

Interim Report 2014



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*)
Mr. Zhang Wenli
Mr. Tuen Kong, Simon
Dr. Cui Di
Ms. Zhang Lili

Non-Executive Directors

Mr. Cheung Wing Yui, Edward
Dr. Chan Ching Har, Eliza

Independent Non-Executive Directors

Dr. Cheng Hon Kwan
Mr. Mak Kwai Wing, Alexander
Ms. Ng Yi Kum, Estella
Mr. Wong Shiu Hoi, Peter
Dr. Loke Yu

COMPANY SECRETARY

Mr. Tuen Kong, Simon

AUTHORISED REPRESENTATIVES

Mr. Zeng Xiaoping
Mr. Tuen Kong, Simon

INDEPENDENT AUDITOR

Deloitte Touche Tohmatsu

SOLICITOR

Woo, Kwan, Lee & Lo

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SHARE REGISTRAR AND TRANSFER OFFICE

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STOCK CODE

882.HK

PRINCIPAL BANKERS

China CITIC Bank International Limited
DBS Bank Ltd., Hong Kong Branch
Industrial and Commercial Bank of
China (Asia) Limited
Hang Seng Bank Limited
Credit Agricole Corporate and
Investment Bank

TIANJIN DEVELOPMENT HOLDINGS LIMITED

Utilities

Electricity
Water
Heat and Thermal Power

Hotel

Courtyard by Marriott Hong Kong

**Electrical and
Mechanical**

Hydraulic Presses
Hydroelectric Equipment

**Strategic and
Other Investments**

Tianjin Port (3382.HK)
Elevators and Escalators

Business Structure

UTILITIES

Company Name	Shareholding	Principal Activities
Tianjin TEDA Tsinlien Electric Power Co., Ltd.	94.36%	Distribution of electricity in TEDA
Tianjin TEDA Tsinlien Water Supply Co., Ltd.	91.41%	Distribution of water in TEDA
Tianjin TEDA Tsinlien Heat & Power Co., Ltd.	90.94%	Distribution of steam in TEDA

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

STRATEGIC AND OTHER INVESTMENTS

Company Name	Shareholding	Principal Activities
Tianjin Port Development Holdings Limited	21%	Provision of port services in Tianjin
Otis Elevator (China) Investment Company Limited	16.55%	Manufacture and sale of elevators and escalators

note: The above shareholding percentages represent effective equity interest in respective companies or group of companies.

Condensed Consolidated Statement of Profit or Loss

Six months ended 30 June			
		2014	2013
	Notes	HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Revenue	4	2,501,264	2,456,604
Cost of sales		(2,273,322)	(2,265,776)
Gross profit		227,942	190,828
Other income	5	134,620	180,941
Other gains, net	6	196,503	14,125
Selling expenses		(25,660)	(29,230)
General and administrative expenses		(296,907)	(268,267)
Other operating expenses		(31,083)	(38,217)
Finance costs		(29,853)	(29,875)
Share of profit (loss) of			
Associates		301,520	216,723
Joint ventures		(6,836)	357
Profit before tax		470,246	237,385
Tax expense	7	(22,688)	(27,662)
Profit for the period	9	447,558	209,723
Attributable to:			
Owners of the Company		410,114	201,685
Non-controlling interests		37,444	8,038
		447,558	209,723
Earnings per share	10	HK cents	HK cents
Basic		38.42	18.89
Diluted		38.09	18.72

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

			Six months ended 30 June	
			2014	2013
			HK\$'000	HK\$'000
			(unaudited)	(unaudited)
Note				
		Profit for the period	447,558	209,723
		Other comprehensive (expense) income		
		<i>Items that may be subsequently reclassified to profit or loss:</i>		
		Currency translation differences		
		– the Group	(32,310)	101,977
		– associates	(27,629)	53,833
		– joint ventures	(424)	298
		Change in fair value of available-for-sale financial assets	(2,481)	(27,291)
	14(a)	Share of other comprehensive expense of an associate		
		– available-for-sale financial assets revaluation reserve	(758)	(3,403)
		Reclassification upon disposal of an associate and deregistration of a subsidiary	(167,478)	–
		Other comprehensive (expense) income for the period	(231,080)	125,414
		Total comprehensive income for the period	216,478	335,137
		Attributable to:		
		Owners of the Company	183,020	312,396
		Non-controlling interests	33,458	22,741
			216,478	335,137

Condensed Consolidated Statement of Financial Position

		30 June 2014	31 December 2013
		HK\$'000	HK\$'000
	Notes	(unaudited)	(audited)
ASSETS			
Non-current assets			
Property, plant and equipment	12	2,321,434	2,194,969
Land use rights	12	239,181	160,703
Investment properties	12	200,183	201,197
Interests in associates	13	4,827,167	5,179,873
Interests in joint ventures		76,897	84,157
Intangible assets		223,844	232,046
Deferred tax assets		99,997	100,077
Available-for-sale financial assets	14	248,613	251,172
Goodwill	15	111,201	163,032
		8,348,517	8,567,226
Current assets			
Inventories		155,866	130,010
Amounts due from joint ventures		14,732	14,794
Amount due from ultimate holding company		547	353
Amounts due from related companies		41,520	41,048
Amounts due from customers for contract work		711,670	762,038
Trade receivables	16	808,162	674,829
Notes receivables	16	33,517	18,957
Other receivables, deposits and prepayments	16	414,953	455,403
Financial assets at fair value through profit or loss	17	197,323	654,731
Entrusted deposits	18	2,257,789	1,486,872
Restricted bank balances		271,687	212,250
Time deposits with maturity over three months		182,483	98,233
Cash and cash equivalents		5,067,457	4,489,915
		10,157,706	9,039,433
Total assets		18,506,223	17,606,659

Condensed Consolidated Statement of Financial Position

		30 June 2014	31 December 2013
	Notes	HK\$'000	HK\$'000
		(unaudited)	(audited)
EQUITY			
Owners of the Company			
Share capital	19	5,111,234	106,747
Reserves	19	6,028,146	10,920,006
		11,139,380	11,026,753
Non-controlling interests		809,911	777,787
Total equity		11,949,291	11,804,540
LIABILITIES			
Non-current liabilities			
Bank borrowings	20	2,525,350	—
Deferred tax liabilities		46,609	46,845
		2,571,959	46,845
Current liabilities			
Trade payables	21	929,415	931,473
Notes payables	21	352,954	356,996
Other payables and accruals		1,577,150	1,486,805
Amounts due to related companies		678,902	573,094
Amounts due to customers for contract work		159,786	153,792
Bank borrowings	20	176,321	2,145,068
Current tax liabilities		110,445	108,046
		3,984,973	5,755,274
Total liabilities		6,556,932	5,802,119
Total equity and liabilities		18,506,223	17,606,659
Net current assets		6,172,733	3,284,159
Total assets less current liabilities		14,521,250	11,851,385

