised HKFRSs 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 consolidated financial statements except the below.

*Amendment to HKAS 17*

As part of Improvements to HKFRSs issued in 2009, amendment to HKAS 17 "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 "land use rights", and released over the lease term.

The amendment has been applied retrospectively in accordance with transitional provisions of the amendment. The Group has reassessed the classification of unexpired land use rights as at 1 January 2010 on the basis of information existing at the inception of those leases, and recognised 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.

## 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Cont'd)

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 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:

| | **31 December 2010** *HK$'000* | 31 December 2009 *HK$'000* | 1 January 2009 *HK$'000* |
|---|---|---|---|
| Decrease in land use rights | **264,292** | 264,590 | 264,888 |
| Increase in property, plant and equipment | **264,292** | 264,590 | 264,888 |
| | **–** | – | – |

*HKAS 27 (as revised in 2008) Consolidated and Separate Financial Statements*

The application of HKAS 27 (as revised in 2008) has resulted in changes in the Group's accounting policies for changes in ownership interests in subsidiaries of the Group.

Specifically, the revised standard has affected the Group's accounting policies regarding changes in the Group's ownership interests in its subsidiaries that do not result in loss of control. In prior years, in the absence of specific requirements in HKFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised, when appropriate; for decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss. Under HKAS 27 (as revised in 2008), all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised standard requires the Group to derecognise all assets, liabilities and non-controlling interests at their carrying amounts and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

These changes have been applied prospectively from 1 January 2010 in accordance with the relevant transitional provisions.

The effect of the adoption of HKAS 27 (as revised in 2008) for the year has resulted in the recognition of a gain of HK$197 million relating to the re-measurement at fair value of the equity interest in Tianjin Port Development Holdings Limited ("Tianjin Port") retained by the Group as an associate following the Group's loss of control thereof. Accordingly the profit attributable to the owners of the Company was increased by HK$197 million, and the earnings per share were increased by HK 18.45 cents. (Note 6).

1. **BASIS OF PREPARATION AND ACCOUNTING POLICIES (Cont'd)**

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

| | |
|---|---|
| HKFRSs (Amendments) | Improvements to HKFRSs issued in 2010[1] |
| HKFRS 7 (Amendments) | Disclosures – Transfers of Financial Assets[3] |
| HKFRS 9 | Financial Instruments[4] |
| HKAS 12 (Amendments) | Deferred Tax: Recovery of Underlying Assets[5] |
| HKAS 24 (as revised in 2009) | Related Party Disclosures[6] |
| HKAS 32 (Amendments) | Classification of Rights Issues[7] |
| HK (IFRIC) – Int 14 (Amendments) | Prepayments of a Minimum Funding Requirement[6] |
| HK (IFRIC) – Int 19 | Extinguishing Financial Liabilities with Equity Instruments[2] |

1 Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.
2 Effective for annual periods beginning on or after 1 July 2010.
3 Effective for annual periods beginning on or after 1 July 2011.
4 Effective for annual periods beginning on or after 1 January 2013.
5 Effective for annual periods beginning on or after 1 January 2012.
6 Effective for annual periods beginning on or after 1 January 2011.
7 Effective for annual periods beginning on or after 1 February 2010.

HKFRS 9 *Financial Instruments* (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 *Financial Instruments* (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

- Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application.

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. SEGMENT INFORMATION

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.

### (a) Supply of utilities

This segment derives revenue through the distribution of electricity, water, heat and thermal power to industrial, commercial and residential sectors in the Tianjin Economic and Technological Development Area ("TEDA").

### (b) Operation of commercial properties

This segment derives revenue from the hotels operating in Tianjin and Hong Kong.

### (c) Winery

The results of this segment are contributed by a listed associate of the Group, Dynasty Fine Wines Group Limited ("Dynasty"), which produces and sells winery products.

### (d) Port services

The results of this segment are contributed by Tianjin Port, a listed company which was a subsidiary of the Group in 2009 and became an associate of the Group as from 4 February 2010.

### (e) Elevators and escalators

The results of this segment are principally contributed by an associate of the Group, Otis Elevator (China) Investment Company Limited ("Otis China"), which manufactures and sells elevators and escalators.

**(f)** The operation of toll roads segment derives revenue from a subsidiary of the Group, Tianjin Jinzheng Transportation Development Company Limited ("Jinzheng"), which invests in the operation of the Eastern Outer Ring Road ("EORR") in Tianjin 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.

The toll road operation ceased to be a reportable segment for the Group upon completion of the disposal of Jinzheng and Golden Horse in 2010.

## 2. SEGMENT INFORMATION (Cont'd)

### For the year ended 31 December 2010

| | Continuing operations | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Supply of utilities *(note (i))* *HK$'000* | Operation of commercial properties *HK$'000* | Winery *HK$'000* | Port services *(note (iii))* *HK$'000* | Elevators and escalators *HK$'000* | Sub-total *HK$'000* | Result of operation of toll roads *(note (ii))* *HK$'000* | Total operating segments *HK$'000* |
| Segment revenue | **3,137,407** | **85,627** | **–** | **–** | **–** | **3,223,034** | **–** | **3,223,034** |
| Operating profit (loss) before interest | **45,848** | **(21,073)** | **–** | **–** | **–** | **24,775** | **(49,562)** | **(24,787)** |
| Interest income | **19,077** | **21** | **–** | **–** | **–** | **19,098** | **2,766** | **21,864** |
| Impairment loss on property, plant and equipment | **(753,456)** | **(55,322)** | **–** | **–** | **–** | **(808,778)** | **–** | **(808,778)** |
| Finance costs | **(5,694)** | **(1,633)** | **–** | **–** | **–** | **(7,327)** | **–** | **(7,327)** |
| Share of profits of – Associates | **–** | **–** | **71,178** | **110,336** | **359,321** | **540,835** | **–** | **540,835** |
| Profit (loss) before tax | **(694,225)** | **(78,007)** | **71,178** | **110,336** | **359,321** | **(231,397)** | **(46,796)** | **(278,193)** |
| Tax (expense) credit | **(56,393)** | **5,673** | **–** | **–** | **–** | **(50,720)** | **(1,532)** | **(52,252)** |
| Segment results – profit (loss) for the year | **(750,618)** | **(72,334)** | **71,178** | **110,336** | **359,321** | **(282,117)** | **(48,328)** | **(330,445)** |
| Non-controlling interests | **59,088** | **17,813** | **–** | **–** | **(62,019)** | **14,882** | **6,437** | **21,319** |
| Profit (loss) attributable to owners of the Company | **(691,530)** | **(54,521)** | **71,178** | **110,336** | **297,302** | **(267,235)** | **(41,891)** | **(309,126)** |
| Segment results – profit (loss) for the year before interest includes: | | | | | | | | |
| Depreciation and amortisation | **93,965** | **29,833** | **–** | **–** | **–** | **123,798** | **–** | **123,798** |

