



天津发展控股有限公司

TIANJIN DEVELOPMENT HOLDINGS LIMITED

Stock Code: 882

Interim Report 2016

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Zeng Xiaoping (*Chairman*)
Mr. Wang Zhiyong (*General Manager*)
Mr. Tuen Kong, Simon
Dr. Cui Di
Ms. Zhang Lili
Dr. Yang Chuan

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

AUTHORISED REPRESENTATIVES

Mr. Zeng Xiaoping
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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183 Queen's Road East
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

TIANJIN DEVELOPMENT HOLDINGS LIMITED

Utilities

Electricity
Water
Heat and Thermal Power

Pharmaceutical

Lisheng (002393.SZ)
Research Institute
Yiyao Printing

Hotel

Courtyard by
Marriott Hong Kong

Electrical and Mechanical

Hydraulic Presses
Hydroelectric Equipment

Strategic and Other Investments

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

PHARMACEUTICAL

Company Name	Shareholding	Principal Activities
Tianjin Institute of Pharmaceutical Research Co., Ltd.	67%	Research and development of new medicine technology and new products
Tianjin Yiyao Printing Co., Ltd.	43.55%	Design, manufacture and printing for pharmaceutical packaging
Tianjin Lisheng Pharmaceutical Co., Ltd.	34.41%	Production and sale of chemical drugs

HOTEL

Company Name	Shareholding	Principal Activities
Tsinlien Realty Limited	100%	Operation of Courtyard by Marriott Hong Kong

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 equipment
Tianjin Tianduan Press Co., Ltd.	64.91%	Manufacture and sale of presses and mechanical equipment

STRATEGIC AND OTHER INVESTMENTS

Company Name	Shareholding	Principal Activities
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 shareholding percentages represent effective equity interest in respective companies or group of companies.

Condensed Consolidated Statement of Profit or Loss

		Six months ended 30 June	
		2016	2015
		HK\$'000	HK\$'000
	Notes	(unaudited)	(unaudited and restated)
Revenue	5	3,117,778	3,410,444
Cost of sales		(2,461,924)	(2,707,947)
Gross profit		655,854	702,497
Other income	6	120,829	172,018
Other gains, net	7	422	35,484
Selling expenses		(202,743)	(190,156)
General and administrative expenses		(292,532)	(394,883)
Other operating expenses		(89,371)	(103,649)
Finance costs		(34,047)	(34,710)
Share of profit (loss) of			
Associates		286,506	402,012
Joint ventures		(4,399)	(5,239)
Profit before tax		440,519	583,374
Tax expense	8	(29,619)	(55,205)
Profit for the period	9	410,900	528,169
Attributable to:			
Owners of the Company		318,975	394,267
Non-controlling interests		91,925	133,902
		410,900	528,169
		HK cents	HK cents
Earnings per share	10		
Basic		29.73	36.86
Diluted		29.73	36.64

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

		Six months ended 30 June	
		2016	2015
		HK\$'000	HK\$'000
	Note	(unaudited)	(unaudited and restated)
Profit for the period		410,900	528,169
Other comprehensive (expense) income			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Currency translation differences			
– the Group		(161,497)	9,690
– associates		(79,935)	3,129
– joint ventures		(1,034)	83
Change in fair value of available-for-sale financial assets	14	(17,945)	22,758
Deferred taxation on fair value change of available-for-sale financial assets		993	(2,743)
Share of other comprehensive (expense) income of an associate			
– available-for-sale financial assets revaluation reserve		(2,570)	5,961
Other comprehensive (expense) income for the period		(261,988)	38,878
Total comprehensive income for the period		148,912	567,047
Attributable to:			
Owners of the Company		132,411	423,241
Non-controlling interests		16,501	143,806
		148,912	567,047

Condensed Consolidated Statement of Financial Position

		30 June 2016 HK\$'000 (unaudited)	31 December 2015 HK\$'000 (audited)
	Notes		
ASSETS			
Non-current assets			
Property, plant and equipment	12	5,101,410	5,118,453
Land use rights	12	460,763	475,302
Investment properties	12	162,790	166,093
Interests in associates	13	5,097,958	4,949,975
Interests in joint ventures		50,178	55,611
Intangible assets		206,773	223,890
Deposits paid for acquisition of property, plant and equipment		18,275	88,530
Deferred tax assets		95,472	97,100
Available-for-sale financial assets	14	437,491	372,688
Goodwill	15	1,462	1,492
		11,632,572	11,549,134
Current assets			
Inventories		460,869	450,280
Amounts due from joint ventures		56,608	55,997
Amount due from ultimate holding company		384	204
Amounts due from related companies		55,180	43,817
Amounts due from customers for contract work		898,265	798,629
Trade receivables	16	794,058	873,207
Notes receivables	16	359,098	205,055
Other receivables, deposits and prepayments	16	429,348	367,021
Financial assets at fair value through profit or loss	17	103,513	186,107
Entrusted deposits	18	1,135,889	1,890,215
Restricted bank balances		119,939	125,065
Time deposits with maturity over three months		1,003,650	1,471,241
Cash and cash equivalents		4,913,233	4,997,450
		10,330,034	11,464,288
Total assets		21,962,606	23,013,422

Condensed Consolidated Statement of Financial Position

	Notes	30 June 2016 HK\$'000 (unaudited)	31 December 2015 HK\$'000 (audited)
EQUITY			
Owners of the Company			
Share capital		5,136,285	5,136,285
Reserves		5,115,184	5,042,608
		10,251,469	10,178,893
Non-controlling interests		3,579,913	3,603,307
Total equity		13,831,382	13,782,200
LIABILITIES			
Non-current liabilities			
Defined benefit obligations		35,933	37,005
Deferred income		92,753	125,124
Obligations under finance leases			
— due after one year		4,010	3,641
Bank borrowings	19	90,410	83,614
Deferred tax liabilities		41,221	44,053
		264,327	293,437
Current liabilities			
Trade payables	20	1,302,243	1,189,501
Notes payables	20	190,188	161,274
Other payables and accruals		2,296,924	3,449,289
Amounts due to related companies		817,881	886,811
Amounts due to customers for contract work		123,184	98,862
Obligations under finance leases			
— due within one year		6,593	14,221
Bank borrowings	19	2,974,989	2,974,892
Current tax liabilities		154,895	162,935
		7,866,897	8,937,785
Total liabilities		8,131,224	9,231,222
Total equity and liabilities		21,962,606	23,013,422
Net current assets		2,463,137	2,526,503
Total assets less current liabilities		14,095,709	14,075,637

