

Interim Report 2017



天津发展控股有限公司

TIANJIN DEVELOPMENT HOLDINGS LIMITED

Stock Code : 882

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# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. Zeng Xiaoping (*Chairman*)  
Mr. Wang Zhiyong (*General Manager*)  
Dr. Cui Di  
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

## AUTHORISED REPRESENTATIVES

Mr. Zeng Xiaoping  
Dr. Cui Di

## COMPANY SECRETARY

Ms. Lee Su Yee, Bonnie  
(*appointed on 30 August 2017*)

## INDEPENDENT AUDITOR

Deloitte Touche Tohmatsu

## SOLICITOR

Woo Kwan Lee & Lo

## REGISTERED OFFICE

Suites 7–13, 36th Floor  
China Merchants Tower  
Shun Tak Centre  
168–200 Connaught Road Central  
Hong Kong

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Website : [www.tianjindev.com](http://www.tianjindev.com)

## SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited  
Level 22, Hopewell Centre  
183 Queen's Road East  
Hong Kong

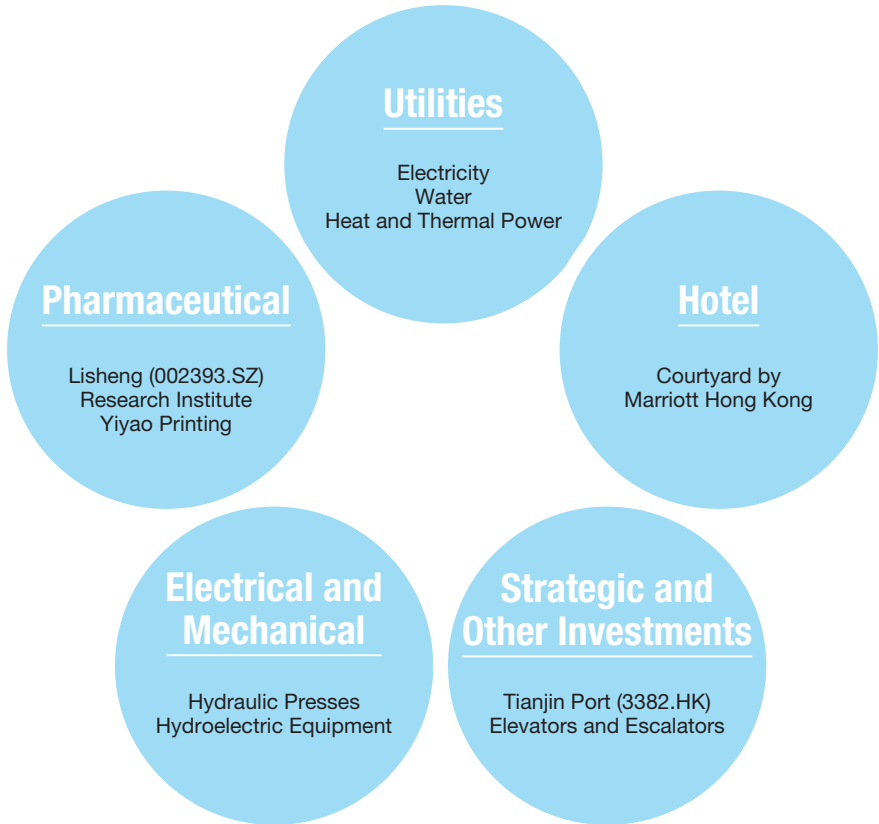
## STOCK CODE

882.HK

## PRINCIPAL BANKERS

China CITIC Bank International Limited  
DBS Bank Ltd., Hong Kong Branch  
Industrial and Commercial Bank of  
China (Asia) Limited  
Wing Lung Bank, Limited

**TIANJIN DEVELOPMENT HOLDINGS LIMITED**



# 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%	Manufacture 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