## 2. SEGMENT INFORMATION (Cont'd)

For the year ended 31 December 2009

| | Continuing operations | | | | | Results of operation of toll roads and port services | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Supply of utilities *(note (i))* *HK$'000* | Operation of commercial properties *HK$'000* | Winery *HK$'000* | Elevators and escalators *HK$'000* | Sub-total *HK$'000* | Operation of toll roads *(note (ii))* *HK$'000* | Port services *(note (iii))* *HK$'000* | Sub-total *HK$'000* | Total operating segments *HK$'000* |
| Segment revenue | 2,754,798 | 86,388 | – | – | 2,841,186 | 129,453 | 1,370,133 | 1,499,586 | 4,340,772 |
| Operating profit (loss) before interest | 193,883 | (42,226) | – | – | 151,657 | 54,308 | (24,427) | 29,881 | 181,538 |
| Interest income | 17,823 | 95 | – | – | 17,918 | 3,647 | 20,055 | 23,702 | 41,620 |
| Impairment loss on toll road operating right | – | – | – | – | – | (603,874) | – | (603,874) | (603,874) |
| Impairment loss on interest in associates | – | – | – | – | – | (44,834) | – | (44,834) | (44,834) |
| Finance costs | (2,903) | (335) | – | – | (3,238) | – | (12,623) | (12,623) | (15,861) |
| Share of profits (losses) of | | | | | | | | | |
| – Associates | – | – | 69,974 | 265,065 | 335,039 | (1,721) | (1,549) | (3,270) | 331,769 |
| – Jointly-controlled entities | – | – | – | – | – | – | 763 | 763 | 763 |
| Profit (loss) before tax | 208,803 | (42,466) | 69,974 | 265,065 | 501,376 | (592,474) | (17,781) | (610,255) | (108,879) |
| Tax (expense) credit | (41,984) | 7,848 | – | – | (34,136) | (6,286) | (29,929) | (36,215) | (70,351) |
| Segment results – profit (loss) for the year | 166,819 | (34,618) | 69,974 | 265,065 | 467,240 | (598,760) | (47,710) | (646,470) | (179,230) |
| Non-controlling interests | (12,260) | 7,714 | – | (45,750) | (50,296) | 57,813 | 15,516 | 73,329 | 23,033 |
| Profit (loss) attributable to owners of the company | 154,559 | (26,904) | 69,974 | 219,315 | 416,944 | (540,947) | (32,194) | (573,141) | (156,197) |
| Segment results – profit (loss) for the year before interest includes: | | | | | | | | | |
| Depreciation and amortisation | 85,178 | 33,699 | – | – | 118,877 | – | 137,349 | 137,349 | 256,226 |

*notes:*

(i) Revenue from the supply of utilities includes government supplemental income of approximately HK$311,000,000 (2009: approximately HK$344,400,000) granted by the Finance Bureau of Tianjin Economic and Technological Development Area (the "TEDA Finance Bureau") to the Group's operating subsidiaries in the supply of utilities segment.

Revenue from the supply of electricity, water and heat and thermal power are amounting to approximately HK$1,938,400,000, HK$314,000,000 and HK$885,000,000 respectively (2009: approximately HK$1,668,500,000, HK$319,300,000 and HK$767,000,000 respectively).

## 2. SEGMENT INFORMATION (Cont'd)

(ii) This is related to the Group's toll road investments, namely, (a) Jinzheng which operates the EORR; and (b) Golden Horse which holds 60% equity interest in the operation of Jinbin Expressway.

(iii) The Group's port services operation is contributed by Tianjin Port. During 2009, a re-structuring has taken place and Tianjin Port was expected to cease to be a subsidiary and would become an associate of the Group. Accordingly, the results of Tianjin Port as a subsidiary were presented separately from continuing operations in 2009.

In 2010, the Group's interest in Tianjin Port was diluted from 67.33% to 21% and the Group's share of results of Tianjin Port is included as part of the continuing operations.

**As at 31 December 2010**

| | **Continuing operations** | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Supply of utilities** *HK$'000* | **Operation of commercial properties** *HK$'000* | **Winery** *HK$'000* | **Port services** *HK$'000* | **Elevators and escalators** *HK$'000* | **Total operating segments** *HK$'000* | **Corporate and others** *(note)* *HK$'000* | **Total** *HK$'000* |
| Segment assets | **2,617,127** | **1,055,944** | **886,237** | **3,045,447** | **686,164** | **8,290,919** | **4,882,748** | **13,173,667** |
| Segment liabilities | **1,513,631** | **90,227** | **–** | **–** | **–** | **1,603,858** | **2,163,076** | **3,766,934** |

As at 31 December 2009

| | Continuing operations | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Supply of utilities *HK$'000* | Operation of commercial properties *HK$'000* | Winery *HK$'000* | Elevators and escalators *HK$'000* | Operation of toll roads *HK$'000* | Port services *HK$'000* | Total operating segments *HK$'000* | Corporate and others *(note)* *HK$'000* | Total *HK$'000* |
| 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 |
| Segment liabilities | 1,290,491 | 135,881 | – | – | 154,708 | 1,854,016 | 3,435,096 | 2,074,812 | 5,509,908 |

*note:*

The balances represent assets and liabilities relating to corporate and other non-core 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.

