天津發展控股有限公司
TIANJIN DEVELOPMENT HOLDINGS LIMITED
Stock Code : 882

Interim Report 2013

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Yu Rumin *(Chairman)*
Mr. Wu Xuemin *(General Manager)*
Mr. Dai Yan
Mr. Bai Zhisheng
Mr. Zhang Wenli
Mr. Wang Zhiyong
Dr. Wang Weidong
Mr. Tuen Kong, Simon

Non-Executive Directors

Mr. Cheung Wing Yui, Edward
Dr. Chan Ching Har, Eliza

Independent Non-Executive Directors

Dr. Cheng Hon Kwan
Mr. Mak Kwai Wing, Alexander
Ms. Ng Yi Kum, Estella
Mr. Wong Shiu Hoi, Peter
Dr. Loke Yu

COMPANY SECRETARY

Mr. Tuen Kong, Simon

AUTHORIZED REPRESENTATIVES

Mr. Wu Xuemin
Mr. Tuen Kong, Simon

INDEPENDENT AUDITOR

Deloitte Touche Tohmatsu

SOLICITOR

Woo, Kwan, Lee & Lo

REGISTERED OFFICE

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SHARE REGISTRAR AND TRANSFER OFFICE

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Hong Kong

STOCK CODE

882.HK

PRINCIPAL BANKERS

China CITIC Bank International Limited
DBS Bank Ltd., Hong Kong Branch
Industrial and Commercial Bank of China (Asia) Limited
Hang Seng Bank Limited
Credit Agricole Corporate and Investment Bank

Business Structure

TIANJIN DEVELOPMENT HOLDINGS LIMITED

Utilities

Electricity
Water
Heat and Thermal Power

Hotels

Courtyard by Marriot Hong Kong
Hotel Property in Tianjin

Electrical and Mechanical

Hydraulic Presses
Hydroelectric Equipment

Strategic and Other Investments

Dynasty Fine Wines (828.HK)
Tianjin Port (3382.HK)
Elevators and Escalators

Business Structure

UTILITIES

Company Name	Shareholding	Principal Activities
Tianjin TEDA Tsinlien Electric Power Co., Ltd.	94.36%	Distribution of electricity in TEDA
Tianjin TEDA Tsinlien Water Supply Co., Ltd.	91.41%	Distribution of water in TEDA
Tianjin TEDA Tsinlien Heat & Power Co., Ltd.	90.94%	Distribution of steam in TEDA

HOTELS

Company Name	Shareholding	Principal Activities
Tsinlien Realty Limited	100%	Operation of Courtyard by Marriott Hong Kong
Tianjin First Hotel Ltd.	75%	Possession of hotel property in Tianjin

ELECTRICAL AND MECHANICAL

Company Name	Shareholding	Principal Activities
Tianjin Tianfa Heavy Machinery & Hydro Power Equipment Manufacture Co., Ltd.	82.74%	Manufacture and sale of hydroelectric equipments
Tianjin Tianduan Press Co., Ltd.	64.91%	Manufacture and sale of presses and mechanical equipments

STRATEGIC AND OTHER INVESTMENTS

Company Name	Shareholding	Principal Activities
Dynasty Fine Wines Group Limited	44.70%	Produce and sale of winery products
Tianjin Port Development Holdings Limited	21%	Provision of port services in Tianjin
Otis Elevator (China) Investment Company Limited	16.55%	Manufacture and sale of elevators and escalators

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

Condensed Consolidated Income Statement

	Notes	Six months ended 30 June **2013** HK$'000 (unaudited)	2012 HK$'000 (unaudited)
Revenue	4	**2,456,604**	1,918,506
Cost of sales		**(2,265,776)**	(1,779,445)
Gross profit		**190,828**	139,061
Other income	5	**180,941**	80,179
Other gains, net	6	**14,125**	54,869
Selling expenses		**(29,230)**	—
General and administrative expenses		**(268,267)**	(215,341)
Other operating expenses		**(38,217)**	(28,566)
Finance costs		**(29,875)**	(31,432)
Share of profit of			
Associates		**216,723**	265,230
Joint ventures		**357**	193
Profit before tax		**237,385**	264,193
Tax expense	7	**(27,662)**	(37,401)
Profit for the period	8	**209,723**	226,792
Attributable to:			
Owners of the Company		**201,685**	200,860
Non-controlling interests		**8,038**	25,932
		209,723	226,792
		HK cents	HK cents
Earnings per share	9		
Basic		**18.89**	18.82
Diluted		**18.72**	18.79

Condensed Consolidated Statement of Comprehensive Income

	Note	Six months ended 30 June **2013** **HK$'000** **(unaudited)**	 2012 HK$'000 (unaudited)
Profit for the period		**209,723**	226,792
Other comprehensive income (loss):			
Currency translation differences			
— the Group		**101,977**	(28,839)
— associates		**53,833**	(11,858)
— joint ventures		**298**	(82)
Change in fair value of available-for-sale financial assets	13(a)	**(27,291)**	4,962
Share of other comprehensive (loss) income of an associate			
— available-for-sale revaluation reserve		**(3,403)**	2,771
Other comprehensive income (loss) for the period		**125,414**	(33,046)
Total comprehensive income for the period		**335,137**	193,746
Attributable to:			
Owners of the Company		**312,396**	170,803
Non-controlling interests		**22,741**	22,943
		335,137	193,746

Condensed Consolidated Balance Sheet

	Notes	30 June 2013 HK$'000 (unaudited)	31 December 2012 HK$'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	11	**2,213,755**	2,287,823
Land use rights		**273,314**	489,407
Investment properties	11	**199,430**	195,987
Interest in associates	12	**5,211,619**	4,944,466
Interest in joint ventures		**17,817**	17,162
Intangible assets		**237,015**	239,808
Deferred tax assets		**106,030**	106,127
Available-for-sale financial assets	13	**206,379**	233,405
Goodwill		**161,600**	158,810
		8,626,959	8,672,995
Current assets			
Inventories		**135,034**	140,285
Amounts due from joint ventures		**14,613**	14,373
Amount due from ultimate holding company		**1,570**	1,379
Amounts due from related companies		**20,852**	22,792
Amounts due from customers for contract work		**796,352**	966,241
Trade receivables	14	**742,717**	819,148
Notes receivables	14	**51,899**	160,523
Other receivables, deposits and prepayments	14	**456,417**	550,515
Financial assets at fair value through profit or loss	15	**115,376**	438,167
Entrusted deposits	16	**1,668,294**	1,579,335
Restricted bank balance		**72,653**	102,811
Time deposits with maturity over three months		**279,806**	254,398
Cash and cash equivalents		**3,603,658**	3,864,901
		7,959,241	8,914,868
Assets classified as held for sale	17	**369,237**	—
		8,328,478	8,914,868
Total assets		**16,955,437**	17,587,863