		<b>Six months ended 30 June</b>	
		<b>2017</b>	2016
	Notes	<b>HK\$'000</b>	HK\$'000
		<b>(unaudited)</b>	(unaudited)
Revenue	4	<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	5	<b>88,493</b>	120,829
Other gains, net	6	<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	7	<b>(33,822)</b>	(29,619)
Profit for the period	8	<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
Earnings per share		<b>HK cents</b>	HK cents
Basic	9	<b>26.49</b>	29.73
Diluted		<b>26.46</b>	29.73

# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Note	Six months ended 30 June	
		2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
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	13	<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

		<b>30 June 2017 HK\$'000 (unaudited)</b>	31 December 2016 HK\$'000 (audited)
	Notes		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	<b>5,109,636</b>	4,953,521
Land use rights	11	<b>443,640</b>	434,697
Investment properties	11	<b>160,352</b>	155,515
Interests in associates	12	<b>5,009,511</b>	4,693,887
Interests in joint ventures		<b>40,799</b>	43,734
Intangible assets		<b>79,179</b>	83,899
Deposits paid for acquisition of property, plant and equipment		<b>17,587</b>	35,721
Deferred tax assets		<b>98,772</b>	91,185
Available-for-sale financial assets	13	<b>401,451</b>	413,223
Goodwill		<b>1,440</b>	1,397
		<b>11,362,367</b>	10,906,779
<b>Current assets</b>			
Inventories		<b>582,494</b>	484,524
Amounts due from joint ventures		<b>51,409</b>	50,589
Amount due from ultimate holding company		<b>138</b>	237
Amounts due from related companies		<b>40,539</b>	47,740
Amounts due from customers for contract work		<b>629,458</b>	714,573
Trade receivables	14	<b>853,517</b>	764,729
Notes receivables	14	<b>356,497</b>	279,033
Other receivables, deposits and prepayments	14	<b>479,983</b>	463,841
Financial assets at fair value through profit or loss	15	<b>388,257</b>	647,628
Entrusted deposits	16	<b>921,659</b>	442,402
Restricted bank balances		<b>115,002</b>	149,135
Time deposits with maturity over three months		<b>1,556,332</b>	1,436,927
Cash and cash equivalents		<b>4,086,502</b>	4,331,164
		<b>10,061,787</b>	9,812,522
<b>Total assets</b>		<b>21,424,154</b>	20,719,301



# Condensed Consolidated Statement of Financial Position

		<b>30 June 2017 HK\$'000 (unaudited)</b>	31 December 2016 HK\$'000 (audited)
	Notes		
<b>EQUITY</b>			
<b>Owners of the Company</b>			
Share capital		<b>5,136,285</b>	5,136,285
Reserves		<b>5,282,950</b>	4,767,889
		<b>10,419,235</b>	9,904,174
<b>Non-controlling interests</b>		<b>3,614,315</b>	3,473,189
<b>Total equity</b>		<b>14,033,550</b>	13,377,363
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Defined benefit obligations		<b>44,844</b>	44,320
Deferred income		<b>63,814</b>	93,560
Bank borrowings	17	<b>1,885,637</b>	1,859,190
Deferred tax liabilities		<b>38,245</b>	38,634
		<b>2,032,540</b>	2,035,704
<b>Current liabilities</b>			
Trade payables	18	<b>1,121,640</b>	1,078,438
Notes payables	18	<b>47,918</b>	153,384
Other payables and accruals		<b>2,387,404</b>	2,467,337
Amounts due to related companies		<b>1,081,424</b>	875,471
Amounts due to customers for contract work		<b>176,323</b>	170,042
Bank borrowings	17	<b>389,400</b>	406,990
Current tax liabilities		<b>153,955</b>	154,572
		<b>5,358,064</b>	5,306,234
<b>Total liabilities</b>		<b>7,390,604</b>	7,341,938
<b>Total equity and liabilities</b>		<b>21,424,154</b>	20,719,301
<b>Net current assets</b>		<b>4,703,723</b>	4,506,288
<b>Total assets less current liabilities</b>		<b>16,066,090</b>	15,413,067