## 2. SEGMENT INFORMATION (Cont'd)

*Other segment information*

An analysis of the Group's revenue from external customers by geographical location of customers is as follow:

| | Revenue For the year ended 31 December | |
|---|---|---|
| | **2010** | 2009 |
| | ***HK$'000*** | *HK$'000* |
| PRC mainland | **3,138,168** | 2,778,598 |
| Hong Kong | **84,866** | 62,588 |
| Continuing operations | **3,223,034** | 2,841,186 |
| Operation of toll roads | **–** | 129,453 |
| Port services | **–** | 1,370,133 |
| Operation of toll roads and port services – PRC mainland | **–** | 1,499,586 |
| | **3,223,034** | 4,340,772 |

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

| | **2010** | 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| PRC mainland | **5,350,080** | 3,116,144 |
| Hong Kong | **574,923** | 593,732 |
| | **5,925,003** | 3,709,876 |

## 3. OTHER INCOME

| | **2010** | 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Interest income | **35,682** | 40,302 |
| Dividend income from investee companies – unlisted | **3** | 48,058 |
| Sundries | **5,320** | 775 |
| | **41,005** | 89,135 |

## 4. OTHER GAINS (LOSSES), NET

| | 2010<br>*HK$'000* | 2009<br>*HK$'000* |
|---|---|---|
| Fair value gains of financial assets held for trading | | |
| – listed (realised and unrealised) | **10,129** | 5,048 |
| – unlisted (realised) | **25,756** | 14,772 |
| Gain on deemed disposal of partial interest in an associate | **–** | 27,719 |
| Reversal of over-accrued expenses | **–** | 23,109 |
| Net (loss) gain on disposal of property, plant and equipment | **(3,671)** | 2,302 |
| Net exchange gain | **42,178** | 2,526 |
| Sundries | **–** | 928 |
| | **74,392** | 76,404 |

## 5. DISPOSAL OF OPERATION OF TOLL ROADS

### (a) Disposal of interest in a subsidiary – Jinzheng which operates EORR

The Company entered into a sale and purchase agreement dated 23 August 2010 (the "Agreement") with Tianjin Eastern Outer Ring Road Co., Ltd., which was formerly a non-controlling shareholder in Jinzheng, in relation to the disposal of 83.9308% equity interest in Jinzheng at a cash consideration of RMB1,198,992,520 (equivalent to approximately HK$1,408,922,000). All conditions precedent stipulated under the Agreement were fulfilled and the disposal was completed on 6 December 2010. Upon completion, Jinzheng ceased to be a subsidiary of the Company.

## 5. DISPOSAL OF OPERATION OF TOLL ROADS (Cont'd)

Details of the gain on the disposal of Jinzheng are as follows:

| | *HK$'000* | *HK$'000* |
|---|---|---|
| Consideration | | 1,408,922 |
| *Less:* Net assets of Jinzheng at date of disposal | | |
| Property, plant and equipment | 69,536 | |
| Toll road operating right | 1,351,682 | |
| Other receivables | 40,548 | |
| Cash and cash equivalents | 176,190 | |
| Deferred tax liabilities | (69,677) | |
| Other payables | (28,790) | |
| Tax payable | (11,345) | |
| | (1,528,144) | |
| Release of non-controlling interests | 211,247 | (1,316,897) |
| | | 92,025 |
| Release of exchange reserve | | 147,738 |
| Expenses incurred for the disposal of Jinzheng | | (3,348) |
| Gain on the disposal of Jinzheng recognized in the consolidated income statement | | 236,415 |
| Transfer of statutory reserves to retained earnings upon completion on disposal of Jinzheng | | 18,314 |
| Consideration satisfied by other receivables | | 1,408,922 |
| Net cash flow arising on disposal: | | |
| Cash and cash equivalents disposed of | | (176,190) |

## 5. DISPOSAL OF OPERATION OF TOLL ROADS (Cont'd)

The results, cash flows, assets and liabilities of Jinzheng for the relevant period and as of the relevant date are as follows:

| | **1 January 2010 to 6 December 2010** | Year ended 31 December 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| (i) Results | | |
| Revenue | **–** | 129,453 |
| Cost of sales | **–** | (63,872) |
| Gross profit | **–** | 65,581 |
| Other income | **2,766** | 3,639 |
| Other losses | **–** | (6,018) |
| Other operating expenses | **(42,888)** | – |
| General and administrative expenses | **(6,674)** | (5,247) |
| | **(46,796)** | 57,955 |
| Impairment loss on toll road operating right | **–** | (603,874) |
| Impairment loss on interest in associates | **–** | (44,834) |
| Share of losses of associates | **–** | (1,721) |
| Loss before tax | **(46,796)** | (592,474) |
| Tax expense | **(1,532)** | (6,286) |
| Loss for the year | **(48,328)** | (598,760) |
| Attributable to: | | |
| Owners of the Company | **(41,891)** | (540,947) |
| Non-controlling interests | **(6,437)** | (57,813) |
| | **(48,328)** | (598,760) |

## 5. DISPOSAL OF OPERATION OF TOLL ROADS (Cont'd)

(ii) Assets and liabilities

| | At 31 December 2009 *HK$'000* |
|---|---|
| **Assets** | |
| Property, plant and equipment | 67,239 |
| Toll road operating right | 1,307,138 |
| Trade receivables | 201,839 |
| Other receivables, deposits and prepayments | 67,236 |
| Cash and cash equivalents | 149,892 |
| Total assets | 1,793,344 |
| **Liabilities** | |
| Deferred tax liabilities | 67,381 |
| Other payables and accruals | 76,356 |
| Current tax liabilities | 10,971 |
| Total liabilities | 154,708 |
| Net assets | 1,638,636 |

**(b) Disposal of interest in an associate – Golden Horse which holds 60% equity interest in Jinbin Expressway**

In 2009, in line with the Tianjin Municipal Government's restructuring plan of toll road network in Tianjin, the Group was committed to dispose of its 40% interest in Golden Horse which holds 60% equity interest in the operation of Jinbin Expressway.

On 31 March 2010, the Company was notified by the Tianjin Municipal Government that it would arrange for the refund of the Group's original investment in Golden Horse i.e. US$20 million (equivalent to approximately HK$156,000,000) whereby the Tianjin Municipal Government would arrange for the transfer of ownership in 26 properties located in Shenzhen and Tianjin to the Group. Based on a valuation report prepared by an independent valuer, the market value of these properties as at 15 October 2010 is approximately RMB150,820,000 (equivalent to approximately HK$174,630,000 (as per the exchange rate disclosed in the announcement dated 6 December 2010)). During the period from June to September 2010, ownership of these properties was transferred to the Group and therefore the Group has fully recovered its original investment in Golden Horse.

In conjunction with the above transfer of properties to the Group, the Group transferred its entire interest in Golden Horse to Tsinlien Group Company Limited at a consideration of HK$1.00 and Golden Horse ceased to be an associate of the Group thereafter.

