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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 under the Companies Ordinance)

(Stock Code: 882)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

FINANCIAL HIGHLIGHTS

- Revenue amounted to approximately HK\$1,918,506,000 (30 June 2011: approximately HK\$1,703,808,000).
- Profit attributable to owners of the Company amounted to approximately HK\$200,860,000 (30 June 2011: approximately HK\$219,181,000).
- Basic earnings per share were HK18.82 cents (30 June 2011: HK20.53 cents).

RESULTS

The board of directors (the “Board”) of Tianjin Development Holdings Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2012 together with the comparative figures for the corresponding period in 2011 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2012

		Six months ended 30 June	
		2012	2011
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	3	1,918,506	1,703,808
Cost of sales		<u>(1,779,445)</u>	<u>(1,596,332)</u>
Gross profit		139,061	107,476
Other income	4	80,179	47,400
Other gains, net	5	54,869	23,991
General and administrative expenses		(215,341)	(194,217)
Other operating expenses		(28,566)	(16,140)
Finance costs		(31,432)	(11,168)
Share of profit (loss) of			
Associates		265,230	349,922
Jointly controlled entities		<u>193</u>	<u>(1,654)</u>
Profit before tax		264,193	305,610
Tax expense	6	<u>(37,401)</u>	<u>(48,063)</u>
Profit for the period	7	<u><u>226,792</u></u>	<u><u>257,547</u></u>
Attributable to:			
Owners of the Company		200,860	219,181
Non-controlling interests		<u>25,932</u>	<u>38,366</u>
		<u><u>226,792</u></u>	<u><u>257,547</u></u>
		HK cents	HK cents
Earnings per share	8		
Basic		<u><u>18.82</u></u>	<u><u>20.53</u></u>
Diluted		<u><u>18.79</u></u>	<u><u>20.52</u></u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Note	(Unaudited)	(Unaudited)
Profit for the period	226,792	257,547
Other comprehensive (loss) income:		
Currency translation differences		
– Group	(28,839)	96,726
– associates	(11,858)	85,462
– jointly controlled entities	(82)	378
Change in fair value of available-for-sale financial assets	9(a) 4,962	(34,733)
Share of other comprehensive gain (loss) of an associate		
– available-for-sale revaluation reserve	2,771	(2,324)
Total comprehensive income for the period	<u>193,746</u>	<u>403,056</u>
Attributable to:		
Owners of the Company	170,803	351,775
Non-controlling interests	<u>22,943</u>	<u>51,281</u>
	<u>193,746</u>	<u>403,056</u>

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2012

		30 June 2012	31 December 2011
		HK\$'000	HK\$'000
	<i>Notes</i>	<i>(Unaudited)</i>	<i>(Audited)</i>
ASSETS			
Non-current assets			
Property, plant and equipment		1,772,157	1,685,553
Land use rights		273,294	278,151
Investment properties		195,328	134,335
Interest in associates		5,466,695	5,239,421
Interest in jointly controlled entities		16,770	16,660
Deferred tax assets		99,876	100,051
Available-for-sale financial assets	9	213,483	208,595
Deposit paid for acquisition of property, plant and equipment		<u>5,767</u>	<u>57,429</u>
		<u>8,043,370</u>	<u>7,720,195</u>
Current assets			
Inventories		2,420	3,178
Amounts due from jointly controlled entities		14,508	14,580
Amount due from ultimate holding company		1,249	1,198
Amounts due from related companies		16,588	15,740
Trade receivables	10	569,842	593,999
Other receivables, deposits and prepayments		289,019	305,246
Available-for-sale financial assets	9	–	36,991
Financial assets at fair value through profit or loss		69,689	338,708
Entrusted deposits	11	1,873,431	1,638,768
Restricted bank balance		7,730	3,083
Time deposits with maturity over three months		684,565	809,174
Cash and cash equivalents		<u>3,102,668</u>	<u>2,950,873</u>
		<u>6,631,709</u>	<u>6,711,538</u>
Total assets		<u><u>14,675,079</u></u>	<u><u>14,431,733</u></u>
EQUITY			
Owners of the Company			
Share capital		106,747	106,747
Reserves		<u>9,653,091</u>	<u>9,482,322</u>
		<u>9,759,838</u>	<u>9,589,069</u>
Non-controlling interests		<u>615,879</u>	<u>592,936</u>
Total equity		<u><u>10,375,717</u></u>	<u><u>10,182,005</u></u>