# 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 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
At 1 January 2017 (audited)	<b>5,136,285</b>	<b>(408,185)</b>	<b>5,176,074</b>	<b>9,904,174</b>	<b>3,473,189</b>	<b>13,377,363</b>
Profit for the period	—	—	284,137	284,137	63,420	347,557
Other comprehensive income for the period	—	265,665	—	265,665	106,882	372,547
Total comprehensive income for the period	—	265,665	284,137	549,802	170,302	720,104
Dividends	—	—	(54,604)	(54,604)	(30,118)	(84,722)
Share-based payment expense (Note 19)	—	19,362	—	19,362	—	19,362
Transfer upon lapse of share options	—	(26,615)	26,615	—	—	—
Transfer between reserves	—	4,185	(4,185)	—	—	—
Others	—	501	—	501	942	1,443
	—	(2,567)	(32,174)	(34,741)	(29,176)	(63,917)
At 30 June 2017 (unaudited)	<b>5,136,285</b>	<b>(145,087)</b>	<b>5,428,037</b>	<b>10,419,235</b>	<b>3,614,315</b>	<b>14,033,550</b>

# Condensed Consolidated Statement of Cash Flows

	<b>Six months ended 30 June</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Net cash from operating activities	<b>144,001</b>	15,675
Net cash (used in) from investing activities	<b>(535,438)</b>	1,198,072
Net cash used in financing activities	<b>(55,771)</b>	(1,198,266)
Net (decrease) increase in cash and cash equivalents	<b>(447,208)</b>	15,481
Cash and cash equivalents at 1 January	<b>4,331,164</b>	4,997,450
Effect of foreign exchange rate changes	<b>202,546</b>	(99,698)
Cash and cash equivalents at 30 June	<b>4,086,502</b>	4,913,233

# 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 2016 that is included in these unaudited condensed consolidated financial statements for the six months ended 30 June 2017 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. PRINCIPAL 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.

Except as described below, 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.

# Notes to the Condensed Consolidated Financial Statements

## 2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle

The application of the above 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. 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 2016, 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 2017 (the “Interim Accrual”) (Note 4(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 of the Company are of the opinion that the Interim Accrual is reasonable and represents 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.

# Notes to the Condensed Consolidated Financial Statements

## 4. SEGMENT INFORMATION

The Group determines its operating segments based on the reports that are used to make strategic decisions and reviewed by the chief operating decision-makers (“CODM”). The CODM assess the performance of the operating segments based on a measure of profit after tax.

The Group has six reportable segments. The segments are managed separately as each 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 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.

# Notes to the Condensed Consolidated Financial Statements

## 4. SEGMENT INFORMATION *(continued)*

For the six months ended 30 June 2017 (unaudited)

	Utilities (note (i)) HK\$'000	Pharmaceutical HK\$'000	Hotel HK\$'000	Electrical and mechanical (note (iii)) 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	32,986	74,396	7,355	(47,089)	97,748	115,166	280,562
Segment results – profit (loss) for the period includes:							
Depreciation and amortisation	43,730	53,369	8,471	36,155	–	–	141,725

# Notes to the Condensed Consolidated Financial Statements

## 4. SEGMENT INFORMATION *(continued)*

For the six months ended 30 June 2016 (unaudited)

	Utilities (note (i)) HK\$'000	Pharmaceutical HK\$'000	Hotel HK\$'000	Electrical and mechanical (note (iii)) 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

## 4. SEGMENT INFORMATION *(continued)*

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

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 (i.e. the Interim Accrual) 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.