Condensed Consolidated Statement of Changes in Equity

	Owners of the Company				Non-controlling interests	Total
	Share capital	Other reserves	Retained earnings	Sub-total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2015 (audited and originally stated)	5,111,234	2,601,092	3,728,446	11,440,772	857,758	12,298,530
Effect of application of merger accounting (Note 3)	—	(1,721,245)	704,902	(1,016,343)	2,820,244	1,803,901
At 1 January 2015 (audited and restated)	5,111,234	879,847	4,433,348	10,424,429	3,678,002	14,102,431
Profit for the period (restated)	—	—	394,267	394,267	133,902	528,169
Other comprehensive income for the period (restated)	—	28,974	—	28,974	9,904	38,878
Total comprehensive income for the period (restated)	—	28,974	394,267	423,241	143,806	567,047
Dividends	—	—	(60,612)	(60,612)	(34,205)	(94,817)
Transfer between reserves	—	432	(432)	—	—	—
Exercise of share options	25,051	(4,695)	—	20,356	—	20,356
Transfer upon lapse of share options	—	(2,585)	2,585	—	—	—
Share-based payments of an associate	—	52	—	52	—	52
Others	—	(3)	—	(3)	(680)	(683)
	25,051	(6,799)	(58,459)	(40,207)	(34,885)	(75,092)
At 30 June 2015 (unaudited and restated)	5,136,285	902,022	4,769,156	10,807,463	3,786,923	14,594,386
At 1 January 2016 (audited)	5,136,285	224,637	4,817,971	10,178,893	3,603,307	13,782,200
Profit for the period	—	—	318,975	318,975	91,925	410,900
Other comprehensive expense for the period	—	(186,564)	—	(186,564)	(75,424)	(261,988)
Total comprehensive (expense) income for the period	—	(186,564)	318,975	132,411	16,501	148,912
Capital contribution by non-controlling interests	—	—	—	—	1,453	1,453
Dividends	—	—	(60,612)	(60,612)	(42,410)	(103,022)
Transfer between reserves	—	2,136	(2,136)	—	—	—
Share-based payment of an associate	—	219	—	219	—	219
Others	—	558	—	558	1,062	1,620
	—	2,913	(62,748)	(59,835)	(39,895)	(99,730)
At 30 June 2016 (unaudited)	5,136,285	40,986	5,074,198	10,251,469	3,579,913	13,831,382

Condensed Consolidated Statement of Cash Flows

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited and restated)
Net cash from (used in) operating activities	15,675	(44,390)
Net cash from investing activities	1,198,072	139,811
Net cash used in financing activities	(1,198,266)	(105,422)
Net increase (decrease) in cash and cash equivalents	15,481	(10,001)
Cash and cash equivalents at 1 January	4,997,450	6,467,654
Effect of foreign exchange rate changes	(99,698)	5,113
Cash and cash equivalents at 30 June	4,913,233	6,462,766

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 (the “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”).

The financial information relating to the year ended 31 December 2015 that is included in these unaudited condensed consolidated financial statements for the six months ended 30 June 2016 as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those consolidated financial statements. Further information relating those statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Chapter 622) is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 December 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Chapter 622).

The Company’s auditor has reported on those consolidated financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Chapter 622).

2. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, 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 2016 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2015 except that the Group has applied, for the first time, certain amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are mandatorily effective for the current period. However, such application of amendments to HKFRSs in the current 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.

Notes to the Condensed Consolidated Financial Statements

3. MERGER ACCOUNTING AND RESTATEMENTS

The Group accounts for all its business combinations involving entities under common control using the principles of merger accounting in accordance with Accounting Guideline 5 “Merger Accounting for Common Control Combinations” (“AG 5”) issued by the HKICPA.

In December 2015, the Group completed the acquisition of 67% equity interest in Thrive Leap Limited (“Thrive Leap”) from a wholly-owned subsidiary of Tsinlien Group Company Limited (“Tsinlien”), the ultimate holding company of the Company. The Group applied AG 5 to the acquisition of Thrive Leap in 2015. As a result, the condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Group for the six months ended 30 June 2015 were restated to include the results and cash flows of Thrive Leap and its subsidiaries (collectively referred to as “Thrive Leap Group”) as if they were within the Group at 1 January 2015.

Notes to the Condensed Consolidated Financial Statements

3. MERGER ACCOUNTING AND RESTATEMENTS *(continued)*

The effects of the inclusion of Thrive Leap Group using merger accounting on the condensed consolidated statement of profit or loss and statement of profit or loss and other comprehensive income for the six months ended 30 June 2015 are as follows:

	The Group excluding Thrive Leap Group HK\$'000 (unaudited)	Effect of application of merger accounting HK\$'000 (unaudited)	The Group including Thrive Leap Group HK\$'000 (unaudited and restated)
Revenue	2,559,114	851,330	3,410,444
Cost of sales	(2,377,427)	(330,520)	(2,707,947)
Gross profit	181,687	520,810	702,497
Other income	146,580	25,438	172,018
Other gains (losses), net	37,815	(2,331)	35,484
Selling expenses	(23,502)	(166,654)	(190,156)
General and administrative expenses	(268,568)	(126,315)	(394,883)
Other operating expenses	(38,509)	(65,140)	(103,649)
Finance costs	(29,875)	(4,835)	(34,710)
Share of profit (loss) of			
Associates	399,712	2,300	402,012
Joint ventures	(5,239)	—	(5,239)
Profit before tax	400,101	183,273	583,374
Tax expense	(28,688)	(26,517)	(55,205)
Profit for the period	371,413	156,756	528,169
Attributable to:			
Owners of the Company	337,400	56,867	394,267
Non-controlling interests	34,013	99,889	133,902
	371,413	156,756	528,169
	HK cents	HK cents	HK cents
Earnings per share			
Basic	31.55	5.31	36.86
Diluted	31.35	5.29	36.64