## 5. DISPOSAL OF OPERATION OF TOLL ROADS (Cont'd)

Taking into account the above arrangement, the Group recognized a gain of HK$9,907,000 on the disposal of Golden Horse, calculated as follows:

| | *HK$'000* | *HK$'000* |
|---|---|---|
| Consideration (net of tax of HK$10,838,000 for the transfer of properties) | | 166,389 |
| *Less:* Carrying value of investment in Golden Horse at disposal date | (156,000) | |
| Expenses incurred for the disposal | (482) | |
| | | (156,482) |
| Gain on the disposal of Golden Horse recognized in the consolidated income statement | | 9,907 |

## 6. DEEMED DISPOSAL OF INTEREST IN A SUBSIDIARY – TIANJIN PORT

At the beginning of the year 2010, the Company lost effective control over Tianjin Port, a then non-wholly owned subsidiary of the Company, upon Tianjin Port's acquisition of 56.81% interest in Tianjin Port Holdings Co., Ltd. from Tianjin Port (Group) Co., Ltd., a connected person of the Group, for a total consideration of HK$10,961 million, satisfied as to HK$6,891 million by the issue of shares in Tianjin Port and as to HK$4,070 million by cash. Details of this transaction are set out in a joint circular dated 19 June 2009 issued by the Company and Tianjin Port.

Upon completion of the above transaction on 4 February 2010, the Group's interest in Tianjin Port was diluted from 67.33% to 21% (the " Deemed Disposal of Tianjin Port"). Accordingly, Tianjin Port ceased to be a subsidiary and became an associate of the Group. The Group has adopted equity accounting in respect of its interest in Tianjin Port thereafter.

After the completion of the 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 2).

## 6. DEEMED DISPOSAL OF INTEREST IN A SUBSIDIARY – TIANJIN PORT (Cont'd)

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

| | *HK$'000* | *HK$'000* |
|---|---|---|
| Fair value of 21% equity interest in Tianjin Port retained by the Group | | 2,891,837 |
| *Less:* Total net assets of Tianjin Port disposed of | | |
| **Assets** | | |
| Property, plant and equipment | 1,813,182 | |
| Land use rights | 773,588 | |
| Interest in associates | 25,936 | |
| Interest in jointly controlled entities | 1,494,323 | |
| Deferred tax assets | 9,429 | |
| Available-for-sale financial assets | 42,047 | |
| Inventories | 145,296 | |
| Amount due from an associate | 29,419 | |
| Amount due from a jointly controlled entity | 13,318 | |
| Trade receivables | 130,807 | |
| Other receivables, deposits and prepayments | 259,954 | |
| Time deposits with maturity over three months | 454,442 | |
| Cash and cash equivalents | 253,050 | |
| Total Assets | 5,444,791 | |
| **Liabilities** | | |
| Trade payable | 291,157 | |
| Other payables and accruals | 167,987 | |
| Amounts due to related companies | 26,662 | |
| Borrowings | 1,349,276 | |
| Deferred tax liabilities | 11,708 | |
| Current tax liabilities | 7,226 | |
| Total liabilities | 1,854,016 | (3,590,775) |
| Release of non-controlling interests | | 1,176,077 |
| | | 477,139 |
| 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 revaluation reserve (amounting to HK$361,044,000 and HK$6,598,000 respectively) | | 367,642 |
| Gain on the Deemed Disposal of Tianjin Port recognized in the consolidated income statement | | 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 |
| Cash outflow arising from the disposal | | |
| – Additional investment made by the Group by cash to maintain 21% equity interest in Tianjin Port | | (224,670) |
| – Cash and cash equivalent disposed of | | (253,050) |
| | | (477,720) |

## 6. DEEMED DISPOSAL OF INTEREST IN A SUBSIDIARY – TIANJIN PORT (Cont'd)

The results, cash follows, assets and liabilities of Tianjin Port for the relevant period and as of the relevant date are as follows:

| | For the year ended 31 December 2009 *HK$'000* |
|---|---|
| (i) Results | |
| Revenue | 1,370,133 |
| Cost of sales | (953,254) |
| Gross profit | 416,879 |
| Other income | 27,662 |
| Other gains, net | 1,854 |
| General and administrative expenses | (450,323) |
| Other operating expenses | (444) |
| | (4,372) |
| Finance costs | (12,623) |
| Share of (losses) profits of | |
| – associate | (1,549) |
| – jointly controlled entities | 763 |
| Loss before tax | (17,781) |
| Tax expense | (29,929) |
| Loss for the year | (47,710) |
| Attributable to: | |
| Owners of the Company | (32,194) |
| Non-controlling interests | (15,516) |
| | (47,710) |

## 6. DEEMED DISPOSAL OF INTEREST IN A SUBSIDIARY – TIANJIN PORT (Cont'd)

(ii) Assets and liabilities

| | At 31 December 2009 *HK$'000* |
|---|---|
| **Assets** | |
| Property, plant and equipment | 1,813,182 |
| Land use rights | 773,588 |
| Interest in associates | 25,936 |
| Interest in jointly controlled entities | 1,494,323 |
| Deferred tax assets | 9,429 |
| Available-for-sale financial assets | 42,047 |
| Inventories | 145,296 |
| Amount due from an associate | 29,419 |
| Amount due from a jointly controlled entity | 13,318 |
| Trade receivables | 130,807 |
| Other receivables, deposits and prepayments | 259,954 |
| Time deposits with maturity over three months | 454,442 |
| Cash and cash equivalents | 253,050 |
| Total assets | 5,444,791 |
| **Liabilities** | |
| Trade payable | 291,157 |
| Other payables and accruals | 167,987 |
| Amounts due to related companies | 26,662 |
| Borrowings | 1,349,276 |
| Deferred tax liabilities | 11,708 |
| Current tax liabilities | 7,226 |
| Total liabilities | 1,854,016 |
| Net assets | 3,590,775 |

## 7. IMPAIRMENT LOSS ON PROPERTY, PLANT AND EQUIPMENT

Against a background of a change in government policies and on the basis of a review of the Group's existing operations, management has decided that impairment losses need to be recognized in respect of the Group's property, plant and equipment, in the following operations:

| | *notes* | **2010** **HK$'000** | 2009 *HK$'000* |
|---|---|---|---|
| Supply of utilities | *(a)* | **753,456** | – |
| Hotel operation of Hyatt Hotel | *(b)* | **55,322** | – |
| Others | *(c)* | **20,698** | – |
| Total | | **829,476** | – |

## 7. IMPAIRMENT LOSS ON PROPERTY, PLANT AND EQUIPMENT (Cont'd)

*notes:*

**(a) Property, plant and equipment in the supply of utilities segment**

As announced by the Company on 3 March 2011, the Company was informed by the TEDA Finance Bureau that as a change in government policy, effective for the year 2010, the basis of calculating the government supplemental income to be granted by TEDA Finance Bureau to the utility businesses of the Group will be changed from one based on units supplied by the Group to a lump sum to be negotiated between the Company and TEDA Finance Bureau on an annual basis.