CONDENSED CONSOLIDATED BALANCE SHEET (Cont'd)*As at 30 June 2012*

		30 June 2012 HK\$'000 (Unaudited)	31 December 2011 HK\$'000 (Audited)
	<i>Note</i>		
LIABILITIES			
Non-current liabilities			
Bank borrowings		1,990,500	1,987,500
Deferred tax liabilities		81,991	76,056
		<u>2,072,491</u>	<u>2,063,556</u>
Current liabilities			
Trade payables	<i>12</i>	449,168	379,035
Notes payable		25,767	9,458
Other payables and accruals		984,164	1,069,121
Amounts due to related companies		215,685	194,836
Amounts due to non-controlling interests		97,771	97,489
Bank borrowings		397,545	362,514
Current tax liabilities		56,771	73,719
		<u>2,226,871</u>	<u>2,186,172</u>
Total liabilities		<u>4,299,362</u>	<u>4,249,728</u>
Total equity and liabilities		<u>14,675,079</u>	<u>14,431,733</u>
Net current assets		<u>4,404,838</u>	<u>4,525,366</u>
Total assets less current liabilities		<u>12,448,208</u>	<u>12,245,561</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 (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

2. SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2012 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2011 except that in the current period, 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.

The Group has applied the amendments to HKAS 12 *Deferred Tax: Recovery of Underlying Assets* in the current period. Under the amendments to HKAS 12, investment properties that are measured using the fair value model in accordance with HKAS 40 *Investment Property* are presumed to be recovered through sale for the purpose of measuring deferred taxes, unless the presumption is rebutted in certain circumstances. The Group measures its investment properties using the fair value model. As a result of the application of the amendments to HKAS 12, the directors reviewed the Group’s investment property portfolios and concluded that the presumption set out in the amendments to HKAS 12 is rebutted because the criteria to rebut set out in the amendments to HKAS 12 were considered satisfied. Accordingly, the application of the amendments has had no material effect on the amounts reported in these condensed consolidated financial statements and the entire carrying amount of the investment properties continue to be recovered through use.

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

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. The chief operating decision-makers assess the performance of the operating segments based on a measure of profit after tax.

The Group has five reportable segments. The segments are managed separately as each business offers different products and services. The following summary describes the operations in each of the Group's reportable segments.

(a) Utilities

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

(b) Hotels

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

(c) Winery

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

(d) 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.

(e) Elevators and escalators

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

3. SEGMENT INFORMATION (Cont'd)

For the six months ended 30 June 2012

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

For the six months ended 30 June 2011

	Utilities (note (i)) HK\$'000	Hotels HK\$'000	Winery HK\$'000	Port services HK\$'000	Elevators and escalators HK\$'000	Total HK\$'000
Segment revenue	1,652,456	51,352	–	–	–	1,703,808
Operating profit (loss) before interest	14,923	(3,860)	–	–	–	11,063
Interest income	9,755	–	–	–	–	9,755
Finance costs	(4,430)	–	–	–	–	(4,430)
Share of profit of associates	–	–	23,535	77,798	244,666	345,999
Profit (loss) before tax	20,248	(3,860)	23,535	77,798	244,666	362,387
Tax expense	(8,936)	(35,000)	–	–	–	(43,936)
Segment results –						
profit (loss) for the period	11,312	(38,860)	23,535	77,798	244,666	318,451
Non-controlling interests	(677)	3,385	–	–	(42,229)	(39,521)
Profit (loss) attributable to owners of the Company	10,635	(35,475)	23,535	77,798	202,437	278,930
Segment results –						
profit (loss) for the period includes:						
Depreciation and amortization	33,830	14,821	–	–	–	48,651

3. SEGMENT INFORMATION *(Cont'd)*

	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Reconciliation of profit for the period		
Total reportable segments	237,221	318,451
Corporate and others (note (ii))	(10,429)	(60,904)
	<u>226,792</u>	<u>257,547</u>

notes:

- (i) The revenue in this segment was contributed by supply of electricity, water, and heat and thermal power in the amount of approximately HK\$1,127,900,000, HK\$164,600,000 and HK\$570,900,000 respectively (30 June 2011: approximately HK\$993,800,000, HK\$170,400,000 and HK\$488,300,000 respectively).

The above revenue included accrued supplemental income of approximately HK\$109,823,000 (30 June 2011: approximately HK\$131,088,000).