# Notes to the Condensed Consolidated Financial Statements

## 5. OTHER INCOME

	<b>Six months ended 30 June</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
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
	<b>88,493</b>	120,829

## 6. OTHER GAINS, NET

	<b>Six months ended 30 June</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Impairment loss on property, plant and equipment	<b>(20,601)</b>	—
Net loss on disposal/written off of property, plant and equipment	<b>(336)</b>	(36)
Net (loss) gain on financial assets held for trading		
— listed	<b>(4,926)</b>	88
— unlisted	<b>5,074</b>	1,350
Allowance for trade receivables	<b>(80)</b>	—
Reversal of allowance for inventories	<b>872</b>	—
Net exchange gain (loss)	<b>26,488</b>	(13,219)
Gain on fair value change of a financial asset at fair value through profit or loss (Note 21)	<b>49,846</b>	—
Reversal of impairment previously recognised on other receivables	<b>—</b>	12,239
	<b>56,337</b>	422

# Notes to the Condensed Consolidated Financial Statements

## 7. TAX EXPENSE

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

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.

# Notes to the Condensed Consolidated Financial Statements

## 8. PROFIT FOR THE PERIOD

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

# Notes to the Condensed Consolidated Financial Statements

## 9. 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>	2016
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Profit attributable to owners of the Company for the purposes of basic and diluted earnings per share	<b>284,137</b>	318,975
<b>Number of shares</b>	<b>Thousand</b>	Thousand
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>1,072,770</b>	1,072,770
Effect of dilutive potential ordinary shares:		
Share options	<b>1,178</b>	216
Weighted average number of ordinary shares taking into account the share options for the purpose of diluted earnings per share	<b>1,073,948</b>	1,072,986

## 10. DIVIDENDS

	<b>Six months ended 30 June</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
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>	60,612

Subsequent to the end of the reporting period, the board of directors 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.

# Notes to the Condensed Consolidated Financial Statements

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

During the current interim period, the Group acquired property, plant and equipment and land use rights of HK\$145,926,000 (30 June 2016: HK\$205,922,000) 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 interim period (30 June 2016: 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 interim period (30 June 2016: Nil).

## 12. INTERESTS IN ASSOCIATES

	<b>30 June 2017 HK\$'000 (unaudited)</b>	31 December 2016 HK\$'000 (audited)
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>	4,693,887
Market value of listed shares		
– Tianjin Port	<b>1,681,134</b>	1,538,884

Interests in associates at the end of the reporting period included goodwill of HK\$1,120,729,000 (31 December 2016: HK\$1,120,729,000) arising from acquisition of Tianjin Port.

# Notes to the Condensed Consolidated Financial Statements

## 13. AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

notes:

- (i) 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.
- (ii) 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 because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

# Notes to the Condensed Consolidated Financial Statements

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

	notes	<b>30 June 2017 HK\$'000 (unaudited)</b>	31 December 2016 HK\$'000 (audited)
Trade receivables — gross	(i)	<b>982,387</b>	889,632
Less: allowance for impairment		<b>(128,870)</b>	(124,903)
Trade receivables — net		<b>853,517</b>	764,729
Notes receivables		<b>356,497</b>	279,033
	(ii) & (iv)	<b>1,210,014</b>	1,043,762
Other receivables, deposits and prepayments			
Entrusted loan	(iii)	<b>34,562</b>	33,520
Compensation receivable		<b>21,830</b>	20,960
Others		<b>423,591</b>	409,361
		<b>479,983</b>	463,841



# Notes to the Condensed Consolidated Financial Statements

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

notes:

- (i) 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 (a) 30 days are granted to corporate customers of the Group's hotel business; (b) 90 to 180 days are granted to customers in the electrical and mechanical segment; and (c) 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 4(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.

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

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

- (iii) The amount represents an entrusted loan to one government-related borrower in the PRC through one PRC financial institution. The amount is repayable within one year with a fixed interest rate at 6% (31 December 2016: 6%) per annum.
- (iv) As at 30 June 2017, the amount included retentions held by customers for contract work over one year of HK\$51,762,000 (31 December 2016: HK\$53,934,000).