The amount of government supplemental income for the financial year ended 31 December 2010 is less than what the Group would otherwise be granted under the previous quantity-based arrangement. Further, based on discussion with TEDA Finance Bureau, the Board expects that the government supplemental income for the year 2011 and thereafter will be further reduced despite an anticipated increase in the scale of the operation of the utility businesses.

In light of the above information, management carried out a critical review of the recoverable amount of the Group's investments in its supply of utilities segment based on a value in use calculation. For this purpose, each of the sectors in this segment, namely, Electricity, Water and Heat and thermal power, is considered as a stand-alone cash generating unit ("CGU").

As a result of this review, management has concluded that the recoverable value of the Groups' investments, which are principally in the form of property, plant and equipment, in two CGUs, namely, Water and Heat and thermal power, have fallen below their carrying amounts. Accordingly, an impairment loss of approximately HK$753 million against these assets was recognized in the consolidated income statement for the year.

**(b) Hotel property in the commercial properties segment**

During the year, management reviewed the future prospect and development potential of the Group's 75% equity interest in a hotel property in Tianjin, Hyatt Regency Tianjin Hotel ("Hyatt Hotel"), which is currently closed for business awaiting a major renovation, and concluded that its disposal will be in the best interest of the Group. Accordingly, an independent firm of professional valuer, was commissioned to value Hyatt Hotel on an open market value basis. On the basis of such valuation, the Group has recognized an impairment loss of HK$55.3 million against Hyatt Hotel in the consolidated income statement.

Hyatt Hotel and its related assets and liabilities are included as part of the assets held for sale in the consolidated balance sheet at 31 December 2010 (Note 16).

**(c) Property, plant and equipment in a non-core business**

During the year, management reviewed the recoverable amount of certain equipment used in a non-core business, the operation of which was suspended. As a result of such a review, an impairment loss of approximately HK$20.7 million against such equipment was recognized in the consolidated income statement.

## 8. FINANCE COSTS

| | **2010** | 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Interest expenses: | | |
| – bank borrowings | **19,170** | 14,416 |

## 9. PROFIT (LOSS) FOR THE YEAR

Profit (loss) for the year is arrived at after charging:

| | **2010** | 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Employee benefit expense (including directors' emoluments) | **275,006** | 258,251 |
| Purchase of electricity, water and steam for sale | **2,551,393** | 2,122,001 |
| Depreciation | | |
| – charged to cost of sales | **88,462** | 79,218 |
| – charged to administrative expenses | **10,972** | 8,701 |
| – charged to other operating expenses | **24,009** | 27,664 |
| Amortisation of land use right | **6,557** | 6,758 |
| Provision for impairment of trade receivables | **39,031** | 2,005 |
| Operating lease expense on | | |
| – plants, pipelines and networks | **129,992** | 102,246 |
| – land and buildings | **7,648** | 8,430 |
| Auditor's remuneration | **5,262** | 6,069 |

## 10. TAX (EXPENSE) CREDIT

| | **2010** | 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Current taxation | | |
| PRC income tax | **(26,773)** | (52,183) |
| Deferred taxation | **(26,894)** | 19,249 |
| | **(53,667)** | (32,934) |

No provision for Hong Kong profits tax has been made as there is no estimated assessable profit for the year derived from Hong Kong (2009: Nil). Provision for the PRC income tax has been made at the applicable rate of taxation on the estimated assessable profit for the year for each of the Group's PRC subsidiaries.

On 16 March 2007, the National People's Congress approved the Enterprise Income Tax Law of the People's Republic of China (the "New EIT Law") which was effective from 1 January 2008. Under the New EIT Law, both domestic and foreign invested enterprises are subject to a single income tax rate of 25%. For those subsidiaries of the Group which were entitled to a preferential tax rate of 15%, mainly those subsidiaries which are engaged in the supply of utilities segment, the tax rate will gradually increase to 25% over five years until 2012.

## 11. DIVIDENDS

| | **2010** | 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 2010 final, proposed, nil (2009: nil) | **–** | – |
| 2010 interim, nil (2009: HK5.2 cents per share) | **–** | 55,508 |
| | **–** | 55,508 |

## 12. EARNINGS (LOSS) PER SHARE

The calculation of the basic and diluted earnings (loss) per share is based on the profit (loss) attributable to owners of the Company and the number of shares as follows:

| | **2010** | | | 2009 | | |
|---|---|---|---|---|---|---|
| | **Continuing operations after impairment loss on property, plant and equipment** *HK$'000* | **Results of operation of toll roads and port services** *HK$'000* | **Sub-total** *HK$'000* | Continuing operations *HK$'000* | Results of operation of toll roads and port services *HK$'000* | Sub-total *HK$'000* |
| Profit (loss) attributable to owners of the Company for the purposes of basic and diluted earnings (loss) per share | **(350,370)** | **824,542** | **474,172** | 378,000 | (573,141) | (195,141) |
| **Number of shares** | **Thousand** | **Thousand** | | Thousand | Thousand | |
| Number of ordinary shares for the purposes of basic and diluted earnings (loss) per share | **1,067,470** | **1,067,470** | | 1,067,470 | 1,067,470 | |

The earnings per share from continuing operations before impairment loss on property, plant and equipment is calculated based on the profit attributable to the owners of the Company for continuing operations before impairment loss on property, plant and equipment and the number of shares in issue.

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

## 13. AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | *notes* | **2010** *HK$'000* | 2009 *HK$'000* |
|---|---|---|---|
| Equity securities | | | |
| Listed at market value | *(a)* | **282,827** | 416,798 |
| Unlisted | *(b)* | **181,941** | 141,854 |
| | | **464,768** | 558,652 |

*notes:*

(a) The listed shares represent the Group's investment in 8.28% equity interest of Binhai Investment Company Limited ("Binhai Investment") which is listed on the Growth Enterprise Market Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

As at 31 December 2010, the market value of the Group's investment in Binhai Investment amounted to approximately HK$282,827,000, and the unrealised fair value loss of approximately HK$133,971,000 was recognised in equity.

(b) The unlisted available-for-sale financial assets were principally equity in certain entities established and operating in the PRC. They are mainly denominated in Renminbi.