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 2013 (audited)	106,747	7,416,974	2,532,213	10,055,934	849,854	10,905,788
Profit for the period	—	—	201,685	201,685	8,038	209,723
Other comprehensive income for the period	—	110,711	—	110,711	14,703	125,414
Total comprehensive income for the period	—	110,711	201,685	312,396	22,741	335,137
Capital contribution by non-controlling interests	—	—	—	—	24,873	24,873
Payment to a non-controlling shareholder in advance of deregistration	—	—	—	—	(62,735)	(62,735)
Dividend	—	—	—	—	(1,150)	(1,150)
Transfer between reserves	—	12,338	(12,338)	—	—	—
Transfer upon lapse of share options	—	(561)	561	—	—	—
	—	11,777	(11,777)	—	(39,012)	(39,012)
At 30 June 2013 (unaudited)	106,747	7,539,462	2,722,121	10,368,330	833,583	11,201,913
At 1 January 2014 (audited)	106,747	7,748,225	3,171,781	11,026,753	777,787	11,804,540
Profit for the period	—	—	410,114	410,114	37,444	447,558
Other comprehensive expense for the period	—	(227,094)	—	(227,094)	(3,986)	(231,080)
Total comprehensive (expense) income for the period	—	(227,094)	410,114	183,020	33,458	216,478
Transfer upon abolition of par value under the new Hong Kong Companies Ordinance (Note 19)	5,004,487	(5,004,487)	—	—	—	—
Dividends	—	—	(70,773)	(70,773)	(1,334)	(72,107)
Transfer between reserves	—	7,269	(7,269)	—	—	—
Transfer upon lapse of share options	—	(6,650)	6,650	—	—	—
Transfer upon disposal of an associate	—	(6,390)	6,390	—	—	—
Share-based payments of an associate	—	380	—	380	—	380
	5,004,487	(5,009,878)	(65,002)	(70,393)	(1,334)	(71,727)
At 30 June 2014 (unaudited)	5,111,234	2,511,253	3,516,893	11,139,380	809,911	11,949,291

Condensed Consolidated Statement of Cash Flows

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net cash from operating activities	251,009	141,209
Net cash used in investing activities	(353,675)	(434,508)
Net cash from (used in) financing activities	691,889	(13,656)
Net increase (decrease) in cash and cash equivalents	589,223	(306,955)
Cash and cash equivalents at 1 January	4,489,915	3,864,901
Effect of foreign exchange rate changes	(11,681)	47,407
Cash and cash equivalents at 30 June	5,067,457	3,605,353
Analysis:		
Cash and cash equivalents	5,067,457	3,603,658
Cash and cash equivalents classified as assets held for sale	—	1,695
	5,067,457	3,605,353

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”).

2. SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2014 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2013, except that the Group has applied, for the first time, a new interpretation and certain amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are mandatorily effective for the current period. However, such application of new interpretation and 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. 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 2013, 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 2014 (the "Interim Accrual") based on management's assessment of the current governmental, fiscal and economic policies in the Tianjin Economic and Technological Development Area (the "TEDA") and with reference to the Group's operating results in this segment. While the directors are of the opinion that the Interim Accrual is reasonable and the best estimate of the Group's entitlement after taking all relevant factors into account, it may be different from the actual amount that will be finally determined and agreed with the TEDA Finance Bureau and subsequent adjustment may be necessary.

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 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) Hotel

This segment derives revenue from operation of a hotel in Hong Kong. The Group has disposed of its hotel property in Tianjin in August 2013.

(c) Electrical and mechanical

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

(d) Winery

As set out in Note 8, the Group has disposed of its listed associate, Dynasty Fine Wines Group Limited (“Dynasty”), in June 2014.

(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 2014

	Utilities (note (i)) HK\$'000	Hotel HK\$'000	Electrical and mechanical HK\$'000	Winery (note (ii)) HK\$'000	Port services HK\$'000	Elevators and escalators HK\$'000	Total HK\$'000
Segment revenue	1,954,119	58,361	488,784	—	—	—	2,501,264
Operating profit (loss) before interest	50,315	12,108	(27,584)	—	—	—	34,839
Interest income	7,634	6	11,693	—	—	—	19,333
Impairment loss on goodwill	—	—	(51,009)	—	—	—	(51,009)
Finance costs	—	—	(2,122)	—	—	—	(2,122)
Share of profit of associates	—	—	—	—	84,348	216,268	300,616
Profit (loss) before tax	57,949	12,114	(69,022)	—	84,348	216,268	301,657
Tax expense	(19,646)	—	(1,126)	—	—	—	(20,772)
Segment results							
— profit (loss) for the period	38,303	12,114	(70,148)	—	84,348	216,268	280,885
Non-controlling interests	(2,972)	—	11,916	—	—	(37,328)	(28,384)
Profit (loss) attributable to owners of the Company	35,331	12,114	(58,232)	—	84,348	178,940	252,501
Segment results — profit (loss) for the period includes:							
Depreciation and amortisation	60,661	8,373	29,960	—	—	—	98,994

Notes to the Condensed Consolidated Financial Statements

4. SEGMENT INFORMATION *(Continued)*

For the six months ended 30 June 2013

	Utilities (note (i)) HK\$'000	Hotel HK\$'000	Electrical and mechanical HK\$'000	Winery (note (ii)) HK\$'000	Port services HK\$'000	Elevators and escalators HK\$'000	Total HK\$'000
Segment revenue	1,929,307	56,974	470,323	—	—	—	2,456,604
Operating profit (loss) before interest	41,405	1,244	(48,613)	—	—	—	(5,964)
Interest income	20,118	11	5,396	—	—	—	25,525
Finance costs	(10,539)	—	(3,217)	—	—	—	(13,756)
Share of profit of associates	—	—	—	—	89,177	125,235	214,412
Profit (loss) before tax	50,984	1,255	(46,434)	—	89,177	125,235	220,217
Tax (expense) credit	(22,401)	1,344	(2,589)	—	—	—	(23,646)
Segment results							
— profit (loss) for the period	28,583	2,599	(49,023)	—	89,177	125,235	196,571
Non-controlling interests	48	3,352	6,937	—	—	(21,616)	(11,279)
Profit (loss) attributable to owners of the Company	28,631	5,951	(42,086)	—	89,177	103,619	185,292
Segment results — profit (loss) for the period includes:							
Depreciation and amortisation	31,070	14,273	31,056	—	—	—	76,399

Notes to the Condensed Consolidated Financial Statements

4. SEGMENT INFORMATION *(Continued)*

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Reconciliation of profit for the period		
Total reportable segments	280,885	196,571
Gain on disposal of an associate	235,368	—
Gain on deregistration of a subsidiary	2,324	—
Corporate and others (note (iii))	(71,019)	13,152
Profit for the period	447,558	209,723

notes:

- (i) Revenue from supply of electricity, water, and heat and thermal power amounted to approximately HK\$1,188,312,000, HK\$187,215,000 and HK\$578,592,000 respectively (30 June 2013: approximately HK\$1,124,473,000, HK\$184,795,000 and HK\$620,039,000 respectively).

The above revenue included accrued government supplemental income (i.e. the Interim Accrual) of approximately HK\$85,642,000 (30 June 2013: approximately HK\$137,975,000).

- (ii) As detailed in Note 13, in the absence of Dynasty's published financial information since its interim report for the six months ended 30 June 2012, the Group was not in a position to equity account for its share of results of Dynasty for the six months ended 30 June 2014 and 2013.