Condensed Consolidated Balance Sheet

	Notes	30 June 2013 HK$'000 (unaudited)	31 December 2012 HK$'000 (audited)
EQUITY			
Owners of the Company			
Share capital		**106,747**	106,747
Reserves		**10,261,583**	9,949,187
		10,368,330	10,055,934
Non-controlling interests		**833,583**	849,854
Total equity		**11,201,913**	10,905,788
LIABILITIES			
Non-current liabilities			
Bank borrowings	18	**—**	1,993,500
Deferred tax liabilities		**46,434**	119,071
		46,434	2,112,571
Current liabilities			
Trade payables	19	**983,754**	1,201,616
Notes payables	19	**136,905**	213,202
Other payables and accruals		**1,285,374**	1,884,941
Amounts due to related companies		**610,284**	491,822
Amounts due to customers for contract work		**113,968**	104,209
Bank borrowings	18	**2,418,214**	565,914
Current tax liabilities		**81,120**	107,800
		5,629,619	4,569,504
Liabilities associated with assets classified as held for sale	17	**77,471**	—
		5,707,090	4,569,504
Total liabilities		**5,753,524**	6,682,075
Total equity and liabilities		**16,955,437**	17,587,863
Net current assets		**2,621,388**	4,345,364
Total assets less current liabilities		**11,248,347**	13,018,359

Condensed Consolidated Statement of Changes in Equity

	Owners of the Company					
	Share capital HK$'000	Other reserves HK$'000	Retained earnings HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2012 (audited)	106,747	7,322,980	2,159,342	9,589,069	592,936	10,182,005
Profit for the period	–	–	200,860	200,860	25,932	226,792
Other comprehensive loss for the period	–	(30,057)	–	(30,057)	(2,989)	(33,046)
Total comprehensive (loss) income for the period	–	(30,057)	200,860	170,803	22,943	193,746
Share-based payment by an associate	–	(34)	–	(34)	–	(34)
Transfer between reserves	–	5,139	(5,139)	–	–	–
Transfer upon lapse of share options	–	(4,986)	4,986	–	–	–
	–	119	(153)	(34)	–	(34)
At 30 June 2012 (unaudited)	106,747	7,293,042	2,360,049	9,759,838	615,879	10,375,717
At 1 January 2013 (audited)	**106,747**	**7,416,974**	**2,532,213**	**10,055,934**	**849,854**	**10,905,788**
Profit for the period	**–**	**–**	**201,685**	**201,685**	**8,038**	**209,723**
Other comprehensive income for the period	**–**	**110,711**	**–**	**110,711**	**14,703**	**125,414**
Total comprehensive income for the period	**–**	**110,711**	**201,685**	**312,396**	**22,741**	**335,137**
Capital contribution by non-controlling interests	**–**	**–**	**–**	**–**	**24,873**	**24,873**
Payment to non-controlling interest in advance of liquidation	**–**	**–**	**–**	**–**	**(62,735)**	**(62,735)**
Dividend	**–**	**–**	**–**	**–**	**(1,150)**	**(1,150)**
Transfer between reserves	**–**	**12,338**	**(12,338)**	**–**	**–**	**–**
Transfer upon lapse of share options	**–**	**(561)**	**561**	**–**	**–**	**–**
	–	**11,777**	**(11,777)**	**–**	**(39,012)**	**(39,012)**
At 30 June 2013 (unaudited)	**106,747**	**7,539,462**	**2,722,121**	**10,368,330**	**833,583**	**11,201,913**

Condensed Consolidated Statement of Cash Flows

	Six months ended 30 June	
	2013	2012
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Net cash from operating activities	**141,209**	177,681
Net cash used in investing activities	**(434,508)**	(54,566)
Net cash (used in) from financing activities	**(13,656)**	36,901
Net (decrease) increase in cash and cash equivalents	**(306,955)**	160,016
Cash and cash equivalents at 1 January	**3,864,901**	2,950,873
Effect of foreign exchange rate changes	**47,407**	(8,221)
Cash and cash equivalents at 30 June	**3,605,353**	3,102,668
Analysis:		
Cash and cash equivalents	**3,603,658**	3,102,668
Cash and cash equivalents classified as assets held for sales	**1,695**	—
	3,605,353	3,102,668

Notes to the Condensed Consolidated Financial Statements

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

2. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments and investment properties, which are measured at fair values.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2013 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012 except for the below and that in the current interim period, the Group has applied, for the first time, certain new or revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are mandatorily effective for the current period.

Non-current assets held for sale

Non-current assets or disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In the current interim period, the Group has applied for the first time HKFRS 10, HKFRS 11, HKFRS 12 and HKAS 28 (as revised in 2011) together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding the transitional guidance. HKAS 27 (as revised in 2011) is not applicable to these condensed consolidated financial statements as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK(SIC) — Int 12 *Consolidation — Special Purpose Entities*. HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee. Some guidance included in HKFRS 10 that deals with whether or not an investor that owns less than 50% of the voting rights in an investee has control over the investee is relevant to the Group.

The directors of the Company made an assessment as at the date of initial application of HKFRS 10 (i.e. 1 January 2013) as to whether or not the Group has control over its group companies, associates and joint ventures in accordance with the new definition of control and the related guidance set out in HKFRS 10. The directors of the Company concluded that the Company has had control over its subsidiaries since the Company has ability to use its power over the subsidiaries, rights to variable returns from its involvement with the subsidiaries and to affect the return of the subsidiaries. The directors of the Company also concluded that the Company has no control over its associates and joint ventures as the three criteria for meeting the definition of control in HKFRS 10 are not met. Accordingly, the application of HKFRS 10 has had no impact to the Group.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impact of the application of HKFRS 11

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures*, and the guidance contained in a related interpretation, HK(SIC) — Int 13 *Jointly Controlled Entities — Non-Monetary Contributions by Venturers*, has been incorporated in HKAS 28 (as revised in 2011). HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under HKFRS 11, there are only two types of joint arrangements — joint operations and joint ventures. The classification of joint arrangements under HKFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, HKAS 31 had three types of joint arrangements — jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under HKAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was classified as a jointly controlled entity).

The initial and subsequent accounting of joint ventures and joint operations are different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards.

The directors of the Company made an assessment as at the date of initial application of HKFRS 11 (i.e. 1 January 2013) and concluded that the adoption of HKFRS 11 has had no impact to the Group.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Amendments to HKAS 34 Interim Financial Reporting (as part of the Annual Improvements to HKFRSs 2009–2011 Cycle)

The Group has applied the amendments to HKAS 34 *Interim Financial Reporting* as part of the Annual Improvements to HKFRSs 2009–2011 Cycle for the first time in the current interim period. The amendments to HKAS 34 clarify that the total assets and total liabilities for a particular reportable segment would be separately disclosed in the interim financial statements only when the amounts are regularly provided to the chief operating decision makers and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment. Since there has no material change from the amounts disclosed in the 2012 Annual Report, the Group has not included total assets and total liabilities information as part of segment information.

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the interim condensed consolidated financial statements.

The scope of HKFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. HKFRS 13 contains a new definition for "fair value" and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively. Disclosures of fair value information are set out in note 21.

The application of other new or revised to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. CRITICAL ACCOUNTING JUDGMENTS

Estimates and judgments used are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Other than those disclosed in the annual financial statements for the year ended 31 December 2012, the judgement and the key source of estimation uncertainty that have a significant risk of causing a material adjustment to the amounts recognized in the condensed consolidated financial statements are discussed below.

The Group's utility business receives supplemental income from the Finance Bureau of Tianjin Economic and Technological Development Area ("TEDA Finance Bureau") on an annual basis whereby the amount of such income will be negotiated between the Group and TEDA Finance Bureau and the outcome of the negotiation will only be finalised and known after the end of the financial year. For the purpose of these condensed consolidated financial statements, the Group, after discussion with TEDA Finance Bureau, has accrued an amount of such supplemental income for the six months ended 30 June 2013 ("Interim Accrual") based on management's assessment of the current governmental, fiscal and economic policies in the Tianjin Economic and Technological Development Area ("TEDA") and with reference to the Group's operating results in this segment. While the directors are of the opinion that the Interim Accrual is reasonable and the best estimate of the Group's entitlement having been taking all relevant factors into account, it may be different from the actual amount that will be finally determined and agreed with the TEDA Finance Bureau and subsequent adjustment may be necessary.