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

4. OTHER INCOME

	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Interest income	67,554	41,399
Rental income under operating leases net of negligible outgoings	11,039	2,761
Sundries	1,586	3,240
	<u>80,179</u>	<u>47,400</u>

5. OTHER GAINS, NET

	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Gain on change in fair value of investment properties	25,228	–
Net gain on disposal of available-for-sale financial assets	4,703	–
Net exchange gain	9,309	19,262
Net (loss) gain on disposal of property, plant and equipment	(23)	124
Net gain (loss) on financial assets held for trading		
– listed	3,309	(4,523)
– unlisted	12,343	12,009
Others	–	(2,881)
	<u>54,869</u>	<u>23,991</u>

6. TAX EXPENSE

	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Current tax		
PRC Enterprise Income Tax ("PRC EIT")	31,094	13,063
Deferred tax	6,307	35,000
	37,401	48,063

No provision for Hong Kong profits tax has been made as there was no estimated assessable profit derived from Hong Kong during the current period (30 June 2011: Nil).

The Group's PRC subsidiaries are subject to PRC EIT at 25%.

7. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Profit for the period is arrived at after charging:		
Employee benefit expense (including directors' emoluments)	179,099	159,259
Purchase of electricity, water and steam for sale	1,569,791	1,381,998
Depreciation	48,268	47,113
Amortization of land use rights	3,500	3,537
Allowance for impairment of trade receivables	9,995	6,097
Operating lease expense on		
– plants, pipelines and networks	76,458	73,075
– land and buildings	3,594	3,195

8. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Profit attributable to owners of the Company for purpose of basic and diluted earnings per share	<u>200,860</u>	<u>219,181</u>
Number of shares	<i>Thousand</i>	<i>Thousand</i>
Number of ordinary shares for purpose of basic earnings per share	1,067,470	1,067,470
Effect of dilutive potential ordinary shares: Options	<u>1,386</u>	<u>445</u>
Number of ordinary shares taking into account of share options for purpose of diluted earnings per share	<u>1,068,856</u>	<u>1,067,915</u>

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS

		30 June	31 December
		2012	2011
	<i>notes</i>	HK\$'000	HK\$'000
Equity securities			
Listed, at market value	<i>(a)</i>	198,475	193,513
Unlisted	<i>(b)</i>	<u>15,008</u>	<u>52,073</u>
		<u>213,483</u>	<u>245,586</u>
Disclosure			
Current assets		–	36,991
Non-current assets		<u>213,483</u>	<u>208,595</u>
		<u>213,483</u>	<u>245,586</u>

notes:

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

As at 30 June 2012, the market value of the Group's equity interest in Binhai Investment was approximately HK\$198,475,000 (31 December 2011: approximately HK\$193,513,000) and the unrealized fair value gain of approximately HK\$4,962,000 (30 June 2011: loss of approximately HK\$34,733,000) was recognized in other comprehensive income.

- (b) As at 30 June 2012, the unlisted available-for-sale financial assets are principally equity investments in certain entities established and operating in the PRC. They are mainly denominated in Renminbi.

10. TRADE RECEIVABLES

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

	30 June 2012 HK\$'000	31 December 2011 HK\$'000
Within 30 days	496,241	411,525
31 to 90 days	34,119	20,082
91 to 180 days	16,016	26,082
Over 180 days	<u>23,466</u>	<u>136,310</u>
	<u>569,842</u>	<u>593,999</u>

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 30 to 180 days are granted to corporate customers of the Group's hotel business. No credit terms are granted to customers in the utilities segment.

As at 30 June 2012, the supplemental income receivable from the Finance Bureau of TEDA was approximately HK\$117,775,000 which included the accrued supplemental income as referred to in Note 3(i) (31 December 2011: approximately HK\$257,281,000). Annual supplemental income receivable does not have credit terms and the amount is to be finalized by the Finance Bureau of TEDA after the end of each financial year. Continuous settlements have been received by the Group in the past years.

11. ENTRUSTED DEPOSITS

For the period ended 30 June 2012, the Group placed in, and withdrew from, two PRC financial institutions entrusted deposits of approximately HK\$1,409,000,000 and HK\$1,186,000,000 respectively (30 June 2011: approximately HK\$1,429,000,000 and HK\$351,000,000 respectively). The deposits with maturity from 1 to 12 months after the end of the reporting period (31 December 2011: 2 to 16 months) carried fixed rates of return ranging from 6.1% to 10.0% (31 December 2011: 6.1% to 8.4%) per annum.