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

5. OTHER INCOME

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Interest income	106,107	128,993
Government grants	16,761	4,741
Rental income under operating leases, net of negligible outgoings	2,746	7,221
Reversal of receipt in advance from a customer	—	32,911
Sales of scrap materials	1,845	1,571
Sundries	7,161	5,504
	134,620	180,941

Notes to the Condensed Consolidated Financial Statements

6. OTHER GAINS, NET

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Gain on disposal of an associate (Note 8)	235,368	—
Gain on deregistration of a subsidiary	2,324	—
Impairment loss on goodwill (Note 15)	(51,009)	—
Net exchange gain	821	12,862
Net gain on disposal of property, plant and equipment	1,054	124
Net (loss) gain on financial assets held for trading		
— listed	(1,679)	(2,987)
— unlisted	9,624	4,126
	196,503	14,125

7. TAX EXPENSE

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Current taxation		
PRC Enterprise Income Tax ("EIT")	22,833	28,087
Deferred taxation	(145)	(425)
	22,688	27,662

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 2013: Nil).

The Group's PRC subsidiaries are subject to EIT at a rate of 25% except for two subsidiaries which are subject to preferential EIT rate at 15% for a period of 3 years starting from October 2011 as they are qualified as High and New Technology Enterprises.

Notes to the Condensed Consolidated Financial Statements

8. GAIN ON DISPOSAL OF AN ASSOCIATE

On 5 May 2014, the Company entered into a sale and purchase agreement with Tsinlien Group Company Limited ("Tsinlien"), the ultimate holding company of the Company, pursuant to which, the Company had conditionally agreed to sell the entire equity interest of Famous Ever Group Limited ("Famous Ever"), a wholly-owned subsidiary of the Company, to Tsinlien at a cash consideration of HK\$890,000,000 (the "Disposal"). The sole asset of significance of Famous Ever is the holding of 558,000,000 ordinary shares of Dynasty, representing approximately 44.7% equity interest in Dynasty. The Disposal was completed on 25 June 2014 (the "Disposal Date") and Dynasty ceased to be an associate of the Group. The gain on the Disposal is analysed as follows:

	HK\$'000
Cash consideration received	890,000
Analysis of asset over which control was lost:	
Interest in an associate	786,780
Gain on disposal:	
Consideration received	890,000
Asset disposed of	(786,780)
Cumulative exchange differences in respect of the net assets of Famous Ever reclassified from equity to profit or loss on loss of control	163,300
	266,520
Less: transaction costs	(31,152)
Gain on disposal	235,368
Net cash inflow arising on disposal:	
Cash consideration received	890,000
Less: transaction costs paid	(1,083)
	888,917

Notes to the Condensed Consolidated Financial Statements

9. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Profit for the period is arrived at after charging (crediting):		
Employees' benefits expense (including directors' emoluments)	285,972	247,130
Cost of inventories recognised as an expense	1,595,589	1,815,347
Depreciation	98,289	70,953
Amortisation of land use rights	1,805	5,924
Amortisation of intangible assets	7,033	7,069
(Reversal of) allowance for impairment of trade receivables	(1,626)	14
Operating lease expense on		
— plants, pipelines and networks	78,156	79,777
— land and buildings	5,799	4,332
Provision for impairment of machine construction contracts	—	120
Research and development costs		
— charged to cost of sales	—	20,060
— charged to other operating expenses	17,269	20,686

Notes to the Condensed Consolidated Financial Statements

10. 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	
	2014	2013
	HK\$'000	HK\$'000
Profit attributable to owners of the Company for the purposes of basic and diluted earnings per share	410,114	201,685
Number of shares	Thousand	Thousand
Number of ordinary shares for the purpose of basic earnings per share	1,067,470	1,067,470
Effect of dilutive potential ordinary shares: Share options	9,307	9,980
Number of ordinary shares taking into account the share options for the purpose of diluted earnings per share	1,076,777	1,077,450

11. DIVIDENDS

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Dividends recognised as distribution during the period:		
Final dividend declared for the year ended 31 December 2013 had been paid on 14 July 2014		
— HK6.63 cents per share	70,773	—

Subsequent to the end of the current reporting period, the board of directors has declared an interim dividend of HK4.20 cents (30 June 2013: Nil) per share, amounting to approximately HK\$44,834,000 (30 June 2013: Nil) in total, to the owners of the Company whose names appear on the Company's register of members on 26 September 2014.

Notes to the Condensed Consolidated Financial Statements

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

During the current period, the Group acquired property, plant and equipment and land use rights of approximately HK\$316,077,000 (30 June 2013: approximately HK\$77,337,000) for the purpose of expanding its business.

In addition, neither acquisition nor disposal of investment properties was carried out by the Group during the current period (30 June 2013: 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 the same location and condition. On this basis, the directors have determined that there was no material change in fair value of investment properties of the Group for the current period (30 June 2013: Nil).

13. INTERESTS IN ASSOCIATES

	30 June 2014 HK\$'000	31 December 2013 HK\$'000
The Group's interests in associates		
Listed shares in Hong Kong		
– Dynasty (note)	–	786,780
– Tianjin Port	3,594,201	3,533,530
Unlisted shares in the PRC		
– Otis China	1,090,091	843,456
– Others	142,875	16,107
	4,827,167	5,179,873
Market value of listed shares		
Dynasty	N/A	N/A
Tianjin Port	1,577,680	1,719,929

Interests in associates at the end of the current reporting period included goodwill of approximately HK\$1,120,729,000 (31 December 2013: approximately HK\$1,120,729,000).

Notes to the Condensed Consolidated Financial Statements

13. INTERESTS IN ASSOCIATES *(Continued)*

note: As set out in Note 8, Dynasty has ceased to be an associate of the Group upon the completion of the Disposal. As described in the respective interim and annual reports of the Group in 2013, trading in the shares of Dynasty has been suspended since 22 March 2013 as per its announcement published on the same date. As set out in the subsequent announcements published by Dynasty, the internal investigation conducted on certain transactions of Dynasty is not yet completed and as a result, Dynasty has not published any financial information since its interim report for the six months ended 30 June 2012.

Accordingly, for the preparation of:

- (a) these condensed consolidated financial statements for the six months ended 30 June 2014, the Group was not in a position to equity account for its share of results of Dynasty and share of net assets of Dynasty up to the Disposal Date; and
- (b) the condensed consolidated financial statements for the six months ended 30 June 2013 and the consolidated financial statements for the year ended 31 December 2013, the Group was not in a position to (i) equity account for its share of results of Dynasty and share of net assets of Dynasty; and (ii) assess whether any impairment of its interest in Dynasty was necessary.

14. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	notes	30 June 2014 HK\$'000	31 December 2013 HK\$'000
Equity securities			
Listed, at market value	(a)	233,209	235,690
Unlisted	(b)	15,404	15,482
		248,613	251,172

Notes to the Condensed Consolidated Financial Statements

14. AVAILABLE-FOR-SALE FINANCIAL ASSETS *(Continued)*

notes:

- (a) The listed securities represent the Group's 5.34% equity interest in Binhai Investment Company Limited ("Binhai Investment") which has been transferred to and listed on the Main Board from the Growth Enterprise Market of the Stock Exchange since 11 February 2014.

As at 30 June 2014, the market value of the Group's equity interest in Binhai Investment was approximately HK\$233,209,000 (31 December 2013: approximately HK\$235,690,000) and the unrealised fair value loss of approximately HK\$2,481,000 (30 June 2013: approximately HK\$27,291,000) was recognised in other comprehensive income.