4. SEGMENT INFORMATION

The Group determines its operating segments based on the reports that are used to make strategic decisions and reviewed by the chief operating decision makers ("CODM"). The CODM 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 following summary describes the operations in each of the Group's reportable segments.

(a) Utilities

This segment derives revenue from distribution of electricity, water, heat and thermal power to industrial, commercial and residential customers in TEDA, the People's Republic of China ("PRC").

(b) Hotels

This segment derives revenue from operation of hotels in Hong Kong and Tianjin.

(c) Electrical and mechanical

This segment derives revenue from manufacture and sale of presses, mechanical and hydroelectric equipment as well as large scale pump units.

(d) Winery

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

(e) Port services

The result of this segment is contributed by a listed associate of the Group, Tianjin Port Development Holdings Limited ("Tianjin Port") which provides port services in Tianjin.

(f) Elevators and escalators

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

4. SEGMENT INFORMATION *(Continued)*

For the six months ended 30 June 2013

	Utilities (note (i)) HK$'000	Hotels HK$'000	Electrical and mechanical HK$'000	Winery (note (ii)) HK$'000	Port services HK$'000	Elevators and escalators HK$'000	Total HK$'000
Segment revenue	1,929,307	56,974	470,323	–	–	–	2,456,604
Operating profit (loss) before interest	41,405	1,244	(48,613)	–	–	–	(5,964)
Interest income	20,118	11	5,396	–	–	–	25,525
Finance costs	(10,539)	–	(3,217)	–	–	–	(13,756)
Share of profit of associates	–	–	–	–	89,177	125,235	214,412
Profit (loss) before tax	50,984	1,255	(46,434)	–	89,177	125,235	220,217
Tax (expense) credit	(22,401)	1,344	(2,589)	–	–	–	(23,646)
Segment results – profit (loss) for the period	28,583	2,599	(49,023)	–	89,177	125,235	196,571
Non-controlling interests	48	3,352	6,937	–	–	(21,616)	(11,279)
Profit (loss) attributable to owners of the Company	28,631	5,951	(42,086)	–	89,177	103,619	185,292
Segment results – profit (loss) for the period includes:							
Depreciation and amortization	31,070	14,273	31,056	–	–	–	76,399

4. SEGMENT INFORMATION *(Continued)*

For the six months ended 30 June 2012

	Utilities (note (i)) HK$'000	Hotels HK$'000	Electrical and mechanical (note (iii)) HK$'000	Winery HK$'000	Port services HK$'000	Elevators and escalators HK$'000	Total HK$'000
Segment revenue	1,863,450	55,056	–	–	–	–	1,918,506
Operating profit (loss) before interest	381	(360)	–	–	–	–	21
Interest income	17,220	9	–	–	–	–	17,229
Finance costs	(14,294)	–	–	–	–	–	(14,294)
Share of profit (loss) of associates	–	–	–	(2,100)	77,899	181,583	257,382
Profit (loss) before tax	3,307	(351)	–	(2,100)	77,899	181,583	260,338
Tax expense	(23,117)	–	–	–	–	–	(23,117)
Segment results – profit (loss) for the period	(19,810)	(351)	–	(2,100)	77,899	181,583	237,221
Non-controlling interests	1,716	3,552	–	–	–	(31,341)	(26,073)
Profit (loss) attributable to owners of the Company	(18,094)	3,201	–	(2,100)	77,899	150,242	211,148
Segment results – profit (loss) for the period includes:							
Depreciation and amortization	32,131	14,403	–	–	–	–	46,534

4. SEGMENT INFORMATION *(Continued)*

	Six months ended 30 June	
	2013	2012
	HK$'000	HK$'000
Reconciliation of profit for the period		
Total reportable segments	**196,571**	237,221
Corporate and others (note (iv))	**13,152**	(10,429)
Profit for the period	**209,723**	226,792

notes:

(i) Revenue from supply of electricity, water, and heat and thermal power amounted to approximately HK$1,124,500,000, HK$184,800,000 and HK$620,000,000 respectively (30 June 2012: approximately HK$1,127,900,000, HK$164,600,000 and HK$570,900,000 respectively).

The above revenue included accrued government supplemental income (i.e. the Interim Accrual) of approximately HK$137,975,000 (30 June 2012: approximately HK$109,823,000).

(ii) As detailed in Note 12, in the absence of Dynasty's published financial information for the six months ended 30 June 2013 as at the date that these condensed consolidated financial statements were approved by the board of directors (the "Board"), the Group was not in a position to (a) equity account for its share of results of Dynasty for the six months ended 30 June 2013 and its share of net assets of Dynasty as at that date; and (b) assess whether any impairment of its interest in Dynasty was necessary.

(iii) As the acquisitions of Tianjin Tianduan Press Co., Ltd. ("Tianduan") and Tianjin Tianfa Heavy Machinery & Hydro Power Equipment Manufacture Co., Ltd. ("Tianfa Equipment") were completed on 31 December 2012, their financial results for the six months ended 30 June 2012 were not presented as they were not reported to the CODM prior to their becoming subsidiaries of the Group.

(iv) These principally include (a) results of the Group's other non-core businesses which are not categorized as reportable segments; (b) corporate level activities including central treasury management, administrative function and exchange gain or loss; and (c) results of Tianduan and Tianfa Equipment while they were the Group's associates during the six months ended 30 June 2012.

5. OTHER INCOME

	Six months ended 30 June 2013 HK$'000	Six months ended 30 June 2012 HK$'000
Interest income	**128,993**	67,554
Rental income under operating leases net of negligible outgoings	**7,221**	11,039
Government grants	**4,741**	—
Sales of scrap materials	**1,571**	—
Reversal of receipt in advance from customer	**32,911**	—
Sundries	**5,504**	1,586
	180,941	80,179

6. OTHER GAINS, NET

	Six months ended 30 June 2013 HK$'000	Six months ended 30 June 2012 HK$'000
Gain on fair value change of investment properties	**—**	25,228
Net exchange gain	**12,862**	9,309
Net gain on disposal of available-for-sale financial assets	**—**	4,703
Net gain (loss) on disposal of property, plant and equipment	**124**	(23)
Net (loss) gain on financial assets held for trading		
— listed	**(2,987)**	3,309
— unlisted	**4,126**	12,343
	14,125	54,869

7. TAX EXPENSE

	Six months ended 30 June	
	2013	2012
	HK$'000	HK$'000
Current taxation		
PRC Enterprise Income Tax ("EIT")	**28,087**	31,094
Deferred taxation	**(425)**	6,307
	27,662	37,401

No provision for Hong Kong profits tax has been made as there was no estimated assessable profit derived from Hong Kong during the current period (30 June 2012: Nil).

The Group's PRC subsidiaries are subject to PRC EIT of 25% except Tianduan and Tianfa Equipment which are subject to preferential EIT rate of 15% for a period of 3 years starting from October 2011 as they are qualified as High and New Technology Enterprises.

8. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2013	2012
	HK$'000	HK$'000
Profit for the period is arrived at after charging:		
Employee benefit expense (including directors' emoluments)	**247,130**	179,099
Cost of inventories recognised as an expense	**1,815,347**	1,569,791
Depreciation	**70,953**	48,268
Amortization of land use rights	**5,924**	3,500
Amortization of intangible assets	**7,069**	—
Allowance for impairment of trade receivables	**14**	9,995
Operating lease expense on		
— plants, pipelines and networks	**79,777**	76,458
— land and buildings	**4,332**	3,594
Provision for impairment of machine construction contracts	**120**	—
Research and development costs		
— charged to cost of sales	**20,060**	—
— charged to other operating expenses	**20,686**	—

9. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2013	2012
	HK$'000	HK$'000
Profit attributable to owners of the Company for the purposes of basic and diluted earnings per share	**201,685**	200,860
Number of shares	**Thousand**	Thousand
Number of ordinary shares for the purpose of basic earnings per share	**1,067,470**	1,067,470
Effect of dilutive potential ordinary shares: Options	**9,980**	1,386
Number of ordinary shares taking into account of share options for the purpose of diluted earnings per share	**1,077,450**	1,068,856

10. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2013 (30 June 2012: Nil).

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

During the current interim period, the Group acquired property, plant and equipment of approximately HK$77,337,000 (30 June 2012: approximately HK$141,578,000) for the purpose of expanding its business.

In addition, as detailed in Note 17, property, plant and equipment with carrying value of approximately HK$110,681,000 as at 30 June 2013 were classified as "assets classified as held for sale".

During the current interim period, neither any acquisition nor disposal of investment properties was carried out by the Group. During the six months ended 30 June 2012, investment properties with an aggregate carrying value of approximately HK$36,424,000 were transferred from other receivables as the Group obtained the building certificates during that period.

The fair value of the Group's investment properties as at the end of the current period were determined by the directors with reference to the market evidence of transaction prices for similar properties in the same location and condition. On this basis, the directors have determined that there was no material change in fair value of the Group's investment properties for the six months period ended 30 June 2013 (30 June 2012: a fair value increase of approximately HK$25,228,000).

12. INTEREST IN ASSOCIATES

	30 June 2013 HK$'000	31 December 2012 HK$'000
Group's interest in associates		
— Listed shares in Hong Kong		
— Dynasty (note)	**786,780**	786,780
— Tianjin Port	**3,445,903**	3,319,892
— Unlisted shares in the PRC		
— Otis China	**962,729**	824,117
— Liaoning Wunushan Milan Winery Co., Ltd.	**16,207**	13,677
	5,211,619	4,944,466
Market value of listed shares		
— Dynasty	**N/A**	786,780
— Tianjin Port	**1,306,112**	1,422,498

Interest in associates at the end of the reporting period included goodwill of approximately HK$1,120,729,000 (31 December 2012: approximately HK$1,120,729,000).

note: Trading in the shares of Dynasty was suspended since 22 March 2013 as per its announcement published on the even date. As set out in the subsequent announcements published by Dynasty dated 26 March 2013, 30 April 2013, 31 May 2013, 27 June 2013, 28 June 2013, 31 July 2013 and 21 August 2013, the internal investigation conducted on certain transactions of Dynasty is not yet completed and as a result, Dynasty has not published any financial information for the year ended 31 December 2012 and the six months ended 30 June 2013 as at the date that these condensed consolidated financial statements were approved by the Board. Accordingly, for the preparation of these condensed consolidated financial statements, the Group was not in a position to (i) equity account for its share of results of Dynasty for the six months ended 30 June 2013 and its share of net assets of Dynasty as at that date; and (ii) assess whether any impairment of its interest in Dynasty was necessary.

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	notes	**30 June 2013 HK$'000**	31 December 2012 HK$'000
Equity securities — non-current			
Listed, at market value	(a)	**191,032**	218,323
Unlisted	(b)	**15,347**	15,082
		206,379	233,405

notes:

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

As at 30 June 2013, the market value of the Group's equity interest in Binhai Investment was approximately HK$191,032,000 (31 December 2012: approximately HK$218,323,000) and the unrealized fair value loss of approximately HK$27,291,000 (30 June 2012: unrealized fair value gain of approximately HK$4,962,000) was recognized in other comprehensive income.

On 25 July 2013, the Group entered into a stock borrowing agreement ("Agreement") with TEDA Hong Kong Property Company Limited ("TEDA HK"), the controlling shareholder of Binhai Investment, to facilitate the issuance of convertible bonds by Binhai Investment. Under the Agreement, the Group has agreed to lend its entire shareholding of Binhai Investment ("Shares", being the 8.28% equity interest in Binhai Investment) in order to allow TEDA HK to use the Shares and the voting rights thereto during the term of the Agreement. Also, during the term of the Agreement, TEDA HK will pay to the Group any income or entitlements in respect of the Shares.

(b) The unlisted available-for-sale financial assets are principally equity investments in certain entities established and operated in the PRC. They are mainly denominated in Renminbi and carried at cost.

14. TRADE RECEIVABLES, NOTES RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	notes	**30 June 2013 HK$'000**	31 December 2012 HK$'000
Trade receivables — gross	(a)	**878,797**	956,079
Less: provision for impairment		**(136,080)**	(136,931)
Trade receivables — net		**742,717**	819,148
Notes receivables		**51,899**	160,523
	(b)	**794,616**	979,671
Other receivables, deposits and prepayments:			
Consideration receivable for disposal of a subsidiary	(c)	**62,735**	123,305
Entrusted loans	(d)	**188,206**	184,957
Others		**205,476**	242,253
		456,417	550,515

notes:

(a) Various group companies have different credit policies which are dependent on the practice of the markets and the businesses in which they operate. In general, credit periods of (i) 30 to 180 days are granted to corporate customers of the Group's hotel business; and (ii) 90 to 180 days are granted to customers in the electrical and mechanical segment. No credit terms are granted to customers in the utilities segment.

As at 30 June 2013, the supplemental income receivable from the TEDA Finance Bureau was approximately HK$45,654,000 (31 December 2012: approximately HK$190,415,000) which included the accrued supplemental income as referred to in Note 4(i). The supplemental income receivable does not have credit terms and the amount is to be finalized by the TEDA Finance Bureau after the end of each financial year. Continuous settlements have been received by the Group in the past years.

14. TRADE RECEIVABLES, NOTES RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS *(Continued)*

(b) The ageing analysis of the Group's trade and notes receivables (net of allowance) is as follows:

	30 June 2013 HK$'000	31 December 2012 HK$'000
Within 30 days	**392,031**	524,526
31 to 90 days	**88,288**	91,301
91 to 180 days	**48,156**	135,628
181 to 365 days	**101,768**	73,339
Over 1 year (note (e))	**164,373**	154,877
	794,616	979,671

(c) The amount represents the consideration receivable from the disposal of a subsidiary in previous years and part of it was settled during this current interim period.

(d) The amount represents entrusted loans to two government-related borrowers in the PRC through two PRC financial institutions. The interest rates range from 6.31% to 6.66% per annum (31 December 2012: 6.31% to 6.66% per annum) and are repayable within one year.

(e) The amount included retention held by customers for contract work of approximately HK$134,718,000 (31 December 2012: HK$99,045,000).

