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

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 882)**

## **ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017**

### **FINANCIAL HIGHLIGHTS**

- Revenue amounted to approximately HK\$3,247,962,000 (30 June 2016: HK\$3,117,778,000).
- Profit attributable to owners of the Company amounted to approximately HK\$284,137,000 (30 June 2016: HK\$318,975,000).
- Basic earnings per share were HK26.49 cents (30 June 2016: HK29.73 cents).
- Interim dividend of HK4.08 cents per share (30 June 2016: HK4.53 cents per share).

### **RESULTS**

The board of directors (the “Board”) of Tianjin Development Holdings Limited (the “Company”) announces that the unaudited consolidated results of the Company and its subsidiaries (together the “Group”) for the six months ended 30 June 2017 together with the comparative figures for the corresponding period in 2016 are as follows:

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS***For the six months ended 30 June 2017*

		<b>Six months ended 30 June</b>	
		<b>2017</b>	<b>2016</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
	<i>Notes</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Revenue	3	<b>3,247,962</b>	3,117,778
Cost of sales		<b>(2,498,027)</b>	(2,461,924)
Gross profit		<b>749,935</b>	655,854
Other income	4	<b>88,493</b>	120,829
Other gains, net	5	<b>56,337</b>	422
Selling and distribution expenses		<b>(272,817)</b>	(202,743)
General and administrative expenses		<b>(321,224)</b>	(292,532)
Other operating expenses		<b>(123,872)</b>	(89,371)
Finance costs		<b>(31,096)</b>	(34,047)
Share of profit (loss) of			
Associates		<b>239,841</b>	286,506
Joint ventures		<b>(4,218)</b>	(4,399)
Profit before tax		<b>381,379</b>	440,519
Tax expense	6	<b>(33,822)</b>	(29,619)
Profit for the period	7	<b>347,557</b>	410,900
Attributable to:			
Owners of the Company		<b>284,137</b>	318,975
Non-controlling interests		<b>63,420</b>	91,925
		<b>347,557</b>	410,900
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share	8		
Basic		<b>26.49</b>	29.73
Diluted		<b>26.46</b>	29.73

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME**

*For the six months ended 30 June 2017*

		<b>Six months ended 30 June</b>	
		<b>2017</b>	<b>2016</b>
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(unaudited)</b>	<b>(unaudited)</b>
Profit for the period		<b>347,557</b>	410,900
<b>Other comprehensive income (expense)</b>			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Currency translation differences			
– the Group		<b>269,425</b>	(161,497)
– associates		<b>114,262</b>	(79,935)
– joint ventures		<b>1,283</b>	(1,034)
Change in fair value of available-for-sale financial assets	<i>11</i>	<b>(21,464)</b>	(17,945)
Deferred taxation on fair value change of available-for-sale financial assets		<b>615</b>	993
Share of other comprehensive income (expense) of an associate			
– available-for-sale financial assets revaluation reserve		<b>8,426</b>	(2,570)
Other comprehensive income (expense) for the period		<b>372,547</b>	(261,988)
Total comprehensive income for the period		<b>720,104</b>	148,912
Attributable to:			
Owners of the Company		<b>549,802</b>	132,411
Non-controlling interests		<b>170,302</b>	16,501
		<b>720,104</b>	148,912