On 25 July 2013, the Group entered into a stock borrowing agreement ("Agreement") with TEDA Hong Kong Property Company Limited ("TEDA HK"), the controlling shareholder of Binhai Investment, to facilitate the issuance of convertible bonds by Binhai Investment. Under the Agreement, the Group agreed to lend its entire shareholding of Binhai Investment in order to allow TEDA HK to use the shares and the voting rights thereto during the term of the Agreement and such shares would be returned to the Group on or before 31 December 2014. During the term of the Agreement, TEDA HK will pay to the Group any income or entitlements in respect of the shares.

- (b) The unlisted available-for-sale financial assets are principally equity investments in entities established and operated in the PRC. They are mainly denominated in Renminbi and carried at cost.

15. GOODWILL

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

During the current period, the management performed an assessment on the recoverable amount of this group of CGUs given there were impairment indicators. As at 30 June 2014, the recoverable amount of this group of CGUs was determined from value in use calculation. The calculation uses cash flow projections based on the most recent financial budgets approved by management for the coming 5 years and using discount rates ranging from 11% to 12%. The cash flows beyond the budget years are extrapolated using a steady 3% growth rate. Another key assumption for the value in use calculation relates to the estimation of cash inflows which include budgeted sales and gross margins. Such estimation is based on the CGUs' past performance and management's expectations of the market development. As a result, the Group recognised an impairment loss on goodwill of approximately HK\$51,009,000 in the current period (30 June 2013: Nil) based on recent assessment.

Notes to the Condensed Consolidated Financial Statements

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

	notes	30 June 2014 HK\$'000	31 December 2013 HK\$'000
Trade receivables — gross	(a)	938,373	807,334
Less: allowance for impairment		(130,211)	(132,505)
Trade receivables — net		808,162	674,829
Notes receivables		33,517	18,957
	(b)	841,679	693,786
Other receivables, deposits and prepayments:			
Consideration receivable for disposal of a subsidiary	(c)	37,783	37,975
Entrusted loan	(d)	25,189	25,316
Compensation receivable		97,551	148,678
Others		254,430	243,434
		414,953	455,403

notes:

- (a) Various group companies have different credit policies which are dependent on the practice of the markets and the businesses in which they operate. In general, credit periods of (i) 30 to 180 days are granted to corporate customers of the Group's hotel business; and (ii) 90 to 180 days are granted to customers in the electrical and mechanical segment. No credit terms are granted to customers in the utilities segment.

As at 30 June 2014, the government supplemental income receivable from the TEDA Finance Bureau was approximately HK\$44,081,000 (31 December 2013: Nil) which included the accrued government supplemental income as referred to in Note 4(i). The government supplemental income receivable does not have credit terms and the amount is 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.

Notes to the Condensed Consolidated Financial Statements

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

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

	30 June	31 December
	2014	2013
	HK\$'000	HK\$'000
Within 30 days	413,130	342,037
31 to 90 days	86,515	52,416
91 to 180 days	130,443	58,707
181 to 365 days	62,579	105,629
Over 1 year (note (e))	149,012	134,997
	841,679	693,786

(c) The amount represents the consideration receivable from the disposal of a subsidiary in prior years and it is expected to be settled within one year.

(d) The amount represents an entrusted loan to a government-related borrower in the PRC through a PRC financial institution. The amount is repayable within one year and carrying interest at a fixed rate of 6% (31 December 2013: 6%) per annum.

(e) The amount includes retentions held by customers for contract work of approximately HK\$116,115,000 (31 December 2013: approximately HK\$102,376,000).

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June	31 December
	2014	2013
	HK\$'000	HK\$'000
Investments held for trading		
Listed shares in Hong Kong	5,359	5,359
Listed shares in the PRC	19,649	7,443
Unlisted funds in the PRC	172,315	591,420
Unlisted bonds in the PRC	—	50,509
	197,323	654,731

During the current period, the Group had net cash inflow from investments held for trading of approximately HK\$452,321,000 (30 June 2013: approximately HK\$330,128,000).

Notes to the Condensed Consolidated Financial Statements

18. ENTRUSTED DEPOSITS

During the period under review, the Group placed in, and withdrew from, three financial institutions based in Tianjin, PRC entrusted deposits of approximately HK\$2,248,000,000 and HK\$1,477,000,000 respectively (30 June 2013: approximately HK\$2,205,000,000 and HK\$2,175,000,000 respectively). The deposits with maturity from 1 to 15 months (31 December 2013: 1 to 21 months) after the end of the reporting period carried fixed rates of return ranging from 5.5% to 8.7% (31 December 2013: 4.7% to 9.0%) per annum.

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

19. SHARE CAPITAL AND RESERVES

Under the Hong Kong Companies Ordinance (Chapter 622), with effect from 3 March 2014, the concept of authorised share capital no longer exists and the Company's shares no longer have a par value. As such, the share premium account of the Company amounted to approximately HK\$5,004,487,000 was transferred to, and became part of, the share capital of the Company accordingly. There is no impact on the number of shares in issue or the relative entitlements of any of the shareholders as a result of this transition.

20. BANK BORROWINGS

During the current period, the Group obtained new bank borrowings of approximately HK\$2,587,783,000 (30 June 2013: approximately HK\$63,291,000) and repaid bank borrowings of approximately HK\$2,006,297,000 (30 June 2013: approximately HK\$218,798,000).

At the end of the reporting period, the bank borrowings carried effective interest rates ranging from 1.24% to 3.2% (31 December 2013: 1.71% to 3.36%) per annum.

21. TRADE PAYABLES AND NOTES PAYABLES

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

	30 June 2014 HK\$'000	31 December 2013 HK\$'000
Within 30 days	383,758	310,269
31 to 90 days	249,125	283,766
91 to 180 days	214,860	464,031
Over 180 days	434,626	230,403
	1,282,369	1,288,469

Notes to the Condensed Consolidated Financial Statements

22. CAPITAL COMMITMENTS

	30 June 2014 HK\$'000	31 December 2013 HK\$'000
Authorised but not contracted for in respect of		
– Property, plant and equipment	1,184,357	959,000
Contracted but not provided for in respect of		
– Property, plant and equipment	476,729	296,030
– Investment in an associate	125,945	–
	602,674	296,030

23. 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

23. 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		Fair value hierarchy	Valuation technique(s) and key inputs
	30 June 2014	31 December 2013		
	HK\$'000	HK\$'000		
Available-for-sale financial assets				
— listed equity securities	233,209	235,690	Level 1	Quoted bid price in an active market
Financial assets at fair value through profit or loss				
— listed equity securities	25,008	12,802	Level 1	Quoted bid price in an active market
— unlisted funds	172,315	591,420	Level 2	Redemption value quoted by the relevant investment trust with reference to the underlying assets (mainly listed securities) of the trust
— unlisted bonds	—	50,509	Level 2	Discounted cash flow Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties

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 to their fair values.

Notes to the Condensed Consolidated Financial Statements

23. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

(Continued)

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. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. Management of the Group works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. 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.

24. RELATED PARTY DISCLOSURES

The Group is controlled by Tsinlien, which owns approximately 63.07% (31 December 2013: approximately 62.56%) of the Company's shares as at 30 June 2014. The remaining 36.93% (31 December 2013: 37.44%) of the Company's shares are widely held.