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2013 HK$'000	31 December 2012 HK$'000
Investment held for trading		
Listed shares in Hong Kong	**5,359**	5,359
Listed shares in the PRC	**40,819**	43,024
Unlisted funds in the PRC	**69,198**	388,797
Others	**—**	987
	115,376	438,167

During the current period, the Group had net cash inflow from investments held for trading of approximately HK$330,128,000 (30 June 2012: HK$283,692,000).

16. ENTRUSTED DEPOSITS

For the period ended 30 June 2013, the Group placed in, and withdrew from, two financial institutions based in Tianjin, PRC entrusted deposits of approximately HK$2,205,000,000 and HK$2,175,000,000 respectively (30 June 2012: approximately HK$1,409,000,000 and HK$1,186,000,000 respectively). The deposits with maturity from 1 to 24 months after the end of the reporting period (31 December 2012: 2 to 12 months) carried fixed rates of return ranging from 6.0% to 9.5% (31 December 2012: 5.6% to 10.0%) per annum.

Contracts with maturity over one year confer the Group the rights of early redemption before the maturity date. Accordingly, those deposits were classified as current assets.

17. ASSETS CLASSIFIED AS HELD FOR SALE/LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE

On 28 June 2013, the Group entered into an agreement with an independent third party to dispose of its entire equity interest in a subsidiary, Loyal Right Limited ("Loyal Right"), at a consideration of RMB351,953,000 (equivalent to approximately HK$439,941,000). Loyal Right is an investment holding company incorporated in the British Virgin Islands with limited liability and, through its subsidiaries, owns 75% equity interest in a hotel property located at Tianjin, PRC. The transaction is expected to be completed within twelve months from the end of the current interim period. Accordingly, the following assets and liabilities attributable to Loyal Right have been classified as assets/liabilities held for sale.

	HK$'000
Assets	
Property, plant and equipment	110,681
Land use right	218,817
Trade receivables	11
Other receivables, deposits and prepayments	38,033
Cash and cash equivalents	1,695
Total assets classified as held for sale	369,237
Liabilities	
Other payables and accruals	4,074
Deferred tax liabilities	73,397
Total liabilities associated with assets classified as held for sale	77,471

18. BANK BORROWINGS

During the current period, the Group obtained new bank borrowings of approximately HK$63,291,000 (30 June 2012: HK$147,601,000) and repaid bank borrowings of approximately HK$218,798,000 (30 June 2012: HK$110,701,000).

At the end of the reporting period, the bank borrowings carried effective interests rates ranging from 1.61% to 6.30% (31 December 2012: 1.70% to 5.59%) per annum.

19. TRADE PAYABLES AND NOTES PAYABLES

The ageing analysis of the Group's trade and notes payables, based on invoice date, is as follows:

	30 June 2013 HK$'000	31 December 2012 HK$'000
Within 30 days	**236,082**	501,408
31 to 90 days	**257,002**	371,657
91 to 180 days	**243,949**	319,209
Over 180 days	**383,626**	222,544
	1,120,659	1,414,818

20. CAPITAL COMMITMENTS

	30 June 2013 HK$'000	31 December 2012 HK$'000
Authorized but not contracted for in respect of		
— Improvements on plant and machinery	**814,452**	1,072,095
Contracted but not provided for in respect of		
— Property, plant and machinery	**262,211**	259,894

21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets	Fair value as at 30 June 2013 HK$'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Available-for-sale financial assets – listed equity securities	191,032	Level 1	Quoted bid price in an active market	N/A	N/A
Financial assets at fair value through profit or loss					
– listed equity securities	46,178	Level 1	Quoted bid prices in an active market	N/A	N/A
– unlisted funds	69,198	Level 2	Redemption value quoted by the relevant investment trust with reference to the underlying assets (mainly listed securities) of the trust	N/A	N/A

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate to their fair values.

21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value measurements and valuation processes

The Company has designated a valuation team, which is headed by the Chief Financial Officer of the Company, to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the valuation team establishes the appropriate valuation techniques and inputs to valuation models.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed above.

22. RELATED PARTY DISCLOSURES

The Group is controlled by Tsinlien Group Company Limited ("Tsinlien"), a company incorporated in Hong Kong, which owns approximately 62.07% of the Company's shares as at 30 June 2013. The remaining 37.93% of the Company's shares are widely held.

Tsinlien is a state-owned enterprise and is controlled by Tianjin Municipal Government of PRC. In accordance with HKAS 24 (Revised) *Related Party Disclosures*, entities directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government are defined as related parties of the Group. On that basis, related parties include Tsinlien, its subsidiaries and associates, other state-owned enterprises and their subsidiaries directly or indirectly controlled by the PRC government, and other entities and corporations in which the Company is able to control or exercise joint control or significant influence, and key management personnel of the Company and Tsinlien as well as their close family members.

During the current period, except for the Interim Accrual, the Group's significant transactions with entities that are controlled, jointly controlled or significantly influenced by the PRC government, mainly include majority of its bank transactions, part of sales of goods and services and majority of purchases of goods and services (such as sale and purchase of utilities including electricity and water). The price and other terms of such transactions are set out in the agreements governing these transactions or as mutually agreed, as appropriate.

22. RELATED PARTY DISCLOSURES *(Continued)*

Apart from the above-mentioned transactions with the government-related entities and the related party transactions and balances set out elsewhere in these condensed consolidated financial statements, the following is a summary of the significant related party transactions and balances arising in the normal course of the Group's business:

(a) Related party transactions

(i) Transactions with related parties of the Group (note)

	Six months ended 30 June	
	2013	2012
	HK$'000	HK$'000
Operating lease expenses for land	**862**	947
Operating lease expenses for plants, pipelines and networks	**79,397**	76,458
Purchase of materials	**3,098**	—
Purchase of steam for sale	**528,448**	499,521

note: The related parties are entities controlled by non-controlling interests of the Company's non-wholly owned subsidiaries which entered into the above-mentioned transactions.

(ii) Key management compensation

	Six months ended 30 June	
	2013	2012
	HK$'000	HK$'000
Fees	**1,272**	890
Salaries and other emoluments	**5,212**	4,374
	6,484	5,264

(b) Related party balances

Details of the Group's outstanding balances with related parties are set out in the condensed consolidated balance sheet.

Management Discussion and Analysis

BUSINESS REVIEW

Utilities

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

TEDA is a national development zone and ranked no. 1 in terms of overall capabilities in the PRC. Situated at the centre of Bohai economic rim, TEDA is an ideal place for manufacturing and R&D developments.

Electricity

Tianjin TEDA Tsinlien Electric Power Co., Ltd. ("Electricity Company") is principally engaged in supply of electricity in TEDA. It also provides services in relation to maintenance of power supply equipment and technical consultancy. Currently, the installed transmission capacity of Electricity Company is approximately 706,000 kVA.

For the six months ended 30 June 2013, revenue from the Electricity Company was approximately HK$1,124.5 million which was similar to that at the same period last year. Profit increased by 49% to approximately HK$15.2 million. This was primarily due to the reduction in finance costs as the bank borrowings had been fully repaid by end of 2012. The total quantity of electricity sold for the period was approximately 1,271,698,000 kWh, representing a decrease of 3.6% over the same period last year.

Water

Tianjin TEDA Tsinlien Water Supply Co., Ltd. ("Water Company") is principally engaged in supply of tap water in TEDA. It is also engaged in installation and maintenance of water pipes, technical consultancy, retail and wholesale of water pipes and related parts. The daily water supply capacity of the Water Company is approximately 425,000 tonnes.