# Notes to the Condensed Consolidated Financial Statements

## 15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>30 June 2017 HK\$'000 (unaudited)</b>	31 December 2016 HK\$'000 (audited)
<b>Investments held for trading</b>		
Listed shares in Hong Kong	<b>5,359</b>	5,359
Listed shares in the PRC	<b>48,621</b>	17,304
Listed funds in the PRC	<b>15,617</b>	31,829
Unlisted funds in the PRC	<b>39,676</b>	257,830
Unlisted trust funds in the PRC (note (i))	<b>184,412</b>	290,580
	<b>293,685</b>	602,902
<b>Financial assets at fair value through profit or loss</b>		
Profit guarantee (note (ii))	<b>94,572</b>	44,726
	<b>388,257</b>	647,628

During the current interim period, the Group had net cash inflow from investments held for trading of HK\$95,821,000 (30 June 2016: HK\$87,806,000).

notes:

- (i) The above unlisted trust funds are measured at fair value on a recurring basis at the end of each reporting period. As at 30 June 2017, the fair value of the investments of HK\$184,412,000 (31 December 2016: HK\$290,580,000) is determined based on Level 2 measurement (inputs which are derived from other than quoted prices included within Level 1 that are observable for the asset or liability).
- (ii) Pursuant to the terms of the sale and purchase agreement for the acquisition of Thrive Leap Limited ("Thrive Leap", together with its subsidiaries, the "Thrive Leap Group"), Tsinlien Group Company Limited ("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 "Vendor's Guarantors") have agreed to provide a profit guarantee to the Group in relation to the financial performance of Thrive Leap Group for the year ended 31 December 2015 and the two years ending 31 December 2017. If the audited consolidated net profit attributable to owners of Thrive Leap falls short of the guaranteed profit of RMB130,000,000 and RMB313,000,000 in aggregate for the year ended 31 December 2015 and the two years ending 31 December 2017, respectively, the Vendor's Guarantors will pay an amount equal to 67% of such shortfall to the Group.

The fair value of the profit guarantee is determined by reference to a valuation carried out by Vigers Appraisal and Consulting Limited and its valuation technique as disclosed in Note 21.

# Notes to the Condensed Consolidated Financial Statements

## 16. 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.

## 17. BANK BORROWINGS

During the current interim period, the Group obtained new bank borrowings of HK\$168,610,000 (30 June 2016: HK\$207,172,000) and repaid bank borrowings of HK\$176,761,000 (30 June 2016: HK\$194,882,000).

At the end of the reporting period, the bank borrowings carried effective interest rates ranging from 2.07% to 5.40% (31 December 2016: 1.23% to 5.31%) per annum.

## 18. 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	<b>246,303</b>	316,799
31 to 90 days	<b>288,342</b>	250,650
91 to 180 days	<b>167,392</b>	291,183
Over 180 days	<b>467,521</b>	373,190
	<b>1,169,558</b>	1,231,822

# Notes to the Condensed Consolidated Financial Statements

## 19. SHARE OPTION SCHEME

During the period, the Company passed an ordinary resolution to extend the exercise period of a total of 20,800,000 fully vested outstanding share options granted by the Company under the share option scheme adopted on 25 May 2007, which expired on 24 May 2017, for two years from 24 May 2017 to 24 May 2019. As a result of the extension, the estimated fair value of HK\$19,362,000 was expensed in full in the current interim period.

The estimated fair value related to the fully vested outstanding share options was calculated based on the Binomial model, the key inputs into which are as follows:

Weighted average share price	HK\$4.56
Exercise price	Ranging from HK\$3.56 to HK\$6.07
Expected volatility	42%
Expected option life	Approximate 1.8 years
Risk-free rate	0.648%
Expected dividend yield	2.03%

The expected volatility was determined by using the historical volatility of the Company's share price. The Binomial model has been used to estimate the fair value of the option. The variables and assumptions used in computing the fair value of the options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

The amount of share-based payment expense is disclosed in Note 8.