12. TRADE PAYABLES

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

	30 June 2012 HK\$'000	31 December 2011 HK\$'000
Within 30 days	62,240	22,720
31 to 90 days	220,402	248,961
91 to 180 days	98,406	–
Over 180 days	<u>68,120</u>	<u>107,354</u>
	<u>449,168</u>	<u>379,035</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Utilities

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

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

Electricity

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

For the six months ended 30 June 2012, the Electricity Company reported revenue of approximately HK\$1,128 million and profit of approximately HK\$10.2 million, representing an increase of 13.5% and 8.5% respectively over the corresponding period of last year. The rise in profit was mainly due to the growth of revenue. The total quantity of electricity sold during the period was approximately 1,319,510,000 kWh, representing an increase of 5.5% over the same period of last year.

Water

Tianjin TEDA Tsinlien Water Supply Co., Ltd. ("Water Company") is principally engaged in supply of tap water in TEDA. It also provides services in installation and maintenance of water pipes, technical consultancy, retail and wholesale of water pipes and related parts. The daily supply capacity of the Water Company is approximately 400,000 tonnes.

For the period under review, the Water Company reported revenue of approximately HK\$164.6 million, representing a decrease of 3.4% over the same period of last year, and loss of approximately HK\$26.7 million was recorded compared to a profit of approximately HK\$1.7 million for the same period of last year. The loss for the period was mainly due to the decrease of provision of supplemental income and the increase of provision of repair expenses for prior years. The total quantity of water sold for the period was approximately 23,548,000 tonnes, representing an increase of 0.3% over the same period of last year.

Heat and Thermal Power

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

For the period under review, the Heat & Power Company reported revenue of approximately HK\$570.9 million, representing an increase of 17% over the same period of last year. A loss of approximately HK\$3.3 million was recorded compared to a profit of approximately HK\$0.2 million for the same period of last year. The loss for the current period was mainly due to the decrease of provision of supplemental income. The total quantity of steam sold for the period was approximately 2,408,000 tonnes, representing an increase of 7.7% over the same period of last year.

Hotels

Courtyard by Marriott Hong Kong

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

For the six months ended 30 June 2012, Courtyard Hotel’s revenue increased by 7% to approximately HK\$54.6 million and a profit of approximately HK\$11.7 million was recorded compared to a loss of approximately HK\$26.8 million for the same period of last year. The room rate has improved and has offset the impact of drop in occupancy rate. During the period under review, the average occupancy rate was approximately 80.4% compared to 84% of the same period of last year.

Hotel Property in Tianjin

As disclosed in the last annual report, the Group intended to retain the hotel property in Tianjin for future development. In April 2012, Tianjin First Hotel Ltd., a 75% owned subsidiary of the Company, has reached an agreement with Hyatt of China Limited to terminate the management contract for the operation of Hyatt Regency Tianjin Hotel. Currently, the Group is at a stage of considering various redevelopment plans. During the period under review, a loss of approximately HK\$12 million was recorded.

Strategic and Other Investments

Winery

During the period under review, the revenue of Dynasty Fine Wines Group Limited (“Dynasty”) (stock code: 828) decreased by 30% to approximately HK\$556 million and loss attributable to owners of Dynasty was approximately HK\$4.7 million. Sales volume declined by 45% to 16.9 million bottles. Red wine accounted for approximately 85% of total sales. The loss was mainly due to a decrease in sales volume as a result of (i) the impact of reform on the sales and distribution model; and (ii) weaker demand of domestic wine products. The Group shared a loss from Dynasty of approximately HK\$2.1 million while a profit of approximately HK\$23.5 million was contributed to the Group in the same period of last year.

Port Services

During the period under review, the revenue of Tianjin Port Development Holdings Limited (“Tianjin Port”) (stock code: 3382) increased by 6.8% to approximately HK\$8,014.8 million and profit attributable to owners of Tianjin Port was approximately HK\$370.9 million, representing an increase of 0.1% over the same period of last year. The good performance was mainly attributable to the steady growth of the overall throughput, including cargo and containers. The expanded operating scale and the complementary business structure have strengthened its competitiveness and demonstrated its advantages.

Tianjin Port contributed to the Group a profit of approximately HK\$77.9 million, representing an increase of 0.1% compared to that of last year.

Elevators and Escalators

During the period under review, the revenue of Otis Elevator (China) Investment Company Limited (“Otis China”) amounted to approximately HK\$7,248 million, representing a decrease of 8% over the same period of last year.

Otis China contributed to the Group a profit (after non-controlling interests) of approximately HK\$150.2 million, representing a decrease of 26% over the same period in 2011.