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	30 June 2017 <i>HK\$'000</i> <i>(unaudited)</i>	31 December 2016 <i>HK\$'000</i> <i>(audited)</i>
<i>Notes</i>		
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	5,109,636	4,953,521
Land use rights	443,640	434,697
Investment properties	160,352	155,515
Interests in associates <span style="float: right;"><i>10</i></span>	5,009,511	4,693,887
Interests in joint ventures	40,799	43,734
Intangible assets	79,179	83,899
Deposits paid for acquisition of property, plant and equipment	17,587	35,721
Deferred tax assets	98,772	91,185
Available-for-sale financial assets <span style="float: right;"><i>11</i></span>	401,451	413,223
Goodwill	1,440	1,397
	<b>11,362,367</b>	<b>10,906,779</b>
<b>Current assets</b>		
Inventories	582,494	484,524
Amounts due from joint ventures	51,409	50,589
Amount due from ultimate holding company	138	237
Amounts due from related companies	40,539	47,740
Amounts due from customers for contract work	629,458	714,573
Trade receivables <span style="float: right;"><i>12</i></span>	853,517	764,729
Notes receivables <span style="float: right;"><i>12</i></span>	356,497	279,033
Other receivables, deposits and prepayments	479,983	463,841
Financial assets at fair value through profit or loss	388,257	647,628
Entrusted deposits <span style="float: right;"><i>13</i></span>	921,659	442,402
Restricted bank balances	115,002	149,135
Time deposits with maturity over three months	1,556,332	1,436,927
Cash and cash equivalents	4,086,502	4,331,164
	<b>10,061,787</b>	<b>9,812,522</b>
<b>Total assets</b>	<b>21,424,154</b>	<b>20,719,301</b>
<b>EQUITY</b>		
<b>Owners of the Company</b>		
Share capital	5,136,285	5,136,285
Reserves	5,282,950	4,767,889
	<b>10,419,235</b>	<b>9,904,174</b>
<b>Non-controlling interests</b>	<b>3,614,315</b>	<b>3,473,189</b>
<b>Total equity</b>	<b>14,033,550</b>	<b>13,377,363</b>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION** *(continued)**As at 30 June 2017*

		<b>30 June</b> <b>2017</b> <b>HK\$'000</b> <i>(unaudited)</i>	31 December 2016 <i>HK\$'000</i> <i>(audited)</i>
	<i>Notes</i>		
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Defined benefit obligations		44,844	44,320
Deferred income		63,814	93,560
Bank borrowings		1,885,637	1,859,190
Deferred tax liabilities		38,245	38,634
		<u>2,032,540</u>	<u>2,035,704</u>
<b>Current liabilities</b>			
Trade payables	<i>14</i>	1,121,640	1,078,438
Notes payables	<i>14</i>	47,918	153,384
Other payables and accruals		2,387,404	2,467,337
Amounts due to related companies		1,081,424	875,471
Amounts due to customers for contract work		176,323	170,042
Bank borrowings		389,400	406,990
Current tax liabilities		153,955	154,572
		<u>5,358,064</u>	<u>5,306,234</u>
<b>Total liabilities</b>		<u><u>7,390,604</u></u>	<u><u>7,341,938</u></u>
<b>Total equity and liabilities</b>		<u><u>21,424,154</u></u>	<u><u>20,719,301</u></u>
<b>Net current assets</b>		<u><u>4,703,723</u></u>	<u><u>4,506,288</u></u>
<b>Total assets less current liabilities</b>		<u><u>16,066,090</u></u>	<u><u>15,413,067</u></u>

## **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 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 2016 that is included in this announcement of interim results 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 to these 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 2016 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 stated at fair values.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2017 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2016 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 interim period has had no material effect on the amounts reported 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 line of business offers different products and services. The following summary describes the operation 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 (the “PRC”).

(b) Pharmaceutical

This segment derives revenue from manufacture 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.

(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.

### 3. SEGMENT INFORMATION *(continued)*

#### For the six months ended 30 June 2017 *(unaudited)*

	Utilities <i>(note (i))</i> HK\$'000	Pharma- ceutical HK\$'000	Hotel HK\$'000	Electrical and mechanical <i>(note (iii))</i> HK\$'000	Port services HK\$'000	Elevators and escalators HK\$'000	Total HK\$'000
Segment revenue	1,803,754	895,729	52,581	495,898	–	–	3,247,962
Operating profit (loss) before interest	46,935	80,352	7,355	(55,328)	–	–	79,314
Interest income	9,616	5,587	–	4,751	–	–	19,954
Gain on fair value change of a financial asset at fair value through profit or loss	–	49,846	–	–	–	–	49,846
Finance costs	–	(5,983)	–	(5,231)	–	–	(11,214)
Share of (loss) profit of associates	–	(409)	–	–	97,748	139,190	236,529
Profit (loss) before tax	56,551	129,393	7,355	(55,808)	97,748	139,190	374,429
Tax (expense) credit	(20,782)	(10,994)	–	385	–	–	(31,391)
Segment results							
– profit (loss) for the period	35,769	118,399	7,355	(55,423)	97,748	139,190	343,038
Non-controlling interests	(2,783)	(44,003)	–	8,334	–	(24,024)	(62,476)
Profit (loss) attributable to owners of the Company	<u>32,986</u>	<u>74,396</u>	<u>7,355</u>	<u>(47,089)</u>	<u>97,748</u>	<u>115,166</u>	<u>280,562</u>
Segment results							
– profit (loss) for the period includes:							
Depreciation and amortisation	<u>43,730</u>	<u>53,369</u>	<u>8,471</u>	<u>36,155</u>	<u>–</u>	<u>–</u>	<u>141,725</u>