Tsinlien is a state-owned enterprise and is 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.

Notes to the Condensed Consolidated Financial Statements

24. RELATED PARTY DISCLOSURES *(Continued)*

During the current 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 mainly include majority of its deposits in financial institutions and the corresponding interest income and part of sales and purchases of goods and services (such as purchase of utilities including electricity and water which constituted the majority of the Group's purchases). The price and other terms of such transactions are set out in the agreements governing these transactions or as mutually agreed, as appropriate.

Apart from the above-mentioned transactions with the government-related entities and the related party transactions and balances set out elsewhere in these condensed consolidated financial statements, the following is a summary of the significant related party transactions and balances arising in the normal course of the Group's business:

(a) Related party transactions

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

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Operating lease expenses for land	1,013	862
Operating lease expenses for plant, pipelines and networks	77,430	79,397
Purchase of materials	4,084	3,098
Purchase of steam for sale	457,822	528,448
Purchase of property, plant and equipment	6,694	—

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

Notes to the Condensed Consolidated Financial Statements

24. RELATED PARTY DISCLOSURES *(Continued)*

(a) Related party transactions *(Continued)*

(ii) Key management compensation

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Fees	1,272	1,272
Salaries and other emoluments	6,997	5,212
	8,269	6,484

(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 operating in the Tianjin Economic and Technological Development Area ("TEDA") through supplying electricity, water, heat and thermal power to industrial, commercial and residential customers.

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

Electricity

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

For the six months ended 30 June 2014, revenue from the Electricity Company was approximately HK\$1,188.3 million which was 5.7% higher than the same period last year. Profit increased by 4% to approximately HK\$15.8 million. This was primarily due to the improvement in operating margins as a result of the increase in electricity tariff. The total quantity of electricity sold for the period was approximately 1,277,359,000 kWh, representing an increase of 0.4% over the same period last year.

Water

Tianjin TEDA Tsinlien Water Supply Co., Ltd. ("Water Company") is principally engaged in supply of tap water in TEDA. It is also engaged in installation and maintenance of water pipes, technical consultancy, retail and wholesale of water pipes and related parts. The daily water supply capacity of the Water Company is approximately 425,000 tonnes.

For the period under review, the Water Company reported revenue of approximately HK\$187.2 million compared to HK\$184.8 million in the same period last year. Loss was reduced to approximately HK\$9 million, a 22% improvement from HK\$11.5 million in the corresponding period last year. The reduction in loss was a result of improved operating margins, driven by tariff adjustments and rising demand. The total quantity of water sold for the period was approximately 24,427,000 tonnes, representing an increase of 2.1% over the same period last year.

Management Discussion and Analysis

Heat and Thermal Power

Tianjin TEDA Tsinlien Heat & Power Co., Ltd. ("Heat & Power Company") is principally engaged in distribution of steam and heat for industrial, commercial and residential customers within TEDA.

The Heat & Power Company has steam transmission pipelines of approximately 360 kilometres and more than 105 processing stations in TEDA. The daily distribution capacity is approximately 30,000 tonnes of steam.

For the period under review, the Heat & Power Company reported revenue of approximately HK\$578.6 million, representing a decrease of 6.7% and achieved a 27% growth in profit to approximately HK\$31.5 million from HK\$24.8 million in the same period last year. The increase in profit was mainly due to a decrease in finance costs as bank borrowings decreased compared to the corresponding period last year. The total quantity of steam sold for the period was approximately 2,028,000 tonnes, representing a decline of 11.7% over the same period last year.

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 2014, revenue from Courtyard Hotel increased by 3.2% to approximately HK\$58.4 million. Profit was approximately HK\$12.1 million represented an increase of 6.2% from the corresponding period last year. The average occupancy rate improved to 86% from 84.5% of same period last year, and the room rate was also elevated.

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 2014, electrical and mechanical segment reported revenue of approximately HK\$488.8 million represented an increase of 3.9% and recorded a loss of approximately HK\$70.1 million. Excluding the impairment loss on goodwill, loss would have been approximately HK\$19.1 million, a 61% reduction from a loss of HK\$49 million for the same period last year. The operating loss was primarily attributable to the lower level of activities in hydroelectric industry and the lower operating margins on contract work completed during the period.

Management Discussion and Analysis

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 42% to approximately HK\$14,100 million and profit attributable to owners of Tianjin Port was approximately HK\$401.7 million, representing a decrease of 5.4% over the same period last year.

Tianjin Port contributed to the Group a profit of approximately HK\$84.3 million, representing a decrease of 5.4% compared to the corresponding period last year.

Elevators and Escalators

During the period under review, the revenue of Otis Elevator (China) Investment Company Limited (“Otis China”) amounted to approximately HK\$9,868.6 million, representing an increase of 15.7% over the same period last year.

Otis China contributed to the Group a profit (after non-controlling interests) of approximately HK\$178.9 million, representing an increase of 72.7% over the same period in 2013.

Investment in Binhai Investment Company Limited

During the period under review, the Group had 5.34% interest in Binhai Investment Company Limited (“Binhai Investment”) (stock code: 2886). As at 30 June 2014, the market value of the Group’s interest in Binhai Investment was approximately HK\$233.2 million (31 December 2013: approximately HK\$235.7 million) and the unrealised fair value loss of approximately HK\$2.5 million was recognised in other comprehensive income.

On 25 July 2013, the Group entered into a stock borrowing agreement (“Agreement”) with TEDA Hong Kong Property Company Limited (“TEDA HK”), the controlling shareholder of Binhai Investment, to facilitate the issuance of convertible bonds by Binhai Investment. Under the Agreement, the Group has agreed to lend its entire shareholding of Binhai Investment in order to allow TEDA HK to use the shares and the voting rights thereto during the term of the Agreement and such shares would be returned to the Group on or before 31 December 2014. During the term of the Agreement, TEDA HK will pay to the Group any income or entitlements in respect of the shares.

Management Discussion and Analysis

Disposal of Investment in Dynasty Fine Wines Group Limited

On 5 May 2014, the Company had entered into a sale and purchase agreement with Tsinlien Group Company Limited, the ultimate holding company of the Company, for the disposal of its entire interest in Famous Ever Group Limited, which owns 44.7% interest in Dynasty Fine Wines Group Limited (stock code: 828), at a cash consideration of HK\$890 million. The disposal was completed on 25 June 2014 and the Group recognised a gain of approximately HK\$235 million. Details of the disposal were set out in the announcement and the circular of the Company dated 5 May 2014 and 27 May 2014 respectively.

PROSPECT

Although there are still economic uncertainties in the United States and Eurozone countries, the outlook of the global economy is expected to continue to improve steadily. The Chinese economy benefiting from the implementation of various reform measures will remain a stable pace of growth. In the second half of this year, the Company will continue to grow business and to accelerate integration with a view to maximise shareholders' value and to lay a solid foundation for long term sustainable development. Meanwhile, we will continue to stand by discipline in prudent financial management and maintain our financial strength. We feel optimistic and confident in future.

LIQUIDITY AND CAPITAL RESOURCES ANALYSIS

As at 30 June 2014, the Group's total cash on hand and total bank borrowings stood at HK\$5,521.6 million and HK\$2,701.7 million respectively (31 December 2013: HK\$4,800.4 million and HK\$2,145.1 million respectively). The bank borrowings of HK\$176.3 million (31 December 2013: HK\$2,145.1 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 2014 (31 December 2013: approximately 20%).