Notes to the Condensed Consolidated Financial Statements

3. MERGER ACCOUNTING AND RESTATEMENTS *(continued)*

	The Group excluding Thrive Leap Group HK\$'000 (unaudited)	Effect of application of merger accounting HK\$'000 (unaudited)	The Group including Thrive Leap Group HK\$'000 (unaudited and restated)
Profit for the period	371,413	156,756	528,169
Other comprehensive income (expense)			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Currency translation differences			
– the Group	9,714	(24)	9,690
– associates	3,129	–	3,129
– joint ventures	83	–	83
Change in fair value of available-for-sale financial assets	4,466	18,292	22,758
Deferred taxation on fair value change of available-for-sale financial assets	–	(2,743)	(2,743)
Share of other comprehensive income of an associate			
– available-for-sale financial assets revaluation reserve	5,961	–	5,961
Other comprehensive income for the period	23,353	15,525	38,878
Total comprehensive income for the period	394,766	172,281	567,047
Attributable to:			
Owners of the Company	359,619	63,622	423,241
Non-controlling interests	35,147	108,659	143,806
	394,766	172,281	567,047

Notes to the Condensed Consolidated Financial Statements

3. MERGER ACCOUNTING AND RESTATEMENTS *(continued)*

The effects of the inclusion of Thrive Leap Group using merger accounting on the condensed consolidated statement of cash flows for the six months ended 30 June 2015 are as follows:

	The Group excluding Thrive Leap Group HK\$'000 (unaudited)	Effect of application of merger accounting HK\$'000 (unaudited)	The Group including Thrive Leap Group HK\$'000 (unaudited and restated)
Net cash (used in) from operating activities	(115,805)	71,415	(44,390)
Net cash from (used in) investing activities	269,130	(129,319)	139,811
Net cash used in financing activities	(42,903)	(62,519)	(105,422)
Net increase (decrease) in cash and cash equivalents	110,422	(120,423)	(10,001)
Cash and cash equivalents at 1 January	5,640,941	826,713	6,467,654
Effect of foreign exchange rate changes	4,839	274	5,113
Cash and cash equivalents at 30 June	5,756,202	706,564	6,462,766

Notes to the Condensed Consolidated Financial Statements

4. CRITICAL ACCOUNTING JUDGMENTS

Estimates and judgments 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 2015, the judgments and the key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the amounts recognised in the condensed consolidated financial statements are discussed below.

The Group's utilities business receives government supplemental income from the Finance Bureau of Tianjin Economic and Technological Development Area (the "TEDA Finance Bureau") on an annual basis whereby the amount of such income will be negotiated between the Group and the 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 the TEDA Finance Bureau, has accrued an amount of such government supplemental income for the six months ended 30 June 2016 (the "Interim Accrual") (Note 5(i)) based on management's assessment of the current governmental, fiscal and economic policies in the Tianjin Economic and Technological Development Area (the "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 after 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.

5. 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 line of business offers different products and services. The following summary describes the operation in each of the Group's reportable segments.

Notes to the Condensed Consolidated Financial Statements

5. SEGMENT INFORMATION *(continued)*

(a) Utilities

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

(b) Pharmaceutical

This segment derives revenue from production and sale of pharmaceutical products and the provision of pharmaceutical research and development services as well as design, manufacture and printing for pharmaceutical packaging in the PRC.

The pharmaceutical segment solely represents the operation of Thrive Leap Group. As set out in Note 3, the Group applied the principles of merger accounting in relation to its acquisition of Thrive Leap in 2015. As a result, the segment revenue and segment results for the six months ended 30 June 2015 have been restated to include the revenue, results, assets and liabilities of Thrive Leap Group.

(c) Hotel

This segment derives revenue from operation of a hotel in Hong Kong.

(d) Electrical and mechanical

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

(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.

Notes to the Condensed Consolidated Financial Statements

5. SEGMENT INFORMATION *(continued)*

For the six months ended 30 June 2016 (unaudited)

	Utilities (note (j)) HK\$'000	Pharmaceutical HK\$'000	Hotel HK\$'000	Electrical and mechanical HK\$'000	Port services HK\$'000	Elevators and escalators HK\$'000	Total HK\$'000
Segment revenue	1,800,946	764,265	50,634	501,933	—	—	3,117,778
Operating profit (loss) before interest	35,200	107,057	6,595	(49,072)	—	—	99,780
Interest income	12,486	8,500	6	8,466	—	—	29,458
Finance costs	—	(5,584)	—	(2,254)	—	—	(7,838)
Share of (loss) profit of associates	—	(1,880)	—	—	79,545	204,606	282,271
Profit (loss) before tax	47,686	108,093	6,601	(42,860)	79,545	204,606	403,671
Tax (expense) credit	(14,105)	(18,707)	—	4,522	—	—	(28,290)
Segment results							
— profit (loss) for the period	33,581	89,386	6,601	(38,338)	79,545	204,606	375,381
Non-controlling interests	(2,589)	(58,144)	—	4,486	—	(35,315)	(91,562)
Profit (loss) attributable to owners of the Company	30,992	31,242	6,601	(33,852)	79,545	169,291	283,819
Segment results — profit (loss) for the period includes:							
Depreciation and amortisation	49,142	39,180	8,564	36,717	—	—	133,603

Notes to the Condensed Consolidated Financial Statements

5. SEGMENT INFORMATION *(continued)*

For the six months ended 30 June 2015 (unaudited and restated)

	Utilities (note (j)) HK\$'000	Pharmaceutical HK\$'000	Hotel HK\$'000	Electrical and mechanical HK\$'000	Port services HK\$'000	Elevators and escalators HK\$'000	Total HK\$'000
Segment revenue	1,916,826	851,330	51,462	590,826	—	—	3,410,444
Operating profit (loss) before interest	40,087	178,572	6,959	(109,505)	—	—	116,113
Interest income	13,014	7,236	12	9,689	—	—	29,951
Finance costs	—	(4,835)	—	(2,902)	—	—	(7,737)
Share of profit of associates	—	2,300	—	—	108,045	289,111	399,456
Profit (loss) before tax	53,101	183,273	6,971	(102,718)	108,045	289,111	537,783
Tax (expense) credit	(18,991)	(26,517)	—	503	—	—	(45,005)
Segment results							
— profit (loss) for the period	34,110	156,756	6,971	(102,215)	108,045	289,111	492,778
Non-controlling interests	(2,527)	(99,889)	—	16,876	—	(49,901)	(135,441)
Profit (loss) attributable to owners of the Company	31,583	56,867	6,971	(85,339)	108,045	239,210	357,337
Segment results — profit (loss) for the period includes:							
Depreciation and amortisation	65,352	28,010	8,474	34,264	—	—	136,100

Notes to the Condensed Consolidated Financial Statements

5. SEGMENT INFORMATION *(continued)*

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited and restated)
Reconciliation of profit for the period		
Total reportable segments	375,381	492,778
Corporate and others (note (ii))	35,519	35,391
Profit for the period	410,900	528,169

notes:

- (i) Revenue from supply of electricity, water, and heat and thermal power amounted to HK\$1,127,220,000, HK\$170,814,000 and HK\$502,912,000 respectively (30 June 2015: HK\$1,205,065,000, HK\$178,024,000 and HK\$533,737,000 respectively).