#### For the six months ended 30 June 2016 *(unaudited)*

	Utilities <i>(note (i))</i> HK\$'000	Pharma- ceutical HK\$'000	Hotel HK\$'000	Electrical and mechanical <i>(note (iii))</i> 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	<u>30,992</u>	<u>31,242</u>	<u>6,601</u>	<u>(33,852)</u>	<u>79,545</u>	<u>169,291</u>	<u>283,819</u>
Segment results							
– profit (loss) for the period includes:							
Depreciation and amortisation	<u>49,142</u>	<u>39,180</u>	<u>8,564</u>	<u>36,717</u>	<u>–</u>	<u>–</u>	<u>133,603</u>

### 3. SEGMENT INFORMATION *(continued)*

	<b>Six months ended 30 June</b>	
	<b>2017</b>	<b>2016</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Reconciliation of profit for the period		
Total reportable segments	<b>343,038</b>	375,381
Corporate and others <i>(note (ii))</i>	<b>4,519</b>	35,519
	<hr/>	<hr/>
Profit for the period	<b>347,557</b>	410,900
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*notes:*

- (i) Revenue from supply of electricity, water, and heat and thermal power amounted to HK\$1,124,857,000, HK\$171,811,000 and HK\$507,086,000 respectively (30 June 2016: HK\$1,127,220,000, HK\$170,814,000 and HK\$502,912,000 respectively).

The above revenue included accrued government supplemental income of HK\$35,530,000 (30 June 2016: HK\$36,123,000).

- (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, share-based payment expense and exchange gain or loss.
- (iii) 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").

Given that the impairment indicators arose in this segment, the management performed an assessment on the recoverable amount of this group of CGUs during the current interim period. As at 30 June 2017, 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 five years and using a discount rate ranging from 10% to 11% (31 December 2016: 10%). The cash flows beyond the budget years are extrapolated using a steady 3% growth rate (31 December 2016: 3%). 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 interim period (30 June 2016: Nil) based on this assessment.

### 4. OTHER INCOME

	<b>Six months ended 30 June</b>	
	<b>2017</b>	<b>2016</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Interest income	<b>62,892</b>	90,951
Government grants	<b>13,970</b>	13,717
Rental income under operating leases, net of negligible outgoings	<b>1,599</b>	1,332
Sales of scrap materials	<b>918</b>	3,505
Dividend income from available-for-sale financial assets	<b>2,557</b>	2,594
Sundries	<b>6,557</b>	8,730
	<hr/>	<hr/>
	<b>88,493</b>	120,829
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## 5. OTHER GAINS, NET

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Impairment loss on property, plant and equipment	(20,601)	–
Net loss on disposal/written off of property, plant and equipment	(336)	(36)
Net (loss) gain on financial assets held for trading		
– listed	(4,926)	88
– unlisted	5,074	1,350
Allowance for trade receivables	(80)	–
Reversal of allowance for inventories	872	–
Net exchange gain (loss)	26,488	(13,219)
Gain on fair value of a financial asset at fair value through profit or loss	49,846	–
Reversal of impairment previously recognised on other receivables	–	12,239
	<u>56,337</u>	<u>422</u>

## 6. TAX EXPENSE

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current taxation		
PRC Enterprise Income Tax (“EIT”)	40,807	30,230
Deferred taxation	(6,985)	(611)
	<u>33,822</u>	<u>29,619</u>

No provision for Hong Kong Profits Tax has been made as there was no estimated assessable profit derived from Hong Kong during the current interim period (30 June 2016: 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.