Of the total HK\$2,701.7 million bank borrowings outstanding as at 30 June 2014, HK\$2,525.4 million were subject to floating rates with a spread of 1.8% over HIBOR of relevant interest periods and HK\$37.8 million was calculated at 0.7% over LIBOR of relevant interest periods. RMB110 million (equivalent to approximately HK\$138.5 million) of bank borrowings were fixed-rate debts with annual interest rates at 3.12% to 5.13%.

As at 30 June 2014, 93% (31 December 2013: 93%) of the Group's total bank borrowings was denominated in Hong Kong dollar, 5% (31 December 2013: 7%) was denominated in Renminbi and 2% (31 December 2013: Nil) was denominated in US dollar.

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

Management Discussion and Analysis

EMPLOYEES AND REMUNERATION POLICIES

During the period under review, the Group had a total of approximately 2,700 employees of whom approximately 420 were management personnel and 840 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 its Hong Kong employees. The contributions are based on a fixed percentage of the members' salaries.

CHARGE ON ASSETS

As at 30 June 2014, a restricted bank balance of approximately HK\$271.7 million was pledged against notes payables of approximately HK\$352.9 million and secured the bank borrowings of approximately HK\$37.8 million.

DIRECTORS' INTERESTS IN SHARES

As at 30 June 2014, the interests or short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (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 for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

(i) Interests in the underlying shares of the Company

Name of director	Number of underlying shares held	Approximate percentage of total issued shares
Mr. Yu Rumin ^(note 3)	5,200,000	0.49%
Mr. Wu Xuemin ^(note 3)	10,600,000	0.99%
Mr. Dai Yan ^(note 4)	10,550,000	0.99%
Mr. Wang Zhiyong	8,600,000	0.81%
Mr. Zhang Wenli	1,600,000	0.15%
Mr. Tuen Kong, Simon	8,100,000	0.76%
Dr. Cui Di	2,900,000	0.27%
Mr. Cheung Wing Yui, Edward	1,100,000	0.10%
Dr. Chan Ching Har, Eliza	600,000	0.06%
Dr. Cheng Hon Kwan	1,100,000	0.10%
Mr. Mak Kwai Wing, Alexander	600,000	0.06%
Ms. Ng Yi Kum, Estella	600,000	0.06%
Mr. Wong Shiu Hoi, Peter	100,000	0.01%
Dr. Loke Yu	100,000	0.01%

notes:

- All interests are held in the capacity as a beneficial owner.
- All interests stated above represent long positions.
- Mr. Yu Rumin and Mr. Wu Xuemin resigned as directors of the Company with effect from 16 July 2014.
- Mr. Dai Yan resigned as director of the Company with effect from 30 June 2014.
- Details of the interests of directors in share options are set out in the paragraph headed "Share Option Scheme" in this section below.

Other Information

DIRECTORS' INTERESTS IN SHARES (Continued)

(ii) Interests in the underlying shares of associated corporations of the Company

Name of director	Name of associated corporation	Nature of interests	Capacity	Number of underlying shares held	Approximate percentage of total issued shares
Mr. Dai Yan ^(note)	Tianjin Port	Personal interest	Beneficial owner	1,650,000	0.03%

note:

Mr. Dai Yan resigned as director of Tianjin Port with effect from 30 June 2014.

Save as disclosed above, as at 30 June 2014, none of the directors or chief executive or their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

At the annual general meeting of the Company held on 25 May 2007, a share option scheme (the "Share Option Scheme") of the Company was approved by shareholders of the Company.

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

Date of grant	Exercise price per share HK\$	Number of share options						As at 30 June 2014	Exercise period
		As at 1 January 2014	During the period						
			Granted	Exercised	Lapsed	Cancelled			
Directors									
Yu Rumin ^(note 1)	19/12/2007	8,040	1,000,000	—	—	—	—	1,000,000	17/01/2008 – 24/05/2017
	16/12/2009	5,750	2,000,000	—	—	—	—	2,000,000	16/12/2009 – 24/05/2017
	07/11/2011	3,560	800,000	—	—	—	—	800,000	11/11/2011 – 24/05/2017
	19/12/2012	4,060	800,000	—	—	—	—	800,000	19/12/2012 – 24/05/2017
	20/12/2013	5,532	600,000	—	—	—	—	600,000	20/12/2013 – 24/05/2017
Wu Xuemin ^(note 1)	16/12/2009	5,750	1,800,000	—	—	—	—	1,800,000	16/12/2009 – 24/05/2017
	07/11/2011	3,560	3,200,000	—	—	—	—	3,200,000	11/11/2011 – 24/05/2017
	19/12/2012	4,060	3,200,000	—	—	—	—	3,200,000	19/12/2012 – 24/05/2017
	20/12/2013	5,532	2,400,000	—	—	—	—	2,400,000	20/12/2013 – 24/05/2017

SHARE OPTION SCHEME (Continued)