The above revenue included accrued government supplemental income (i.e. the Interim Accrual) of HK\$36,123,000 (30 June 2015: HK\$63,177,000).

- (ii) These principally include (a) results of the Group's other non-core businesses which are not categorised as reportable segments; and (b) corporate level activities including central treasury management, administrative function and exchange gain or loss.

6. OTHER INCOME

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited and restated)
Interest income	90,951	132,725
Government grants	13,717	15,964
Rental income under operating leases, net of negligible outgoings	1,332	3,489
Sales of scrap materials	3,505	1,424
Dividend income from available-for-sale financial assets	2,594	13,469
Sundries	8,730	4,947
	120,829	172,018

Notes to the Condensed Consolidated Financial Statements

7. OTHER GAINS, NET

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited and restated)
Net exchange loss	(13,219)	(396)
Net gain on financial assets held for trading		
– listed	88	9,574
– unlisted	1,350	47,195
Net loss on disposal/written off of property, plant and equipment	(36)	(20,889)
Reversal of impairment previously recognised on other receivables	12,239	–
	422	35,484

8. TAX EXPENSE

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited and restated)
Current taxation		
PRC Enterprise Income Tax ("EIT")	30,230	56,259
Deferred taxation	(611)	(1,054)
	29,619	55,205

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 2015: Nil).

The Group's PRC subsidiaries are subject to EIT at a rate of 25% except for certain subsidiaries which are subject to a preferential EIT rate of 15% as they are qualified as High and New Technology Enterprises.

Notes to the Condensed Consolidated Financial Statements

9. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited and restated)
Profit for the period is arrived at after charging (crediting):		
Employees' benefits expense (including directors' emoluments)	406,300	407,459
Cost of inventories recognised as an expense	1,456,183	1,768,252
Depreciation	124,368	171,420
Amortisation of land use rights	5,476	3,407
Amortisation of intangible assets	12,815	20,515
Impairment recognised on trade receivables	744	80
Operating lease expense on		
— plants, pipelines and networks	73,719	79,282
— land and buildings	4,255	5,199
Research and development costs charged to other operating expenses	68,951	92,254

Notes to the Condensed Consolidated Financial Statements

10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited and restated)
Profit attributable to owners of the Company for the purposes of basic and diluted earnings per share	318,975	394,267
Number of shares	Thousand	Thousand
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,072,770	1,069,505
Effect of dilutive potential ordinary shares:		
Share options	216	6,698
Weighted average number of ordinary shares taking into account the share options for the purpose of diluted earnings per share	1,072,986	1,076,203

11. DIVIDENDS

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Dividends recognised as distribution during the period:		
— 2015 final dividend, paid on 13 July 2016 HK5.65 cents per share (2014: HK5.65 cents per share)	60,612	60,612

Subsequent to the end of the reporting period, the board of directors has declared an interim dividend of HK4.53 cents per share (30 June 2015: HK4.53 cents per share), amounting to approximately HK\$48,596,000 (30 June 2015: HK\$48,596,000) in total, to the owners of the Company whose names appear on the Company's register of members on 30 September 2016.

Notes to the Condensed Consolidated Financial Statements

12. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT, LAND USE RIGHTS AND INVESTMENT PROPERTIES

During the current period, the Group acquired property, plant and equipment and land use rights of HK\$205,922,000 (30 June 2015 (restated): HK\$287,542,000) for the purpose of expanding its businesses.

In addition, neither acquisition nor disposal of investment properties was carried out by the Group during the current period (30 June 2015: Nil).

The fair value of the Group's investment properties at the end of the reporting period was determined by the directors with reference to the market evidence of transaction prices for comparable properties in similar location and condition. On this basis, the directors have determined that there was no material change in fair value of investment properties of the Group for the current period (30 June 2015: Nil).

13. INTERESTS IN ASSOCIATES

	30 June 2016 HK\$'000 (unaudited)	31 December 2015 HK\$'000 (audited)
The Group's interests in associates		
– Listed shares in Hong Kong		
– Tianjin Port	3,531,619	3,556,978
– Unlisted shares in the PRC		
– Otis China	1,152,510	970,551
– Others	413,829	422,446
	5,097,958	4,949,975
Market value of listed shares		
– Tianjin Port	1,435,430	1,668,202

Interests in associates at the end of the reporting period included goodwill of HK\$1,120,729,000 (31 December 2015: HK\$1,120,729,000).

Notes to the Condensed Consolidated Financial Statements

14. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	notes	30 June 2016 HK\$'000 (unaudited)	31 December 2015 HK\$'000 (audited)
Equity securities			
Listed, at market value	(a)	136,509	155,099
Unlisted	(b)	300,982	217,589
		437,491	372,688

notes:

- (a) The listed securities mainly represent the Group's 4.23% equity interest in Binhai Investment Company Limited ("Binhai Investment") which is listed on the Main Board of the Stock Exchange.

As at 30 June 2016, the market value of the Group's equity interest in Binhai Investment was HK\$110,154,000 (31 December 2015: HK\$121,566,000) and the unrealised fair value loss of HK\$11,412,000 (30 June 2015: gain of HK\$4,466,000) was recognised in other comprehensive expense.

- (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.

15. GOODWILL

For the purpose of impairment testing, goodwill of the Group was allocated to the electrical and mechanical segment, which is considered to be one group of cash-generating units ("CGUs").

During the current period, the management performed an assessment on the recoverable amount of this group of CGUs given there were impairment indicators. As at 30 June 2016, the recoverable amount of this group of CGUs was determined from value in use calculation. The calculation uses cash flow projections based on the most recent financial budgets approved by management for the coming 5 years and using a discount rate ranging from 11% to 12%. The cash flows beyond the budget years are extrapolated using a steady 3% growth rate. Another key assumption for the value in use calculation relates to the estimation of cash inflows which include budgeted sales and gross margins. Such estimation is based on the CGUs' past performance and management's expectations of the market development. No impairment loss on goodwill was recognised in the current period (30 June 2015: Nil) based on this assessment.