For the period under review, the Water Company reported revenue of approximately HK$184.8 million representing an increase of 12.3% over the same period last year. Loss was reduced to approximately HK$11.5 million, a 57% improvement from HK$26.7 million in the corresponding period last year. The reduction in loss was a result of improved operating margins. The total quantity of water sold for the period was approximately 23,936,000 tonnes, representing an increase of 1.6% over the same period last year.

Management Discussion and Analysis

Heat and Thermal Power

Tianjin TEDA Tsinlien Heat & Power Co., Ltd. ("Heat & Power Company") is principally engaged in distribution of steam and heat for industrial, commercial and residential customers within TEDA. The Heat & Power Company has steam transmission pipelines of approximately 360 kilometres and more than 105 processing stations in TEDA. The daily distribution capacity is approximately 30,000 tonnes of steam.

For the period under review, the Heat & Power Company reported revenue of approximately HK$620 million representing an increase of 9% and recorded profit of approximately HK$24.8 million compared to a loss of approximately HK$3.3 million for the corresponding period last year. This was mainly due to the increase of provision of supplemental income during the period. The total quantity of steam sold for the period was approximately 2,297,000 tonnes, representing a decline of 4.6% over the same period last year.

Hotels

Courtyard by Marriott Hong Kong

Courtyard by Marriott Hong Kong ("Courtyard Hotel"), situated in a prime location on the Hong Kong Island, is a 4-star hotel with 245 guest rooms. It is positioned as an ideal lodge for business and leisure travellers.

For the six months ended 30 June 2013, revenue from Courtyard Hotel increased by 4% to approximately HK$56.6 million. Profit was approximately HK$11.4 million which was at the same level compared with the corresponding period last year. The average occupancy rate was approximately 84.5%, a four percentage point improvement over the same period last year.

Hotel Property in Tianjin

On 28 June 2013, the Group had entered into a sale and purchase agreement with Hongkong Xinguang Abc International Holdings Limited (香港新光國際控股有限公司) to dispose of its entire interest in Loyal Right Limited (忠正有限公司), a sole shareholder of Lethia Limited (香港利時年有限公司) which in turn owns 75% equity interest in Tianjin First Hotel Ltd. (天津第一飯店有限公司) ("First Hotel"), for a cash consideration of RMB351,953,000 (equivalent to approximately HK$439,941,000). The principal asset held by First Hotel is the hotel property in Tianjin. Upon the completion of the transaction, the Group will recognize a gain of approximately HK$160 million. For the six months ended 30 June 2013, a loss of approximately HK$8.8 million was recorded.

Details of the transaction were set out in the Company's announcement dated 28 June 2013.

Electrical and Mechanical

Electrical and mechanical segment is principally engaged in the manufacture and sale of presses, mechanical and hydroelectric equipment as well as large scale pump units in the PRC.

For the six months ended 30 June 2013, electrical and mechanical segment recorded revenue of approximately HK$470.3 million and a loss of approximately HK$49 million. The operating loss was primarily attributable to the lower level of activities in hydroelectric industry, the reschedule of certain construction phases of hydroelectric projects as well as certain cost estimate adjustments relating to construction contracts during the period.

Strategic and Other Investments

Winery

As set out in the announcements published by Dynasty Fine Wines Group Limited ("Dynasty") (stock code: 828) dated 26 March 2013, 30 April 2013, 31 May 2013, 27 June 2013, 28 June 2013, 31 July 2013 and 21 August 2013, the internal investigation conducted on certain transactions of Dynasty is not yet completed and as a result, Dynasty has not published any financial information for the six months ended 30 June 2013 as at the date that these condensed consolidated financial statements were approved by the Board. Accordingly, for the preparation of these condensed consolidated financial statements, the Group was not in a position to (i) equity account for its share of results of Dynasty for the six months ended 30 June 2013 and its share of net assets of Dynasty as at that date; and (ii) assess whether any impairment of its interest in Dynasty was necessary.

Port Services

During the period under review, the revenue of Tianjin Port Development Holdings Limited ("Tianjin Port") (stock code: 3382) increased by 23.9% to approximately HK$9,927 million and profit attributable to owners of Tianjin Port was approximately HK$424.7 million, representing an increase of 14.5% over the same period last year.

Tianjin Port contributed to the Group a profit of approximately HK$89.2 million, representing an increase of 14.5% compared to the corresponding period last year.

Elevators and Escalators

During the period under review, the revenue of Otis Elevator (China) Investment Company Limited ("Otis China") amounted to approximately HK$8,531.6 million, representing an increase of 17.7% over the same period last year.

Otis China contributed to the Group a profit (after non-controlling interests) of approximately HK$103.6 million, representing a decrease of 31% over the same period in 2012.

Investment in Binhai Investment Company Limited

During the period under review, the Group had 8.28% interest in Binhai Investment Company Limited ("Binhai Investment") (stock code: 8035). As at 30 June 2013, the market value of the Group's interest in Binhai Investment was approximately HK$191 million (31 December 2012: approximately HK$218.3 million) and the unrealized fair value loss of approximately HK$27.3 million was recognized in other comprehensive income.

On 25 July 2013, the Group entered into a stock borrowing agreement ("Agreement") with TEDA Hong Kong Property Company Limited ("TEDA HK"), the controlling shareholder of Binhai Investment, to facilitate the issuance of convertible bonds by Binhai Investment. Under the Agreement, the Group has agreed to lend its entire shareholding of Binhai Investment ("Shares", being the 8.28% equity interest in Binhai Investment) in order to allow TEDA HK to use the Shares and the voting rights thereto during the term of the Agreement. Also, during the term of the Agreement, TEDA HK will pay to the Group any income or entitlements in respect of the Shares.

PROSPECT

It is anticipated that the uncertainties of global economy and the regional political tensions will continue in the second half of 2013, and the economic slowdown in China will also be challenging. Nevertheless, the Company will continue to pursue a strategy of stable growth. By consolidating the operation of existing businesses and strengthening financial position, the Company will dedicate to internal reorganization in order to make the business development more smoothly. Looking ahead, the Company is capable of dealing with risks and challenges in the future and we are confident in business prospects.

LIQUIDITY AND CAPITAL RESOURCES ANALYSIS

As at 30 June 2013, the Group's total cash on hand and total bank borrowings stood at approximately HK$3,957.8 million and approximately HK$2,418.2 million respectively (31 December 2012: approximately HK$4,222.1 million and approximately HK$2,559.4 million respectively). The bank borrowings of approximately HK$2,418.2 million (31 December 2012: approximately HK$565.9 million) will mature within one year.

The gearing ratio as measured by total borrowings to shareholders' funds was at approximately 23% as at 30 June 2013 (31 December 2012: approximately 25%).

Of the total HK$2,418.2 million bank borrowings outstanding as at 30 June 2013, HK$1,996.5 million were subject to floating rates with a spread of 1.4% over HIBOR of relevant interest periods and RMB96.1 million (equivalent to approximately HK$120.6 million) was calculated at 5 to 10 basis points over benchmark rate of the People's Bank of China. RMB240 million (equivalent to approximately HK$301.1 million) of bank borrowings were fixed-rate debts with annual interest rates at 3.12% to 6.3%.

As at 30 June 2013, 82.6% (31 December 2012: 78%) of the Group's total bank borrowings was denominated in Hong Kong dollars, 17.4% (31 December 2012: 22%) was denominated in Renminbi.