Date of grant	Exercise price per share HK\$	Number of share options						As at 30 June 2014	Exercise period
		As at 1 January 2014	During the period						
			Granted	Exercised	Lapsed	Cancelled			
Directors									
Dai Yan ^(note 2)	19/12/2007	8.040	900,000	–	–	–	–	900,000	17/01/2008 – 24/05/2017
	16/12/2009	5.750	1,400,000	–	–	–	–	1,400,000	16/12/2009 – 24/05/2017
	07/11/2011	3.560	3,000,000	–	–	–	–	3,000,000	11/11/2011 – 24/05/2017
	19/12/2012	4.060	3,000,000	–	–	–	–	3,000,000	19/12/2012 – 24/05/2017
	20/12/2013	5.532	2,250,000	–	–	–	–	2,250,000	20/12/2013 – 24/05/2017
Wang Zhiyong	16/12/2009	5.750	900,000	–	–	–	–	900,000	16/12/2009 – 24/05/2017
	07/11/2011	3.560	2,800,000	–	–	–	–	2,800,000	11/11/2011 – 24/05/2017
	19/12/2012	4.060	2,800,000	–	–	–	–	2,800,000	19/12/2012 – 24/05/2017
	20/12/2013	5.532	2,100,000	–	–	–	–	2,100,000	20/12/2013 – 24/05/2017
Zhang Wenli	19/12/2007	8.040	300,000	–	–	–	–	300,000	17/01/2008 – 24/05/2017
	16/12/2009	5.750	500,000	–	–	–	–	500,000	16/12/2009 – 24/05/2017
	07/11/2011	3.560	300,000	–	–	–	–	300,000	11/11/2011 – 24/05/2017
	19/12/2012	4.060	300,000	–	–	–	–	300,000	19/12/2012 – 24/05/2017
	20/12/2013	5.532	200,000	–	–	–	–	200,000	20/12/2013 – 24/05/2017
Tuen Kong, Simon	16/12/2009	5.750	900,000	–	–	–	–	900,000	16/12/2009 – 24/05/2017
	07/11/2011	3.560	2,600,000	–	–	–	–	2,600,000	11/11/2011 – 24/05/2017
	19/12/2012	4.060	2,600,000	–	–	–	–	2,600,000	19/12/2012 – 24/05/2017
	20/12/2013	5.532	2,000,000	–	–	–	–	2,000,000	20/12/2013 – 24/05/2017
Cui Di	07/11/2011	3.560	300,000	–	–	–	–	300,000	11/11/2011 – 24/05/2017
	19/12/2012	4.060	800,000	–	–	–	–	800,000	19/12/2012 – 24/05/2017
	20/12/2013	5.532	1,800,000	–	–	–	–	1,800,000	20/12/2013 – 24/05/2017
Cheung Wing Yui, Edward	19/12/2007	8.040	500,000	–	–	–	–	500,000	17/01/2008 – 24/05/2017
	16/12/2009	5.750	300,000	–	–	–	–	300,000	16/12/2009 – 24/05/2017
	07/11/2011	3.560	100,000	–	–	–	–	100,000	11/11/2011 – 24/05/2017
	19/12/2012	4.060	100,000	–	–	–	–	100,000	19/12/2012 – 24/05/2017
	20/12/2013	5.532	100,000	–	–	–	–	100,000	20/12/2013 – 24/05/2017
Chan Ching Har, Eliza	16/12/2009	5.750	300,000	–	–	–	–	300,000	16/12/2009 – 24/05/2017
	07/11/2011	3.560	100,000	–	–	–	–	100,000	11/11/2011 – 24/05/2017
	19/12/2012	4.060	100,000	–	–	–	–	100,000	19/12/2012 – 24/05/2017
	20/12/2013	5.532	100,000	–	–	–	–	100,000	20/12/2013 – 24/05/2017
Cheng Hon Kwan	19/12/2007	8.040	500,000	–	–	–	–	500,000	17/01/2008 – 24/05/2017
	16/12/2009	5.750	300,000	–	–	–	–	300,000	16/12/2009 – 24/05/2017
	07/11/2011	3.560	100,000	–	–	–	–	100,000	11/11/2011 – 24/05/2017
	19/12/2012	4.060	100,000	–	–	–	–	100,000	19/12/2012 – 24/05/2017
	20/12/2013	5.532	100,000	–	–	–	–	100,000	20/12/2013 – 24/05/2017
Mak Kwai Wing, Alexander	16/12/2009	5.750	300,000	–	–	–	–	300,000	16/12/2009 – 24/05/2017
	07/11/2011	3.560	100,000	–	–	–	–	100,000	11/11/2011 – 24/05/2017
	19/12/2012	4.060	100,000	–	–	–	–	100,000	19/12/2012 – 24/05/2017
	20/12/2013	5.532	100,000	–	–	–	–	100,000	20/12/2013 – 24/05/2017
Ng Yi Kum, Estella	03/12/2010	6.070	300,000	–	–	–	–	300,000	03/12/2010 – 24/05/2017
	07/11/2011	3.560	100,000	–	–	–	–	100,000	11/11/2011 – 24/05/2017
	19/12/2012	4.060	100,000	–	–	–	–	100,000	19/12/2012 – 24/05/2017
	20/12/2013	5.532	100,000	–	–	–	–	100,000	20/12/2013 – 24/05/2017
Wong Shiu Hoi, Peter	20/12/2013	5.532	100,000	–	–	–	–	100,000	20/12/2013 – 24/05/2017

Other Information

SHARE OPTION SCHEME (Continued)

Date of grant	Exercise price per share HK\$	Number of share options						As at 30 June 2014	Exercise period
		As at 1 January 2014	During the period						
			Granted	Exercised	Lapsed	Cancelled			
Directors									
Loke Yu	20/12/2013	5.532	100,000	–	–	–	–	100,000	20/12/2013 – 24/05/2017
Bai Zhisheng ^(note 3)	19/12/2007	8.040	300,000	–	–	300,000	–	–	17/01/2008 – 24/05/2017
	16/12/2009	5.750	500,000	–	–	500,000	–	–	16/12/2009 – 24/05/2017
	07/11/2011	3.560	300,000	–	–	300,000	–	–	11/11/2011 – 24/05/2017
	19/12/2012	4.060	300,000	–	–	300,000	–	–	19/12/2012 – 24/05/2017
	20/12/2013	5.532	200,000	–	–	200,000	–	–	20/12/2013 – 24/05/2017
Wang Weidong ^(note 4)	19/12/2012	4.060	2,800,000	–	–	2,800,000	–	–	19/12/2012 – 24/05/2017
Continuous contract employees ^(note 5)	07/11/2011	3.560	1,500,000	–	–	600,000	–	900,000	11/11/2011 – 24/05/2017
	19/12/2012	4.060	1,700,000	–	–	600,000	–	900,000	19/12/2012 – 24/05/2017
	20/12/2013	5.532	1,500,000	–	–	–	–	1,500,000	20/12/2013 – 24/05/2017
Total			60,850,000	–	–	5,800,000	–	55,050,000	

notes:

- The share options of Mr. Yu Rumin and Mr. Wu Xuemin will lapse on 16 October 2014 due to their resignation as directors of the Company on 16 July 2014.
- The share options of Mr. Dai Yan will lapse on 30 September 2014 due to his resignation as director of the Company on 30 June 2014.
- The share options of Mr. Bai Zhisheng lapsed on 30 April 2014 due to his resignation as director of the Company on 30 January 2014.
- The share options of Dr. Wang Weidong lapsed on 28 February 2014 due to his resignation as director of the Company on 30 November 2013.
- A total of 1,400,000 share options lapsed on 30 June 2014 due to the resignation of a continuous contract employee on 31 March 2014.
- No share options had been granted under the Share Option Scheme during the six months ended 30 June 2014.

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 2014, 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 or 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 Pharmaceutical Group Co., Ltd. (天津市醫藥集團有限公司) ("Tianjin Pharmaceutical")	1	Interest of controlled corporation	673,219,143 (L)	63.07%
		Interest of controlled corporation	2,824,335 (S)	0.26%
Tsinlien	2	Interest of controlled corporation	673,219,143 (L)	63.07%
		Interest of controlled corporation	2,824,335 (S)	0.26%

"L" denotes a long position in shares

"S" denotes a short position in shares

notes:

1. Tsinlien is a wholly-owned subsidiary of Tianjin Pharmaceutical. By virtue of the SFO, Tianjin Pharmaceutical is deemed to have an interest in the shares of the Company in which Tsinlien is interested.
2. As at 30 June 2014, Tsinlien directly held 22,420,000 shares of the Company and its wholly-owned subsidiaries, namely Tianjin Investment Holdings Limited ("Tianjin Investment"), Tsinlien Venture Capital Company Limited ("Tsinlien Venture Capital") and Tsinlien Investment Limited ("Tsinlien Investment") 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, Tsinlien Venture Capital and Tsinlien Investment are interested.
3. In April 2011, Bright North Limited, a wholly-owned subsidiary of Tsinlien, issued an aggregate of RMB1,638,000,000 US Dollar Settled 1.25% Guaranteed Exchangeable Bonds due 2016 guaranteed by Tsinlien and exchangeable into ordinary shares of the Company. Based on a corporate substantial shareholder notice, Tsinlien is deemed to have a short position of 2,824,335 shares of the Company as from 14 April 2014.