## 7. PROFIT FOR THE PERIOD

	<b>Six months ended 30 June</b>	
	<b>2017</b>	<b>2016</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Profit for the period is arrived at after charging (crediting):		
Employees' benefits expense (including directors' emoluments)	411,691	406,300
Cost of inventories recognised as an expense	1,483,332	1,456,183
Depreciation	136,870	124,368
Amortisation of land use rights	4,495	5,476
Amortisation of intangible assets	7,197	12,815
Operating lease expense on		
– plants, pipelines and networks	66,528	73,719
– land and buildings	4,394	4,255
Share-based payment expense	19,362	–
Research and development costs charged to other operating expenses	108,515	68,951
	<u>108,515</u>	<u>68,951</u>

## 8. EARNINGS PER SHARE

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

	<b>Six months ended 30 June</b>	
	<b>2017</b>	<b>2016</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Profit attributable to owners of the Company for the purposes of basic and diluted earnings per share	<u>284,137</u>	<u>318,975</u>
<b>Number of shares</b>	<b>Thousand</b>	<b>Thousand</b>
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,072,770	1,072,770
Effect of dilutive potential ordinary shares: Share options	<u>1,178</u>	<u>216</u>
Weighted average number of ordinary shares taking into account the share options for the purpose of diluted earnings per share	<u>1,073,948</u>	<u>1,072,986</u>

## 9. DIVIDENDS

<b>Six months ended 30 June</b>	
<b>2017</b>	<b>2016</b>
<b>HK\$'000</b>	<b>HK\$'000</b>
<b>(unaudited)</b>	<b>(unaudited)</b>

Dividends recognised as distribution during the period:

– 2016 final dividend, paid on 14 July 2017 HK5.09 cents per share (2015: HK5.65 cents per share)	<b>54,604</b>	<b>60,612</b>
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Subsequent to the end of the reporting period, the Board has declared an interim dividend of HK4.08 cents per share (30 June 2016: HK4.53 cents per share), amounting to approximately HK\$43,769,000 (30 June 2016: HK\$48,596,000) in total, to the shareholders of the Company whose names appear on the Company's register of members on 29 September 2017.

## 10. INTERESTS IN ASSOCIATES

	<b>30 June 2017 HK\$'000 (unaudited)</b>	<b>31 December 2016 HK\$'000 (audited)</b>
The Group's interests in associates		
– Listed shares in Hong Kong		
– Tianjin Port	<b>3,592,512</b>	3,457,589
– Unlisted shares in the PRC		
– Otis China	<b>1,002,550</b>	834,827
– Others	<b>414,449</b>	401,471
	<b>5,009,511</b>	<b>4,693,887</b>

## 11. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<b>30 June 2017 HK\$'000 (unaudited)</b>	<b>31 December 2016 HK\$'000 (audited)</b>
	<i>notes</i>	
<b>Equity securities</b>		
Listed, at market value	<b>104,977</b>	125,693
Unlisted	<b>296,474</b>	287,530
	<b>401,451</b>	<b>413,223</b>

*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 2017, the market value of the Group's equity interest in Binhai Investment was HK\$81,871,000 (31 December 2016: HK\$99,238,000) and the unrealised fair value loss of HK\$17,367,000 (30 June 2016: loss of HK\$11,412,000) was recognised in other comprehensive income.

- (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 less impairment.

## 12. TRADE RECEIVABLES AND NOTES RECEIVABLES

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

	<b>30 June 2017 HK\$'000 (unaudited)</b>	31 December 2016 HK\$'000 (audited)
Within 30 days	418,917	369,152
31 to 90 days	423,207	197,676
91 to 180 days	67,664	216,135
181 to 365 days	190,984	141,382
Over 1 year	109,242	119,417
	<b>1,210,014</b>	<b>1,043,762</b>

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 2017, the government supplemental income receivables from the TEDA Finance Bureau was HK\$33,550,000 (31 December 2016: Nil) which included the accrued government supplemental income as referred to in Note 3(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.

## 13. ENTRUSTED DEPOSITS

During the current interim period, the Group placed in, and withdrew from, seven financial institutions (30 June 2016: six financial institutions) based mainly in Tianjin, the PRC entrusted deposits of HK\$757,919,000 and HK\$300,848,000 respectively (30 June 2016: HK\$347,741,000 and HK\$1,076,415,000 respectively). The deposits with maturity from 1 to 36 months (31 December 2016: 1 to 24 months) after the end of the reporting period carry the expected rates of return ranging from 3.9% to 6.9% (31 December 2016: 2.8% to 6.9%) per annum.