# Notes to the Condensed Consolidated Financial Statements

## 20. CAPITAL COMMITMENTS

	<b>30 June 2017 HK\$'000 (unaudited)</b>	31 December 2016 HK\$'000 (audited)
Contracted but not provided for in respect of acquisition of property, plant and equipment	<b>103,303</b>	352,472

## 21. 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

## 21. 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 2017	31 December 2016				
	HK\$'000 (unaudited)	HK\$'000 (audited)				
Available-for-sale financial assets						
– listed equity securities	<b>104,977</b>	125,693	Level 1	Quoted bid price in active markets	N/A	N/A
Financial assets at fair value through profit or loss						
– listed equity securities	<b>53,980</b>	22,663	Level 1	Quoted bid price in active markets	N/A	N/A
– listed funds	<b>15,617</b>	31,829	Level 1	Quoted bid price in active markets	N/A	N/A
– unlisted funds	<b>39,676</b>	257,830	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 trust funds	<b>184,412</b>	290,580	Level 2	Quoted prices from issuing banks or financial institutions	N/A	N/A
– profit guarantee	<b>94,572</b>	44,726	Level 3	Discounted cash flow – Estimated profit 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

## 21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

(continued)

Fair value measurements of financial instruments (continued)

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

	<b>HK\$'000</b>
At 1 January 2017	<b>44,726</b>
Fair value change recognised in profit or loss	<b>49,846</b>
At 30 June 2017	<b>94,572</b>

There were no transfers between Levels 1, 2 and 3 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.

## 22. RELATED PARTY DISCLOSURES

The Group is controlled by Tsinlien, which owns approximately 62.80% (31 December 2016: approximately 62.80%) of the Company's shares as at 30 June 2017. The remaining approximately 37.20% (31 December 2016: 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 interim period, except for the Interim Accrual, the Group's significant transactions with entities that are controlled, jointly controlled or significantly influenced by the PRC government (the "other government-related entities") 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 and sales of pharmaceutical products which constituted the majority of the Group's purchases and sales). 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 other 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

## 22. RELATED PARTY DISCLOSURES *(continued)*

### (a) Related party transactions

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

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest expense	996	—
Operating lease expenses for land	764	808
Operating lease expenses for plant, pipelines and networks	70,817	73,173
Provision of services	18,180	18,482
Purchase of goods	—	3,582
Purchase of materials	5,141	6,075
Purchase of steam for sale	430,998	386,373
Purchase of property, plant and equipment	—	793
Sales of goods	35,469	18,084

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

#### (ii) Key management compensation

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Fees	1,272	1,272
Salaries and other emoluments	4,114	4,102
Retirement benefits scheme contribution	164	167
	5,550	5,541

### (b) Related party balances

Details of the related party balances 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 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.

# 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 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 manufacture 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.

# 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 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.

# 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\$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%).

# Management Discussion and Analysis

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.

# Other Information

## DIRECTORS' INTERESTS IN SHARES

As at 30 June 2017, 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:

<b>Name of director</b>	<b>Number of underlying shares held</b>	<b>Approximate percentage of total issued shares</b>
Mr. Wang Zhiyong	8,600,000	0.80%
Dr. Cui Di	2,900,000	0.27%
Mr. Cheung Wing Yui, Edward	600,000	0.06%
Dr. Chan Ching Har, Eliza	600,000	0.06%
Dr. Cheng Hon Kwan	600,000	0.06%
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 2017, 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 2017, 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. The Share Option Scheme was effective for a period of ten years from the date of adoption and had expired on 24 May 2017. All the outstanding share options granted under the Share Option Scheme will continue to be valid and exercisable in accordance with the provisions of the Share Option Scheme.