Save as disclosed above, as at 30 June 2014, the Company had not been notified by any person or corporation, other than the directors or chief executive of the Company, who had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

Other Information

CORPORATE GOVERNANCE

The Company has complied with the code provisions as set out in the Corporate Governance Code (the “CG 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 2014 except for the deviation from code provision A.6.7 of the CG Code, which stipulates that independent non-executive directors and other non-executive directors should attend general meetings and develop a balance understanding of the views of shareholders. Mr. Cheung Wing Yui, Edward, non-executive director of the Company, was unable to attend the extraordinary general meeting of the Company held on 16 June 2014 as he was not in Hong Kong at the time.

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 2014.

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 2013 annual report of the Company are as follows:

- (1) Mr. Yu Rumin has resigned as Chairman and executive director of Tianjin Port with effect from 27 March 2014 and resigned as Chairman and executive director, Chairman of nomination committee of the Company with effect from 16 July 2014.
- (2) Mr. Wu Xuemin has resigned as executive director and general manager, member of each of the nomination committee and the remuneration committee and ceased to be an authorised representative of the Company with effect from 16 July 2014.
- (3) Mr. Dai Yan has resigned as executive director of the Company and Tianjin Port and non-executive director of Binhai Investment with effect from 30 June 2014.

CHANGES IN DIRECTORS' INFORMATION *(Continued)*

- (4) Mr. Hao Feifei has resigned as executive director of the Company with effect from 16 July 2014.
- (5) Mr. Zeng Xiaoping has been appointed as Chairman and executive director, Chairman of the nomination committee, member of the remuneration committee and an authorised representative of the Company with effect from 16 July 2014.
- (6) Mr. Wang Zhiyong has been appointed as general manager and member of the nomination committee of the Company with effect from 16 July 2014.
- (7) Ms. Zhang Lili has been appointed as executive director of the Company with effect from 16 July 2014.
- (8) Dr. Cheng Hon Kwan has resigned as independent non-executive director of Wing Hang Bank, Limited (stock code: 302) with effect from 1 August 2014.
- (9) Mr. Wong Shiu Hoi, Peter has been appointed as independent non-executive director of Agile Property Holdings Limited (stock code: 3383) with effect from 27 June 2014.
- (10) Dr. Loke Yu has been appointed as independent non-executive director of Tianhe Chemicals Group Limited (stock code: 1619) and Wing Lee Holdings Limited (stock code: 876) with effect from 31 May 2014 and 20 June 2014 respectively.

REVIEW BY AUDIT COMMITTEE

At the request of the Audit Committee of the Company, the Group's independent auditor has carried out a review of the unaudited condensed consolidated financial statements in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. The Audit Committee had reviewed with management the accounting principles and practices adopted by the Group and discussed auditing and financial reporting matters including the review of unaudited condensed consolidated financial statements for the six months ended 30 June 2014.

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

- (1) On 18 February 2011, the Company entered into a facility agreement (the “Facility Agreement 2011”) with a syndicate of banks (the “Banks”) in respect of a HK\$2,000 million term loan facility (the “Facility”) for a period up to 60 months unless not extended by the Banks at the 36th month from the date of the Facility Agreement 2011.

Pursuant to the Facility Agreement 2011, 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 Banks may by notice to the Company (a) cancel the total commitments; (b) declare that the loan together with accrued interest, and all other amounts accrued or outstanding be immediately due and payable; and/or (c) declare that the loan be repayable on demand.

The Facility had been repaid in full on 30 January 2014.

- (2) On 10 December 2013, the Company entered into a facility agreement (the “Facility Agreement 2013”) with a syndicate of banks as lenders (the “Lenders”) in respect of a HK\$2,550 million term loan facility for a period up to 60 months unless not extended by the Lenders at the 36th month from the date of the 2013 Facility Agreement.

Pursuant to the Facility Agreement 2013, it will be an event of default, inter alia, if (i) the Tianjin Municipal People’s Government ceases to maintain a shareholding ownership directly or indirectly in the Company of more than 50%; or (ii) the Company ceases to be under the direct or indirect management control of Tsinlien.

If any of the abovementioned events of default occurs, the Lenders may by notice to the Company (a) cancel the total commitments or any part thereof; (b) declare that the loan or any part thereof together with accrued interest, and all other amounts accrued or outstanding be immediately due and payable; and/or (c) declare that the loan or any part thereof be payable on demand.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK4.20 cents per share for the six months ended 30 June 2014 (30 June 2013: Nil) to the shareholders whose names appear on the Company's register of members on 26 September 2014. The interim dividend will be paid on or about 27 October 2014.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 24 September 2014 (Wednesday) to 26 September 2014 (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 23 September 2014 (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 2014.

By Order of the Board

Zeng Xiaoping

Chairman

Hong Kong, 28 August 2014

Deloitte.

德勤

**TO THE BOARD OF DIRECTORS OF
TIANJIN DEVELOPMENT HOLDINGS LIMITED**

(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 31, which comprise the condensed consolidated statement of financial position as of 30 June 2014 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 months then ended, and certain explanatory notes. The Main Board Listing 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

Except as described in the Basis for Qualified Conclusion paragraphs, 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.

BASIS FOR QUALIFIED CONCLUSION

As set out in Note 8 to the condensed consolidated financial statements, on 25 June 2014 (the “Disposal Date”), the Group disposed of its entire 44.7% equity interest in a listed associate, Dynasty, to its ultimate holding company, Tsinlien, for a consideration of HK\$890 million (the “Disposal Consideration”), resulting in a gain recognised in profit or loss of approximately HK\$235 million (the “Disposal Gain”) for the six months ended 30 June 2014.

As further detailed in Note 13 to the condensed consolidated financial statements, Dynasty has not published any financial information since its interim report for the six months ended 30 June 2012 and trading of its shares has been suspended since 22 March 2013. For the six months ended 30 June 2013 and the year ended 31 December 2013, the Group was accordingly not in a position to equity account for its share of results of Dynasty and share of net assets of Dynasty as well as assess whether any impairment of its interest in Dynasty was necessary. Consequently, the Group was unable to fulfil the requirements of Hong Kong Accounting Standard 28 (as revised in 2011) “Investments in Associates and Joint Ventures” (“HKAS 28”) issued by the HKICPA, which requires the application of the equity method for accounting for investments in associates and an impairment assessment thereof. This caused us to qualify our review conclusion on the condensed consolidated financial statements for the six months ended 30 June 2013 and audit opinion on the consolidated financial statements for the year ended 31 December 2013.

Because of the circumstances of Dynasty mentioned above, in preparing the condensed consolidated financial statements for the six months ended 30 June 2014, the Group continued to be unable to fulfil the requirements of HKAS 28 and was not in a position to equity account for its share of results of Dynasty and share of net assets of Dynasty up to the Disposal Date. As a consequence we were unable to evaluate the carrying value of the Group’s interest in Dynasty at the Disposal Date and whether any adjustment to the Disposal Gain was necessary. Also, in the absence of an independent valuation and/or other relevant information, we were unable to determine whether the amount of the Disposal Consideration represented the fair value of the Group’s interest in Dynasty at the Disposal Date (the “Fair Value”). Any difference between the Fair Value and the Disposal Consideration should have been adjusted to the Disposal Gain recognised in profit or loss, with a corresponding adjustment to equity.

Report on Review of Condensed Consolidated Financial Statements

QUALIFIED CONCLUSION

Based on our review, with the exception of the matters described in the Basis for Qualified Conclusion paragraphs, 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

28 August 2014