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

## 14. TRADE PAYABLES AND NOTES PAYABLES

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

	<b>30 June 2017 HK\$'000 (unaudited)</b>	31 December 2016 HK\$'000 (audited)
Within 30 days	246,303	316,799
31 to 90 days	288,342	250,650
91 to 180 days	167,392	291,183
Over 180 days	467,521	373,190
	<b>1,169,558</b>	<b>1,231,822</b>

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

#### **Utilities**

The Group's utility businesses are mainly operated 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. TEDA plays a leading role over the past three decades in Tianjin's economic development.

#### ***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 2017, revenue from the Electricity Company was approximately HK\$1,124.9 million, broadly in line with that of the corresponding period last year. Profit decreased by 4.8% to approximately HK\$13.8 million from HK\$14.5 million in the same period last year. This was primarily due to higher operating costs, partly offset by the improved operating margins driven by reduction in average electricity purchase cost. The total quantity of electricity sold for the period was approximately 1,322,974,000 kWh, an increase of 7.1% 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\$171.8 million, broadly in line with that of the same period last year. Loss was approximately HK\$3 million, a 65.5% reduction in comparison with loss of HK\$8.7 million in the same 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 25,548,000 tonnes, an increase of 4.8% 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 six months ended 30 June 2017, revenue from the Heat & Power Company was approximately HK\$507.1 million as compared to HK\$502.9 million in the same period last year. Profit decreased 10% to approximately HK\$25 million from HK\$27.8 million in the corresponding period last year. The decline in profit was mainly attributable to increase in average steam purchase cost, partly offset by savings in operating costs. The total quantity of steam sold for the period was approximately 1,961,000 tonnes, a decrease of 3% 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 2017, the segment revenue was approximately HK\$895.7 million, representing an increase of 17.2% as compared with HK\$764.3 million in the corresponding period last year. Of the total segment revenue, revenue from sale of pharmaceutical products was approximately HK\$760.7 million, an increase of 14.8% from HK\$662.6 million in the same period last year. Revenue from provision of research and development services and other pharmaceutical related operations was approximately HK\$85 million, 76.7% higher than the corresponding period last year. Revenue from sale of packaging materials amounted to approximately HK\$50 million, a decline of 6.7% over the corresponding period last year.

For the period under review, pharmaceutical segment recognised a fair value gain of approximately HK\$49.8 million in respect of the profit guarantee provided by Tsinlien Group Company Limited and Tianjin Pharmaceutical Group Co., Ltd. (天津市醫藥集團有限公司) to the Group regarding to the profit target of pharmaceutical segment for the two years ending 31 December 2016 and 2017.

Stripping out the fair value gain of HK\$49.8 million in respect of profit guarantee and impairment charge of HK\$20.6 million on property, plant and equipment, profit from pharmaceutical segment amounted to approximately HK\$89.2 million, broadly in line with that of the same period last year. This result was largely driven by revenue growth in both sale of pharmaceutical products and provision of research and development services and other pharmaceutical related operations, and substantially offset higher research and development costs as well as selling and distribution expenses.

## **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 2017, revenue from Courtyard Hotel increased by 4% to approximately HK\$52.6 million and profit by 12.1% to approximately HK\$7.4 million as compared to the corresponding period last year. The average room rate reduced slightly and the average occupancy rate was approximately 85%, seven percentage points improvement over the same period last year.

## **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 2017, revenue from electrical and mechanical segment of approximately HK\$495.9 million was 1.2% below that of the same period last year. Loss from electrical and mechanical segment was approximately HK\$55.4 million compared to HK\$38.3 million in the corresponding period last year. The increase in loss was primarily attributable to the higher construction contracts cost estimate adjustments incurred in hydroelectric equipment business and narrow operating margins 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) increased by 6.5% to approximately HK\$8,188.7 million and profit attributable to owners of Tianjin Port was approximately HK\$465.9 million, representing an increase of 22.9% over the same period last year.

Tianjin Port contributed to the Group a profit of approximately HK\$97.7 million, representing an increase of 22.9% over the corresponding period in 2016.

