天津發展控股有限公司
TIANJIN DEVELOPMENT HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability under the Companies Ordinance)

(Stock Code: 882)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2013

FINANCIAL HIGHLIGHTS

- Revenue amounted to approximately HK$2,456,604,000 (30 June 2012: approximately HK$1,918,506,000), representing an increase of 28% as compared to 2012.
- Profit attributable to owners of the Company amounted to approximately HK$201,685,000 (30 June 2012: approximately HK$200,860,000).
- Basic earnings per share were HK18.89 cents (30 June 2012: HK18.82 cents).

RESULTS

The board of directors (the "Board") of Tianjin Development Holdings Limited (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2013 together with the comparative figures for the corresponding period in 2012 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT
For the six months ended 30 June 2013

		Six months ended 30 June	
		2013	2012
		HK$'000	*HK$'000*
	Notes	***(Unaudited)***	*(Unaudited)*
Revenue	*3*	**2,456,604**	1,918,506
Cost of sales		**(2,265,776)**	(1,779,445)
Gross profit		**190,828**	139,061
Other income	*4*	**180,941**	80,179
Other gains, net	*5*	**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	*6*	**(27,662)**	(37,401)
Profit for the period	*7*	**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	*8*		
Basic		**18.89**	18.82
Diluted		**18.72**	18.79

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2013

		Six months ended 30 June	
		2013	2012
		HK$'000	*HK$'000*
	Note	***(Unaudited)***	*(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	*9(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

As at 30 June 2013

	Notes	30 June 2013 HK$'000 (Unaudited)	31 December 2012 HK$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**2,213,755**	2,287,823
Land use rights		**273,314**	489,407
Investment properties		**199,430**	195,987
Interest in associates		**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	*9*	**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	*10*	**742,717**	819,148
Notes receivables	*10*	**51,899**	160,523
Other receivables, deposits and prepayments		**456,417**	550,515
Financial assets at fair value through profit or loss		**115,376**	438,167
Entrusted deposits	*11*	**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	*13*	**369,237**	–
		8,328,478	8,914,868
Total assets		**16,955,437**	17,587,863
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

CONDENSED CONSOLIDATED BALANCE SHEET *(Cont'd)*
As at 30 June 2013

	Notes	**30 June 2013** **HK$'000** ***(Unaudited)***	31 December 2012 *HK$'000* *(Audited)*
LIABILITIES			
Non-current liabilities			
Bank borrowings		**–**	1,993,500
Deferred tax liabilities		**46,434**	119,071
		46,434	2,112,571
Current liabilities			
Trade payables	*12*	**983,754**	1,201,616
Notes payables	*12*	**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		**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	*13*	**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

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 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 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.

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 *(Cont'd)*

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.

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.

2. **SIGNIFICANT ACCOUNTING POLICIES** *(Cont'd)*

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.

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. **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 the Tianjin Economic and Technological Development Area ("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 the 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.

3. **SEGMENT INFORMATION** *(Cont'd)*

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**

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

3. SEGMENT INFORMATION *(Cont'd)*

	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 of approximately HK$137,975,000 (30 June 2012: approximately HK$109,823,000).

(ii) 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 equity account for its share of results of Dynasty for the six months ended 30 June 2013.

(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.

4. OTHER INCOME

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'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

5. OTHER GAINS, NET

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'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

6. 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 3 years starting from October 2011 as they are qualified as High-New Technology Enterprises.

7. 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**	–

8. 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

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS

		30 June	31 December
		2013	2012
	notes	***HK$'000***	*HK$'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 operating in the PRC. They are mainly denominated in Renminbi and carried at cost.

10. TRADE RECEIVABLES AND NOTES RECEIVABLES

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	**164,373**	154,877
	794,616	979,671

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 3(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.

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

12. 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

13. 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 total 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

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.

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 this 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 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 all 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.

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).

EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The following is an extract of the independent auditor's report on review of condensed consolidated financial statements for the six months ended 30 June 2013:

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.

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.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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 FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

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

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.

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

Hong Kong, 29 August 2013

As at the date of this announcement, the Board of the Company consists of Mr. Yu Rumin, Mr. Wu Xuemin, Mr. Dai Yan, Mr. Bai Zhisheng, Mr. Zhang Wenli, Mr. Wang Zhiyong, Dr. Wang Weidong, Mr. Tuen Kong, Simon, Mr. Cheung Wing Yui, Edward, Dr. Chan Ching Har, Eliza*, Dr. Cheng Hon Kwan**, Mr. Mak Kwai Wing, Alexander**, Ms. Ng Yi Kum, Estella**, Mr. Wong Shiu Hoi, Peter** and Dr. Loke Yu**.*

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