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

Date of grant	Exercise price per share HK\$	As at 1 January 2017	Number of share options					As at 30 June 2017	Exercise period	
			During the period							
			Granted	Exercised	Reclassified	Lapsed	Cancelled			
<b>Directors</b>										
Wang Zhiyong	16/12/2009	5.750	900,000	–	–	–	–	–	900,000	16/12/2009 – 24/05/2019 <sup>(1)</sup>
	07/11/2011	3.560	2,800,000	–	–	–	–	–	2,800,000	11/11/2011 – 24/05/2019 <sup>(1)</sup>
	19/12/2012	4.060	2,800,000	–	–	–	–	–	2,800,000	19/12/2012 – 24/05/2019 <sup>(1)</sup>
	20/12/2013	5.532	2,100,000	–	–	–	–	–	2,100,000	20/12/2013 – 24/05/2019 <sup>(1)</sup>
Cui Di	07/11/2011	3.560	300,000	–	–	–	–	–	300,000	11/11/2011 – 24/05/2019 <sup>(1)</sup>
	19/12/2012	4.060	800,000	–	–	–	–	–	800,000	19/12/2012 – 24/05/2019 <sup>(1)</sup>
	20/12/2013	5.532	1,800,000	–	–	–	–	–	1,800,000	20/12/2013 – 24/05/2019 <sup>(1)</sup>
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 – 24/05/2019 <sup>(1)</sup>
	07/11/2011	3.560	100,000	–	–	–	–	–	100,000	11/11/2011 – 24/05/2019 <sup>(1)</sup>
	19/12/2012	4.060	100,000	–	–	–	–	–	100,000	19/12/2012 – 24/05/2019 <sup>(1)</sup>
	20/12/2013	5.532	100,000	–	–	–	–	–	100,000	20/12/2013 – 24/05/2019 <sup>(1)</sup>
Chan Ching Har, Eliza	16/12/2009	5.750	300,000	–	–	–	–	–	300,000	16/12/2009 – 24/05/2019 <sup>(1)</sup>
	07/11/2011	3.560	100,000	–	–	–	–	–	100,000	11/11/2011 – 24/05/2019 <sup>(1)</sup>
	19/12/2012	4.060	100,000	–	–	–	–	–	100,000	19/12/2012 – 24/05/2019 <sup>(1)</sup>
	20/12/2013	5.532	100,000	–	–	–	–	–	100,000	20/12/2013 – 24/05/2019 <sup>(1)</sup>
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 – 24/05/2019 <sup>(1)</sup>
	07/11/2011	3.560	100,000	–	–	–	–	–	100,000	11/11/2011 – 24/05/2019 <sup>(1)</sup>
	19/12/2012	4.060	100,000	–	–	–	–	–	100,000	19/12/2012 – 24/05/2019 <sup>(1)</sup>
	20/12/2013	5.532	100,000	–	–	–	–	–	100,000	20/12/2013 – 24/05/2019 <sup>(1)</sup>



# Other Information

## SHARE OPTION SCHEME (continued)

Date of grant	Exercise price per share HK\$	Number of share options					As at 30 June 2017	Exercise period	
		As at 1 January 2017	During the period			As at 30 June 2017			
			Granted	Exercised	Reclassified				Lapsed
<b>Directors</b>									
Mak Kwai Wing, Alexander	16/12/2009	5.750	300,000	–	–	–	–	300,000	16/12/2009 – 24/05/2019 <sup>(1)</sup>
	07/11/2011	3.560	100,000	–	–	–	–	100,000	11/11/2011 – 24/05/2019 <sup>(1)</sup>
	19/12/2012	4.060	100,000	–	–	–	–	100,000	19/12/2012 – 24/05/2019 <sup>(1)</sup>
	20/12/2013	5.532	100,000	–	–	–	–	100,000	20/12/2013 – 24/05/2019 <sup>(1)</sup>
Ng Yi Kum, Estella	03/12/2010	6.070	300,000	–	–	–	–	300,000	03/12/2010 – 24/05/2019 <sup>(1)</sup>
	07/11/2011	3.560	100,000	–	–	–	–	100,000	11/11/2011 – 24/05/2019 <sup>(1)</sup>
	19/12/2012	4.060	100,000	–	–	–	–	100,000	19/12/2012 – 24/05/2019 <sup>(1)</sup>
	20/12/2013	5.532	100,000	–	–	–	–	100,000	20/12/2013 – 24/05/2019 <sup>(1)</sup>
Wong Shiu Hoi, Peter	20/12/2013	5.532	100,000	–	–	–	–	100,000	20/12/2013 – 24/05/2019 <sup>(1)</sup>
Tuen Kong, Simon	16/12/2009	5.750	900,000	–	–	(800,000) <sup>(2)</sup>	–	–	16/12/2009 – 24/05/2019 <sup>(1)</sup>
	20/12/2013	5.532	2,000,000	–	–	(2,000,000) <sup>(2)</sup>	–	–	20/12/2013 – 24/05/2019 <sup>(1)</sup>
<b>Continuous contract employees</b>	16/12/2009	5.750	–	–	–	900,000 <sup>(2)</sup>	–	900,000	16/12/2009 – 24/05/2019 <sup>(1)</sup>
	07/11/2011	3.560	900,000	–	–	–	–	900,000	11/11/2011 – 24/05/2019 <sup>(1)</sup>
	19/12/2012	4.060	900,000	–	–	–	–	900,000	19/12/2012 – 24/05/2019 <sup>(1)</sup>
	20/12/2013	5.532	1,500,000	–	–	2,000,000 <sup>(2)</sup>	–	3,500,000	20/12/2013 – 24/05/2019 <sup>(1)</sup>
<b>Total</b>			21,800,000	–	–	–	(1,000,000)	–	20,800,000