### ***Elevators and Escalators***

During the period under review, the revenue of Otis Elevator (China) Investment Company Limited (“Otis China”) amounted to approximately HK\$8,177 million, representing a decrease of 11.1% over the corresponding period last year.

Otis China contributed to the Group a profit (after non-controlling interests) of approximately HK\$115.2 million, representing a decline of 32% 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 2017, the market value of the Group’s interest in Binhai Investment was approximately HK\$81.9 million (31 December 2016: approximately HK\$99.2 million) and the unrealised fair value loss of approximately HK\$17.3 million was recognised in other comprehensive income.

## **PROSPECT**

Despite the world’s leading economies showing modest signs of recovery, the economic outlook remains highly uncertain and the regional situations are increasingly complicated and unpredictable. The Chinese economy is in the process of restructuring while downward pressure persists. With further reform of the state-owned enterprises and more relevant policies being introduced, it will provide new opportunities for growth and development. The Company will continue to enhance the potential of its existing business and also maintain its strict financial discipline and stable financial resources. We are optimistic for the future.

## **LIQUIDITY, CAPITAL RESOURCES AND PRINCIPAL RISK**

As at 30 June 2017, the Group’s total cash on hand and total bank borrowings stood at approximately HK\$5,757.8 million and approximately HK\$2,275 million respectively (31 December 2016: approximately HK\$5,917.2 million and HK\$2,266.2 million respectively).

The Group’s sources of funding comprise cash flow generated from operations and loan facilities. The bank borrowings of HK\$389.4 million (31 December 2016: approximately HK\$407 million) will mature within one year.

The gearing ratio as measured by total borrowings to shareholders’ funds was at approximately 22% as at 30 June 2017 (31 December 2016: approximately 23%).

Of the total HK\$2,275 million bank borrowings outstanding as at 30 June 2017, HK\$1,789.1 million were subject to floating rates with a spread of 1.7% over HIBOR of relevant interest periods, RMB290 million (equivalent to approximately HK\$334.1 million) were fixed-rate debts with annual interest rates at 4.35% to 5.31% and RMB131.8 million (equivalent to approximately HK\$151.8 million) were floating-rate debts with annual interest rates at 4.75% to 5.40%.

As at 30 June 2017, 79% (31 December 2016: 78.8%) of the Group’s total bank borrowings was denominated in Hong Kong dollar, 21% (31 December 2016: 21.2%) was denominated in Renminbi.

The Group’s activities expose it to a variety of financial risks. The major financial assets and financial liabilities of the Group include cash and cash equivalents, entrusted deposits, other financial assets and bank borrowings. The Group’s financial risk management is aimed at mitigating the impact of fluctuations in interest rates and exchange rates on the Group’s overall financial position and to minimise the Group’s interest rate, foreign currency and credit risk exposures. The Group regularly reviews its liquidity and financing requirements to ensure that sufficient financial resources are maintained to cover the funding needs.

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 5,000 employees of which approximately 546 were management personnel and 1,602 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 2017, restricted bank balances, land use rights and buildings of HK\$115 million, HK\$144.9 million and HK\$390.8 million were respectively pledged to financial institutions by the Group to secure general banking facilities.

## **INTERIM DIVIDEND**

The Board has declared an interim dividend of HK4.08 cents per share for the six months ended 30 June 2017 (30 June 2016: HK4.53 cents per share) to the shareholders whose names appear on the Company's register of members on 29 September 2017. The interim dividend will be paid on 30 October 2017.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from 27 September 2017 (Wednesday) to 29 September 2017 (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 26 September 2017 (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 2017.

## **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 2017.

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 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 2017.

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 the accounting principles and practices adopted by the Group and discussed with the management the effectiveness of the Company’s risk management and internal control systems, auditing and financial reporting matters including the review of unaudited condensed consolidated financial statements for the six months ended 30 June 2017.

By Order of the Board  
**Tianjin Development Holdings Limited**  
**Zeng Xiaoping**  
*Chairman*

Hong Kong, 30 August 2017

*As at the date of this announcement, the Board of the Company consists of Mr. Zeng Xiaoping, Mr. Wang Zhiyong, Dr. Cui Di, Dr. Yang Chuan, 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*