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

EMPLOYEES AND REMUNERATION POLICIES

During the period under review, the Group had a total of approximately 2,850 employees of whom approximately 430 were management personnel and 970 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 its Hong Kong employees. The contributions are based on a fixed percentage of the members' salaries.

CHARGE ON ASSETS

As at 30 June 2013, a restricted bank balance of approximately HK$72.7 million was pledged against notes payables of approximately HK$136.9 million.

As at 30 June 2013, bank borrowings of approximately HK$147.0 million was secured by land use right, buildings and deposits.

Other Information

DIRECTORS' INTERESTS IN SHARES

As at 30 June 2013, the interests or short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

(i) Interests in the underlying shares of the Company

Name of director	Number of underlying shares held	Approximate percentage of interests to the issued share capital
Mr. Yu Rumin	4,600,000	0.43%
Mr. Wu Xuemin	8,200,000	0.77%
Mr. Dai Yan	8,300,000	0.78%
Mr. Bai Zhisheng	1,400,000	0.13%
Mr. Zhang Wenli	1,400,000	0.13%
Mr. Wang Zhiyong	6,500,000	0.61%
Dr. Wang Weidong	2,800,000	0.26%
Mr. Tuen Kong, Simon	6,100,000	0.57%
Mr. Cheung Wing Yui, Edward	1,000,000	0.09%
Dr. Chan Ching Har, Eliza	500,000	0.05%
Dr. Cheng Hon Kwan	1,000,000	0.09%
Mr. Mak Kwai Wing, Alexander	500,000	0.05%
Ms. Ng Yi Kum, Estella	500,000	0.05%

notes:

1. All interests are held in the capacity as a beneficial owner.

2. All interests stated above represent long positions.

3. Details of the interests of directors in share options are set out in the paragraph headed "Share Option Scheme" in this section below.

DIRECTORS' INTERESTS IN SHARES *(Continued)*

(ii) Interests in the underlying shares of associated corporations of the Company

Name of director	Name of associated corporation	Nature of interests	Capacity	Number of underlying shares held	Approximate percentage of interests to the issued share capital
Mr. Yu Rumin	Tianjin Port	Personal interest	Beneficial owner	3,450,000	0.06%
Mr. Dai Yan	Tianjin Port	Personal interest	Beneficial owner	1,650,000	0.03%
Mr. Bai Zhisheng	Dynasty	Personal interest	Beneficial owner	2,300,000	0.18%

Save as disclosed above, as at 30 June 2013, none of the directors or chief executive or their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

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

Other Information

SHARE OPTION SCHEME *(Continued)*

Details of options granted, exercised, lapsed or cancelled and outstanding under the Share Option Scheme during the period were as follows:

	Date of Grant	Exercise Price per share HK$	Number of share options: As at 1 January 2013	During the period: Granted	Exercised	Lapsed	Cancelled	As at 30 June 2013	Exercise Period
Directors									
Yu Rumin	19/12/2007	8.04	1,000,000	–	–	–	–	1,000,000	17/01/2008 – 24/05/2017
	16/12/2009	5.75	2,000,000	–	–	–	–	2,000,000	16/12/2009 – 24/05/2017
	07/11/2011	3.56	800,000	–	–	–	–	800,000	11/11/2011 – 24/05/2017
	19/12/2012	4.06	800,000	–	–	–	–	800,000	19/12/2012 – 24/05/2017
Wu Xuemin	16/12/2009	5.75	1,800,000	–	–	–	–	1,800,000	16/12/2009 – 24/05/2017
	07/11/2011	3.56	3,200,000	–	–	–	–	3,200,000	11/11/2011 – 24/05/2017
	19/12/2012	4.06	3,200,000	–	–	–	–	3,200,000	19/12/2012 – 24/05/2017
Dai Yan	19/12/2007	8.04	900,000	–	–	–	–	900,000	17/01/2008 – 24/05/2017
	16/12/2009	5.75	1,400,000	–	–	–	–	1,400,000	16/12/2009 – 24/05/2017
	07/11/2011	3.56	3,000,000	–	–	–	–	3,000,000	11/11/2011 – 24/05/2017
	19/12/2012	4.06	3,000,000	–	–	–	–	3,000,000	19/12/2012 – 24/05/2017
Bai Zhisheng	19/12/2007	8.04	300,000	–	–	–	–	300,000	17/01/2008 – 24/05/2017
	16/12/2009	5.75	500,000	–	–	–	–	500,000	16/12/2009 – 24/05/2017
	07/11/2011	3.56	300,000	–	–	–	–	300,000	11/11/2011 – 24/05/2017
	19/12/2012	4.06	300,000	–	–	–	–	300,000	19/12/2012 – 24/05/2017
Zhang Wenli	19/12/2007	8.04	300,000	–	–	–	–	300,000	17/01/2008 – 24/05/2017
	16/12/2009	5.75	500,000	–	–	–	–	500,000	16/12/2009 – 24/05/2017
	07/11/2011	3.56	300,000	–	–	–	–	300,000	11/11/2011 – 24/05/2017
	19/12/2012	4.06	300,000	–	–	–	–	300,000	19/12/2012 – 24/05/2017
Wang Zhiyong	16/12/2009	5.75	900,000	–	–	–	–	900,000	16/12/2009 – 24/05/2017
	07/11/2011	3.56	2,800,000	–	–	–	–	2,800,000	11/11/2011 – 24/05/2017
	19/12/2012	4.06	2,800,000	–	–	–	–	2,800,000	19/12/2012 – 24/05/2017
Wang Weidong	19/12/2012	4.06	2,800,000	–	–	–	–	2,800,000	19/12/2012 – 24/05/2017
Tuen Kong, Simon	16/12/2009	5.75	900,000	–	–	–	–	900,000	16/12/2009 – 24/05/2017
	07/11/2011	3.56	2,600,000	–	–	–	–	2,600,000	11/11/2011 – 24/05/2017
	19/12/2012	4.06	2,600,000	–	–	–	–	2,600,000	19/12/2012 – 24/05/2017
Cheung Wing Yui, Edward	19/12/2007	8.04	500,000	–	–	–	–	500,000	17/01/2008 – 24/05/2017
	16/12/2009	5.75	300,000	–	–	–	–	300,000	16/12/2009 – 24/05/2017
	07/11/2011	3.56	100,000	–	–	–	–	100,000	11/11/2011 – 24/05/2017
	19/12/2012	4.06	100,000	–	–	–	–	100,000	19/12/2012 – 24/05/2017
Chan Ching Har, Eliza	16/12/2009	5.75	300,000	–	–	–	–	300,000	16/12/2009 – 24/05/2017
	07/11/2011	3.56	100,000	–	–	–	–	100,000	11/11/2011 – 24/05/2017
	19/12/2012	4.06	100,000	–	–	–	–	100,000	19/12/2012 – 24/05/2017
Cheng Hon Kwan	19/12/2007	8.04	500,000	–	–	–	–	500,000	17/01/2008 – 24/05/2017
	16/12/2009	5.75	300,000	–	–	–	–	300,000	16/12/2009 – 24/05/2017
	07/11/2011	3.56	100,000	–	–	–	–	100,000	11/11/2011 – 24/05/2017
	19/12/2012	4.06	100,000	–	–	–	–	100,000	19/12/2012 – 24/05/2017
Mak Kwai Wing, Alexander	16/12/2009	5.75	300,000	–	–	–	–	300,000	16/12/2009 – 24/05/2017
	07/11/2011	3.56	100,000	–	–	–	–	100,000	11/11/2011 – 24/05/2017
	19/12/2012	4.06	100,000	–	–	–	–	100,000	19/12/2012 – 24/05/2017
Ng Yi Kum, Estella	03/12/2010	6.07	300,000	–	–	–	–	300,000	03/12/2010 – 24/05/2017
	07/11/2011	3.56	100,000	–	–	–	–	100,000	11/11/2011 – 24/05/2017
	19/12/2012	4.06	100,000	–	–	–	–	100,000	19/12/2012 – 24/05/2017
Continuous contract employees (note 1)	07/11/2011	3.56	2,400,000	–	–	600,000	–	1,800,000	11/11/2011 – 24/05/2017
	19/12/2012	4.06	2,500,000	–	–	–	–	2,500,000	19/12/2012 – 24/05/2017
Total			47,700,000	–	–	600,000	–	47,100,000	