Notes to the Condensed Consolidated Financial Statements

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

	notes	30 June 2016 HK\$'000 (unaudited)	31 December 2015 HK\$'000 (audited)
Trade receivables — gross	(a)	921,589	1,002,578
Less: allowance for impairment		(127,531)	(129,371)
Trade receivables — net		794,058	873,207
Notes receivables		359,098	205,055
	(b)	1,153,156	1,078,262
Other receivables, deposits and prepayments			
Entrusted loan	(c)	23,389	23,866
Compensation receivable		73,047	91,505
Others		332,912	251,650
		429,348	367,021

Notes to the Condensed Consolidated Financial Statements

16. TRADE RECEIVABLES, NOTES RECEIVABLES AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS *(continued)*

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 days are granted to corporate customers of the Group's hotel business; (ii) 90 to 180 days are granted to customers in the electrical and mechanical segment; and (iii) 30 to 180 days are granted to customers in the pharmaceutical segment. No credit terms are granted to customers in the utilities segment.

As at 30 June 2016, the government supplemental income receivables from the TEDA Finance Bureau was HK\$30,230,000 (31 December 2015: Nil) which included the accrued government supplemental income as referred to in Note 5(i). The government supplemental income receivables do not have credit terms and the amounts are to be finalised by the TEDA Finance Bureau after the end of each financial year. Continuous settlements have been received by the Group over the years.

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

	30 June 2016 HK\$'000 (unaudited)	31 December 2015 HK\$'000 (audited)
Within 30 days	472,642	459,189
31 to 90 days	142,118	103,358
91 to 180 days	169,098	167,009
181 to 365 days	147,471	168,024
Over 1 year (note (d))	221,827	180,682
	1,153,156	1,078,262

- (c) The amount represents an entrusted loan to a government-related borrower in the PRC through a PRC financial institution. The amount is repayable within one year and carrying interest at a fixed rate of 6% (31 December 2015: 6%) per annum.
- (d) The amount includes retentions held by customers for contract work of HK\$159,858,000 (31 December 2015: HK\$145,318,000).

Notes to the Condensed Consolidated Financial Statements

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2016 HK\$'000 (unaudited)	31 December 2015 HK\$'000 (audited)
Investments held for trading		
Listed shares in Hong Kong	5,359	5,359
Listed shares in the PRC	16,201	16,672
Unlisted funds in the PRC	68,619	97,208
Unlisted bonds in the PRC	13,334	12,292
	103,513	131,531
Financial assets at fair value through profit or loss		
Profit guarantee arrangement	—	54,576
	103,513	186,107

During the current period, the Group had net cash inflow from investments held for trading of HK\$87,806,000 (30 June 2015: HK\$59,231,000).

Pursuant to the terms of the sale and purchase agreement for the acquisition of Thrive Leap, Tsinlien and Tianjin Pharmaceutical Group Co., Ltd., a state-owned enterprise established in the PRC and the holding company of Tsinlien (collectively referred as the "Guarantors") guaranteed the Group that the audited consolidated net profit attributable to owners of Thrive Leap for the year ended 31 December 2015 and the two years ending 31 December 2017 shall not be less than RMB130,000,000 and RMB313,000,000 respectively. The Guarantors will pay an amount equal to 67% of the shortfall to the Group where the guaranteed profit is not met.

The fair value of the profit guarantee arrangement is determined by valuation technique as disclosed in Note 22. In the opinion of the directors of the Company, the fair value of the profit guarantee arrangement as at 30 June 2016 was insignificant.

Notes to the Condensed Consolidated Financial Statements

18. ENTRUSTED DEPOSITS

During the period under review, the Group placed in, and withdrew from, six financial institutions (30 June 2015 (restated): five financial institutions) based in Tianjin, the PRC entrusted deposits of HK\$347,741,000 and HK\$1,076,415,000 respectively (30 June 2015 (restated): HK\$1,337,000,000 and HK\$1,641,524,000 respectively). The deposits with maturity from 1 to 15 months (31 December 2015: 1 to 21 months) after the end of the reporting period carried fixed rates of return ranging from 2.8% to 9.4% (31 December 2015: 3.1% to 9.0%) per annum.

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

19. BANK BORROWINGS

During the current period, the Group obtained new bank borrowings of HK\$207,172,000 (30 June 2015 (restated): HK\$147,089,000) and repaid bank borrowings of HK\$194,882,000 (30 June 2015 (restated): HK\$117,147,000).

At the end of the reporting period, the bank borrowings carried effective interest rates ranging from 1.47% to 5.6% (31 December 2015: 2.17% to 4.04%) per annum.

20. 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 2016 HK\$'000 (unaudited)	31 December 2015 HK\$'000 (audited)
Within 30 days	411,977	327,420
31 to 90 days	300,930	335,203
91 to 180 days	317,460	318,446
Over 180 days	462,064	369,706
	1,492,431	1,350,775

Notes to the Condensed Consolidated Financial Statements

21. CAPITAL COMMITMENTS

	30 June 2016 HK\$'000 (unaudited)	31 December 2015 HK\$'000 (audited)
Contracted but not provided for in respect of acquisition of property, plant and equipment	174,356	395,119

22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value measurements of financial instruments

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 and 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Notes to the Condensed Consolidated Financial Statements

22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

(continued)

Fair value measurements of financial instruments (continued)

Some of the Group's financial assets 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 are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key inputs	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	30 June 2016	31 December 2015				
	HK\$'000 (unaudited)	HK\$'000 (audited)				
Available-for-sale financial assets						
– listed equity securities	136,509	155,099	Level 1	Quoted bid price in active markets	N/A	N/A
Financial assets at fair value through profit or loss						
– listed equity securities	21,560	22,031	Level 1	Quoted bid price in active markets	N/A	N/A
– unlisted funds	68,619	97,208	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
– unlisted bonds	13,334	12,292	Level 2	Discounted cash flow – Future cash flows are estimated based on contracted interest rates, and discounted at a rate that reflects the credit risk of various counterparties	N/A	N/A
– profit guarantee arrangement	–	54,576	Level 3	Discounted cash flow – Estimated profits of Thrive Leap Group attributable to the owners of Thrive Leap and discounted at a rate that reflect the risk of the arrangement	Estimated profit of Thrive Leap Group attributable to owners of Thrive Leap	The higher the estimated profit of Thrive Leap Group attributable to owners of Thrive Leap, the lower the fair value, and vice versa

Notes to the Condensed Consolidated Financial Statements

22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

(continued)

Fair value measurements of financial instruments (continued)

The movement of the profit guarantee arrangement during the period is set out below:

	HK\$'000
At 1 January 2016	54,576
Compensation received	(54,576)
At 30 June 2016	—

There were no transfers between Levels 1 and 2 during the period.