Investment in Binhai Investment Company Limited

During the period under review, the Group had 8.28% interest in Binhai Investment Company Limited (“Binhai Investment”) (stock code: 8035). As at 30 June 2012, the market value of the Group’s interest in Binhai Investment amounted to approximately HK\$198.4 million (31 December 2011: approximately HK\$193.5 million) and the unrealized fair value gain of approximately HK\$4.9 million was recognized in other comprehensive income.

PROSPECT

It is anticipated that global economic and political situations will remain volatile in the second half year as various uncertainties stemming from the Eurozone debt crisis may occur, and the U.S. economic recovery is slow. Thus China’s economic performance will be inevitably affected by those external factors. Nonetheless, the Group will continue to seize the opportunities and to actively prepare and participate in the overall planning of the state-owned assets in Tianjin City, to orderly carry out various projects and retain healthy growth of all businesses. In the face of numerous challenges and competition, the Group has been well prepared with strong financial position and has sufficient resources to develop our businesses. We are confident in the future of the Group.

LIQUIDITY AND CAPITAL RESOURCES ANALYSIS

As at 30 June 2012, the Group's total cash on hand and total bank borrowings stood at approximately HK\$3,795 million and approximately HK\$2,388 million respectively (31 December 2011: approximately HK\$3,763 million and approximately HK\$2,350 million respectively). The bank borrowings of approximately HK\$397.5 million (31 December 2011: approximately HK\$362.5 million) will mature within one year.

The gearing ratio as measured by total borrowings to shareholders' funds was at approximately 24% as at 30 June 2012 (31 December 2011: approximately 24%).

Of the total HK\$2,388 million bank borrowings outstanding as at 30 June 2012, HK\$1,990.5 million were subject to floating rates with a spread of 1.4% over HIBOR of relevant interest periods and RMB80 million (equivalent to approximately HK\$98 million) was calculated at the 10 basis points over benchmark rate of the People's Bank of China. The remaining RMB244 million (equivalent to approximately HK\$299.5 million) of bank borrowings were fixed-rate debts with annual interest rates at 5.31% to 7.54%.

As at 30 June 2012, 83% (31 December 2011: 85%) of the Group's total bank borrowings was denominated in HK dollars, 17% (31 December 2011: 15%) was denominated in Renminbi.

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

EMPLOYEES AND REMUNERATION POLICIES

During the period under review, the Group had a total of approximately 1,000 employees, of whom approximately 190 were management personnel and 400 were technical staff, with the balance being production workers.

The Group contributes to an employee pension scheme established by the PRC Government which undertakes to assume the retirement benefit obligations of all existing and future retired employees of the Group in the PRC. The Group also contributes to a mandatory provident fund scheme for all its Hong Kong employees. The contributions are based on a fixed percentage of the members' salaries.

CHARGE ON ASSETS

As at 30 June 2012, a restricted bank balance of approximately HK\$7.7 million was pledged against notes payable of approximately HK\$25.8 million.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2012 (30 June 2011: Nil).

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares during the six months ended 30 June 2012.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES AND CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions as set out in the Code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code (the “New CG Code”) (effective from 1 April 2012) 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 2012, except for the deviation from code provision D.1.4 of the New CG Code, which stipulates that there should be formal letters of appointment for directors setting out the key terms and conditions of their appointment.

At present, executive directors of the Company (save for the Chairman of the Board, who has a service agreement with the Company) do not have formal letters of appointment but are subject to retirement by rotation at least once every three years in accordance with the articles of association of the Company. Nevertheless, the Board gives clear directions to the directors at the time of delegation, in particular, to the matters that must be approved by the Board before making decisions or entering into any commitments on behalf of the Company. Moreover, directors are required to comply with all applicable laws and regulations as well as the Company’s administration policies and procedures in performing their duties and responsibilities.

During the period under review, the Board has revised the terms of reference of the Board committees in order to align with the New CG Code. Corporate governance guidelines have been adopted pursuant to which the Board is directly responsible for performing the corporate governance duties.

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 2012.

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

REVIEW BY AUDIT COMMITTEE

At the request of the Audit Committee of the Company, the Group's independent auditor has carried out a review of the unaudited condensed consolidated financial statements in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. The Audit Committee had reviewed with management the accounting principles and practices adopted by the Group and discussed auditing and financial reporting matters including the review of unaudited condensed consolidated financial statements for the six months ended 30 June 2012.

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

Hong Kong, 30 August 2012

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

* *non-executive director*

** *independent non-executive director*