## 14. BANK BORROWINGS

On 18 February 2011, the Company obtained a term loan banking facility of HK$2,000 million for the purpose of refinancing the existing syndicated bank loan which will be due for repayment in November 2011. The tenor is up to 60 months unless not extended by the lenders at the 36th month from the date of the facility agreement.

## 15. TRADE RECEIVABLES

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

| | **2010** | 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within 30 days | **500,487** | 557,659 |
| 31 to 90 days | **23,236** | 18,297 |
| 91 to 180 days | **17,623** | 11,517 |
| Over 180 days | **175,956** | 176,135 |
| | **717,302** | 763,608 |

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

As at 31 December 2010, the Group was entitled to government supplemental income of approximately HK$400,045,000 (2009: approximately HK$416,411,000) receivable from TEDA Finance Bureau as referred to in Note 2(i). Annual government supplemental income receivable does not have credit terms and the amount of which is to be finalised by the TEDA Finance Bureau after year end. Continuous settlements have been received by the Group in the past years.

The carrying amounts of trade receivables, other receivables and deposits approximate their fair value and are mainly denominated in Renminbi. The maximum exposure to credit risk at the end of the reporting period is the carrying value of the receivable mentioned above.

## 16. ASSETS HELD FOR SALE/LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS HELD FOR SALE

The assets held for sale and their directly associated liabilities as at 31 December 2010 are mainly related to the Group's operation of commercial properties, with details as follows:

| | *notes* | *HK$'000* |
|---|---|---|
| **Assets held for sale** | | |
| – hotel operation of Hyatt Hotel | *(a)* | 357,686 |
| – properties held for sale | *(b)* | 166,173 |
| | | 523,859 |
| **Liabilities directly associated with assets held for sale** | | |
| – hotel operation of Hyatt Hotel | *(a)* | 76,787 |

*notes:*

(a) As set out in Note 7(b), during the year, the Group has decided, and commenced a plan, to dispose of its 75% interest in the subsidiary that operates Hyatt Hotel. The following is a summary of the assets and their directly associated liabilities relating to the operation of Hyatt Hotel:

| | *HK$'000* |
|---|---|
| **Assets** | |
| Property, plant and equipment | 115,957 |
| Land use rights | 219,783 |
| Trade receivables | 56 |
| Other receivables, deposits and prepayments | 19,675 |
| Cash and cash equivalents | 2,215 |
| Total assets | 357,686 |
| **Liabilities** | |
| Other payables and accruals | 1,811 |
| Deferred tax liabilities | 74,976 |
| Total liabilities | 76,787 |

(b) As set out in Note 5(b), the Group was transferred ownership of 26 properties located in Shenzhen and Tianjin. Management has decided, and expected to be able, to dispose of these properties within the next twelve months from the end of the reporting period. Accordingly, these properties are classified as assets held for sale.

## 17. TRADE PAYABLES

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

| | **2010** | 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within 30 days | **17,058** | 68,869 |
| 31 to 90 days | **38,931** | 19,375 |
| 91 to 180 days | **15** | 6,292 |
| Over 180 days | **217,609** | 100,045 |
| | **273,613** | 194,581 |

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## REVIEW OF OPERATIONS

### Utilities Operations

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

*Electricity Operation*

Tianjin TEDA Tsinlien Electric Power Co., Ltd. ("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.

In 2010, the Group's electricity operation reported revenue of approximately HK$1,938,400,000 and profit for the year of approximately HK$40,990,000, representing an increase of 16% and a decrease of 46% respectively over the last year. The decrease in profit for the year was mainly attributable to the increment in expenses and the decrease of supplemental income from the TEDA Finance Bureau. The total quantity of electricity sold for the year was approximately 2,496,935,000 kWh, representing an increase of 12% over the last year.

*Water Operation*

Tianjin TEDA Tsinlien Water Supply Co., Ltd. ("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 is approximately 400,000 tonnes.

In 2010, the Group's water operation reported revenue of approximately HK$314,000,000 and loss for the year of approximately HK$286,600,000. Excluding the provision for impairment loss due to the change in supplemental income policy of TEDA, loss would have been approximately HK$22,800,000, representing a decrease of 2% and a decrease of 140% respectively over the last year. The total quantity of water sold for the year was approximately 47,719,000 tonnes, representing an increase of 5% over the last year. Loss for the year was primarily due to the increase of incremental expenditure and depreciation expenses arising from a water purification project which came into operation in the first half of 2010 and the decrease of government supplemental income.

*Heat and Thermal Power Operation*

Tianjin TEDA Tsinlien Heat & Power Co., Ltd. ("Heat & Power Company") is principally engaged in the distribution of steam and heating for industrial, commercial and residential purposes within the TEDA. The Heat & Power Company has currently made a connection to a total of approximately 300 kilometres steam transmission pipelines and more than 60 processing stations in the TEDA, with a daily distribution capacity of 22,200 tonnes of steam.

In 2010, the Group's heat and thermal power operation reported revenue of approximately HK$885,000,000 and loss for the year of approximately HK$505,000,000. Excluding the provision for impairment loss due to the change in supplemental income policy of TEDA, loss would have been approximately HK$15,300,000, representing an increase of 15% and a decrease of 144% respectively over the last year. Loss for the year was mainly due to the provision for impairment loss owing to the decrease of government supplemental income and the increase in purchase cost. The total quantity of steam sold for 2010 was approximately 3,820,000 tonnes, representing an increase of 14% over last year.

Locating at the TEDA with a planned site area of 33 square kilometres in the east area and 48 square kilometres in the west area, Electricity Company, Water Company and Heat & Power Company have been providing utility services for the TEDA.

**Change in the Supplemental Income Policy of TEDA and Asset Impairment**

Before 2010, Electricity Company, Water Company and Heat & Power Company all enjoyed government supplemental income. The TEDA Finance Bureau agreed to, at the end of each financial year, grant to Electricity Company, Water Company and Heat & Power Company quantity-based supplemental income each year calculated at RMB0.02 per kWh of electricity supplied, RMB2 per tonne of water supplied and RMB50 per tonne of steam supplied respectively.