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 their fair values.

Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes.

Management of the Group is responsible for determination of 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. The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments.

Detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities are disclosed above.

Notes to the Condensed Consolidated Financial Statements

23. RELATED PARTY DISCLOSURES

The Group is controlled by Tsinlien, which owns approximately 62.80% (31 December 2015: approximately 62.80%) of the Company's shares as at 30 June 2016. The remaining approximately 37.20% (31 December 2015: approximately 37.20%) of the Company's shares are widely held.

Tsinlien is a state-owned enterprise and ultimately controlled by Tianjin Municipal People's Government of the 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 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, other than 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 cash at banks and time deposits in banks and the corresponding interest income and part of sales and purchases of goods and services (such as purchase of utilities including electricity and water which constituted the majority of the Group's purchases). The price and other terms of such transactions are set out in the agreements governing these transactions or as mutually agreed, as appropriate.

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:

Notes to the Condensed Consolidated Financial Statements

23. RELATED PARTY DISCLOSURES *(continued)*

(a) Related party transactions

(i) Transactions with related companies of the Group *(note)*

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited and restated)
Operating lease expenses for land	808	862
Operating lease expenses for plant, pipelines and networks	73,173	78,584
Provision of services	18,482	7,675
Purchase of goods	3,582	20,798
Purchase of materials	6,075	7,794
Purchase of steam for sale	386,373	416,347
Purchase of property, plant and equipment	793	5,078
Sales of goods	18,084	118,514

note: The related companies are entities controlled by non-controlling interests of the Company's non-wholly owned subsidiaries.

(ii) Key management compensation

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Fees	1,272	1,272
Salaries and other emoluments	4,269	5,983
	5,541	7,255

(b) Related party balances

Details of the balances with related companies are set out in the condensed consolidated statement of financial position.

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, located at the centre of Bohai economic rim, is a national development zone and 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 2016, revenue from the Electricity Company was approximately HK\$1,127.2 million, a 6.5% below that of the same period last year. Profit decreased by 20.3% to approximately HK\$14.5 million from HK\$18.2 million in the corresponding period last year. This was primarily due to increase in operating costs. The total quantity of electricity sold for the period was approximately 1,235,649,000 kWh, a decrease of 3.3% 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, revenue from the Water Company was approximately HK\$170.8 million, a 4% below that of the same period last year. Loss was approximately HK\$8.7 million, a 32.6% reduction in comparison with loss of HK\$12.9 million in the corresponding period last year. The loss reduction was mainly attributable to savings in operating costs. The total quantity of water sold for the period was approximately 24,389,000 tonnes, an increase of 2.8% 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, revenue from the Heat & Power Company was approximately HK\$502.9 million, representing a decrease of 5.8% over the corresponding period last year. Profit decreased 3.5% to approximately HK\$27.8 million from HK\$28.8 million in the corresponding period last year. The profit decline was mainly attributable to increase in operating costs. The total quantity of steam sold for the period was approximately 2,022,000 tonnes, an increase of 8.8% over the same period last year.

Pharmaceutical

Pharmaceutical segment is principally engaged in the production and sale of chemical drugs, and research and development of new medicine technology and new products as well as design, manufacture and printing for pharmaceutical packaging in the PRC.

For the six months ended 30 June 2016, the segment revenue was approximately HK\$764.3 million, representing a decrease of 10.2% as compared with HK\$851.3 million in the same period last year. Of the total segment revenue, revenue from sale of pharmaceutical products was approximately HK\$662.6 million, a 6.2% decrease as compared to the corresponding period in 2015. Revenue from provision of research and development services and other pharmaceutical related operations was approximately HK\$48.1 million, a 43.7% decline as compared to the corresponding period last year. Revenue from sale of packaging materials amounted to approximately HK\$53.6 million, representing a decrease of 10.1% over the corresponding period last year.

For the period under review, profit from pharmaceutical segment was approximately HK\$89.4 million, a 43% below that of the same period last year. The decline was primarily related to lower revenue from provision of research and development services and higher operating costs in relation to manufacturing and sale of pharmaceutical products including raw material costs, selling expenses and fixed production costs related to new production plants.

Management Discussion and Analysis

Hotel

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 2016, revenue from Courtyard Hotel was approximately HK\$50.6 million, 1.7% lower than the same period last year. Profit amounted to approximately HK\$6.6 million which was broadly in line with the corresponding period last year. The average occupancy rate was at 78%, down three percentage points from the same period last year while the average room rate rose by 1%.

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 2016, revenue from electrical and mechanical segment was approximately HK\$501.9 million, a 15% decrease compared to the same period last year. Loss decreased by 62.5% to approximately HK\$38.3 million in comparison with loss of HK\$102.2 million in the corresponding period last year. The decrease in loss was primarily due to the absence of HK\$26.6 million written-off on property, plant and equipment related to hydroelectric equipment business in the same period last year and lower construction contracts cost estimate adjustments during the period.

Strategic and Other Investments

Port Services

During the period under review, the revenue of Tianjin Port Development Holdings Limited (“Tianjin Port”) (stock code: 3382) decreased by 33.1% to approximately HK\$7,689 million and profit attributable to owners of Tianjin Port was approximately HK\$378.8 million, representing a decrease of 26.2% over the same period last year.

Tianjin Port contributed to the Group a profit of approximately HK\$79.5 million, representing a decrease of 26.4% over the corresponding period in 2015.

Management Discussion and Analysis

Elevators and Escalators

During the period under review, the revenue of Otis Elevator (China) Investment Company Limited (“Otis China”) amounted to approximately HK\$9,201 million, representing a decrease of 13.4% over the same period last year.

Otis China contributed to the Group a profit (after non-controlling interests) of approximately HK\$169.3 million, representing a decline of 29.2% over the same period last year.

Investment in Binhai Investment Company Limited

During the period under review, the Group had 4.23% interest in Binhai Investment Company Limited (“Binhai Investment”) (stock code: 2886). As at 30 June 2016, the market value of the Group’s interest in Binhai Investment was approximately HK\$110.2 million (31 December 2015: approximately HK\$121.6 million) and the unrealised fair value loss of approximately HK\$11.4 million was recognised in other comprehensive expense.