notes:

- At the extraordinary general meeting of the Company held on 19 May 2017, shareholders of the Company passed an ordinary resolution to extend the exercise periods of all the outstanding share options granted on 16 December 2009, 3 December 2010, 7 November 2011, 19 December 2012 and 20 December 2013 by the Company under the Share Option Scheme for two years from 24 May 2017 to 24 May 2019.
- The share options of Mr. Tuen Kong, Simon were reclassified as continuous contract employees upon his resignation as director of the Company on 6 June 2017.
- No share options were granted during the period from 1 January 2017 to 24 May 2017.

## 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 2017, 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%
Central Huijin Investment Ltd. (中央匯金投資有限責任公司)	1&4	Interest of controlled corporation	54,746,000	5.10%
China Reinsurance (Group) Corporation (中國再保險(集團)股份有限公司)	1&4	Directly beneficially interest	54,746,000	5.10%

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 2017, 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.

# Other Information

## **SUBSTANTIAL SHAREHOLDERS** *(continued)*

4. Based on a corporate substantial shareholder notice, Central Huijin Investment Ltd. holds 71.56% equity interest in China Reinsurance (Group) Corporation. By virtue of the SFO, Central Huijin Investment Ltd. is deemed to have an interest in the shares of the Company in which China Reinsurance (Group) Corporation is interested.

Save as disclosed above, as at 30 June 2017, the Company had not been notified by any person or corporation, other than the directors or chief executive of the Company, who had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

## **CORPORATE GOVERNANCE**

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

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 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.

## **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 2016 annual report of the Company are as follows:

- (1) Mr. Tuen Kong, Simon has resigned as executive director and company secretary of the Company and ceased to act as authorised representative of the Company with effect from 6 June 2017.
- (2) Dr. Cui Di has been appointed as authorised representative of the Company with effect from 6 June 2017.

### CHANGES IN DIRECTORS' INFORMATION *(continued)*

- (3) Ms. Zhang Lili was removed as executive director of the Company on 17 February 2017.
- (4) Mr. Mak Kwai Wing, Alexander has been appointed as independent non-executive director of K & P International Holdings Limited (Stock Code: 675) with effect from 3 July 2017.
- (5) Dr. Loke Yu has been appointed as independent non-executive director of Hong Kong Resources Holdings Company Limited (Stock Code: 2882) with effect from 31 May 2017.

### 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.

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 23 November 2016, the Company entered into a facility agreement (the "Facility Agreement") with a syndicate of banks as lenders (the "Lenders") in respect of a HK\$1,800 million term loan facility for a period up to 36 months commencing from the date of utilisation.

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.

# Other Information

## 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.

By Order of the Board

**Zeng Xiaoping**

*Chairman*

Hong Kong, 30 August 2017



**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 32, which comprise the condensed consolidated statement of financial position as of 30 June 2017 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 period 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 2017