SHARE OPTION SCHEME *(Continued)*

notes:

1. A total of 600,000 share options lapsed on 20 March 2013 due to the resignation of a continuous contract employee on 20 December 2012.

2. No share options had been granted under the Share Option Scheme during the six months ended 30 June 2013.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Apart from the Share Option Scheme of the Company, at no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2013, the following persons or corporations, other than the directors or chief executive of the Company as disclosed above, had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name of shareholder	notes	Capacity	Number of shares held	Approximate percentage of interests to the issued share capital
Tianjin Pharmaceutical Group Co., Ltd. (天津市醫藥集團有限公司) ("Tianjin Pharmaceutical")	1	Interest of controlled corporation	662,593,143 (L)	62.07%
		Interest of controlled corporation	220,298,109 (S)	20.64%
Tsinlien	2	Interest of controlled corporation	662,593,143 (L)	62.07%
	3	Interest of controlled corporation	220,298,109 (S)	20.64%

"L" denotes a long position in shares

"S" denotes a short position in shares

SUBSTANTIAL SHAREHOLDERS *(Continued)*

notes:

1. On 30 November 2012, the Company was informed that the entire issued share capital of Tsinlien will be transferred to Tianjin Pharmaceutical, a state-owned enterprise wholly-owned by the Tianjin Municipal People's Government. By virtue of the SFO, Tianjin Pharmaceutical is deemed to have an interest in the shares in which Tsinlien is interested. Details may refer to the announcement made by the Company dated 30 November 2012.

2. As at 30 June 2013, Tsinlien directly held 19,446,000 shares and its wholly-owned subsidiaries, namely Tianjin Investment Holdings Limited ("Tianjin Investment"), Tsinlien Venture Capital Company Limited ("Tsinlien Venture Capital") and Tsinlien Investment Limited ("Tsinlien Investment") held 568,017,143 shares, 2,022,000 shares and 73,108,000 shares respectively. By virtue of the SFO, Tsinlien is deemed to have an interest in the shares in which Tianjin Investment, Tsinlien Venture Capital and Tsinlien Investment are interested.

3. Tsinlien is deemed to have a short position of 220,298,109 shares of the Company, whereby Bright North Limited, a wholly-owned subsidiary of Tsinlien, has issued an aggregate of RMB1,638,000,000 U.S. Dollar Settled 1.25 per cent. Guaranteed Exchangeable Bonds due 2016 guaranteed by Tsinlien and exchangeable into ordinary shares of the Company at an exchange price of HK$8.831 per share.

Save as disclosed above, as at 30 June 2013, the Company had not been notified by any person or corporation, other than the directors or chief executive of the Company, who had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

CORPORATE GOVERNANCE

The Company has complied with the code provisions as set out in the Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the six months ended 30 June 2013.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted 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 six months ended 30 June 2013.

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

CHANGES IN DIRECTORS' INFORMATION

Pursuant to Rule 13.51B of the Listing Rules, changes in the information of directors of the Company subsequent to the date of the 2012 annual report of the Company are as follows:

1. Ms. Ng Yi Kum, Estella has been appointed as an independent non-executive director of China Power New Energy Development Company Limited (Stock Code: 735) with effect from 28 June 2013 and resigned as an independent non-executive director of Cypress Jade Agricultural Holdings Limited (Stock Code: 875) with effect from 7 June 2013.

2. Dr. Loke Yu has been appointed as an independent non-executive director of China Household Holdings Limited (Stock Code: 692) with effect from 9 August 2013.

REVIEW BY AUDIT COMMITTEE

At the request of the Audit Committee of the Company, the Group's independent auditor has carried out a review of the unaudited condensed consolidated 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 HKICPA. The Audit Committee had reviewed with management the accounting principles and practices adopted by the Group and discussed auditing and financial reporting matters including the review of unaudited condensed consolidated financial statements for the six months ended 30 June 2013.

The Audit Committee is chaired by Ms. Ng Yi Kum, Estella and includes four other members, Dr. Cheng Hon Kwan, Mr. Mak Kwai Wing, Alexander, Mr. Wong Shiu Hoi, Peter and Dr. Loke Yu.

DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES

On 18 February 2011, the Company entered into a facility agreement (the "Facility Agreement") with a syndicate of banks (the "Banks") in respect of a term loan facility of HK$2,000 million for a period up to 60 months unless not extended by the Banks at the 36th month from the date of the Facility Agreement.

Pursuant to the Facility Agreement, it will be an event of default, inter alia, if (i) the Tianjin Municipal People's Government ceases to maintain a shareholding ownership directly or indirectly in the Company of more than 50%, or (ii) the Company ceases to be under the direct or indirect management control of Tsinlien.

If any of the abovementioned events of default occurs, the Banks may by notice to the Company (a) cancel the total commitments; (b) declare that the loan together with accrued interest, and all other amounts accrued or outstanding be immediately due and payable; and/or (c) declare that the loan be repayable on demand.

Other Information

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2013 (30 June 2012: Nil).

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 six months ended 30 June 2013.

By Order of the Board
Yu Rumin
Chairman

Hong Kong, 29 August 2013

Deloitte.

德勤

TO THE BOARD OF DIRECTORS OF
TIANJIN DEVELOPMENT HOLDINGS LIMITED
(incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Tianjin Development Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 5 to 32, which comprise the condensed consolidated balance sheet as of 30 June 2013 and the related condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

Except as described in the Basis for Qualified Conclusion paragraph, we conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

BASIS FOR QUALIFIED CONCLUSION

As set out in Note 12 to the condensed consolidated financial statements, Dynasty (as defined in Note 4 to the condensed consolidated financial statements), a listed associate of the Group, has not published any financial information for the six months ended 30 June 2013 as at the date that the condensed consolidated financial statements were approved by the board of directors. Accordingly, the Group was not in a position to (i) equity account for its share of results of Dynasty for the six months ended 30 June 2013 and its share of net assets of Dynasty as at that date; and (ii) assess whether any impairment of its interest in Dynasty was necessary. Consequently, the Group was unable to fulfill the requirements of Hong Kong Accounting Standard 28 "Investments in Associates" issued by the Hong Kong Institute of Certified Public Accountants, which requires the application of the equity method for accounting for investments in associates and an impairment assessment thereof.

QUALIFIED CONCLUSION

Based on our review, with the exception of the matter described in the Basis for Qualified Conclusion paragraph, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
29 August 2013