PROSPECT

The prospects of the world’s leading economies remain unclear and their economic recoveries are much slower than expected. The effects of the “Brexit” upon global politics and economy remain to be seen. The Chinese economy is at the stage of implementing the structural adjustment which continues to bring in many difficulties and challenges. The Group will as done before maintain a stable financial position and cash resources so as to seize the development opportunity and to identify for the shareholders those sustainable and growing quality projects.

LIQUIDITY AND CAPITAL RESOURCES ANALYSIS

As at 30 June 2016, the Group’s total cash on hand, total bank borrowings and obligations under finance leases stood at approximately HK\$6,036.8 million, approximately HK\$3,065.4 million and approximately HK\$10.6 million respectively (31 December 2015: HK\$6,593.8 million, HK\$3,058.5 million and HK\$17.9 million respectively).

The Group’s sources of funding comprise cash flow generated from operations and loan facilities. The bank borrowings of HK\$2,975 million (31 December 2015: HK\$2,974.9 million) and obligations under finance leases of HK\$6.6 million (31 December 2015: HK\$14.2 million) will mature within one year.

The gearing ratio as measured by total borrowings, including bank borrowings and obligations under finance leases, to shareholders’ funds was at approximately 30% as at 30 June 2016 (31 December 2015: approximately 30%).

Management Discussion and Analysis

Of the total HK\$3,065.4 million bank borrowings outstanding as at 30 June 2016, HK\$2,545.8 million were subject to floating rates with a spread of 1.8% over HIBOR of relevant interest periods and RMB27.3 million (equivalent to approximately HK\$31.9 million) was calculated at the benchmark rate announced by the People's Bank of China. RMB417 million (equivalent to approximately HK\$487.7 million) of bank borrowings were fixed-rate debts with annual interest rates at 1.47% to 5.6%. Annual interest rate for obligations under finance leases was 6%.

As at 30 June 2016, 83% (31 December 2015: 83%) of the Group's total bank borrowings was denominated in Hong Kong dollar, 17% (31 December 2015: 17%) was denominated in Renminbi.

During the period under review, the Group has not entered into any derivative contracts or hedging transactions. The Group manages its foreign currency risk by closely reviewing the movement of the foreign currency rate and shall consider hedging foreign currency exposure should the need arise.

EMPLOYEES AND REMUNERATION POLICIES

During the period under review, the Group had a total of approximately 5,553 employees of whom approximately 600 were management personnel and 2,277 were technical staff, with the balance being production workers.

The Group contributes to the employee pension scheme established by the PRC Government which undertakes to assume the retirement benefit obligations of all existing and future retired employees and also paid supplementary retirement benefits for certain retired employees of the Group in the PRC. The Group also contributes to the 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 2016, restricted bank balances of HK\$119.9 million, properties and land use rights of HK\$92.5 million were pledged to financial institutions by the Group to secure general banking facilities.

Other Information

DIRECTORS' INTERESTS IN SHARES

As at 30 June 2016, the interests or short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company as recorded in the register required to be kept under section 352 of the Securities and Futures Ordinance (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:

Name of director	Number of underlying shares held	Approximate percentage of total issued shares
Mr. Wang Zhiyong	8,600,000	0.80%
Mr. Tuen Kong, Simon	2,900,000	0.27%
Dr. Cui Di	2,900,000	0.27%
Mr. Cheung Wing Yui, Edward	1,100,000	0.10%
Dr. Chan Ching Har, Eliza	600,000	0.06%
Dr. Cheng Hon Kwan	1,100,000	0.10%
Mr. Mak Kwai Wing, Alexander	600,000	0.06%
Ms. Ng Yi Kum, Estella	600,000	0.06%
Mr. Wong Shiu Hoi, Peter	100,000	0.01%

notes:

1. All interests are held in the capacity as a beneficial owner.
2. All interests stated above represent long positions.
3. As at 30 June 2016, the total number of shares of the Company in issue was 1,072,770,125.
4. Details of the interests of directors in share options are set out in the paragraph headed "Share Option Scheme" in this section below.

Save as disclosed above, as at 30 June 2016, 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.

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 30 June 2016	Exercise period
		As at 1 January 2016	During the period						
			Granted	Exercised	Lapsed	Cancelled			
Directors									
Wang Zhiyong	16/12/2009	5.750	900,000	–	–	–	–	900,000	16/12/2009 – 24/05/2017
	07/11/2011	3.560	2,800,000	–	–	–	–	2,800,000	11/11/2011 – 24/05/2017
	19/12/2012	4.060	2,800,000	–	–	–	–	2,800,000	19/12/2012 – 24/05/2017
	20/12/2013	5.532	2,100,000	–	–	–	–	2,100,000	20/12/2013 – 24/05/2017
Tuen Kong, Simon	16/12/2009	5.750	900,000	–	–	–	–	900,000	16/12/2009 – 24/05/2017
	20/12/2013	5.532	2,000,000	–	–	–	–	2,000,000	20/12/2013 – 24/05/2017
Cui Di	07/11/2011	3.560	300,000	–	–	–	–	300,000	11/11/2011 – 24/05/2017
	19/12/2012	4.060	800,000	–	–	–	–	800,000	19/12/2012 – 24/05/2017
	20/12/2013	5.532	1,800,000	–	–	–	–	1,800,000	20/12/2013 – 24/05/2017
Cheung Wing Yui, Edward	19/12/2007	8.040	500,000	–	–	–	–	500,000	17/01/2008 – 24/05/2017
	16/12/2009	5.750	300,000	–	–	–	–	300,000	16/12/2009 – 24/05/2017
	07/11/2011	3.560	100,000	–	–	–	–	100,000	11/11/2011 – 24/05/2017
	19/12/2012	4.060	100,000	–	–	–	–	100,000	19/12/2012 – 24/05/2017
	20/12/2013	5.532	100,000	–	–	–	–	100,000	20/12/2013 – 24/05/2017
Chan Ching Har, Eliza	16/12/2009	5.750	300,000	–	–	–	–	300,000	16/12/2009 – 24/05/2017
	07/11/2011	3.560	100,000	–	–	–	–	100,000	11/11/2011 – 24/05/2017
	19/12/2012	4.060	100,000	–	–	–	–	100,000	19/12/2012 – 24/05/2017
	20/12/2013	5.532	100,000	–	–	–	–	100,000	20/12/2013 – 24/05/2017
Cheng Hon Kwan	19/12/2007	8.040	500,000	–	–	–	–	500,000	17/01/2008 – 24/05/2017
	16/12/2009	5.750	300,000	–	–	–	–	300,000	16/12/2009 – 24/05/2017
	07/11/2011	3.560	100,000	–	–	–	–	100,000	11/11/2011 – 24/05/2017
	19/12/2012	4.060	100,000	–	–	–	–	100,000	19/12/2012 – 24/05/2017
	20/12/2013	5.532	100,000	–	–	–	–	100,000	20/12/2013 – 24/05/2017
Mak Kwai Wing, Alexander	16/12/2009	5.750	300,000	–	–	–	–	300,000	16/12/2009 – 24/05/2017
	07/11/2011	3.560	100,000	–	–	–	–	100,000	11/11/2011 – 24/05/2017
	19/12/2012	4.060	100,000	–	–	–	–	100,000	19/12/2012 – 24/05/2017
	20/12/2013	5.532	100,000	–	–	–	–	100,000	20/12/2013 – 24/05/2017