On 2 March 2011, the Company has been informed by TEDA Finance Bureau on 2 March 2011 that as a change in government policy, effective for the year 2010, the basis of calculating the supplemental income to be granted by TEDA Finance Bureau to the utility businesses of the Group will be changed from one based on units supplied by the Group to a lump sum to be negotiated between the Company and TEDA Finance Bureau on an annual basis. The amount of supplemental income for the financial year ended 31 December 2010 will be less than what the Group would otherwise be granted under the previous quantity-based arrangement. Further, based on discussion with TEDA Finance Bureau, the Board expects that the supplemental income for the year 2011 and thereafter will be further reduced despite an anticipated increase in the scale of the operation of the utility businesses. This change in government policy has not only adversely affected the operating margins of the Group's utility businesses, it may also materially and adversely impact the recoverable amount of the Group's investment in the utility businesses, principally in the form of property, plant and equipment. In view of this, the Company has exercised caution to make provision for impairment losses for relevant assets of Water Company and Heat & Power Company of approximately HK$264,000,000 and approximately HK$489,000,000, respectively, totalling approximately HK$753,000,000. Due to the change in the government's supplemental policy, supplemental income of the Group's utility operations reduced by approximately HK$33,300,000 compared to the previous quantity-based arrangement of last year.

**Commercial Properties Operations**

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

Courtyard, 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 travellers.

In 2010, Courtyard reported satisfactory results with revenue of approximately HK$84,900,000 and loss for the year of approximately HK$3,000,000. Excluding one-off deferred taxation, it would have recorded a profit of approximately HK$7,500,000. During the year under review, the average occupancy rate was approximately 83%.

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

The Group has 75% equity interest in Hyatt Hotel. Hyatt Hotel closed its business during the year under review and has completed its internal dismantle work so far. The Board has decided to classify Hyatt Hotel as an asset held for sale.

In 2010, Hyatt Hotel recorded impairment loss of approximately HK$55,000,000.

**Strategic and Other Investments**

*Winery Operation*

During the year under review, revenue of Dynasty Fine Wines Group Limited ("Dynasty") (stock code: 828) increased by 9% to approximately HK$1,614,600,000, while profit attributable to owners of Dynasty grew by 2% to approximately HK$158,800,000. Sales volume increased by 9% to 63,200,000 bottles. Red wine recorded similar sales volume compared to last year, representing approximately 82% of total sales revenue. The improvement in financial results in 2010 was mainly attributable to increase in sales volume and effective control of distribution costs.

Dynasty contributed to the Group a profit of approximately HK$71,000,000 in 2010, representing an increase of 1%.

*Port Services*

During the year under review, the revenue of Tianjin Port Development Holdings Limited ("Tianjin Port") (stock code: 3382) has increased by 10 times to approximately HK$15,053,000,000 and profit attributable to owners of Tianjin Port was approximately HK$570,600,000, loss of approximately HK$47,700,000 was recorded last year. Tianjin Port ceased to be a subsidiary since 4 February 2010 and became an associate of the Group. The Group's interest in Tianjin Port was diluted from 67.33% to 21% and the Group has adopted equity accounting in respect of its interest in Tianjin Port.

During the year under review, Tianjin Port expanded its operating scale and the complementary business structure has gradually demonstrated its advantages. As a result, overall operating results have been further improved.

In 2010, Tianjin Port contributed a profit of approximately HK$110,000,000 to the Group, a significant improvement compared to a loss of approximately HK$47,700,000 in the same period last year.

*Elevators and Escalators Operation*

Otis Elevator (China) Investment Company Limited ("Otis China"), an associate of the Group, has continued to generate satisfactory results during the year under review. Its revenue for 2010 amounted to approximately HK$13,390,000,000, representing a 11% increase over 2009.

In 2010, the profit contribution of the elevators and escalators operation (after minority interests) amounted to approximately HK$297,300,000, representing a 36% increase over last year. The revenue growth of the elevators and escalators operation accompanied by robust economic growth and various infrastructure projects in China. The improvement of the contract price and the cost control on raw materials helped improve the gross profit margin. The Group believed that the elevators and escalators operation will continue to make good results and profit contribution.

*Road Operation*

Since 1 January 2010, the Notice of Suspension of Levy on Tianjin Road Construction and Vehicle Passing Fee (《關於停止徵收天津市道路建設車輛通行費的公告》) 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) started to implement, Eastern Outer Ring Road ("EORR") has not generated any toll revenue. For the year under review, EORR reported loss of approximately HK$48,300,000, which was mainly the road maintenance fee.

On 31 March 2010, the Company received the following instruction from the Tianjin Municipal Government "Response to the application on the treatment of the equity interests in the EORR and the Jinbin Expressway" (Jinzhengbanhan [2010] No. 13) in respect of the Group's holding and participation in EORR and the Jinbin Expressway:

– EORR: Tianjin Municipal Government shall coordinate with the relevant company for the acquisition of 83.93% equity interest in EORR held by the Group.

– Jinbin Expressway: Tianjin Municipal Government shall arrange the relevant party to refund the Group's original investment.

On 23 August 2010, all of the Group's 83.9308% equity interest in Tianjin Jinzheng Transportation Development Company Limited ("Jinzheng") was sold to Tianjin Eastern Outer Ring Road Co., Ltd. (a connected person of the Company) at a consideration of RMB1,198,892,520. According to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), 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 sale and purchase agreement being fulfilled and shall only become effective after the same be approved by the State-owned Assets Supervision and Administration Commission of Tianjin Municipal Government and other relevant PRC government authorities. Such conditions were fulfilled and the relevant approvals were obtained on 6 December 2010. Upon the completion of the disposal, the Group realised a profit of HK$236,400,000 in the consolidated income statement.

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

The Group's original investment in Jinbin Expressway was US$20 million (equivalent to approximately HK$156,000,000). According to the abovementioned Jinzhengbanhan [2010] No. 13 dated 31 March 2010, the Tianjin Municipal Government had arranged for the transfer of 26 properties located in Shenzhen and Tianjin to a wholly-owned subsidiary of the Company in the PRC in June and September 2010 for the purpose of refunding the Company its original investment in Jinbin Expressway. As per the valuation report dated 15 October 2010, the market value of these properties is RMB150,820,000 (equivalent to approximately HK$174,630,000). The Company has fully recovered its original investment in Jinbin Expressway.

In the opinion of the Directors, following the full recovery of the Company's original investment in Jinbin Expressway in the manner described above, the Company no longer has any economic interest in Golden Horse Resources Limited ("Golden Horse"), a company incorporated in the British Virgin Islands with limited liability and directly owned as to 40% by the Company before the disposal. Golden Horse holds a 60% interest in Jinbin Expressway through five sino-foreign equity joint ventures established in the PRC.

On 6 December 2010, the Company, as vendor, entered into an agreement with Tsinlien Group Company Limited ("Tsinlien"), as purchaser, for the disposal of 40% of its equity interest in Golden Horse at a consideration of HK$1.00. Pursuant to the Listing Rules, Tsinlien is a connected person of the Company by virtue of the fact that it is a controlling shareholder of the Company. Accordingly, the disposal constitutes a connected transaction of the Company. The disposal was completed on 13 December 2010.

Details of the connected transaction mentioned above can be referred to the announcement of the Company dated 6 December 2010.

A gain of approximately HK$9,907,000 was recognised in the Group's consolidated income statement arising from the refund of the Company's original investment in Jinbin Expressway. The gain was calculated based on the market value of the 26 properties transferred from the Tianjin Municipal Government to the Group and the book value of the Company's investment in Golden Horse as at 31 December 2009 (same as the carrying value at the date of disposal). Meanwhile, the abovementioned disposal of Golden Horse to Tsinlien at HK$1.00 has resulted in a gain of HK$1.00 realised in the Group's income statement.

*Investment in Binhai Investment Company Limited ("Binhai Investment")*

During the year under review, the Group had 8.28% interest in Binhai Investment (stock code: 8035).

Since the Group's investment in Binhai Investment was fully provided in prior years, a gain on deemed disposal of approximately HK$28,000,000 was recognized and was reclassified as available-for-sale financial assets. As at 31 December 2010, the market value of the Group's investment in Binhai Investment amounted to approximately HK$282,800,000 and the unrealized fair value loss of approximately HK$133,970,000 was recognised in equity.

## PROSPECT

Looking forward in 2011, the global political and economic situations are full of uncertainties. In spite of various challenges in business environment, the Company is laying solid foundations for its future development. The Company was able to record profit in 2010 despite of its divestment of toll road business and the change in the government's supplemental income policies, its was demonstrated that the reorganization of our existing businesses has achieved initial results. With the new economic policies and measures to be implemented by the central government, the Company will continue to actively participate in the restructuring of the state-owned assets of Tianjin city, and under the strong support of Tianjin Municipal Government and the parent company, and accomplish orderly the business restructuring while maintaining steady and sustainable growth of various businesses.

The Company will stick to its policy of equally emphasizing development and prudence. Meanwhile, it will adhere to its prudent financial discipline and strive for success in its development strategies. Looking ahead, the Company is fully confident in the outlook of 2011 and beyond.

## LIQUIDITY AND CAPITAL RESOURCES ANALYSIS

As at 31 December 2010, the Group's total cash on hand and total bank borrowings stood at approximately HK$2,951,000,000 and approximately HK$2,168,000,000 respectively (2009: HK$3,662,000,000 and HK$3,351,000,000 respectively) of which approximately HK$2,168,000,000 bank borrowings will mature within one year.

The gearing ratio as measured by total borrowings to shareholders' funds was at approximately 24% as at 31 December 2010 (2009: approximately 38%).

Of the total HK$2,168,000,000 bank borrowings outstanding as at 31 December 2010, HK$2,000,000,000 were subject to floating rates with a spread of 0.47% over HIBOR of relevant interest periods and RMB50,000,000 (equivalent to approximately HK$58,000,000) was calculated at the benchmark rate of the People's Bank of China. The remaining RMB94,000,000 (equivalent to approximately HK$110,000,000) of bank borrowing was fixed rate debt with annual interest rates of 5.31%.

As at 31 December 2010, 92% (2009: 96%) of the Group's total bank borrowings was denominated in HK dollars, 8% (2009: 1%) was denominated in Renminbi and 0% (2009: 3%) was denominated in US dollars.

For the year 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 1,200 employees at the end of the year, of which approximately 190 were management personnel and approximately 400 were 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

As at 31 December 2010, restricted bank balance of approximately HK$10,580,000 was pledged against notes payable of the same amount.

## DIVIDEND

The Board do not recommend the payment of a final dividend for the year ended 31 December 2010.

## PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares during the year ended 31 December 2010.

## COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules throughout the year, except the deviations in relation to Rules 3.10(1) and 3.21 of the Listing Rules as disclosed below:

### Non-Compliance with Rules 3.10(1) and 3.21 of the Listing Rules

Reference is made to the announcements of the Company dated 26 May 2010 and 28 July 2010. Mr. Kwong Che Keung, Gordon has retired by rotation as an independent non-executive director and the Chairman of the Audit Committee of the Company on 26 May 2010. Following the retirement of Mr. Kwong, the Company had only two independent non-executive directors remained in the Board and the Audit Committee, the number of which fell below the minimum number requirement under Rules 3.10(1) and 3.21 of the Listing Rules. The Board had immediately identified a suitable and qualified candidate, Ms. Ng Yi Kum, Estella, to succeed Mr. Kwong. On 28 July 2010, Ms. Ng was appointed as an independent non-executive director as well as the Chairman of the Audit Committee of the Company and since then the Company has fulfilled the requirements of Rules 3.10(1) and 3.21 of the Listing Rules.

### Compliance with the Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct for directors' securities transactions. Having made specific enquiry, all the directors have confirmed that they have complied with the required standard as set out in the Model Code throughout the year.

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.

## AUDIT COMMITTEE

The Audit Committee of the Company currently comprises three independent non-executive directors, namely Ms. Ng Yi Kum, Estella (Chairman of the Committee), Dr. Cheng Hon Kwan and Mr. Mak Kwai Wing, Alexander. Regular meetings have been held during the year to review the accounting principles and practices adopted by the Group and discussed with the management its internal controls and financial reporting matters. The annual results for the year ended 31 December 2010 have been reviewed by the Audit Committee of the Company.

## SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2010 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

## PUBLICATION OF ANNUAL REPORT

The 2010 Annual Report will be available at the websites of the Company and the Stock Exchange and despatched to shareholders of the Company in mid April 2011.

By Order of the Board
**Tianjin Development Holdings Limited**
**Yu Rumin**
*Chairman*

Hong Kong, 29 March 2011

*As at the date of this announcement, the Board of the Company consists of Mr. Yu Rumin, Mr. Wu Xuemin, Mr. Dai Yan, Dr. Wang Jiandong, Mr. Bai Zhisheng, Mr. Zhang Wenli, Mr. Sun Zengyin, Dr. Gong Jing, Mr. Wang Zhiyong, Mr. Cheung Wing Yui, Edward*, Dr. Chan Ching Har, Eliza*, Dr. Cheng Hon Kwan**, Mr. Mak Kwai Wing, Alexander** and Ms. Ng Yi Kum, Estella**.*

* *non-executive director*
** *independent non-executive director*