Other Information

SHARE OPTION SCHEME (continued)

	Date of grant	Exercise price per share HK\$	Number of share options				As at 30 June 2016	Exercise period	
			As at 1 January 2016	During the period					
				Granted	Exercised	Lapsed			Cancelled
Directors									
Ng Yi Kum, Estella	03/12/2010	6.070	300,000	–	–	–	–	300,000	03/12/2010 – 24/05/2017
	07/11/2011	3.560	100,000	–	–	–	–	100,000	11/11/2011 – 24/05/2017
	19/12/2012	4.060	100,000	–	–	–	–	100,000	19/12/2012 – 24/05/2017
	20/12/2013	5.532	100,000	–	–	–	–	100,000	20/12/2013 – 24/05/2017
Wong Shiu Hoi, Peter	20/12/2013	5.532	100,000	–	–	–	–	100,000	20/12/2013 – 24/05/2017
Continuous contract employees									
	07/11/2011	3.560	900,000	–	–	–	–	900,000	11/11/2011 – 24/05/2017
	19/12/2012	4.060	900,000	–	–	–	–	900,000	19/12/2012 – 24/05/2017
	20/12/2013	5.532	1,500,000	–	–	–	–	1,500,000	20/12/2013 – 24/05/2017
Total			21,800,000	–	–	–	–	21,800,000	

note:

No share options had been granted under the Share Option Scheme during the six months ended 30 June 2016.

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 2016, 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 and 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 total issued shares
Tianjin Tsinlien Investment Holdings Co., Ltd. (天津津聯投資控股有限公司) ("Tsinlien Investment Holdings")	1&2	Interest of controlled corporation	673,753,143	62.80%
Tianjin Bohai State-owned Assets Management Co., Ltd. (天津渤海國有資產經營管理有限公司) ("Bohai")	1&2	Interest of controlled corporation	673,753,143	62.80%
Tianjin Pharmaceutical Group Co., Ltd. (天津市醫藥集團有限公司) ("Tianjin Pharmaceutical")	1&2	Interest of controlled corporation	673,753,143	62.80%
Tsinlien Group Company Limited (津聯集團有限公司) ("Tsinlien")	1&3	Directly beneficially interest and interest of controlled corporation	673,753,143	62.80%

notes:

- All interests stated above represent long positions.
- Tsinlien is a direct wholly-owned subsidiary of Tianjin Pharmaceutical, which in turn is a direct wholly-owned subsidiary of Bohai and an indirect wholly-owned subsidiary of Tsinlien Investment Holdings. By virtue of the SFO, Tsinlien Investment Holdings, Bohai and Tianjin Pharmaceutical are deemed to be interested in the same parcel of shares of the Company in which Tsinlien is interested.
- As at 30 June 2016, Tsinlien directly held 22,954,000 shares of the Company and its wholly-owned subsidiaries, namely Tianjin Investment Holdings Limited, Tsinlien Venture Capital Company Limited and Tsinlien Investment Limited held 568,017,143 shares, 2,022,000 shares and 80,760,000 shares of the Company respectively. By virtue of the SFO, Tsinlien is deemed to have an interest in the shares of the Company in which Tianjin Investment Holdings Limited, Tsinlien Venture Capital Company Limited and Tsinlien Investment Limited are interested.

Save as disclosed above, as at 30 June 2016, 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.

Other Information

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 2016.

The Board will continue to monitor and review the Company's corporate governance practices and procedures and make necessary changes when it considers appropriate.

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 2016.

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 2015 annual report of the Company are as follows:

- (1) Ms. Zhang Lili has resigned as executive director and chairman of Tianjin Port Development Holdings Limited (Stock Code: 3382) with effect from 22 April 2016.
- (2) Ms. Ng Yi Kum, Estella has been appointed as independent director of DS Healthcare Group, Inc., a company whose shares are listed on the Nasdaq Capital Market in the United States, with effect from 6 May 2016.
- (3) Dr. Loke Yu has been appointed as independent non-executive director of Forebase International Holdings Limited (Stock Code: 2310) and Hang Sang (Siu Po) International Holding Company Limited (Stock Code: 3626) with effect from 18 April 2016 and 26 April 2016 respectively.

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 2016.

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 10 December 2013, the Company entered into a facility agreement (the "Facility Agreement") with a syndicate of banks as lenders (the "Lenders") in respect of a HK\$2,550 million term loan facility for a period up to 60 months unless not extended by the Lenders 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 Lenders may by notice to the Company (a) cancel the total commitments or any part thereof; (b) declare that the loan or any part thereof together with accrued interest, and all other amounts accrued or outstanding be immediately due and payable; and/or (c) declare that the loan or any part thereof be payable on demand.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK4.53 cents per share for the six months ended 30 June 2016 (30 June 2015: HK4.53 cents per share) to the shareholders whose names appear on the Company's register of members on 30 September 2016. The interim dividend will be paid on or about 31 October 2016.

Other Information

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 28 September 2016 (Wednesday) to 30 September 2016 (Friday), both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 27 September 2016 (Tuesday).

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 2016.

By order of the Board

Zeng Xiaoping

Chairman

Hong Kong, 30 August 2016

Deloitte.

德勤

TO THE BOARD OF DIRECTORS OF TIANJIN DEVELOPMENT HOLDINGS LIMITED

天津發展控股有限公司

(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 34, which comprise the condensed consolidated statement of financial position as of 30 June 2016, and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six month then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). 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

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 HKICPA. 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.

Report on Review of Condensed Consolidated Financial Statements

CONCLUSION

Based on our review, 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

30 August 2016